



USAID
FROM THE AMERICAN PEOPLE

PERFORMANCE AND ACCOUNTABILITY REPORT FISCAL YEAR 2006



Transforming the World through Diplomacy and Development



(Cover Photo) USAID helps Pakistan recover from the giant earthquake of October 8, 2005. PHOTO: ONASIA/MASAKO IMAOKA



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*Transforming the World through
Diplomacy and Development*

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THIS REPORT IS AVAILABLE AT: WWW.USAID.GOV/POLICY/PAR06/

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A MESSAGE FROM THE ADMINISTRATOR

I am pleased to present the U.S. Agency for International Development's (USAID) *Performance and Accountability Report for Fiscal Year 2006* (PAR). This report comes at a time of transition for the Agency. Following Secretary Rice's announcement in January of the most significant restructuring of U.S. foreign assistance in decades, USAID is working to streamline processes in order to meet the challenges and opportunities of a new era in foreign assistance.

Recognizing the need for collaboration, the Department of State and USAID have been operating under a joint Strategic Plan for 2004-2009 that captures and articulates U.S. foreign policy objectives shared by both agencies. This report captures our performance against the objectives laid out in that plan. In the coming year, we will revise the Joint Strategic Plan to reflect the foreign assistance reforms underway. Doing so will provide the long-term strategic vision necessary to ensure that foreign policy priorities and assistance programs are fully aligned.

From the highest levels, this Administration has made and Congress has supported an enormous commitment to development and transformation. President Bush has made—and is keeping—that commitment. In fact, the total official development assistance (ODA) provided by the United States for 2005 came to \$27.6 billion—a near tripling of ODA since 2001.

But these vastly increased resources have also come with new responsibilities—to focus on performance, results, accountability—and ultimately, to define success as the ability of a nation to graduate from aid and become a full partner in international peace and prosperity. This is precisely what the Secretary has acknowledged in establishing the transformational diplomacy goal of “helping to build and sustain well-governed, democratic states that respond to the needs of their people and conduct themselves responsibly in the international system.”



*Ambassador Randall L. Tobias
Director of U.S. Foreign Assistance and Administrator
U.S. Agency for International Development*

This is now the overarching goal of all U.S. foreign assistance. From this point forward, all USAID and State Department foreign assistance funds will be planned, allocated, and measured against achieving this goal. Under the Secretary's leadership, the United States seeks to reform its organization, planning, and implementation of foreign assistance in order to achieve this goal.

A fundamental purpose of this reform is, in the end, to better ensure that we are providing both the necessary tools and the right incentives for host governments to secure the conditions necessary for their citizens to achieve their full human potential. We cannot provide those tools and incentives absent transparency and accountability. The report that follows provides—for the first time ever—a joint State-USAID performance section.

This is an important step upon which we will continue to build in order to honor our long-standing commitment to being effective and accountable stewards of taxpayer dollars.

Remarkably, the United States has never before had an integrated foreign assistance strategy. We have not had a consistent and comprehensive story to tell to our various stakeholders, including Congress and the American public. This new strategic approach will help us tell the story of what we are trying to accomplish, and provide the basis for evaluating our progress—not just within one agency, but across the U.S. government.

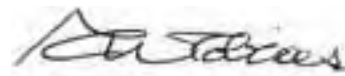
I believe USAID has a tremendous contribution to make in writing that story. The men and women of USAID have the experience and expertise that are crucial to meeting the unprecedented development challenges of this century—a time which sees the world at once ripe with democratic promise and menaced by global terrorism.

As evidenced by our continued commitment to addressing challenges—from the needs created by genocide in Sudan; to the toll taken by diseases like HIV/AIDS and malaria; to our work in rebuilding both physical and human capacity following conflict in Afghanistan, Iraq, and Lebanon—each of us who works at USAID is driven by the belief that peaceful societies, where healthy and well-educated people are free to provide for themselves and their families, are aspirations of human beings regardless of ethnicity, religion, or geographic location.

This core belief in human potential—and the understanding that the United States can and should play a role in helping people around the world strive for and achieve those

aspirations—is the cause that draws us together and drives us to perform. As we move forward on foreign assistance reform, I am confident that the Agency—and the entire U.S. government—will be in a better position to report on that performance.

I hereby certify that the financial and performance data in the FY 2006 PAR are reliable and complete, except for the inadequacies detailed within this report. A discussion of actions that USAID is taking to resolve these issues is also provided in this report. This PAR 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 (CFO) 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 (IG) as required by the Inspector General Act; and a report on our management and internal controls as required by the Federal Managers' Financial Integrity Act (FMFIA).



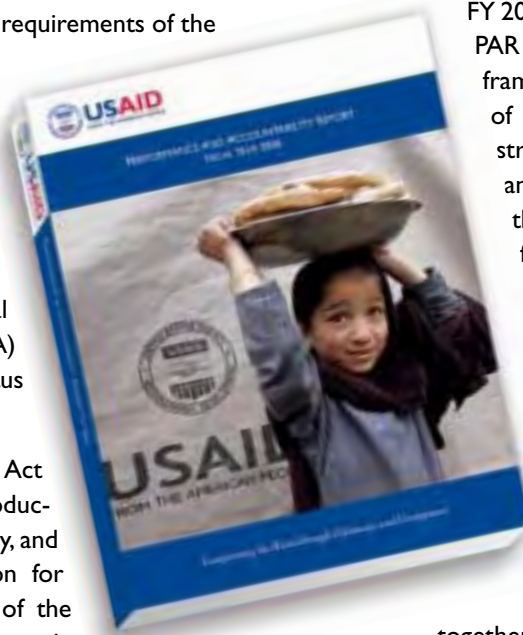
*Ambassador Randall L. Tobias
Director of U.S. Foreign Assistance and Administrator
U.S. Agency for International Development
November 15, 2006*

ABOUT THIS REPORT

PURPOSE OF REPORT

The U.S. Agency for International Development's (USAID) Performance and Accountability Report (PAR) for fiscal year (FY) 2006 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 – authorizes federal agencies to consolidate various reports in order to provide performance, financial, and related information in a more meaningful and useful format.



FY 2006 USAID PERFORMANCE AND ACCOUNTABILITY HIGHLIGHTS

For the fourth 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 2006 is the third year in which USAID's PAR reports against a strategic planning framework shared with the Department of State. This framework reflects the strategic objectives, strategic goals, and performance goals set forth in the Joint State-USAID Strategic Plan for FY 2004–2009. Consistent with the Joint Strategic Plan, this year's PAR includes a Joint State-USAID Performance Section. The Joint Performance Section clearly identifies those indicators that are managed by USAID, and the indicators managed by State are also included to provide a more complete picture of how the two agencies are working

together in support of common objectives and goals. Each indicator table in the Joint Performance Section shows the logo of the agency responsible for gathering, validating, and reporting the performance data for that indicator, as shown below:



USAID



Department of State

USAID and the Department of State are reporting separately on agency-specific resources invested to achieve performance and strategic goals.

Many of USAID's performance results for FY 2006 are preliminary because the Agency's final fiscal year data are typically not available until mid-to late December. This necessitates estimating performance results based on partial year data, a practice accepted by the Office of Management and Budget (OMB) for purposes of reporting in the PAR.

HOW THIS REPORT IS ORGANIZED

■ MESSAGE FROM THE USAID ADMINISTRATOR

The Administrator's message relates the Agency's accomplishments and priorities and provides an assessment of whether financial and performance data in the report is reliable and complete.

■ *Section 1: 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 brief analysis of performance goals, objectives and results; an overview of financial performance; a 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 requirements for Improper Payments Information Act (IPIA) reporting. The MD&A is supported and supplemented by detailed information contained in the Performance, Financial, and Other Accompanying Information (OAI) sections.

■ *Section 2: JOINT PERFORMANCE SECTION*

This year's Joint Performance Section, prepared together with the Department of State, captures performance data from both agencies that support shared goals and objectives. The section clearly distinguishes between USAID and Department of State indicators, and reports separately on agency-specific resources invested. The section contains the annual program performance information required by the GPRA, including a summary of programs assessed using OMB's Program Assessment Rating Tool (PART). Combined with the MD&A and Appendices, this PAR includes all of the required elements of an annual program performance report as specified in the OMB Circular A-11, Preparing, Submitting and Executing the Budget and Circular A-136, Financial Reporting Requirements.

■ *Section 3: FINANCIAL SECTION*

This section contains a message from the Chief Financial Officer (CFO) describing progress and challenges pertaining to the Agency's financial 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.

■ *Section 4: OTHER ACCOMPANYING INFORMATION (OAI)*

This section includes the IG's Statement on Significant Management and Performance Challenges along with the Agency's analysis and response, and additional detail regarding IPIA reporting.

■ APPENDICES

- Appendix A: Justifications for Excluded Indicators
- Appendix B: Abbreviations and Acronyms

MANAGEMENT'S DISCUSSION AND ANALYSIS





(Above) USAID-sponsored microlending improves lives in the post-war climate of Southern Sudan. A woman uses her small loan to start selling smoked fish at the market.

PHOTO: CHEMONICS/LAURA LARTIGUE

(Preceding page) In Afghanistan, USAID provides millions of textbooks and renovates or builds hundreds of schools, from primary through university.

PHOTO: USAID/BEN BARBER

MISSION ORGANIZATION AND STRUCTURE

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

The Foreign Assistance Act of 1961 effectively reorganized U.S. government foreign assistance programs, including the separation of military and non-military aid. The act placed primary emphasis on long-range economic and social development assistance efforts and mandated the creation of an agency to administer programs in support of these efforts. Two months after passage of the act, President John F. Kennedy established the U.S. Agency for International Development (USAID).

USAID unified pre-existing U.S. government assistance programs, 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).

USAID has undergone a number of restructurings over the years to improve its performance, but the foreign assistance reforms announced by Secretary of State Condoleezza Rice in January 2006 reflect major changes in the way that the Agency will plan and execute its programs. With implementation commencing in FY 2007, the reforms will more fully align foreign assistance activities carried out by USAID and the Department of State.

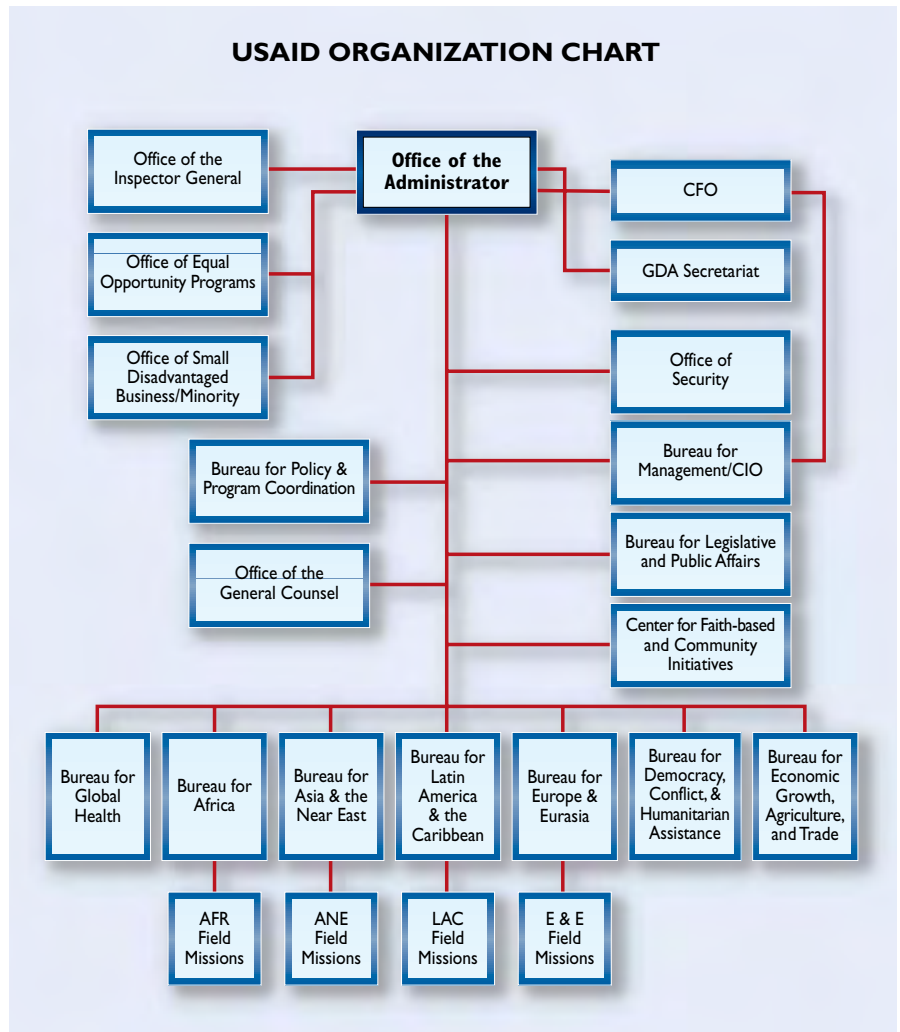
OUR ORGANIZATION

ORGANIZATIONAL STRUCTURE IN WASHINGTON, D.C.

As part of the foreign assistance reforms announced in January 2006, Secretary Rice created the Office of the Director of Foreign Assistance within the Department of State (State/F). The Director of this Office, Ambassador Randall L. Tobias, serves concurrently as the USAID Administrator. The Director of Foreign Assistance has authority over USAID and Department of State foreign assistance funding and programs, bringing together various bureaus and offices within the two agencies to participate in joint program planning, implementation, and oversight. To facilitate this consolidation of policies and procedures, staff from USAID's Bureau for Policy and Program Coordination (PPC) have been detailed to State/F.

USAID's 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.

Although additional restructuring at USAID headquarters may occur over time, USAID's mission is currently carried out through four regional bureaus in Washington: Africa (AFR), 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 functional (or pillar) bureaus that provide expertise in democracy and governance, conflict management and mitigation, humanitarian assistance, economic growth, trade opportunities, agricultural productivity and technology, and global health challenges, such as maternal and child health and HIV/AIDS.



ORGANIZATIONAL STRUCTURE OVERSEAS

USAID implements programs in 88 countries overseas and its organizational units are known as “field missions.” The U.S. Ambassador serves as the Chief of Mission for all U.S. government agencies in a given country and the USAID Director reports to the Ambassador. The USAID Director or Representative is responsible for USAID’s operations in a given country or region and also serves as a key member of the U.S. government’s “country team.” The Director or Representative is often called upon to stand in for the Ambassador or the Deputy Chief of Mission during their absences.

USAID missions operate under decentralized program authorities, allowing them to design and implement programs and negotiate and execute agreements. The Director of USAID’s Office of Acquisitions and Assistance issues warrants to field-based 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. Mission directors and principal officers are also delegated authority to:

- 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 agreements
- implement loan and credit programs.

Large USAID missions usually consist of nine to 15 U.S. direct-hire (USDH) employees (with a few very large missions having more than fifteen). These missions conduct USAID’s major programs worldwide, managing a program of four or more strategic goals on average.

Medium size missions (five to eight USDH) manage programs 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 16 to 22 USDH), also known as regional hubs, provide a variety of services. The hubs retain a team of legal advisors, contracting and project design officers, financial services managers, and sometimes technical officers to support small and medium-sized missions and non-presence countries which receive USAID funding. In countries without integrated strategies but where aid is necessary, regional missions work with non-governmental organizations (NGO) or other partner organizations to facilitate the emergence of civil society, help alleviate repression, meet basic human needs, mitigate conflict, and/or enhance food security. Regional missions may also have their own bilateral programs to manage.

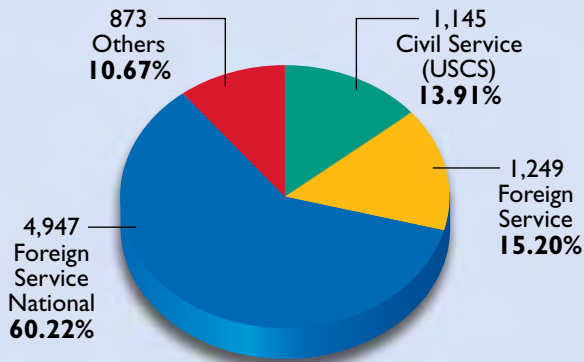
The field mission workforce is typically composed of three major categories of personnel: USDH employees (including program-funded foreign service limited [FSL] appointments), U.S. personal services contractors (USPSC), and foreign service nationals (FSN). USDHs are career foreign service employees assigned to missions for two to four-year tours. Program-funded FSLs are hired under a special authority granted by Congress to replace contracted personnel, such as USPSCs. 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 are recognized leaders and experts in their fields and 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. They are the backbone of USAID’s overseas workforce.

USAID also stations officers where opportunities exist to leverage policy and resources in support of high priority strategic issues; the Agency currently has officers stationed in Paris, Tokyo, Brussels, Geneva, and Rome.

USAID'S PEOPLE

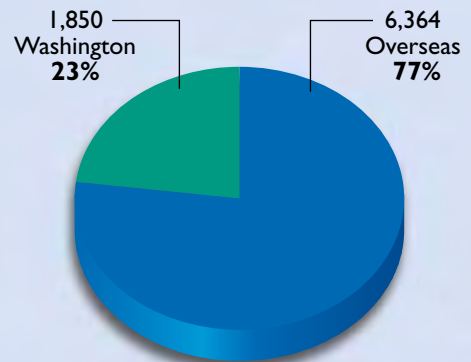
USAID's workforce consists of more than 8,200 employees in the foreign service and civil service, as well as FSNs and those in other categories, including employees detailed from other U.S. government agencies, personal service contractors, and Fellows. As the charts below indicate, Foreign Service Nationals make up over 60 percent of USAID's workforce. Approximately 77 percent of the total USAID workforce serves overseas.

**Workforce Composition:
Full-time Employees
as of March 31, 2006**



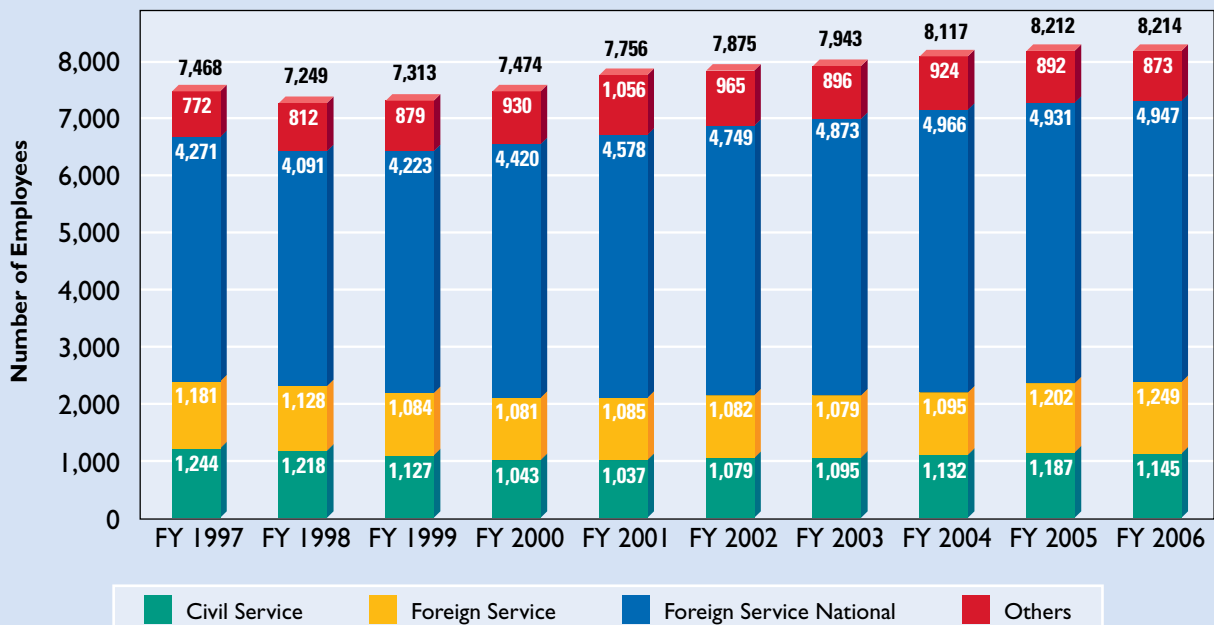
Total Full-time Employees: 8,214

**Workforce Location:
Full-time Employees
as of March 31, 2006**



Total Full-time Employees: 8,214

Summary of Full-time Permanent Employees



PERFORMANCE GOALS, OBJECTIVES, AND RESULTS

USAID AND DEPARTMENT OF STATE: JOINT STRATEGIC PLANNING AND REPORTING

Given the close coordination and complementary nature of USAID and the Department of State's foreign assistance programs, the agencies issued a Joint State-USAID Strategic Plan for FY 2004-2009¹. This plan included a planning framework with 12 strategic goals, focusing on policy, program, and management areas that reflect the agencies' highest priorities. USAID has focused its work around three of the four strategic objectives and eight of the 12 strategic goals that capture the breadth of its mission (see the Joint State-USAID Strategic Planning Framework on the next page). USAID either 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).

Consistent with the Joint State-USAID Strategic Plan, this year's PAR now includes a Joint State-USAID Performance Section. Although the Joint Performance Section clearly identifies those indicators that are managed by USAID, the indicators managed by the Department of State are also presented to provide a more complete picture of how the two agencies are working together in support of the three strategic objectives and eight strategic goals that they share. USAID and the Department of State are also reporting separately on agency-specific resources invested to achieve these performance and strategic goals.

Each indicator table in the Performance Section shows the logo of the agency responsible for gathering, reporting, and validating the performance data for that indicator, as shown below:



USAID



Department of State

1. This plan will be revised in FY 2007 to reflect the foreign assistance reforms announced by Secretary of State Rice in January 2006.

JOINT STATE-USAID STRATEGIC PLANNING FRAMEWORK



The FY 2004-2009 Joint State-USAID Strategic Plan can be found online at the following link:

- <http://www.state.gov/m/rm/rls/dosstrat/2004/>

STRATEGIC PLANNING FRAMEWORK QUICK REFERENCE GUIDE

Strategic Objective	Strategic Goals	Performance Goals
<p>Achieve Peace and Security</p>	<p>Regional Stability: Avert and resolve local and regional conflicts to preserve peace and minimize harm to the national interests of the United States.</p>	Close ties with allies and friends
	<p>Counterterrorism: Prevent attacks against the United States, its allies, and its friends; and strengthen alliances and international arrangements to defeat global terrorism.</p>	Resolution of regional conflicts
	<p>International Crime and Drugs: Minimize the impact of international crime and illegal drugs on the United States and its citizens.</p>	Active anti-terrorist coalitions (Department of State only)
	<p>International Crime and Drugs: Minimize the impact of international crime and illegal drugs on the United States and its citizens.</p>	Frozen terrorist financing (Department of State only)
	<p>International Crime and Drugs: Minimize the impact of international crime and illegal drugs on the United States and its citizens.</p>	Prevention and response to terrorism (Department of State only)
	<p>International Crime and Drugs: Minimize the impact of international crime and illegal drugs on the United States and its citizens.</p>	Stable conditions in fragile/failing states
	<p>International Crime and Drugs: Minimize the impact of international crime and illegal drugs on the United States and its citizens.</p>	Disruption of criminal organizations
	<p>International Crime and Drugs: Minimize the impact of international crime and illegal drugs on the United States and its citizens.</p>	Law enforcement and judicial systems
<p>Advance Sustainable Development and Global Interests</p>	<p>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.</p>	Democratic systems and practices
	<p>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.</p>	Universal human rights standards
	<p>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.</p>	Economic growth and development
	<p>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.</p>	Trade and investment
	<p>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.</p>	Secure and stable markets
	<p>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.</p>	Food security and agricultural development
	<p>Social and Environmental Issues: Improve health, education, environment, and other conditions for the global population.</p>	Global health
	<p>Social and Environmental Issues: Improve health, education, environment, and other conditions for the global population.</p>	Environmental protection
	<p>Social and Environmental Issues: Improve health, education, environment, and other conditions for the global population.</p>	Access to quality education
	<p>Social and Environmental Issues: Improve health, education, environment, and other conditions for the global population.</p>	Migration policies and systems (Department of State only)
<p>Strengthen Diplomatic and Program Capabilities</p>	<p>Humanitarian Response: Minimize the human costs of displacement, conflicts, and natural disasters.</p>	Assistance for refugees and other victims
	<p>Humanitarian Response: Minimize the human costs of displacement, conflicts, and natural disasters.</p>	Disaster prevention/response via capacity building
	<p>Management and Organizational Excellence: Ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.</p>	Human resources and training
	<p>Management and Organizational Excellence: Ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.</p>	Information technology (IT)
	<p>Management and Organizational Excellence: Ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.</p>	Diplomatic security (Department of State only)
	<p>Management and Organizational Excellence: Ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.</p>	Overseas and domestic facilities
<p>Strengthen Diplomatic and Program Capabilities</p>	<p>Management and Organizational Excellence: Ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.</p>	Resource management
<p>Strengthen Diplomatic and Program Capabilities</p>	<p>Management and Organizational Excellence: Ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.</p>	Administrative services

FIVE-TIERED METHODOLOGY

The Agency is committed to utilizing the funds it receives from taxpayers through Congress to produce successful results. In FY 2006, USAID employed the programming and reporting structure depicted in the pyramid to the right. USAID reports on performance at several levels, with each descending level representing a more detailed breakout of the programs USAID implements. At the USAID operating unit level, indicators are drawn from a set of common program components utilized across the Agency. These indicators measure progress toward an operating unit's strategic objectives, which in turn measure achievement toward performance goals. Performance results in this report utilize program component indicators aggregated across the Agency to report at the performance goal levels shared with the Department of State.



DATA RELIABILITY, COMPLETENESS, AND VALIDITY

USAID performance results for FY 2006 are matched to the performance and strategic goals in the Joint State-USAID Strategic Plan. Many of these results are preliminary because USAID's final fiscal year performance results are typically not available until mid to late-December. This necessitates estimating performance results data, a practice accepted by the Office of Management and Budget (OMB) for purposes of reporting in the PAR. Acceptable methods for data estimation include (1) expert opinion, (2) historical trends, (3) extrapolation, and (4) sampling and statistics.

As indicated in the Agency's Automated Directive System (ADS) Chapter 203.3.5, (<http://www.usaid.gov/policy/ads/200/203.pdf>), the data provided by USAID operating units for these estimates are expected to be verified through Data Quality Assessments (DQA) and meet five data quality standards of validity, integrity, precision, reliability, and timeliness.

The methodology used for obtaining the data must be well documented and each operating unit must provide annual certification of its strategic objectives and their relationship to the Agency's strategic goals.

In FY 2006, USAID's Office of the Inspector General (OIG) conducted a limited review of USAID's internal controls for verifying its data. The OIG determined that the Agency's compliance with its policies and procedures for verifying performance data needs improvement. USAID intends to address this issue as part of the new performance management information system being developed to support foreign assistance reform.

All final performance results will be reported after year-end data is received from field operating units later in the calendar year.

PERFORMANCE SUMMARY

SUMMARY OF USAID FY 2006 PERFORMANCE RATINGS

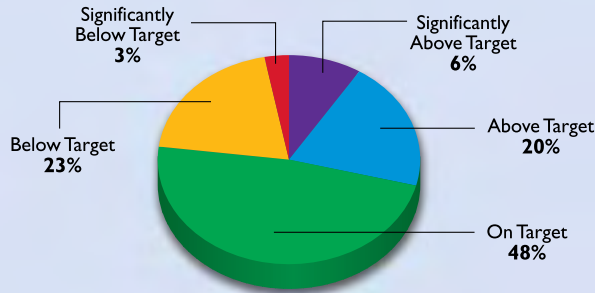
During FY 2006, USAID and the Department of State closely reviewed and significantly reduced the number of indicators used to track performance. A joint State-USAID team of performance analysts reviewed the indicator set published in the FY 2006 Joint Performance Plan, and in consultation with program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

in the FY 2006 PAR was reduced from 286 to 129 and of these 129 indicators, 35 are managed by USAID.

The following pie chart shows the ratings distribution for these 35 USAID performance indicators, reported across all strategic goals.

As shown, 74 percent of the ratings were “On Target”, “Above Target” or “Significantly Above Target,” meaning that these initiatives or programs met or exceeded performance targets.

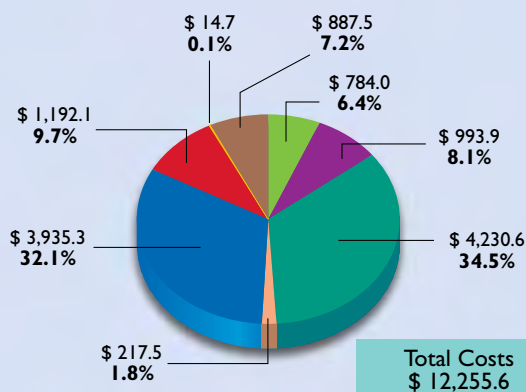
SUMMARY OF USAID FY 2006 PRELIMINARY PERFORMANCE RESULTS



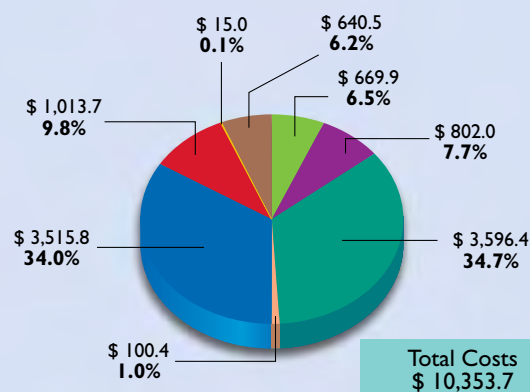
Performance Rating	Number of Results
Significantly Above Target	2
Above Target	7
On Target	17
Below Target	8
Significantly Below Target	1
Total Number of Results	35

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

FY 2005 (restated)



FY 2006

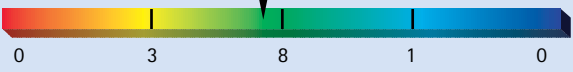
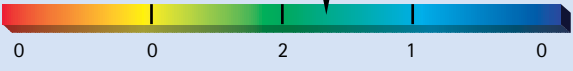

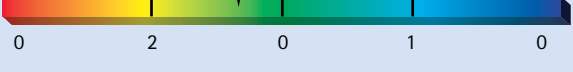

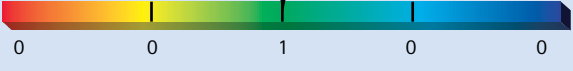
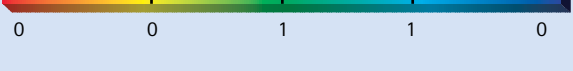
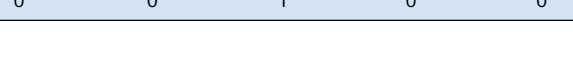


- Strategic Goal 1: Regional Stability
- Strategic Goal 2: Counterterrorism
- Strategic Goal 3: International Crime and Drugs
- Strategic Goal 4: Democracy and Human Rights
- Strategic Goal 5: Economic Prosperity and Security
- Strategic Goal 6: Social and Environmental Issues
- Strategic Goal 7: Humanitarian Response
- Strategic Goal 8: Management and Organizational Excellence

SUMMARY OF USAID FY 2006 RATINGS BY PERFORMANCE GOAL

The table below provides performance results, by performance goal, for each of the 35 indicators selected for reporting in this PAR. The inverted black triangle represents the average of all performance ratings assigned to results associated with the performance goal. The numbers in the graphs show how the ratings are distributed among the estimated FY 2006 results. Details on the methodology used to calculate these ratings are provided in the Performance Section.

Strategic Goal	Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Below Target	On Target	Above Target	Significantly Above Target
Regional Stability	Existing and emergent regional conflicts are contained or resolved. <i>1 Result</i>					
Counterterrorism	Stable political and economic conditions that prevent terrorism from flourishing in fragile or failing states. <i>1 Result</i>					
International Crime and Drugs	International trafficking in drugs, persons, and other illicit goods disrupted and criminal organizations dismantled. <i>2 Results</i>					
Democracy and Human Rights	Measures adopted to develop transparent and accountable democratic institutions, laws, and economic and political processes and practices. <i>1 Result</i>					
Economic Prosperity and Security	Institutions, laws, and policies foster private sector-led economic growth, macroeconomic stability, and poverty reduction. <i>2 Results</i>					
	Increased trade and investment achieved through market-opening international agreements and further integration of developing countries into the trading system. <i>1 Result</i>					
	Secure and stable financial and energy markets. <i>1 Result</i>					
	Enhanced food security and agricultural development. <i>1 Result</i>					

Strategic Goal	Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Below Target	On Target	Above Target	Significantly Above Target
Social and Environmental Issues	Improved global health, including child, maternal, and reproductive health, and the reduction of abortion and disease, especially HIV/AIDS, malaria, and tuberculosis. <i>12 Results</i>					
	Partnerships, initiatives, and implemented international treaties and agreements that protect the environment and promote efficient energy use and resource management. <i>3 Results</i>					
	Broader access to quality education with emphasis on primary school completion. <i>2 Results</i>					
Humanitarian Response	Effective protection, assistance, and durable solutions for refugees, internally displaced persons, and conflict victims. <i>3 Results</i>					
	Improved capacity of host countries and the international community to reduce vulnerabilities to disasters and anticipate and respond to humanitarian emergencies. <i>1 Result</i>					
Management and Organizational Excellence	A high performing, well-trained, and diverse workforce aligned with mission requirements. <i>1 Result</i>					
	Modernized, secure, and high quality information technology management and infrastructure that meet critical business requirements. <i>2 Results</i>					
	Secure, safe, and functional facilities serving domestic and overseas staff. <i>1 Result</i>					

ANALYSIS OF USAID'S FINANCIAL STATEMENTS

USAID's financial statements, which appear in the Financial Section of this report, received for the fourth 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 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 \$25.1 billion at the end of 2006. This represents a two percent increase over the previous year's Total Assets of \$24.7 billion. This is primarily the result of increased fund balances during the year as well as an increase in the USAID Foreign Currency balances.

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

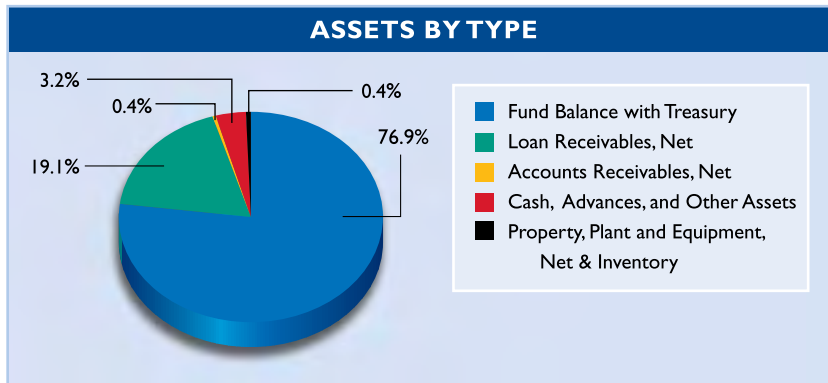
	2006	2005	2004
Fund Balance with Treasury	\$19,333,383	\$17,503,843	\$15,854,926
Loans Receivable, Net	4,810,615	5,100,249	6,108,252
Accounts Receivable, Net	91,393	902,863	1,100,968
Cash, Advances, and Other Assets	811,715	1,063,570	847,807
Property, Plant and Equipment, Net & Inventory	103,994	140,294	117,718
Total	\$25,151,100	\$24,710,819	\$24,029,671

Fund Balance with Treasury and Loans Receivable, Net, comprise the majority of USAID's assets, and together they account for over 90 percent of total assets. USAID maintains funds with Treasury to pay its operating and program expenses. These funds increased by \$1.8 billion (10.5 percent). The \$1.8 billion increase in Fund Balance with Treasury is primarily due to a liquidation of an outstanding receivable with the Commodity Credit Corporation. During 2006, the Commodity Credit Corporation changed their business practice and will provide funding simultaneously when granting obligational authority. In addition, the Commodity Credit Corporation decided to liquidate the outstanding receivable by transferring \$1 billion to USAID's Treasury account. Consequently, the intragovernmental accounts receivable decreased by \$1 billion.

Loans Receivable experienced a six percent decrease from FY 2005. This is primarily due to collections made in 2006 as well as changes in the yearly credit program allowance calculations.

The chart below presents USAID's asset type by percentage for FY 2006.

Chart 1: Percentage of Assets by Type, FY 2006



LIABILITIES. As presented on the Consolidated Balance Sheet, the Agency had \$9.5 billion in Total Liabilities at the end of 2006. This amount represents a \$1.5 billion, or 14 percent decrease in Total Liabilities from the prior year.

Table 2: The Agency's Liabilities reflected in the Consolidated Balance Sheet are summarized in the following table (dollars in thousands):

	2006	2005	2004
Debt & Due to U.S.Treasury	\$ 4,965,132	\$ 5,734,263	\$ 6,145,006
Accounts Payable	2,329,797	3,204,824	2,373,001
Loan Guaranty Liability	1,660,909	1,562,485	1,039,937
Other Liabilities	494,877	444,571	798,847
Total Liabilities	\$ 9,450,715	\$10,946,143	\$ 9,973,791

As reflected in Table 2, Liabilities comprised of Debt and Due to U.S. Treasury and the Accounts Payable asset type represent most of USAID's Total Liabilities. Debt and Due to Treasury combined represented 52.5 percent of Total Liabilities for FY 2006, and Accounts Payable comprised 24.7 percent of Total Liabilities for FY 2006.

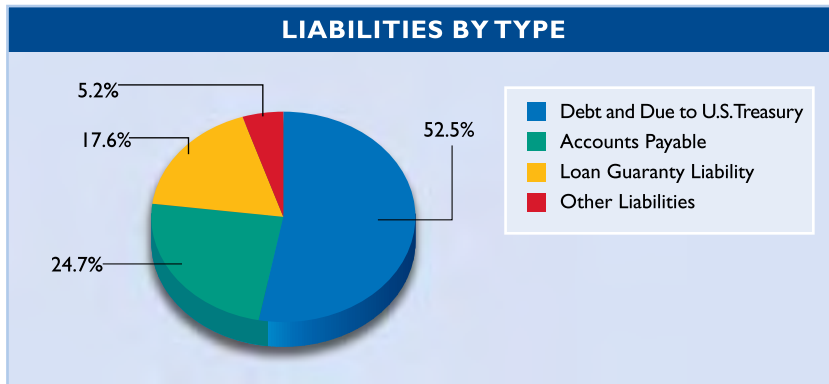
Debt and Due to Treasury combined decreased by 19.2 percent, or \$769 million, from FY 2005. Accounts Payable decreased by 27.3 percent or by \$875 million from FY 2005. Many factors are attributable to this decrease, such as a \$551 million adjustment to reduce subsidy payable to the credit program financing fund in FY 2006.

As part of intergovernmental transactions, debt that resulted from the Bureau of Public Debt (BPD) debt restructuring program increased by 12 percent, which is the result in borrowing from the Treasury. The Due to U.S. Treasury account reflecting the result of activities in pre-credit reform liquidating funds decreased by 15 percent or \$821 million.

The largest percentage change in Liabilities occurred in the non-federal line items. Specifically, Accounts Payable program funds increased \$600 million, a 24 percent increase from FY 2005. This change is primarily the result of an increase of accounts payable accruals at year end.

The chart below presents USAID's percentage of liabilities by type for FY 2006 (*dollars in thousands*):

Chart 2: Percentage of Liabilities by Type, FY 2006



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 2006 on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was \$15.7 billion, a \$1.9 billion increase from the previous fiscal year. Unexpended Appropriations of \$14.3 billion or 91 percent represent funds appropriated by Congress for use over multiple years that were not expended by the end of FY 2006.

RESULTS OF OPERATIONS

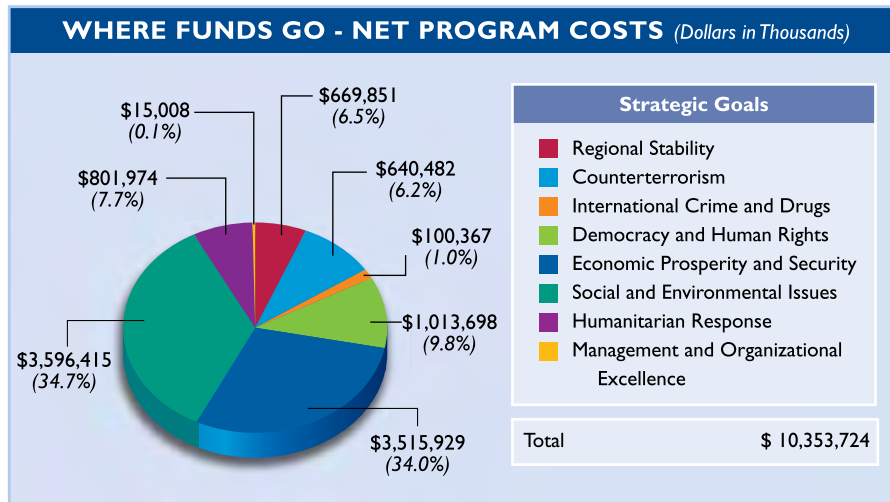
The results of operations are reported in the Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position.

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 intergovernmental 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 pillar and regional bureaus are considered a responsibility segment. Information on the bureaus can be found in Note 18 and in the section titled "Mission Organization and Structure."

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 2006, after intra-agency eliminations, was \$10.4 billion. The strategic goal, Social and Environmental Issues, represents the largest investment for the Agency at 35 percent of the Agency's net cost of operations. The net cost of operations for the remaining goals ranges from less than one percent to 29.2 percent. The following is a breakout of net cost by strategic goal.

Chart 3: Net Program Costs by Strategic Goal, FY 2006 (dollars in thousands):



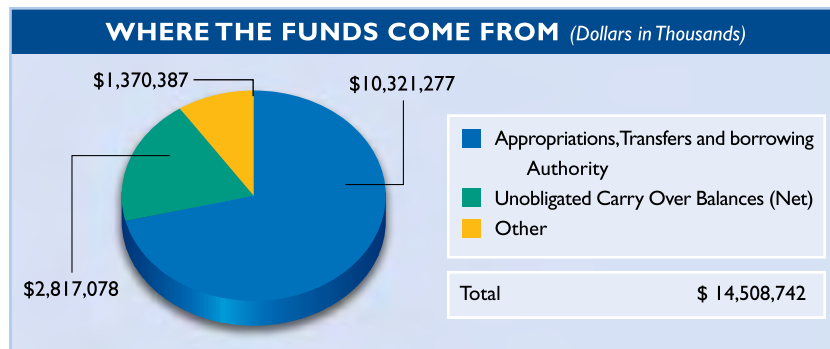
The Consolidated Statement of Changes in Net Position presents the accounting items that caused the net position section of the balance sheet to change since the beginning of the fiscal year. The statement comprises two major components: Unexpended Appropriations and Cumulative Results of Operations.

Cumulative Results of Operations amount to \$1.4 billion as of September 30, 2006, an increase of 84 percent from the \$760 million balance a year earlier.

This balance is the cumulative difference, for all previous fiscal years through 2006, 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 2006, USAID had total budgetary resources of \$14.5 billion, a decrease of 2.1 percent from 2005. Budget authority of \$10.4 billion, consisted mostly of \$10.3 billion for actual appropriations and \$1.3 billion in collections. USAID incurred obligations of \$9.5 billion for the year, a small percent decrease from the \$9.8 billion of obligations incurred during 2005.

Chart 4 below, reflects Budgetary Resources that the Agency received in 2006 (dollars in thousands):



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. government, a sovereign entity.

ANALYSIS OF USAID'S SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

MANAGEMENT ASSURANCES

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 Agency head, based on an evaluation, provides an annual Statement of Assurance on whether USAID has met this requirement.

INTERNAL CONTROL OVER MANAGEMENT OPERATIONS

The Management Control Review Committee (MCRC) oversees the Agency's internal control program over management operations. The MCRC is chaired by the Deputy Administrator and is composed of USAID senior managers. Individual annual certification statements from Mission Directors located overseas and Assistant Administrators (AA) 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, the Office of the Inspector General (OIG) and the Government Accountability Office (GAO) conduct reviews, audits, inspections, and investigations.

Under this program, 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 considers when conducting FMFIA reviews.

FMFIA REVIEW CRITERIA

Under the FMFIA, a material weakness is a deficiency of such significance that it should be reported to the President and Congress. A weakness of this nature might:

- impair the fulfillment of the Agency's mission
- significantly weaken safeguards against waste, loss, unauthorized use, or misappropriation of funds, property, or other assets
- violate statutory or regulatory requirements
- result in a conflict of interest
- impair the Agency's ability to use reliable and timely information for decision-making.

FISCAL YEAR 2006—ANNUAL FMFIA ASSURANCE STATEMENT

I have directed an evaluation of the system of management controls of USAID in effect during the year ending September 30, 2006. I have taken the necessary measures to assure that the evaluation was conducted in a thorough and conscientious manner, taking into consideration the cost of implementing and maintaining appropriate controls in relation to the benefits derived from them.

Management at the U.S. Agency for International Development (USAID) is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). USAID conducted its assessment of the effectiveness of the Agency's internal control over management operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, USAID is able to provide reasonable assurance that its internal control over the effectiveness and efficiency of management operations and compliance with applicable laws and regulations and financial management systems substantially comply with the objectives of FMFIA as of September 30, 2006. However, material weaknesses were noted in the areas of physical security overseas and implementation and activity monitoring in the Asia Near East (ANE) region, which are complex, long-term issues that are not completely within USAID's scope of control. However, we are taking all appropriate actions available to us to remedy these issues.

In addition, USAID management is also responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. USAID conducted its assessment of the effectiveness of the Agency's internal control over financial reporting in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation and in consideration of the inherent scope limitation due to assessing only one third of the Agency's key processes this year, USAID is able to provide a qualified statement of assurance that the internal controls over financial reporting in place as of June 30, 2006, for the four key financial processes assessed, are operating effectively with the exception of two material weaknesses identified in the area of accruals, and minor control deficiencies in all four processes. No other material weaknesses were found in the design or operation of the internal controls over financial reporting.

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



*Ambassador Randall L. Tobias
Director of U.S. Foreign Assistance and
Administrator
U.S. Agency for International Development
September 30, 2006*

INTERNAL CONTROL OVER FINANCIAL REPORTING

In December 2004, the Office of Management and Budget (OMB) revised Circular A-123, Management's Responsibility for Internal Control. Circular A-123 includes a new appendix, Appendix A, Internal Control Over Financial Reporting, which requires agencies to assess, document, and report on internal control over financial reporting. USAID is committed to strengthening internal control over financial reporting and is implementing a program to continuously assess, document, and

report on these controls. The Agency began working toward the implementation of this program in FY 2005. The remaining work to fully implement Appendix A will be completed over the next three years, with full implementation to conclude in FY 2008. USAID will test and assess one-third of its key processes and controls over the next three years, in FY 2006, FY 2007, and FY 2008. USAID has identified 12 key processes and will assess four each year. The key processes will be assessed as follows:

YEAR ONE – FY 2006 ¹	YEARTWO –FY 2007	YEAR THREE – FY 2008
<ul style="list-style-type: none"> ■ <i>Accruals</i> – high risk and current Government Management Reform Act (GMRA) material weakness ■ <i>Financial Reporting</i> – high risk ■ <i>Fund Balance with Treasury</i> – high risk ■ <i>Credit Program</i> – medium risk and best baseline documentation 	<ul style="list-style-type: none"> ■ <i>Accounts Payable</i> – low risk and high visibility ■ <i>Accounts Receivable</i> – medium risk ■ <i>Advances</i> – low risk ■ <i>Obligations</i> – medium risk, high impact, and testing synergies with Budget process 	<ul style="list-style-type: none"> ■ <i>Budget</i> – medium risk ■ <i>Statement of Net Cost</i> – medium risk ■ <i>Financial Analysis and Audits</i> – low risk ■ <i>Miscellaneous</i> – low risk
<p>1. It should be noted also that the Year One key processes provide a review for all of the significant financial accounts.</p>		

The USAID Administrator is required to provide an assurance statement that accurately reflects the amount of work completed, including a scope limitation, for each of the next three years, and the results of the assessments performed. The assessment of internal control over financial reporting is performed at the Agency level and is coordinated through the Chief Financial Officer (CFO). The CFO is responsible for ensuring preparation of the Agency-wide assurance statement. The Agency Senior Assessment Team (SAT), which functions as a subset of the Management Control Review Committee (MCRC), oversees the implementation of this effort. The primary responsibilities of the SAT are to develop an overall approach, disseminate specific implementation guidance to individuals performing the assessment, report the results of the assessment to senior management, and monitor correction of control deficiencies. The Deputy CFO for Overseas Operations chairs the SAT. Other members of the SAT include representatives from key Agency offices and programs.

USAID made substantial progress in OMB Circular A-123 assessment activities during FY 2006. Specifically, management: (1) provided an initial implementation plan to OMB; (2) established a SAT as a subset of the MCRC;

(3) identified the scope of financial reports to be included in the assessment of internal control over financial reporting; (4) established materiality thresholds for planning, testing, and reporting on internal controls; (5) identified significant accounts, financial statement line items, and key processes and sub-processes to be documented and tested based on a materiality level that is more rigorous than the Agency auditors; (6) established a virtual task force, comprised of both field and Washington financial personnel, to document the Agency's key processes and procedures; and (7) completed preliminary risk assessments and testing of the first four key processes and controls.

USAID is leveraging control-related activities under other compliance efforts to meet the requirements of this initiative. To the extent possible, documentation and testing from ongoing internal control initiatives will be used. Current initiatives and activities within USAID include the following:

- **Federal Information Security Management Act (FISMA)** – The annual review of USAID's information systems is a key component in the review of internal control over IT systems. The SAT will coordinate with

the CIO to ensure that FISMA reviews and the results of the FISMA efforts are properly integrated in the assessment and reporting of internal control required by Appendix A.

- **Improper Payments Information Act (IPIA)** – The IPIA requires agencies to determine and report on the amount of improper payments made during the fiscal year. In determining the extent of improper payments, the SAT will coordinate with the Cash Management and Payments Division (CMP), which is responsible for assessing and reporting under IPIA.
- **Annual Financial Statement Audit** – The assessment of internal control over financial reporting required by Appendix A will complement the testing of internal controls performed as part of the annual financial statement audit. The documentation and testing of controls required by Appendix A are similar to the work done by the auditors. The SAT will coordinate with the auditors regarding these efforts. This will include requesting copies of the auditor’s process cycles memos. The memos will serve as a basis for management’s documentation of internal control for each of the significant cycles. In addition, the SAT will review the documentation furnished to the auditors per the audit engagement letter.
- **Annual Federal Financial Management Improvement Act (FFMIA) Reporting** – The FFMIA requires that the Agency’s financial management systems substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger (USSGL) at the transaction level. The annual FFMIA review is a key component in the review of internal control over financial management systems. The SAT will coordinate with the CFO to ensure that FFMIA reviews and the results of the FFMIA efforts are properly integrated in the assessment and reporting of internal control required by Appendix A.
- **Annual Federal Managers’ Financial Integrity Act (FMFIA) Reporting** – The SAT considers current efforts performed under FMFIA. Weaknesses identified under FMFIA are included in the current assessment of internal control over financial reporting.

- **Implementation of Phoenix** – USAID has just completed a multi-year process of implementing a new financial system, Phoenix, in field missions overseas. The Phoenix system is compliant with federal financial regulations and standards, and consists of a fully integrated worldwide database which incorporates financial operations and reporting. Due to the unique nature and variety of field mission activities, documentation was developed as the deployment progressed, incorporating lessons learned and new functionalities. Reporting tools evolved over time and were added to meet the specific Missions’ needs. For the FY 2006 assessment, the SAT reviewed this documentation to determine its sufficiency to meet the requirements of internal control over financial reporting.

The Agency utilizes the services of other federal agencies to process financial data. A review of the Agency financial operations identified the following significant service providers and their activities:

- U.S. Department of Agriculture (USDA) National Finance Center – Payroll Services
- U.S. Department of Health and Human Services (HHS) – Grant Payments
- U.S. Department of State, Charleston, SC – Phoenix Operations Host

USAID is using financial reports from these agencies to:

- Determine whether the reports address the process and controls relevant to the Agency’s assessment process.
- Review the time period covered by the reports to determine whether they meet Agency needs.
- If the reports are deemed sufficient, review the opinion and testing exceptions identified by the service auditor and determine whether the effect on internal control is relevant to the assessment process.

If a service report does not exist, USAID will determine what procedures, if any, are needed. Additionally, the Agency will communicate with each service provider regarding the establishment of an ongoing relationship, necessary to coordinate the internal control assurance

activities. USAID will employ this methodology throughout the multi-year effort.

The decentralized nature of the Agency's operations presents a significant challenge in developing a detailed test plan. The SAT, in conjunction with a contractor, is responsible for designing an overall testing plan for the Agency key processes and controls. Testing is based on several factors:

- Testing will be conducted over control activities determined to be designed effectively to meet the control objectives. If a control is not designed effectively, USAID will not test it because it would not achieve the control objective even if properly performed throughout the Agency.
- Testing of internal control will be based upon an assessment of risk. Items tested will be most likely to have a material impact on financial reporting.
- Testing will be influenced by other internal reviews, OIG inspections and audits, and other reviews and audits.

Procedures, including a combination of inquiry, observation, and tests of detail, will be used to test the operating effectiveness of key controls. Procedures will be performed at both Washington and overseas locations to ensure sufficient coverage.

Sample sizes for the detailed test of transactions will be designed using guidance in the CFO Council Implementation Guide for Circular A-123, and other professional guidance, such as the GAO/President's Counsel on Integrity and Efficiency (PCIE) Financial Audit Manual, and the American Institute of Certified Public Accountants (AICPA) audit sampling guide.

The Agency will continue to use a combination of in-house staff, contractors, and interns for this program. It will continue to leverage existing internal control activities (i.e., management assessments, controller assessments) to facilitate the assessments. Task forces comprised of financial management professionals will work with the SAT and contractors to perform various functions throughout the assessment of internal controls (i.e., risk assessments, documenting, testing). The assessment will be designed and incorporated in the overall FMFIA process. Testing of results will eventually be institutionalized in, and coordinated with, the Controllers' assessment program already in place for cost effectiveness and cost savings.

OMB Circular A-123 requires that the Agency document its understanding of internal control throughout the assessment process. USAID completed its baseline documentation in year one. USAID will continue to improve the documentation of control activities in subsequent years to include the following:

- Planning.
- Controls at the Entity Level: USAID will use questionnaires and the GAO's *Internal Control Management and Evaluation Tool* in the assessment of entity-wide controls. It will continue to review existing Agency policies and procedures. Narratives summarizing observations and inquiries of management will be used to document controls at the entity level.
- Controls at the Process Level: A standard control evaluation form will be developed, based on templates provided in the CFO Council implementation guide, to evaluate internal control at the process level. Key resources for ongoing review include Agency business processes, current policies and procedures, and process summaries that may be provided by OIG and/or its contract auditors.
- Interviews will be conducted with individuals responsible for processing transactions, and a walkthrough of transactions will be performed to ensure that the actual procedures are consistent with written documentation. Where necessary, supplemental narratives and/or flowcharts will be developed.
- Significant focus is given to assessing internal controls within the information systems area of the Agency. The SAT will consult with the Agency's CIO on existing documentation related to both general and application controls over the Agency's financial systems.
- Testing at the Transaction Level: Standard working papers will be developed to document testing at the transaction level. The work papers will include use of standard formats and tickmarks, and a common indexing system.
- Reporting: Results of testing will be recorded in a standard format.

The results of assessments and testing of the financial controls will be evaluated using the following criteria:

Internal control over financial reporting should assure the safeguarding of assets from waste, loss, unauthorized use, or misappropriation, as well as assure compliance with laws and regulations pertaining to financial reporting. Financial reporting includes the annual financial statements as well as other significant internal or external financial reports. Other significant financial reports are defined as any financial reports that could have a material effect on a significant spending, budgetary, or other financial decision of the Agency or that is used to determine compliance with laws and regulations on the part of the Agency. In addition to the annual financial statements, significant reports might include quarterly financial statements, financial statements at the operating division or program level, budget execution reports, reports used to monitor specific activities, and reports used to monitor compliance with laws and regulations.

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 control deficiencies, that adversely affects the Agency’s ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles (GAAP) such that there is more than a remote likelihood that a misstatement of the entity’s financial statements, or other significant financial reports, that is more than inconsequential will not be prevented or detected.

A material weakness in internal control is a reportable condition, or combination of reportable conditions, that results in more than a remote likelihood that a material misstatement of the financial statements, or other significant financial reports, will not be prevented or detected.

FMFIA MATERIAL WEAKNESSES IN MANAGEMENT OPERATIONS

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
2006	–	–	2	2

FMFIA MATERIAL WEAKNESSES		
Title	Fiscal Year First Identified	Corrective Action Date
Inadequate Physical Security Overseas	2001 (as reportable condition) 2006 (as material weakness)	unknown
Implementation and Activity Monitoring in ANE Region	2004 (as reportable condition) 2006 (as material weakness)	unknown

As an Agency-wide accomplishment in FY 2006, 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 and discussed

by the MCRC, two previous reportable conditions have been elevated to material weaknesses. This forms the basis for the qualified statement of assurance provided in this report.



USAID's former office building in Asmara, Eritrea with inadequate setback from street. PHOTO: USAID/OFFICE OF SECURITY (SEC)

Inadequate physical security in USAID's overseas buildings and operations. This issue was first documented as a reportable condition in 2001. It is now considered a material weakness because USAID cannot implement cost-effective, remedial action to improve the physical security of seven of its overseas missions against the threat of vehicle-borne improvised explosive devices (VBIED).

Following the August 1998 bombings of the U.S. embassies in Kenya and Tanzania, the USAID Office of Security initiated a security survey of all USAID overseas facilities.

The findings revealed that more than 40 of the 90 USAID facilities lacked adequate countermeasures to mitigate the VBIED threat. Essentially, the buildings had insufficient setback from the perimeter and were not built to withstand significant blast effects.

USAID subsequently developed and continues to implement a concurrent, three-phase, remedial action plan. Phase one involves the collocation of vulnerable USAID missions on New Embassy Compounds (NEC) which are being constructed by the Department of State. Phase two involves the hardening of other USAID buildings and perimeters at posts where NEC facilities are not planned for, and where sufficient perimeter setback opportunities exist. Phase three includes the relocation of vulnerable USAID missions to Interim Office Buildings (IOB) which afford greater security until they can be collocated.

USAID has successfully relocated 45 vulnerable USAID Missions to more secure facilities since 1998. Eleven of those missions are now collocated in NEC facilities, while 34 USAID missions have been moved to IOB sites.

The FY 2005 Consolidated Appropriations Act, Public Law 108-447, authorized the Capital Security Cost Sharing (CSCS) program. The CSCS program requires all agencies with overseas personnel under Chief of Mission (COM) authority to help fund construction of 150 NECs over 14 years, at an annual rate of \$1.4 billion per year after a five-year phase-in. In the long term, this should ensure that secure facilities are provided to meet USAID space requirements; however, the Agency does not have a short term solution for seven of its vulnerable missions.

With respect to the seven missions, NEC facilities are either not planned for under the CSCS program or are several years away from the start of construction. While the USAID Security Office has done everything possible to improve the overall physical security posture of these missions, it would not be financially prudent to spend additional money on facilities with inadequate perimeter setback and inferior building construction. The absence of suitable IOB space and inadequate funding exacerbate the situation.

Implementation and activity monitoring in the Asia and Near East (ANE) Region, most notably in Iraq, Afghanistan, Pakistan, and West Bank/Gaza. Security restrictions and, more recently, the U.S. government's "No Contact" policy toward the Hamas-led government in West Bank/Gaza, continue to inhibit travel to project sites to monitor and to meet with USAID partners. At the same time, it continues to be difficult to attract appropriately qualified staff to Missions in the critical priority countries (CPC) of Afghanistan, Iraq, and Pakistan. Together, these weaknesses limit USAID's ability to effectively implement and monitor programs and, in some cases, inhibit start-up of new programs.

During 2006, Missions in these countries continued to take steps within their authority to implement and monitor programs as well as possible. Completed and ongoing steps include improving coordination with U.S. Department of State Diplomatic Security at post; updating emergency procedures and communication systems; expanding the role of foreign service nationals (FSN), who can travel more freely, in monitoring, evaluation, and design; and

expanding use of local contractors and geographic information systems for monitoring, evaluation, and audit. USAID continues to seek adequate funding for rapidly escalating security costs, which is essential for travel in these countries. The Agency is also developing a spatially enabled management information system which will allow Missions to remotely monitor progress of construction activities in real time.

Similarly, USAID continues to make efforts to improve recruitment of appropriately skilled staff for CPCs. These steps include requiring foreign service officers participating in the 2007 assignment process to bid on a CPC, where qualified; and hiring an Ombudsman who is working with individual employees, the Department of State, other agencies and counterparts to strengthen recruiting efforts

as well as incentives and training for service in CPCs. It must be noted that additional resources will be needed to support staffing incentives and other selected efforts to address this material weakness. With assignments of only one year, there are continuing challenges to keeping positions filled with qualified staff. As a relatively small agency, USAID has a limited base of qualified people for these positions. USAID works aggressively to identify qualified staff and utilizes a variety of employment mechanisms to provide qualified staff to CPCs.

Improved stability and security and progressive political agreements are the essential preconditions to resolving this weakness and are beyond the manageable interest of USAID.

INTERNAL CONTROL OVER FINANCIAL REPORTING MATERIAL WEAKNESSES

The management assurance statement reflects the status of internal control over financial reporting of four key business processes at USAID as of June 30, 2006. The four business processes included in this year's assessment are: (1) Accruals, (2) Financial Reporting, (3) Fund Balance with Treasury, and (4) Credit Programs. These processes were selected for first year assessment based on a combination of risk and qualitative factors.

Based on the review, USAID identified two material weaknesses in the Agency's internal controls over financial reporting:

- Personnel preparing the quarterly accruals have not received adequate training on how to properly document and calculate quarterly accruals.
- The reconciliation between the Accruals Reporting System (ARS) and Phoenix was not performed when data were initially transferred from one database to the other.

USAID will develop and implement corrective action plans to remediate these deficiencies.

FMFIA REPORTABLE CONDITIONS

In keeping with the Agency's core concept of increasing transparency, USAID is voluntarily disclosing the following issues as reportable conditions:

TITLE	FISCAL YEAR FIRST IDENTIFIED
Lack of Effective Systems to Manage Field Support	2004
Information Technology (IT) Governance Issues	2005
Inability to Meet Statutory Requirements for Office of Equal Opportunity Programs (EOP) Reporting	2006

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. Although progress in improving the system has been made, e.g. the integration of the Field Support-USAID system (FS-AID) with the Agency's accounting system, Phoenix, the operating procedures and processes in place continue to be excessively labor intensive. The Agency is working toward integrating field

support with the new grants and acquisition systems (JAMS and GLAS) which are scheduled to be deployed during FY 2007. Once this is accomplished, the remaining issues of accurate accruals reporting and pipeline analysis can be addressed.

IT Governance issues. Based on internal discussions with 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 IT governance and best practices.

There is general agreement that funding the correction of these process control areas is in the best interest of the Agency. Internal assessments have pointed out that the Chief Information Officer (CIO) needs sufficient resources to provide effective IT governance. The lack of adequate funding, due to Agency budget cutbacks and the assignment of limited resources to higher priority tasks, is the major factor for the Office of the CIO's slow progress in resolving these issues. However, over the last year, progress has been made in several areas.

The Office of the CIO expects to make large strides during the next six months in closing these issues. Along with the realignment of the CIO's organization that is occurring, a process improvement plan has been developed, a process engineering group (PEG) has been formed, regular meetings occur to prioritize the tasks and artifacts needed, documentation is being developed, the process Web site is being updated, and staff training is occurring. Refer to the management challenges table in Section 4 of this report for more information on the status of initiatives under IT Governance.

Inability to meet statutory requirements for Equal Opportunity Programs (EOP) reporting. Regulations governing federal sector equal employment opportunity (EEO) require each agency to provide sufficient resources to its EEO program to ensure efficient and successful operation. Currently at USAID, statutory requirements are not being met:

- Complaints of discrimination are not processed within the regulatory timeframe, and not in accordance with all complaint processing procedures.
- Required annual compliance reports to oversight agencies have been submitted after required deadlines.
- The IG determined that the Agency reasonable accommodation program does not meet all regulatory requirements.
- Development of required training has been impeded.

In addition, USAID is only minimally able to maintain basic Agency-wide EEO services:

- Customer feedback consistently demonstrates an increased need for outreach and visibility of EOP efforts to meet the Agency's legal obligation for achieving diversity and affirmative employment.
- EOP's capacity to sustain diversity initiatives and plans to assess and monitor the representation of the Agency's various employment categories (i.e. Personal Service Contractors, a large segment of the USAID population); and to help the Agency achieve its Human Capital Strategic Plan objective to attain a diverse workforce are seriously diminished.
- Management decisions on budget, staffing, and other supporting resources have resulted in inadequate annual budget allocations; serious staff reductions; and the absence of automated data information and tracking systems to aid program operations.

To remedy this situation, the following actions have been taken:

- The EOP office received a fourth quarter FY 2006 budget increase of 67 percent.
- The Administrator authorized the filling of all EOP office vacancies.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA) COMPLIANCE ASSESSMENT

FFMIA is designed to improve federal financial management by requiring that financial management systems provide reliable, consistent disclosure of financial data in accordance with 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
- USSGL 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 prior to FY 2006,

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.

During FY 2006, USAID corrected the remaining deficiencies noted in its remediation plan and completed the worldwide deployment of the financial management system. Based on these accomplishments, in March 2006, the Acting USAID Administrator certified substantial compliance with FFMIA. The OIG has also determined substantial compliance in their FY 2006 CMRA audit report. A detailed discussion of the financial systems framework, structure, and strategy is included in the Financial Section of this report.



Workers build a road from Ghazni to Gardez, linking the region to the main highway connecting Kabul to major cities.

PHOTO: INTERNATIONAL ORGANIZATION FOR MIGRATION (IOM)

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 Agency 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 2006 financial statements received an unqualified opinion—the best possible result of the audit process. This year marks the fourth consecutive year that USAID's financial statements have achieved such an opinion. USAID also, for the fourth year in a row, significantly accelerated the preparation and audit of the FY 2006 financial statements and associated reports. Of significant note is the fact that for the first time this year the Agency closed its financial books and records and produced the financial statements using a single integrated worldwide financial system. 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 accounting and reporting of accruals. 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.

The audit report also names five reportable conditions, which are detailed in the table below. Reportable conditions, though not material, are vulnerabilities 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 noncompliance with laws and regulations.

The following table summarizes the weaknesses cited in the FY 2006 Independent Auditor's Report, as well as planned actions to resolve the problems.



The Senegalese town of Koungeul had long been troubled by unsanitary conditions. Thanks to the USAID-sponsored “Clean Town” initiative, there is less litter, households bag their garbage, and puddles are filled with sand.

PHOTO: DEMOCRATIE ET LA GOUVERNANCE LOCALE

SUMMARY OF INDEPENDENT AUDITOR'S REPORT FINDINGS FY 2006
(Refer to Independent Auditor's Report Section)

Material Weakness	Planned Corrective Actions	Target Correction Date
Accounting and Reporting of Accruals	We have commenced a reconciliation effort which will be demonstrated during January 2007 and will be accomplished in each subsequent accruals cycle. In addition, we will review and enhance training and identify other means to improve recognition of the need for effective accrual practices.	September 30, 2007
Reportable Condition	Planned Corrective Actions	Target Correction Date
Reconciliations of Fund Balance with Treasury	We will review current procedures for consistency with the Treasury guidance and modify the procedures as appropriate. We will also consider alternatives to ensure mission reconciliation compliance.	September 30, 2007
Intragovernmental Reconciliations	Actions continue to improve reconciliations of financial data with our trading partners at other federal agencies.	September 30, 2007
Controls Over Treasury Symbol Information	In addition to reviewing procedures related to payment transactions, it is our intent to identify processes that will ensure that all types of transactions are properly identified and posted. Where corrective actions are necessary, we will resolve discrepancies as quickly as possible. Efforts to improve interfacing of transactions from the Department of Health and Human Services related to grant processing are currently underway and these actions are expected to correct this finding.	September 30, 2007
Accounting for Foreign Currency Transactions	The CFO's Phoenix team has been charged with responsibility for reviewing foreign currency accounting in Phoenix and ensuring that foreign currency accounting is improved in the upcoming year. In the meantime, we will coordinate validation of accounting information between Missions and our central accounting ledgers.	September 30, 2007
Management's Discussion and Analysis Data	Recognizing that accurate and verifiable performance information is critical to management of the Agency, USAID will re-establish policies and procedures to ensure that accurate performance information is documented and that required data quality assessments are performed.	September 30, 2007
Noncompliance with Laws and Regulations	Planned Corrective Actions	Target Correction Date
Federal Financial Management Improvement Act	Efforts to improve the overall management of Section 511 funding authority in the Phoenix accounting system operations are underway.	March 31, 2007
The Antideficiency Act	The CFO will issue an immediate notice reminding all Agency personnel of the necessity to ensure that all legal, regulatory, and internal USAID policies are followed for compliance with funds control practices.	December 15, 2006



USAID programs support primary through university education in Iraq.

PHOTO: THOMAS HARTWELL

PROGRESS MADE ON ISSUES FROM FY 2005 GMRA AUDIT

USAID has taken extensive and aggressive actions during FY 2006 to address the weaknesses from the FY 2005 audit, as indicated in the table below.

SUMMARY OF INDEPENDENT AUDITOR'S REPORT FINDINGS FY 2005		
Material Weakness	Corrective Actions	Correction Date
The Accruals Reporting System (ARS)	USAID no longer uses the ARS to record quarterly accruals information. Beginning in September 2006, users enter their accrual data directly into the primary accounting system via the Accrual Query. A reconciliation report has been developed to track accruals in the system.	October 31, 2006
Reportable Condition	Corrective Actions	Correction Date
Process for Reconciling Fund Balance with U.S. Treasury	Due to Operating Expense (OE) budget cuts and a tight Phoenix budget, a cash reconciliation tool was being considered, but was not developed and implemented before the end of this fiscal year. Reports, however, were developed that assist in tracking cash disbursement differences. Based on these reports, management can identify large discrepancies and address them. The cash reconciliation tool will be completed next fiscal year.	September 30, 2007
Process for Recognizing and Reporting Accounts Receivable	System users have received training on how to enter Accounts Receivable transactions into the accounting system and the CFO has reinforced the requirement.	April 25, 2006
Intragovernmental Reconciliation Process	Desk procedures have been established for USAID's reporting and reconciliation of Intragovernmental transactions. The Intragovernmental procedures are used in conjunction with Treasury's Federal Intragovernmental Transactions Accounting Policies Guide. The Intragovernmental procedures established a system to review transactions reported under Trading Partner 99 on a quarterly basis to ensure that they are properly classified and appropriately reported.	March 15, 2006

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 Performance and Accountability Report (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 certification and accreditation, contingency planning, risk assessments, security categorizations, and establishing policies and procedures. Based on last year's report, Congress awarded an A+ (a perfect 100) 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.

IMPROPER PAYMENTS INFORMATION ACT (IPIA) REPORTING

Congress has enacted several provisions of law aimed at improving the integrity of the government's payments and the efficiency of its programs and activities, including the Improper Payments Information Act (IPIA) of 2002 (Public Law No. 107-300). An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, and administrative or other legally applicable requirements. Incorrect amounts are overpayments and underpayments (including inappropriate denials of payment or service). An improper payment includes any payment that was made to an ineligible recipient or for an ineligible service, duplicate payments, payments for services not received, and payments that are for the incorrect amount.

Summarized below are the Agency's IPIA accomplishments and future plans for identifying improper payments in accordance with the IPIA and Appendix C (Requirements for Effective Measurement and Remediation of Improper Payments) to OMB Circular A-123, Management Accountability and Control.

SUMMARY OF FY 2006 ACCOMPLISHMENTS

During FY 2006, the Agency strengthened existing efforts in meeting the President's goal to eliminate improper payments.

USAID reassessed the risk assessment and the full inventory of all programs that were previously identified and reported to OMB in 2004. As in 2004, USAID's 2006 risk assessment and in-depth review concluded that all of its programs are at a low risk for improper payment and the error rate continues to decline and is far below the OMB guidance thresholds.

However, the Agency felt it was still necessary to conduct various levels of internal improper payment reviews and samplings for all USAID programs and payment activities throughout the year and, in fact, identified two payment activities that warranted further scrutiny. The Agency focused its in-depth review and samplings on USAID's contracts, grants, and cooperative agreements as well as the cash disbursements program activities since they represent 77 percent of USAID's total 2006 outlays. Additionally, all new programs, high profile programs, and

high dollar programs were considered as risk-susceptible programs and subject to further analysis, review, and recovery.

The Agency developed various reports and data mining tools to review its payment activities for erroneous payments processed through the accounting system, Phoenix. Currently, all payment activities are subject to a series of monthly internal reviews by CFO staff who analyze and compare data outputs/reports, cross-reference and compare this data to ensure that payment data is accurate, and monitor the improper payment rate on an ongoing basis. The sampling of the financial systems review includes setting report parameters to identify all potential duplicate payments by vendor, invoice number, and dollar value. Each potential improper payment that is identified is investigated regardless of the dollar value. The monthly reports reviewed include the Phoenix Disbursement, Metric Tracking System (MTS) Indicator, Schedule of Disbursements and Credits (SF1098), Cash Management and Payment Metric, and the Penalty Interest reports.

FUTURE PLANS

A major milestone was accomplished in August 2006 with the completion of the overseas rollout of Phoenix. Now that the Office of the CFO has the capability to access and monitor USAID's payment activities worldwide in Phoenix, future IPIA review efforts of worldwide payment activities will be more streamlined, yielding enhanced effectiveness, efficiency, and results.

During 2006, the Office of the CFO explored the feasibility of using various professional recovery auditor services to assist in the identification and recovery of potential erroneous payments, and engaged the services of Horn & Associates, Inc., Recovery Auditors. The contract is in place and several of the security clearances have been completed. It is anticipated that the recovery auditors will be on board in November 2006. The Agency embraces the opportunity and looks forward to working closely with the recovery auditors in identifying risk susceptible programs and recovering potential improper payments.

The prospects for additional and significant improper payment reductions in the coming years are promising due to the innovative tools and controls that are now in place.

OTHER MANAGEMENT INFORMATION, INITIATIVES, AND ISSUES

THE PRESIDENT'S MANAGEMENT AGENDA

The President's Management Agenda (PMA) is the President's strategy for improving the management and performance of the federal government. 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 PMA's government-wide initiatives. Issued quarterly by the Office of Management and Budget (OMB), a Management Scorecard rates progress and overall status in each of the PMA initiatives using a color-coded system of red, yellow, and green. For more information on the PMA and the Management Scorecard, please visit <http://www.whitehouse.gov/results/agenda/index.html>

As of September 30, 2006, USAID had six green scores and one yellow score for progress toward its seven initiatives. The Agency currently has green status scores for Faith-Based and Community Initiatives and Budget and Performance Integration; yellow status scores for Human Capital, Financial Performance, E-Government, and Real Property; and red status for Competitive Sourcing.

The following pages present an overview of USAID's PMA Scorecard as of September 30, 2006.

**Goal**

Build, sustain, and deploy effectively a skilled, knowledgeable, diverse, and high-performing workforce aligned with strategic objectives.

Progress

- ◆ Demonstrated refinements in the Agency's workforce model to assist in budget and regionalization decisions.
- ◆ Completed "Manage to Budget" pilots.
- ◆ Improved Agency's accountability system which resulted in the approval of the Agency accountability system by the Office of Personnel Management (OPM) Panel.
- ◆ Conducted the Federal Human Capital Survey (FHCS).
- ◆ Conducted review of the general schedule (GS) performance management beta site and resubmitted the Performance Appraisal Assessment Tool (PAAT).
- ◆ Updated succession plan on leadership based on OPM's review.
- ◆ Met major milestones for Proud to Be Version IV (PTB IV) and demonstrated progress in closing gaps in Mission Critical Occupation(s) (MCO), human resources (HR), information technology (IT), leadership and submitted report.

Upcoming Actions

- ◆ Begin "Manage to Budget" implementation.
- ◆ Continue corrective actions identified in System Accountability Initiative, and submit written response to OPM audit.
- ◆ Analyze results of FHCS to strengthen human capital (HC) systems if results are received.
- ◆ Refine Workforce Planning Model based on Transformational Diplomacy direction. Conduct gap analysis based on changes.
- ◆ Meet Learning Management System (LMS) targets.
- ◆ Work with OPM on improvements to PAAT beta site.
- ◆ Continue to demonstrate progress on PTB IV milestones and MCOs, HR, IT, time to hire, leadership, etc.
- ◆ Strengthen Agency recruitment process based on analysis of Delegated Examining Unit (DEU) audit, OPM Career Patterns Guide, and Chief Human Capital Officer (CHCO) Satisfaction Surveys; and report on results.
- ◆ Complete management assessment of regional bureaus.
- ◆ Meet Electronic Official Personnel Folder (e-OPF) targets.
- ◆ Revise USAID survey.
- ◆ Ensure alignment of Senior Executive Service (SES) plan with Agency Strategic goals and objectives.
- ◆ Update Leadership/Knowledge of Management portions of Program Management Plan (PMP).

**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

- ◆ Completed Phoenix post-implementation review.
- ◆ Transitioned to steady state following completion of Phoenix worldwide rollout.
- ◆ On August 23 provided a preliminary OMB Circular A-123 Appendix A assurance statement based on draft testing results; briefed OMB on USAID program and implementation approach.
- ◆ Determined Federal Managers' Financial Integrity Act (FMFIA) and OMB Circular A-123 Appendix A material weaknesses and finalized required OMB Circular A-123 assurance statements.
- ◆ Met with OMB to discuss approach for assessing significant risk of improper payments in any of its programs.
- ◆ Revised Green Plan based on OMB comments.
- ◆ Completed Agency-wide year-end close using Phoenix for the first time.

Upcoming Actions

- ◆ Issue FY 2006 Performance and Accountability Report (PAR) on time (by November 15, 2006) and submit draft PAR to OMB for review and clearance at least 10 days before the due date.
- ◆ Receive unqualified audit opinion on all financial statements for FY 2006.
- ◆ Continue efforts to fully implement new requirements of OMB Circular A-123, utilizing 3-year plan.
- ◆ Revise Green Plan based on OMB recommendations and reach agreement on next steps and estimated Green date.
- ◆ Submit updated draft OMB Circular A-123 Assurance Statement by October 25, 2006.
- ◆ Review corrective action plans for all new and repeat weaknesses with OMB.

**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

- ◆ Updated Program Assessment Rating Tool (PART) improvement plans (due August 2, 2006).
- ◆ Efficiency measures report submitted on time (due August 15, 2006).
- ◆ Finalized Proud to Be by July 14, 2006 laying out major actions for FY 2007 that will keep USAID at Green Status.
- ◆ Briefed OMB senior management on how the new planning and budgeting system will support the integration of performance and budget.
- ◆ Finalized Five-Year Foreign Assistance Goal and Objectives Framework which will serve as key component of the Joint State-USAID Strategic Plan for FY 2008 - FY 2012.
- ◆ Met with and provided OMB documentation by July 31, 2006, on format and content plans for the FY 2008 Budget Submission.

Upcoming Actions

- ◆ Submit USAID Final PAR, incorporating joint Performance Section with Department of State, based on FY 2006 State-USAID Joint Performance Plan by November 15, 2006. Submit draft PAR to OMB for review and clearance at least 10 days before the due date.
- ◆ FY 2007 Operational Plan Guidance that explains the new database system capturing integrated performance and budget information completed and issued to USAID (and Department of State) operating units.
- ◆ Conduct worldwide training for USAID and Department of State on preparation and use of Operational Plans (described above).
- ◆ Update all PART performance data, improvement plans, and funding by November 20, 2006.
- ◆ Work with OMB to ensure performance information is integrated into Congressional Budget Justification in a meaningful way.
- ◆ Establish a green plan for improving performance and efficiency.
- ◆ Begin review with OMB on new definition of PART programs.
- ◆ Submit draft FY 2008 Foreign Assistance Congressional Budget Justification material to OMB by December 31, 2006.
- ◆ Submit complete draft Joint Strategic Plan with USAID to OMB in first quarter 2007. Finalize for distribution by February 5, 2007.

**Goal**

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

Progress

- ◆ Announced streamlined competition with Most Efficient Organization (MEO) for directives/records management.
- ◆ Began monitoring cost performance of MEO for USAID/Washington (W) facility management services.
- ◆ Awarded contract to support feasibility assessments and began the assessment of two new Federal Activities Inventory Reform (FAIR) Act Inventory (FAI) commercial activities.

Upcoming Actions

- ◆ Substantially complete streamlined competition with MEO for Directives and Records Management functions begun at end of fourth quarter of FY 2006.
- ◆ Complete business analysis/feasibility study of visual services business activity begun at the end of the fourth quarter. Subject to Business Transformation Executive Committee (BTEC) and Competitive Sourcing Official (CSO) endorsement, initiate and complete preliminary planning and make a final competition decision. Begin selection of Agency Competitive Sourcing (CS) support contractor in preparation for FedBizOpps announcement early in the second quarter.
- ◆ Identify an additional Agency commercial code B activity for business case/feasibility study.
- ◆ Begin work on 2007 FAI submission.
- ◆ Prepare OMB 647 submission regarding FY 2006 CS accomplishments.
- ◆ Update USAID "Yellow" CS strategic plan to reflect foreign affairs reforms including management assessments of USAID/W functions and organizations, and changes in USAID's 2006 FAI submission to OMB.

**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

- ◆ Began deployment of the Performance Based Management System (PBMS) using Earned Value Management (EVM) consistent with American National Standards Institute/Electronics Industries Alliance (ANSI/EIA) Standard 748 (a).
- ◆ Completed the development of the PBMS/EVMA System Description Document; Initiated PBMS/EVMS Pilot Phase.
- ◆ Provided EVMS Baseline for the Procurement System Improvement Project and monthly status reports for Technology Modernization.
- ◆ Monitored the use and published utilization, execution of E-Government and Line of Business (LoB) initiatives.
- ◆ Submitted quarterly Federal Information Security Management Act (FISMA) update to OMB.
- ◆ Designated a Chief Privacy Officer (CPO) to expanded Senior Agency Official for Privacy (SAOP) Privacy Program duties.
- ◆ Posted 75 percent of discretionary grant applications packages on Grants.gov including all discretionary grant programs using only the SF-424 family of forms.
- ◆ Implemented the use of Federal Procurement Data System-Next Generation for all required transactions over \$2,500.
- ◆ Finalized milestones for quarterly Enterprise Architecture (EA) reporting with OMB on July 10, 2006, and submitted first report.
- ◆ USAID designated a Senior Agency Official for Geospatial Information per OMB Memorandum 06-07.
- ◆ Submitted list of impacted investments and baseline cost estimates for IT investments being modified, replaced, or retired due to Agency use of an E-Gov or LoB initiative September 30, 2006 in compliance with M-06-22.

Continued on next page

**Upcoming Actions**

- ◆ Deploy the PBMS using EVM consistent with ANSI/EIA Standard 748 (a) for all appropriate investments within the IT portfolio and continued to expand adoption of EVM throughout the Agency.
- ◆ Work with the Department of State to deploy interim Personal Identity Verification Version II / Phase 2 (PIV-II) solution to meet the October 27, 2006 deadline.
- ◆ Provide OMB the Agency's and Inspector General (IG) response to privacy questions in FISMA report.
- ◆ Monitor use and publish utilization execution of E-Gov initiatives.
- ◆ Submit quarterly FISMA update to OMB.
- ◆ Submit annual FISMA report to OMB.
- ◆ Submit quarterly EA progress reports to OMB.
- ◆ Submit annual E-Government Report by October 20, 2006 in compliance with M-06-25.
- ◆ Determine and submit internal funding plans to OMB in advance and for the preparation of the 2007 Report to Congress on the benefits of E-Government.
- ◆ Use Joint Enterprise Architecture (JEA) business architecture to identify and prioritize business functions that should be addressed and focused EA resources on getting results from actions in those areas.
- ◆ Use the EA to help guide investment decisions concerning the investment portfolio and reflected it in the EA transition plan.
- ◆ Develop Joint EA on selected Joint Management Council (JMC) business segments.
- ◆ Update JEA Transition Strategy with major investments and JMC initiatives
- ◆ Submit a revised Exhibit 53 by Friday, December 29, 2006 via ITWeb.

FAITH-BASED & COMMUNITY INITIATIVES

Goal

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

Progress

- ◆ Provided interim reports on New Partner's Initiative.
- ◆ Submitted final report for Geneva Global Pilot Project (written by the awardee).
- ◆ Secured funding for the FY 2006 data collection.
- ◆ Continued to monitor compliance with equal treatment regulation.
- ◆ Continued with plan for outreach to USAID mission staff to explain the Initiative, general regulation, and provide OMB with notice of upcoming conference opportunities.

Upcoming Actions

- ◆ Provide interim reports on New Partner's Initiative.
- ◆ Continue to monitor compliance with equal treatment regulation.
- ◆ Continue with plan for outreach to USAID mission staff to explain the Initiative, general regulation.
- ◆ Provide OMB with notice of any upcoming conference opportunities.
- ◆ Develop or update new outreach materials including USAID Center for Faith-Based and Community Initiative (CFBCI) Web site.
- ◆ Complete draft of FY 2005 Annual Report summarizing activities of CFBCI.
- ◆ Meet White House data collection deliverable for FY 2006 data.

**Goal**

To promote the efficient and economical use of America's real property assets.

Progress

- ◆ Finalized the three-year rolling timeline.
- ◆ Continued to develop interim targets and long term goals for the Federal Real Property Council (FRPC) performance measures.
- ◆ Determined future disposition of identified assets.
- ◆ Identified assets prioritized for investment.
- ◆ Provided evidence that the Asset Management Plan (AMP) is being implemented to achieve real property management.

Upcoming Actions

- ◆ Meet all milestones established in the Three-Year Timeline and Proud to Be Version IV (PTB IV).
- ◆ Coordinate the reporting of USAID's data to the Federal Real Property Profile (FRPP) via the Department of State Real Property Application (RPA) system.
- ◆ Finalize the interim targets and long term goals for the FRPC performance measures.
- ◆ Establish FY 2007 disposal goal by identifying specific assets for disposal.
- ◆ Use lease benchmarking figures obtained from Overseas Buildings Operations (OBO) to analyze posts in the 90th percentile of lease costs.
- ◆ Demonstrate initial use of real property inventory and performance reports by USAID.
- ◆ Continue to verify the reported condition index data and complete the prioritized investment list.
- ◆ Finalize protocol to work jointly with the Department of State to conduct condition assessments for data validation.

PERFORMANCE SECTION





(Above) This health clinic in Teshkan, Afghanistan, was repaired as a USAID Quick Impact project. Workers fixed the roof, plastered and painted interior and exterior walls, installed window panes and set up a clean water source.

PHOTO: INTERNATIONAL ORGANIZATION FOR MIGRATION (IOM)

(Preceding page) A Pakistani family rebuilds after the October 2005 earthquake, using their USAID-supplied kit to construct a warm, small house.

PHOTO: USAID/BEN BARBER

INTRODUCTION TO THE JOINT PERFORMANCE SECTION

HOW WE MANAGE AND REPORT ON PERFORMANCE

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



USAID



Department of State

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

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

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

OUR PERFORMANCE RATING SYSTEM

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

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

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

VALIDATION AND VERIFICATION

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

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

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

Federal agencies' Inspectors General play a central role in the verification and validation of their agency's performance measures. To improve performance and implement the President's Management Agenda, the Office of the Inspector General (OIG) reviews performance measures in the course of its audits and evaluations. The OIG consults with program managers to identify key measures to be verified and validated as a complement to agency verification and validation efforts. The OIG gives priority to performance measures related to the President's Management Agenda initiatives, programs assessed by OMB's Program Assessment Rating Tool, and areas identified as serious management and performance challenges. ■

STRATEGIC OBJECTIVE #1:

ACHIEVE PEACE AND SECURITY

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

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

STRATEGIC GOAL I: REGIONAL STABILITY

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

I. PUBLIC BENEFIT

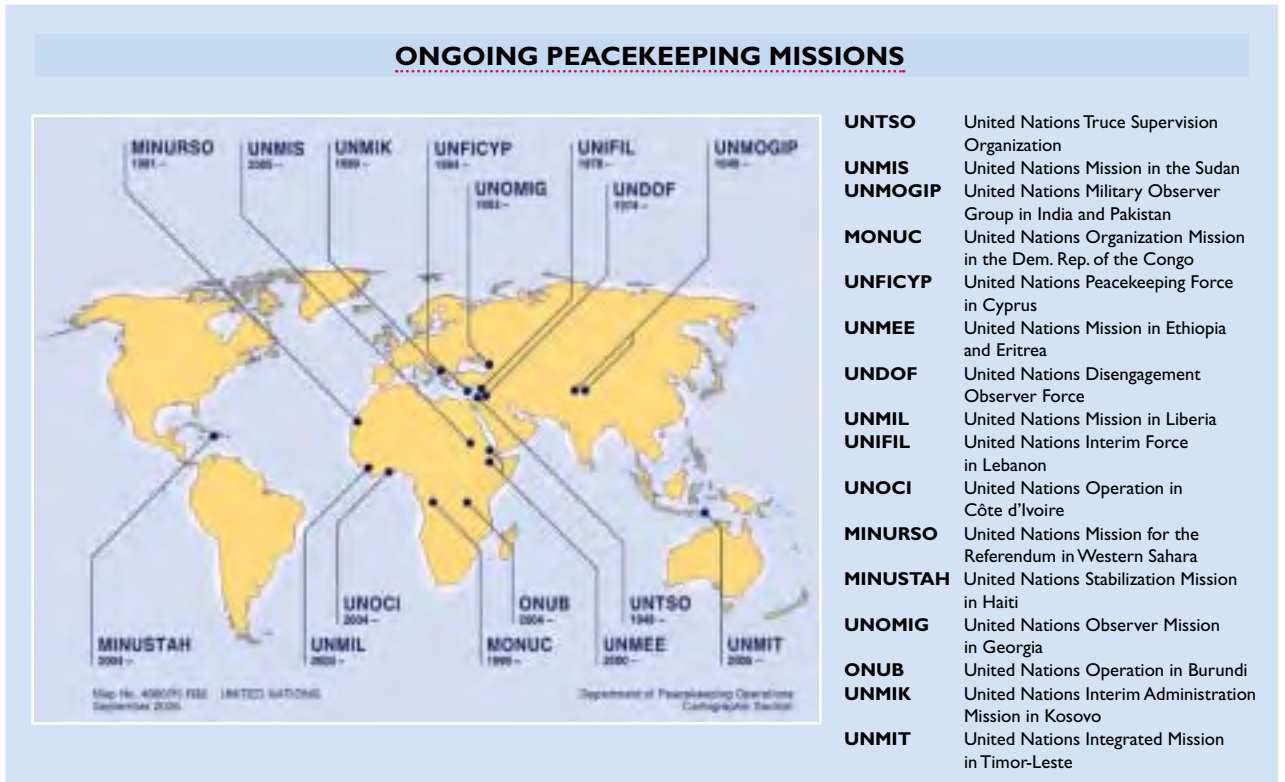
The United States Government seeks to provide security for American citizens and interests at home and abroad through international treaties, alliances, and the active promotion of freedom, democracy, and prosperity around the world. Employing diplomacy and development assistance, the U.S. builds and strengthens relations with neighbors and allies worldwide to promote shared values and prevent, manage, and mitigate conflicts and human suffering. The Department of State and USAID work with international partners to alleviate regional instability by promoting good governance and sustainable civil institutions, and by developing professional, responsible, and accountable police and military forces. In company with U.S. allies and coalition partners, the U.S. Government (USG) helps failing, failed, and recovering states to nurture democracy, enhance stability, improve security, make key reforms and develop capable institutions. Department of State and USAID policies and programs enable partnerships to fight terrorism, the proliferation of dangerous weapons, trafficking in people and narcotics, and other criminal activities that undermine legitimate governments and threaten regional stability around the globe. The USG helps build the capacity of foreign partners through military and development assistance programs that enhance regional security and reduce demands



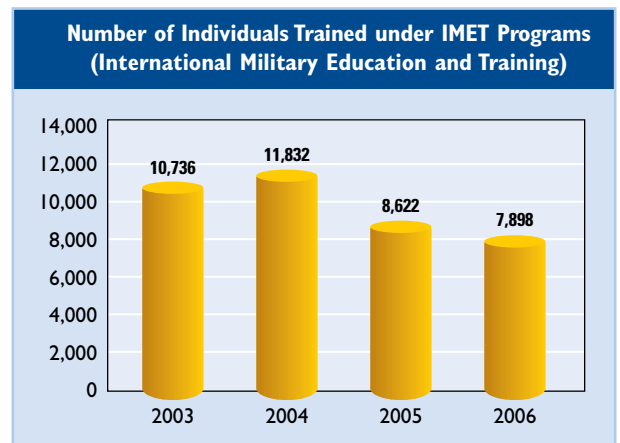
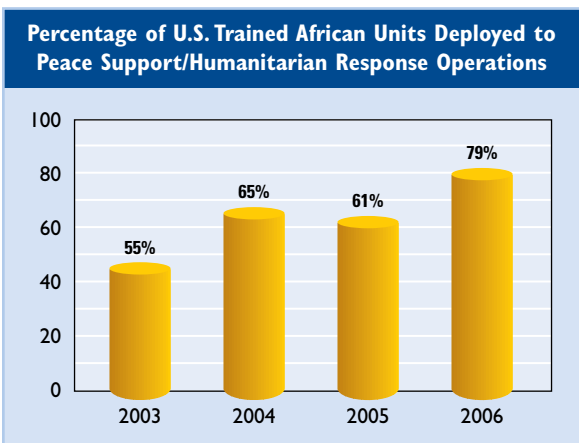
Members of the Mano River Women's Peace Network in Guinea, a grassroots network of women's peace activists, wait to greet the Mano River heads of state. The organization, winner of the UN Human Rights prize, works in Guinea, Liberia, and Sierra Leone to promote women's roles in the peace process.

PHOTO: PHOTOSHARE / APRIL THOMPSON

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



II. SELECTED PERFORMANCE TRENDS



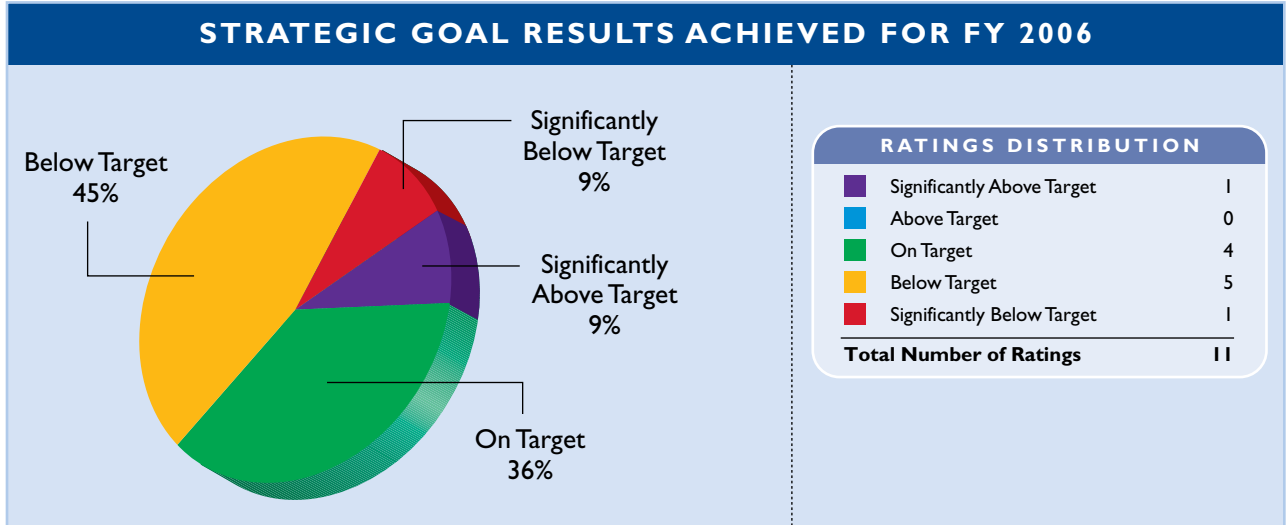
III. STRATEGIC CONTEXT

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

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

IV. PERFORMANCE SUMMARY (STATE AND USAID)

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



V. PERFORMANCE ANALYSIS

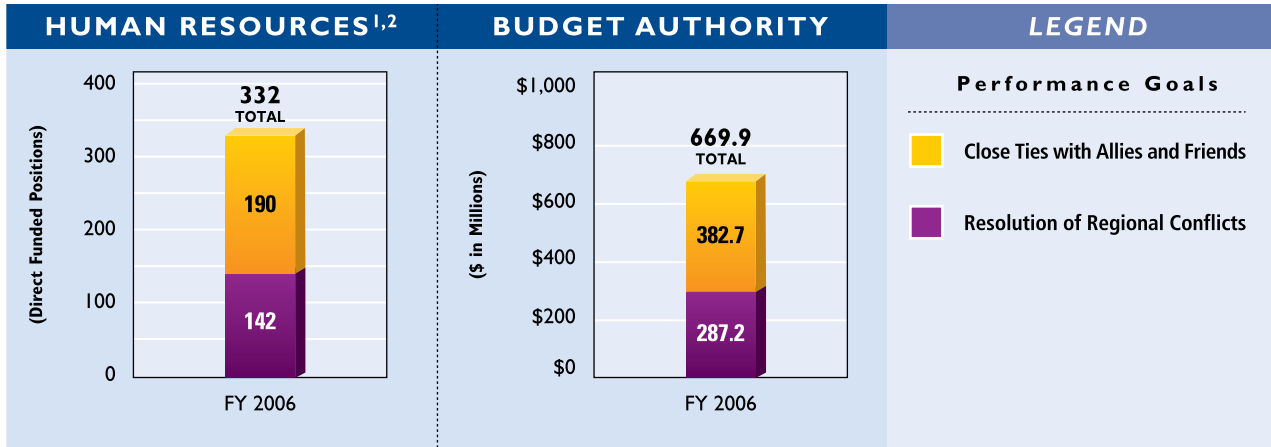
PERFORMANCE TRENDS. There have been a number of significant trends under the Regional Stability goal. One trend is the steady increase since FY 2003 in the percentage of U.S. trained African units deployed to peace support/humanitarian response operations. Another trend is the decrease in the number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

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

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

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

VI. RESOURCES INVESTED BY USAID



¹ USAID human resource figures reflect all full-time direct funded employees including civil service, foreign service, foreign service nationals, personal services contractors, and other USG employment categories. Institutional contractor staff are not included.

² Data on FY 2006 human resource levels by Strategic and Performance Goals were not collected. These figures were estimated using FY 2005 human resources data prorated against the FY 2006 Statement of Net Cost.

VII. PERFORMANCE RESULTS


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





Acehnese citizens enjoy newfound peace at a USAID-sponsored concert. PHOTO: ACEH PEACE CONCERTS.

ANNUAL PERFORMANCE GOAL I

Close, Strong, and Effective U.S. Ties with Allies, Friends, Partners, and Regional Organizations.

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


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

The African Contingency Operations Training and Assistance Program

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



A National Guardsman shows equipment to military leaders from Ghana, June 2006. PHOTO: AP/WIDEWORLD


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



The Afghan President reviews the guard-of-honor during a ceremony in Islamabad, Pakistan, February 2006. PHOTO: AP/WIDEWORLD

ANNUAL PERFORMANCE GOAL 2

Existing and Emergent Regional Conflicts are Contained or Resolved.


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

A Look to History: Regional Stability

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



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

I/P: CONFLICT MANAGEMENT AND MITIGATION		
	INDICATOR: Number of Peacebuilding and Conflict Resolution Activities Conducted Worldwide	
	Output	
JUSTIFICATION: This is a measure of progress toward world peace that incorporates a balanced mix of coordinated outputs.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ■ 5% increase over FY 2005 in number and types of events in support of peace processes (i.e., peace conferences, dialogues, training course, workshops, and seminars). ■ 5% increase over FY 2005 in number of officials and key decision-makers trained in peacebuilding/conflict resolution/mitigation skills. ■ 5% increase over FY 2005 in number of people reached by conflict prevention/mitigation media campaigns.
	Results	<ul style="list-style-type: none"> ■ 44% increase in the number and types of events in support of peace processes (total number of events in FY 2006: 1,952). ■ 124% increase in the number of officials and key decision-makers trained in peacebuilding/conflict resolution/mitigation skills (total number of officials/decision-makers trained in FY 2006: 13,155). ■ 42% increase in the number of people reached by conflict prevention/mitigation media campaigns (total number of people reached by conflict prevention/mitigation media campaigns in FY 2006: 10,810,750).
	Rating	■ Significantly Above Target
	Impact	Working toward its mandate of mainstreaming conflict sensitivity within USAID's traditional disaster, transitional, and development assistance portfolios, conflict management and mitigation has achieved positive results by supporting peace-building initiatives, conflict sensitivity training, and conflict mitigation-focused media campaigns. These contributions continue to improve USAID's ability to more skillfully support local efforts toward peace and regional stability.
PERFORMANCE DATA	Data Source	Preliminary result data from USAID operating units.
	Data Quality (Verification)	The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ■ The number and types of events in support of peace processes (peace conferences, dialogues, training course, workshops, seminars) increased by 20% over FY 2004 (Total number of events in FY 2005: 1,355). ■ The number of officials and key decision-makers trained in peacebuilding/conflict resolution/mitigation skills increased by 78% (Total number of officials/decision-makers trained in FY 2005: 5,858). ■ The number of people reached by conflict prevention/mitigation media campaigns increased by 4% (The number of people reached in FY 2005: 7,587,694).
	2004	Baselines: <ul style="list-style-type: none"> ■ Number and types of events in support of peace processes (peace conferences, dialogues, training course, workshops, seminars): 1,126. ■ Number of officials and key decision-makers trained in peacebuilding/conflict resolution/mitigation skills: 3,301. ■ Number of people reached by conflict prevention/mitigation media campaigns: 7,295,860.
	2003	N/A.

I/P: CONFLICT MANAGEMENT AND MITIGATION (continued)



INDICATOR: Progress of Implementation of Sudan Peace Process

Outcome

JUSTIFICATION: A peaceful Sudan with an inclusive government based on the rule of law could be a hedge against regional instability and an important partner in the global war on terrorism. Ending the conflict would also alleviate one of the world's worst humanitarian situations and stimulate regional economic prospects.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ■ Regional democratic elections are planned; non-violent transitions to appropriate new government in Sudan or at minimum, preparation activities toward a program of democratic elections are put in place. ■ Military reform continues with additional assistance provided to the southern Army. ■ Disarmament, Demobilization, and Reintegration (DDR) on both sides results in force reduction of 40% globally. ■ 40% of refugees and internally displaced persons (IDPs) return home. Darfur IDPs and refugees return home. ■ UN authorizes extension of UN Mission in Sudan (UNMIS) in Darfur.
	Results	<ul style="list-style-type: none"> ■ Comprehensive Peace Agreement (CPA) implementation showed progress in security arrangements; less progress on power- and wealth-sharing protocols. ■ Darfur Peace Agreement signed in Abuja, Nigeria and Eastern Sudan Peace Agreement completed. Both agreements complement framework of CPA. ■ Planning for elections barely in preliminary phase; however, technical preparations for a national census, a precursor to elections, are on schedule. ■ Military transformation and U.S. support for Security Sector Transformation have slowly begun in the South. ■ UNMIS verified redeployment on schedule with 63% Sudanese Armed Forces redeployed and 65% Sudan People's Liberation Army (SPLA) forces redeployed. ■ The National Disarmament, Demobilization, Reintegration (DDR) Commission has not met since it was established in February 2006. The Northern Sudan DDR Commission started preliminary assessment work in Darfur. ■ Internally Displaced Persons (IDP) are returning in the South, but displacements are increasing in Darfur. ■ UNSCR 1706 authorizes the extension of UNMIS to Darfur and expansion by up to 17,300 troops, 3,300 UN Police, and 16 Formed Police Units.
	Rating	<div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: #FFC000; margin-right: 5px;"></div> Below Target </div>
	Impact	<p>The crisis in Darfur and Sudanese military offensive in Darfur have hindered progress on the implementation of the Comprehensive Peace Agreement. Implementation of the Darfur Peace Agreement and Comprehensive Peace Agreements are closely linked, and resolving the Darfur crisis is key not only to those affected by the crisis directly, but for all Sudanese whose future depends on the full and sustainable implementation of the Comprehensive Peace Agreement.</p>
PERFORMANCE DATA	Data Source	Embassy, USAID, UN, and NGO reporting.
	Data Quality (Verification)	UN and embassy reporting is generally detailed and accurate (e.g. monthly CPA Monitor). NGO reporting varies by location, event, and source.

Continued on next page

I/P: CONFLICT MANAGEMENT AND MITIGATION (continued)

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

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

Dialogue Helps Avert Conflict

Since the Comprehensive Peace Agreement was signed in 2005 to end Sudan's North-South civil war, USAID has been working with various ethnic groups to address potential and existing conflict. This effort paved the way for initial agreements on arms control and seasonal grazing access. In January 2006, these agreements were jeopardized when a disarmament initiative led by the Sudan People's Liberation Army resulted in a tense standoff between their troops and armed civilians in Lou Nuer ethnic group's territory. Despite efforts to persuade the leaders to engage in dialogue, clashes ensued. Observers watched with dismay as the work toward stability seemed to unravel. They feared that old feuds would reignite and weapon supply lines would be reestablished. USAID responded by sponsoring initiatives with the Nuer Peace Council that brought together politicians, armed groups, and Lou leaders. This culminated in a peace meeting in Yuai, where more than 700 participants gathered, including Government of South Sudan President Riak Machar. The meeting resulted in agreements among Lou leaders on integration, disarmament, and peaceful engagement with their neighbors. Despite the fragile peace, participants from all sides said that the dialogue has profoundly influenced the course of events and averted conflicts that may have resulted in the collapse of delicate new relationships.



Community members participate in a traditional Murle dance in celebration of a successful peace meeting in Gurumuk. Source: PACT. PHOTO: PACT

I/P: CONFLICT MANAGEMENT AND MITIGATION (continued)



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

Outcome

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

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

Continued on next page

I/P: CONFLICT MANAGEMENT AND MITIGATION (continued)

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

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

U.S. Assistance to Liberia

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

A Liberian Chief Justice of the Supreme Court administers the oath of office to the Liberian President-Elect in Monrovia, Liberia, January 2006. PHOTO: AP/WIDEWORLD



I/P: REGIONAL SECURITY COOPERATION AND ARMS CONTROL



INDICATOR: Progress of Implementation of the Adapted Conventional Forces in Europe (CFE) Treaty

Output

JUSTIFICATION: The 1990 CFE Treaty has long been considered a cornerstone of European security. Entry into force of the adapted CFE Treaty and its smooth implementation will contribute to a stable and secure Europe. The U.S. works closely with NATO Allies in coordinating positions regarding CFE issues, reinforcing the U.S. role in European security.

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

I/P: IMPLEMENTATION OF THE ROAD MAP



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

Outcome

JUSTIFICATION: The indicator corresponds to the vision articulated by the President in his June 24, 2006, speech of two states, Israel and Palestine, existing side by side in peace and security, with targets geared to roadmap obligations.

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

Continued on next page

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

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

PERFORMANCE DATA	Data Source	Post reporting and the Bureau of Near Eastern Affairs reporting, Quartet announcements, site visits, other governments and institutions (World Bank, IMF, NGOs), media reports, intelligence reports.
	Data Quality (Verification)	Post reporting is reliable and well researched – utilizing many different resources: meetings with Israeli and Palestinian government officials, political figures, community leaders, as well as respected institutions working in the region.
PAST PERFORMANCE	2005	Israel's Government has concluded its withdrawal from Gaza, and the focus has now shifted to Palestinian efforts to establish order. Disengagement produced coordination on a number of levels between the two sides. The Palestinian Authority has begun to take steps to restructure and reform its security forces throughout the West Bank and Gaza, with the support of U.S. Security Coordinator General William Ward and assistance from the international community. Quartet Special Envoy James Wolfensohn worked on his agenda of issues which intends to restore the viability of the Palestinian economy. Restoration of pre-Intifada Arab links with Israel continues, as indicated by the return of the Egyptian and Jordanian ambassadors to Tel Aviv.
	2004	Roadmap process is relaunched. Security cooperation renewed. Both sides progress through provisions in Phase I of the roadmap, including, but not limited to, on the GOI side: a) as comprehensive security performance moves forward, IDF withdraws progressively from areas occupied since September 28, 2000 and the two sides revert to the pre-September 28, 2000 status quo; b) immediate dismantlement of settlement outposts erected since March 2001 and freezing of all settlement activity; and c) steps to improve the humanitarian situation in the West Bank/Gaza.
	2003	Roadmap is publicly released and used effectively as diplomatic tool to relaunch Israeli-Palestinian peace negotiations. Both sides progress through provisions in Phase I of the roadmap, including, but not limited to: a) as comprehensive security performance moves forward, IDF withdraws progressively from areas occupied since September 28, 2000 and the two sides revert to pre-September 28, 2000 status quo; b) immediate dismantlement of settlement outposts erected since March 2001 and freezing of all settlement activity; and c) steps to improve the humanitarian situation in the West Bank/Gaza. Israel's border with Lebanon remains quiet.


People's Forums Foster Peace

To address ethnic tension and civil conflict between Sinhalese and Tamils in rural Ambagamuwa in central Sri Lanka, USAID sponsored a people's forum, where representatives of both ethnic groups identified an acute need for improved health services in both communities. This gathering resulted in more than 300 people from both groups volunteering to share a day of labor in the community. Forums generally begin by addressing community development issues as a first step, and then move toward more difficult issues of peace building as they evolve. The forums aim to encourage citizen participation and consensus-building through community projects and discussion groups that work towards developing action plans that identify common needs and outline ways to meet those needs. These ambitious agendas run the gamut from education and job skills training to recreation and social services. Through the forums, communities are beginning to craft a vision for their collective future, often including mission statements in their action plans. The number of community forums is expected to expand to 72 by FY 2007.



A Muslim appeals to people's forum representatives in Kinniya, Trincomalee district, whose population is equally divided between Sinhalese Buddhists, Hindu Tamils, and Muslim Moors. Source: Academy for Educational Development.

PHOTO: AP/WIDEWORLD

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


Continued on next page

I/P: IRAQ AND GULF SECURITY (continued)

INDICATOR: Free, Democratic, and Whole Iraq at Peace with Itself and its Neighbors (continued)

PAST PERFORMANCE	2005	Credible elections for Transitional National Assembly and local governments were held on time; the change of government occurred in an orderly fashion and ahead of schedule; preparations are on track for constitutional referendum and December election; the rule of law and civil society are being established more firmly as time goes on; free media has been a responsible watchdog on governmental power; Iraq has progressively assumed increasing responsibility for own security.
	2004	<ul style="list-style-type: none"> ■ Transitional Administrative Law drafted and approved. ■ Iraqi Interim government assumes full sovereignty; continued political, legal and economic reform. National Conference held. ■ Iraqi Interim National Council selected and begins operating. ■ Democratic institutions, rule of law, civil society, and free media started. ■ Accountability and anti-corruption efforts began to take hold. ■ Independent Electoral Commission of Iraq established and begins preparations for January 2005 elections, assisted by the UN.
	2003	Saddam Hussein's regime overthrown. The Department worked closely with DoD and Coalition Provisional Authority to stabilize and rebuild Iraq. The Department continues to support the development of strategies to move Iraq toward democracy, rule of law, build free market economy, including non-oil sector; build Iraqi security forces, subordinate to constitutional authority, capable of relieving U.S. and Coalition forces. UN agencies made critical contributions in humanitarian assistance and economic reform in Iraq.

I/P: SECURITY ASSISTANCE TO SUB-SAHARAN AFRICA

	INDICATOR: Percentage of U.S.-Trained African Units Deployed to Peace Support/Humanitarian Response Operations	
PART Output		
JUSTIFICATION: A U.S.-trained African unit or one trained by U.S.-trained trainers will perform better than one not provided such training or its equivalent. African peacekeeping requirements are expected to remain high and therefore improved African capability will lessen calls for the use of U.S. forces.		
FY 2006 PERFORMANCE	Target	Of all African battalions (or their equivalent) deployed in Peace Keeping Operations globally, approximately 75% will have significant staff and unit training experience under U.S. or U.S.-trained trainers.
	Results	Approximately 79% of all African battalions (or other military contingents) deployed on peacekeeping missions globally have significant staff and/or unit training experience through the African Contingency Operations Training and Assistance (ACOTA) Program.
	Rating	■ On Target
	Impact	ACOTA partners populate all peace support missions in Africa and represent over 75% of the African contingents deployed on these missions.
PERFORMANCE DATA	Data Source	United Nations Department for Peacekeeping Operations (UNDPKO), Embassy and NGO reporting.
	Data Quality (Verification)	UNDPKO reporting is detailed and accurate. The African Union's African Mission in Sudan reporting varies, backed up by U.S. Embassy reporting from troop contributing country locations. NGO reporting varies by location, event, and source.
PAST PERFORMANCE	2005	ACOTA trained and/or equipped 11,442 African partner military personnel with \$28 million. Fifteen ACOTA-trained contingents routinely deployed on UN or African Union peace support missions. African units trained by U.S. trainers came from Ghana, Senegal, Mali, Benin, Ethiopia, Mozambique, South Africa, and Kenya in significant numbers.
	2004	Of all African battalions (or their equivalent) deployed in peacekeeping operations globally, approximately 65% had significant staff and unit training experience under U.S. or U.S.-trained trainers.
	2003	Seven African contingents trained by the U.S. or U.S.-trained trainers engaged in peace support missions. An additional five contingents planned for Peace Support Operations participation in Liberia and Burundi. The Economic Community of West African State forces, with significant U.S. support and training, deployed to Liberia.

STRATEGIC GOAL 2: COUNTERTERRORISM

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

I. PUBLIC BENEFIT

The tragic events of September 11, 2001, demonstrated the gravity of the threat international terrorists pose to the United States and its citizens, at home and abroad. The Global War on Terrorism remains the U.S. Government's top priority. The Department of State and USAID, in partnership with other U.S. Government agencies, international organizations, and countries around the world, work to combat terrorist networks wherever they exist and prevent attacks against Americans and our friends. In every corner of the globe, the Secretary of State and other senior officials, Ambassadors, and country team members, including USAID Mission Directors, use all instruments of statecraft to help host nations understand the threat of global terrorism and strengthen political will and capacity to counter it. This includes support for extending protection of

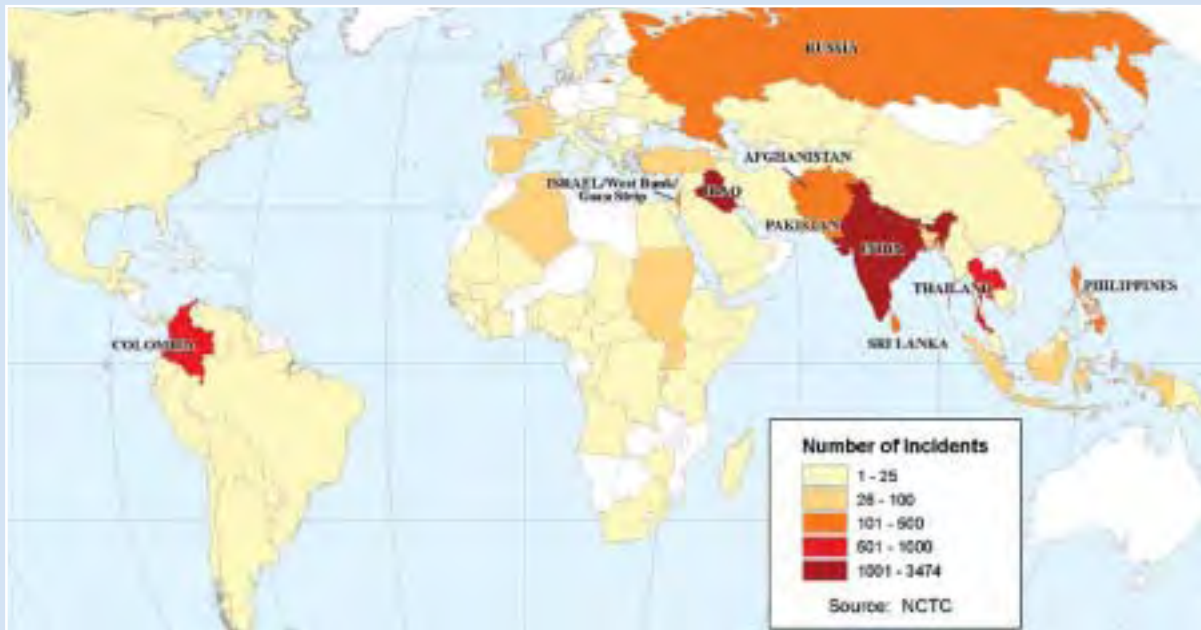
the homeland beyond America's borders, through programs such as the Container Security Initiative, Immigration Security Initiative, Proliferation Security Initiative, Customs-Trade Partnership Against Terrorism, inspections of foreign ports, and sharing of terrorist watch list information. Through effective bilateral and multilateral diplomacy, the U.S. leads a worldwide coalition that acts to suppress terrorism on all fronts: military, intelligence, law enforcement, public diplomacy and financial. To date, the Department has mobilized some 180 countries and territories in the war on terrorism to identify, disrupt and destroy international terrorist organizations. Thousands of terrorist suspects have been arrested, and tens of millions of dollars in terrorists' assets have been blocked. In an effort to deny weapons to terrorists, more than 5,000 Man-Portable Air Defense Systems (MANPADS) have been destroyed. Key to the ability to mobilize effective action by our foreign partners is the provision of training to those who want to help but lack the means. Since 9/11, programs such as anti-terrorist assistance, terrorist interdiction, anti-terrorist finance, combined with long-term efforts to increase stability, have significantly improved U.S. global partners' counterterrorism capabilities.



USAID Administrator, Ambassador Randall Tobias, U.S. Ambassador to Pakistan, Ambassador Ryan Crocker, and Pakistani General Nadeen meet in Dadar, Pakistan.

PHOTO: USAID/LEE MCBREARTY

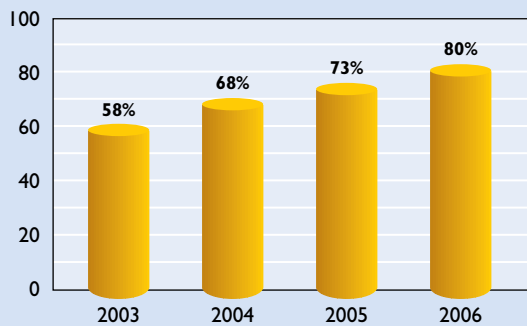
TERRORIST INCIDENTS BY COUNTRY, 2005



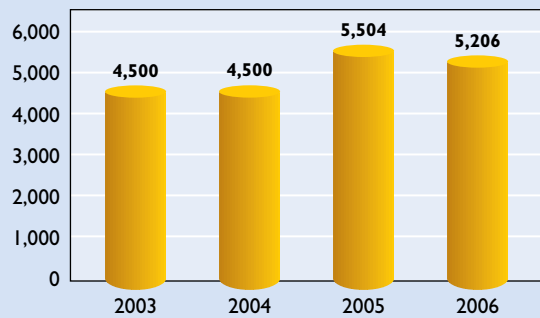
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II. SELECTED PERFORMANCE TRENDS

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



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



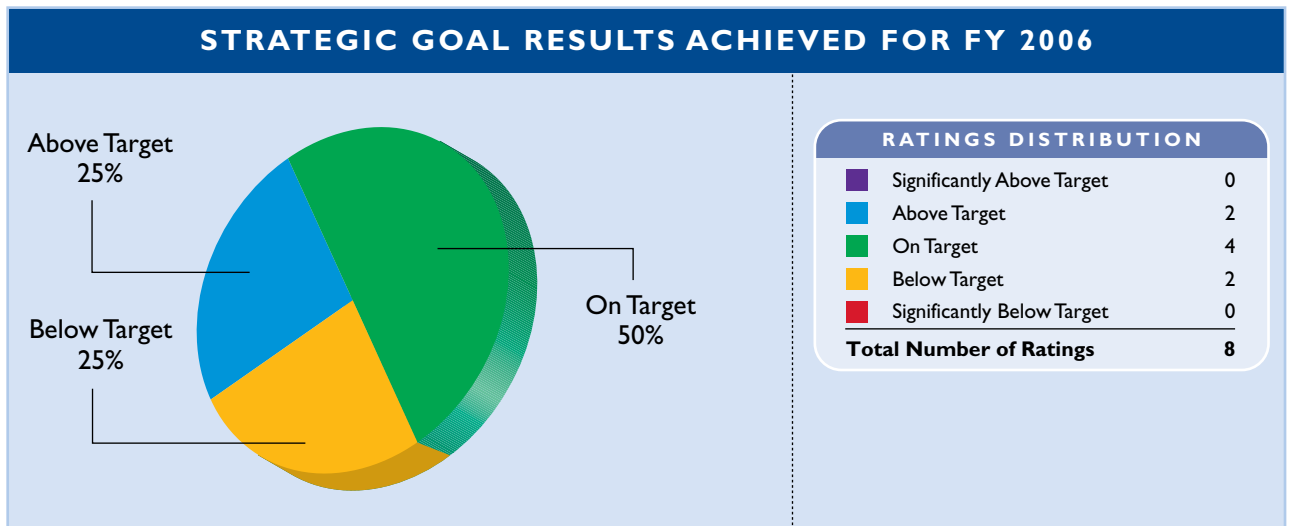
III. STRATEGIC CONTEXT

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

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

IV. PERFORMANCE SUMMARY (STATE AND USAID)

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



V. PERFORMANCE ANALYSIS

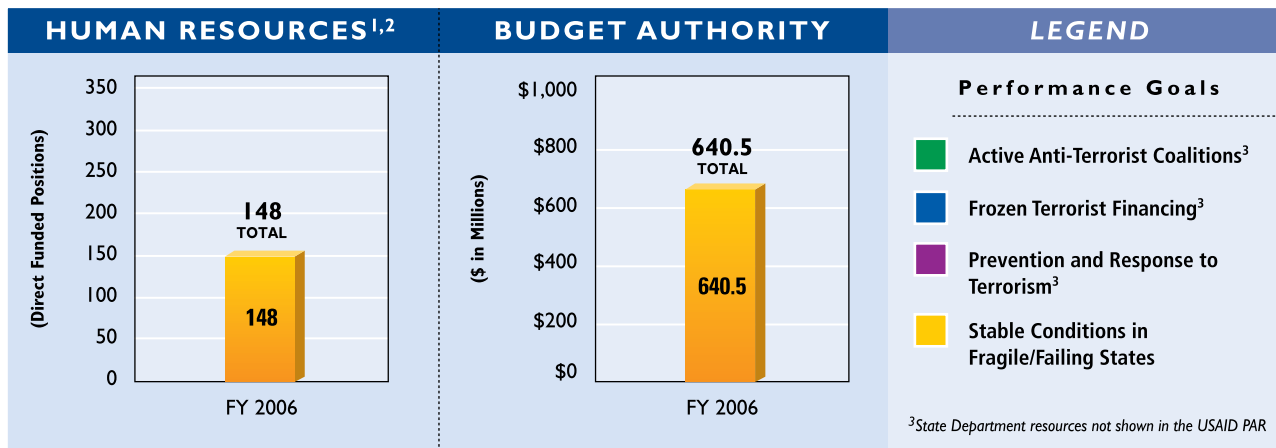
PERFORMANCE TRENDS. One noteworthy trend under the Counterterrorism Strategic Goal is the steady increase in the percentage of travelers screened around the world using the Terrorist Interdiction Program’s watch listing system. The number of sites at which the system is installed has increased from 58%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

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

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

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

VI. RESOURCES INVESTED BY USAID




¹ USAID human resource figures reflect all full-time direct funded employees including civil service, foreign service, foreign service nationals, personal services contractors, and other USG employment categories. Institutional contractor staff are not included.

² Data on FY 2006 human resource levels by Strategic and Performance Goals were not collected. These figures were estimated using FY 2005 human resources data prorated against the FY 2006 Statement of Net Cost.

VII. PERFORMANCE RESULTS

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

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

I/P: TERRORIST INTERDICTION PROGRAM



INDICATOR: Percentage of Travelers Screened by Participating Foreign Governments with the Terrorist Interdiction Program's Watchlisting System

PART Outcome

JUSTIFICATION: A key element of the Terrorist Interdiction Program (TIP) is maximizing the usage of the terrorist watchlisting system to screen travelers passing through ports of entry. U.S. counterterrorism strategic objectives are best served when participating nations maximize their use of the watchlisting system provided under TIP.

FY 2006 PERFORMANCE	Target	79%.
	Results	80%.
	Rating	■ On Target
	Impact	The level of host nation use of the screening system indicates that partner countries share and support our strategic goal of constraining terrorist mobility.
PERFORMANCE DATA	Data Source	Percentages were derived from informal feedback from U.S. personnel charged with program oversight in each country, as well as reporting from program personnel during the course of visits to perform system maintenance, software upgrades, or follow-on operator training.
	Data Quality (Verification)	Although the data is based on periodic and not constant observation, it is considered a reliable representation of host nation usage.
PAST PERFORMANCE	2005	73%.
	2004	68%.
	2003	58%.

U.S. Anti-Terrorism Assistance to Indonesia

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



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

I/P: MEETING INTERNATIONAL STANDARDS



INDICATOR: Compliance with United Nations Security Council Resolution (UNSCR) 1373

Output

JUSTIFICATION: Repeated reporting by UN member countries and UN Counterterrorism Executive Directorate (CTED) analysis indicate continued progress in meeting UNSCR 1373 requirements.

FY 2006 PERFORMANCE	Target	The Counterterrorism Committee (CTC) develops best practices in all areas related to UNSCR 1373 implementation. CTC uses the best practices to develop standards for measuring Member State compliance with UNSCR 1373. Regular CTC field missions conducted to ensure compliance and facilitate technical assistance to “willing but unable” countries. CTC identifies those “unwilling” countries. Tangible sanctions developed to be applied by the UN Security Council to recalcitrant countries that decline to meet obligations under UNSCR 1373 even with technical assistance.
	Results	A directory of best practices has been developed. A total of nine state visits and two other field missions were conducted, and the Counterterrorism Executive Directorate (CTED) has planned seven more state visits during 2006. One of CTED missions in 2006 was a high-level mission to press a state, which had fallen out of compliance with UNSCR 1373, to pass necessary legislation promptly. The CTC also is beginning to consider how to develop standards for measuring states’ compliance. CTED is enhancing its outreach to donor states and organizations, including through regular contact with the G-8 Counter-Terrorism Action Group (CTAG), the UNDP, and the EU.
	Rating	■ Above Target
	Impact	Through the efforts of the CTC and CTED, Member States and regional organizations have become more aware of the requirements of UNSCR 1373 and have been given assistance to meet those requirements. CTED field missions have helped Member States identify legal and policy gaps in their counterterrorism apparatus. The United Nations’ Office on Drugs and Crime, Terrorism Prevention Branch has provided assistance to states in drafting legislation to implement 1373 obligations and to implement the requirements of the 13 universal conventions and protocols on CT. Other donors, such as the EU and UNDP are pursuing assistance projects to close gaps CTED has identified in States CTED has visited.
PERFORMANCE DATA	Data Source	UNCTC reports; reporting from U.S. Embassies and the U.S. Mission to the United Nations.
	Data Quality (Verification)	The UNCTC receives and reviews all reports submitted by UN Member States detailing efforts to implement UNSCR 1373. The U.S. Government conducts interagency reviews of these reports. The Department obtains copies of CTC letters to Member States.
PAST PERFORMANCE	2005	One hundred sixty nine of 191 UN members submitted follow-up reports as requested by the CTC. CTED did not become fully staffed until September 2005. CTC and CTED did not achieve the level of results expected, but staged one international conference on counterterrorism standards and best practices and conducted field missions to Morocco, Albania, Kenya, Thailand, and Algeria.
	2004	All 191 countries completed their second and third reports and 100 countries have in place executive machinery needed to implement counter-terrorism legislation required under UNSCR 1373. CTC initiated limited number of field missions to States to monitor compliance with 1373 and to assess needs for technical assistance and training. CTC implemented restructuring of its expert staff to meet increased responsibilities.
	2003	All UN Member States submitted at least one report. Assistance began to reach states having difficulty complying. CTC began to identify States seriously out of compliance with UNSCR 1373 and provide notification that corrective action must be taken to avoid repercussions.

ANNUAL PERFORMANCE GOAL 2

U.S. and Foreign Governments Actively Combat Terrorist Financing.

I/P: COMBATING TERRORIST FINANCING



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

Output

JUSTIFICATION: Counterterrorism finance capacity building is one mechanism for the U.S. to engage its allies to provide early warning, detection and interdiction of terrorist financing.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ■ Three countries assessed by financial systems assessment teams and three training and technical assistance plans developed. ■ Six countries at least partially implement technical assistance and training plans (training received in at least three of the five functional areas). ■ Eight countries fully implement technical assistance and training plans (training received in at least all five of the functional areas). ■ At least five countries undergo comprehensive review of the effectiveness of technical assistance and training.
	Results	<ul style="list-style-type: none"> ■ One country assessed by financial systems assessment teams and one training and technical assistance plans developed. ■ Five countries at least partially implemented technical assistance and training plans (training received in at least three of the five functional areas). ■ Three countries fully implemented technical assistance and training plans (training received in at least all five of the functional areas). ■ No countries have undergone comprehensive review of the effectiveness of technical assistance and training.
	Rating	■ Below Target
	Impact	Even though the results for the indicator are below target, continued yet slow progress has been made in the establishment and improvement of counterterrorist financing regimes, particularly with respect to the passage of new laws, regulations and reporting requirements.
	Reason for Shortfall	<ul style="list-style-type: none"> ■ Two countries were not assessed due to serious security considerations. ■ Three countries that received training were unable to partially implement technical assistance and training plans. ■ Five countries did not fully implement technical assistance and training plans. ■ The interagency task force is in the process of developing criteria and a database to conduct comprehensive reviews for effectiveness of training.
	Steps to Improve	<ul style="list-style-type: none"> ■ The Department will reinforce the necessity for countries to demonstrate political will and live up to their international commitments. ■ On a tactical level, depending on host nation sensitivity, the Department will encourage Resident Legal Advisors to engage with legislative drafting committees and experts and other stakeholders to explain international legal obligations and legal strategies for compliance with UN Security Council Resolutions, conventions, treaties, Financial Action Task Force (FATF) recommendations and other obligations.

Continued on next page

I/P: COMBATING TERRORIST FINANCING *(continued)*

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

PERFORMANCE DATA	Data Source	Interagency assessments, embassy reporting, international (FATF) evaluations. Money laundering section of the International Narcotics Control Strategy Report and other sensitive reporting sources.
	Data Quality (Verification)	<p>Interagency assessments are conducted by expert practitioners and verified by the parent agency, the interagency working group, and the embassy.</p> <p>Embassy reporting is reviewed (verified) and cleared by country team and ambassador.</p> <p>International (FATF) mutual evaluations are on-site expert peer reviews. These evaluation reports are reviewed and verified by a special experts group.</p> <p>Other sensitive reporting may include sensitive law enforcement information, intelligence and other such reporting.</p>
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ■ One country assessed and one training and technical assistance plan developed. ■ 10 countries have at least partially implemented technical assistance and training plans (training received in at least three of the five functional areas). ■ One country has fully implemented technical assistance and training plans (training received in at least all five of the function areas).
	2004	<ul style="list-style-type: none"> ■ Four countries assessed and six training and technical assistance plans developed. ■ Four countries fully implemented technical assistance and training plans (training received in at least all five of the functional areas). ■ Six countries at least partially implemented technical assistance and training plans (training received in at least three of the five functional areas). ■ Six new countries were added to the priority assistance list.
	2003	15 assessments completed. 15 of the targeted 19 states received training and technical assistance.

A Look to History: Counterterrorism

Following a number of overseas terrorist attacks against American diplomats and military personnel in the 1970s and early 1980s, the Department of State created the Anti-Terrorism Assistance Program to assist foreign governments in combating terrorism and protecting American installations abroad. Under the program, foreign security and law enforcement personnel came to the United States to receive training. Courses have ranged from kidnap intervention and hostage negotiation to crisis management and response to incidents involving weapons of mass destruction. American evaluation teams also visited participating foreign



countries to develop training programs best suited to their needs. Costa Rica, Turkey, Portugal, Italy, Liberia, Ecuador, Cameroon, Thailand, Tunisia, and a number of Caribbean states were among the first countries to participate in the program, which has since grown to include over 52,000 students from over 140 countries.

The U.S. military is training Filipino soldiers on counter-terrorism warfare in different parts of war-torn Mindanao island in southern Philippines as part of security assistance program of the U.S. government.

PHOTO: AP/WIDEWORLD/STR

ANNUAL PERFORMANCE GOAL 3

Coordinated International Prevention and Response to Terrorism, Including Bioterrorism.

I/P: FRONTLINE STATES IN THE GLOBAL WAR ON TERRORISM




INDICATOR: Capacity of the Afghan National Army to Defend the Afghan Government and Its Territory from External and Internal Threats

Outcome

JUSTIFICATION: The training and deployment of, and expansion of influence by, the Afghan National Army (ANA) indicates progress toward establishing sustainable security in Afghanistan, without which the war on terrorism will not succeed.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ■ Afghan National Army (ANA) units conduct routine operational deployments throughout Afghanistan as needed; continued fielding of regional corps with at least one brigade at each location. ■ Ministry of Defense and General Staff assumes, with limited international community support, policy, planning, budget and operational responsibilities; institutional training base completed; functional commands provide increasing support for regional commands. Ministry of defense personnel reform process complete; includes ethnically balanced and increasingly professional staff. ■ Afghan National Police, Highway Patrol and Border Police are increasingly capable of enforcing law and securing transportation routes and borders. All Border Police brigades have undergone training and been provided with individual and basic unit equipment.
	Results	<ul style="list-style-type: none"> ■ 29,300 Afghan National Army forces trained and equipped and partially capable of conducting counterinsurgency operations in conjunction with Coalition units. ■ Minor improvements to Ministry of Defense and General Staff action process are being initiated despite the delay in assigning personnel to key leadership positions. Assistant Minister for Defense for Personnel and Education office beginning to take on a more active role in policy development. Operational Planning Guidance complete; staff beginning to develop the seven operational plans based on this guidance. ■ 42,900 Afghan National Police trained and equipped.
	Rating	■ On Target
	Impact	The training and deployment of the ANA to defend the credibly elected Afghan government from internal and external threats contributes to the fight against the global war on terror.
PERFORMANCE DATA	Data Source	Embassy reporting, intelligence/law enforcement reporting, Department of Defense Combatant Command after-action reports and country assessments.
	Data Quality (Verification)	Reliability and completeness of performance data is ensured through primary data collection and extensive cross-referencing among numerous sources (Department of Defense, Law Enforcement, State/Embassy Reports).
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ■ ANA influence fully established in Kabul and throughout the country. Forty (25 combat, 15 support / logistics) battalions are operational and approximately three and a half battalions are trained. Force strength is over 26,000. ■ More than 62,000 militia were disarmed and demobilized, ending the formal disarmament and demobilization process in June 2005. The reintegration phase is scheduled for completion in 2006. ■ Four ANA regional centers are operational.
	2004	<ul style="list-style-type: none"> ■ Three brigades of "Kabul Corps" fully fielded to a minimum of 90% manning and equipment. At least 6 Central Corps battalions conduct operational deployments. ■ 100% of heavy weapons collected and cantoned by June 2004 and 60% combatants disarmed and demobilized by September 2004.
	2003	U.S.-led Operation Enduring Freedom drove the Taliban from power and began to destroy the country's terrorist networks. Three battalions completed basic training at the Kabul Military Training Center and one began training. However, none were fully equipped nor completed the full training due to lack of weapons, munitions and demined training sites. Other challenges included lack of warlord support, recruiting difficulties, and insufficient funding. No Border Guard battalions were trained.

I/P: BIOTERRORISM RESPONSE		
	INDICATOR: Status of National and Global Reserves of Medical Countermeasures for International Use in Responding to Bioterrorism	
	Outcome	
JUSTIFICATION: National and international stockpiles of medical countermeasures will help mitigate the consequences of an international bioterrorism attack.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ■ Private industry and international community support creation of global reserves of medical countermeasures. ■ Multilateral organizations advocate both national and international stockpiles. ■ Continue bilateral discussions for mutual assistance to share medical countermeasures in response to bioterrorism. ■ U.S. mechanism(s) identified for creation and management of a U.S. international stockpile of medical countermeasures for responding to emergency foreign requests.
	Results	<ul style="list-style-type: none"> ■ Global Health Security Action Group continues to advocate support for international stockpiles. ■ U.S. and Switzerland develop Black ICE (Bioterrorism International Coordination Exercise) which outlines information about national stockpile and raises awareness among international organizations about the limited global supplies and the need for a system to gather and distribute medical countermeasures in the event of a bioterrorist attack. ■ In U.S., Project BioShield establishes first contracts for development and procurement of additional medical countermeasures.
	Rating	■ On Target
	Impact	Enhanced stockpiles and cooperation on medical countermeasures strengthen U.S. and international abilities to quickly and effectively respond to bioterrorism and mitigate potential effects to human, animal, and plant health – as part of the broader strategy to strengthen global counterterrorism cooperation.
PERFORMANCE DATA	Data Source	World Health Organization (WHO); open source and intelligence channels.
	Data Quality (Verification)	Information provided by the WHO on national stockpiles is verified by U.S. Government personnel and verified against open source and intelligence channels.
PAST PERFORMANCE	2005	WHO continued to seek additional nations to contribute to the Global Smallpox Vaccine Reserve. U.S. continued to promote (through GHSAG and in other venues) its contribution and encourage other nations to support the stockpile.
	2004	The U.S. announced a contribution of 20 million doses of smallpox vaccine to the WHO Global Smallpox Vaccine Reserve. WHO developed a framework for the Global Smallpox Vaccine Reserve which marked an important milestone in facilitating country support for the reserve. France announced a contribution of 5,000,000 doses of smallpox vaccine for the reserve.
	2003	WHO had very limited reserve of smallpox vaccine. Few countries had sufficient stockpiles to respond to bioterrorism attack. No countries had reserves to respond to international requests.

I/P: REDUCTION AND SECURITY OF MANPADS



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

Outcome



JUSTIFICATION: This indicator measures the number of MANPADS destroyed or secured as a result of commitments by foreign nations.

FY 2006 PERFORMANCE	Target	7,000.
	Results	Total MANPADS missiles destroyed (as of August 11, 2006): 5206.
	Rating	■ Below Target
	Impact	Reduction of the number of excess, loosely secured and obsolete MANPADs worldwide.
	Reason for Shortfall	Some destruction events projected for FY 2006 are now scheduled for FY 2007.
	Steps to Improve	The Department will continue to press implementing partners to proceed with destruction events as scheduled.
PERFORMANCE DATA	Data Source	Implementing partners, embassies, and the Department's Bureau of Political-Military Affairs and Office of Weapons Removal and Abatement staff who witness the destructions.
	Data Quality (Verification)	Confirmed by direct observation and reports by implementing partners.
PAST PERFORMANCE	2005	5,504.
	2004	5,500.
	2003	3,400.

ANNUAL PERFORMANCE GOAL 4

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

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

	INDICATOR: Rehabilitation Status of Afghan Educational Infrastructure	
	Output	
JUSTIFICATION: This indicator measures efforts to rehabilitate Afghanistan's education system and related infrastructure, with a focus on: 1) providing support to secular schools and education, and 2) promoting democratic values through education.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ■ 10% increase over FY 2005 in the number of institutions (homes, schools, clinics, markets, etc.) rehabilitated/ built through USAID assistance. ■ 10% increase over FY 2005 in the number students enrolled/ trained through USAID assistance. ■ 10% increase over FY 2005 in number of teachers trained through USAID assistance. ■ 10% increase over FY 2004 in the number of textbooks printed/ distributed. ■ 10% increase over FY 2005 in the number of students enrolled in basic education programs receiving a secular curriculum supported through USAID.
	Results	<ul style="list-style-type: none"> ■ 90% increase over FY 2005 in the number of institutions (homes, schools, clinics, markets, etc.) rehabilitated/ built through USAID assistance (number of institutions rehabilitated/built in FY 2006 was 506). ■ 2,012% increase over FY 2005 in the number students enrolled/ trained through USAID assistance (number of students enrolled/ trained through USAID assistance in FY 2006 was 3,601,687. The results for FY 2006 report on the entire USAID Afghan education program, not only the accelerated education program as reported in FY 2005). ■ 166% increase over FY 2005 in number of teachers trained through USAID assistance (number of trained through USAID assistance in FY 2006 was 26,390). ■ FY 2006 preliminary data for the number of textbooks printed/ distributed are not yet available. ■ FY 2006 preliminary data for the number of students enrolled in basic education programs receiving a secular curriculum supported through USAID are not yet available.
	Rating	 Above Target
	Impact	Rebuilding Afghanistan's education system is vital to long-term economic and social development and growth.
PERFORMANCE DATA	Data Source	USAID annual reports from operating units; other USAID reports; the USAID Afghanistan Database.
	Data Quality (Verification)	The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf)

Continued on next page

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

INDICATOR: Rehabilitation Status of Afghan Educational Infrastructure (continued)

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

A Community Keeps the Peace

Since 2001, USAID has been working to mitigate tensions on Kyrgyzstan’s border with Uzbekistan by mobilizing communities in vulnerable cross-border areas. In the village of Turkishtak, Kyrgyzstan, the effort to keep order was assisted by the community initiative group (CIG), a body of active community leaders formed with USAID training and support. Shortly after violence erupted in Andijan, Uzbekistan, in May 2005, a rural council phoned the CIG in neighboring Turkishtak, which immediately initiated measures to secure its own community. The group formed a neighborhood patrol, went door-to-door to inform residents of the events in Andijan and kept watch for possible refugees fleeing the area. They even organized a makeshift refugee camp in a vacant building in the event that the situation worsened. One CIG member and two of his neighbors supplied mattresses, materials, and clothing, and selected two families to prepare food if refugees arrived. Fortunately, neither violence nor refugees descended on Turkishtak. Nevertheless, those CIG members who rose to the occasion and took responsibility for the safety of their community further solidified their role as leaders and decision makers. The communication structure, organized and practiced by the CIG with USAID assistance, prevented fear from turning into chaos--a success that will continue to enhance the lives and well-being of the residents of Turkishtak and preserve their relationship with neighboring Uzbekistan communities.



The Turkishtak community initiative group makes plans to ensure the safety of their village. PHOTO: MERCY CORPS.

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

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

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

To meet these challenges, the Department of State and USAID support a robust and comprehensive range of programs that foster international cooperation to help stop these threats before they reach U.S. soil, and to mitigate these threats within the borders of our global partners. The Department and USAID work with other U.S. Government agencies and foreign governments to break up drug trafficking and other international crime groups, disrupt their operations, arrest and imprison their leaders, and seize their assets.

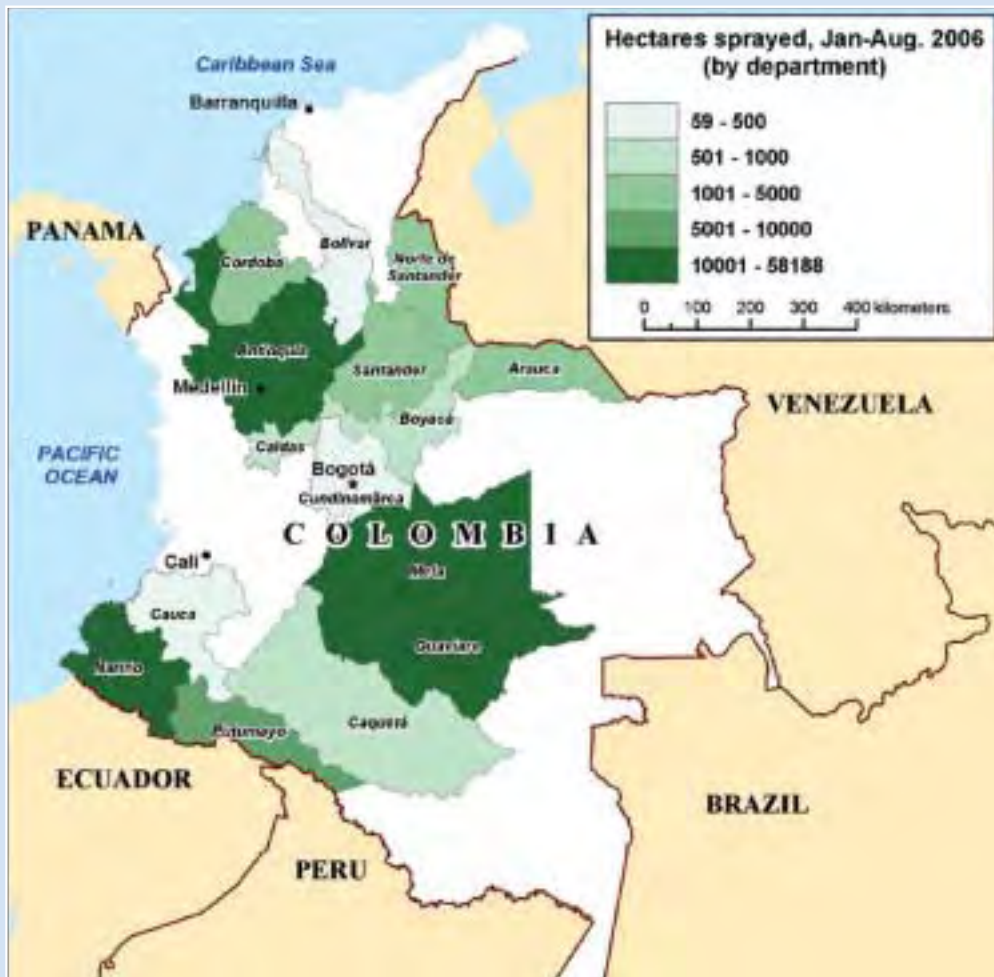
On the diplomatic level, the Department works with the United Nations, the European Union, the Organization of American States, the Group of Eight Industrialized States, and other international and regional bodies to set international counter-drug, anti-crime and counter-terrorist standards, foster cross-border law enforcement cooperation, and deny safe havens to crime, drug and terrorist groups.



With the support of USAID, Bolivian farmers are switching from coca production to licit crops. A farmer in the Chapare region of Bolivia proudly shows his legal land titles.

PHOTO: USAID/WALTER MUR

DRUG ERADICATION IN COLOMBIA

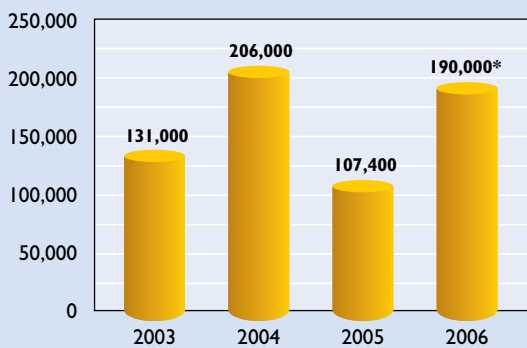


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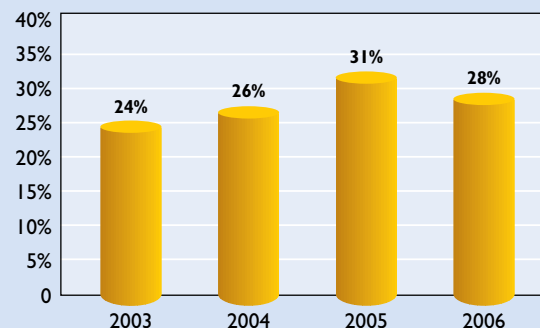
II. SELECTED PERFORMANCE TRENDS

Cultivation of Illicit Opium Poppy in Afghanistan (hectares)



*Note: 2006 is the target value

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



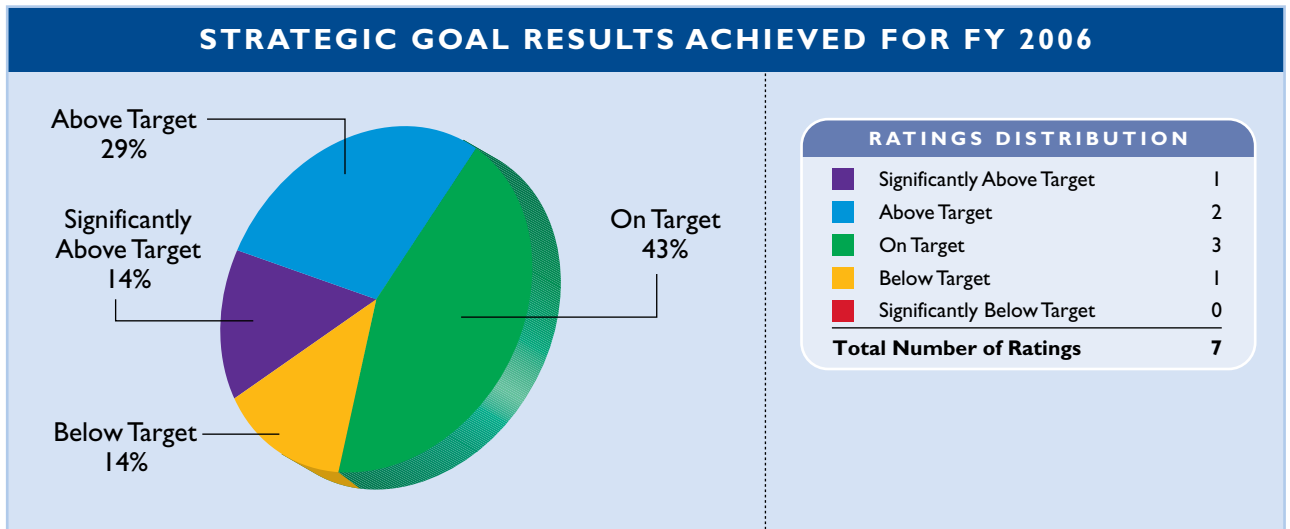
III. STRATEGIC CONTEXT

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

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

IV. PERFORMANCE SUMMARY (STATE AND USAID)

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



V. PERFORMANCE ANALYSIS

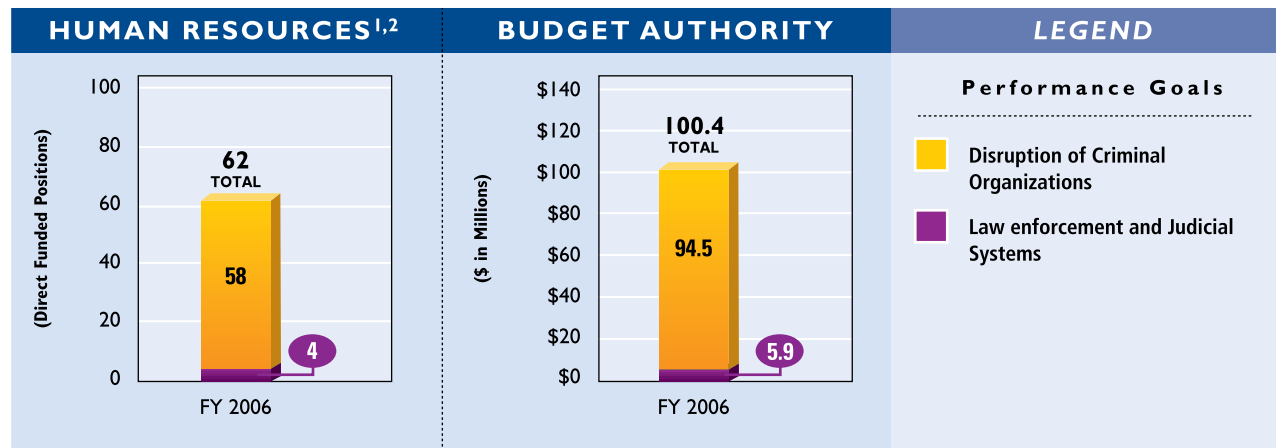
PERFORMANCE TRENDS. There were a number of positive trends under the Andean Counterdrug Initiative: hectares sprayed, shipments seized, and licit crop production increased. In addition, host government law enforcement partners have become stronger and more effective, capturing an increasing share of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

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

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

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

VI. RESOURCES INVESTED BY USAID





¹ USAID human resource figures reflect all full-time direct funded employees including civil service, foreign service, foreign service nationals, personal services contractors, and other USG employment categories. Institutional contractor staff are not included.

² Data on FY 2006 human resource levels by Strategic and Performance Goals were not collected. These figures were estimated using FY 2005 human resources data prorated against the FY 2006 Statement of Net Cost.

VII. PERFORMANCE RESULTS

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

ANNUAL PERFORMANCE GOAL I		
<i>International Trafficking in Drugs, Persons, and Other Illicit Goods Disrupted and Criminal Organizations Dismantled.</i>		
I/P: ANDEAN COUNTERDRUG INITIATIVE		
	INDICATOR: Ratio of Total Metric Tons Seized in Colombia, Peru, and Bolivia to Estimated Production of Cocaine	
PART Outcome		
JUSTIFICATION: Statistics on seizures complement estimates on cultivation and production. They are an indication of law enforcement effectiveness but much less reliable as a snapshot of drug trafficking.		
FY 2006 PERFORMANCE	Target	Seizure Rate: at least 28% of total net production.
	Results	Although actual data for metric tons produced or actual metric tons seized is not expected to be distributed until April 2007, based on results for 2005 and past experience, it is reasonable to forecast that the seizure rate will remain on target.
	Rating	■ On Target
	Impact	The seizure rate measures the effectiveness of U.S. Government assistance to law enforcement capacity building in Colombia, Peru, and Bolivia. The upward trend from 2003 to 2005 indicates that the host government law enforcement, working together with the U.S. Government, continue to capture an increasing share of the cocaine produced in the Andean region.
PERFORMANCE DATA	Data Source	Seizure statistics are provided by post and the host government and are included annually in the International Narcotics Control Strategy Report. The quality of the data varies by government. Estimates of cocaine production are provided by the CIA's Crime and Narcotics Center.
	Data Quality (Verification)	The quality of the seizure data varies by government. Estimates of cocaine production as provided by the CIA's Crime and Narcotics Center are regarded as the U.S. Government's most reliable information regarding cocaine production.
PAST PERFORMANCE	2005	31%.
	2004	26%.
	2003	24%.

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


A Look to History: International Crime and Drugs

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

Dr. Hamilton Wright PHOTO: AP/WIDEWORLD



I/P: GLOBAL POPPY CULTIVATION (continued)

	INDICATOR: Number of Hectares Devoted to Legitimate Agricultural and/or Forestry Products Developed or Expanded in Areas Receiving USAID Assistance	
	Output	
JUSTIFICATION: This indicator measures the impact of USAID programs in Afghanistan, Bolivia, Colombia, Ecuador and Peru to expand production of licit crops and forestry products, thereby expanding legitimate economic opportunities.		
FY 2006 PERFORMANCE	Target	344,160 Hectares.
	Results	382,286 Hectares, 11% above the FY 2006 target.
	Rating	■ Above Target
	Impact	USAID programs educate growers, provide alternative seeds, and agricultural inputs, and promote the production of licit crops in areas where poppy has been grown.
PERFORMANCE DATA	Data Source	Preliminary result data from USAID operating units.
	Data Quality (Verification)	The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf)
PAST PERFORMANCE	2005	310,281 hectares in licit production formerly in illicit poppy production, 1,141% above the FY 2004 baseline.
	2004	25,000 hectares in licit production formerly in illicit poppy production.
	2003	N/A.

Farmers Abandon Illicit Crops in Colombia

In Colombia's Urabá region, which has suffered from security problems resulting from illegal drug crop cultivation and trafficking, USAID's alternative development projects have helped poor farmers and other vulnerable groups transition from the illegal drug economy to a legitimate business economy by sharing technical expertise on agriculture and small business development. These projects have made the communities safer and allowed farmers to earn a legal living. For example, participants in one program learned planting techniques, plant care, and fertilizer applications. They also learned about the economic potential of the plants. After the demonstration phase finished, the plots were turned into plant nurseries that produce several varieties of acacia, melina, and teak, in addition to cacao, rubber, and other crops. The nurseries are spread out over 15 hectares of communally owned land, and they continue to serve as a center for training and community gatherings. This program in Urabá alone has reached some 1,500 Colombians in 10 co-ops, who since 2003 have planted a combined total of 679 hectares (1,677 acres) in legal crops where illegal coca plants once grew.



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

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




INDICATOR: Number of Countries Strengthening and Enforcing New or Existing Anti-Trafficking Laws to Come Into Compliance with International Standards

Outcome

JUSTIFICATION: Strengthened laws requiring strong penalties for traffickers and comprehensive assistance for victims indicate concrete efforts to prosecute and convict traffickers and to protect victims.

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

I/P: IMPROVE ANTI-TRAFFICKING PROSECUTORIAL AND PROTECTION CAPACITIES (continued)

	INDICATOR: Number of Stakeholders and Survivors Assisted Through USAID-Supported Anti-Trafficking in Persons Programs	
	Output	
JUSTIFICATION: By training stakeholders on the legal and human rights aspects of trafficking, and by providing support services to the survivors of trafficking, USAID will reduce the number of people trafficked and the consequences of trafficking. Stakeholders include government officials, non-governmental organizations, journalists, private sector participants, community leaders and members, and religious organization leaders.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ■ 280,638 stakeholders (police, ministry of justice personnel, journalists, school children, at-risk trafficking survivors, etc) educated or trained. ■ 50,265 survivors of trafficking receive counseling and other support services.
	Results	<ul style="list-style-type: none"> ■ 222,332 stakeholders (police, ministry of justice personnel, journalists, school children, at-risk trafficking survivors, etc) educated or trained. ■ FY 2006 data for the number of survivors of trafficking receiving counseling and other support services are not available.
	Rating	■ Below Target
	Impact	A decrease in the number of stakeholders trained or educated equates to a general decline in the overall awareness of the dangers of trafficking. In turn, this may indirectly impact USAID's effort to reduce the numbers of people trafficked.
	Reason for Shortfall	The explanation for this program's shortfall is pending and will be obtained once the final FY 2006 results are reported.
	Steps to Improve	The necessary steps for this program's improvement are pending and will be obtained once the final FY 2006 results are reported.
	PERFORMANCE DATA	Data Source
Data Quality (Verification)		The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf)
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ■ 267,275 officials educated or trained. ■ 61,534 survivors of TIP received counseling and other support services.
	2004	<ul style="list-style-type: none"> ■ 47,483 officials educated or trained. ■ 434,318 survivors of TIP received counseling and other support services.
	2003	<p>Baselines:</p> <ul style="list-style-type: none"> ■ 3,737 officials educated or trained. ■ 362 survivors of TIP receive counseling and other support services.

ANNUAL PERFORMANCE GOAL 2

Countries Cooperate Internationally to Set and Implement Anti-drug and Anti-crime Standards, Share Financial and Political Burdens, and Close Off Safe-havens Through Justice Systems and Related Institution Building.

I/P: INTERNATIONAL LAW ENFORCEMENT



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

Output

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

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


Trafficked Children Get a Fresh Start

In Albania, USAID supports Tjeter Vizion, an organization that helps children who were being trafficked to other countries to resume a normal life. Some are reunited with their families, and some, particularly those who have suffered trauma, are placed under the organization's legal custody. Tjeter Vizion runs a residential center, day care center, and secure apartments for trafficking victims and other at-risk youth. Staff members help younger residents with their school work while older children are trained in a vocation like plumbing or hair-dressing. Dritan was trafficked at age six, often beaten and forced to steal, beg, and sleep on the streets. Now 14,



he has lived in a Tjeter Vizion secure apartment for six months and is training to be a car mechanic. USAID also supports Transnational Action against Child Trafficking (TACT), an organization that works to teach elementary school children about the dangers of trafficking before they are placed at risk. TACT visits schools to show testimonial videos of trafficked children and distribute pamphlets about kids who were made to beg on the street. Operating in half of Albania's districts, TACT has reached some 25,000 children with its anti-trafficking message.

An elementary school student reads a brochure about the dangers of trafficking. PHOTO: USAID/STEPHANIE PEPLI

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

STRATEGIC OBJECTIVE #2:

ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS

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

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

STRATEGIC GOAL 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

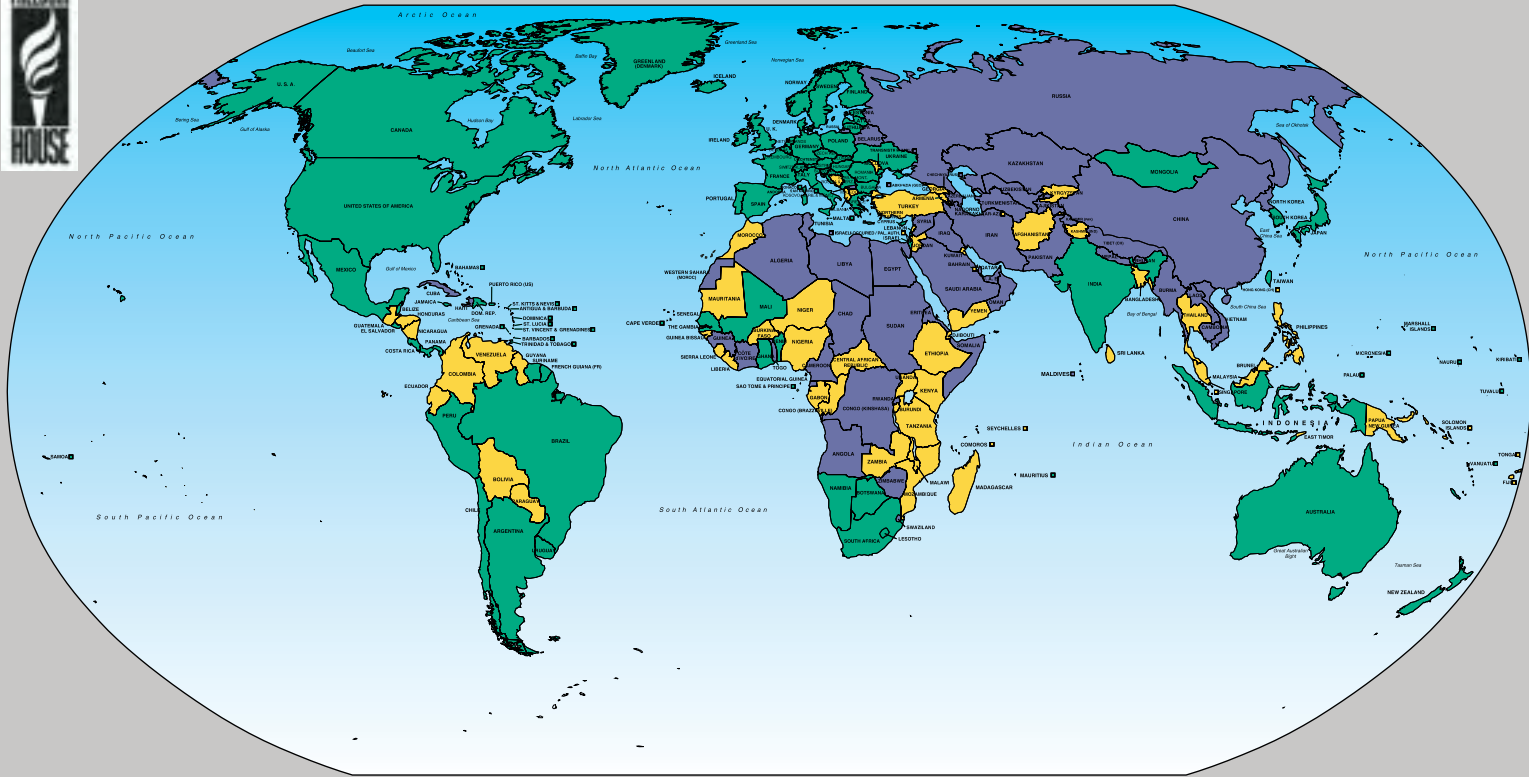
In his second National Security Strategy, in March 2006, President Bush affirmed the conviction that promotion of democracy is the best long-term strategy for ensuring stability and prosperity in the U.S. and abroad. Nations that respect human rights, respond to the need of their people, and govern by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

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



Voters emerge from a polling station in Kirkuk, Iraq. USAID has been supporting the democratic process in Iraq, with nearly \$150 million going toward the constitutional referendum. PHOTO: USAID/SCOTT JEFFCOAT

MAP OF FREEDOM 2006



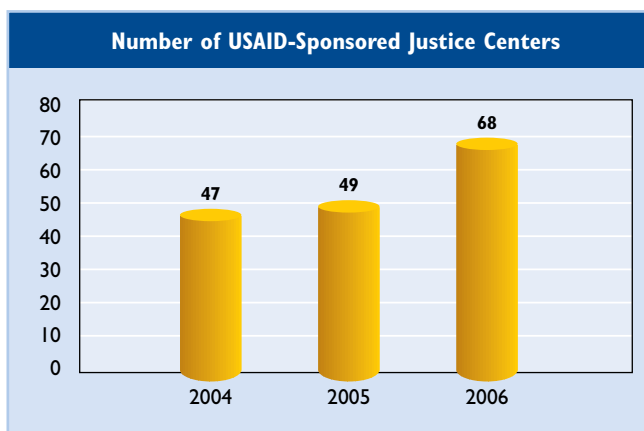
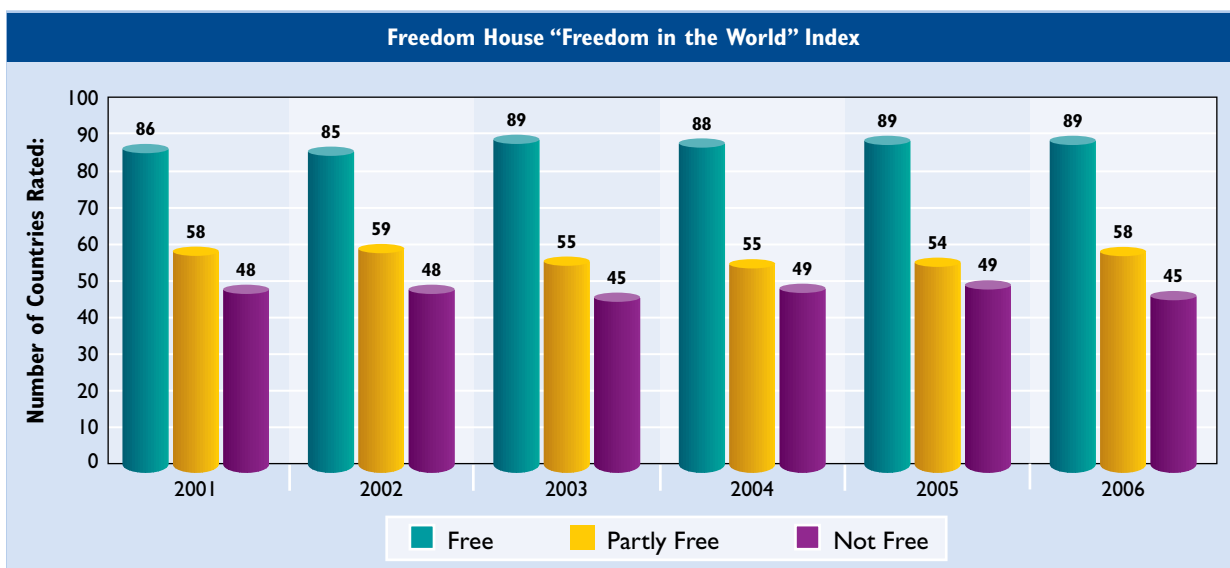
	FREE
	PARTLY FREE
	NOT FREE

Global Trends in Freedom			
Year Under Review	1995	2000	2006
Free	76	86	89
Partly Free	62	58	58
Not Free	53	48	45
Total	191	192	192

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

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

II. SELECTED PERFORMANCE TRENDS



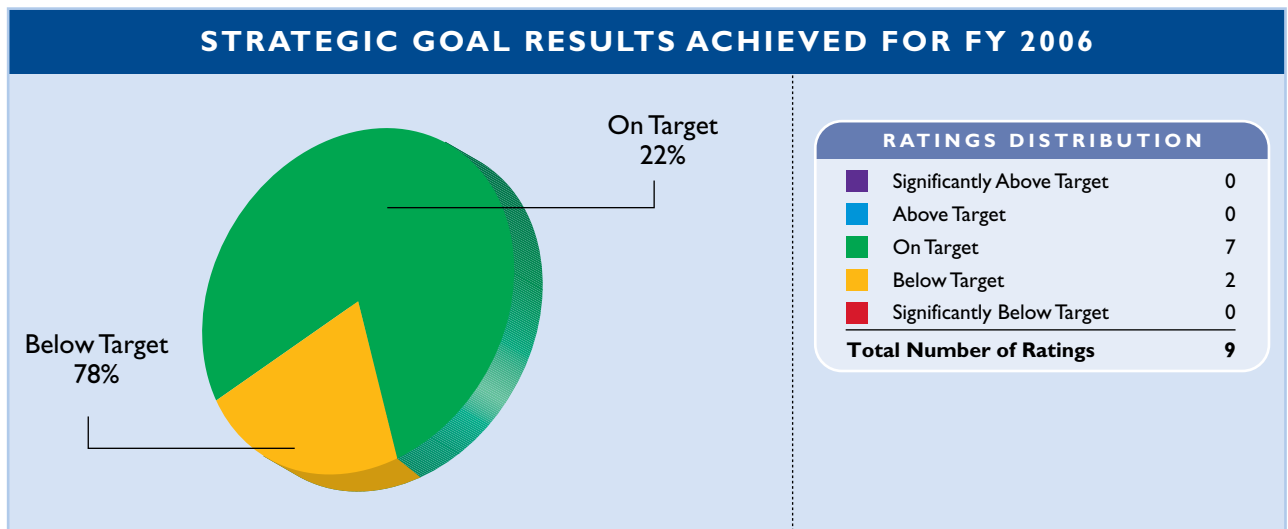
III. STRATEGIC CONTEXT

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

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

IV. PERFORMANCE SUMMARY (STATE AND USAID)

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



V. PERFORMANCE ANALYSIS

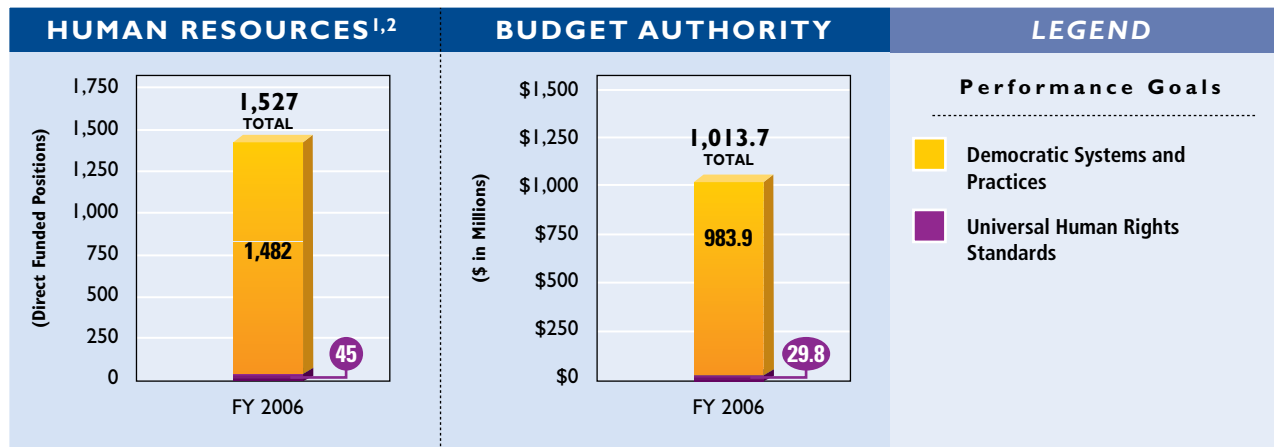
PERFORMANCE TRENDS. The Department and USAID have been able to demonstrate progress in developing democratic institutions, supporting free and fair elections, upholding religious freedom, and increasing women’s participation in the economy and politics, particularly in Afghanistan and the countries of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

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

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

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

VI. RESOURCES INVESTED BY USAID



¹ USAID human resource figures reflect all full-time direct funded employees including civil service, foreign service, foreign service nationals, personal services contractors, and other USG employment categories. Institutional contractor staff are not included.

² Data on FY 2006 human resource levels by Strategic and Performance Goals were not collected. These figures were estimated using FY 2005 human resources data prorated against the FY 2006 Statement of Net Cost.


VII. PERFORMANCE RESULTS

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

ANNUAL PERFORMANCE GOAL I

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

I/P: ENGAGEMENT TO ADVANCE DEMOCRACY

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

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I/P: ENGAGEMENT TO ADVANCE DEMOCRACY (continued)

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

PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ■ Average number of days to process a case after USAID assistance: 224, an 8% decrease from the FY 2004 baseline. ■ Number of USAID-sponsored mediation centers (200, a 127% increase). ■ Number of USAID-sponsored justice centers (49, a 4% increase) in target areas. ■ Average pre-trial detention in days after USAID assistance: 141, a 1.4% decrease from the FY 2004 baseline.
	2004	<p>Baselines:</p> <ul style="list-style-type: none"> ■ Average total time it took to process a legal case before USAID assistance was 661.2 days. After USAID assistance began in 2004, the average number of days dropped to 244.3. ■ Number of USAID-sponsored mediation centers: 88. ■ Number of USAID-sponsored justice centers: 47. ■ Average pre-trial detention prior to USAID assistance: 479.25 days. After USAID assistance began in 2004, the average pre-trial detention was 143 days.
	2003	N/A.

Cutting the Red Tape

In the industrial city of Zenica, Bosnia, USAID is addressing the needs of residents for better processing of documents and permits by building and equipping one-stop-shop processing centers. In addition to improving physical space, USAID equips the processing centers with modern technology to increase efficiency and identifies ways to streamline bureaucracy. Municipal staff undergoes customer service training, making interactions professional and fast. Also, new technology allows managers to see how many cases each employee is working on and identify delays. Business registrations and other documents are processed faster, and corruption is limited by modern, transparent approval systems. In these one-stop-shops it takes half as long to get a construction permit, and documents such as birth certificates are processed in minutes. In July 2005, the Zenica municipality processed a record 9,000 documents in its one-stop shop. The Zenica one-stop shop is one of 25 built with USAID support, with forty more being built in partnership with Sweden's International Development Cooperation Agency.



A typical day at the municipal “one stop shop” in Zenica where residents now obtain business permits and vital records.

PHOTO: USAID/KRISTINA STEFANOVA

I/P: ENGAGEMENT TO ADVANCE DEMOCRACY (continued)



INDICATOR: Freedom House Index

Outcome

JUSTIFICATION: Freedom House ratings include raw scores, with the tables for each country indicating three possible changes: a) status, b) trend (positive or negative), and c) score in either political rights or civil liberties. All three compilations permit multi-year comparisons; the Department seeks an increase in the number of countries with a higher status from the previous year as an indication of whether the Department's goals are being achieved.

FY 2006 PERFORMANCE	Target	Freedom House 2006 Report Net Progress: Positive change from previous year. Net Change in Status: Positive change from previous year.
	Results	Freedom House 2006 Report Free: 89. Partly Free 58. Not Free 45. Net Change +4.
	Rating	■ On Target
	Impact	A net change of +1 in countries that are rated as “free” indicates improvement in democratic conditions around the world.
	Data Source	Freedom House “Freedom in the World” annual survey.
	Data Quality (Verification)	Freedom House rating allows multi-year comparisons that demonstrate advances in democratic reform worldwide. Freedom House ratings are publicly available and widely regarded as reliable quantitative data to verify movement toward greater democracy.
PAST PERFORMANCE	2005	Freedom House 2005 Report Free: 89. Partly Free: 54. Not Free: 49. Net Change: +1.
	2004	Freedom House 2004 Report Free: 88. Partly Free: 55. Not Free: 49. Net Change in Status: -1. Improved Countries: 25. Declined Countries: 10. Net Progress: +15.
	2003	Freedom House 2003 Report Free: 89. Partly Free: 55. Not Free: 48. Net Change in Status: +4. Improved Countries: 29. Declined Countries: 11. Net Progress: +18.

I/P: DEMOCRATIC STABILITY IN SOUTH ASIA'S FRONTLINE STATES



INDICATOR: Progress Toward Constitutional Democracy in Afghanistan

Outcome

JUSTIFICATION: Achieving progress towards meeting political objectives laid out in the Afghanistan Compact will effectively establish democratic rule in Afghanistan.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ■ Parliament produces constructive legislation, approves responsible budgets, and oversees appropriate government operations, such as combating corruption and narcotics activity. ■ Civil liberties provisions remain intact and receive strong support from legal and executive institutions. ■ Citizens throughout the country have access to the Afghan Independent Human Rights Commission for resolution of human rights complaints. Human rights education becomes part of primary school education curriculum. ■ Courts in Kabul begin to hold trials in criminal cases. ■ Women are active political participants and hold public positions in Kabul and the central, regional and provincial government levels.
	Results	<ul style="list-style-type: none"> ■ Parliament adopted a law on the duties and responsibilities of the Provincial Councils; adopted the budget; and confirmed the President's cabinet and the members of the Supreme Court. ■ Provisions on civil liberties are intact and the Afghan Independent Human Rights Council remains active. Religious freedom became an issue due to an apostasy case that was eventually dismissed. Afghan Independent Human Rights Commission continues to expand to the provinces and is more accessible and active. In most schools human rights are a primary part of the curriculum, but the extent to which this is true varies by class. ■ There are 68 female members in the National Assembly, one female cabinet member and one female provincial governor. Approximately 35% students attending school are female. Approximately 60% of primary age girls are in school. For the lower secondary level (grades 7-9) it is about 9% and for the upper secondary level (10-12) approximately 3% of girls attend school.
	Rating	■ On Target
	Impact	A democratically elected president and government are essential to ensuring Afghanistan's progress toward democracy.
PERFORMANCE DATA	Data Source	Joint Elections Management Board website; UN and NGO human rights reports; U.S. Department of State, USAID and U.S. Embassy in Kabul reports, the Afghanistan Compact.
	Data Quality (Verification)	Data and methodology of public reports are readily available for verification and widely regarded as accurate. State Department, other U.S. Government, international organization, and non-governmental data are cross-checked to ensure accuracy.

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I/P: DEMOCRATIC STABILITY IN SOUTH ASIA'S FRONTLINE STATES (continued)

INDICATOR: Progress Toward Constitutional Democracy in Afghanistan (continued)


PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ■ Presidential elections held in October 2004. More than 10 million Afghans registered and 8 million participated in the election, 40 of whom were women. Provincial Council and National Assembly elections scheduled for September 18, 2005. 1.69 million voters registered for upcoming parliamentary elections. ■ Afghan Independent Human Rights Commission reported on a wide range of human rights issues including Afghan perceptions of past human rights abuses. ■ Two women were Cabinet Ministers (Minister of Women's Affairs and Minister of Martyrs and Disabled); first female governor appointed (Bamiyan). ■ USAID constructed 24 judicial facilities throughout the country; trained 382 judges in a series of formal training programs; and codified, compiled, printed, and disseminated 1,000 copies of Afghanistan's basic laws.
	2004	<ul style="list-style-type: none"> ■ Constitutional Loya Jirga adopted moderate, democratic Constitution on January 4, 2004. ■ Loya Jirga broadly representative; over 100 of the 500 delegates were women. ■ Twenty-three candidates announced bids for presidency; 18 of which were accepted, and presidential elections were held on October 9, 2004.
	2003	<ul style="list-style-type: none"> ■ Constitutional Commission established and new Constitution drafted. ■ Human Rights and Judicial Commissions began to address ethnic abuses, women's rights violations, rule of law, war crimes/ethnic killings, etc., and identify priority objectives. ■ Rules and procedures developed for the elections in 2004. ■ Afghan Conservation Corps established to provide income to Afghan returnees, fostering community-based efforts to promote sound land and water management.



An Afghan boy sells a poster with photographs of candidates competing in the first ever presidential elections in Kabul, Afghanistan.

PHOTO: PHOTOSHARE/AMIT GURUNG

I/P: DEMOCRATIC STABILITY IN SOUTH ASIA'S FRONTLINE STATES (continued)

	INDICATOR: Degree to Which Democratic Principles and Institutions are Established and Maintained in Pakistan	
	Outcome	
JUSTIFICATION: Institutions that promote democratic principles and habits in civil society are prerequisites to a democratic polity.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ■ Pakistani political parties accept and implement civil society recommendations. Civil society organizations are increasingly well managed and self-sustaining. ■ More effective and accountable electoral preparations put in place. ■ National and Provincial Assemblies perform constitutional roles in transparent and effective manner. National Assembly debates, legislates, and appropriates funds. ■ More effective judiciary and enhancements in efficiency, transparency, and equity of Pakistan's legal system. ■ Polls show that people feel government attempts to be responsive to their needs.
	Results	<ul style="list-style-type: none"> ■ Government began devolution of selected powers to provincial and local levels bringing new players into the grass roots political dialogue. ■ The government permitted all existing political parties to function. Local elections were marred by voter buying, voter list fraud, intimidation, and bribery. ■ National and provincial assemblies initiated policy debates in key areas of women rights. ■ The government did not directly or indirectly censor the media. Media outlets, however, continued to practice self-censorship. The government arrested, harassed, and intimidated journalists during the year. ■ Stability is maintained but the head of state remains the head of the military. The military is not subject to civilian control.
	Rating	■ On Target
	Impact	As a populous and influential Muslim country, Pakistan's progress toward building and sustaining democratic principles and institutions is critical to the Administration's goal of supporting democracy globally.
PERFORMANCE DATA	Data Source	Government data and publications, press reports, nongovernmental reports, polling data.
	Data Quality (Verification)	Data are reliable and regularly vetted through the U.S. Embassy.

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A Look to History: Democracy and Human Rights

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



Two young boys work as drivers in a West Virginia underground coal mine in 1908. PHOTO: AP/WIDEWORLD

I/P: DEMOCRATIC STABILITY IN SOUTH ASIA'S FRONTLINE STATES (continued)

PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ■ Stability was maintained but the head of state remained the head of the military. The military was not subject to civilian control. ■ The range of national security and foreign policy issues open for genuine debate remained circumscribed. ■ Politicians and press were increasingly free to publicly criticize the army and the establishment, although the government continued to exercise some control over the media by offering “recommendations” on editorial content and by allocating advertising that serves as a critical subsidy.
	2004	<ul style="list-style-type: none"> ■ Both houses freely debated the President’s message to Parliament; standing committees were announced; and various key pieces of legislation were passed, including a bill authorizing the formation of a National Security Council. The parliamentary debate over the President’s address included national security issues. ■ Conducted national public opinion survey on a range of subjects (including familiarity with national and provincial representatives, the political process, and political engagement). ■ The arrest and conviction of opposition leader Javed Hashmi was a setback for political freedom.
	2003	<ul style="list-style-type: none"> ■ Elections occurred October 10, 2002, and parties accept the outcome but with credible allegations of flaws regarding their conduct. ■ Pakistani military returned to the barracks as civilian rule resumes. ■ Corrupt patronage continued to dominate political parties but reformers were identified. ■ Civil society organizations began to organize, grow in size and activity, and gain a voice. ■ Reasonably free political party activity and press. Limited investigative/prosecutorial capacity.



An elderly woman casts her vote during local government elections in Rawalpindi City District, Pakistan.

PHOTO: PHOTOSHARE/KHALID MAHMOOD RAJA

I/P: DEMOCRACY AND GOVERNANCE IN THE NEAR EAST



INDICATOR: Status of Democracy in the Near East

Outcome

JUSTIFICATION: Successful elections (held as scheduled and free and fair) indicate fundamental movement toward democratic, representative government. A free and independent media is an imperative for democratic, transparent governance. It provides essential information to the people, both informing their voting decisions and acting as a means for the people to express dissent between elections.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ■ Municipal elections in Yemen are held as scheduled and are free and fair. ■ Elections in Bahrain held as scheduled and are free and fair. ■ Media Freedom: Two additional Near Eastern Affairs (NEA) countries move into the “Partly Free” category and no other states lower their rankings.
	Results	<ul style="list-style-type: none"> ■ Free, fair and competitive elections took place in Yemen (municipal and Presidential); Egypt (Parliamentary); Qatar (legislative); Bahrain (municipal council). ■ No countries saw a decline in their Media Freedom scores. No countries moved from “Not Free” to “Partly Free”. ■ In Iraq, a draft permanent Constitution was successfully adopted in October 2005. Political parties formed coalitions, registered and campaigned for December 2005 elections.
	Rating	On Target
	Impact	Holding free, fair, competitive elections and adopting a Constitution are first steps in achieving participatory democracy and open opportunities for increased democracy programming including political party and civil society strengthening.
PERFORMANCE DATA	Data Source	Freedom House analysis based on Democracy Scores—an average of the ratings for all six categories covered by Nations in Transit (e.g. electoral process, civil society, independent media, governance, constitutional/legislative/judicial framework, and corruption). Ibn Khuldun Center in Cairo regional report on democracy and civil society. IREX Media Sustainability Index used to assess trend lines in freedom and sustainability of local media. ABA/CEELI indicators used to assess judicial qualification and preparation, continued legal education, judicial review of legislation, and judicial oversight of administrative practice. Independent monitors (UN, NGOs, political party observers) and U.S. Mission reporting. The Department does not make public declarations regarding freedom or fairness of elections.
	Data Quality (Verification)	The International Republican Institute and the National Democratic Institute are non-governmental organizations working internationally with extensive experience supporting democratic activities overseas. Performance data provided by them are widely regarded as reliable and authoritative and are reviewed by U.S. Embassy personnel.

Continued on next page

I/P: DEMOCRACY AND GOVERNANCE IN THE NEAR EAST (continued)

INDICATOR: Status of Democracy in the Near East (continued)

PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ■ Elections scheduled to have occurred were free, fair and competitive. Saudi Arabia held its first municipal elections. Other countries scheduled elections and through Middle East Partnership Initiative, the Department worked to ensure they were free, fair and competitive, including: ■ Senate elections in Tunisia. ■ Parliamentary elections in Egypt. ■ Parliamentary elections in Lebanon. ■ Municipal and parliamentary elections in West Bank/Gaza.
	2004	<ul style="list-style-type: none"> ■ Algeria – Elections were generally judged as fair and open. ■ Lebanon – Municipal elections were held in April 2004. ■ Tunisia – Elections were scheduled in the fall.
	2003	<ul style="list-style-type: none"> ■ Bahrain – Parliamentary and municipal elections held as scheduled; judged by international community to be generally free and fair. ■ Yemen – National elections as scheduled; judged to be generally fair. ■ Jordan and Kuwait – Parliamentary and National Assembly elections, respectively, held as scheduled. ■ Oman and Morocco – Consultative Assembly and Municipal elections, respectively, held as scheduled.



Youth leaders in rural hamlets contribute to the democratization of health care in Upper Egypt.

PHOTO: PHOTOSHARE/TAHSEEN PROJECT

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



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

Outcome

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

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ■ Afghanistan: Women's Teachers Training Institute to train Afghan teachers. The Afghan Literacy Initiative will raise literacy levels of Afghan women in rural areas. 50% of girls attend school. ■ Iraq: Women appointed or elected to political office. Women occupy 25% of elected positions. Judicial training enables officers of the court to share best practices and craft new legal remedies to protect women's human rights. Permanent constitution guarantees equality for women. ■ Broader Middle East: Women establish professional associations and develop advocacy skills on public policy issues and pro-women, pro-business practices. All-Women's radio stations expand the number of on-air hours and programs for women.
	Results	<ul style="list-style-type: none"> ■ Afghanistan: USG built or rehabilitated 585 schools. Afghan Literacy Initiative reached 9600 students, 50% are female. 34% of 5 million children enrolled in school are female. USG completed 17 Women's Resource Centers deeded to Ministry of Women's Affairs to provide outreach and training to provincial women. ■ Iraq: Political and economic training delivered, with emphasis on NGO sustainability in rural areas. Began partnerships with universities, establishing centers to be run by Iraqi women. Worked with women leaders to ensure rights upheld in Constitutional amendment process. Expanded media training with youth emphasis. Provided microcredit to women, built economic empowerment through skills training. ■ Broader Middle East: Literacy and vocational training programs inaugurated. Developed and obtained approval for one project for the economic empowerment of women.
	Rating	■ On Target
	Impact	Especially in Iraq, women are gaining economic and political traction through programs such as the Iraqi Women's Democracy Initiative. The impact of these programs is clear: democracies cannot survive without the full political and economic participation of all members.
PERFORMANCE DATA	Data Source	USAID reports. U.S. Embassy reporting. Bureau of International Women's Issues. NGO and grantee reports.
	Data Quality (Verification)	Data are gathered by USAID implementing partners and reviewed and analyzed by U.S. Government officials at post. U.S. Embassy officials draft reports which are then reviewed by colleagues in Washington.

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

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

PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ■ Iraq: Iraqi women trained in democracy, political participation, media, and economics, including 25 of 87 women elected to national assembly. ■ Afghanistan: Over 8000 women and girls received literacy and health education; 80 women judges and lawyers trained in Afghan civil law, international conventions. ■ Broader Middle East: Women's priority economic issues defined and corresponding program mechanisms established.
	2004	<ul style="list-style-type: none"> ■ Afghanistan: 1,000 women received microcredit loans and started businesses; 250 women received job skills training; 500-1,000 women benefited from literacy programs. ■ Iraq: Training provided in political, economic and media skills, as well as in trauma and stress reduction programs. Women entrepreneurs attended Global Summit of Women (1,000 women from 85 countries) for entrepreneurial training. ■ Post-Conflict: Riga Women Business Leaders Summit partnered Baltic region women with U.S. counterparts, sharing experience and best practices, and promoted private enterprise in the Baltic Sea region. Mentoring programs with women entrepreneurs and women business interns from the Middle East. Mentoring programs with women political and business leaders from Kosovo.
	2003	<ul style="list-style-type: none"> ■ Afghanistan: Grants awarded for microfinance, job skills training, political participation, literacy and other educational programs in Women's Resource Centers. ■ Post-Conflict: Big Idea Mentoring Initiative began with Afghanistan. Security Council Resolution 1325: Women and peace and security (adopted Oct. 31, 2000) led to enhanced involvement of women as planners, implementers, and beneficiaries of peace-building processes.



Second-year law students at Albania's Magistrates School in Tirana learn about legal and judicial aspects of family law and domestic violence.

PHOTO: MAGISTRATES SCHOOL

ANNUAL PERFORMANCE GOAL 2

Universal Standards Protect Human Rights, Including the Rights of Women and Ethnic Minorities, Religious Freedom, Worker Rights, and the Reduction of Child Labor.

I/P: BILATERAL AND MULTILATERAL DIPLOMACY





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

Output

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

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

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

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

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. Continued economic prosperity for the U.S. depends on the expansion of prosperity, freedom, and economic opportunity worldwide.

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

The U.S. Government promotes prosperity at home and abroad by opening markets through ambitious trade and investment agendas, strengthening development efforts through private sector participation and recipient country

accountability, and supporting U.S. businesses through outreach and advocacy. Working with other agencies, businesses, labor groups, and NGOs, the Department of State and USAID contribute to a stronger, more dynamic international economic system that creates new opportunities for American business, workers, and farmers.

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

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

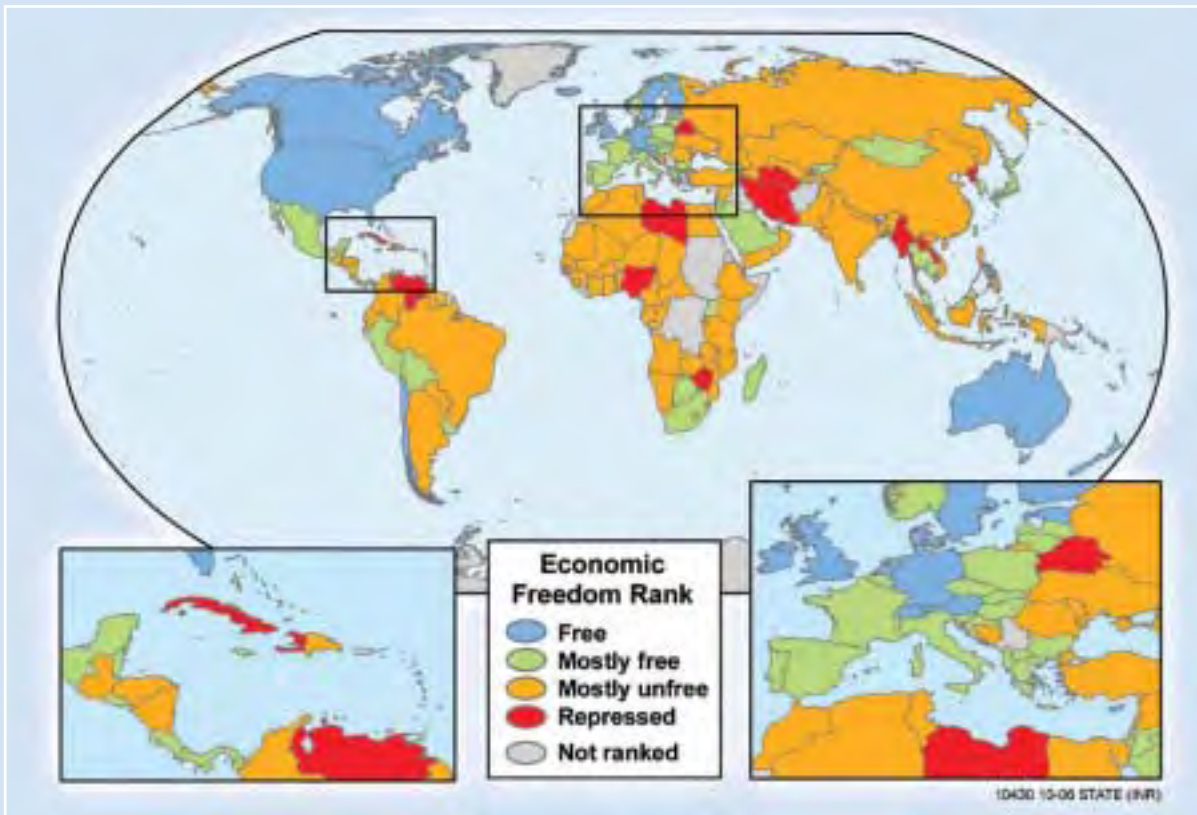
Finally, the Department of State leads the U.S. representation at the International Energy Agency, the primary mechanism for maintaining oil market stability in times of crisis. The Department was able to secure the release of up to 60 million barrels of emergency petroleum stockpiles when prices increased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



Ghanaian pineapples go to European markets. Many farmers in Ghana are involved in a USAID alliance to deliver fair-trade, ready-to-eat products to supermarkets in Europe, helping to enrich the farmers and fund community development.

PHOTO: ROYAL AHOLD

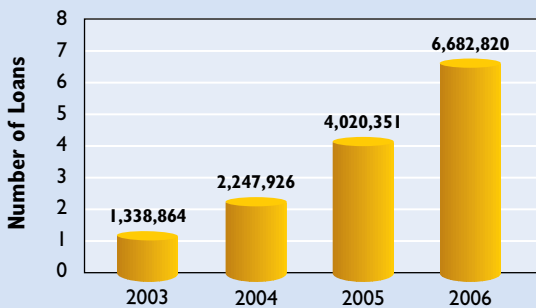
ECONOMIC FREEDOM IN THE WORLD 2006



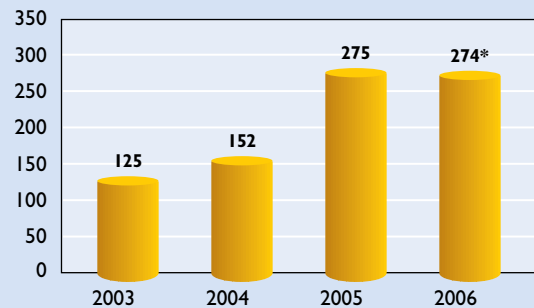
Source: Heritage Foundation

II. SELECTED PERFORMANCE TRENDS

Number of Loans Provided to USAID-Assisted Enterprises



Number of Companies Provided Advocacy Services



*FY 2006 data are for 8 months only

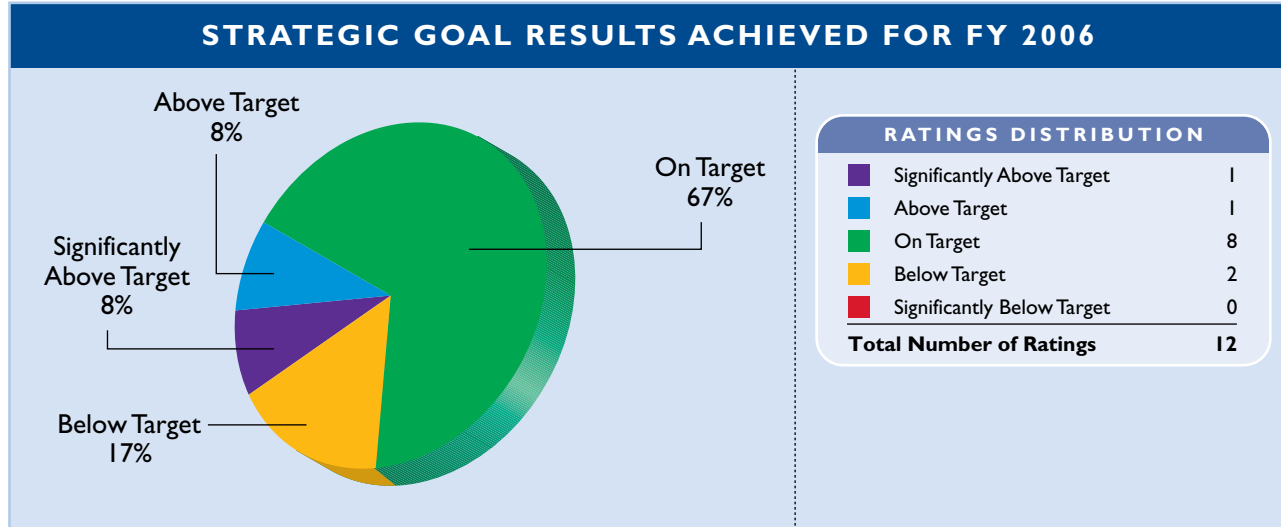
III. STRATEGIC CONTEXT

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

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Economic Prosperity and Security	Economic Growth and Development	Growth and Development Strategies	CIO, DA, D&CP, ESF, FSA, IO&P, MCA, SEED	EB, EUR, IO, PPC	Treasury, DOC, MCC, USDA, EXIM, OPIC, TDA, USTR, IMF, World Bank, Reg'l Devl Banks, UNDP, ILO, WTO, OECD, UNCTAD, UNICEF, FAO, G-8
		International Organizations and Economic Development Policy	CIO, D&CP, IO&P	EB, IO	Treasury, DOC, USDA, EXIM, OPIC, TDA, USTR, Multilateral Orgs and Development Banks, FAO, G-8
		United Nations Development Program (UNDP)	D&CP, IO&P	IO	EPA, DOL, DOJ, Treasury, DOC, USDA, TDA, Multilateral Development Banks
		Private Sector Capacity	DA, ESF, FSA, SEED	PPC	Multilateral Orgs/Development Banks, FAO, G8, EU
	Trade and Investment	Create Open and Dynamic World, Regional and National Markets	DA, D&CP, ESF	EB, PPC, EGAT	USTR, Treasury, DOC, DOT, USDA, TDA, WTO, OECD, NGOs
		Support for U.S. Businesses	D&CP	EB, PPC, AFR	USTR, Treasury, DOC, DOT, USDA, TDA, WTO, OECD, NGOs
	Secure and Stable Markets	Secure Energy Supplies	D&CP	EB, EGAT	DOE, IEA, foreign governments, NSC
		Stable Financial Markets	D&CP	EB	Treasury, Multilateral and Reg'l Devl Banks
	Food Security and Agricultural Development	Agriculture-led Income Opportunities Expanded	DA, PL480, CIO	EGAT, AFR	USDA, NGOs, FAO, WB

IV. PERFORMANCE SUMMARY (STATE AND USAID)

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



V. PERFORMANCE ANALYSIS

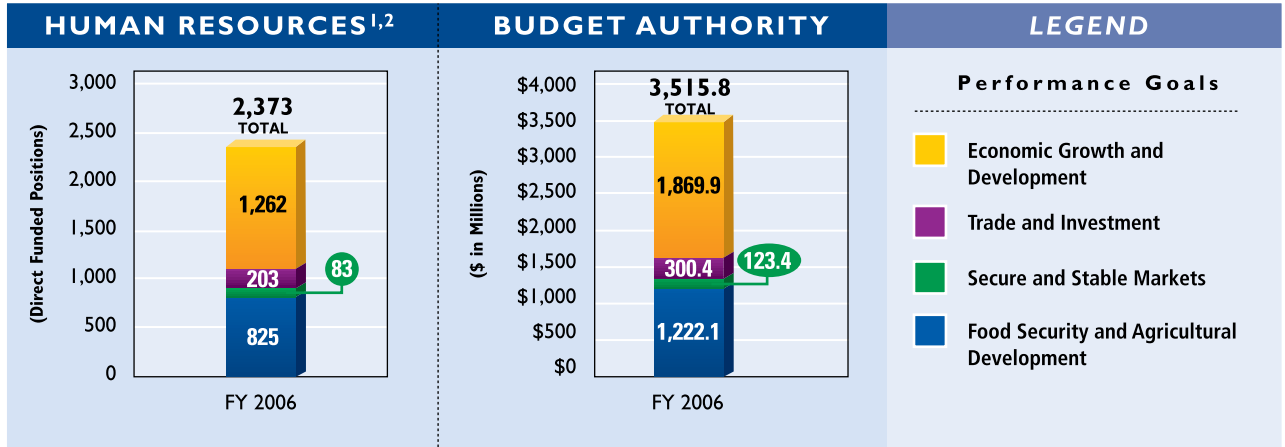
PERFORMANCE TRENDS. There are a number of positive trends in this strategic goal area. For example, USAID extension assistance has reached more than one million farmers, a tenfold increase over the 2003 baseline, and USAID programs disbursed more than six million microfinance loans, a fivefold increase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

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

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

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

VI. RESOURCES INVESTED BY USAID



- USAID human resource figures reflect all full-time direct funded employees including civil service, foreign service, foreign service nationals, personal services contractors, and other USG employment categories. Institutional contractor staff are not included.
- Data on FY 2006 human resource levels by Strategic and Performance Goals were not collected. These figures were estimated using FY 2005 human resources data prorated against the FY 2006 Statement of Net Cost.

A Look to History: Economic Prosperity and Security

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



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

PHOTO: AP/WIDEWORLD


VII. PERFORMANCE RESULTS

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

ANNUAL PERFORMANCE GOAL I

Institutions, Laws, and Policies Foster Private Sector-led Economic Growth, Macroeconomic Stability, and Poverty Reduction.

I/P: GROWTH AND DEVELOPMENT STRATEGIES

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

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




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

Outcome

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

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


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

A Water Revolution Fuels Industry

In Tirupur, a city in the south Indian state of Tamil Nadu, USAID is providing a \$25 million loan guarantee to support a partnership among the Government of Tamil Nadu, a garment exporters association, and an industrial financing service to establish an integrated water distribution system to industry. Since August 2005, 120 million liters per day of high quality water are available to industry at a reasonable price. Tirupur's garment industry is creating jobs to meet surging global demand. Exports are expected to grow 30 percent in 2006 and projected to reach \$2 billion by 2010. Unemployment in Tirupur is rare, and wages are well above Indian averages. Without water delivery, exports would have grown just 10 percent. Tirupur residents are receiving high-quality drinking water every day, instead of waiting up to 10 days for poor quality water, or paying private vendors high prices for water. Many houses will get direct connections for the first time, freeing up time for work and school, and helping prevent disease. With help from USAID, Tirupur has energized water infrastructure finance by showing that private-public partnerships can deliver the goods. Thanks partly to this success, over 30 partnerships similar to Tirupur are in the pipeline throughout India.



The Control Room at the Water Intake Center in Tirupur, southern India. PHOTO: USAID/DON GREENBERG.

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

Building Vocational Skills in Darfur

In South Darfur, USAID is working to reduce women's exposure to risk when they venture outside of the camp to gather firewood by supporting classes that will give these women the skills to earn income as seamstresses and allow their families to purchase firewood in local markets. The classes range from two months for basic vocational sewing to four months for skills to maintain and fix sewing machines. Since February 2006, USAID has trained more than 200 women in sewing, maintaining sewing machines, and developing plans for establishing small tailoring businesses. A separate USAID grant provided 30 young men in Krinding camp in West Darfur with two months of vocational training to teach them to produce traditional leather shoes to sell in local markets. The grant provided trainers' stipends, materials, and enough funds to rehabilitate a training center with local materials.



Sewing courses in Kalma camp teach displaced women how to earn income as seamstresses. PHOTO: BAKETA ORGANIZATION.

ANNUAL PERFORMANCE GOAL 2

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

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



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

Outcome

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

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

Continued on next page

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

INDICATOR: Status of Negotiations on Open Markets for Services, Trade, and Investment (continued)

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

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

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

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

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



INDICATOR: Progress in WTO accession in USAID-Assisted Countries

Output

JUSTIFICATION: Participation and membership in the WTO indicates a commitment to trade and its economic benefits and an active engagement with other countries regarding trade agreements and integration.

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



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

PHOTO: AP/WIDEWORLD

I/P: SUPPORT FOR U.S. BUSINESSES



INDICATOR: Number of Companies for Whom Advocacy Services Were Provided; Number of Commercial Advocacy Successes in Helping U.S. Companies Win Foreign Tenders; Enforce Contract Agreements; Gain Fair Treatment; and/or Enter New Foreign Markets

Output

JUSTIFICATION: This indicator measures the direct support provided to U.S. business in exporting goods and services as well as managing overseas investments.

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

ANNUAL PERFORMANCE GOAL 3

Secure and Stable Financial and Energy Markets.

I/P: SECURE ENERGY SUPPLIES





INDICATOR: World Emergency Oil Stocks

Output

JUSTIFICATION: Oil is the major energy import for the U.S. and an adequate supply is key for the U.S. and global economies. Increasing world oil stocks increases ability to withstand possible oil shocks.

FY 2006 PERFORMANCE	Target	International Energy Agency (IEA) and non-IEA Emergency oil stocks at or above FY 2005 stock levels equivalent to 114 days of imports.
	Results	115 days of import coverage.
	Rating	■ On Target
	Impact	Healthy oil stock allowed for a robust response to oil supply disruptions caused by Hurricane Katrina, calming markets ensuring continued supplies of oil.
PERFORMANCE DATA	Data Source	International Energy Agency data.
	Data Quality (Verification)	International Energy Agency data are publicly available and reviewed annually by economics officers with the Department of State's Bureau of Economic and Business Affairs.
PAST PERFORMANCE	2005	International Energy Agency members held stocks of 114 days of imports, prior to emergency release of stocks to counter supply disruptions of Hurricane Katrina.
	2004	IEA members held stocks of 113 days of imports.
	2003	IEA stocks were 116 days of imports. China (a non-IEA member) actively engaged with the IEA, APEC, and the United States to create emergency oil stock reserves and has formulated a plan for holding significant stocks.



I/P: SECURE ENERGY SUPPLIES (continued)		
	INDICATOR: Energy Sector Management Capacity	
Output		
JUSTIFICATION: This indicator examines whether countries are capable of managing the energy sector to achieve greater energy efficiency.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ■ 357 energy institutions with improved capacity to reform and manage their sector. ■ 95 energy policy reforms (e.g. decrees, policies, laws, technical standards etc.) drafted as a result of USAID programs. ■ 58 energy policy reforms adopted as a result of USAID programs. ■ 15 energy policy reforms implemented as a result of USAID programs.
	Results	<ul style="list-style-type: none"> ■ 357 energy institutions with improved capacity to reform and manage their sector. ■ 74 energy policy reforms drafted as a result of USAID programs. ■ 29 energy policy reforms adopted as a result of USAID programs. ■ 31 energy policy reforms implemented as a result of USAID programs.
	Rating	■ On Target
	Impact	Sound energy policies and efficient, capable energy institutions are crucial structural elements for development.
PERFORMANCE DATA	Data Source	Preliminary result data from USAID operating units.
	Data Quality (Verification)	The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ■ Energy institutions with improved capacity to reform and manage their sector: 337. ■ Energy policy reforms drafted as a result of USAID programs: 87. ■ Energy policy reforms adopted as a result of USAID programs: 53. ■ Energy policy reforms implemented as a result of USAID programs: 11. <p>The indicator was changed effective 2005 in order to more specifically measure impact, as the previous wording of "interventions" was judged to be too general. This explains the decrease in numbers between the 2004 baseline and 2005.</p>
	2004	Baseline: <ul style="list-style-type: none"> ■ Energy institutions with improved capacity to reform and manage their sector: 216. ■ New energy policy interventions accomplished as a result of USAID programs: 183.
	2003	N/A.

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

ANNUAL PERFORMANCE GOAL 4

Enhanced Food Security and Agricultural Development.

I/P: AGRICULTURE-LED INCOME OPPORTUNITIES EXPANDED

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



A grandmother from Loralai District, Balochistan, Pakistan, is proud of her first-ever vegetable seedlings. Thanks to a USAID-funded program run together with the U.N. Food and Agriculture Organization, more than 500 women in three districts are learning how to maintain gardens and preserve and process their yield.

PHOTO: USAID/KALJAKAB JHUMRA SMITH

STRATEGIC GOAL 6: SOCIAL AND ENVIRONMENTAL ISSUES

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

I. PUBLIC BENEFIT

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

U.S. investments have stimulated the rapid expansion of HIV/AIDS treatment, prevention, and care in high-priority countries, along with improved quality of life for affected persons. More couples are able to decide the number and spacing of their children and have access to skilled childbirth care. More children are being immunized and survive common childhood illnesses. Access to effective prevention and treatment for malaria and tuberculosis has expanded, as has international engagement to address Avian Influenza, eradicate polio, improve health systems, and understand chronic disease. Through regional dialogues and protection and assistance to vulnerable migrants, the Department and USAID promote effective and humane international migration policies and systems.

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

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

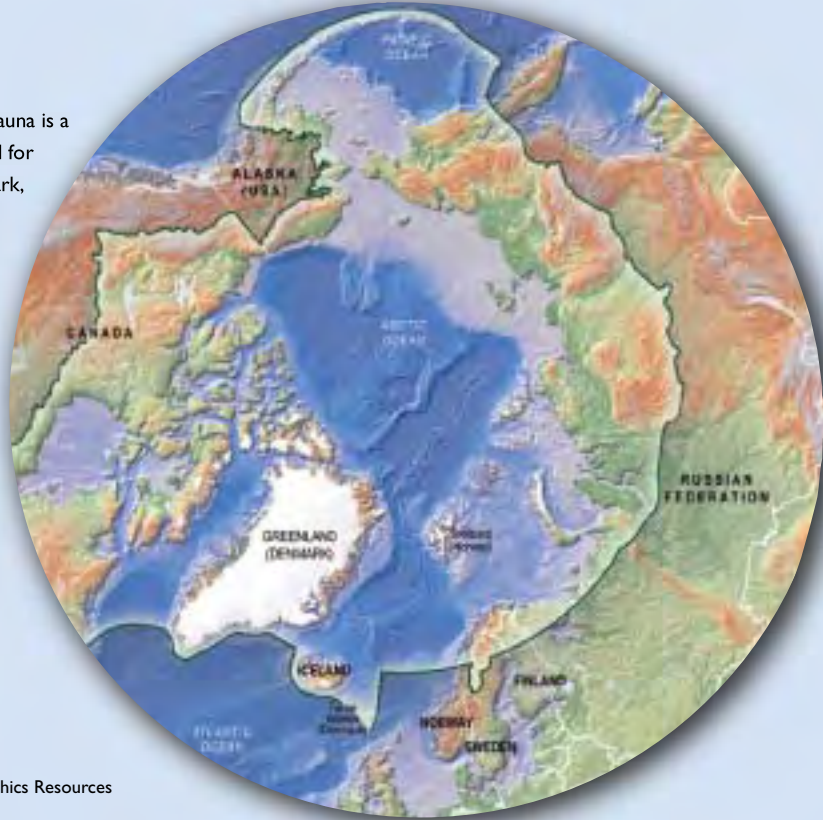


Ambassador Randall Tobias applauds first lady Laura Bush after a June 2006 speech to announce a presidential initiative to control malaria in Africa.

PHOTO: AP/WIDEWORLD

ARCTIC CONSERVATION AREA TOPOGRAPHIC MAP

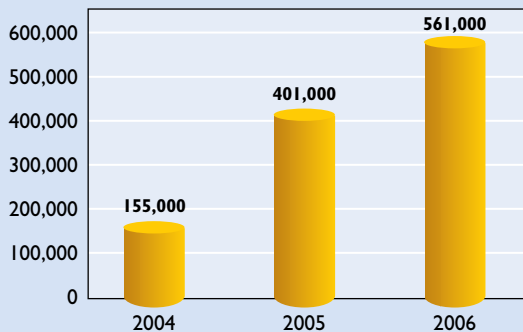
The Conservation of Arctic Flora and Fauna is a working group under the Arctic Council for the countries of the U.S., Russia, Denmark, Canada, Sweden, Iceland, Norway and Finland and indigenous peoples. Monitoring, assessment, protected areas and conservation strategies are all tasks under this working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



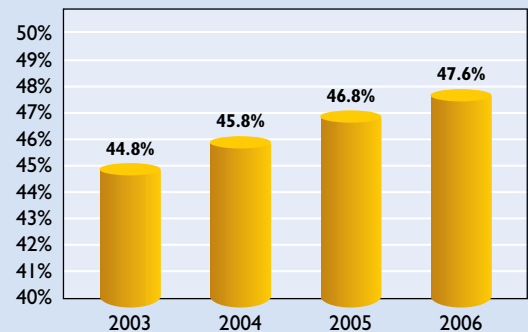
Source: UNEP/GRID-Arendal Library of Graphics Resources

II. SELECTED PERFORMANCE TRENDS

Number of People Receiving HIV/AIDS Treatment in 15 Focus Countries



Percent of Live Births Attended by Skilled Birth Attendants



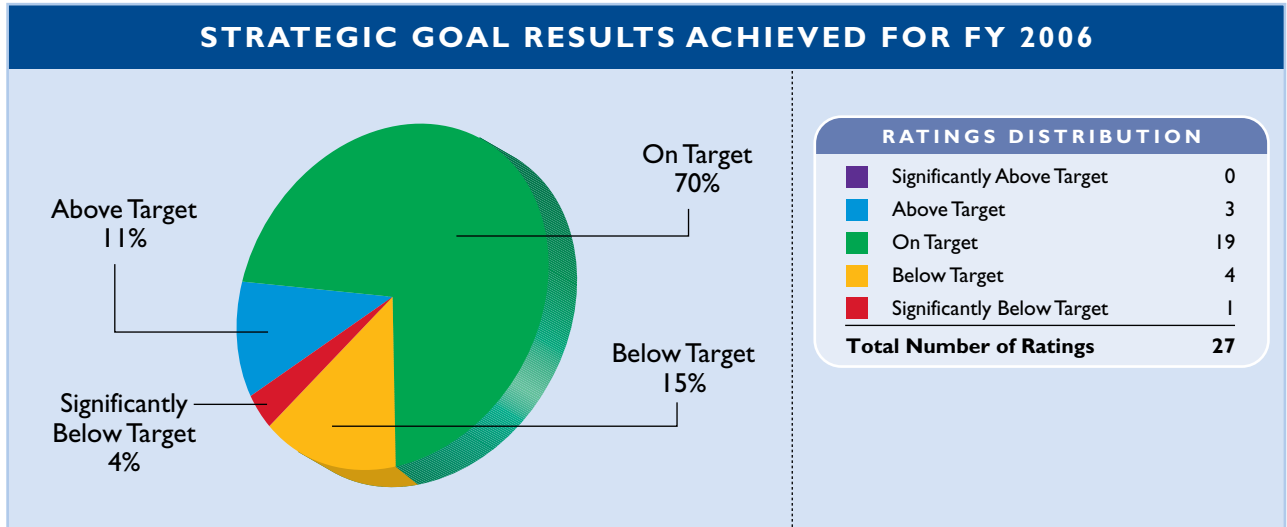
III. STRATEGIC CONTEXT

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

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

IV. PERFORMANCE SUMMARY (STATE AND USAID)

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



V. PERFORMANCE ANALYSIS

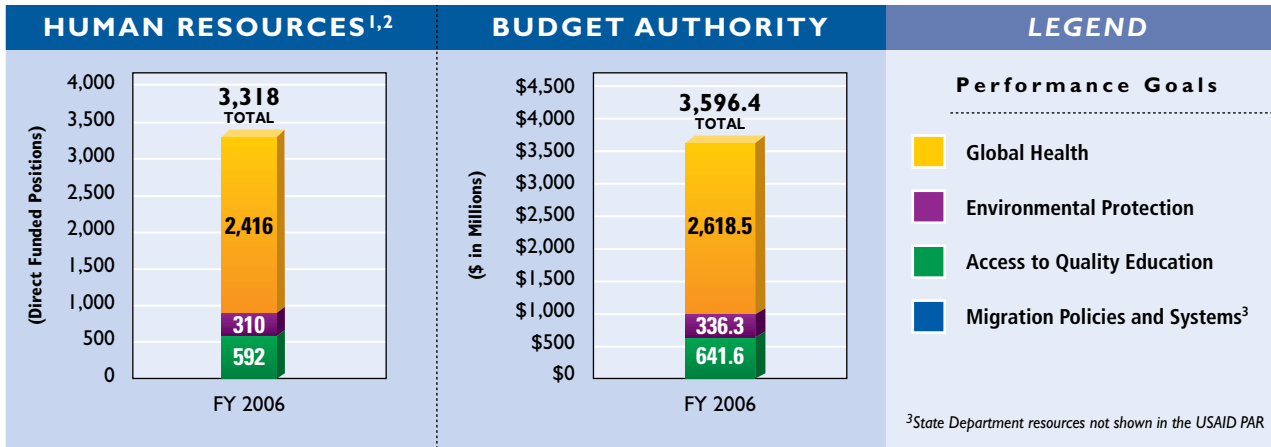
PERFORMANCE TRENDS. Performance under the President’s Emergency Program for AIDS Relief (PEPFAR) continued the favorable trend to prevent the spread of AIDS in particularly vulnerable countries and treat those afflicted with the illness. The percentage of the world’s population with access to tuberculosis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

HIGH-LEVEL RESULTS. The Department and USAID continued making progress toward PEPFAR’s five-year goals of supporting treatment for 2 million people infected with HIV, prevention of 7 million new HIV infections, and care for 10 million people infected and affected by HIV/AIDS, including orphans and vulnerable children. Sustained commitment to working bilaterally and with multilateral organizations strengthened cooperation on international environmental issues such as marine species management and biodiversity conservation.

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

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

VI. RESOURCES INVESTED BY USAID



¹ USAID human resource figures reflect all full-time direct funded employees including civil service, foreign service, foreign service nationals, personal services contractors, and other USG employment categories. Institutional contractor staff are not included.

² Data on FY 2006 human resource levels by Strategic and Performance Goals were not collected. These figures were estimated using FY 2005 human resources data prorated against the FY 2006 Statement of Net Cost.



The Director of Saudi Arabia’s government-run HIV program explains the regional impact of Egypt’s program at a USAID-sponsored workshop in Cairo, Egypt. A workshop participant remarked that she could return “home and implement the action plan drafted during the workshop.”


PHOTO: FHI/DOAA ORABY

VII. PERFORMANCE RESULTS

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

ANNUAL PERFORMANCE GOAL I

Improved Global Health, Including Child, Maternal, and Reproductive Health, and the Reduction of Abortion and Disease, Especially Hiv/aids, Malaria, and Tuberculosis.

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

I/P: HIV/AIDS (continued)




INDICATOR: Estimated Number of HIV Infections Prevented in the 15 Focus Countries of the President's Emergency Plan for AIDS Relief

PART Outcome

JUSTIFICATION: Slowing the rate of new HIV infections is the most difficult challenge in the fight against HIV/AIDS, but it is critical to winning the fight. One of the core goals of the Emergency Plan is to support prevention of 7 million new infections.

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

I/P: HIV/AIDS (continued)

	INDICATOR: Number of People Receiving HIV/AIDS Care and Support Services in the 15 Focus Countries of the President's Emergency Plan for AIDS Relief	
	PART Output	
JUSTIFICATION: Care and support services for people infected and affected by HIV/AIDS, including orphans and vulnerable children, can mitigate the consequences of HIV/AIDS by restoring health and productivity and ensuring that orphans and vulnerable children have access to essential services such as health and education. One of the core goals of the Emergency Plan is to support care for 10 million people infected and affected by HIV/AIDS.		
FY 2006 PERFORMANCE	Target	4.3 million people infected and affected by HIV/AIDS receiving HIV/AIDS care and support services across the 15 focus countries.
	Results	As of March 2006, the Emergency Plan supported care for nearly 3 million individuals, including care for more than 1,323,000 orphans and vulnerable children. This mid-year result represents 89% of the goal of caring for 4,300,000 individuals by October 2006.
	Rating	■ On Target
	Impact	Care services, including for orphans and vulnerable children, mitigate the severe pain and debilitating symptoms caused by HIV/AIDS as well as its social and economic consequences.
PERFORMANCE DATA	Data Source	Annual and semi-annual progress reports from each of the focus countries reporting numbers of people receiving care and support in each country.
	Data Quality (Verification)	The Office of the Global AIDS Coordinator reviews and evaluates the accuracy and quality of results submitted through progress reports.
PAST PERFORMANCE	2005	HIV/AIDS care and support services provided to 2,986,200 people infected and affected by HIV/AIDS across the 15 focus countries.
	2004	HIV/AIDS care and support services provided to 1,727,100 people infected and affected by HIV/AIDS across the 15 focus countries.
	2003	The President's Emergency Plan for AIDS Relief was announced January 2003; the U.S. Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003, consolidating all U.S. Government HIV/AIDS programs under the Office of the Global AIDS Coordinator, was signed into law in May.

HIV/AIDS Treatment and Assistance in South Africa

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



With support from the President’s Emergency Plan for AIDS Relief, a mother and son receive antiretroviral treatment at Sinikithemba Clinic in Durban, South Africa. PHOTO: AP/WIDEWORLD

I/P: INFECTIOUS DISEASES





INDICATOR: Tuberculosis Treatment Success Rate (18 Countries)

Output

JUSTIFICATION: Tuberculosis Treatment Success Rate is defined as the proportion of patients who complete their entire course of treatment. The above indicator reflects the Tuberculosis Treatment Success Rate by countries receiving assistance from USAID.

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

I/P: INFECTIOUS DISEASES (continued)		
	INDICATOR: Case Detection Rate for Tuberculosis (18 Countries)	
Output		
JUSTIFICATION: The proportion of annual new smear-positive notifications divided by the estimated annual new smear-positive cases (incidence). The above indicator reflects the Tuberculosis Case Detection Rate by countries receiving assistance from USAID.		
FY 2006 PERFORMANCE	Target	Case Detection Rate: <ul style="list-style-type: none"> ■ 8 countries with less than 40% ■ 9 countries with 40-69% ■ 1 country with 70% or more.
	Results	Case Detection Rate: <ul style="list-style-type: none"> ■ 5 countries with less than 40% ■ 10 countries with 40-69% ■ 3 countries with 70% or more.
	Rating	■ Above Target
	Impact	USAID assistance directly contributes to important advances in the control of tuberculosis through the directly observed treatment short term strategy.
PERFORMANCE DATA	Data Source	WHO Reports, Global Tuberculosis Control, Geneva. This indicator only tracks 18 of USAID's 19 Tier I countries for which progress can be monitored consistently over time (Ukraine does not have the validated data for this indicator).
	Data Quality (Verification)	Verification and validation of the Agency's performance data are accomplished by periodic reviews, certifications and audits, including Data Quality Assessments and PART assessments, as well as annual certification of operating units' strategic objectives and their relationship to the Agency's strategic goals. Data validation and verification are also supported by extensive automated systems and external expert analyses.
PAST PERFORMANCE	2005	Case Detection Rate: <ul style="list-style-type: none"> ■ 8 countries with less than 40% ■ 9 countries with 40-69% ■ 1 country with 70% or more.
	2004	Case Detection Rate: <ul style="list-style-type: none"> ■ 9 countries with less than 40% ■ 8 countries with 40-69% ■ 1 country with 70% or more.
	2003	Case Detection Rate: <ul style="list-style-type: none"> ■ 9 countries with less than 40% ■ 8 countries with 40-69% ■ 0 countries with 70% or more.


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

Better Nets Trap Malarial Mosquitoes

USAID is assisting in the production of long-lasting insecticide-treated bed nets to provide better protection against malaria, an alternative to the commonly used nets that are designed to repel or kill mosquitoes for only six months. In Nairobi, Kenya, USAID brought together major African net manufacturers, owners of Long-Lasting Insecticide Nets (LLIN) technology, and groups supporting the technology's expansion. The manufacturers were excited about the technology's importance and potential, and are working with USAID to seek ways to incorporate it into production. Several manufacturers will invest in new equipment and staff training, and some have even joined the World Health Organization's Roll Back Malaria Project. Making LLIN technology widely available will bring tremendous benefits to manufacturers, their employees, and, most importantly, to millions of Africans who will be spared the devastating effects of malaria.



This manufacturer in Kenya now has access to technology to make Long-Lasting Insecticide Nets. PHOTO: NETMARK

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

I/P: INFECTIOUS DISEASES (continued)




INDICATOR: Effectiveness of Surveillance and Response Capacities Worldwide

Output


JUSTIFICATION: Disease surveillance is a key part of improving global health by better identifying, tracking, and communicating about disease outbreaks.


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

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



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

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

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

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I/P: MATERNAL AND REPRODUCTIVE HEALTH (continued)		
INDICATOR: Percent of Births Spaced Three or More Years Apart (continued)		
PAST PERFORMANCE	2005	Percent of Births Spaced Three or More Years Apart: 46.8%.
	2004	Percent of Births Spaced Three or More Years Apart: 45.8%.
	2003	Percent of Births Spaced Three or More Years Apart: 45.1%.

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



A recent graduate of a USAID-sponsored health care training program showcases a poster detailing patients' rights and obligations in the Dominican Republic.


PHOTO: USAID/STEPHANIE MOLINA


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



A boy in the village of Upper Mittikot in northwestern Pakistan carries the 20-liter containers USAID provided to help families store drinking water safely.

PHOTO: USAID/KAUKAB JHUMRA SMITH.


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

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



A volunteer weighs babies at the Maternal and Child Health clinic in the village of Bumari, The Gambia.

PHOTO: PHOTOSHARE/JADE JUHL

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



A child receives a DPT injection during an immunization campaign for refugees at the Thai-Burma border.

PHOTO: PHOTOSHARE/ FPLM/JSI /PAULA NERSESIAN

I/P: CHILD HEALTH (continued)



INDICATOR: Percent of Children Aged 0-4 with Diarrhea Who Received Oral Rehydration Therapy


Output

JUSTIFICATION: Oral Rehydration Therapy is one of the basic treatment interventions related to child survival in developing countries and was developed largely through U.S.-supported research.

FY 2006 PERFORMANCE	Target	59%.
	Results	57.1%.
	Rating	■ Below Target
	Impact	Since the development of Oral Rehydration Therapy through USAID-supported research in the 1970s, this simple treatment has saved millions of child deaths from the dehydrating effects of the diarrheal illnesses that are common in poor countries.
	Reason for Shortfall	The target was simply too ambitious: from 2005 to 2006, the rate of increase of Oral Rehydration Therapy use continued at a steady, but slow, rate of about 0.5% per year. This rate is slower than in the late 1990s and early 2000s, in part because of competition for limited health program resources and resulting slower trends or even declines in some large countries. While USAID expected that remedial actions would begin to take effect in 2006, this has not yet happened.
	Steps to Improve	Remedial actions underway include revitalized promotion of Oral Rehydration Therapy through the introduction of new technologies, including an improved formulation of oral rehydration salts as well as zinc treatment to shorten illness. USAID is also beginning to work with several of the countries that experienced declining rates to identify strategies to improve those rates. With CDC, USAID is carrying out research to identify determinants of non-use of Oral Rehydration Therapy among mothers in urban and rural Kenya. These efforts, combined with influencing UNICEF, WHO, and other investors to refocus attention on the issue, should begin to accelerate progress. However, a more realistic target in the near term is a 1% per year increase.
PERFORMANCE DATA	Data Source	Demographic and Health Surveys data as compiled by USAID's Global Health Bureau.
	Data Quality (Verification)	Verification and validation of the Agency's performance data are accomplished by periodic reviews, certifications and audits, including Data Quality Assessments and PART assessments, as well as annual certification of operating units' strategic objectives and their relationship to the Agency's strategic goals. Data validation and verification are also supported by extensive automated systems and external expert analyses.
PAST PERFORMANCE	2005	56.5%.
	2004	56%.
	2003	55.4%.

ANNUAL PERFORMANCE GOAL 2

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

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

I/P: INSTITUTIONALIZING SUSTAINABLE DEVELOPMENT (continued)



INDICATOR: Number of People with Adequate Access to Modern Energy Services

Output

JUSTIFICATION: Access to energy supplies and services promotes natural resource conservation, improves standards of living, and enhances economic opportunity, fostering increased sustainable development overall.

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

Building Access to Safe Drinking Water

USAID works with 16 communities and about 12,000 beneficiaries in the district of Panjakent, supporting projects that focus on drinking water, irrigation, drainage systems, small bridges, and electric systems. In addition to funding important improvements, USAID helps villages create community organizations and develop capacity to address pressing social and economic issues. Through these activities, the project helps reduce tensions between villages, ethnic groups, and governing bodies in an area where competition for resources could potentially lead to conflict. In FY 2006, USAID supported installation of a water supply system to install more than 2.5 kilometers of pipeline and 15 water fountains in the village of Navobod in Panjakent District, in Tajikistan's Sughd Province. This infrastructure will provide access to safe drinking water to over 1,000 residents. A safe water system was also installed in the village of Jangal, serving more than 800 residents. Previously, the nearest sources of drinking water for these communities were natural springs, located far from the villages in this poor, remote area of Tajikistan. To bring safe drinking water to the villages, USAID's project cooperated with local communities. The villages donated labor and meals for workers, helped communicate with authorities, and committed to contribute to the system's maintenance and operations costs.



A Navobod villager collects water from a USAID-funded pump located steps away from his home. PHOTO: MERCY CORPS

I/P: COASTAL AND MARINE RESOURCES



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

Output

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


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


Continued on next page

I/P: COASTAL AND MARINE RESOURCES (continued)

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

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

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

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

I/P: CONSERVATION OF BIOLOGICAL DIVERSITY, PROTECTED AREAS, FORESTS, AND OTHER NATURAL RESOURCES



INDICATOR: Number of Hectares under Increased Conservation and Improved Management

Output

JUSTIFICATION: Biodiversity conservation and sound natural resource management promote improved quality of life and well-being.

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



BEFORE



AFTER


Wetlands Conservation Pays Off in Bangladesh

BEFORE – Wetlands in Hail Haor, Bangladesh in 1999. Over the last 150 years, approximately 50 percent of dry season wetlands have disappeared, resulting in lower fish production. Environmental changes, such as flood embankments and large silt deposits, have reduced the area and quality of Bangladesh's water bodies.

AFTER – Wetlands in Hail Haor, Bangladesh in 2006. As a result of USAID support and assistance, this site has been restored to improve the flow of water and yields of fish.

PHOTO: UNOPS (BEFORE)
PHOTO: USAID (AFTER)

I/P: GLOBAL CLIMATE CHANGE

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

ANNUAL PERFORMANCE GOAL 3

Broader Access to Quality Education with Emphasis on Primary School Completion

I/P: IMPROVED ACCESS TO QUALITY EDUCATION




INDICATOR: Number of Learners Completing Basic Education in Programs Sponsored by USAID

Output

JUSTIFICATION: This global, aggregated, output indicator measures changes in education programs.

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

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

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I/P: IMPROVED ACCESS TO QUALITY EDUCATION (continued)

INDICATOR: Capabilities in Higher Education and Workforce Development Programs Sponsored by USAID (continued)

PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ■ 666 host country institutions gain increased management capacity through partnership programs, a 21% increase from FY 2004. ■ 264 higher education institutional programs, policies, and curricula adapted to the needs of sustainable development, a 20% increase from FY 2004. ■ 98,671 persons trained through workforce development programs, a 26% increase from the FY 2004 baseline.
	2004	<ul style="list-style-type: none"> ■ 550 host country institutions gain increased management capacity through partnership programs, a 4% increase from the FY 2003 baseline. ■ 220 higher education institutional programs, policies and curricula adapted to the needs of sustainable development, a 6% increase from the FY 2003 baseline. ■ Baseline: 78,289 persons trained through workforce development programs.
	2003	<p>Baselines:</p> <ul style="list-style-type: none"> ■ 528 host country institutions gain increased management capacity through partnership programs. ■ 207 higher education institutional programs, policies and curricula adapted to the needs of sustainable development.

ANNUAL PERFORMANCE GOAL 4

Effective and Humane International Migration Policies and Systems.

I/P: EFFECTIVE AND HUMANE MIGRATION POLICIES AND SYSTEMS



INDICATOR: Percentage of Initiatives Agreed Upon at Regional Migration Dialogues That Are Implemented Worldwide

Output

JUSTIFICATION: The number of activities implemented measures governments' political and financial commitment to the success of these dialogues.

FY 2006 PERFORMANCE	Target	70% of activities agreed to in the dialogues are implemented worldwide.
	Results	<ul style="list-style-type: none"> ■ At least 85% activities agreed to by Regional Conference on Migration in North and Central America member states have been implemented or are in the process of implementation in FY 2006. ■ 90% of the activities agreed upon by members of the Intergovernmental Consultations on Asylum, Refugee and Migration Policies have been implemented or are in the process of implementation.
	Rating	■ Above Target
	Impact	An increased number of governments committed to pursuing regional migration dialogues helps pave the way for humane and effective migration regimes for the 150 million migrants in the world today.
PERFORMANCE DATA	Data Source	The Department's Bureau of Population, Refugees, and Migration is the only U.S. Government entity to track the activities implemented under the migration dialogues.
	Data Quality (Verification)	The Bureau of Population, Refugees, and Migration participates in migration dialogues, and tracks the implementation of follow-on activities.

Continued on next page

I/P: EFFECTIVE AND HUMANE MIGRATION POLICIES AND SYSTEMS (continued)

INDICATOR: Percentage of Initiatives Agreed Upon at Regional Migration Dialogues That Are Implemented Worldwide (continued)

PAST PERFORMANCE	2005	Approximately 88% of activities agreed to were implemented.
	2004	<ul style="list-style-type: none"> ■ Over 90% of the activities agreed upon by members of the Intergovernmental Consultations on Asylum, Refugee and Migration Policies in Europe, North America and Australia were implemented. ■ Over 75% of the activities agreed by Regional Conference on Migration in North and Central America member states were implemented. ■ Shorter-term activities were conducted in a reasonable timeframe, while implementation of longer-term initiatives was underway.
	2003	<ul style="list-style-type: none"> ■ Approximately 75% of the activities agreed upon were implemented. ■ Shorter-term activities were completed, while implementation of longer-term initiatives was underway. ■ 50% of the activities agreed to in the dialogues were implemented.



Internally displaced persons in remote areas such as the Riyadh settlement in Sudan rely upon USAID relief supplies to survive. PHOTO: USAID

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

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

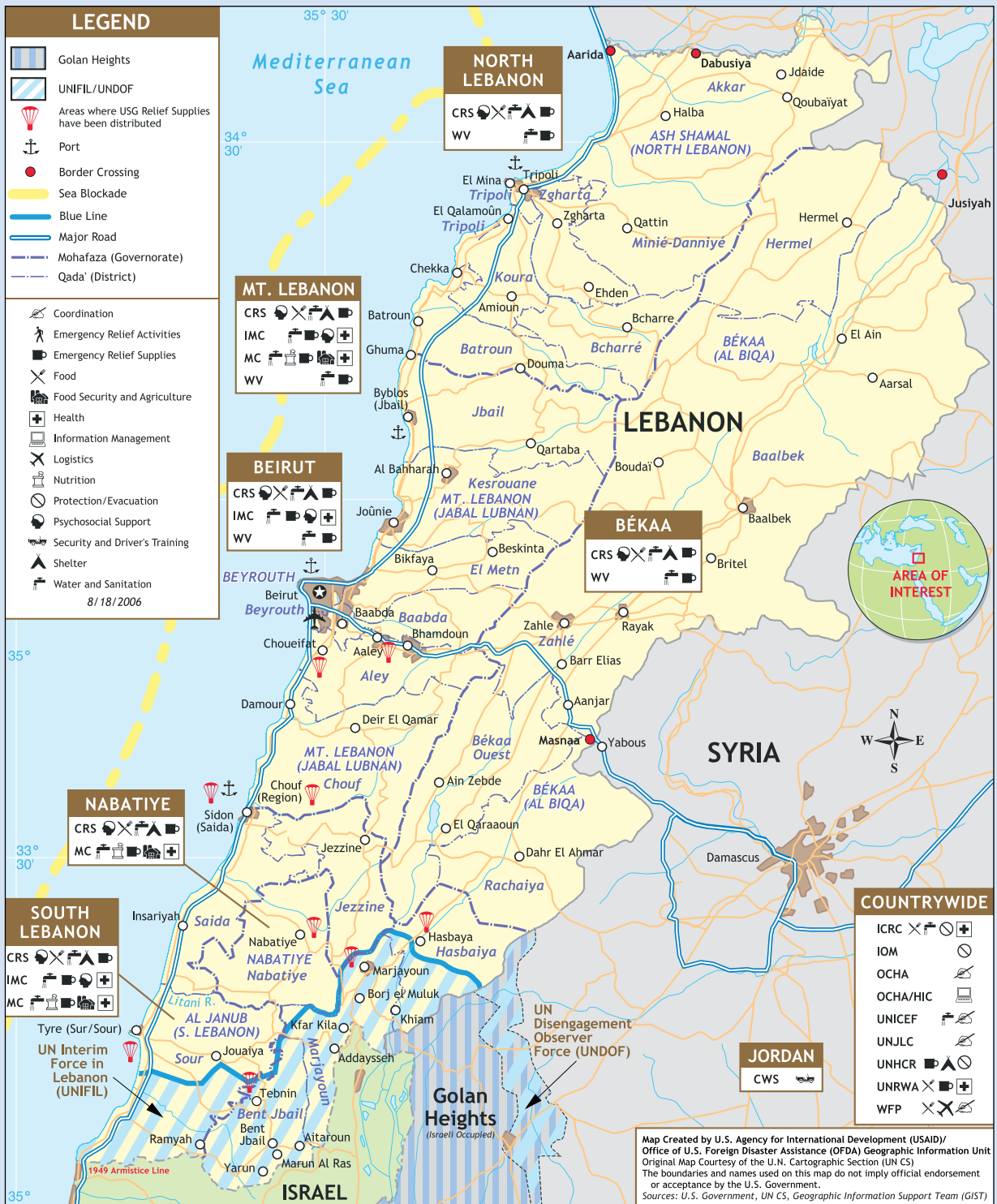
crises and prioritize the regular monitoring and evaluation of humanitarian programs to ensure that the needs of refugees, internally displaced persons (IDPs), and other victims of conflict and natural disasters are met. Financial support for demining activities makes areas safe for the return of refugees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



USAID educational advisors in Pakistan hand a school uniform to a survivor of the October 2005 earthquake. The student is heading to school for the first time ever.

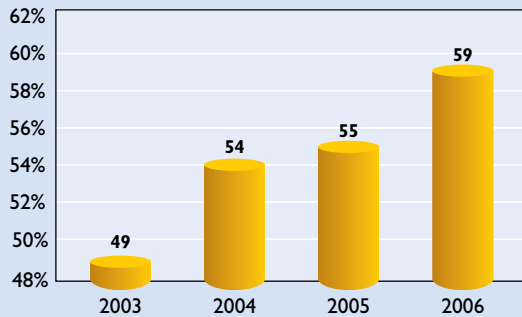
PHOTO: USAID/SUZANNE ROSS.

USG HUMANITARIAN ASSISTANCE TO LEBANON

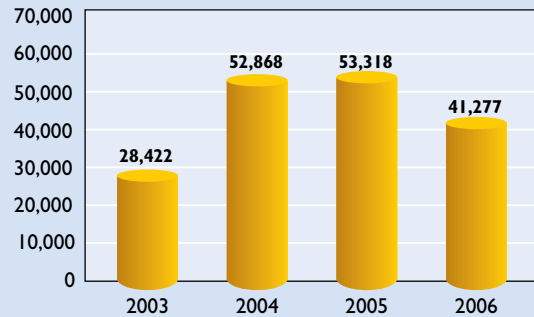


II. SELECTED PERFORMANCE TRENDS

Non-U.S. Contributions to the World Food Program



Refugees Resettled in the U.S.



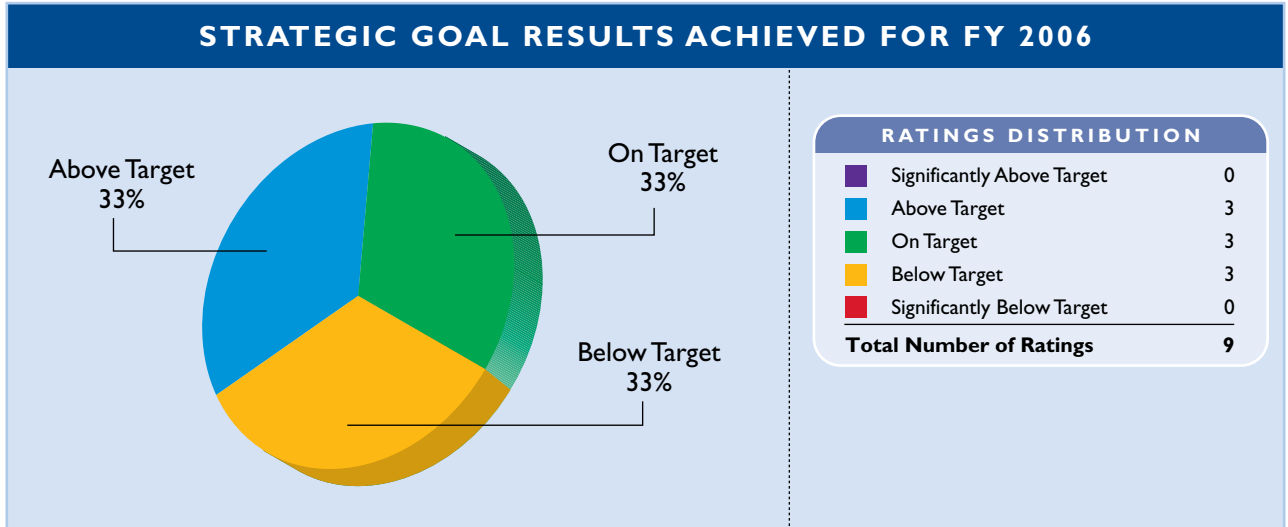
III. STRATEGIC CONTEXT

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

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

IV. PERFORMANCE SUMMARY (STATE AND USAID)

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



V. PERFORMANCE ANALYSIS

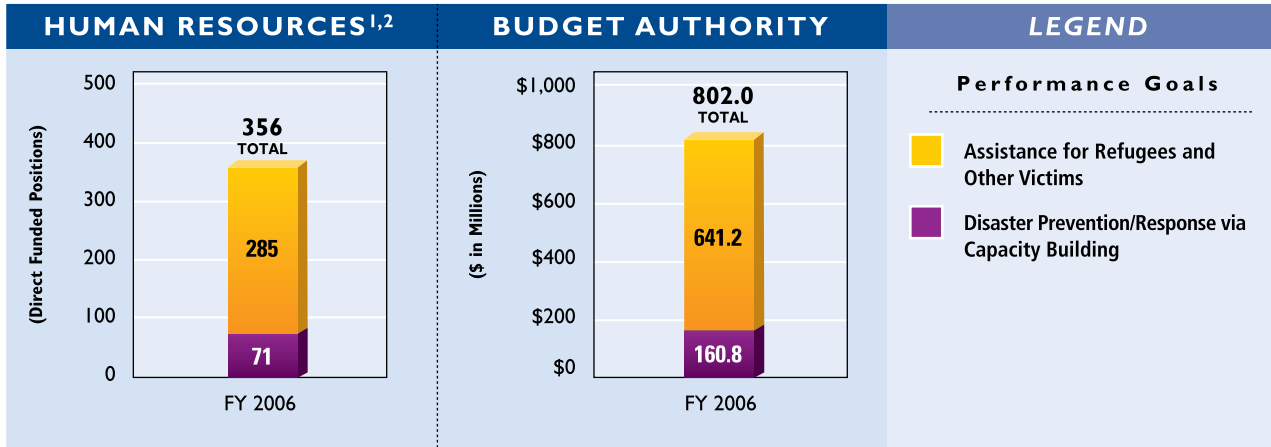
PERFORMANCE TRENDS. Three significant trends under the Humanitarian Response Strategic Goal are worthy of note. First, U.S. humanitarian assistance programs are achieving and sustaining progress on protecting the nutritional status and humanitarian needs of refugees, victims of conflict and Internally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

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

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

KEY INITIATIVES AND PROGRAMS. Significant FY 2006 investments to address the human costs of displacement, conflict, and natural disasters include \$365 million for international disaster relief, rehabilitation, and reconstruction assistance and \$791 million to develop effective responses to protracted refugee situations, including integration of refugees into local schools, resource conservation projects, and other projects designed to diminish conflict between refugee hosting communities and refugees.

VI. RESOURCES INVESTED BY USAID



¹ USAID human resource figures reflect all full-time direct funded employees including civil service, foreign service, foreign service nationals, personal services contractors, and other USG employment categories. Institutional contractor staff are not included.

² Data on FY 2006 human resource levels by Strategic and Performance Goals were not collected. These figures were estimated using FY 2005 human resources data prorated against the FY 2006 Statement of Net Cost.



Families receive food donated by USAID after a February 2006 avalanche struck the district of Jirgital, Tajikistan.

PHOTO CREDIT: MERCY CORPS.



VII. PERFORMANCE RESULTS

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


ANNUAL PERFORMANCE GOAL I

Effective Protection, Assistance, and Durable Solutions for Refugees, Internally Displaced Persons, and Conflict Victims.


I/P: HUMANITARIAN ASSISTANCE

	INDICATOR: Crude Mortality Rates (CMR) – Threshold	
	Outcome	
<p>JUSTIFICATION: The crude mortality rate is the mortality rate from all causes of death for a population. The CMR is an accepted indicator of the extent to which the international community is meeting minimum standards of care and the overall effectiveness and performance of the international relief system. This indicator is used to measure emergency assistance among controlled populations, such as refugee camps.</p>		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ■ In complex humanitarian crises, CMR does not exceed regional emergency thresholds in 95% of targeted sites. ■ Support efforts to improve data collection, e.g., expand pilot data collection effort to other countries and partner organizations, and to take other measures to address any problems of excess mortality.
	Results	<ul style="list-style-type: none"> ■ Criteria developed by Sphere established regional CMR thresholds for emergency response based on long-term CMR data in these areas. CMR did not exceed regional emergency thresholds in targeted refugee sites where data were available. ■ The online interface of the Complex Emergencies Database (CE-DAT) has been greatly improved and data on mortality, nutritional status, and vaccination coverage has been expanded, benefiting both the USG and the international humanitarian community.
	Rating	 Above Target
	Impact	The Department's contributions to international humanitarian efforts save refugee lives.
PERFORMANCE DATA	Data Source	Centre for Research on the Epidemiology of Disasters; UN Nutrition Information in Crisis Situations; UN High Commissioner for Refugees (UNHCR), International Committee of the Red Cross (ICRC), Centers for Disease Control and Prevention; reports from international and nongovernmental organizations.
	Data Quality (Verification)	The Department actively monitors Crude Mortality Rates reported by UNHCR, ICRC, and other international and non-governmental organizations. Refugee coordinators and program specialists monitor performance in the field and through regular consultations with partners in Washington and Geneva. CE-DAT provides accessible, high quality data on CMR in an increasing number of countries, as well as information regarding the methodology, accuracy and reliability of the data reported.
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ■ Where data were available, CMR did not exceed regional emergency thresholds in over 98% of targeted refugee sites. ■ In FY 2005, CMR was reported above the regional emergency threshold in four sites (three in Chad and one in Kenya) out of over 225 refugee camps and settlements worldwide. There was a decline in CMR among Sudanese refugees from Darfur, although the mortality rate remained an issue of concern in selected sites in Chad.
	2004	In June 2004, CMR exceeded 2/10,000 people per day among Sudanese refugees in Chad. With the Department's support, the Centre for Research on the Epidemiology of Disasters created the Complex Emergencies Database to track data on CMR and nutritional status.
	2003	Where data were available, crude mortality rates did not exceed 1/10,000 people per day in refugee crises. Efforts to expand pilot data collection were delayed; the Department's implementing partner did not reach the pilot stage of the project, but finalized guidelines and methodology for CMR surveys.

I/P: HUMANITARIAN ASSISTANCE (continued)

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

I/P: HUMANITARIAN ASSISTANCE (continued)

	INDICATOR: Nutritional Status of Children Under 5 Years of Age – Threshold	
	Outcome	
JUSTIFICATION: Nutritional status is a basic indicator for assessing the severity of crisis, together with Crude Mortality Rate. In emergencies, weight loss among children 6-59 months is used as a proxy indicator for the general health and well-being of the entire community. This indicator is used to measure emergency assistance among controlled populations, such as refugee camps.		
FY 2006 PERFORMANCE	Target	In targeted sites, less than 10% of children under five suffer from global acute malnutrition.
	Results	<p>Global Acute Malnutrition (GAM) is the term used to include all malnourished children whether they have moderate wasting, severe wasting or edema, or some combination of these conditions. It is defined as weight-for-height ratios that are less than or equal to two standard deviations below the mean (Z score of less than -2) or less than 80% median weight-for-height, and the presence of nutritional edema.</p> <ul style="list-style-type: none"> ■ In 98% of refugee camps and settlements (221 of at least 225 worldwide), less than 10% of children under five suffered from global acute malnutrition. ■ GAM rates exceeded 10% in two camps in Bangladesh (Nayapara, Kutupalong), one in Uganda (Kyaka II), and one in Nigeria (Oru). In two camps in Chad (Oure Cassoni, Am Nabak), GAM rates temporarily rose above acceptable levels, but were quickly reduced with appropriate interventions. ■ The Government of Burma signed a long-delayed agreement with UNHCR on improvement of the camps. The Department also provided the World Food Program with an additional \$250,000 in FY 2006 to provide much needed food assistance to refugees in Bangladesh. ■ The Department is working with UNHCR and other international and nongovernmental organizations to ensure that less than 10% of children under age five suffer from global acute malnutrition in refugee camps in Nigeria and Uganda.
	Rating	■ On Target
	Impact	Elevated rates of GAM directly contribute to increased rates of morbidity and mortality in children under five years of age. Malnutrition may also threaten refugee protection in terms of camp security, vulnerability to exploitation, and in extreme cases, involuntary return.
PERFORMANCE DATA	Data Source	Complex Emergencies Database (CE-DAT) established by the Centre for Research on the Epidemiology of Disasters (CRED); UN Standing Committee on Nutrition/ Nutrition Information in Crisis Situations (NICS); Centers for Disease Control and Prevention; reports from international and nongovernmental organizations.
	Data Quality (Verification)	CE-DAT provides information regarding the methodology, accuracy and reliability of the data reported. The Bureau of Population, Refugees and Migration routinely monitors the nutrition surveillance and feeding programs of international and non-governmental organizations through refugee coordinators in the field and specialists based in Washington and Geneva.
PAST PERFORMANCE	2005	In 94% of refugee camps and settlements (211 of at least 225 worldwide), less than 10% of children under five suffered from global acute malnutrition. During FY 2005, GAM rates exceeded 10% in two sites in Bangladesh, six sites in Chad, three sites in Ethiopia, and three sites in Kenya.
	2004	In June 2004, 36-39% of children under age five suffered from global acute malnutrition among Sudanese refugees in Chad. The Department and USAID continued supporting new tools and measures to improve data collection and reporting on nutritional status.
	2003	Baseline: In humanitarian crises where Department funds were provided, at least 90% of children under five had weight-for-height ratios that were greater than or equal to two standard deviations below the mean, or greater than 80% median weight-for-height, and an absence of nutritional edema.

I/P: HUMANITARIAN ASSISTANCE (continued)



INDICATOR: Nutritional Status of Children Under 5 Years of Age - Trend

Outcome


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

FY 2006 PERFORMANCE	Target	In complex humanitarian crises, USAID will ensure 30% of sites are monitored, and nutritional status improves or remains stable in two-thirds of the monitored sites, for all of its funded projects.
	Results	In complex humanitarian crises, USAID ensured that 34.7% of sites were monitored and nutritional status remained stable in 82% of the monitored sites and improved in 18% of sites.
	Rating	■ Above Target
	Impact	Global Acute Malnutrition (GAM) rates are stable or improving in the majority of USAID funded sites being monitored.
PERFORMANCE DATA	Data Source	The primary data source is surveys undertaken by NGO implementing partners with health/nutrition programs. NGO survey data are compiled by the United Nations Standing Committee on Nutrition (UN SCN) and integrated to the global database, along with survey data from the UN, international organizations and other partners. Data are used for global trend analysis and monitoring.
	Data Quality (Verification)	The UN SCN screens survey data for reliability and validity. USAID recommends establishing an independent expert group to further this work in coordination with the UN SCN.
PAST PERFORMANCE	2005	Nutritional status improved or remained stable in two-thirds of monitored sites. 163 emergency sites were surveyed in 23 countries. Data available from 40 emergency sites showed that nutritional status improved in 13% of sites from FY 2004 to FY 2005 and remained stable in 85% of sites. Nutritional status deteriorated in 2% of sites.
	2004	198 emergency sites surveyed in 22 countries (16 in Africa, four in Asia, one in Middle East, and one in South America).
	2003	Nutrition data compiled for 67% of selected conflict sites with Crude Mortality Rate data, mostly in the Africa region and countries with protracted emergencies, and Iraq and Afghanistan.



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

PHOTO: DEPARTMENT OF STATE

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



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

I/P: REFUGEE ADMISSIONS TO THE U.S.



INDICATOR: Refugees Resettled in the U.S., as a Percentage of the Ceiling

PART Output


JUSTIFICATION: This indicator measures the effectiveness of the refugee admissions program overall and provides some insight into the Department's performance in managing the process.

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



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

PHOTO: AP/WIDEWORLD

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



Members of the U.S. military deliver humanitarian relief supplies in Pakistan. The U.S. military and Pakistani military worked together to coordinate the delivery of humanitarian assistance following the devastating October 2005 South Asian earthquake.

PHOTO: USAID/NGOC CLARK

I/P: WORLD FOOD PROGRAM DONOR BASE



INDICATOR: Percentage of Non-USG Contributions to UN World Food Program


Output

JUSTIFICATION: The UN World Food Program (WFP) is a generally well-run organization, but its effectiveness can be compromised by over-reliance on USG contributions. More contributors and greater contributions from existing contributors are needed to keep WFP's crisis response capacity at its current level.

FY 2006 PERFORMANCE	Target	WFP has sufficient funds to meet priority needs, with contributions from many donor countries and the private sector. Non-USG contributions are 55% of total contributions.
	Results	WFP continues to actively solicit contributions from new donors including from the private sector. WFP works on a calendar year basis. As of September 15, 2006, WFP had received \$1.9 billion in contributions for CY 2006, of which \$793 million was from the United States. Non-U.S. Government contributions amounted to 59% of total contributions.
	Rating	■ Above Target
	Impact	Contributions to WFP enable it to provide both emergency and development food aid to people in need.
PERFORMANCE DATA	Data Source	UN World Food Program.
	Data Quality (Verification)	The Department tracks and verifies performance data provided through WFP's accounting.
PAST PERFORMANCE	2005	Four new donors participated—Azerbaijan, Liechtenstein, Namibia, and Trinidad and Tobago—and WFP had received \$2.08 billion in contributions, of which \$934 million were from the United States. Non-U.S. Government contributions were 55% of total contributions.
	2004	As of October 2004, there were seven new donors to WFP—Madagascar, Guatemala, Ecuador, United Arab Emirates, Iran, Pakistan, and Zimbabwe—and WFP had received \$1.562 billion in contributions, of which \$718 million were from the United States. Non-USG contributions were 54% of total contributions.
	2003	As of September 2003, WFP had nine new donors—Cameroon, El Salvador, Greece, Kuwait, Malta, Marshall Islands, Qatar, Russia, and Vietnam—and non-USG contributions to WFP totaled \$877 million, an increase of less than 1% over 2002 contributions.

ANNUAL PERFORMANCE GOAL 2

Improved Capacity Of Host Countries And The International Community To Reduce Vulnerabilities To Disasters And Anticipate And Respond To Humanitarian Emergencies.

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

Villages Improve Disaster Response

With USAID's assistance, residents of the tiny island of Tobago in the southern Caribbean are working to improve the ability of remote communities to respond to natural disasters themselves. Through this initiative, local Community Emergency Response Teams (CERT) are helping isolated communities deal with a range of emergency situations like tornados, hurricanes, and heavy storms. Based locally and with state-of-the-art training, the teams can respond in half the time of traditional response services, which are located far from the island's most remote towns. The program has built a strong reputation at home and abroad. In fact, disaster response officials throughout the Caribbean are discussing the possibility of replicating the program in their own countries. As a result of this training, Tobagonians will be better equipped to deal with natural disasters like Hurricane Ivan, which in 2004 caused landslides that destroyed homes, farms, and livelihoods and left entire communities isolated.



A member of a Community Emergency Response Team takes a call in the Scarborough response center in Tobago.

PHOTO: USAID/DENISE LAWRENCE

STRATEGIC OBJECTIVE #3:

STRENGTHEN DIPLOMATIC AND PROGRAM CAPABILITIES

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

STRATEGIC GOAL 8: MANAGEMENT AND ORGANIZATIONAL EXCELLENCE

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

I. PUBLIC BENEFIT

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

a centrally managed information technology infrastructure, a modern messaging/archiving/knowledge management system, streamlined administrative systems, and a customer-focused portal.

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

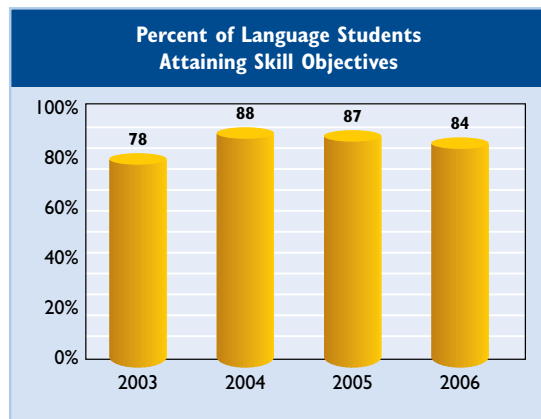


USAID Administrator Ambassador Randall Tobias meets with USAID mission staff in Iraq. PHOTO: USAID/LEE MCBREARTY

entry to those who would do the United States harm; (4) Improve training opportunities and curricula for employees; (5) Improve the quality of life for employees whether domestic or abroad; and (6) Use technology to produce accurate information that supports decision makers and make that information available anytime, anywhere. The Department continues to maintain and develop skills that can help achieve transformational diplomacy and development, such as advanced foreign language proficiency, public diplomacy, and leadership and management preparedness.

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

II. SELECTED PERFORMANCE TRENDS



A Look to History: Management and Organizational Excellence

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

Thomas Jefferson, shown in a circa 1805 painting by artist Rembrandt Peale. PHOTO: AP/WIDEWORLD.



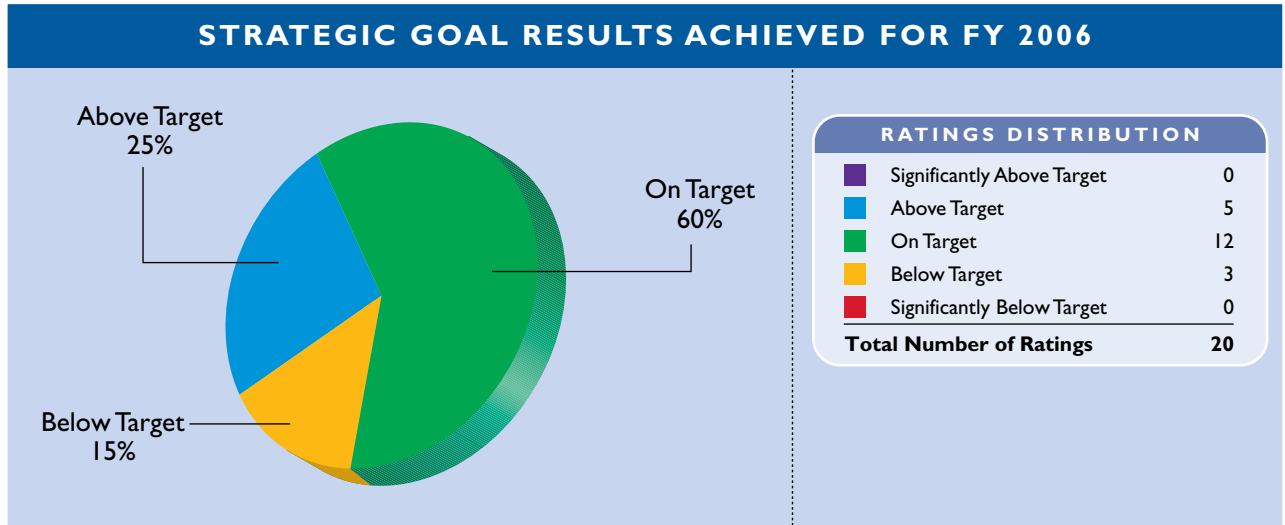
III. STRATEGIC CONTEXT

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

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

IV. PERFORMANCE SUMMARY (STATE AND USAID)

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



V. PERFORMANCE ANALYSIS

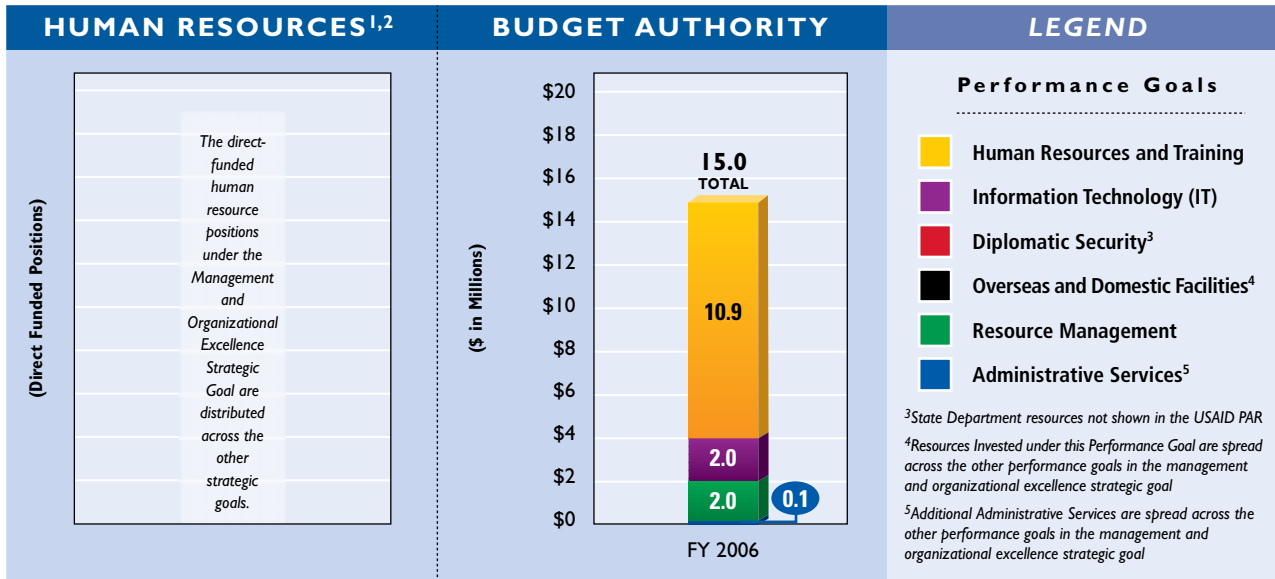
PERFORMANCE TRENDS. Both agencies have made continuous improvements in human capital management, operational readiness, and information technology management. The Foreign Service Institute met or exceeded its goals for leadership training enrollment and the effectiveness of its language training programs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

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

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

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

VI. RESOURCES INVESTED BY USAID



¹ USAID human resource figures reflect all full-time direct funded employees including civil service, foreign service, foreign service nationals, personal services contractors, and other USG employment categories. Institutional contractor staff are not included.

² Data on FY 2006 human resource levels by Strategic and Performance Goals were not collected. These figures were estimated using FY 2005 human resources data prorated against the FY 2006 Statement of Net Cost.



USAID employees at the Emerging Leader Program, Federal Executive Institute, August 13-19, 2006.

PHOTO: USAID


VII. PERFORMANCE RESULTS

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

ANNUAL PERFORMANCE GOAL I

A High Performing, Well-trained, And Diverse Workforce Aligned With Mission Requirements.

I/P: OPERATIONAL READINESS

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

I/P: RECRUIT AND HIRE TALENTED, DIVERSE EMPLOYEES



INDICATOR: Diversity of New Hires in the Foreign Service and Civil Service

Output

JUSTIFICATION: Our goal is to hire, not just to recruit, diverse employees. We are working to develop an outcome measure based on the diversity of hiring as an important tool to measure the true outcome of various recruitment efforts.

FY 2006 PERFORMANCE	Target	Increase diversity of applicants and hires in the Foreign Service; increase diversity of participants in student programs aimed at recruitment.
	Results	Racial and ethnic diversity is only one aspect of a more diverse workforce. 20 percent of Foreign Service Generalists and 22 percent of Foreign Service Specialists hired in 2006 were minorities. 32 percent of student program participants were minorities.
	Rating	■ On Target
	Impact	The Department is committed to attracting and promoting a diverse workforce that reflects the talent of the United States.
PERFORMANCE DATA	Data Source	Self reporting of race and national origin by new employees. This indicator is measured within the Bureau of Human Resources using hiring and recruitment data.
	Data Quality (Verification)	New hires are asked to self-identify their minority status. The number of participants declining to answer has been increasing. In FY2003, 11 percent of student program participants chose not to respond when asked to identify their race/ethnicity, whereas in FY2006, 22 percent chose not to respond.
PAST PERFORMANCE	2005	Racial and ethnic diversity is only one aspect of a more diverse workforce. 19 percent of Foreign Service Generalists and 22 percent of Foreign Service Specialists hired in 2005 were minorities. 35.7 percent of student program participants were minorities.
	2004	Racial and ethnic diversity is only one aspect of a more diverse workforce. 21 percent of Foreign Service Generalists and 25 percent of Foreign Service Specialists hired in 2004 were minorities. 38.5 percent of student program participants were minorities.
	2003	Racial and ethnic diversity is only one aspect of a more diverse workforce. 19 percent of Foreign Service Generalists and 28 percent of Foreign Service Specialists hired in 2003 were minorities. 36.4 percent of student program participants were minorities.

I/P: CAREER DEVELOPMENT AND TRAINING



INDICATOR: Mandatory Leadership Training Participation

Input

JUSTIFICATION: Course enrollments best validate the number of employees completing mandatory leadership/management training.

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

I/P: CAREER DEVELOPMENT AND TRAINING (continued)




INDICATOR: Percentage of Employees Assigned to Language Designated Positions Who Meet the Requirement of the Position

Input

JUSTIFICATION: This is a useful indicator of how well the assignments process works to place people with needed skills. However, as the baseline changes due to increasing and varied requirements and due to the Career Development initiatives' emphasis on new language designated positions, the percentage may not increase. Finally, success is partially controlled by resources available for training and sufficient personnel to accommodate training while still meeting other mission requirements.

FY 2006 PERFORMANCE	Target	80% or better fully meet the requirements, contingent on receiving funding request for FY 2007 foreign language programs.
	Results	Preliminary data indicate that performance is on target for FY 2006. Complete results will be reported to Congress in February 2007.
	Rating	■ On Target
	Impact	Diplomatic efforts will be more successful as employees with the appropriate language skills are deployed overseas. The Department will better engage host governments, local populations, and allies when implementing programs, communicating policies, and advocating positions.
PERFORMANCE DATA	Data Source	This indicator is calculated by the Bureau of Human Resources, based on panel actions in the previous fiscal year (e.g. FY 2005 figures are based on FY 2004 panel actions). Actions for the current fiscal year are not available until the end of the fiscal year. This indicator is reported yearly to Congress as required by statute.
	Data Quality (Verification)	Confidence in the data is high: the data are reported electronically and stored in a database; post reports are solicited and verified by human resources professionals in Washington.
PAST PERFORMANCE	2005	In FY 2005, 82.34% fully met and 10.79 percent partially met requirements.
	2004	In FY 2004, 82.55% fully met and 9.89 percent partially met requirements.
	2003	In CY 2003, 83% fully met and 12 percent partially met requirements.

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

I/P: AMERICANS EMPLOYED BY UN SYSTEM ORGANIZATIONS



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


Outcome

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

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

ANNUAL PERFORMANCE GOAL 2

Modernized, Secure, and High Quality Information Technology Management and Infrastructure that Meet Critical Business Requirements.

I/P: SECURE GLOBAL NETWORK AND INFRASTRUCTURE		
	INDICATOR: Progress Toward Centralized, Secure, and Modern Global IT Infrastructure	
	Input	
JUSTIFICATION: The indicator directly measures the reliability, accessibility, and security of the Department's information technology infrastructure.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ■ Continue with the aggressive four-year life-cycle modernization program for OpenNet Plus and ClassNet. ■ Network availability to improve to 99.6%, and 40 additional virtual private networks at embassy tail circuits for a total of 300. Implementation plan for consolidating help desks, servers and desk tops completed. ■ Develop implementation plan for consolidation initiative. ■ Deploy 5,000 OpenNet Everywhere devices.
	Results	<ul style="list-style-type: none"> ■ 174 additional domestic and overseas local area networks are modernized (101 OpenNet and 73 ClassNet). ■ Network availability is at an average rate of 99.6% or better achieved as result of exceeding the target total of 300 virtual private networks installed for embassy circuits. ■ Implementation plan for consolidation initiative completed. ■ 4,669 OpenNet Everywhere devices deployed for core and occasional teleworkers.
	Rating	■ On Target
	Impact	The elements (GITM, consolidation, mobile computing, and maintaining the secure global network) are critical to the Department's ability to provide a modernized, secure, and high quality infrastructure. Success of these elements will enable production of accurate information for decision makers and will make that information available anytime, anywhere in support of the foreign affairs mission.
PERFORMANCE DATA	Data Source	<ul style="list-style-type: none"> ■ Capital planning and investment control indicates cost, schedule and performance. ■ E-Gov monthly cost workbook indicates schedule and cost variance. ■ Monthly Priority Projects Briefing Book for the Undersecretary for Management indicates completed vs. planned installations. ■ Weekly Production Control Meetings address cost and schedule performance. ■ Integrated Enterprise Management System computes network reliability. ■ Bi-weekly status reports on IT consolidation to the Chief Information Officer. ■ Weekly activity reports on mobile computing to the Deputy CIO for Operations.
	Data Quality (Verification)	<p>On a monthly basis the E-Gov Program Office receives the most accurate and most current cost and schedule data for use in performing independent Earned Value Management calculations.</p> <p>The IT Consolidation effort and Mobile Computing are fairly new initiatives and Senior management assesses data submitted on a weekly basis. Data quality in the IT Consolidation plan was checked against industry standard information provided by recognized IT consulting firms, e.g. Gartner Group and others.</p>

Continued on next page

I/P: SECURE GLOBAL NETWORK AND INFRASTRUCTURE (continued)

INDICATOR: Progress Toward Centralized, Secure, and Modern Global IT Infrastructure (continued)

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






INDICATOR: Percentage of Mission Critical IT Systems Certified and Accredited

PART Output

JUSTIFICATION: This indicator reflects the degree to which USAID systems meet generally accepted standards for security in support of our goal of keeping information safe from compromise.

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

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

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

ANNUAL PERFORMANCE GOAL 3

Personnel are Safe From Physical Harm and National Security Information is Safe From Compromise.

I/P: DIPLOMATIC SECURITY / WORLDWIDE SECURITY UPGRADES



INDICATOR: Installation of Technical Security Upgrade Equipment

PART Efficiency

JUSTIFICATION: Technical security upgrade projects provide critical security countermeasures for U.S. diplomatic missions abroad. These upgrades include facility power and conduit infrastructure, as well as technical security equipment.

FY 2006 PERFORMANCE	Target	Complete 35 upgrades as part of a cyclical replacement program.
	Results	35 upgrades were completed in FY 2006.
	Rating	■ On Target
	Impact	Improving technical security at overseas posts through on-time completion of projects contributes directly to the Department's goal of providing a safe and secure environment for U.S. personnel and property.
PERFORMANCE DATA	Data Source	Data are verified and compiled on a quarterly basis from both our program managers and with posts to ensure deliverables and installation.
	Data Quality (Verification)	Analytical assessments are conducted to determine replacement life cycles and add to replacement schedule.
PAST PERFORMANCE	2005	29 upgrade projects completed, including Frankfurt.
	2004	Technical security upgrades were completed at 142 posts, exceeding the initial target of 133.
	2003	Technical security upgrades completed at 111 out of 133 posts, i.e. embassies or consulates.

I/P: DIPLOMATIC SECURITY / WORLDWIDE SECURITY UPGRADES (continued)



INDICATOR: Deployment of Chemical Weapons/Biological Weapons Countermeasure Masks to Posts Abroad

PART Output

JUSTIFICATION: Chemical and biological weapons training and equipment serve to minimize casualties resulting from an attack on overseas personnel. This indicator directly measures the delivery of training and equipment.

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

ANNUAL PERFORMANCE GOAL 4

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

I/P: CAPITAL SECURITY CONSTRUCTION PROGRAM



INDICATOR: Number of New Sites Acquired for Capital Security Construction Projects in Accordance With the Long-Range Overseas Building Plan Schedule

PART Output

JUSTIFICATION: The indicator was chosen as the most comprehensive in determining the actual acquisition of a building site that is essential before constructing a new embassy compound.

FY 2006 PERFORMANCE	Target	Acquire seven new sites for capital security construction projects.
	Results	Eight new embassy compound sites were acquired in the fiscal year.
	Rating	■ Above Target
	Impact	Capital security construction programs proceeding on schedule and as planned provide secure, safe, and functional facilities to U.S. Government employees overseas.
PERFORMANCE DATA	Data Source	Real estate contracts and official settlement documents are maintained by the Department.
	Data Quality (Verification)	Data quality are excellent as results are determined through official settlement/closing records between the U.S. Government and the seller(s).
PAST PERFORMANCE	2005	10 new embassy compound sites were acquired in the fiscal year against a target of nine sites.
	2004	Eight new embassy compound sites were acquired during the fiscal year.
	2003	Six new sites were acquired for capital security construction projects.

I/P: CAPITAL SECURITY CONSTRUCTION PROGRAM (continued)




INDICATOR: Number of Capital Security Construction Projects Awarded In Accordance With Long-Range Overseas Building Plan

PART Output

JUSTIFICATION: The indicator represents an essential step in getting new capital security construction projects into construction. Once the projects are funded and the contracts awarded, other performance measures are used to track completion.

FY 2006 PERFORMANCE	Target	Award 13 new capital security construction projects.
	Results	10 new capital security construction projects were awarded during the fiscal year.
	Rating	■ Below Target
	Impact	Capital security program proceeding on schedule as planned provides secure, safe, and functional facilities for U.S. Government employees.
	Reason for Shortfall	The Beirut new embassy compound award timeline was delayed during the recent conflict to allow regional logistics to return to normal and provide a more reasonable procurement atmosphere at post-conflict risk conditions. Two transactions extended past the target deadline to undertake contract negotiations and procurement strategies to offset unexpectedly high inflation and risky political conditions. An additional planned award was deferred by Department re-prioritization to advance Karachi new consulate in the wake of a terrorist attack in March 2006.
	Steps to Improve	The Department plans to award all three capital security projects in 1st quarter FY 2007.
PERFORMANCE DATA	Data Source	Awarded contracts file maintained by the Bureau of Overseas Building Operations.
	Data Quality (Verification)	Data quality is excellent as fiscal year results are determined based on actual construction contracts having been signed between the U.S. Government and the contractor.
PAST PERFORMANCE	2005	13 capital security construction projects were awarded in the fiscal year in addition to the Baghdad new embassy compound project which was funded as a “non-security” type project.
	2004	Awarded 13 new capital construction projects (above target).
	2003	Awarded nine new capital security construction projects.

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

I/P: COMPOUND SECURITY PROGRAM




INDICATOR: Number of Technical Security Projects Completed Each Fiscal Year In Accordance With the Schedule

PART Output

JUSTIFICATION: This measure is the best indicator at this time in determining that the technical security installation and upgrade projects are being performed on schedule.

FY 2006 PERFORMANCE	Target	Complete next group of 71 technical security installations and upgrade projects per schedule, out of a total of 275 projects scheduled between FY 2004-2007.
	Results	71 technical security installation and upgrade projects were completed in the fiscal year.
	Rating	■ On Target
	Impact	Completed technical security projects provide added security protection for overseas employees performing work in embassies and consulates.
PERFORMANCE DATA	Data Source	Project closeout records maintained in the Department of State.
	Data Quality (Verification)	Data quality is excellent as the status/close out of the projects is reported by the project manager and confirmed by the post where the installation projects are taking place.
PAST PERFORMANCE	2005	90 technical security installation and upgrade projects were completed during the fiscal year against a target of 70 such projects.
	2004	81 technical security installation and upgrade projects were completed in the fiscal year.
	2003	71 technical security installation and upgrade projects were completed in the fiscal year.

I/P: COMPOUND SECURITY PROGRAM (continued)

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

Perimeter Security Improvements at USAID's former Kampala, Uganda site



New guard booth with enhanced vehicle screening area.

PHOTO: USAID/OFFICE OF SECURITY (SEC)



Interior of new guard booth with new electronics and improved view.

PHOTO: USAID/OFFICE OF SECURITY (SEC)

ANNUAL PERFORMANCE GOAL 5

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

I/P: IMPROVED FINANCIAL PERFORMANCE



INDICATOR: Percentage of Overseas Budget Processed by Direct Connect



Output

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

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

ANNUAL PERFORMANCE GOAL 6

Customer-oriented, Innovative Delivery of Administrative and Information Services, Acquisitions, and Assistance.

I/P: WORLDWIDE LOGISTICS: INTEGRATED LOGISTICS MANAGEMENT SYSTEM		
	INDICATOR: Integrated Logistics Management System Development and Implementation	
	Input	
JUSTIFICATION: The selected performance indicators track the most critical success factors in the overall logistics management program of the Department.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ■ Complete domestic deployment of asset management transportation and status tracking functions. ■ Complete design and development of integration with Global Financial Management System Phase I. ■ Develop and begin deployment of secure system domestically. ■ Deploy enterprise performance management to domestic warehouses. ■ Conduct overseas pilots of selected supply chain management components.
	Results	<ul style="list-style-type: none"> ■ Completed domestic deployment of asset management, transportation, and status tracking functions. ■ Completed design and development of integration with Global Financial Management System Phase I. ■ Made planned progress with development and deployment of secure domestically. ■ Made planned progress with deployment of enterprise performance management to domestic warehouses.
	Rating	 Below Target
	Impact	<p>When fully implemented, this system will provide a more efficient, effective, customer-oriented global logistics support system, and it is thus an important component of the Department's Management and Organizational Excellence strategic goal.</p> <p>The consequences of the target shortfall include a delay in realizing end-to-end asset visibility across the enterprise and the extension of legacy system operations and maintenance costs that remain in service.</p>
	Reason for Shortfall	Funding approved at levels significantly less than requested. Consequences and impact include a delay in overall return on investment and moderate life-cycle cost growth.
	Steps to Improve	Actions planned include a delay in overseas pilots and deployments consistent with projected available funding.
PERFORMANCE DATA	Data Source	Integrated Logistics Management System program management plan and earned value management system.
	Data Quality (Verification)	The performance data are accurate and complete. Data from posts are reviewed and verified on site; other data are verified by program supervisors in Washington, DC.

Continued on next page

I/P: WORLDWIDE LOGISTICS: INTEGRATED LOGISTICS MANAGEMENT SYSTEM
(continued)

INDICATOR: Integrated Logistics Management System Development and Implementation (continued)

PAST PERFORMANCE	2005	Asset management 88% deployed in FY 2005, with full domestic deployment completed in December 2005.
	2004	<ul style="list-style-type: none"> ■ Requisitioning/procurement module deployed to all bureaus domestically with two overseas pilots. ■ Distribution module deployed to domestic warehouses. ■ Asset management deployed for motor vehicle and Worldwide Property Accountability System inventory and piloted in two domestic bureaus.
	2003	<ul style="list-style-type: none"> ■ Procurement module operational in four domestic bureaus (fully integrated with the Department's Central Financial Management System) and one overseas regional procurement facility. ■ Asset Management module piloted at one overseas post. ■ Diplomatic Pouch and Mail module fully deployed and operational at both the unclassified and classified pouch facilities.

I/P: COMPETITIVE SOURCING



INDICATOR: Cost Savings or Cost Avoidance Generated through Competitive Sourcing

Outcome

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

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

PROGRAM ASSESSMENT RATING TOOL (PART) STATUS

The Office of Management and Budget (OMB) uses the Program Assessment Rating Tool (PART) to assess federal programs. The PART is a series of diagnostic questions used to assess and evaluate programs across a set of performance-related criteria, including program design and purpose, strategic planning, program management and results. PART results are then used to inform the budget process and improve program management to ensure the most effective and efficient usage of taxpayer dollars. A PART assessment takes place over the course of a calendar year, and is meant to inform the budget formulation process one year later; thus a PART assessment conducted in calendar year 2002 (CY 2002) would inform the budget process for FY 2004.

In light of foreign assistance reform, certain programs' improvement plans have been adjusted, and the Agency and OMB are also reviewing the program parameters for current and anticipated PART assessments.

To date, USAID and OMB have conducted 11 PART reviews, which are summarized below. Additional information on these assessments can be found at <http://www.expectmore.gov>.

FY 2004 PART PROGRAMS

STRATEGIC GOAL 6		SOCIAL AND ENVIRONMENTAL ISSUES
Program Name	USAID Child Survival and Health - Population	
Rating	♦ CY 2002: Moderately Effective	
Lead Bureau	♦ US Agency for International Development - Global Health (GH)	
Major Findings/ Recommendations	<ul style="list-style-type: none"> ♦ The program has made significant progress toward achieving annual and long-term performance goals. ♦ The program continues to address its management deficiencies. ♦ The program is decentralized. ♦ The program has been highly effective in increasing contraceptive use in assisted countries. 	
Actions Taken/ Planned	<ul style="list-style-type: none"> ♦ USAID is using the funding allocation model to rank countries globally to determine the best priority use of family planning and reproductive health funding. It is justifying how the model impacts budget decisions. ♦ USAID is defining U.S. assistance graduation criteria for countries and strategies for countries currently receiving family planning and reproductive health funding within reach of such criteria. ♦ USAID is addressing financial management system issues. 	
STRATEGIC GOAL 6		SOCIAL AND ENVIRONMENTAL ISSUES
Program Name	Global Climate Change (GCC)	
Rating	♦ CY 2002: Adequate	
Lead Bureau	♦ US Agency for International Development - Bureau for Economic Growth, Agriculture, and Trade (EGAT)	
Major Findings/ Recommendations	<ul style="list-style-type: none"> ♦ The program targets its resources to achieve the most benefit. ♦ The program coordinates its climate change activities effectively with many organizations conducting similar work. ♦ The program cannot numerically measure progress made toward two out of three program goals. 	
Actions Taken/ Planned	<ul style="list-style-type: none"> ♦ The program is in the process of developing a new strategy to include more short and long-term goals. ♦ The program is conducting regular reviews of its performance and effectiveness to inform program improvements. 	

FY 2005 PART PROGRAMS

STRATEGIC GOAL 7		HUMANITARIAN RESPONSE	
Program Name	Food Aid for Emergencies and Development (Public Law 480 Title II)		
Rating	◆ CY 2003:Adequate		
Lead Bureau	◆ US Agency for International Development - Democracy, Conflict, and Humanitarian Assistance (DCHA)		
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ This program is managed by the Food for Peace Office, which has a new strategic plan to improve food security in countries prone to hunger and famine. ◆ The program would be more cost-effective if several congressional mandates were eliminated, such as cargo preference requirements. ◆ In general, food aid is not well-integrated or coordinated with other U.S. Agency for International Development resources. 		
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ USAID is ensuring that emergency and development food aid are directed towards the highest priority needs and that contingency planning allows this program to address unanticipated needs throughout the year. ◆ USAID is taking steps to integrate better food security issues and food aid into overall Agency planning in Washington and at its missions abroad and with donors, including addressing root causes of famine. ◆ USAID is developing new indicators for food security that encompass both emergency and development food aid programs, including tracking across-the-board progress in countries and overall. 		
STRATEGIC GOAL I		REGIONAL STABILITY	
Program Name	Office of Transition Initiatives		
Rating	◆ CY 2003: Moderately Effective		
Lead Bureau	◆ US Agency for International Development - DCHA/Office of Transition Initiatives (OTI)		
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ OTI provides fast, flexible, and short-term assistance to conflict-prone countries. ◆ OTI is able to move into countries quickly and rapidly start producing results, forging community peace-building. ◆ OTI has strong performance measures at the recipient and country level. 		
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ OTI is ensuring that these programs remain short-term in nature. In general, programs should be financed by Agency's missions abroad with other funding or by other organizations or ended after two years. ◆ OTI is improving performance measures where possible to track better the effectiveness and sustainability of the Office's programs on advancing democracy and peace. ◆ OTI is improving coordination and cooperation across the Agency between related offices and programs to ensure that there is no duplication of efforts or overlap. 		

FY 2006 PART PROGRAMS

STRATEGIC GOAL 6		SOCIAL AND ENVIRONMENTAL ISSUES	
Program Name	Child Survival and Health for Latin America and the Caribbean (LAC)		
Rating	♦ CY 2004: Moderately Effective		
Lead Bureau	♦ US Agency for International Development – Latin America & Caribbean Bureau (LAC)		
Major Findings/ Recommendations	<ul style="list-style-type: none"> ♦ The program is advancing the U.S.'s long term goals for health in Latin America and the Caribbean. ♦ The LAC Bureau created a set of common goals across countries and region-wide indicators to provide valuable performance information to the field and Washington headquarters. ♦ At the regional level, this program has not yet developed budget requests that are explicitly tied to accomplishment of annual and long-term performance goals. 		
Actions Taken/ Planned	♦ As part of foreign assistance reform and the resultant new Foreign Assistance Framework, USAID is working with the Department of State to establish new measures and indicators that will allow for results to be measured across LAC countries, programs and partners.		
STRATEGIC GOALS 1, 4, 5 & 6		REGIONAL STABILITY, DEMOCRACY & HUMAN RIGHTS, ECONOMIC PROSPERITY & SECURITY, SOCIAL AND ENVIRONMENTAL ISSUES	
Program Name	Development Assistance to Latin America and the Caribbean		
Rating	♦ CY 2004: Moderately Effective		
Lead Bureau	♦ US Agency for International Development - Latin America & Caribbean Bureau (LAC)		
Major Findings/ Recommendations	<ul style="list-style-type: none"> ♦ The program supports U.S. foreign policy priorities in the region. ♦ The LAC Bureau has undertaken extensive efforts to create common regional measures. ♦ The program's goals in Latin America are new and have not yet been linked to funding requests. 		
Actions Taken/ Planned	♦ As part of foreign assistance reform and the resultant new Foreign Assistance Framework, USAID is working with the Department of State to establish new measures and indicators that will allow for results to be measured across LAC countries, programs and partners		
STRATEGIC GOAL 8		MANAGEMENT AND ORGANIZATIONAL EXCELLENCE	
Program Name	USAID Administration and Capital Investment Fund		
Rating	♦ CY 2004: Moderately Effective		
Lead Bureau	♦ US Agency for International Development - multiple Bureaus		
Major Findings/ Recommendations	<ul style="list-style-type: none"> ♦ This program fulfills an important need, and has demonstrated effective strategic planning and program management. ♦ The Agency is continuing its efforts to improve financial, human capital, facilities, and information technology management. ♦ To overcome remaining challenges, the Agency must institutionalize performance management in decision making. 		
Actions Taken/ Planned	<ul style="list-style-type: none"> ♦ Increasing the effectiveness and efficiency of agency operations by implementing the President's Management Agenda, as well as other reform initiatives. ♦ Continuing to operationalize meaningful performance measures and utilize them in the management of agency operations. ♦ Expanding the use of performance based contracting to better control costs and enhance services provided. 		

FY 2007 PART PROGRAMS

STRATEGIC GOALS 1, 4, 5 & 6		REGIONAL STABILITY, DEMOCRACY & HUMAN RIGHTS, ECONOMIC PROSPERITY & SECURITY, SOCIAL AND ENVIRONMENTAL ISSUES	
Program Name	USAID's Development Assistance for Sub-Saharan Africa		
Rating	◆ CY 2005:Adequate		
Lead Bureau	◆ US Agency for International Development – Africa Bureau (AFR)		
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ The program aims to reduce poverty and enhance democracy and the environment in African countries; but its impact is diffused across a large number of activities in a lot of countries. ◆ Most African countries have weak economic, social, and political institutions; poor-transparency of government programs; and systemic threat to progress from endemic diseases. ◆ The program's decentralized structure makes it challenging to compare performance in different countries. 		
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ The AFR Bureau is developing and applying common outcome goals to assure program advancement, especially of Presidential initiatives. ◆ The AFR Bureau is aligning country mission staffing levels and operating expense funds with international assistance levels to increase program efficiency. 		
STRATEGIC GOAL 6		SOCIAL AND ENVIRONMENTAL ISSUES	
Program Name	Africa Child Survival and Health		
Rating	◆ CY 2005:Adequate		
Lead Bureau	◆ US Agency for International Development – Africa Bureau (AFR)		
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ USAID is working to comply with federal financial management requirements. ◆ The health performance measures are internationally accepted and widely used. 		
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ USAID is developing an efficiency measure for Africa health programs that demonstrates a commitment to programming funds at a lower cost either services, commodities, or total overhead. ◆ USAID is planning evaluations that over a 5-8 year time provide a comprehensive picture of the performance of the Africa Health programs. 		
STRATEGIC GOAL 7		HUMANITARIAN RESPONSE	
Program Name	International Disaster and Famine Account		
Rating	◆ CY 2005:Adequate		
Lead Bureau	◆ US Agency for International Development – Democracy, Conflict, and Humanitarian Assistance (DCHA)		
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ The Office of US Foreign Disaster Assistance provides timely humanitarian assistance to foreign disasters, coordinating the U.S. response, including the military's relief efforts. ◆ The programs seek to save lives and reduce suffering. ◆ The Office often collaborates well with other U.S. agencies, foreign relief agencies, international and non-governmental organizations. 		
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ The Office is integrating assistance needs in protracted emergencies better with other USAID programs in order to reduce the Office's long-term presence in these countries. ◆ The Office is improving and expanding the use of performance measures across protracted emergencies, including ensuring that certain key performance data are measured reliably and uniformly across emergencies. ◆ The Office is developing additional measures of cost-effectiveness, including reviewing cost-effectiveness when doing post-crises assessments and evaluations. 		

STRATEGIC GOAL 5		ECONOMIC PROSPERITY & SECURITY	
Program Name	Development Credit Authority		
Rating	◆ CY 2005: Moderately Effective		
Lead Bureau	◆ US Agency for International Development – Bureau for Economic Growth, Agriculture, and Trade (EGAT)		
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ The Office of Development Credit, which manages this tool, has significantly improved its strategic planning by establishing strong long-term goals and annual performance measures to more effectively assess its development impact. ◆ Although USAID fails to meet government-wide financial management standards, the Office of Development Credit does by conducting risk assessments of all Development Credit Authority guarantees. ◆ The Office does not yet have independent evaluations to indicate that the tool is effective at stimulating economic development. 		
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ The Office is working to implement improved financial and accounting management procedures and increase the efficiency and effectiveness of the tool. ◆ The Office is incorporating the findings of its independent evaluations into its project development and monitoring plans to improve program effectiveness. 		

FINANCIAL SECTION





(Above) A woman, one of thousands of small loan clients helped by USAID, expands her small store in Ecuador into a profitable business.

PHOTO: JORGE VINUEZA

(Preceding page) Indonesian children greet aid workers. USAID is helping to reconstruct tsunami damaged communities.

PHOTO: U.S. NAVY/M. JEREMIE YODER

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The *Performance and Accountability Report for Fiscal Year 2006* 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. Consistent with the joint Department of State/USAID strategic framework and plan, the Performance Section of this Report is a collaborative effort between the two agencies.



I am pleased to report that for the fourth year in a row, USAID received an unqualified or “clean” opinion from our Inspector General on all five of the Agency’s principal financial statements. In addition, we continue to meet 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:

- In keeping with 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 completed the worldwide installation of Phoenix, the new financial management system, in June. Phoenix is now the accounting system of record for the Agency, including 51 overseas missions, and all appropriated fund accounting transactions are now recorded in this system.
- USAID is committed to minimizing the risk of making erroneous or improper payments to contractors, grantees, and customers. We have an aggressive system

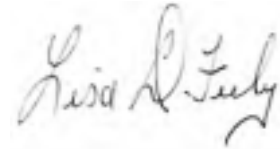
in place to monitor payments, especially for high profile programs, including the Global War on Terror.

- We also implemented a solid program to comply with new requirements for internal controls over financial reporting. Twelve key financial processes have been identified at USAID. We spent the first year implementing this program, documenting processes and controls, and assessing and testing the highest risk areas. We will continue our efforts to implement this program over the next two years, with initial assessments completed by the end of fiscal year 2008.
- In November 2005, the Phoenix hardware and operations were 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, that they already support for their own financial management system.
- 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 is used by managers to answer critical business and management questions. We continue to work hard in order to achieve success in this area.
- We also took aggressive actions to eliminate and reduce vulnerabilities associated with auditor-reported weaknesses identified in the FY 2005 Government Management Reform Act (GMRA) audit.

- In support of foreign assistance reform and the new joint performance reporting system, we worked closely with the Department of State on developing Operational Plan policy guidance and training as well as on designing the new Foreign Assistance Coordination and Tracking System (FACTS) to be used for collecting budget and performance data from the operational plans worldwide.

The Independent Auditor's Report on USAID's Consolidated Financial Statements, Internal Controls, and Compliance for FY 2006 contains one new material weakness related to accounting and reporting of accruals. 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 2007. 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 this Report. Actions taken regarding issues from the FY 2005 audit are also included in this Report.

While we are pleased with our accomplishments in FY 2006, we will strive to improve all aspects of performance and to maintain higher financial management standards in FY 2007. 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 the accelerated reporting deadline.



Lisa D. Fiely
Chief Financial Officer
November 15, 2006

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT





(Above) A woman, who participates in a U.S.-funded literacy program held at a clinic in rural Giza, carefully reads books out loud.

PHOTO: USAID/BEN BARBER

(Preceding page) School girls in Conakry, Guinea hold language arts textbooks. The USAID-supported Africa Education Initiative produces textbooks for primary students, a scholarship program to encourage girls to complete primary school, and teacher training.

PHOTO: CHEMONICS/LAURA LARTIGUE



Office of Inspector General

November 15, 2006

MEMORANDUM

TO: M/CFO/ICFO, Lisa D. Fiely

FROM: Deputy AIG/A, Alvin A. Brown, for Joseph Farinella

SUBJECT: Report on the Audit of USAID's Financial Statements for Fiscal Years 2006 and 2005

With this memorandum, the Office of Inspector General (OIG) is transmitting its final report on the *Audit of USAID's Financial Statements for Fiscal Years 2006 and 2005*. Under the Government Management Reform Act of 1994, USAID is required to prepare consolidated fiscal year-end financial statements. In accordance with OMB Circular A-136, USAID is also required to submit a Performance and Accountability Report, including audited financial statements, to the Office of Management and Budget (OMB) and the U.S. Department of the Treasury by November 15, 2006.

The OIG has issued unqualified opinions on all five of USAID's principal financial statements for fiscal years 2006 and 2005.

With respect to internal control, our report discusses one material internal control weakness and five reportable conditions identified during the audit. The material internal control weakness addresses USAID's accounting for accruals. The reportable conditions address USAID's 1) reconciliations of its fund balance with the U.S. Treasury, 2) reconciliations of its intragovernmental transactions, 3) controls over its Treasury symbols, 4) accounting for foreign currency transactions, and 5) Management's Discussion and Analysis data.

The results of our tests indicate that USAID substantially complied with Federal financial management systems requirements, accounting standards, and the U.S. Standard General Ledger at the transaction level, as required by Section 803(a) of the Federal Financial Management Improvement Act. Our report on compliance identifies areas for improvement over several financial system processes, not affecting substantial compliance, and two Antideficiency Act violations.

This report contains seven recommendations to improve USAID's internal control over financial reporting and the preparation of its annual financial statements.

We appreciate the cooperation and courtesies that your staff extended to the OIG during the audit. The Office of Inspector General is looking forward to working with you on our audit of the fiscal year 2007 financial statements.

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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, 2006 and 2005; and its net cost, net position, and budgetary resources for the years then ended are in conformity with generally accepted accounting principles.

Our audit identified one material internal control weakness and five reportable conditions. The material internal control weakness relates to USAID's accounting and reporting of accruals.

The reportable conditions relate to USAID's:

- Reconciliations of its fund balance with the U.S. Treasury
- Intragovernmental reconciliations
- Controls over Treasury symbols
- Accounting for foreign currency transactions
- Management's Discussion and Analysis data

The results of our tests indicate that USAID substantially complied with Federal financial management systems requirements, accounting standards, and the U.S. Standard General Ledger at the transaction level, as required by Section 803(a) of the Federal Financial Management Improvement Act. Our report on compliance identifies areas for improvement over several financial system processes, not affecting substantial compliance, and two Antideficiency Act violations.

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 approximately 90 countries, almost 50 of which have controller operations. In fiscal year 2006, USAID had total budgetary resources of \$14.5 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 2006, USAID has prepared the following:

- Consolidated Balance Sheets,
- Consolidated Statements of Changes in Net Position,
- Consolidated Statements of Net Cost,
- Combined Statements of Budgetary Resources,
- Consolidated Statements 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 2006 and 2005?

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, 2006 and 2005 and for the years then ended.

In accordance with *Government Auditing Standards*, we have also issued reports (dated November 15, 2006) 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, 2006 and 2005, 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, 2006 and 2005.

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. 06-03. *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, 2006 and 2005 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 15, 2006, 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 15, 2006

Report on Internal Control

We have audited the consolidated balance sheets of USAID as of September 30, 2006 and 2005. 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, 2006 and 2005, and have issued our report thereon dated November 15, 2006. 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. 06-03, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audits of USAID's financial statements for the fiscal years ended September 30, 2006 and 2005, 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 06-03. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

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 identified one matter involving internal control and its operation that we consider to be a material weakness, and five matters that we consider to be reportable conditions.

The material internal control weakness relates to USAID's accounting and reporting of accruals. This issue was also identified by USAID during its OMB Circular A-123 assessment. The reportable conditions relate to USAID's:

- Reconciliations of its fund balance with the U.S. Treasury
- Intragovernmental reconciliations
- Controls over Treasury symbol information
- Accounting for foreign currency transactions
- Management's Discussion and Analysis data

With respect to internal control related to performance measures included in the Management's Discussion and Analysis (MD&A) Section of 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 06-03, and determined whether they have been placed in operation. 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 15, 2006.

Material Weakness

USAID's Accounting for Accruals Needs Improvement

Summary: USAID's Accruals System in Phoenix produced erroneous information that limited the ability of Cognizant Technical Officers (CTOs) to accurately calculate estimates of accrued expenditures and accounts payable for recording in USAID's general ledger. In our testing of accruals in Washington, DC, the OIG determined that Phoenix did not always produce obligation information with the level of detail or reliability necessary for USAID's CTOs to make informed quarterly accrual estimates, and amounts identified as obligated in Phoenix did not always include contract modifications. We also noted that accruals maintained in the Phoenix Accruals System did not always post to the general ledger because of a programming error. Further, some USAID CTOs used incorrect or inaccurate information in estimating some quarterly accruals. As a result, USAID's accrued expenditures and accounts payable contained inaccuracies, and the OIG recommended a \$123 million adjustment to more accurately reflect USAID's accrual activity as of September 30, 2006.

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 quarterly 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 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.

Not all of the accruals generated by the Phoenix Accruals System were posted to the general ledger for the fiscal year 2006 4th quarter. The OIG noted that only \$2.1 billion of the \$2.2 billion generated by the Phoenix Accruals System were correctly batched and processed in USAID's general ledger. The difference was caused by a programming error that USAID corrected before preparing its 4th quarter financial statements. USAID subsequently posted an appended version of its accrual system that ultimately captured the correct accrual amounts in the general ledger.

Obligation amounts recorded in the Phoenix Accruals System were not correctly captured because periodic modifications to obligation amounts were not updated timely. As a result, CTO accrual modifications and system estimates were not always based on reliable unliquidated obligation information. We identified this condition in a significant number of the items we reviewed in 2006, but did not identify this condition in previous reports. With respect to CTO estimates for other accruals, we found documentation errors, incorrect calculations, misinterpretations of grantee information, and incorrect comparisons of estimated expenditure reports. Based on the projected errors of accruals estimated by CTOs in Washington and the differences associated with inaccurate obligations, the OIG recommended a \$123 million adjustment to accounts payable and accrued expenditures.

USAID has worked to improve the quality of its 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. However, USAID only trained 78 CTOs in Washington, DC during 2006 and some CTOs that we contacted had still never been trained.

The OIG has made previous recommendations to correct deficiencies in the former Accruals Reporting System¹, and to ensure that CTOs were properly trained in the

¹ *Audit of USAID's Financial Statements for Fiscal Years 2005 and 2004*, p. 7, November 14, 2005, <http://www.usaid.gov/oig/public/fy06rpts/0-000-06-001-c.pdf>

process of estimating accruals². The calculations within the Phoenix Accruals System that caused the majority of the problems in 2005 are now operating correctly. To address the deficiencies of USAID's current system for recording and processing accruals, we are making the following recommendations:

Recommendation No. 1.1: We recommend that USAID's Office of the Chief Financial Officer prepare a quarterly reconciliation of its Phoenix Accruals System with the Phoenix general ledger, and document and resolve all differences.

Recommendation No. 1.2: We recommend that USAID's Office of the Chief Financial Officer update its Accruals training course to ensure that Cognizant Technical Officers can make reasonable accrual estimates when contract modifications result in changes to obligation levels.

Reportable Conditions

USAID's Process for Reconciling its Fund Balance with the U.S. Treasury Needs Improvement (Repeat Finding)

Summary: USAID had large undocumented differences between its Fund Balance and its cash balance reported by Treasury throughout 2006. As of September 30, 2006, these differences totaled to a cumulative net value of \$66 million. The differences remained undocumented because USAID was not consistently investigating and resolving reconciling items, and is not completing reconciliations of its Fund Balance in accordance with Treasury Financial Manual (TFM) 2-5100. As a result, USAID recorded adjustments at the 2006 fiscal year-end to ensure that its Fund Balance with the U.S. Treasury reported on its Form 2108, *Year End Closing Statement*, agreed with the balance in Treasury's records, without fully documenting and investigating the reasons for the differences.

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. 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.

USAID Chief Financial Officer Bulletin 06-1001, *Reconciliation With U.S. Treasury*, requires USAID to perform timely monthly reconciliations with the U.S. Treasury. The Bulletin also requires a written justification for carrying forward unpaid and unsupported transactions over 90 days old, provides specific written guidance for write-offs, and requires a certification that reconciliations have been performed in accordance with TFM Volume 1, Part 2-5100. Bulletin 06-1001 has not been fully implemented.

² *Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2004 and 2003*, p. 12, November 15, 2004, <http://www.usaid.gov/oig/public/fy05rpts/0-000-05-001-c.pdf>

As of the fiscal 2006 year-end, USAID reported its Fund Balance as \$19.3 billion - \$66 million more than the balance reported by Treasury on its September 30, 2006 account statement. This occurred partly because Treasury symbol changes were not routinely updated to ensure that transactions in Phoenix were recorded against the correct appropriation (see finding in Reportable Conditions Section). Also, \$12 million of cash transactions were fully processed at the Department of Treasury, as of the fiscal year-end, but remained in a suspense status at USAID pending additional information. USAID could not identify the reasons for many other differences, including some items that have not been reconciled with Treasury since 2002. For financial reporting purposes, USAID adjusted its Fund Balance to match the cash balance reported by Treasury without fully documenting the reasons for the unreconciled conditions.

USAID made some attempts to resolve unreconciled Treasury items by working with accounting divisions in Washington, but did not always document the efforts made to investigate and reconcile the differences. USAID's overseas missions also continue to have large unreconciled balances which are not resolved in a timely manner. Of the ten missions that were audited, five had total unreconciled differences of approximately \$50 million and one mission was not performing any fund balance reconciliations.

Recommendation No. 2.1: We recommend that USAID's Office of the Chief Financial Officer document monthly reconciliations of its Fund Balance with Treasury as required by TFM 2-5100, and ensure that overseas missions are performing and documenting monthly Fund Balance reconciliations.

Recommendation No. 2.2: We recommend that USAID's Office of the Chief Financial Officer implement policies to ensure that all transactions recorded in the general ledger are reported to Treasury on the SF 224 and that all differences and suspense items are investigated and resolved in a timely manner.

USAID's Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

Summary: The U.S. Treasury reported a \$2.8 billion net difference in intragovernmental transactions between USAID and other Federal agencies at the 2006 fiscal year-end, with an absolute value of \$6.1 billion. OMB Circular A-136 requires Federal agencies to perform quarterly reconciliations of intragovernmental transactions in accordance with the *FMS Federal Intragovernmental Transactions Accounting Policies Guide*. The differences between USAID's records and those of its trading partners occurred because USAID did not consistently reconcile 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 \$50 million, and it did not consistently reconcile other significant differences by reciprocal category with its Federal trading partners throughout FY 2006. USAID did demonstrate significant progress from 2005, when fiscal year-end unreconciled net differences were \$6.0 billion. Until intragovernmental transactions are reconciled, USAID's financial statements are subject to error.

Treasury FMS has informed Federal agencies that if trading partner "confirmed reporting" exceeds the \$50 million threshold it has established, Agency CFOs will be required to provide FMS a "plan of action" to address these differences, as required by

Treasury Financial Manual, Vol. I, Part 2-Chapter 4700, Section 4706.30, *Agency Reporting Requirements for the Financial Report of the United States Government*.

USAID has made some progress in reconciling its trading partner activities and has reduced the difference reported by Treasury by 46 % from the third quarter to the fourth quarter of 2006. Significant differences persist, however. While some timing differences may ultimately be resolved, 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 and so that long term accounting policy differences can be identified. Until these reconciliations are complete, USAID's year-end balances related to intragovernmental line items reported on the financial statements are subject to error.

Although we identified \$4 billion of unreconciled general fund transactions between USAID and Treasury that are not required to be reconciled, FMS does suggest that Federal agencies confirm that these differences represent general fund activities. USAID did not consistently document these confirmations.

We made a recommendation to improve the intragovernmental reconciliation process in our previous audit report³. We will not make a new recommendation, but will continue to monitor USAID's progress in reducing intragovernmental balances, in future audits.

USAID's Controls Over Treasury Symbols Need Improvement

Summary: USAID experienced difficulty accounting for the activity under its many different Treasury symbols which provide the underlying support for its Statement of Budgetary Resources. This occurred because the processes employed by USAID to update and maintain information on appropriation Treasury symbols did not contain adequate controls to consistently ensure their accuracy. As a result, USAID's Treasury symbol appropriation information in Phoenix required significant adjustments throughout the year and impacted USAID's ability to accurately report to OMB on its quarterly budget activity.

Treasury symbols are numeric codes which contain unique accounting information that identify: 1) a Federal agency, 2) a period of availability of funds, and 3) a four-digit appropriation number. Under Section 511 of the Foreign Operations Appropriation Act (P.L. 109-102 for 2006), USAID may extend the availability of its appropriations, as identified by its Treasury symbols, by four years from the original appropriation before the funds move to an expired status and become unavailable for new obligations. Phoenix does not have the ability to automatically convert existing appropriations to those with extended availability so Treasury symbol conversions are performed manually at USAID.

³ *Audit of USAID's Financial Statements for Fiscal Years 2005 and 2004*, p. 9, November 14, 2005, <http://www.usaid.gov/oig/public/fy06rpts/0-000-06-001-c.pdf>

Like all Federal agencies, USAID must submit a Report on Budget Execution and Budgetary Resources (SF 133) to OMB each quarter for every one of its open appropriation Treasury symbols. These SF 133s are combined each quarter in developing a Federal Agency's Statement of Budgetary Resources. As a result, the compilation of a Federal Agency's SF 133s should generally agree with an Agency's Statement of Budgetary Resources. At year-end, Budgetary Resources are also reported separately for certain Treasury symbols as Required Supplementary Information in accordance with OMB Circular A-136.

USAID made significant adjustments to its Treasury symbol information in Phoenix during the 4th quarter of 2006. These adjustments were necessary to correct transactions posted to valid appropriations with invalid Treasury symbols. Errors with Treasury symbol information occurred primarily because so many valid USAID appropriation numbers change during their life to accommodate the Section 511 flexibility available to USAID. This requires USAID to account for two Treasury symbols for every appropriation. This is difficult to manage within USAID, but Section 511 flexibility makes it even more difficult for other Federal agencies to stay updated on USAID's currently valid Treasury symbols when they use the Intragovernmental Payment and Collection Process. Activity under this process appears first at Treasury, then at USAID, and requires a reconciliation between USAID and Treasury appropriation information to correct any errors.

When invalid appropriation Treasury symbols appeared in Phoenix, either internally or as a result of intragovernmental activity, USAID did not effectively review or monitor the transactions to ensure that the correct appropriations were impacted. USAID currently has no process for reviewing the output related to valid and invalid Treasury symbols and only makes corrections if errors are noted either during the process of reconciling with U.S. Treasury information, or the process of preparing quarterly financial statements.

CFO officials have expressed concerns with Section 511 authority granted to USAID that requires the management of so many appropriation Treasury symbols. The officials believe that, because Section 511 accounting conditions are not managed in other Federal agencies, there is and will be no government-wide or core accounting system approach to handling appropriations that change during their life. We therefore expect Treasury symbol reporting errors to continue, but recognize that the process is almost unmanageable from an accounting perspective without a significant financial and human resource commitment. Some progress can be made immediately, however, so we are making the following recommendation.

Recommendation No. 3: We recommend that USAID's Office of the Chief Financial Officer develop and implement monthly payment review procedures to identify transactions that have been posted in Phoenix to invalid appropriation Treasury symbols.

USAID's Process for Accumulating Foreign Currency Information in Phoenix Needs Improvement

Summary: USAID's process for accumulating foreign currency information in Phoenix needs improvement. USAID prepares an adjustment using information reported via e-mail from its overseas missions on a quarterly basis, instead of using foreign currency information already in Phoenix. This is because USAID's foreign currency information in Phoenix is incomplete and inaccurate. As a result, USAID did not use Phoenix to assist in compiling foreign currency information for its FY 2006 financial statements. The quarterly email information does not report the balance per the mission's books but reports the balance per the mission's bank statement. This process eliminates USAID's ability to separately identify interest earned and currency exchange gains or losses affecting the accounts. As long as the information in Phoenix is incorrect, USAID will continue to rely on external sources for foreign currency assets and liabilities, and will not have complete accounting information.

USAID's foreign currency balances represent cash held in local banks throughout the world. These accounts are owned and managed by USAID on behalf of local governments. As a result, USAID records an asset and a liability for the balances in these accounts.

We observed that, despite the accounting migration to Phoenix, USAID continues to collect foreign currency balance information by requesting the data from the Missions via e-mail. Because Phoenix foreign currency information is considered to be unreliable, many USAID missions maintain cuff records of the foreign currency accounts they manage locally. However, when USAID/Washington requests quarterly balance information from these missions, it is only looking for the mission's cash balance per the mission's bank statement. This would not allow the missions to account for reconciling items between its bank statements and cuff records. To record this activity, USAID makes one accounting entry for the net change in the cash balances between the current quarter and the previous quarter by charging the foreign currency asset against Other Liabilities, and records a second entry against Operating and Administrative Expenses and Donated Revenue. By simply recording the differences in the account value between quarters, USAID does not provide information on interest earned or on the difference in the value of the cash balances due to currency market fluctuations.

We also noted that, in the event that a Mission fails to respond to the request, M/CFO/CAR uses the amount reported on the R0010 (Trust Fund Status Report – Status of Funds/U-106) report downloaded from USAID's Phoenix reporting tool (Business Objects Enterprise). Because Business Objects Enterprise contains the same information as that recorded in Phoenix, the amounts reported on the R0010 are only as reliable as the information in Phoenix. USAID's total Foreign Currency asset balance, as well as its corresponding liability balance as of September 30, 2006, was \$327 million.

The Missions are not entering their foreign currency transactions in Phoenix because staff members do not believe that the system is working properly. USAID agrees that the transactions ideally should be processed by the system. We also inquired as to why there was no entry posted to record the interest expense and the fluctuation in the

foreign currency. USAID responded by saying that the funds do not really belong to the Agency, and that the CFO's Office is only really interested in ensuring that the cash balance is properly reflected, and that revenue and expenses are accurate in total. As a result, USAID does not have a complete accounting of its foreign currency accounts, and cannot identify the amount of interest earned on these accounts, or the periodic differences associated with currency exchange gains and losses. USAID has already instructed its overseas Missions to use Phoenix for all foreign currency transactions.

Recommendation No. 4: We recommend that USAID's Office of the Chief Financial Officer perform monthly reconciliations of local bank balances with the same information in Phoenix and record, in Phoenix, interest earned and gains or losses associated with foreign currency fluctuations for each of its foreign currency accounts.

Support and Quality of Performance Data Used In the Management's Discussion & Analysis Need Improvement

Summary: OIG obtained an understanding of the significant internal controls of the FY 2006 performance measures reported in the MD&A section of USAID's Performance and Accountability Report and determined whether they were operational, as required by OMB Bulletin 06-03. Our procedures were not designed to provide assurance on internal controls over reported performance measures and, accordingly, we do not provide an opinion on such controls. We reviewed the FY 2006 MD&A, and selected data from the addendum to the FY 2005 Performance and Accountability Report, which was issued in April 2006, and which provided final performance data for FY 2005.

Our review found that while USAID took actions to improve its controls over data management, the Bureau needs to improve these controls to ensure that data submitted to the missions' Annual Report system are accurate and adequately supported, and that required data quality assessments are performed.

In 7 missions reviewed, officials did not ensure the accuracy of reported data, as required by USAID's Automated Directives System 596. Specifically, for 19 of the 42 performance indicators we reviewed at the 7 missions, data from source documents did not match the data presented in the addendum to the FY 2005 Performance and Accountability Report. This occurred because, according to mission officials, managers did not review data before input into the Annual Report system to ensure accuracy; staff made data entry errors; and missions collected information by telephone or email without subsequently reviewing supporting documentation.

In addition, at 4 of 7 missions, data quality assessments were not conducted in accordance with Automated Directives System 203.3.8. These assessments should be conducted at least every three years to determine the strengths and weaknesses of the data in general, and whether the data can be trusted. Mission officials said, among other causes, that these assessments were not conducted because they had overlooked the requirement, did not have sufficient time to conduct assessments, or did not have a Performance Management Plan prepared.

Based on our limited review, USAID cannot be reasonably assured that all performance

data reported in the MD&A section in USAID's Performance and Accountability Report are accurate. Without reliable information, stakeholders will not be able to make informed decisions regarding USAID's programs and budget. At present, USAID does not require its bureaus and missions to certify whether Annual Report data has been reviewed for accuracy and that data quality assessments have been performed at least every three years.

Recommendation No. 5: We recommend that USAID require all bureaus and missions to certify that performance data submitted for publication are accurate, adequately supported, and that the required data quality assessments have been performed.

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. This report is a matter of public record, however, and its distribution is not limited.

USAID, Office of Inspector General

USAID, Office of Inspector General
November 15, 2006

Report on Compliance with Laws and Regulations

We have audited the consolidated balance sheets of USAID as of September 30, 2006 and 2005. 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, 2006 and 2005, 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. 06-03, *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 06-03, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and 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 showed that USAID is in substantial compliance with FFMIA Section 803(a).

Our tests disclosed instances of noncompliance considered to be reportable under *Government Auditing Standards*, including Antideficiency Act violations. However, our objective was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

OMB Circular A-123, *Management's Responsibility for Internal Control*, implements the requirements of the Federal Managers' Financial Integrity Act (FMFIA). Appendix A of OMB Circular A-123 contains an assessment process that management should implement in order to properly assess and improve internal controls over financial reporting. The assessment process should provide management with the information needed to properly support a separate assertion on the effectiveness of the internal controls over financial reporting, as a subset of the overall FMFIA report.

USAID elected to complete its assessment in accordance with OMB Circular A-123, Appendix A over three years. This plan provides for identifying, testing, and assessing a significant percentage of USAID's key business processes and controls in each year and demonstrates how USAID will meet the A-123, Appendix A requirements by September 2008.

USAID's A-123 assessment process was implemented in substantial accordance with the OMB-approved plan. USAID's Statement of Assurance accurately reflects the amount of work completed and the results of the assessment, and includes an appropriate scope limitation.

Federal Financial Management Improvement Act of 1996

The results of our tests disclosed that USAID's core financial system substantially complied with the Office of Management and Budget's (OMB) November 2001 Federal financial management systems requirements. OMB issued new requirements in January 2006 and the results of our work related to these new requirements are documented in a separate letter dated November 14, 2006. We also identified areas for improvement over several financial system processes not affecting substantial compliance with FFMIA.

Account De-obligation and Closing Processes Need Improvement

Summary: USAID's account de-obligation, budget carryover, and annual account closing processes need improvement. FY 2005 budget and obligation post-closing balances in Phoenix were not accurate because of obligation reporting issues between USAID missions and USAID/Washington. This had occurred at a time in fiscal year 2006 when USAID was still not using Phoenix worldwide. Throughout fiscal year 2006, USAID then experienced difficulty accounting for the budget activity providing the underlying support for its Statement of Budgetary Resources. As a result of post-closing problems, Phoenix budget and obligation opening balances at the start of fiscal year 2006 were not accurate. USAID later posted manual adjustments to reflect accurate budget and obligation balances. Budget and obligation balances from seven of USAID's fund accounts were still not successfully carried forward at the beginning of FY 2007. As a result, USAID continued to perform a manual adjustment for these seven fund accounts at the start of FY 2007.

Core financial system requirements under FFMIA require Federal agency systems to have the ability to:

- Collect accurate, timely, complete, reliable, and consistent information;
- Provide for adequate agency management reporting;
- Support government-wide and agency level policy decisions;
- Support the preparation and execution of agency budgets;
- Facilitate the preparation of financial statements, and other financial reports in accordance with Federal accounting and reporting standards;
- Provide information to central agencies for budgeting, analysis, and government-wide reporting, including consolidated financial statements; and
- Provide a complete audit trail to facilitate audits.

In accordance with ADS 621, deobligations are entered in Phoenix using information on funding sources and fiscal year. For prior-year unilateral obligations, deobligations are

recorded as recoveries and returned to the correct appropriation. USAID's CFO then compiles a "Recoveries" report and requests apportionment from OMB to make the funds available for re-obligation. Further, it states that, after program funds have been deobligated, apportioned by OMB, and made available in the accounting system for reprogramming, USAID will return 50 percent of each of its Bureau's remaining current year recoveries, after taking out amounts necessary to fund upward adjustments, and 100 percent of originating Bureau's fund accounts that are designated for specific Bureaus. Operating expense funds, however, are not available for return to recovering offices since projected recoveries of prior year balances are incorporated into the Operating Year Budget levels.

USAID had difficulty properly recording deobligated funds. We identified no activity during the year in Account 4871 (Recoveries), and discovered that Phoenix was systematically recording Recoveries of prior-year obligated funds improperly against Account 4801 (Undelivered Orders – Obligations, Unpaid).

We noticed significant activity in Account 4119 (Other Appropriations Realized) not supported by Treasury warrants and discovered that much of this activity should have been posted to different accounts as part of the automated account closing in Phoenix. The automated closing process in Phoenix contained errors that posted accounts more regularly to 4119 than to the proper accounts, however, so USAID had to make manual adjustments for this activity also.

Some USAID transactions systematically posted to the 2006 general ledger after the financial statements were prepared, creating many differences between reported 2005 year-end balances and 2006 beginning balances. This occurred because USAID's general ledger remained open for new fiscal year 2005 activity after the 2005 financial statements were prepared. USAID also did not have a policy to review and delete unprocessed held transactions from Phoenix in a timely manner. Our analysis showed that over 9,000 held and rejected transactions were residing in Phoenix as of October 20, 2006. USAID is currently developing policies to address the management of all held and rejected documents.

Recommendation No 6: We recommend that the Office of the Chief Financial Officer (a) research Phoenix problems causing manual adjustments to the account closing and deobligation processes and implement a plan to resolve these deficiencies in FY 2007 and (b) ensure that Phoenix properly records Recoveries of prior year obligations throughout the year.

Lease Obligation Antideficiency Act Violations

USAID incurred two Antideficiency Act violations when it improperly executed a lease for office space outside of the Ronald Reagan Building during FY 2005. The lease contained indemnification clauses that subjected USAID to unlimited liability and did not contain language conditioning future lease payments as "subject to availability of funds." The results of these violations are documented in reports to the USAID Administrator prepared by the Office of Inspector General and USAID General Counsel, as a result of work conducted separately from this audit.

USAID also created separate administrative funds control violations when it executed the Homer Building Lease without obligating funds for future lease costs. USAID/M/AS had \$2.03 million available in its operating expense budget at the 2005 fiscal year-end to cover costs associated with USAID offices moving to the Homer Building. With \$579,000 originally obligated and the unobligated \$2.03 million, USAID would have sufficiently covered the \$2.5 million originally intended for obligation. However, because USAID did not obligate the entire \$2.5 million as stated in its June 29, 2005 notification to Congress, it does not appear that USAID was ready to execute a lease agreement for outside office space.

USAID also did not record an obligation in Phoenix when it executed the Homer Building Lease. As specified in Automated Directives System (ADS) 621.3.6, obligations are to be recorded when the Federal government places an order for an item or service, awards a contract, or enters into similar transactions that will require payments in the same or a future period. ADS 634.3.5.2 then states that an administrative funds control violation occurs in the following circumstances:

- a. Over-obligation or over-expenditure of a budget allowance,
- b. Obligations or expenditures in excess of an operational year budget,
- c. Obligations incurred prior to the commitment of funds, and
- d. Failure to record an obligation in the accounting system.

By signing a lease agreement prior to the recording of an obligation, USAID was in violation of USAID funds control policies, as specified in (c) and (d) above. Congress has since included bill language prohibiting USAID from using appropriated funds to lease space domestically, in response to USAID's attempt to lease additional space in Washington, DC.

Recommendation No. 7: We recommend that USAID's Office of the Chief Financial Officer direct each of USAID's missions and offices in Washington to ensure that obligations are not incurred prior to the commitment of funds and valid obligations are recorded in Phoenix as required by Automated Directive System 634.3.5.2.

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. This report is a matter of public record, however, and its distribution is not limited.

USAID, Office of Inspector General

USAID, Office of Inspector General
November 15, 2006

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 of the recommendations. The following is a brief summary of USAID's management comments on each of the recommendations included in this report and our evaluation of those comments.

USAID management agreed to implement **Recommendation No. 1.1** and have already begun a reconciliation effort for January 2007.

USAID management agreed to implement **Recommendation No. 1.2** and has agreed to enhance training and identify other means to develop effective accruals practices

USAID management has agreed to implement **Recommendation No. 2.1** and will review its current procedures for consistency with Treasury guidance

USAID management has agreed to implement **Recommendation No. 2.2**.

USAID management has agreed to implement **Recommendation No. 3** and intends to identify processes that will ensure that all types of transactions are properly posted.

USAID management has agreed to implement **Recommendation No. 4** and will coordinate the validation of accounting information between USAID's missions and its central accounting ledgers.

USAID management has agreed to implement **Recommendation No. 5** and will re-establish policies and procedures to ensure that accurate performance information is documented and that required data quality assessments are performed.

USAID management has agreed to implement **Recommendation No. 6**. Efforts to improve the overall management of Section 511 funding are underway.

USAID management has agreed to implement **Recommendation No. 7**. The CFO will issue an immediate General Notice reminding all Agency personnel of the necessity to ensure that all legal, regulatory, and internal USAID policies are followed for compliance with funds control practices.

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 Performance and 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 Performance and 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:

- Antideficiency Act
- Improper Payments Information Act
- Prompt Payment Act
- Debt Collection and Improvement Act
- Federal Credit Reform Act
- OMB Circular A-136
- OMB Circular A-123
- 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, 2006 and 2005. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

In forming our opinion, the OIG considered potential aggregate errors exceeding \$313 million for any individual statement to be material to the presentation of the overall financial statements.

FFMIA

We assessed whether USAID complied with the Federal financial management systems requirements under FFMIA. The Office of Management and Budget's (OMB) Core Financial System Requirements (CFSR) dated November 2001 were the required standard that agencies were expected to meet in fiscal year 2006 even though the CFSR were updated in January 2006.

In assessing USAID's compliance with federal financial management systems requirements, we evaluated the Agency's Phoenix financial management system using the updated January 2006 CFSR. To determine whether the Agency substantially complied with system requirements, we assumed that if the Agency met an OMB 2006 requirement, then it met the equivalent 2001 requirement. In addition, for each January 2006 requirement that the Agency did not comply with, we tested whether the Agency complied with the equivalent November 2001 requirement.

To perform our fieldwork we interviewed USAID staff and contract personnel and reviewed documentation related to the capabilities of Phoenix. Documentation included reports, system queries, system screen captures, system documentation, testing documentation generated during system implementation, and documentation generated for certification and accreditation activity. Scenario driven transactional testing was not conducted.

MD&A

With respect to the Management's Discussion and Analysis (MD&A), 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 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.

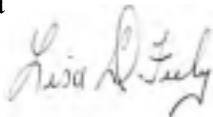
MANAGEMENT COMMENTS



November 10, 2006

MEMORANDUM

TO: AIG/A, Joseph Farinella

FROM: CFO, Lisa D. Fiely /s/ 

SUBJECT: Management Response to Draft Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2006 and 2005 (Report No. 0-000-07-001-C)

Fiscal year 2006 was another significant year for federal financial management at USAID. We are pleased that your draft report so fairly presents both our progress and our remaining challenges. We are extremely pleased that you are able to issue unqualified opinions on all of USAID's five principal financial statements. Thank you for the OIG's dedication and cooperation throughout the audit process and the professional counsel and support the auditors continue to provide. The acknowledgements of the Agency's improvements in financial systems and processes throughout the report are greatly appreciated.

Following are our comments and management decisions regarding the findings and proposed audit recommendations:

Material Weakness: USAID's Accounting for Accruals Needs Improvement.

Recommendation 1.1: We recommend that USAID's Office of the Chief Financial Officer prepare a quarterly reconciliation of its Phoenix Accruals System with the Phoenix general ledger, document and resolve all differences.

Management Decision: We agree to implement the recommendation. We have already commenced a reconciliation effort which will be demonstrated during January 2007 and will be accomplished in each subsequent accruals cycle. Target completion date is January 31, 2007.

Recommendation 1.2: We recommend that USAID's Office of the Chief Financial Officer update its Accruals training course to ensure that Cognizant Technical Officers can make reasonable accrual estimates when contract modifications result in changes to obligation levels.

Management Decision: We agree to implement this recommendation. Discussions between the CFO's office and OIG have led to an understanding that this is a multifaceted issue that will require collaboration across the Agency. In addition, training of CTOs in the area of accruals was identified through our own A-123 assessment as a material weakness and we are in the process of putting together a corrective action plan to address the issue. We will move to review and enhance training and identify other means to improve recognition of the need for effective accrual practices. Target completion date is September 30, 2007.

Reportable Condition: USAID's Process for Reconciling its Fund Balance with the U.S. Treasury Needs Improvement.

Recommendation 2.1: We recommend that USAID's Office of the Chief Financial Officer document monthly reconciliations of its Fund Balance with Treasury as required by TFM 2-5100, and ensure that overseas missions are performing and documenting monthly Fund Balance reconciliations.

Management Decision: We agree to implement the recommendation. The CFO's Office will review current procedures for consistency with the Treasury guidance and modify the procedures as appropriate. We will also consider alternatives to ensure mission reconciliation compliance. Target completion date is September 30, 2007.

Recommendation 2.2: We recommend that USAID's Office of the Chief Financial Officer implement policies to ensure that all transactions recorded in the general ledger are reported to Treasury on the SF 224 and that all differences and suspense items are investigated and resolved in a timely manner.

Management Decision: We agree to implement the Recommendation. Target completion date is September 30, 2007.

Reportable Condition: USAID’s Intragovernmental Transactions Remain Unreconciled.

There are no recommendations associated with this Reportable Condition. The CFO implemented corrective actions related to two audit recommendations issued under Fiscal Years 2004 and 2005 GMRA audit reports and will continue to implement improvements in this area.

Reportable Condition: USAID’s Control Over Treasury Symbols Need Improvement.

Recommendation 3: We recommend that USAID’s Office of the Chief Financial Officer develop and implement monthly payment review procedures to identify transactions that have been posted in Phoenix to invalid appropriation Treasury symbols.

Management Decision: We concur with the recommendation. In addition to reviewing procedures related to payment transactions, it is our intent to identify processes that will ensure that all types of transactions are properly identified and posted. Where corrective actions are necessary, the CFO’s Office will resolve discrepancies as quickly as possible. Efforts to improve interfacing of transactions from the Department of Health and Human Services related to grant processing are currently underway and these actions are expected to correct this finding. Target completion date is September 30, 2007.

Reportable Condition: USAID’s Process for Accumulating Foreign Currency Information in Phoenix Needs Improvement.

Recommendation 4: We recommend that USAID’s Office of the Chief Financial Officer perform monthly reconciliations of local bank balances with the same information in Phoenix and record, in Phoenix, interest earned and gains or losses associated with foreign currency fluctuations for each of its foreign currency accounts.

Management Decision: We agree to implement the recommendation. The CFO’s Phoenix team has been charged with responsibility for reviewing foreign currency accounting in Phoenix and assuring that foreign currency accounting is improved in the upcoming year. In the meantime, we will coordinate validation of accounting information between missions and our central accounting ledgers. Target completion date is September 30, 2007.

Reportable Condition: USAID’s Support and Quality of Performance Data Used in MD&A Need Improvement.

Recommendation 5: We recommend that USAID require all bureaus and missions to certify that performance data submitted for publication are accurate, adequately supported, and that the required data quality assessments have been performed.

Management Decision: We concur with this recommendation. Recognizing that accurate and verifiable performance information is critical to management of the Agency, USAID will re-establish policies and procedures to ensure that accurate performance information is documented and that required data quality assessments are performed. Also, USAID is currently going through a restructuring exercise to ensure that all functional responsibilities are properly assigned to responsible units within the Agency. Once this is completed, we can assign responsibility for this action to the appropriate unit. Target completion date is September 30, 2007.

FFMIA Noncompliance: Account De-obligation and Closing Processes Need Improvement.

Recommendation 6: We recommend that the Office of the Chief Financial Officer (a) research Phoenix problems causing manual adjustments to the account closing and deobligation processes and implement a plan to resolve these deficiencies in FY 2007 and (b) ensure that Phoenix properly records Recoveries of prior year obligations throughout the year.

Management Decision: We agree to implement the recommendation. Efforts to improve the overall management of Section 511 in the Phoenix accounting system operations are underway and are expected to improve overall operation of this authority inside the core accounting system. Target completion date is March 31, 2007.

Antideficiency Act Noncompliance: Lease Obligation Antideficiency Act Violations.

Recommendation 7: We recommend that USAID’s Office of the Chief Financial Officer direct each of USAID’s missions and offices in Washington to ensure that obligations are not incurred prior to the commitment of funds and valid obligations are recorded in Phoenix as required by Automated Directive System 634.3.5.2.

Management Decision: We agree to implement the recommendation. The CFO will issue an immediate General Notice reminding all Agency personnel of the necessity to ensure that all legal, regulatory, and internal USAID policies are followed for compliance with funds control practices. Target completion date is December 15, 2006.

In closing, I would like to restate USAID's commitment to continual improvement in financial management. I intend to ensure that all necessary steps are taken to institutionalize strong financial management performance throughout the Agency. We will continue the improvements made in the last few years as we work further to develop and implement long-term solutions to address the issues cited in your report. The completion of the implementation of our worldwide financial management system, Phoenix, during FY 2006 has been the critical first step in a strategy of consistent improvement of financial management resources at USAID that will continue for years to come.

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, 2006. We have also noted where final action was taken subsequent to fiscal year-end but prior to the date of this report.

Status of 2005 Findings and Recommendations

Audit of USAID's Financial Statements for Fiscal Years 2005 and 2004, Audit Report No. 0-000-06-001-C, November 14, 2005

Recommendation No. 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.

This recommendation is closed. We have issued an updated finding and recommendation related to the new Phoenix Accruals System.

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.

This recommendation is pending final action by USAID.

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."

This recommendation is closed.

USAID's Process for Recognizing and Reporting Its Overseas Accounts Receivable Needs Improvement (No recommendation)

This finding was not reported in 2006.

Federal Financial Management Improvement Act Noncompliance (No recommendations)

- Phoenix is Not Fully Deployed, but Progress is Being Made
- Legacy Financial Systems at Overseas Missions Did Not Comply With U.S. Government Standard General Ledger at the Transaction Level
- Financial Reporting Capabilities Need Improvement

In 2006, Phoenix was fully deployed as USAID's worldwide accounting system. Accounting transactions entered by overseas missions now comply with U.S. Standard General Ledger requirements at the transaction level. USAID has also increased the number of standard reports now available to users through its Business Objects software.

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.

This recommendation is pending final action by USAID.

FINANCIAL SECTION

FINANCIAL STATEMENTS AND NOTES





(Above) Afghan women sort raisins for ready markets in Afghanistan and throughout Asia. USAID is building small factories in several provinces to dry fruit and vegetables for export.

PHOTO: USAID

(Preceding page) A vendor sells bread in Yemen.

PHOTO: USAID/BEN BARBER

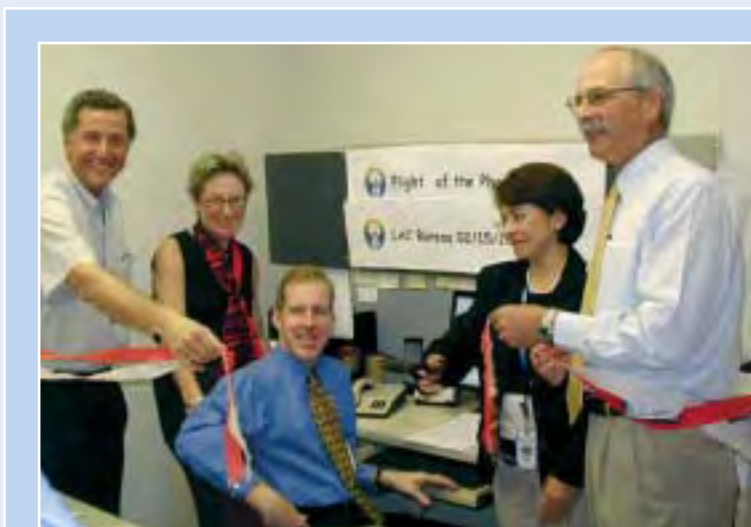
INTRODUCTION TO PRINCIPAL FINANCIAL STATEMENTS

The Principal Financial Statements have been prepared to report the financial position and results of operations of the U.S. Agency for International Development (USAID). 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*. The Statements are in addition to financial reports prepared by the Agency in accordance with OMB and U.S. Department of the 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 2006 and 2005 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 2005 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 2005 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. Comparative data for 2005 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 2005 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 2005 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 2005 Note data may have been restated or recast to enable comparability with the FY 2006 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 of 1994 (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, 2006 and 2005
 (Dollars in Thousands)

	FY 2006	FY 2005
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 19,333,383	\$ 17,503,843
Accounts Receivable (Note 3)	220	823,246
Other (Note 4)	24,874	30,575
Total Intragovernmental	19,358,477	18,357,664
Cash and Other Monetary Assets (Note 5)	327,598	283,002
Accounts Receivable, Net (Note 3)	91,173	79,617
Direct Loan and Loan Guarantees, Net (Note 6)	4,810,615	5,100,249
Inventory and Related Property, Net (Note 7)	53,345	44,122
General Property, Plant, and Equipment, Net (Notes 8 and 9)	103,994	96,172
Advances and Prepayments (Note 4)	405,898	749,993
Total Assets	25,151,100	24,710,819
LIABILITIES (Note 16):		
Intragovernmental:		
Accounts Payable (Note 10)	62,076	24,232
Debt (Note 11)	474,055	422,602
Due to U.S. Treasury (Note 11)	4,491,077	5,311,661
Other (Notes 12)	42,651	30,510
Total Intragovernmental	5,069,859	5,789,005
Accounts Payable (Note 10)	2,267,721	3,180,592
Loan Guarantee Liability (Note 6)	1,660,909	1,562,485
Federal Employee and Veteran's Benefits (Note 14)	23,438	23,726
Other (Notes 12, 13, and 14)	428,788	390,335
Total Liabilities	9,450,715	10,946,143
Commitments and Contingencies (Note 15)	3,000	—
NET POSITION:		
Unexpended Appropriations	14,334,819	13,004,174
Cumulative Results of Operations	1,362,566	760,502
Total Net Position	15,697,385	13,764,676
Total Liabilities and Net Position	\$25,151,100	\$24,710,819

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, 2006 and 2005
(Dollars in Thousands)

GOAL	FY 2006	FY 2005
Regional Stability		
Gross Costs	\$ 670,710	\$ 784,590
Less: Earned Revenues	(859)	(624)
Net Program Costs	669,851	783,966
Counterterrorism		
Gross Costs	640,971	887,866
Less: Earned Revenues	(489)	(413)
Net Program Costs	640,482	887,452
International Crime and Drugs		
Gross Costs	100,596	217,697
Less: Earned Revenues	(229)	(385)
Net Program Costs	100,367	217,311
Democracy and Human Rights		
Gross Costs	1,017,380	1,196,972
Less: Earned Revenues	(3,682)	(5,015)
Net Program Costs	1,013,698	1,191,958
Economic Prosperity and Security		
Gross Costs	3,528,481	3,942,326
Less: Earned Revenues	(12,552)	(7,522)
Net Program Costs	3,515,929	3,934,804
Social and Environmental Issues		
Gross Costs	3,781,302	4,297,366
Less: Earned Revenues	(184,887)	(66,525)
Net Program Costs	3,596,415	4,230,840
Humanitarian Response		
Gross Costs	802,972	1,188,454
Less: Earned Revenues	(998)	(193,809)
Net Program Costs	801,974	994,645
Management and Organizational Excellence		
Gross Costs	15,065	14,686
Less: Earned Revenues	(57)	(37)
Net Program Costs	15,008	14,649
Net Costs of Operations (Notes 17 and 18)	\$ 10,353,724	\$ 12,255,626

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, 2006 and 2005
(Dollars in Thousands)

	FY 2006		FY 2005	
	All Other Funds	Eliminations	Consolidated Total	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	\$ 760,502	\$	\$ 760,502	\$ 660,493
Adjustments:			-	
Changes in Accounting Principles	-		-	-
Corrections of Errors	-		-	-
Beginning Balances, as adjusted	760,502		760,502	660,493
Budgetary Financing Sources:				
Other Adjustments	-		-	-
Appropriations Used	9,675,521		9,675,521	11,065,445
Non-exchange Revenue	-		-	-
Donations and Forfeitures of Cash and Cash Equivalents	71,962		71,962	109,782
Transfers-in/out without Reimbursement	1,189,017		1,189,017	1,165,437
Other	-		-	-
Other Financing Sources (Non-Exchange):				
Donations and Forfeitures of Property	-		-	-
Transfers-in/out without Reimbursement	-		-	(1,823)
Imputed Financing	19,288		19,288	16,794
Other	-		-	-
Total Financing Sources	10,955,788		10,955,788	12,355,635
Net Cost of Operations	(10,353,724)		(10,353,724)	(12,255,626)
Net Change	602,064		602,064	100,009
Cumulative Results of Operations	1,362,566		1,362,566	760,502
Unexpended Appropriations:				
Beginning Balance	13,004,174		13,004,174	13,395,387
Adjustments:				
Change in Accounting Principle	-		-	-
Corrections of Errors	-		-	(383,145)
Beginning Balance, as Adjusted	13,004,174		13,004,174	13,012,242
Budgetary Financing Sources:				
Appropriations Received	10,238,890		10,238,890	10,048,521
Appropriations Transferred in/out	845,076		845,076	2,070,251
Other Adjustments	(77,800)		(77,800)	(1,061,395)
Appropriations Used	(9,675,521)		(9,675,521)	(11,065,445)
Total Budgetary Financing Sources	1,330,645		1,330,645	(8,068)
Total Unexpended Appropriations	14,334,819		14,334,819	13,004,174
Net Position	\$15,697,385	\$	\$15,697,385	\$ 13,764,676

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, 2006 and 2005
(Dollars in Thousands)

	FY 2006		FY 2005	
	Budgetary	Credit Program Financing	Budgetary	Credit Program Financing
Budgetary Resources:				
Unobligated Balance, brought forward, October 1:	\$ 3,262,407	\$ 1,024,789	\$ 2,437,323	\$ 1,001,713
Recoveries of prior year unpaid obligations	276,771	–	1,138,496	–
Budget Authority				
Appropriation	10,321,277	–	10,116,585	–
Borrowing Authority	–	52,026	2,000	310,947
Contract Authority	–	–	–	–
Spending Authority from Offsetting Collections				
Earned	–	–	–	–
Collected	862,464	447,625	1,443,194	421,647
Change in Receivables from Federal Sources	3,620	–	351	–
Change in Unfilled Customer Orders				
Advance Received	–	–	–	–
Without Advance from Federal Sources	4,652	–	3,021	–
Anticipated for rest of year, Without Advances	–	–	–	–
Previously Unavailable	–	–	–	–
Expenditure Transfers from Trust Funds	–	–	–	–
Subtotal	11,192,013	499,651	11,565,151	732,594
Nonexpenditure Transfers, Net, Anticipated and Actual	(332,548)	–	(273,731)	–
Temporarily not Available Pursuant to Public Law	–	–	–	–
Permanently not Available	(1,414,341)	–	(1,779,260)	–
Total Budgetary Resources	12,984,302	1,524,440	13,087,979	1,734,307
Status of Budgetary Resources:				
Obligations Incurred:				
Direct	9,001,401	101,835	9,756,791	709,518
Reimbursable	85,531	–	59,212	–
Subtotal	9,086,932	101,835	9,816,003	709,518
Unobligated Balance:				
Apportioned	3,885,852	1,422,605	3,262,407	1,024,789
Exempt from Apportionment	–	–	–	–
Subtotal	3,885,852	1,422,605	3,262,407	1,024,789
Unobligated Balance not Available	11,518	–	9,569	–
Total Status of Budgetary Resources	12,984,302	1,524,440	\$13,087,979	1,734,307

(continued on next page)

U.S. Agency for International Development
COMBINED STATEMENT OF BUDGETARY RESOURCES (continued)
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

	FY 2006		FY 2005	
	Budgetary	Credit Program Financing	Budgetary	Credit Program Financing
Change in Obligated Balance:				
Obligated Balance, Net				
Unpaid Obligations, Brought Forward, October 1	10,287,030	3,288	10,824,552	11,031
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(11,306)	–	(8,284)	–
Total Unpaid Obligated Balance, Net	10,275,724	3,288	10,816,266	11,031
Obligations Incurred Net (+/-)	9,086,932	101,835	9,120,171	709,517
Less: Gross Outlays	(7,296,208)	(101,352)	(8,275,519)	(717,260)
Obligated Balance Transferred, Net				
Actual Transfers, Unpaid Obligations (+/-)	–	–	–	–
Actual Transfers, Uncollected Customer Payments from Federal Sources, (+/-)	–	–	–	–
Total Unpaid Obligated Balance Transferred, Net	–	–	–	–
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(276,771)	–	(1,138,496)	–
Change in Uncollected Customer Payments from Federal Sources (+/-)	(8,264)	–	(3,021)	–
Obligated Balance, Net, End of Period				
Unpaid Obligations	11,170,983	3,772	10,287,030	3,288
Less: Uncollected Customer Payments from Federal Sources	(19,930)	–	(11,306)	–
Total, Unpaid Obligated Balance, Net, End of Period	11,151,053	3,772	10,275,724	3,288
Net Outlays:				
Gross Outlays	7,926,208	101,352	8,275,519	717,260
Less: Offsetting Collections	(861,043)	(447,625)	(1,441,693)	(421,647)
Less: Distributed Offsetting Receipts	(41,784)	–	(195,568)	–
Net Outlays	\$ 7,023,381	\$ (346,273)	\$ 6,638,258	\$ 295,613

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, 2006 and 2005
(Dollars in Thousands)

	FY 2006	FY 2005
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 9,188,767	\$ 10,525,521
Appropriations Transferred to/from Other Agencies (net)	2,443,013	2,517,433
Total Obligations Incurred	11,631,780	13,042,954
Less: Spending Authority from Offsetting Collections and Recoveries	(1,595,132)	(3,006,709)
Spending Authority Transferred to/from Other Agencies (net)	(206,763)	680,727
Total Spending Authority from Offsetting Collections and Recoveries	(1,801,895)	(2,325,982)
Obligations Net of Offsetting Collections and Recoveries	9,829,885	10,716,972
Less: Offsetting Receipts	41,784	195,568
Net Obligations	9,871,669	10,912,540
Other Resources		
Transfers in/out without Reimbursement (+/-)	-	(1,823)
Imputed Financing From Costs Absorbed by Others	19,288	16,794
Other (+/-)	-	-
Net other resources used to finance activities	19,288	14,971
Total Resources Used to Finance Activities	9,890,957	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 (+/-)	88,932	468,419
Resources that Fund Expenses Recognized in Prior Periods	(1,952)	(5,731)
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations	-	-
Credit Program Collections which Increase Liabilities for Loan Guarantees or Allowances for Subsidy	1,173,507	1,283,309
Other	(122,998)	(307,506)
Resources that Finance the Acquisition of Assets	(55,175)	(47,894)
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations (+/-)	(390,218)	(411,387)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	692,096	979,210
Total Resources Used to Finance Net Cost of Operations	10,583,053	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	4,265	3,475
Upward/Downward Reestimates of Credit Subsidy Expense (+/-)	(274,319)	320,093
Increase in Exchange Revenue Receivable from the Public	-	-
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	(270,054)	323,568
Components not Requiring or Generating Resources:		
Depreciation and Amortization	29,567	22,754
Revaluation of Assets or Liabilities (+/-)	8,778	810
Other (+/-)	2,380	1,773
Total Components of Net Cost of Operations that will not Require or Generate Resources	40,725	25,337
Total Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period	(229,329)	348,905
Net Cost of Operations	\$ 10,353,724	\$ 12,255,626

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying principal financial statements (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 guarantees 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. 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 guaranteed 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 BALANCE WITH 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. DIRECT LOAN AND LOAN GUARANTEES

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 have 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. COMMITMENTS AND CONTINGENCIES

A contingency is an existing condition, situation or set of circumstances involving uncertainty as to possible gain or loss to USAID. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. For pending, threatened or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely, and the related future outflow or sacrifice of resources is measurable. For other litigations, a contingent liability is recognized when similar events occur except that the future outflow or other sacrifice of resources is more likely than not. Footnote 15 identifies commitments and contingency liabilities.

R. 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.

S. 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 as reflected in Note 3, composed solely of accounts receivables, net of allowances.

T. 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.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30, 2006 and 2005 consisted of the following:

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

Fund Balance with Treasury (Dollars in Thousands)		
Fund Balances	FY 2006	FY 2005
Trust Funds	\$ 52,050	\$ 36,747
Revolving Funds	2,400,715	2,760,473
Appropriated Funds	16,879,748	14,509,038
Other Funds	870	197,585
Total	\$ 19,333,383	\$ 17,503,843

Status of Fund Balance:	FY 2006	FY 2005
Unobligated Balance		
Available	\$ 5,012	\$ 11,064
Unavailable	661,701	911,885
Obligated Balance Not Yet Disbursed	18,666,670	16,580,894
Total	\$ 19,333,383	\$ 17,503,843

NOTE 3. ACCOUNTS RECEIVABLE, NET

The primary components of USAID's accounts receivable as of September 30, 2006 and 2005 are as follows:

Accounts Receivable, Net (Dollars in Thousands)				
Entity	Receivable Gross	Allowance Accounts	Receivable Net 2006	Receivable Net 2005
Intragovernmental				
Appropriation Reimbursements from Federal Agencies	\$ 225	N/A	\$ 225	\$ 225
Accounts Receivable from Federal Agencies Disbursing Authority	–	N/A	–	330,530
Less Intra-Agency Receivables	(84,749)	N/A	(84,749)	(327,437)
Receivable from USDA	84,744	N/A	84,744	819,928
Total Intragovernmental	220	N/A	220	823,246
Accounts Receivable	92,679	(7,181)	85,498	73,692
Total Entity	92,899	(7,181)	85,718	896,938
Total Non-Entity	5,984	(309)	5,675	5,925
Total Receivables	\$ 98,883	\$ (7,490)	\$ 91,393	\$ 902,863

Reconciliation of Uncollectible Amounts (Allowance Accounts) (Dollars in Thousands)		
	FY 2006	FY 2005
Beginning Balance	\$ 7,862	\$ 7,193
Additions	–	986
Reductions	(372)	(317)
Ending Balance	\$ 7,490	\$ 7,862

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. A 100 percent allowance for uncollectible amounts is estimated for accounts receivable due from the public which are more than one year past due. 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. In FY 2006, USDA elected to liquidate this receivable. At the end of 2005, the outstanding receivable with USDA was \$820 million.

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 account receivable with the public for FY 2006 is \$91,173 which consists of \$85,498 entity and \$5,675 non-entity. Account receivables with the public for FY 2005 was \$79,617 which consists of \$73,692 entity and \$5,925 non-entity.

NOTE 4. OTHER ASSETS

Advances and Prepayments as of September 30, 2006 and 2005 consisted of the following:

Advances and Prepayments (Dollars in Thousands)		
	FY 2006	FY 2005
Intragovernmental		
Advances to Federal Agencies	\$ 24,874	\$ 30,575
Total Intragovernmental	24,874	30,575
Advances to Contractors/Grantees	368,611	678,229
Travel Advances	1,537	1,431
Advances to Host Country Governments and Institutions	24,405	46,732
Prepayments	2,469	11,669
Advances, Other	8,876	11,932
Total with the Public	405,898	749,993
Total Other Assets	\$ 430,772	\$ 780,568

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, 2006 and 2005 are as follows:

Cash and Other Monetary Assets (Dollars in Thousands)		
Cash and Other Monetary Assets	FY 2006	FY 2005
Imprest Fund-Headquarters	350	407
UE and Micro and Small Enterprise Fund Cash w/Fiscal Agent	50	50
Foreign Currencies	327,198	282,545
Total Cash and Other Monetary Assets	\$ 327,598	\$ 283,002

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 \$1.8 million in FY 2006 and \$1.5 million in FY 2005. These imprest funds are not included in USAID's Balance Sheet.

Foreign Currencies are related to Foreign Currency Trust Funds and this totaled to \$327.2 million in FY 2006 and \$282.5 million in FY 2005. USAID does not have any non-entity cash or other monetary assets.

NOTE 6. DIRECT LOAN AND LOAN GUARANTEES AND LOANS 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
- 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 2006	FY 2005
Net Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)	\$ 4,183,220	\$ 4,494,975
Net Direct Loans Obligated After FY 1991 (Present Value Method)	360,132	335,572
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method)	267,263	269,702
Total Loans Receivable, Net as reported on the Balance Sheet	\$ 4,810,615	\$ 5,100,249

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, Net
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method) as of September 30, 2006:				
Direct Loans	\$ 5,288,905	\$ 382,077	\$ 1,487,761	\$ 4,183,221
MSED	31	36	67	–
Total	\$ 5,288,936	\$ 382,113	\$ 1,487,828	\$ 4,183,221
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 After FY 1991 as of September 30, 2006:				
Direct Loans	\$ 1,089,114	\$ 16,501	\$ 745,777	\$ 359,838
MSED	150	133	(10)	293
Total	\$ 1,089,264	\$ 16,634	\$ 745,767	\$ 360,131
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
Total Amount of Direct Loans Disbursed (Dollars in Thousands)				
Direct Loan Programs	FY 2006		FY 2005	
Direct Loans	\$ 6,378,018		\$ 6,910,911	
MSED	181		793	
Total	\$ 6,378,199		\$ 6,911,704	

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

	FY 2006			FY 2005		
	Direct Loan	MSED	Total	Direct Loan	MSED	Total
Beginning Balance, Changes, and Ending Balance						
Beginning balance of the subsidy cost allowance	\$ 716,853	\$ 27	\$716,880	\$237,215	\$ 27	\$237,242
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	\$ 21,688	\$ –	\$ 21,688	\$480,625	\$ –	\$480,625
(b) Fees received	–	–	–	–	–	–
(c) Foreclosed property acquired	–	–	–	–	–	–
(d) Loans written off	–	–	–	–	–	–
(e) Subsidy allowance amortization	7,236	(37)	7,199	(2,874)	–	(2,874)
(f) Other	–	–	–	1,887	–	1,887
Ending balance of the subsidy cost allowance before reestimates	\$745,777	\$ (10)	\$745,767	\$716,853	\$ 27	\$716,880
Add or subtract subsidy reestimates by component:						
(a) Interest rate reestimate	–	–	–	–	–	–
(b) Technical/default reestimate	–	–	–	–	–	–
Total of the above reestimate components	–	–	–	–	–	–
Ending balance of the subsidy cost allowance	\$ 745,777	\$ (10)	\$745,767	\$716,853	\$ 27	\$716,880

**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 Guaranteed Loans Receivable, Net
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): FY 2006				
UE	\$ 385,728	\$ 61,980	\$ 180,445	\$ 267,263
Total	\$ 385,728	\$ 61,980	\$ 180,445	\$ 267,263
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 POST-1991 GUARANTEES

In FY 2006, the UE Program experienced \$3.2 million in defaults on payments.

In FY 2005, the UE Program experienced \$4.2 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 2006):		
UE	\$ 1,510,359	\$ 1,510,359
MSED	17,010	8,505
Israel	12,869,563	12,869,563
DCA	870,636	400,440
Egypt	1,250,000	1,250,000
Total	\$ 16,517,568	\$ 16,039,367
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
New Guaranteed Loans Disbursed (FY 2006):		
UE	\$ -	\$ -
MSED	-	-
DCA	148,025	51,550
Israel	-	-
Egypt	-	-
Total	\$ 148,025	\$ 51,550
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

**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, 2006:			
UE	\$ 157,266	\$ 155,429	\$ 312,695
MSED	–	(2,152)	(2,152)
Israel	–	1,169,363	1,169,363
DCA	–	10,812	10,812
Egypt	–	170,191	170,191
Total	\$ 157,266	\$ 1,503,643	\$ 1,660,909

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

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 2006):					
DCA	\$ –	\$ 5,336	\$ –	\$ –	\$ 5,336
MSED	–	86	–	–	86
Total	\$ –	\$ 5,422	\$ –	\$ –	\$ 5,422
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 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 2006):				
UE	\$ -	\$ -	\$ -	\$ -
MSED	-	-	-	-
DCA	-	-	-	-
Israel	-	-	34,372	34,372
Egypt	-	-	14,264	14,264
Total	\$ -	\$ -	\$ 48,636	\$ 48,636
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

Total Loan Guarantee Subsidy Expense
(Dollars in Thousands)

Loan Guarantee Programs	FY 2006	FY 2005
DCA	\$ 5,336	\$ 4,508
UE	-	532
MSED	86	1,110
Israel	34,372	187,892
Egypt	14,264	7,335
Total	\$ 54,058	\$ 201,377

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	-	4.07%	-	-	4.07%

Schedule for Reconciling Loan Guarantee Liability Balances
(Dollars in Thousands)

(Post-1991 Loan Guarantees)	DCA	MSED	UE	Israel	Egypt	Total
FY 2006						
Beginning Balance, Changes, and Ending Balance						
Beginning balance of the loan guarantee liability	\$ 4,610	\$ (1,811)	\$ 149,557	\$ 1,066,734	\$ 148,051	\$ 1,367,141
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	5,336	86	-	-	-	5,422
Total of the above subsidy expense components	\$ 5,336	\$ 86	\$ -	\$ -	\$ -	\$ 5,422
Adjustments:						
(a) Loan guarantee modifications	-	-	-	-	-	-
(b) Fees received	847	55	2,334	-	-	3,236
(c) Interest supplements paid	-	-	-	-	-	-
(d) Foreclosed property and loans acquired	-	-	-	-	-	-
(e) Claim payments to lenders	(168)	(475)	(3,254)	-	-	(3,897)
(f) Interest accumulation on the liability balance	879	-	8,784	48,272	6,625	64,560
(g) Other	(692)	(7)	18,604	-	-	17,905
Ending balance of the loan guarantee liability before reestimates	\$ 10,812	\$ (2,152)	\$ 176,025	\$ 1,115,006	\$ 154,676	\$ 1,454,367
Add or subtract subsidy reestimates by component:						
(a) Interest rate reestimate	-	-	-	-	-	-
(b) Technical/default reestimate	-	-	(20,597)	54,358	15,515	49,276
Total of the above reestimate components	\$ -	\$ -	\$ (20,597)	\$ 54,358	\$ 15,515	\$ 49,276
Ending balance of the loan guarantee liability	\$ 10,812	\$ (2,152)	\$ 155,428	\$ 1,169,364	\$ 170,191	\$ 1,503,643

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:						

**Schedule for Reconciling Loan Guarantee Liability Balances
(Dollars in Thousands)**

(Post-1991 Loan Guarantees)	DCA	MSED	UE	Israel	Egypt	Total
(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

**Administrative Expense
(Dollars in Thousands)**

Loan Programs	FY 2006	FY 2005
DCA	\$ 13,215	\$ 9,615
UE	-	217
MSED	-	2
Total	\$ 13,215	\$ 9,834

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. Seventeen countries are in violation of Section 620q of the Foreign Assistance Act (FAA), owing \$65.1 million that is more than six months delinquent. Sixteen countries are in violation of the Brooke-Alexander Amendment to the Foreign Operations Export Financing and Related Programs Appropriations Act, owing \$553.7 million that is more than one year delinquent. Outstanding direct loans receivable for countries in violation of Section 620q totaled \$55.1 million. Outstanding direct loans receivable for countries in violation of the Brooke Amendment totaled \$514.6 million.
2. The MSED Liquidating Account general ledger has a loan receivable balance of \$31 thousand. This includes a loan pending closure. This loan is being carried at 100% bad debt allowance.

NOTE 7. INVENTORY AND RELATED PROPERTY, NET

USAID's Inventory and Related Property is comprised of Operating Materials and Supplies. Operating Materials and Supplies as of September 30, 2006 and 2005 are as follows:

**Inventory and Related Property
(Dollars in Thousands)**

	FY 2006	FY 2005
Items Held for Use		
Office Supplies	\$ 14,895	\$ 13,319
Items Held in Reserve for Future Use		
Disaster assistance materials and supplies	16,074	9,096
Birth control supplies	22,376	21,707
Total	\$ 53,345	\$ 44,122

Operating Materials and Supplies are valued at 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, 2006 are as follows:				
Classes of Fixed Assets				
Equipment	3 to 5 years	\$ 87,242	\$ (49,967)	\$ 37,276
Buildings, Improvements, & Renovations	20 years	74,017	(31,194)	42,823
Land and Land Rights	N/A	3,139	N/A	3,139
Assets Under Capital Lease		6,899	(2,160)	4,739
Construction in Progress	N/A	570	–	570
Internal Use Software	3 to 5 years	35,937	(20,489)	15,448
Total		\$ 207,804	\$ (103,810)	\$ 103,994
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	N/A	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 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.

NOTE 9. LEASES

As of September 30, 2006 and 2005 Leases consisted of the following:

Leases (Dollars in Thousands)		
Entity as Lessee		
Capital Leases:	FY 2006	FY 2005
Summary of Assets Under Capital Lease:		
Buildings	\$ 6,899	\$ 6,365
Accumulated Depreciation	\$ (2,160)	\$ (1,864)
Net Asset under Capital Leases	\$ 4,739	\$ 4,501
Future Payments Due:		
Fiscal Year	Future Costs	Future Costs
2006	\$ –	\$ 195
2007	285	165
2008	195	45
2009	117	45
2010	117	45
2011	45	158
After 5 Years	237	–
Net Capital Lease Liability	\$ 996	\$ 653
Lease Liabilities Covered by Budgetary Resources	\$ 996	\$ 653
Lease Liabilities Not Covered by Budgetary Resources	\$ –	\$ –
The capital lease liability is reported on USAID's Balance Sheet under Other Liabilities.		
Operating Leases:	FY 2006	FY 2005
Future Payments Due:		
Fiscal Year	Future Costs	Future Costs
2006	\$ –	\$ 77,861
2007	34,510	76,467
2008	37,271	75,332
2009	40,253	74,094
2010	43,473	72,219
2011	46,951	19,515
After 5 Years	105,470	–
Total Future Lease Payments	\$ 307,928	\$ 395,489

Of the \$308.8 million in future lease payment, \$308 million is attributable to the Ronald Reagan Building. 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 2006 amounted to \$40.5 million.

NOTE 10. ACCOUNTS PAYABLE

The Accounts Payable covered by budgetary resources as of September 30, 2006 and 2005 consisted of the following:

Accounts Payable Covered by Budgetary Resources (Dollars in Thousands)		
	FY 2006	FY 2005
Intragovernmental		
Accounts Payable	\$ 62,052	\$ 24,226
Disbursements in Transit	24	6
Total Intragovernmental	62,076	24,232
Accounts Payable	2,247,006	3,164,071
Disbursements in Transit	20,715	16,521
Total with the Public	2,267,721	3,180,592
Total Accounts Payable	\$ 2,329,797	\$ 3,204,824

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.

All other Accounts Payable represent liabilities to other non-federal entities.

NOTE 11. DEBT

USAID Intragovernmental debt as of September 30, 2006 and 2005 consisted of the following borrowings from Treasury for post-1991 loan programs, which is classified as other debt:

Intragovernmental Debt (Dollars in Thousands)					
	FY 2005 Beginning Balance	Net Borrowing	FY 2005 Ending Balance	Net Borrowing	FY 2006 Ending Balance
Urban & Environmental	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Loan	111,081	311,521	422,602	51,453	474,055
MSED	-	-	-	-	-
Total Debt	\$ 111,081	\$ 311,521	\$ 422,602	\$ 51,453	\$ 474,055

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. Urban and Environmental (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 \$4.5 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, 2006 and 2005 Other Liabilities consisted of the following:

Other Liabilities (Dollars in Thousands)		
	FY 2006	FY 2005
Intragovernmental		
OPAC Suspense	\$ –	\$ –
Unfunded FECA Liability	8,500	7,429
Deposit and Clearing Accounts	847	–
Credit Program Undisbursed Loans	–	–
Other	33,304	23,081
Total Intragovernmental	\$ 42,651	\$ 30,510
Accrued Funded Payroll and Leave	9,207	13,964
Unfunded Leave	34,405	33,324
Other Unfunded Employment Related Liability	–	–
Advances From Others	595	7
Deferred Credits	7,120	11,557
Liability for Deposit Funds and Suspense Accounts – Non-Entity	–	18,072
Foreign Currency Trust Fund	327,371	282,545
Capital Lease Liability	996	50
Custodial Liability	3,741	781
Other Liabilities	45,353	30,035
Other	–	–
Total Liabilities With the Public	\$ 428,788	\$ 390,335
Total Other Liabilities	\$ 471,439	\$ 420,845

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, 2006 and 2005 are:

Accrued Unfunded Benefits (Dollars in Thousands)		
	FY 2006	FY 2005
Liabilities Not Covered by Budgetary Resources		
Accrued Annual Leave	\$ 33,304	\$ 32,076
FSN Separation Pay Liability	1,101	1,248
Total Accrued Unfunded Annual Leave and Separation Pay	\$ 34,405	\$ 33,324

NOTE 14. FEDERAL EMPLOYEES AND VETERAN'S BENEFITS

The provision for workers' compensation benefits payable, as of September 30, 2006 and 2005 are as indicated below. These liabilities are included in the Intragovernmental Other Liabilities Line Item on the balance sheet and are not covered by budgetary resources.

Accrued Unfunded Workers' Compensation Benefits (Dollars in Thousands)		
	FY 2006	FY 2005
Liabilities Not Covered by Budgetary Resources		
Future Workers' Compensation Benefits	\$ 23,438	\$ 23,726
Accrued Funded Payroll and Leave	9,207	13,964
Unfunded Leave	–	–
Total Accrued Unfunded Workers' Compensation Benefits	\$ 32,645	\$ 37,690

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.

For FY 2006, USAID's total FECA liability was \$32.6 million and comprised of unpaid FECA billings for \$9.2 million and estimated future FECA costs of \$23.4 million.

For FY 2005, USAID's total FECA liability was \$37.7 million and comprised of unpaid FECA billings for \$14 million and estimated future FECA costs of \$23.7 million.

The actuarial estimate for the FECA unfunded liability is determined by the Department of Labor using a method that utilizes historical benefit payment patterns. The projected annual benefit payments are discounted to present value using economic assumption for 10-year Treasury notes and bonds and the amount is further adjusted for inflation. Currently, the projected number of years of benefit payments is 37 years.

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, 2006 a total of nine cases were pending.

Three cases have been designated as reasonably possible:

- The first case is a contract claim arising out of SSA's contract to repair and operate an Iraqi port. The estimated loss is up to \$800,000.
- The second case is an appeal of the Contracting Officer's disallowance of the costs of supplemental Accidental

Death and Dismemberment and Business Travel Insurance for contractor employees related to initial deployment to Iraq. The estimated loss is up to \$750,000.

- The third case is a contract claim over the payment of taxes on a building leased by USAID as mission offices. The estimated loss is up to \$800,000.

The statuses of the remaining six litigation cases are at a remote designation.

In 2006, a case disclosed in 2005 was settled for \$1,000,000.

A case was deemed as highly probable for a lease termination penalty of \$3,000,000. This was disclosed in 2006 financial statements.

NOTE 16. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources as of September 30, 2006 and 2005 are as follows:

Liabilities Not Covered by Budgetary Resources (Dollars in Thousands)		
	FY 2006	FY 2005
Intragovernmental		
Accounts Payable	\$ 62,076	\$ 351,663
Debt	474,055	422,602
Other	42,651	30,510
Total Intragovernmental	578,782	804,775
With The Public		
Accrued unfunded annual leave and separation pay	34,405	33,324
Accrued unfunded Workers Compensation Benefits	32,645	37,691
Debt - Contingent Liabilities for Loan Guarantees	160,266	195,344
Total Liabilities not covered by Budgetary Resources	227,316	266,359
Total Liabilities covered by Budgetary Resources	9,308,148	10,202,446
Less Intra-Agency Liabilities	(84,749)	(327,437)
Total Liabilities	\$ 9,450,715	\$10,946,143

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, 2006. These goals are consistent with USAID's Strategic Planning Framework.

In fourth quarter FY 2006, as part of the annual certification process for mapping strategic objectives to performance goals, strategic objectives assigned to performance goals under Homeland Security strategic goal were reassigned to performance goals under the Regional Stability strategic goal. Thus the Homeland Security goal is not effective for FY 2006 cost reporting.

Also, the format of the Consolidated Statement of Net Cost is new for FY 2006 and is consistent with OMB Circular A-136 guidance.

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.

U.S. Agency for International Development
INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE BY RESPONSIBILITY SEGMENT
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

Goal	Africa	Asia & Near East	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Intra-Agency Eliminations	2006 Total	2005 Total
Regional Stability										
Intragovernmental Costs	\$ 1,377	\$ 6,131	\$ 8,408	\$ 4,143	\$ 4,311	\$ –	\$ 3,796	(175)	\$ 27,991	\$ 29,095
Public Costs	23,128	297,141	202,663	1,956	96,427	–	21,404	–	642,719	755,496
Total Program Costs	24,505	303,272	211,071	6,099	100,738	–	25,200	(175)	670,710	784,590
Intragovernmental Earned Revenue	(71)	(314)	(337)	(22)	(210)	–	(63)	25	(992)	(507)
Public Earned Revenue	10	44	38	3	29	–	9	–	133	(115)
Total Earned Revenue	(61)	(270)	(299)	(19)	(181)	–	(54)	25	(859)	(622)
Net Program Costs	24,444	303,002	210,772	6,080	100,557	–	25,146	(150)	669,851	783,968
Counterterrorism										
Intragovernmental Costs	87	20,805	–	–	–	–	–	(131)	20,761	8,631
Public Costs	1,230	618,980	–	–	–	–	–	–	620,210	879,234
Total Program Costs	1,317	639,785	–	–	–	–	–	(131)	640,971	887,866
Intragovernmental Earned Revenue	(5)	(580)	–	–	–	–	–	15	(570)	(336)
Public Earned Revenue	1	80	–	–	–	–	–	–	81	(76)
Total Earned Revenue	(4)	(500)	–	–	–	–	–	15	(489)	(412)
Net Program Costs	1,313	639,285	–	–	–	–	–	(116)	640,482	887,453
International Crime and Drugs										
Intragovernmental Costs	–	–	864	–	294	–	4,542	(35)	5,665	39,280
Public Costs	–	–	5,020	–	4,497	–	85,414	–	94,931	178,417
Total Program Costs	–	–	5,884	–	4,791	–	89,956	(35)	100,596	217,697
Intragovernmental Earned Revenue	–	–	(10)	–	(15)	–	(244)	7	(262)	(313)
Public Earned Revenue	–	–	1	–	2	–	30	–	33	(71)
Total Earned Revenue	–	–	(9)	–	(13)	–	(214)	7	(229)	(384)
Net Program Costs	–	–	5,875	–	4,778	–	89,742	(28)	100,367	217,312
Democracy and Human Rights										
Intragovernmental Costs	14,660	6,565	1,516	–	18,541	–	8,242	(308)	49,216	58,426
Public Costs	92,322	414,327	19,230	–	291,605	–	150,680	–	968,164	1,138,546
Total Program Costs	106,982	420,892	20,746	–	310,146	–	158,922	(308)	1,017,380	1,196,972
Intragovernmental Earned Revenue	(1,021)	(318)	(1,460)	–	(858)	–	(389)	101	(3,945)	(4,516)
Public Earned Revenue	42	44	4	–	119	–	54	–	263	(491)
Total Earned Revenue	(979)	(274)	(1,456)	–	(739)	–	(335)	101	(3,682)	(5,007)
Net Program Costs	106,003	420,618	19,290	–	309,407	–	158,587	(207)	1,013,698	1,191,966
Economic Prosperity and Security										
Intragovernmental Costs	51,233	63,612	976	(26,004)	43,039	–	24,789	(980)	156,665	126,206
Public Costs	273,096	1,620,042	867,780	124,813	300,069	–	186,016	–	3,371,816	3,816,120
Total Program Costs	324,329	1,683,654	868,756	98,809	343,108	–	210,805	(980)	3,528,481	3,942,326
Intragovernmental Earned Revenue	(1,068)	(2,235)	(2)	(7,275)	(869)	–	(461)	297	(11,613)	(4,500)
Public Earned Revenue	124	196	–	(1,309)	120	–	(70)	–	(939)	(3,023)
Total Earned Revenue	(944)	(2,039)	(2)	(8,584)	(749)	–	(531)	297	(12,552)	(7,523)
Net Program Costs	323,385	1,681,615	868,754	90,225	342,359	–	210,274	(683)	3,515,929	3,934,803

(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, 2006 and 2005
(Dollars in Thousands)

Goal	Africa	Asia & Near East	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Intra-Agency Eliminations	2006 Total	2005 Total
Social and Environmental Issues										
Intragovernmental Costs	87,448	32,642	11	19,254	17,000	57,682	25,727	(1,491)	238,273	189,105
Public Costs	1,000,862	1,225,052	272	197,380	170,288	699,205	249,970	–	3,543,029	4,108,261
Total Program Costs	1,088,310	1,257,694	283	216,634	187,288	756,887	275,697	(1,491)	3,781,302	4,297,366
Intragovernmental Earned Revenue	(3,048)	(1,107)	(1)	(67,834)	(535)	(57,777)	(713)	3,262	(127,753)	(57,065)
Public Earned Revenue	423	154	–	(57,976)	70	96	99	–	(57,134)	(9,461)
Total Earned Revenue	(2,625)	(953)	(1)	(125,810)	(465)	(57,681)	(614)	3,262	(184,887)	(66,526)
Net Program Costs	1,085,685	1,256,741	282	90,824	186,823	699,206	275,083	1,771	3,596,415	4,230,839
Humanitarian Response										
Intragovernmental Costs	3,646	4,342	81,063	–	1,226	–	5,328	(594)	95,011	59,672
Public Costs	36,654	98,095	473,538	–	17,025	–	82,649	–	707,961	1,128,782
Total Program Costs	40,300	102,437	554,601	–	18,251	–	87,977	(594)	802,972	1,188,454
Intragovernmental Earned Revenue	(134)	(73)	(667)	–	(60)	–	(259)	30	(1,163)	(64,329)
Public Earned Revenue	19	10	92	–	8	–	36	–	165	(129,491)
Total Earned Revenue	(115)	(63)	(575)	–	(52)	–	(223)	30	(998)	(193,820)
Net Program Costs	40,185	102,374	554,026	–	18,199	–	87,754	(564)	801,974	994,634
Management and Organizational Excellence										
Intragovernmental Costs	1,647	–	–	2,454	–	–	–	(25)	4,076	5,709
Public Costs	349	–	–	10,640	–	–	–	–	10,989	8,978
Total Program Costs	1,996	–	–	13,094	–	–	–	(25)	15,065	14,686
Intragovernmental Earned Revenue	(9)	–	–	(59)	–	–	–	2	(66)	(30)
Public Earned Revenue	1	–	–	8	–	–	–	–	9	(7)
Total Earned Revenue	(8)	–	–	(51)	–	–	–	2	(57)	(37)
Net Program Costs	1,988	–	–	13,043	–	–	–	(23)	15,008	14,649
Net Costs of Operations	\$1,583,003	\$4,403,635	\$1,658,999	\$200,172	\$ 962,123	\$ 699,206	\$ 846,586	\$ –	\$10,353,724	\$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 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 2006 STATEMENT OF NET COST RESPONSIBILITY SEGMENTS

Geographic Bureaus

- Africa (AFR)
- Asia and Near East (ANE)
- Latin America and the Caribbean (LAC)
- Europe and Eurasia (E&E)

Technical Bureaus

- 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, 2006 (Dollars in Thousands)

Goal	Africa	Asia & Near East	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Intra-Agency Eliminations	Consolidated Total
Regional Stability									
Close, strong, and effective U.S. ties with allies									
Gross Costs	\$ 7,324	\$ 283,439	\$ 43,554	\$ 6,099	\$ 23,265	\$ -	\$ 19,582	\$ (104)	\$ 383,159
Less: Earned Revenues	(19)	(256)	(45)	(19)	(66)	-	(40)	13	(432)
Net Program Costs	7,305	283,183	43,509	6,080	23,199	-	19,542	(91)	382,727
Existing and emergent regional conflicts are contained or resolved									
Gross Costs	17,181	19,833	167,517	-	77,473	-	5,618	(71)	287,551
Less: Earned Revenues	(42)	(15)	(253)	-	(115)	-	(14)	12	(427)
Net Program Costs	17,139	19,818	167,264	-	77,358	-	5,604	(59)	287,124
Counterterrorism									
Stable political and economic conditions									
Gross Costs	1,317	639,785	-	-	-	-	-	(131)	640,971
Less: Earned Revenues	(4)	(500)	-	-	-	-	-	15	(489)
Net Program Costs	1,313	639,285	-	-	-	-	-	(116)	640,482
International Crime and Drugs									
International trafficking in drugs, persons, and other illicit goods									
Gross Costs	-	-	-	-	4,790	-	89,956	(30)	94,716
Less: Earned Revenues	-	-	-	-	(13)	-	(214)	7	(220)
Net Program Costs	-	-	-	-	4,777	-	89,742	(23)	94,496
States cooperate internationally to set and implement anti-drug and anti-crime standards, share financial and political burdens									
Gross Costs	-	-	5,885	-	-	-	-	(5)	5,880
Less: Earned Revenues	-	-	(9)	-	-	-	-	-	(9)
Net Program Costs	-	-	5,876	-	-	-	-	(5)	5,871

(continued on next page)

U.S. Agency for International Development
SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT (continued)
For the Year Ended September 30, 2006
(Dollars in Thousands)

Goal	Africa	Asia & Near East	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Intra-Agency Eliminations	Consolidated Total
Democracy and Human Rights									
Develop transparent and accountable democratic institutions									
Gross Costs	106,982	415,381	10,711	–	310,146	–	143,190	(298)	986,112
Less: Earned Revenues	(979)	(271)	(12)	–	(739)	–	(303)	64	(2,241)
Net Program Costs	106,003	415,110	10,699	–	309,407	–	142,887	(234)	983,871
Universal standards protect human rights									
Gross Costs	–	5,510	10,035	–	–	–	15,733	(10)	31,268
Less: Earned Revenues	–	(2)	(1,444)	–	–	–	(32)	37	(1,441)
Net Program Costs	–	5,508	8,591	–	–	–	15,701	27	29,827
Economic Prosperity and Security									
Enhanced food security and agricultural development									
Gross Costs	195,605	32,278	868,754	55,943	1	–	70,644	(207)	1,223,018
Less: Earned Revenues	(534)	(26)	(1)	(181)	–	–	(155)	26	(871)
Net Program Costs	195,071	32,252	868,753	55,762	1	–	70,489	(181)	1,222,147
Increased trade and investment									
Gross Costs	65,795	185,334	–	8,787	–	–	41,178	(110)	300,984
Less: Earned Revenues	(319)	(132)	–	(39)	–	–	(87)	16	(561)
Net Program Costs	65,476	185,202	–	8,748	–	–	41,091	(94)	300,423
Institutions, laws, and policies foster private sector led growth									
Gross Costs	62,929	1,392,969	–	29,381	297,217	–	99,018	(590)	1,880,924
Less: Earned Revenues	(91)	(1,816)	–	(8,352)	(639)	–	(290)	250	(10,938)
Net Program Costs	62,838	1,391,153	–	21,029	296,578	–	98,728	(340)	1,869,986
Secure and stable financial and energy markets									
Gross Costs	–	73,073	–	4,699	45,891	–	(35)	(73)	123,555
Less: Earned Revenues	–	(65)	–	(13)	(109)	–	–	5	(182)
Net Program Costs	–	73,008	–	4,686	45,782	–	(35)	(68)	123,373
Social and Environmental Issues									
Broader access to quality education with an emphasis on primary school completion									
Gross Costs	122,027	449,740	–	22,406	12,103	–	36,275	(201)	642,351
Less: Earned Revenues	(300)	(346)	–	(68)	(32)	–	(78)	24	(800)
Net Program Costs	121,727	449,394	–	22,338	12,071	–	36,197	(177)	641,551
Improved global health									
Gross Costs	920,307	662,570	282	398	144,732	756,887	194,047	(1,060)	2,678,163
Less: Earned Revenues	(2,201)	(505)	–	(1)	(359)	(57,681)	(438)	1,539	(59,646)
Net Program Costs	918,106	662,065	282	397	144,373	699,206	193,609	479	2,618,517
Partnerships, initiatives, and implemented international treaties									
Gross Costs	45,976	145,386	–	193,829	30,452	–	45,375	(230)	460,788
Less: Earned Revenues	(124)	(103)	–	(125,740)	(75)	–	(98)	1,699	(124,441)
Net Program Costs	45,852	145,283	–	68,089	30,377	–	45,277	1,469	336,347

(continued on next page)

U.S. Agency for International Development
SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT (continued)
For the Year Ended September 30, 2006
(Dollars in Thousands)

Goal	Africa	Asia & Near East	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Intra-Agency Eliminations	Consolidated Total
Humanitarian Response									
Effective protection, assistance, and durable solutions for refugees									
Gross Costs	38,930	12,863	538,743	–	17,169	–	34,766	(519)	641,952
Less: Earned Revenues	(110)	(10)	(559)	–	(47)	–	(82)	24	(784)
Net Program Costs	38,820	12,853	538,184	–	17,122	–	34,684	(495)	641,168
Improved capacity of host countries to reduce vulnerabilities to disasters									
Gross Costs	1,370	89,574	15,858	–	1,082	–	53,211	(75)	161,020
Less: Earned Revenues	(5)	(53)	(17)	–	(4)	–	(141)	6	(214)
Net Program Costs	1,365	89,521	15,841	–	1,078	–	53,070	(69)	160,806
Management and Organizational Excellence									
A high performing, well-trained, and diverse workforce									
Gross Costs	–	–	–	10,914	–	–	–	(6)	10,908
Less: Earned Revenues	–	–	–	(44)	–	–	–	2	(42)
Net Program Costs	–	–	–	10,870	–	–	–	(4)	10,866
Customer-oriented, innovative delivery of administrative and information services									
Gross Costs	–	–	–	147	–	–	–	(1)	146
Less: Earned Revenues	–	–	–	(1)	–	–	–	–	(1)
Net Program Costs	–	–	–	146	–	–	–	(1)	145
Integrated budgeting, planning, and performance management; effective financial management; and demonstrated financial accountability.									
Gross Costs	–	–	–	2,033	–	–	–	(8)	2,025
Less: Earned Revenues	–	–	–	(6)	–	–	–	–	(6)
Net Program Costs	–	–	–	2,027	–	–	–	(8)	2,019
Modernized, secure, and high quality information technology management and infrastructure that meet critical business requirements.									
Gross Costs	1,996	–	–	–	–	–	–	(10)	1,986
Less: Earned Revenues	(8)	–	–	–	–	–	–	–	(8)
Net Program Costs	1,988	–	–	–	–	–	–	(10)	1,978
Net Costs of Operations	\$ 1,583,003	\$ 4,403,635	\$ 1,658,999	\$ 200,172	\$ 962,123	\$ 699,206	\$ 846,586	\$ –	\$ 10,353,724

NOTE 19. STATEMENT OF BUDGETARY RESOURCES

A. Apportionment Categories of Obligations Incurred:(Dollars in Thousands)

	FY 2006	FY 2005
Category A, Direct	\$ 731,684	\$ 711,346
Category B, Direct	10,829,818	12,272,395
Category A, Reimbursable	5,526	8,990
Category B, Reimbursable	64,750	50,222
Total	\$ 11,631,778	\$ 13,042,953

B. Borrowing Authority, End of Period and Terms of Borrowing Authority Used:

For credit financing activities, borrowing authority for FY 2006 was \$52 million. For FY 2005 borrowing authority was \$310 million. In FY 2005, the borrowing authority number was transposed, reading as \$31.9 instead of \$310 million.

Borrowing Authority is indefinite and authorized under the Credit Reform Act of 1990 (P.L. 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 2006 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).

NOTE 20. 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 \$48.6 million represent the Credit Subsidy expense reestimates requiring resources in future periods. Current period changes of \$4.2 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 period.

Explanation of the Relationship Between the Statement of Changes in Net Position and the Statement of Financing

Imputed Financing of \$19.2 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.

Changes in FY 2006 for Statement of Financing:

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 2006, total Net Obligations decreased by \$1,040 million, and Credit Program Collections were about \$1,173 million. In, FY 2005, total Net Obligations decreased by \$256 million, and Credit Program Collections were about \$1,283 million.

For the Upward/Downward Re-estimates of Credit Subsidy Expense, during FY 2006, there was a net decrease for Credit Program subsidy re-estimates of about \$594 million, as compared to an upward increase in FY 2005 of \$529 million.

**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		\$ 9,188,767
Less: Transfers to Other Agencies		
Department Of State	(282,569)	
Nuclear Regulatory Commission	(1,463)	
Others	(2,005)	(286,037)
Add: Transfers from Other Agencies		
Department of Agriculture	1,184,686	
Department of State	1,255,916	
Executive Office of the President	180,103	
Other	108,345	2,729,050
Obligations Incurred, Statement of Financing		11,631,780
Offsetting Collections and Recoveries, Statement of Budgetary Resources		1,595,132
Less: Transfers to Other Agencies		
Department of State	(24,350)	
U.S. Treasury Department	(890)	
Other	(22)	(25,262)
Add: Allocations from Other Agencies		
Executive Office of the President	118,245	
Department of Agriculture	113,073	
Other	707	232,025
Offsetting Collections and Recoveries, Statement of Financing		\$ 1,801,805

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION





(Above) Mongolians learn how to plant vegetables in the Gobi desert.

PHOTO: MERCY CORPS/CHANTSALDULAM

(Preceding page) Pakistani girls attend their first school in a tent at Mehra Camp, January 2006. Relief camps were part of the large international humanitarian relief effort after the Pakistan earthquake.

PHOTO: ONASIA/MASAKO IMAOKA

U.S. Agency for International Development
CONSOLIDATING BALANCE SHEET
As of September 30, 2006
(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 (Note 2)	\$ 1,793,844	\$ 16,073,773	\$ 1,406,986	\$ 5,887	\$ 52,050	843	\$ -	\$ 19,333,383
Accounts Receivable (Note 3)	84,749	-	217	-	-	3	(84,749)	220
Other Assets (Note 4)	-	24,125	749	-	-	-	-	24,874
Total Intragovernmental	1,878,593	16,097,898	1,407,952	5,887	\$52,050	846	(84,749)	19,358,477
Cash and Other Monetary Assets (Note 5)	50	-	327,548	-	-	-	-	327,598
Accounts Receivable, Net (Note 3)	59,954	24,335	1,208	1	-	5,675	-	91,173
Loans Receivable, Net (Note 6)	4,810,615	-	-	-	-	-	-	4,810,615
Inventory and Related Property, Net (Note 7)	-	38,450	14,895	-	-	-	-	53,345
General Property, Plant, and Equipment, Net (Note 8 and 9)	-	124	103,870	-	-	-	-	103,994
Advances and Prepayments (Note 4)	139	389,124	16,379	19	237	-	-	405,898
Total Assets	6,749,351	16,549,931	1,871,852	5,907	52,287	6,521	(84,749)	25,151,100
LIABILITIES (Note 16)								
Intragovernmental								
Accounts Payable (Note 10)	84,522	47,864	14,301	138	-	-	(84,749)	62,076
Debt (Note 11)	474,055	-	-	-	-	-	-	474,055
Due to U.S. Treasury (Note 11)	4,491,077	-	-	-	-	-	-	4,491,077
Other Liabilities (Note 12)	24,270	7	11,823	1	29	6,521	-	42,651
Total Intragovernmental	5,073,924	47,871	26,124	139	29	6,521	(84,749)	5,069,859
Accounts Payable (Note 10)	50,361	1,857,669	350,220	1,550	7,921	-	-	2,267,721
Loan Guarantee Liability (Note 6)	1,660,909	-	-	-	-	-	-	1,660,909
Federal Employees and Veteran's Benefits (Note 14)	-	-	23,438	-	-	-	-	23,438
Other Liabilities (Note 12, 13, and 14)	7,923	2,488	370,146	2,433	45,798	-	-	428,788
Total Liabilities	6,793,117	1,908,028	769,928	4,122	53,748	6,521	(84,749)	9,450,715
Commitments and Contingencies (Note 15)	-	-	3,000	-	-	-	-	3,000
NET POSITION								
Unexpended Appropriations	47,612	14,290,465	(3,522)	152	112	-	-	14,334,819
Cumulative Results of Operations	(91,378)	351,438	1,102,446	1,633	(1,573)	-	-	1,362,566
Total Net Position	(43,766)	14,641,903	1,098,924	1,785	(1,461)	-	-	15,697,385
Total Liabilities and Net Position	\$ 6,749,351	\$ 16,549,931	\$ 1,871,852	\$ 5,907	\$ 52,287	\$ 6,521	\$ (84,749)	\$25,151,100

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF NET COST
For the Year Ended September 30, 2006
(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	\$ -	\$ 9,850	\$ 18,381	\$ 14	\$ 3	\$ (82)	\$ (175)	\$ 27,991
Public Costs	-	606,793	34,217	506	1,121	82	-	642,719
Total Costs	-	616,643	52,598	520	1,124	-	(175)	670,710
Intragovernmental Earned Revenue	-	(60)	(287)	(562)	-	(108)	25	(992)
Public Earned Revenue	-	-	(3)	28	-	108	-	133
Less Total Earned Revenues	-	(60)	(290)	(534)	-	-	25	(859)
Net Program Costs	-	616,583	52,308	(14)	1,124	-	(150)	669,851
Counterterrorism								
Intragovernmental Costs	-	9,699	11,232	9	2	(50)	(131)	20,761
Public Costs	-	598,257	20,909	309	685	50	-	620,210
Total Costs	-	607,956	32,141	318	687	-	(131)	640,971
Intragovernmental Earned Revenue	-	-	(176)	(343)	-	(66)	15	(570)
Public Earned Revenue	-	-	(2)	17	-	66	-	81
Less Total Earned Revenues	-	-	(178)	(326)	-	-	15	(489)
Net Program Costs	-	607,956	31,963	(8)	687	-	(116)	640,482
International Crime and Drugs								
Intragovernmental Costs	-	561	5,157	4	1	(23)	(35)	5,665
Public Costs	-	84,853	9,599	142	314	23	-	94,931
Total Costs	-	85,414	14,756	146	315	-	(35)	100,596
Intragovernmental Earned Revenue	-	-	(81)	(158)	-	(30)	7	(262)
Public Earned Revenue	-	(4)	(1)	8	-	30	-	33
Less Total Earned Revenues	-	(4)	(82)	(150)	-	-	7	(229)
Net Program Costs	-	85,410	14,674	(4)	315	-	(28)	100,367
Democracy and Human Rights								
Intragovernmental Costs	-	13,285	36,367	28	6	(162)	(308)	49,216
Public Costs	-	897,086	67,697	1,002	2,217	162	-	968,164
Total Costs	-	910,371	104,064	1,030	2,223	-	(308)	1,017,380
Intragovernmental Earned Revenue	-	(2,153)	(568)	(1,112)	-	(213)	101	(3,945)
Public Earned Revenue	-	-	(5)	55	-	213	-	263
Less Total Earned Revenues	-	(2,153)	(573)	(1,057)	-	-	101	(3,682)
Net Program Costs	-	908,218	103,491	(27)	2,223	-	(207)	1,013,698

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U.S. Agency for International Development
CONSOLIDATING STATEMENT OF NET COST (continued)
For the Year Ended September 30, 2006
(Dollars in Thousands)

Goal	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Intra- Agency Elimination	Total Amount
Economic Prosperity and Security								
Intragovernmental Costs	24,895	51,923	81,108	61	14	(356)	(980)	156,665
Public Costs	56,791	2,281,823	1,025,752	2,208	4,886	356	–	3,371,816
Total Costs	81,686	2,333,746	1,106,860	2,269	4,900	–	(980)	3,528,481
Intragovernmental Earned Revenue	(6,747)	(990)	(1,252)	(2,451)	–	(470)	297	(11,613)
Public Earned Revenue	(1,518)	–	(12)	121	–	470	–	(939)
Less Total Earned Revenues	(8,265)	(990)	(1,264)	(2,330)	–	–	297	(12,552)
Net Program Costs	73,421	2,332,756	1,105,596	(61)	4,900	–	(683)	3,515,929
Social and Environmental Issues								
Intragovernmental Costs	–	116,593	123,606	94	21	(550)	(1,491)	238,273
Public Costs	133,034	3,168,411	230,093	3,405	7,536	550	–	3,543,029
Total Costs	133,034	3,285,004	353,699	3,499	7,557	–	(1,491)	3,781,302
Intragovernmental Earned Revenue	(67,440)	(57,140)	(1,932)	(3,779)	–	(724)	3,262	(127,753)
Public Earned Revenue	(58,026)	–	(18)	186	–	724	–	(57,134)
Less Total Earned Revenues	(125,466)	(57,140)	(1,950)	(3,593)	–	–	3,262	(184,887)
Net Program Costs	7,568	3,227,864	351,749	(94)	7,557	–	1,771	3,596,415
Humanitarian Response								
Intragovernmental Costs	–	72,779	22,907	17	4	(102)	(594)	95,011
Public Costs	–	663,189	42,642	631	1,397	102	–	707,961
Total Costs	–	735,968	65,549	648	1,401	–	(594)	802,972
Intragovernmental Earned Revenue	–	–	(358)	(700)	(1)	(134)	30	(1,163)
Public Earned Revenue	–	–	(3)	34	–	134	–	165
Less Total Earned Revenues	–	–	(361)	(666)	(1)	–	30	(998)
Net Program Costs	–	735,968	65,188	(18)	1,400	–	(564)	801,974
Management and Organizational Excellence								
Intragovernmental Costs	–	2,793	1,313	1	–	(6)	(25)	4,076
Public Costs	–	8,424	2,443	36	80	6	–	10,989
Total Costs	–	11,217	3,756	37	80	–	(25)	15,065
Intragovernmental Earned Revenue	–	–	(21)	(40)	–	(8)	2	(67)
Public Earned Revenue	–	–	–	2	–	8	–	10
Less Total Earned Revenues	–	–	(21)	(38)	–	–	2	(57)
Net Program Costs	–	11,217	3,735	(1)	80	–	(23)	15,008
Net Costs of Operations	\$ 80,989	\$8,525,972	\$1,728,704	\$ (227)	\$18,286	\$ –	\$ –	\$10,353,724

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended September 30, 2006
(Dollars in Thousands)

	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Total
Beginning Balances	\$ (335,271)	\$ 338,501	\$ 756,887	\$ 1,633	\$ (1,248)	\$ –	\$ 760,502
Adjustments	–	–	–	–	–	–	–
Changes in Accounting Principles	–	–	–	–	–	–	–
Corrections of Errors	–	–	–	–	–	–	–
Beginning Balances, as adjusted	(335,271)	338,501	756,887	1,633	(1,248)	–	760,502
Budgetary Financing Sources:							
Other Adjustments (Recissions, etc)	–	–	–	–	–	–	–
Appropriations Used	324,873	8,538,718	812,046	(4)	(112)	–	9,675,521
Non-exchange Revenue	–	–	–	–	–	–	–
Donations and Forfeitures of Cash and Cash Equivalents	9	191	53,912	(223)	18,073	–	71,962
Transfers–in/out Without Reimbursement	–	–	1,189,017	–	–	–	1,189,017
Other	–	–	–	–	–	–	–
Other Financing Sources (Non-exchange):							
Donations and Forfeitures of Property	–	–	–	–	–	–	–
Transfers–in/out Without Reimbursement	–	–	–	–	–	–	–
Imputed Financing	–	–	19,288	–	–	–	19,288
Other	–	–	–	–	–	–	–
Total Financing Sources	324,882	8,538,909	2,074,263	(227)	17,961	–	10,955,788
Net Cost of Operations	(80,989)	(8,525,972)	(1,728,704)	227	(18,286)	–	(10,353,724)
Net Change	243,893	12,937	345,559	–	(325)	–	602,064
Cumulative Results of Operations:	(91,378)	351,438	1,102,446	1,633	(1,573)	–	1,362,566
Unexpended Appropriations:							
Beginning Balance	47,170	13,026,593	(69,737)	148	–	–	13,004,174
Adjustments	–	–	–	–	–	–	–
Changes in Accounting Principles	–	–	–	–	–	–	–
Corrections of Errors	–	–	–	–	–	–	–
Beginning Balances, as adjusted	47,170	13,026,593	(69,737)	148	–	–	13,004,174
Budgetary Financing Sources:							
Appropriations Received	320,560	9,039,630	878,700	–	–	–	10,238,890
Appropriations Transferred in/out	4,834	833,321	6,921	–	–	–	845,076
Other Adjustments	(80)	(70,360)	(7,360)	–	–	–	(77,800)
Appropriations Used	(324,872)	(8,538,719)	(812,046)	4	112	–	(9,675,521)
Total Budgetary Financing Sources	442	1,263,872	66,215	4	112	–	1,330,645
Total Unexpended Appropriations	47,612	14,290,465	(3,522)	152	112	–	14,334,819
Net Position	\$ (43,766)	\$ 14,641,903	\$ 1,098,924	\$ 1,785	\$ (1,461)	\$ –	\$ 15,697,385

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2006
(Dollars in Thousands)

	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Credit- Financing	Allocations	Total
Budgetary Resources:									
Unobligated Balance, Brought Forward, October 1	\$ 858,482	\$2,215,797	\$ 70,098	\$2,740	\$ 4,090	\$ -	\$ 1,024,789	111,200	\$ 4,287,196
Recoveries of Prior Year Unpaid Obligations	6,190	221,565	27,267	155	1,373	-	-	20,221	276,771
Budget Authority									
Appropriations	370,560	9,039,630	878,700	-	32,387	-	-	-	10,321,277
Borrowing Authority	-	-	-	-	-	-	52,026	-	52,026
Contract Authority	-	-	-	-	-	-	-	-	-
Spending Authority from Offsetting Collections	-	-	-	-	-	-	-	-	-
Earned									
Collected	786,276	60,347	4,718	9,702	-	-	447,625	1,421	1,310,089
Changed in Receivables from Federal Sources	-	-	-	-	-	-	-	3,620	3,620
Change in Unfilled Customer Orders									
Advance Received	-	-	-	-	-	-	-	-	-
Without Advance from Federal Sources	-	4,402	808	(558)	-	-	-	-	4,652
Anticipated for Rest of Year, Without Advances	-	-	-	-	-	-	-	-	-
Previously Unavailable	-	-	-	-	-	-	-	-	-
Expenditure Transfers from Trust Funds	-	-	-	-	-	-	-	-	-
Subtotal	1,156,836	9,104,379	884,226	9,144	32,387	-	499,651	5,041	11,691,664
Nonexpenditure Transfers, Net, Anticipated and Actual	4,834	(542,918)	6,921	-	-	-	-	198,615	(332,548)
Temporarily not Available Pursuant to Public Law	-	-	-	-	-	-	-	-	-
Permanently not Available	(1,332,255)	(74,140)	(7,946)	-	-	-	-	-	(1,414,341)
Total Budgetary Resources	694,087	10,924,683	980,566	12,039	37,850	-	1,524,440	335,077	14,508,742
Status of Budgetary Resources:									
Obligations Incurred									
Direct	355,318	7,486,841	849,332	8,881	30,247	-	101,835	270,782	9,103,236
Reimbursable	-	64,750	5,526	-	-	-	-	15,255	85,531
Subtotal	355,318	7,551,591	854,858	8,881	30,247	-	101,835	286,037	9,188,767
Unobligated Balance:									
Apportioned	338,576	3,364,144	125,708	3,158	7,603	-	1,422,605	46,663	5,308,457
Exempt from Apportionment	-	-	-	-	-	-	-	-	-
Subtotal	338,576	3,364,144	125,708	3,158	7,603	-	1,422,605	46,663	5,308,457
Unobligated Balance not Available	193	8,948	-	-	-	-	-	2,377	11,518
Total Status of Budgetary Resources	694,087	10,924,683	980,566	12,039	37,850	-	1,524,440	335,077	14,508,742

(continued on next page)

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF BUDGETARY RESOURCES (continued)
For the Year Ended September 30, 2006
(Dollars in Thousands)

	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Credit- Financing	Allocations	Total
Change in Obligated Balance:									
Obligated Balance, Net									
Unpaid Obligations, Brought Forward, October 1	39,773	9,976,701	232,834	1,588	32,607	–	3,288	3,527	10,290,318
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(3,467)	(1,158)	(4,180)	(2,501)	–	–	–	–	(11,306)
Total Unpaid Obligated Balance, Net	36,306	9,975,543	228,654	(913)	32,607	–	3,288	3,527	10,279,012
Obligations Incurred Net (+/-)	355,318	7,551,591	854,858	8,881	30,247	–	101,835	286,037	9,188,767
Less: Gross Outlays	(356,742)	(6,731,176)	(861,246)	(5,642)	(17,035)	–	(101,352)	45,633	(8,027,560)
Obligated Balance Transferred, Net									
Actual Transfers, Unpaid Obligations (+/-)	–	–	–	–	–	–	–	–	–
Actual Transfers, Uncollected Customer Payments Federal Sources, (+/-)	–	–	–	–	–	–	–	–	–
Total Unpaid Obligated Balance Transferred, Net	–	–	–	–	–	–	–	–	–
Less: Recoveries of Prior Year Unpaid obligations, actual	(6,190)	(221,565)	(27,267)	(155)	(1,373)	–	–	(20,221)	(276,771)
Change in Uncollected Customer Payments from Federal Sources (+/-)	–	(4,403)	(808)	558	–	–	–	(3,971)	(8,624)
Obligated Balance, Net, End of Period									
Unpaid Obligations	32,159	10,575,551	199,179	4,672	44,446	–	3,771	314,976	11,174,754
Less: Uncollected Customer Payments from Federal Sources	(3,467)	(5,561)	(4,988)	(1,943)	–	–	–	(3,971)	(19,930)
Total, Unpaid Obligated Balance, Net End of Period	28,692	10,569,990	194,191	2,729	44,446	–	3,771	311,005	11,154,824
Net Outlays									
Gross Outlays	356,742	6,731,176	861,246	5,642	17,035	–	101,352	(45,633)	8,027,560
Less: Offsetting Collections	(786,276)	(60,347)	(4,718)	(9,702)	–	–	(447,625)	–	(1,308,668)
Less: Distributed Offsetting Receipts	–	–	–	–	–	(41,784)	–	–	(41,784)
Net Outlays	\$(429,534)	\$ 6,670,829	\$ 856,528	\$ (4,060)	\$ 17,035	\$ (41,784)	\$ (346,273)	(45,633)	\$ 6,677,108

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF FINANCING
For the Year Ended September 30, 2006
(Dollars in Thousands)

	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Allocations	Total
Resources Used to Finance Activities:								
Budgetary Resources Obligated								
Obligations Incurred	\$ 457,153	\$7,551,591	\$ 854,858	\$ 8,881	\$ 30,247	\$ -	\$ 286,037	\$ 9,188,767
Appropriations Transferred to/from Other Agencies (net)	-	1,544,337	1,184,713	-	-	-	(286,037)	2,443,013
Total Obligations Incurred	457,153	9,095,928	2,039,571	8,881	30,247	-	-	11,631,780
Less: Spending Authority from Offsetting Collections and Recoveries	(1,240,091)	(286,314)	(32,793)	(9,299)	(1,373)	-	(25,262)	(1,595,132)
Spending Authority Transferred to/from Other Agencies (net)	-	(118,893)	(113,132)	-	-	-	25,262	(206,763)
Total Spending Authority from Offsetting Collections and Recoveries	(1,240,091)	(405,207)	(145,925)	(9,299)	(1,373)	-	-	(1,801,895)
Obligations Net of Offsetting Collections and Recoveries	(782,938)	8,690,721	1,893,646	(418)	28,874	-	-	9,829,885
Less: Offsetting Receipts	-	-	-	-	-	41,784	-	41,784
Net Obligations	(782,938)	8,690,721	1,893,646	(418)	28,874	41,784	-	9,871,669
Other Resources								
Transfers in Without Reimbursement	-	-	-	-	-	-	-	-
Imputed Financing From Costs Absorbed by Others	-	-	19,288	-	-	-	-	19,288
Other (+/-)	-	-	-	-	-	-	-	-
Net Other Resources Used to Finance Activities	-	-	19,288	-	-	-	-	19,288
Total Resources Used to Finance Activities	(782,938)	8,690,721	1,912,934	(418)	28,874	41,784	-	9,890,957
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	5,299	446,625	(352,075)	(2,021)	(8,896)	-	-	88,932
Resources that Fund Expenses Recognized in Prior Periods	-	(1,927)	750	-	-	(775)	-	(1,952)
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations	-	-	-	-	-	-	-	-
Credit Program Collections which increase Liabilities for Loan Guarantees or Allowances for Subsidy	1,173,507	-	-	-	-	-	-	1,173,507
Other	(133,731)	-	54,098	1,007	1	(44,373)	-	(122,998)
Resources That Finance the Acquisition of Assets	-	(7,646)	(47,529)	-	-	-	-	(55,175)
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations (+/-)	93,171	(601,170)	118,269	1,205	(1,693)	-	-	(390,218)
Total Resources Used to Finance Items not Part of Net Cost of Operations	1,138,246	(164,118)	(226,487)	191	(10,588)	(45,148)	-	692,096
Total Resources Used to Finance Net Cost of Operations	355,308	8,526,603	1,686,447	(227)	18,286	(3,364)	-	10,583,053

(continued on next page)

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF FINANCING *(continued)*
For the Year Ended September 30, 2006
(Dollars in Thousands)

	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Allocations	Total
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	-	-	4,265	-	-	-	-	4,265
Upward/Downward Reestimates of Credit Subsidy Expense	(274,319)	-	-	-	-	-	-	(274,319)
Increase in Exchange Revenue Receivable from the Public	-	-	-	-	-	-	-	-
Total Components Requiring or Generating Resources in Future Periods	(274,319)	-	4,265	-	-	-	-	(270,054)
Components not Requiring or Generating Resources:								
Depreciation and Amortization	-	275	29,292	-	-	-	-	29,567
Revaluation of Assets or Liabilities	-	62	8,716	-	-	-	-	8,778
Other	-	(968)	(16)	-	-	3,364	-	2,380
Total Components not Requiring or Generating Resources	-	(631)	37,992	-	-	3,364	-	40,725
Total Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:	(274,319)	(631)	42,257	-	-	3,364	-	(229,329)
Net Cost of Operations	\$ 80,989	\$8,525,972	\$1,728,704	\$ (227)	\$ 18,286	\$ -	\$ -	\$ 10,353,724

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION





(Above) Jamaican second-graders are having fun with their new spelling skills. USAID is training teachers to tackle reading creatively, generating genuine enthusiasm for reading among schoolchildren.

PHOTO: USAID/KIMBERLY FLOWERS

(Preceding page) One of the Oaxaca farmers benefiting from new irrigation systems stands among her crops. USAID created a local Groundwater Technical Committee, and through the group, farmers learned new methods of irrigation.

PHOTO: USAID/VIRGINIA FOLEY

FINANCIAL MANAGEMENT'S DISCUSSION AND ANALYSIS

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 supports the Agency in meeting reporting requirements, as well as providing accurate and timely financial information, supporting management operations, and issuing controls to prevent Anti-Deficiency Act violations. Additionally, Phoenix contains a Standard General Ledger (SGL) chart of accounts, allowing financial transactions in Phoenix to be posted immediately to the general ledger. Implementing Phoenix worldwide has removed the major obstacle to achieving Federal Financial Management Improvement Act (FFMIA) compliance and "getting to green" since the system of record (Mission Accounting and Control System (MACS)) did not have a SGL. USAID has also continued its efforts to meet or exceed other milestones for this PMA initiative.

Expanded Electronic Government: As a web-based system that is accessible by field offices worldwide, Phoenix also supports the e-government initiative. 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 implemented 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.

- **Phoenix Overseas Deployment:** As of June 2006, the Agency successfully completed the deployment of Phoenix to all overseas Controller Missions. Phoenix is currently operating in steady state mode. The Phoenix Team continues to provide enhancements to Phoenix as well as offer continued support to Phoenix users.
- **USAID-State Collaboration:** USAID continues the coordination of e-government initiatives with the Department of State. In November 2005, USAID and the Department of State completed their financial systems collaboration and are now jointly operating from a common platform in the Department of State's Charleston, South Carolina, facility.

FINANCIAL MANAGEMENT PERFORMANCE

USAID has been steadily working toward compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996 since Phoenix became USAID/Washington's core financial system in 2000. Another major milestone toward FFMIA compliance was achieved when USAID replaced the Mission Accounting and Controller System (MACS) with Phoenix in overseas Controller Missions. Therefore, compliance with FFMIA is considered to have been achieved now that Phoenix is operational in all overseas Controller Missions.

As of June 2006, all Controller Missions rely on the web-based version of Phoenix as their financial system of record. OMB and USAID expect that the completed

rollout of the Phoenix system will largely address the remaining compliance issues that have kept the Agency at a yellow score under the PMA.

A further requirement to "getting to green" is to prove that Phoenix drives results in key financial areas and that Phoenix provides timely, reliable, and complete 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 the highest priority new reports and have begun to specify detailed requirements for this group of reports.

FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

When USAID implemented Phoenix in Washington 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. In June 2006, USAID completed its financial systems modernization with the worldwide deployment of Phoenix, the Agency's new core accounting system. The overseas deployment of Phoenix, the web-based and integrated financial management system, provides 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, USAID and the Department of State have completed their financial systems collaboration and are now jointly operating from a common platform in Charleston, South Carolina. The major USAID financial systems and their relationships are discussed below.

Phoenix: Phoenix is the Agency's core financial system, replacing MACS overseas. As of June 2006, 100% of all USAID financial transactions are processed through Phoenix. 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 the new acquisition and assistance applications are rolled out and interfaced with Phoenix.

Mission Accounting and Control System (MACS): MACS was an over 20-year old custom-built system for overseas financial operations. MACS was officially retired in June 2006 with the successful implementation of Phoenix in all overseas Controller Missions.

Business Support Services: Many 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. In the future, Travel Manager will be replaced with a standard e-travel application, named E2. In response to the President's Management Agenda, E-Travel is designed to improve the internal efficiency and effectiveness of the federal government. Still in the planning stages, E2 will integrate budgeting, procurement, and payment of travel services within 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 current federal 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 nonexpendable 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 systems 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 relieving

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 can be eliminated.

- **Accruals Reporting System (ARS):** As of the fourth quarter in FY2006, ARS was integrated into Phoenix. Users no longer access ARS separately during the quarterly accruals cycle.

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.

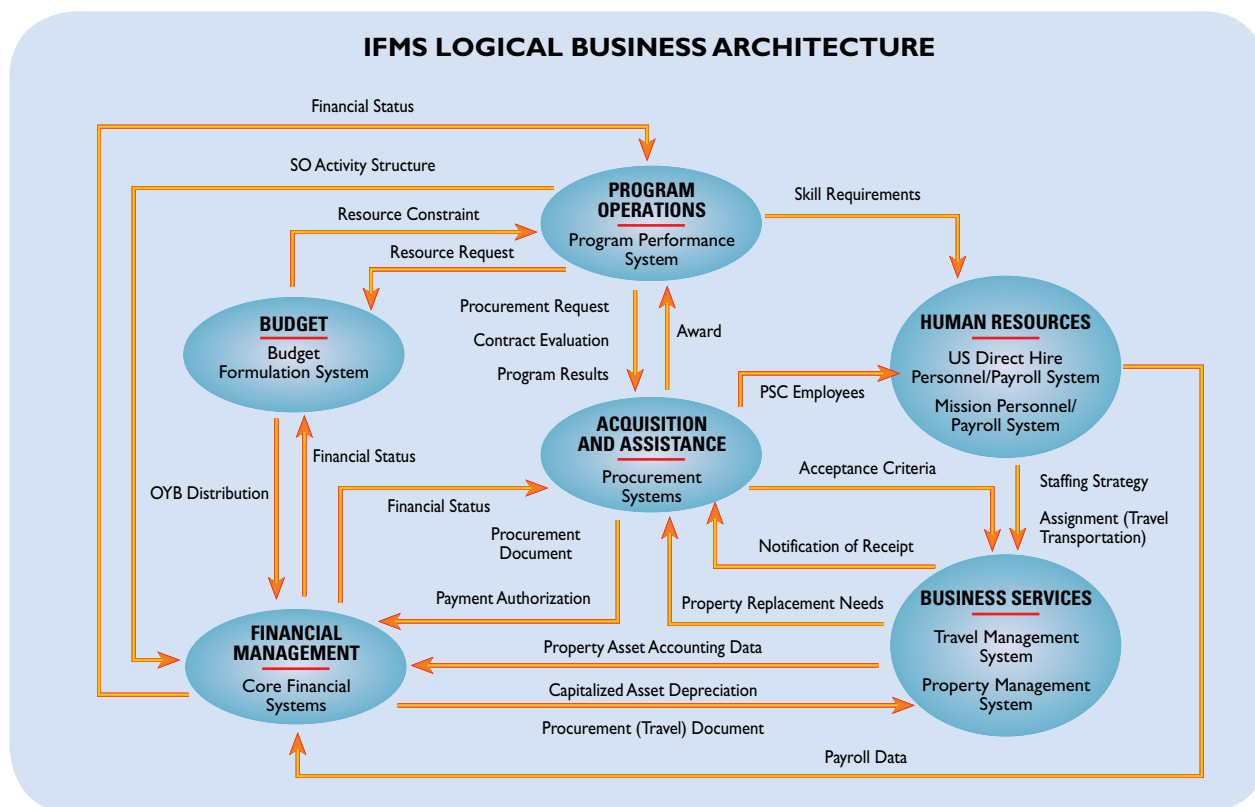
USAID senior managers are leading this business systems transformation in a three-staged approach. Stage one involves modernizing the Agency's business systems worldwide by standardizing and integrating processes and systems, and aligning the Agency business model with the Federal Enterprise Architecture (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.

IFMS LOGICAL BUSINESS ARCHITECTURE



USAID and the State Department upgraded their respective versions of the Momentum software in FY 2005, and now operate from the same version. Furthermore, both Agencies run from a common infrastructure from State's facility in Charleston, South Carolina. However, both USAID and State maintain separate financial systems.

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 FY 2004, they conducted a study to determine the requirements, and in FY 2005, they conducted testing for mutual deployment. In FY 2006, both agencies completed implementation of a joint continuity of operations (COOP) facility.

This centralized architecture allows for easier maintenance, security, and operational efficiency. To provide around-the-clock support required for mission operations, the telecommunications and technical architecture were upgraded. The specific configuration was determined as overseas rollout plans were implemented. The infrastructure business cases detail the telecommunications upgrades. In addition, USAID established four

Phoenix Regional Solution Centers (PRSC) to support Phoenix users worldwide. The PRSC locations are: Cairo, Egypt; Manila, Philippines; Nairobi, Kenya; and Accra, Ghana.

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:

- Utilizing public and private sector third party service providers whenever cost-effective.

- Requiring solution demonstrations to manage risks and engineer system components within the target enterprise architecture framework.
- Acquiring proven commercial software products rather than building custom-developed applications.
- Re-engineering Agency business processes before altering the baseline commercial software product.
- Implementing network and telecommunication infrastructure upgrades to support the financial management systems architecture.
- Leveraging the system architecture and the planned technology evolution of commercial software products.
- Integrating data repositories using common data elements and web-based reporting and analytical tools.
- Acquiring system components in an incremental fashion.
- Planning 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 from 2002 through 2010. Specific projects have been selected on the merit of each business case. The broad categories of system investment 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
- Unified Foreign Assistance Coordination and Tracking System (FACTS)

Core Financial System: Phoenix's underlying Momentum Financials 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 assistance system is referred to as the Joint Assistance Management System (JAMS). USAID has a separate project to replace the procurement module of A&A called the Global Acquisition System (GLAS). This new system is designed to replace the 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 environment without a comprehensive contract management system to support planning, collaboration, tracking, and administering contract and grant awards. JAMS/GLAS 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 GLAS deployment activities with the integration 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

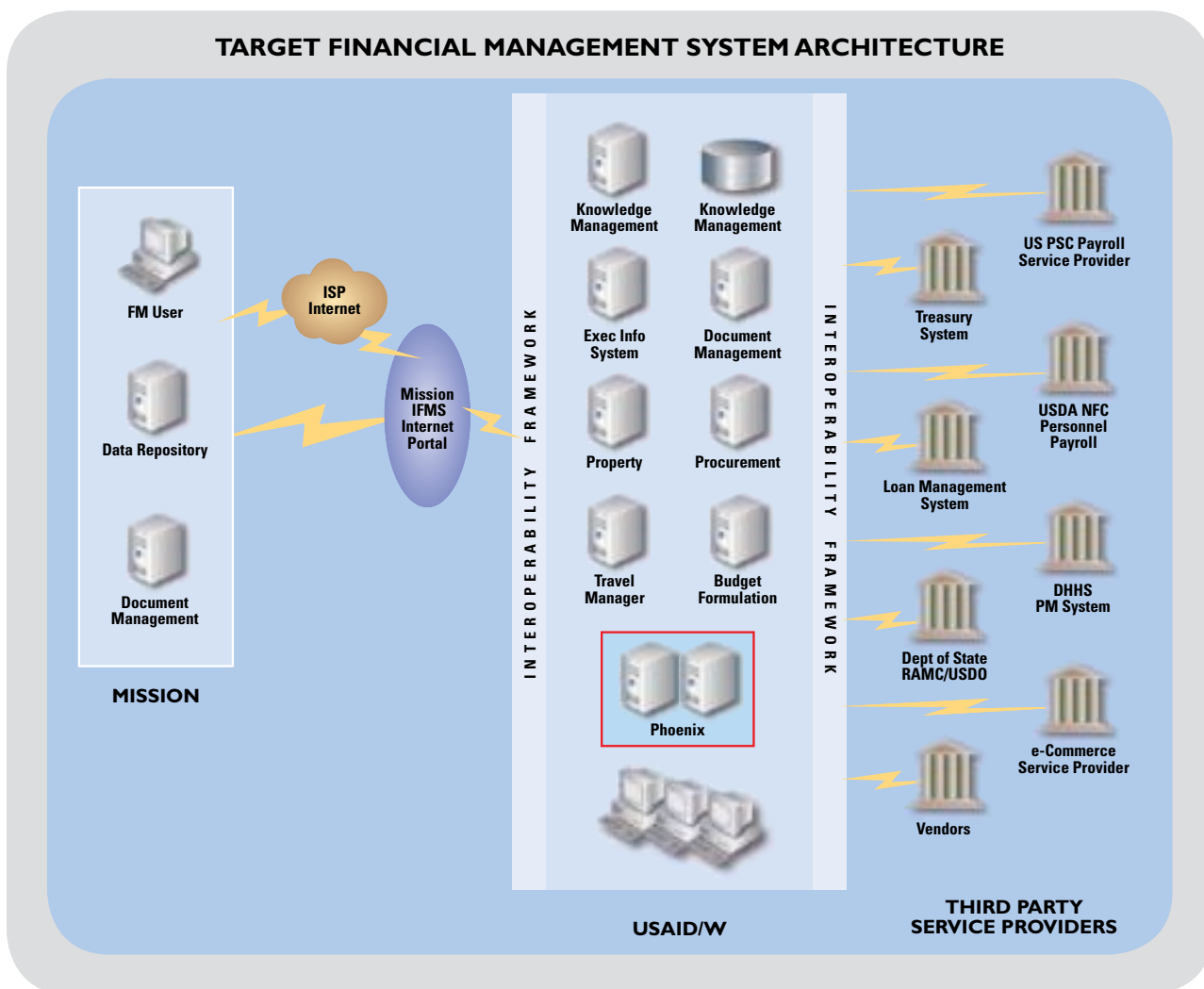
with its program and performance management processes for collecting information on the performance of Agency programs.

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.

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 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. USAID is also evaluating a "dashboard" system similar to one currently in development at the State Department.

Business Support Systems: The major initiatives in the administrative service areas are 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 will integrate e-travel with Phoenix, are among the options to be studied.

TARGET FINANCIAL MANAGEMENT SYSTEM ARCHITECTURE



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.

The Unified Foreign Assistance Coordination and Tracking System (FACTS): The new, unified Foreign Assistance Coordination and Tracking System (FACTS) combines all USG agency planning and reporting on foreign assistance activities into one central data system to facilitate country level planning, monitoring, and data management. Country Teams will use FACTS to enter and submit information required for operational plans. In addition, the Office of the Director of U.S. Foreign

Assistance at the Department of State will use the system to retrieve data for routine reporting and responding to information requests. The goal of the system is to provide one repository for data and a common planning and reporting tool for foreign assistance resources across USG agencies implementing programs with foreign assistance funds. Thus, the FACTS data system will eventually replace the foreign assistance planning and programming systems of each agency. An additional intent of the FACTS system is to reduce the burden on field staff of responding to ad hoc requests from stakeholders, as the system is designed to collect the information most frequently requested about U.S. Foreign Assistance programs.

DEBT MANAGEMENT

USAID is required by the Prompt Payment Act to pay its bills on time or pay an interest penalty to vendors. Timely payment reduces interest charges and reflects a high degree of accountability and integrity. This chart shows that USAID's percentage of interest paid is less than 1 percent for the third consecutive year. In addition, we pay the vast majority of our bills by Electronic Funds Transfer (EFT).

Timeliness of Payments	FY2006	FY2005	FY2004	FY2003
Interest Penalty Paid	\$ 50,266.00	\$ 35,250.07	\$ 3,045.00	\$ 17,825.00
Percentage of Payments Paid Late	0.64%	0.001%	0.41%	1.17%
Number of EFT Payments	55,900	29,800	21,300	20,600
Percentage of EFT Payments	96.87%	96.69%	97.56%	96.76%

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 2006, USAID received 464 audit reports; 404 of these reports covered financial audits of contractors and recipients and 60 covered Agency programs or operations.

During FY 2006, the Agency closed 603 audit recommendations. Of these, 218 were from audits performed by OIG staff and 385 were from financial audits of contractors or grant recipients. USAID collected

\$7.1 million in disallowed costs, and \$7.4 million was put to better use during the fiscal year.

At the end of FY 2006, there were 429 open audit recommendations, 11 less than at the end of FY 2005. Of the 429 audit recommendations open at the end of FY 2006, only 22 or 5% have been open for more than one year.

Of the 22 recommendations open for more than one year, USAID must collect funds from contractors or recipients to complete actions for three recommendations. Contacting Officer final determinations for ten recommendations are currently in litigation or have been appealed before the Armed Forces Court of Appeals or the USAID Procurement Executive. Four recommendations require recipients to make extensive corrections to accounting systems or internal controls. The remaining five recommendations are related to Agency programs and operations, including improving information systems and development activities; complying with federal regulations for awarding contracts in Iraq; and reconciling financial management information.

Management Action on Recommendation that Funds be Put to Better Use

	Recommendations	Dollar Value (\$000)
Beginning balance 10/1/05	6	\$ 214,818
Management decisions during the fiscal year	12	16,315
Final action	8	7,416
Recommendations implemented	8	7,416
Recommendations not implemented	0	–
Ending Balance 9/30/06	10	\$ 223,717

Management Action on Audits with Disallowed Costs

	Recommendations	Dollar Value (\$000)
Beginning balance 10/1/05	146	\$ 24,908
Management decisions during the fiscal year	181	25,589
Final action	196	7,111
Collections/Offsets/Other	195	7,097
Write-offs	1	14
Ending Balance 9/30/06	131	\$ 43,386

PURCHASE AND TRAVEL CARD USAGE

TRAVEL CARDS

There are 2,223 active Individually Billed Account (IBA) cards, there are 73 active Centrally Billed Account (CBA) cards. USAID spent \$11,689,261 on CBA travel and \$4,778,224 on IBA travel in FY2006. Rebates earned totaled \$36,467. Delinquency rates ranged from 0.75% to 6.0% for IBA and from 0.0% to 3.9% for CBA. There were no disciplinary actions taken in FY2006.

PURCHASE CARDS

On average, 252 employees, or 10% of Agency staff had active purchase card accounts in FY 2006. Approximately 25 purchase card accounts were canceled during the year and approximately 48 new purchase card accounts were activated. On average, the ratio of approving officials to cardholders is 1:2. The total dollars spent in FY 2006 using purchase cards was over \$7million. USAID earned \$34,173 in total rebates in FY 2006. 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.

INTRAGOVERNMENTAL ASSETS AND LIABILITIES

U.S. Agency for International Development
REQUIRED SUPPLEMENTARY INFORMATION: INTRAGOVERNMENTAL AMOUNTS
as of September 30, 2006
(Dollars in Thousands)

INTRAGOVERNMENTAL ASSETS:

Agency	Fund Balance with Treasury	Accounts Receivable, Net	Advances and Prepayments	Totals
Treasury	\$19,333,383	\$ –	\$ 300	\$ 19,333,683
Dept of Agriculture	–	294	3,741	4,035
Dept of Commerce	–	–	211	211
Dept of State	–	15	13,481	13,496
Other	–	(89)	7,142	7,052
Total	\$19,333,383	\$ 220	\$ 24,874	\$ 19,358,477

INTRAGOVERNMENTAL LIABILITIES:

Agency	Due to Treasury	Accounts Payable	Debt	Other	Totals
Treasury	\$ 4,491,077	\$ 2,442	\$ 474,055	\$ 24,790	\$ 4,992,364
GSA	–	20,671	–	(3,932)	16,739
Dept of Agriculture	–	9,999	–	(1,451)	8,548
Dept of Labor	–	(2,814)	–	–	(2,814)
Dept of Health and Human Services	–	5,423	–	(39,173)	(33,750)
Other	–	26,354	–	62,416	88,770
Total	\$ 4,491,077	\$ 62,076	\$ 474,055	\$ 42,651	\$ 5,069,859

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.

STATEMENT OF BUDGETARY RESOURCES

U.S. Agency for International Development
REQUIRED SUPPLEMENTARY INFORMATION: SCHEDULE OF BUDGETARY RESOURCES
For the period ended September 30, 2006
(Dollars in Thousands)

	Operating		Program				Credit-Financing	Other	Allocations to Other Agencies	Consolidated Total		
	1000	1010	1021	1029	1035	1037					1093	1095
Budgetary Resources												
Unobligated Balance, brought forward, October 1	\$ 52,406	\$ 71,857	\$ 131,007	\$ 34,314	\$ 76,714	\$ 1,503,532	\$ 177,170	\$ 193,107	\$ 1,162,039	\$ 773,850	\$ 111,200	\$ 4,287,196
Recoveries of prior year unpaid obligations	26,103	9,103	25,812	105	20,632	141,595	3,610	15,029	-	14,561	20,221	276,771
Budget Authority												
Appropriations	731,000	361,000	1,540,500	-	582,630	4,333,500	514,000	1,668,000	-	590,647	-	10,321,277
Borrowing Authority (Note 20)	-	-	-	-	-	-	-	-	52,026	-	-	52,026
Contract Authority	-	-	-	-	-	-	-	-	-	-	-	-
Spending Authority from Offsetting Collections	-	-	-	-	-	-	-	-	-	-	-	-
Earned												
Collected	4,401	-	662	-	489	1,555	28	50	465,051	836,432	1,421	1,310,089
Change in Receivables from Federal Sources	-	-	-	-	-	-	-	-	-	-	3,620	3,620
Change in Unfilled Customer Orders												
Advance Received	-	-	-	-	-	-	-	-	-	-	-	-
Without Advance from Federal Sources	(492)	19	369	-	564	(390)	20	3,816	-	746	-	4,652
Anticipated for Rest of Year, Without Advances	-	-	-	-	-	-	-	-	-	-	-	-
Previously Unavailable	-	-	-	-	-	-	-	-	-	-	-	-
Expenditure Transfers from Trust Funds												
Subtotal	734,909	361,019	1,541,531	-	583,683	4,334,665	514,048	1,671,866	517,077	1,427,825	5,041	11,691,664
Nonexpenditure transfers, net, Anticipated and Actual	7,051	(113,090)	(10,545)	(18,188)	1,290	(410,417)	(151,408)	58,854	-	105,290	198,615	(332,548)
Temporarily not Available Pursuant to Public Law												
Permanently Not Available	(6,849)	(4,917)	(15,491)	-	(3,650)	(28,154)	(5,679)	(15,850)	-	(1,333,751)	-	(1,414,341)
Total Budgetary Resources	813,620	323,972	1,672,314	16,231	678,669	5,541,221	537,741	1,923,006	1,679,116	987,775	335,077	14,508,742
Status of Budgetary Resources:												
Obligations Incurred (Note 20):												
Direct	693,018	243,545	1,545,233	16,220	612,646	3,019,007	381,462	1,630,610	101,835	588,878	270,782	9,103,236
Reimbursible	3,910	19	1,031	-	1,053	1,165	48	3,866	-	59,184	15,255	85,531
Subtotal	696,928	243,564	1,546,264	16,220	613,699	3,020,173	381,510	1,634,476	101,835	648,062	286,037	9,188,767
Unobligated Balance:												
Apportioned	116,692	80,048	123,651	11	64,465	2,517,973	156,230	285,923	1,577,281	339,519	46,663	5,308,457
Exempt from Apportionment	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	116,692	80,048	123,651	11	64,465	2,517,973	156,230	285,923	1,577,281	339,519	46,663	5,308,457
Unobligated Balance not Available	-	360	2,399	-	505	3,076	-	2,607	-	194	2,377	11,518
Total, Status of Budgetary Resources	813,620	323,972	1,672,314	16,231	678,669	5,541,221	537,741	1,923,006	1,679,116	987,775	335,077	14,508,742

(continued on next page)

U.S. Agency for International Development
REQUIRED SUPPLEMENTARY INFORMATION: SCHEDULE OF BUDGETARY RESOURCES (continued)
For the period ended September 30, 2006

	Operating		Program						Credit- Financing	Other	Allocations to Other Agencies	Consolidated Total
	1000	1010	1021	1029	1035	1037	1093	1095				
Change in Obligated Balance:												
Obligated Balance, Net												
Unpaid Obligations, Brought Forward, October 1	190,808	253,496	2,485,772	433,894	630,834	3,617,339	550,399	1,969,487	3,288	151,474	3,527	10,290,318
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(4,180)	-	(279)	-	(489)	(390)	-	-	-	(5,968)	-	(11,306)
Total Unpaid Obligated Balance, Net	186,628	253,496	2,485,493	433,894	630,345	3,616,949	550,399	1,969,487	3,288	145,506	3,527	10,279,012
Obligations Incurred Net (+/-)	696,928	243,564	1,546,264	16,220	613,699	3,020,172	381,510	1,634,476	101,835	648,062	286,037	9,188,767
Less: Gross Outlays	(701,057)	(257,422)	(1,417,513)	(61,736)	(623,590)	(2,519,258)	(440,854)	(1,358,402)	(101,352)	(592,009)	(45,633)	(8,027,560)
Obligated Balance Transferred, Net												
Actual Transfers, Unpaid Obligations (+/-)	-	-	-	-	-	-	-	-	-	-	-	-
Actual Transfers, Uncollected Customer Payments from federal Sources, (+/-)	-	-	-	-	-	-	-	-	-	-	-	-
Total Unpaid Obligated Balance Transferred, Net	-	-	-	-	-	-	-	-	-	-	-	-
Less: Recoveries of Prior Year Unpaid obligations, actual	(26,103)	(9,103)	(25,812)	(105)	(20,632)	(141,595)	(3,610)	(15,029)	-	(14,561)	(20,221)	(276,771)
Change in Uncollected Customer Payments from Federal Sources (+/-)	492	(19)	(369)	-	(564)	390	(20)	(3,816)	-	(747)	(3,971)	(8,624)
Obligated Balance, Net, End of Period												
Unpaid Obligations	160,576	230,535	2,588,711	388,273	600,311	3,976,658	487,445	2,230,532	3,771	192,966	314,976	11,174,754
Less: Uncollected Customer Payments from Federal Sources	(3,688)	(19)	(648)	-	(1,053)	-	(20)	(3,816)	-	(6,715)	(3,971)	(19,930)
Total, Unpaid Obligated Balance, Net, End of Period	156,888	230,516	2,588,063	388,273	599,258	3,976,658	487,425	2,226,716	3,771	186,251	311,005	11,154,824
Net Outlays:												
Gross Outlays	701,057	257,422	1,417,513	61,736	623,590	2,519,258	440,854	1,358,402	101,352	592,009	(45,633)	8,027,560
Less: Offsetting Collections	(4,401)	-	(662)	-	(489)	(1,555)	(28)	(50)	(465,051)	(836,432)	-	(1,308,668)
Less: Offsetting Receipts	-	-	-	-	-	-	-	-	-	(41,784)	-	(41,784)
Net Outlays	\$ 696,656	\$ 257,422	\$ 1,416,851	\$ 61,736	\$ 623,101	\$ 2,517,703	\$ 440,826	\$ 1,358,352	\$ (363,699)	\$ (286,207)	\$ (45,633)	\$ 6,677,108

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. Of The 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. Of The Former Soviet Union

1095 Child Survival and Disease Programs Funds

1096 International Organizations + Programs

1500 Demobilization and Transition Fund

OTHER ACCOMPANYING INFORMATION





(Above) Open market scene in Yemen.

PHOTO: USAID/BEN BARBER

(Preceding page) A Pakistani woman cooks for her family in Thumi Park Camp, January 2006. Relief camps were part of the large international humanitarian relief effort after the Pakistan earthquake.

PHOTO: ONASIA/MASAKO IMAOKA

MANAGEMENT CHALLENGES

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

- Financial Management
- Managing for Results
- Acquisition and Assistance
- Human Capital Management
- Information Technology Management

The first four challenges appeared on OIG's list last year. Information Technology Management challenges were added this year. A summary of the issue, actions taken this year, and those remaining are presented for each area of concern. USAID aggressively pursues corrective actions for all significant challenges, whether identified by the OIG, GAO, or other sources.



Office of Inspector General

October 13, 2006

INFORMATION MEMO FOR THE ADMINISTRATOR

FROM: Donald A. Gambatesa
Inspector General

SUBJECT: U.S. Agency for International Development's (USAID) Most Serious Management and Performance Challenges

This memorandum summarizes what the Office of Inspector General (OIG) considers to be the most serious management and performance challenges facing USAID.

The Report Consolidation Act of 2000 (Public Law 106-531) requires that agency performance and accountability reports (PAR) include a statement prepared by each agency's Inspector General that summarizes what the Inspector General considers to be the most serious management and performance challenges facing the agency and an assessment of the agency's progress in addressing those challenges. Our statement for inclusion in USAID's fiscal year 2006 PAR is attached.

We have discussed the management and performance challenges summarized in this statement with the responsible Agency officials. If you have any questions or wish to discuss this document further, I would be happy to meet with you.

Attachment: a/s

U.S. Agency for International
Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523
www.usaid.gov

Office of Inspector General's (OIG) Fiscal Year 2006 Statement on
USAID's Most Serious Management and Performance Challenges

USAID continues to face management and performance challenges in the areas of:

- **Financial Management**
- **Managing for Results**
- **Acquisition and Assistance**
- **Human Capital Management**
- **Information Technology Management**

The OIG has been reporting on these five areas since we issued our first statement in 2001.

Financial Management

Although USAID has made progress towards improving its financial management systems, significant challenges still exist in this area as follows:

Accrual Accounting and Reporting

USAID's system for capturing accrued expenditures and accounts payable information remains a material weakness that we plan to report in our annual financial statement audit. Errors associated with this weakness required a restatement of USAID's fiscal year 2004 financial statements (\$383 million) and material adjustments to its fiscal year 2005 financial statements (net \$309 million). This weakness includes errors associated with system-generated accruals as well as those calculated by Cognizant Technical Officers. In October 2006, USAID stopped using a separate system and began capturing accruals directly in its core accounting system—Phoenix. Since USAID is working with a new process and the OIG has not yet determined if USAID has resolved the deficiencies of its old accrual process, we continue to report accrual accounting and reporting as a management challenge.

Reconciliations of USAID's Fund Balance with the U.S. Treasury

USAID's process for reconciling its fund balance with the U.S. Treasury needs improvement. Specifically, USAID has not been consistently investigating and resolving reconciling items with the Department of Treasury and has been required to make significant end-of-year adjustments to bring its fund balance into agreement with Treasury's balance. USAID's fund balance with Treasury exceeded \$20 billion throughout 2005 and represented the largest single line item on its financial statements. USAID's net unreconciled amount with Treasury grew between 2004 and 2005 from \$95 to \$115 million, and it will likely grow further

until USAID implements procedures designed to resolve unreconciled transactions. The net amount contains significant unreconciled positive and negative values that are material to USAID's financial statements and significant to USAID's overall fund balance. Since USAID has not resolved significant unreconciled differences, we are reporting this as a management challenge.

Extensive Use of Manual Processes Limits Agency Compliance with Federal Financial Management System Requirements

OIG believes that USAID's reliance on manual processes for a significant portion of its financial management reporting limits its ability to comply with Federal financial management systems requirements. USAID's financial reporting process involves the consolidation of many accounting adjustments and system queries which require a multitude of data sources and complex calculations. The process is heavily dependent on manual adjustments that will continue to challenge USAID until it can demonstrate that the automated processes within Phoenix can consistently produce accurate quarterly and year-end financial information. OIG will continue to address these issues in our yearly financial statement audit.

Managing for Results

Managing a complex and diverse portfolio of worldwide activities is an inherent challenge for USAID managers. USAID conducts development programs in over 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, require that agencies link their performance results to budget and human capital requirements.

USAID managers continue to make progress in this area. For example, each quarter the Office of Management and Budget (OMB) scores each agency's status and progress towards implementing the President's Management Agenda. OMB developed a scoring system based upon the colors green, yellow, and red. A "green" rating indicates success and a "yellow" rating signifies mixed results, while a "red" rating is unsatisfactory. For the quarter ending June 30, 2006, OMB rated USAID's current status and progress in the budget/performance integration initiative as "green." However, the "green" rating only applies to this one aspect of Managing for Results. Therefore, although USAID is making progress towards meeting its budget/performance integration goals, more work remains to be done.

USAID's primary method for reporting the results of its activities is through its Annual Report. Each USAID operating unit provides information on the results attained with USAID resources; requests additional resources; and explains the use of, and results expected from, these additional resources. Information in these unit-level reports is consolidated to present an agency-wide picture of achievements in USAID's annual Performance and Accountability Report

(PAR). A recent OIG audit report¹, however, found weaknesses in the reporting system. Further, subsequent to field work on this audit, the OIG learned that components of the reporting system will be replaced by an integrated system to support the Department of State's Office of the Director of U.S. Foreign Assistance, which OIG believes may increase the challenges faced by USAID management.

The OIG continues to monitor USAID's progress in improving its performance management and reporting system. For performance information reported in the Management's Discussion and Analysis section of USAID's PAR for fiscal year 2005, OIG found no inconsistencies between financial and performance data or nonconformance with OMB guidance. This was an improvement over the prior fiscal year, when OIG reported that certain information included in the Management's Discussion and Analysis section did not contain a clear picture of USAID's planned and actual performance for that year. Moreover, OIG reported that the primary performance information included was based on results achieved in the prior fiscal year. USAID uses actual results for the first six months of the year and estimates results for the remaining six months. During the following year, USAID issues an addendum that updates actual results for the entire fiscal year. OIG is currently performing audit work on the results reported by selected missions in the addendum for fiscal year 2005 to determine the quality of the data reported.

Also for fiscal year 2005, the Management's Discussion and Analysis used USAID's New Strategic Planning Framework and Goal Structure contained in the Joint USAID/State Strategic Plan. This new framework was 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. OIG will continue to review progress in this area, including any consolidated systems within the Department of State's new Office of the Director of U.S. Foreign Assistance.

Acquisition and Assistance

The majority of USAID's development results are achieved through intermediaries such as contractors, grantees and recipients of cooperative agreements. 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, as well as in its delivery of foreign assistance.

For the quarter ending June 30, 2006, OMB's scorecard reported that USAID is making some progress in implementing the President's Management Agenda for competitive sourcing. Nevertheless, the scorecard rated the status of USAID's competitive sourcing as "red" or unsatisfactory—no change since the last report in March 2006.

¹ Audit of Selected Application Controls over the Annual Report Application System, A-000-06-005-P, dated September 27, 2006

During the past year, the OIG issued several performance audit reports dealing with acquisitions and assistance. One audit² involved the adequacy of scopes of work that USAID used in awarding field support task orders under indefinite quantity contracts. This audit determined that the scopes of work for the sampled field support task orders did not clearly define the specific goods and services being procured. The OIG recommended that USAID develop and issue improved policies and procedures, which USAID accomplished.

Another audit³ pertained to USAID's procurement evaluation program. The audit determined that USAID's evaluations of its procurement operations did not verify and ensure that USAID effectively implemented an Executive Order on Federal Procurement Reform. OIG made two recommendations to address the deficiencies identified in the audit.

Also, to help provide accountability over appropriated funds paid to contractors and grantees, USAID has a financial audit program that consists of financial audits conducted by the Defense Contract Audit Agency, as well as U.S. and foreign public accounting firms, with oversight by the OIG. However, USAID needs to make further improvements in this program, particularly overseas. For example, a series of seven OIG performance audits conducted in Africa during fiscal year 2006 found that many foreign recipients in that region were not always being audited on a timely basis and some were not being audited at all. Specifically, during fiscal years 2003 through 2005, less than 25 percent of planned financial audits of USAID contracts and grants were submitted on time, and over 100 contracts and grants, valued at more than \$300 million, should have been audited, but were not.

Human Capital Management

The President's Management Agenda identifies the strategic management of human capital as one of five government-wide areas that needs improvement. A decade of downsizing, insufficient funding, staff reductions, and reductions in training have created human capital gaps at USAID. These gaps include a workforce that is nearing retirement, has a void in the mid-management ranks, and is losing skills and institutional memory. In response to the President's Management Agenda's initiative on human capital and to address its own human capital challenges, USAID has undertaken a major effort to improve and restructure its human capital management. As of June 30, 2006, OMB gave USAID a "yellow" rating, reflecting mixed results for its overall status in the area of human capital management. USAID needs to continue to implement its workforce planning to close skill gaps through recruitment, retention, training, succession planning, and other strategies.

Also, the USAID Administrator now serves concurrently as the Director of U.S Foreign Assistance within the Department of State. He is charged with directing the transformation of the U.S. Government approach to foreign assistance to ensure that foreign assistance is used as effectively as possible to meet broad foreign policy objectives. This new management structure

² Audit of Scopes of Work for Field Support Task Orders Issued under USAID/Washington Indefinite Quantity Contracts, 9-000-06-008-P, dated May 17, 2006

³ Audit of USAID's Procurement Evaluation Program, 9-000-06-007-P, dated May 11, 2006

will create challenges such as how the Department of State and USAID consolidate functions. The challenge USAID faces in managing human capital may also increase with the ongoing Agency restructuring to align more fully the foreign assistance activities carried out by the Department of State and USAID. OIG plans to audit USAID's implementation of its human capital strategy during fiscal year 2007.

Information Technology Management

USAID has made progress towards addressing weaknesses in its information technology management. However, USAID faces management challenges as follows:

Implementing Homeland Security Presidential Directive – HSPD-12

The inherent challenges for integrating and coordinating with other Federal agencies represent only some of the numerous challenges USAID is likely to face in implementing this Government-wide initiative-- the Homeland Security Presidential Directive (HSPD) 12.

HSPD-12, signed by the President on August 25, 2005, is entitled "Policy for a Common Identification Standard for Federal Employees and Contractors." The Directive requires the development and agency implementation of a mandatory, Government-wide standard for secure and reliable forms of identification for Federal employees and contractors⁴ in gaining physical access to Federal facilities and logical access to Federal information systems. HSPD-12 is being implemented in two phases. OMB required agencies to begin complying with phase I by October 27, 2005, and phase II by October 27, 2006.

Preliminary data indicates that USAID is complying with phase I, but is unlikely to fully comply with phase II. According to USAID, it lacked the resources to fully comply. Potential challenges that USAID will likely face include:

- Defining an overall framework and policy for coordinating issues between USAID and the Department of State in support of HSPD-12.
- Defining and coordinating the managerial, operational and technical integration aspects between USAID and the Department of State for implementing physical and logical access.
- Tailoring an implementation plan for USAID's Washington, DC and overseas posts. (USAID intends to rely on the Department of State's implementation plan until one can be developed for USAID.)
- Obtaining resources to adequately define and develop logical access interfacing mechanisms to USAID's information systems.

OIG is monitoring USAID's progress in implementing HSPD-12, and a formal review on USAID's progress is planned for fiscal year 2007.

⁴ This standard applies to all employees (i.e., direct hire, Personal Service Contractors, employees on "loan" from other Federal agencies, etc.).

Information Technology Governance

In our March 2006 Semiannual Report to the Congress, we identified a management challenge in the area of information resource management [now referred to as Information Technology (IT) governance]. IT governance involves not only the duties and functions within the Office of the Chief Information Officer but that of all bureaus, divisions and offices in USAID. As such, IT governance is an Agency-wide challenge rather than a Chief Information Officer challenge. IT governance provides the structure that links Agency-wide strategies and objectives to IT processes, resources and information—which is especially important in an environment where funds are limited.

An OIG audit⁵ that assessed USAID's Phoenix Overseas Deployment and Procurement System Improvement Program (PSIP) projects reported that, among other things, USAID needs to:

- Develop an enterprise architecture.
- Enhance and fully utilize the capabilities of its Program Management Office.
- Develop complete policies and procedures governing its IT projects.

Moreover, OMB identified PSIP and the Joint Assistance Management System (a joint project with the Department of State) projects on its high risk investments list in its quarterly report ending June 30, 2006.

According to USAID management, the following steps have been taken to correct weaknesses:

- With respect to developing an enterprise architecture, USAID published the Data Architecture for Program Management and Results Reporting.
- To enhance the capabilities of the Program Management Office, USAID conducted an organizational assessment and developed a plan to combine the Program Management Office and the Office of Information Resources Management.
- Regarding policies and procedures, USAID published a standard IT Project Life Cycle Methodology that prescribes the recommended IT project baselines and government reviews.

USAID management further stated that a priority of the new Acting Chief Information Officer is IT governance policy, process, and standards development and implementation. We believe it is still a challenge for USAID to acquire, implement, and deploy systems, and we will monitor USAID's progress as corrective actions are taken in this area.

⁵ Audit of USAID's Information Technology Governance Over Its Phoenix Overseas Deployment and Procurement System Improvement Program Projects, A-000-06-001-P, dated February 21, 2006

MANAGEMENT CHALLENGES IDENTIFIED BY OIG

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and/or Expected Completion Date
FINANCIAL MANAGEMENT		
Accrual Accounting and Reporting	USAID no longer uses the Accruals Reporting System (ARS) to record quarterly accruals information. Beginning in September 2006, users enter their accrual data directly into the primary accounting system via the Accrual Query.	A reconciliation report has been developed to track accruals in the system. Action completed on October 30, 2006.
Reconciliations of USAID's Fund balance with the U.S. Treasury	Due to Operating Expense (OE) budget cuts and a tight Phoenix budget, a cash reconciliation tool was being considered, but was not developed and implemented before the end of this fiscal year. Reports, however, were developed that assist in tracking cash disbursement differences. Based on these reports, management can identify large discrepancies and address them.	The cash reconciliation tool will be completed by September 30, 2007.
Extensive Use of Manual Processes Limits Agency Compliance with Federal Financial Management System Requirements.	Due to the use of Phoenix at headquarters in some missions and Mission Accounting and Control System (MACS) in other missions, and the migration of financial data between MACS and Phoenix, adjustments had to be made to reconcile the data in two separate systems. The CFO believes that the use of manual processes will decrease now that the Phoenix integrated financial management system has been implemented Agency-wide. Action complete.	
MANAGING FOR RESULTS		
USAID's Performance Management and Reporting System	As part of foreign assistance reform and to improve upon USAID's performance management and reporting system, the Office of the Director of Foreign Assistance began development of the Foreign Assistance Coordination and Tracking System (FACTS) in FY 2006. FACTS is a database that will combine USAID and Department of State foreign assistance budget and performance planning and activity reporting data into one central system.	USAID and State's new FACTS system will be tested in November 2006 and will begin initial implementation by the end of CY 2006. This system will facilitate all levels of agency planning, monitoring, and data management. It will enable a more comprehensive reporting and monitoring of foreign assistance than was available with USAID's Annual Report system and will facilitate analyses of integrated budget and performance information. FACTS will be subjected to all of the internal controls necessary to ensure the integrity and confidentiality of the data. Data needed for the PAR will be reported annually by field missions and Washington offices. The reports will contain both planned and actual performance data against specific targets for the year.

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MANAGEMENT CHALLENGES IDENTIFIED BY OIG (continued)

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and/or Expected Completion Date
ACQUISITION AND ASSISTANCE		
The PMA scorecard rated the status of USAID's competitive sourcing as "red" or unsatisfactory.	<p>On May 16, 2006, USAID successfully completed its first outsourcing competition under the PMA. This streamlined competition encompassed facilities management functions conducted by four government employees and related contractor support. These responsibilities included space planning, answering maintenance calls, maintenance coordination, and general office support and coordination for facilities located in Washington, DC.</p> <p>The Agency began its second streamlined competition at the end of FY 2006 and initiated feasibility studies for two other possible competitions.</p>	<p>USAID looks forward to achieving a "Yellow" in competitive sourcing status by March 31, 2007.</p> <p>During FY 2007, USAID would like to make business process improvements in Washington and identify additional activities during Washington management assessments where competition may produce increased efficiency and cost savings.</p>
Scopes of work for sampled field support task orders under Indefinite Quantity Contracts (IQCs) did not clearly define the specific goods and services being procured.	<p>USAID developed and issued improved policies and procedures to govern the purpose, content, and use of field support task orders issued under small USAID/W IQCs. Action completed on May 17, 2006.</p>	
USAID's evaluations of its procurement operations did not verify and ensure that USAID effectively implemented an Executive Order on Federal Procurement Reform.	<p>USAID developed an action plan that includes implementation of the new Balanced Scorecard business model which will verify and ensure that USAID is effectively implementing Executive Order 12931 (Federal Procurement Reform). Action completed on May 11, 2006.</p>	<p>USAID will issue a policy requiring missions to implement recommendations made by evaluation teams. There is a built-in mechanism in the web-based scorecard that requires missions to address each recommendation from the previous year and how it has been implemented. This is in addition to the regular web-based scorecard information which will be certified and submitted by each mission on a yearly basis.</p> <p>Target completion date: December 31, 2006.</p>
USAID needs to make further improvements in its financial audit program, particularly overseas.	<p>USAID/South Africa developed and implemented an audit tracking system to monitor the recipient financial audit process to ensure timely submission of reports. Action completed on March 30, 2006.</p>	<p>USAID/Tanzania developed and implemented an audit tracking system to monitor the recipient financial audit process to ensure timely submission of reports. Action completed on October 2, 2006.</p>
	<p>USAID/REDSO/ESA developed and implemented an audit tracking system to monitor the recipient financial audit process to ensure timely submission of reports. Action completed on May 22, 2006.</p>	<p>USAID/Tanzania obtained and submitted audit reports for all recipients with delinquent audits. Action completed on October 2, 2006.</p>

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MANAGEMENT CHALLENGES IDENTIFIED BY OIG (continued)

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and/or Expected Completion Date
ACQUISITION AND ASSISTANCE (continued)		
USAID needs to make further improvements in its financial audit program, particularly overseas. (continued)	USAID/REDSO/ESA obtained and submitted all delinquent audit reports. Action completed on May 22, 2006.	USAID/Malawi developed and implemented an audit tracking system to monitor the recipient financial audit process to ensure timely submission of reports. Action completed on October 30, 2006.
	USAID/REDSO/ESA developed and implemented a system to ensure that the Mission reviews, approves, and maintains a copy of an audit agreement containing a standard statement of work that incorporates USAID's audit requirements for every recipient audit. Action completed on May 22, 2006.	USAID/Malawi developed and implemented a system to ensure that the Mission reviews, approves, and maintains a copy of an audit agreement containing a standard statement of work that incorporates USAID's audit requirements for every recipient's audit covering each individual fiscal year. Action completed on October 30, 2006.
	USAID/REDSO/ESA obtained and submitted audit reports for all expired awards requiring closeout audits. Action completed on May 22, 2006.	USAID/REDSO/ESA amended its Mission Order to ensure that closeout audits of expiring awards in excess of \$500,000 are included in future audit plans and performed as required. Action completed on November 11, 2006.
	USAID/Ethiopia included all host country contracts in its award inventory for fiscal year 2006. Action completed on May 31, 2006.	USAID/Ethiopia will obtain and submit all delinquent audit reports. Target completion date: November 30, 2006.
	USAID/Ethiopia amended its Mission Order to add procedures for including host country contracts in award inventories and annual audit plans, as appropriate. Action completed on May 31, 2006.	USAID/Mozambique will amend its Mission Order to ensure that closeout audits of expiring awards in excess of \$500,000 are included in future audit plans and performed as required. Target completion date: December 31, 2006.
	USAID/Malawi obtained and submitted audit reports for recipients with delinquent audits. Action completed on July 31, 2006.	USAID/Mozambique will include all identified host country contracts in its award inventory for fiscal year 2006. Target completion date: December 31, 2006.
	USAID/Ethiopia developed and implemented an audit tracking system to monitor the recipient financial audit process to ensure timely submission of reports. Action completed on August 31, 2006.	USAID/Mozambique will amend its Mission Order to include procedures for including host country contracts in award inventories and annual audit plans, as appropriate. Target completion date: December 31, 2006.
	USAID/Ethiopia developed and implemented a system to ensure that the Mission reviews, approves, and maintains a copy of an audit agreement containing a standard statement of work that incorporates USAID's audit requirements for every recipient audit covering each individual fiscal year. Action completed on August 31, 2006.	USAID/Kenya will develop and implement an audit tracking system to monitor the recipient financial audit process to ensure timely submission of reports. Target completion date: December 31, 2006.

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MANAGEMENT CHALLENGES IDENTIFIED BY OIG (continued)

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and/or Expected Completion Date
ACQUISITION AND ASSISTANCE (continued)		
<p>USAID needs to make further improvements in its financial audit program, particularly overseas. (continued)</p>	<p>USAID/Ethiopia obtained and submitted audit reports in accordance with requirements for all expired awards. Action completed on August 31, 2006.</p>	<p>USAID/Kenya will develop and implement a system to verify and document that the Mission reviews, approves, and maintains a copy of an audit agreement containing a standard statement of work that incorporates USAID's audit requirements for every recipient audit. Target completion date: December 31, 2006.</p>
		<p>USAID/Kenya will amend its Mission Order to document that closeout audits of expiring awards in excess of \$500,000 are included in future audit plans and performed as required. Target completion date: December 31, 2006.</p>
		<p>USAID/Kenya will amend its Mission Order to provide procedures for including host country contracts in award inventories and annual audit plans, as appropriate. Target completion date: December 31, 2006.</p>
		<p>USAID/South Africa will obtain and submit all delinquent audit reports. Target completion date: March 31, 2007.</p>
		<p>USAID/South Africa will develop and implement a system to ensure that the Mission reviews, approves, and maintains a copy of an audit agreement containing a standard statement of work that incorporates USAID's audit requirements for every recipient audit. Target completion date: March 31, 2007.</p>
		<p>USAID/South Africa will amend its Mission Order to ensure that closeout audits of expiring awards in excess of \$500,000 are included in future audit plans and performed as required. Target completion date: March 31, 2007.</p>
		<p>USAID/South Africa will complete and submit audit reports for all expired awards requiring closeout audits. Target completion date: March 31, 2007.</p>
		<p>USAID/South Africa will include all identified host country contracts in its award inventory for fiscal year 2006. Target completion date: March 31, 2007.</p>
		<p>USAID/South Africa will amend its Mission Order to include procedures for including host country contracts in award inventories and annual audit plans, as appropriate. Target completion date: March 31, 2007.</p>

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MANAGEMENT CHALLENGES IDENTIFIED BY OIG (continued)

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and/or Expected Completion Date
ACQUISITION AND ASSISTANCE (continued)		
USAID needs to make further improvements in its financial audit program, particularly overseas. (continued)		USAID/South Africa will complete and submit closeout audits for the two expired host country contracts with expenditures over \$500,000. Target completion date: March 31, 2007.
		USAID/Mozambique will obtain and submit audit reports for all expired awards requiring closeout audits. Target completion date: March 31, 2007.
		USAID/Mozambique will obtain and submit closeout audits for the 11 implementing instruments of the host country contracts in excess of \$500,000. Target completion date: March 31, 2007.
		USAID/Mozambique will obtain and submit audit reports for all recipients with delinquent annual audits. Target completion date: June 30, 2007.
		USAID/Kenya will obtain and submit audits for the two host country contracts that expended in excess of \$300,000 in one fiscal year. Target completion date: June 30, 2007.
		USAID/Mozambique will develop and implement an effective audit tracking system to monitor the recipient financial audit process to ensure timely submission of reports. Target completion date: September 30, 2007.
		USAID/Kenya will obtain and submit audit reports for all expired awards requiring closeout audits. Target completion date: October 30, 2007.

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MANAGEMENT CHALLENGES IDENTIFIED BY OIG (continued)

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and/or Expected Completion Date
HUMAN CAPITAL MANAGEMENT		
<p>USAID must demonstrate that staffing is being realigned to support implementation of the new Foreign Assistance Framework prior to moving to green status on the PMA scorecard.</p>	<p>The President’s Management Agenda (PMA) identifies strategic management of Human Capital (HC) as one of the five government-wide areas needing improvement. At the end of FY 2006, USAID received a ‘yellow’ status rating and a ‘green’ progress rating for strategic HC management. In FY 2006, the Agency continued its major efforts to improve its HC management with its first ever HC Strategic Plan, FY 2004-2008 as a road map. USAID refined its first ever workforce planning model down to specific missions and then to reflect the new Foreign Assistance Framework. As a result of a further enhancement undertaken in FY 2006, the model can now cost out alternative workforce scenarios and was used to guide the FY 2008 budget formulation process.</p>	<ul style="list-style-type: none"> ■ Make final decisions on restructuring Washington and field and how we are going to do business. ■ Update the Workforce Planning Model (WPM) to reflect the new organizational structures and business model and realign staff based on WPM results. ■ Target completion date: June 30, 2007.
<p>USAID needs to continue to implement its workforce planning to close skills gaps through recruitment, retention, training, succession planning and other strategies.</p>	<p>USAID began implementing its Learning Management System (LMS), an automated tool that will link workforce competency needs to appropriate training and developmental activities required to achieve and/or retain optimal workforce functionality. The Agency started automating its official personnel files (OPFs). This action will allow employees to access their own OPF via their desktop and will eliminate paper transaction records. The Agency also completed the Manage-to-Budget Pilots; implemented an OPM certified HC Accountability System; updated its leadership succession plan and further closed critical gaps with the aid of some short-term hiring mechanisms. It should be noted that all this was accomplished in a scarce Operating Expense (OE) budget resource environment that resulted in a temporary hiring freeze beginning in the second quarter of the fiscal year and a 50% cut in the training budget. Training was focused, almost exclusively, on meeting Agency and other federal mandates, e.g., Cognizant Technical Officer (CTO) certification, language training, and core business training needs. New courses were developed for new initiatives such as Operational Plans and the Manage to Budget process, to align our core business courses with the new Agency direction.</p>	<ul style="list-style-type: none"> ■ Complete the roll out of all modules of the Learning Management System. Target completion date: September 30, 2007. ■ Continue to improve hiring processes quality and timeliness. Target completion date: March 31, 2007. ■ Meet competency gap targets by March 30, 2007. ■ Conduct first annual self-audit (accountability assessment) of Agency’s HC management. Target completion date: September 30, 2007. ■ Update Management and Leadership Strategic Succession Plan in accordance with new government-wide guidance from OPM. Target completion date: September 30, 2007.

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MANAGEMENT CHALLENGES IDENTIFIED BY OIG (continued)

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and/or Expected Completion Date
INFORMATION TECHNOLOGY MANAGEMENT		
<p>Implement Homeland Security Presidential Directive – 12 (HSPD-12),</p>	<ul style="list-style-type: none"> ■ Developed processes and procedures to meet PIV II requirements for new employees and new contractors. ■ Trained appropriate personnel on new processes and procedures. ■ Purchased some of the components required to begin issuing PIV Cards. ■ Drafted agreement between USAID and Department of State. ■ Issued a Policy Directive to incorporate HSPD-12 FAR clause in USAID contracts. 	<ul style="list-style-type: none"> ■ Issue new PIV Cards to all existing employees and contractors domestically by October 27, 2008. ■ Work with Department of State to implement and issue PIV Cards overseas by October 27, 2008. ■ Management Decision for Identity Management System is pending funding for engineering study. ■ Inability to phase in physical access requirements of PIV Card by October 27, 2007 due to lack of funding. ■ Inability to meet phase-in logical access requirements of PIV Card by October 27, 2007 due to lack of funding. ■ Expect to begin implementation enrollment and issuance of PIV Cards to new employees and new contractors October 30, 2007. <p>*USAID is currently utilizing the Department of State’s HSPD-12 solution in order to meet October 27, 2006 deadline. USAID’s schedule for issuing PIV Cards is dependent on State. Future milestones to meet the physical and logical access requirements are contingent upon the availability of funding and human resources. Funding issues are being discussed with senior leadership and a decision is expected for FY 2007 funding by November 2006 and FY 2008 funding by January 2007, which will allow basic planning and engineering to commence.</p>
<p>Information Technology Governance</p>		
<p>IT Strategic Planning</p>	<p>USAID and the Department of State drafted a Joint IT Strategic Plan that is currently undergoing the clearance process in both organizations.</p>	<p>Discussions are being held with Department of State concerning the degree of integration with State’s intranet and other USAID infrastructure requirements and costs. A decision is expected by December 2006 and a revised plan should be cleared and published shortly after that.</p>

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MANAGEMENT CHALLENGES IDENTIFIED BY OIG (continued)

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and/or Expected Completion Date
INFORMATION TECHNOLOGY MANAGEMENT (continued)		
Enterprise Architecture (EA)	USAID published the Data Architecture for Program Management and Results Reporting in August 2006. It is being used as a resource by the working group that is mapping existing data and supporting the Strategic Objective to the new Foreign Assistance Strategic Framework. The Joint USAID and Department of State Enterprise Architecture (JEA) Team provided Business Analysts to work with Joint Management Council (JMC) Working Groups to define transition opportunities in such areas as staff alignment, investment consolidation, regionalization and centralization of services, joint field operations, and network and IT alignment.	With the exception of the Data Reference Model, all other models have been completed as joint models with Department of State. A USAID Data Reference Model is being finalized and should be cleared and published by December 2006.
IT Policy and Practice Standards	USAID published an IT Project Life Cycle Methodology standard that describes the recommended project baselines and government reviews. Phase gate review checklists and phase artifact quality factor guidelines have been developed. USAID also defined an IT Project Work Breakdown Structure (WBS) standard to assist Project Managers in ensuring that full life cycle costs for investments are identified.	The CIO will move to provide project funding allotments to projects based upon successful phase gate reviews, completion of engineering and management activities, and supporting documentation. All major IT development policies, standards, and procedures are being rolled out as they become available; completion is expected by September 30, 2007.
Institutionalizing Governance	Responding to deficiencies and gaps identified in various audits and the Management Bureau Assessment, the Acting CIO conducted an organizational assessment and redefined a restructuring that combined the Office of Information Resources Management and the Program Management Office. IT Governance policy and process definition responsibility is explicitly called out, as are portfolio and project performance management responsibilities.	IT policies, standards, and procedures are being published and training is occurring for all IT stakeholders. The CIO is developing a portfolio management process that is tied to an updated Capital Planning and Investment Control (CPIC) process. By September 30, 2007 the processes should be fully institutionalized.

MANAGEMENT CHALLENGES IDENTIFIED BY GAO

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and/or Expected Completion Date
<p>To better facilitate USAID's ability to design and implement future disaster recovery programs and address its previously documented recurring staffing challenges, GAO recommends revising staffing procedures to allow the Agency to more quickly reassign or hire key personnel, either to augment staff responsible for disaster recovery efforts in countries with a USAID mission or to manage efforts in countries where USAID does not maintain a permanent presence.</p>	<p>The Agency has developed a crisis management model that utilizes task forces composed of USAID and other key USG department and agency personnel to provide an effective, integrated platform for complex emergency and stabilization responses.</p>	<p>USAID has proposed the development of a "civilian surge capacity" which, if approved and funded, would give USAID over a three-year time period the ability to grow short-to-long-term staff on an as needed basis. Target completion date: September 30, 2008.</p>
<p>GAO recommends USAID develop disaster recovery and reconstruction program guidance that incorporates lessons learned from the Hurricane Ivan Recovery and Reconstruction Program and Tropical Storm Jeanne Recovery Program as well as previous disaster recovery programs.</p>	<p>USAID has established an agency task force for complex emergency and stabilization responses. The Agency Task Force model has been activated twice – once for the Tsunami and again for the Pakistan Earthquake. An example of lessons learned, generated by the Tsunami Task Force, is available on the USAID intranet and can be found at http://inside.usaid.gov/tsunami/lessons.html.</p>	
<p>To assist contractors operating in hostile environments to obtain security services required to ensure successful contract execution, GAO recommends that USAID explore options that would enable contractors to obtain such services quickly and efficiently.</p>		<p>USAID is in the final stages of developing Agency guidance with respect to the security challenges of its implementing partners. USAID has implemented a variety of initiatives to address the security concerns as well as to help identify security needs and requirements. Target completion date: September 30, 2008.</p>

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MANAGEMENT CHALLENGES IDENTIFIED BY GAO (continued)

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and/or Expected Completion Date
<p>To improve the ability to assess the impact of and manage security costs in future reconstruction efforts, GAO recommends that USAID establish a means to track and account for security costs to develop more accurate budget estimates.</p>	<p>One of the challenges of tracking security costs pertains to the difficulty in identifying a standard definition. USAID has developed a standard definition of security costs which will be applied to all new contracts and agreements. This will result in more accurate reporting of security costs. USAID/Iraq is also adding a security cost field into a prototype of its new management reporting system to allow USAID to analyze and better report security costs. Action complete.</p>	
<p>To improve on existing efforts to measure and assess the progress of U.S. reconstruction projects toward achieving U.S. policy goals, and to provide a basis for planning future reconstruction projects, GAO recommends that USAID:</p> <p>(1) establish a performance management plan that complies with USAID directives, (2) clearly stipulate in all future reconstruction contracts that contractors are to develop performance management plans specific to the work they are conducting, and (3) more completely communicate the performance information obtained from the performance management plans to executive branch decision makers in Kabul and Washington.</p>	<p>(1) USAID/Afghanistan prepared a Performance Management Plan (PMP). The preliminary performance indicators for each of the approved strategic objectives and related intermediate results, along with the preliminary baselines and targets were provided in the Mission's strategic plan. In an effort to streamline data collection, contracts and grants now require awardees to provide quarterly activity updates by entering this data into the Mission's web-based database system. This periodic reporting will facilitate measurement under the PMP.</p> <p>(2) USAID requires contractors to enter their program information into the web-based database. All future reconstruction contracts will require contractors to develop performance management plans linking their work to the Mission's PMP.</p> <p>(3) The results of USAID/Afghanistan's most visible projects are closely tracked. These "metrics" are now being updated by an interagency team in Kabul. Actions complete.</p>	

IMPROPER PAYMENT INFORMATION ACT (IPIA) REPORTING DETAILS

Although the 2006 risk assessment concluded that all programs are at a low risk for improper payment and the declining error rate remains far below the OMB guidance thresholds, the Agency continues to conduct various levels of internal improper payment reviews and samplings for all programs and payment activities throughout the year. Additionally, all new programs, high profile programs, and high dollar programs are considered risk-susceptible and subject to further analysis and review.

As in past years, the Agency continues to rely heavily on the OIG post-audit reviews as one of the primary methods of sampling and estimating the improper payment rate for the cooperative agreement, grant and contract programs. All nonprofit U.S.-based organizations that expend \$500,000 or more in Federal awards are subject to an OMB Circular A-133 financial audit which is reviewed by the Agency's OIG. All foreign nonprofit organizations that expend \$300,000 during their fiscal year in USAID awards are subject to a recipient-contracted audit (RCA) performed by approved Certified Public Accountant (CPA) firms which are reviewed by the respective USAID Regional Inspector General (RIG) overseas. All USAID commercial vendor contracts with incurred-cost submissions are subject to an annual Defense Contract Audit Agency (DCAA) audit. The Agency's procurement office also reviews the OIG recommendations for ongoing audits to ensure payments to recipients are accurate and proper. The OIG tracks audit review activities in the Consolidated Audit Tracking System (CATS) while the Office of the CFO reviews and calculates the improper payment rate for these programs. Currently, the Office of the CFO and the OIG are reviewing the process for capturing audit activities and formulating questioned costs, error and recovery rates to ensure that the CATS is a reliable tool for providing IPIA activity information.

Additionally, all payments processed through the Agency's financial and accounting system, Phoenix, are subject to a series of monthly internal reviews by CFO staff who analyze and compare data outputs/reports, cross-reference and compare this data to ensure that payment data is accurate, and monitor the improper payment rate on an ongoing basis. The sampling of the financial systems review includes setting report parameters to identify all potential duplicate payments by vendor, invoice number and dollar value. Each potential improper payment that is identified is investigated regardless of the dollar value. The monthly reports reviewed include the Phoenix Disbursement, Metric Tracking System (MTS) Indicator, Schedule of Disbursements and Credits (SF1098), Cash Management and Payment Metrics and the Penalty Interest reports.

OMB Circular A-133 requires the auditor to audit the entire universe of federal awards, including sub-awards. Therefore, any excess billing or amount that is unallowable will be questioned by the auditor. The auditor's report is sent to the Clearinghouse for submission to the Office of the Inspector General (OIG). Upon review, the audit report is sent to the Agency's procurement office for follow-up.

OMB Circular A-133, Sub-part C, Section 310(1)(2)(3) Financial Statements, states:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For research and development (R&D), total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health (NIH) is a major subdivision in the Department of Health and Human Services (DHHS).

- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual program and Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

Upon receiving the A-133 audit reports from the recipients, the Agency's procurement office sends a letter to the recipient and, if the recommendation involves questioned costs, the Agency requests payment. If the findings are procedural, the Agency asks the recipient to provide a corrective action plan with a timeline for correcting the deficiencies. The Agency follows up on the action plan until the deficiencies are corrected and asks the audit firm to include a follow-up on the implementation of the corrective action plan to ascertain if the deficiencies were corrected appropriately.

Programs	2005			2006		
	PY Outlays	PY IP %	PY IP \$	CY Outlays	CY IP %	CY IP \$
Cash Transfers*	1,402,247	0.0670%	940	850,988	0.8252%	7,022
Cooperative Agreements, Grants & Contracts*	4,592,303	0.0045%	207	6,846,201	0.2200%	15,062

Programs	2007			2008			2009		
	CY+1 Est. Outlays	CY+1 IP %	CY+1 IP \$	CY+2 Est. Outlays	CY+2 IP %	CY+2 IP \$	CY+3 Est. Outlays	CY+3 IP %	CY+3 IP \$
Cash Transfers	1,559,635	0.0250%	390	1,707,700	0.0100%	171	1,823,064	0.0080%	146
Cooperative Agreements, Grants & Contracts	4,902,538	0.0450%	2,206	5,233,732	0.0250%	1,308	5,587,300	0.0018%	101

Source of Data:

- 2005 and 2006 Net Outlays
- CFO/CMP Internal Control reports
- OIG's Consolidated Audit Tracking System
- Washington Disbursements equal approximately 75% of total outlays

* 2005: The Cash Transfers, Grant/Contracts programs were identified as risk susceptible due to the fact that they represent 88% (22% & 66% respectively) of total outlays for the year.

* 2006: The Cash Transfers, Grant/Contracts programs were identified as risk susceptible due to the fact that they represent 77% (9% & 68% respectively) of total outlays for the year.

USAID grant and contract program payment activities have been labeled risk-susceptible due to the high-dollar value of these programs and they continue to be closely monitored to ensure compliance with the provisions of the IPIA.

The Iraq Reconstruction and the Afghanistan Assistance and Reconstruction programs are large-dollar value and high-profile procurement and payment activities and additional controls are in place to monitor these activities. The Office of the CFO monitors and reports monthly on these financial activities as well as compiles individual expenditure reports for the reconstruction and assistance program activities in Afghanistan and Iraq. This information is consolidated into monthly reports and is disseminated to stakeholders, internal and external clients, including USAID Missions and Bureaus, as a tool to monitor their program and payment activities and to increase overall transparency of these high-profile programs. Although we have high confidence in the internal controls in place for making cash transfers to foreign governments and foreign bank accounts, we have included this payment activity as risk-susceptible due to the large-dollar volume of these activities. These activities are also subject to the series of monthly internal reviews conducted by CFO

staff that analyze and compare data outputs/reports, cross- reference and compare this data to ensure that payment data is accurate, and monitor the improper payment rate on an ongoing basis.

Earlier this year, the Office of the CFO explored the feasibility of using various professional recovery auditor services to assist in the identification and recovery of potential erroneous payments and have engaged the services of Horn & Associates, Inc. /Recovery Auditors. The contract is in place, most of the security clearance processes have been completed, and some of the recovery auditors are on board. The recovery auditors are scheduled to start their internal recovery audit review in November 2006 and they expect to issue their first report of findings with 60-90 days. These findings will be reported in the 2007 PAR. In the interim, the Agency has been using Phoenix to monitor, sample and analyze payment data and activity.

In 2006, USAID started data-mining in Phoenix, abstracting and identifying data that may be indicative of an improper payment. Thousands of payment records that fell within the erroneous payment parameters set for warranting further scrutiny were reviewed. Upon final analysis and review, it was determined that almost all of these payments were indeed proper. The few payments that remained suspect were further investigated and the funds were collected and/or previously collected and the items closed.

A noteworthy accomplishment that was crucial to enhancing internal financial controls was the completion of the rollout of Phoenix overseas. As a result of the completed unified systems implementation, the Office of the CFO now has the capability to monitor, sample and analyze USAID’s financial and payment activities worldwide.

The following chart reflects recoveries for grant and contract programs:

Agency Component (if applicable)	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported	Amounts Identified for Recovery	Amounts Recovered CY	Amounts Recovered PY(s)
Grants/Contracts	6.8B	6.8B 3.28B*	NA 9.1M*	NA 9.09M*	NA 4.4M*
Cash Transfers	850M	850M	8M	8M	N/A

* Per post-audit reviews conducted by the OIG in 2006.

During 2006, CFO staff were actively engaged in the ongoing review, sampling, identification and the implementation of the necessary internal controls. In addition, training was provided to staff on meeting the President’s goal to eliminate improper payments. In 2007, Cash Management and Payment (CMP) staff within the Office of the CFO will be submitting reports on regular intervals to the CMP Division Chief who will monitor progress on the reduction and recovery of improper payments and report results to the Deputy CFO and CFO. Agency managers will be working closely with the professional recovery auditors on reducing and recovering improper payments. Additionally, work objectives related to reducing improper payments will be incorporated in relevant CMP staff 2007 work plans to further ensure compliance with IPIA.

The information systems and infrastructure are in place to reduce improper payments with the recent completion (August 2006) of the overseas rollout of Phoenix, enabling access to worldwide financial and payment activity.

Now that USAID in Washington has the capability to access and review the financial payments activities worldwide through Phoenix, future IPIA review efforts to minimize the risk of making erroneous or improper payments will be more streamlined, yielding enhanced effectiveness, efficiency and results.

APPENDICES





(Above) This man stands on a road that he and his Albanian, Serbian, and Roma Kosovar neighbors built. Under USAID's Municipal Infrastructure and Support Initiative (MISI), projects must benefit and engage mixed communities.

PHOTO: PATRICIA ORLOWITZ, USAID/KOSOVO

(Preceding page) A Muslim girl in Tanzania can afford to attend secondary school, thanks to income from a USAID-funded agricultural program.

PHOTO: DANIEL SCHWARTZ

APPENDIX A

JUSTIFICATIONS FOR EXCLUDED INDICATORS





Justifications are provided for indicators from the FY 2006 Joint Performance Plan not included in the PAR's Joint Performance Section. Each indicator shows the logo of the responsible agency, as indicated below:




USAID



Department of State

Strategic Goal I: Regional Stability	
I/P: Military Assistance for New NATO and NATO Aspirant Nations	
 Indicator: Number of Countries Reaching Sustainable State of Niche Capabilities	
Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.
I/P: Regional Stability in East Asia and the Pacific	
 Indicator: Status of U.S.-South Korean Relations	
Indicator Type	Outcome
Revised	Indicator Removed
Justification	Scope of indicator too narrow. Does not directly measure expected result.
I/P: Conflict Management and Mitigation	
 Indicator: Number of African Armed Conflicts Resolved and Peace Support Missions Concluded	
Indicator Type	Outcome
Revised	Indicator Removed
Justification	Scope of indicator too narrow. Does not directly measure expected result. Issue covered by another indicator.
I/P: Peace Support Operations	
 Indicator: Percentage of EIPC-funded, PSO-Trained Countries That Pledge Military Units or Participate in the UN Peacekeeping Standby Arrangement System or Multinational Military Operations of High U.S. Foreign Policy Interest	
Indicator Type	Output
Revised	Indicator Removed
Justification	Scope of indicator too narrow. Does not directly measure expected result.

Strategic Goal 1: Regional Stability (continued)	
I/P: Iraq Reconstruction and Economic Development	
	Indicator: Per Capita Growth Domestic Product (GDP)
Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not directly measure expected result. Result not attributable to USG activities.
I/P: Security Assistance to Sub-Saharan Africa	
	Indicator: Rate of Program Country Sustainment – Cost to Train and Equip One Battalion of U.S.-trained or U.S. Trainer-trained African Peacekeeping Troops
Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.
I/P: Contributions for International Peacekeeping Activities	
	Indicator: Total Assessed UN Peacekeeping Mission Expenditures Divided by the Total UN Peacekeeping Mission Staff
Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.
	Indicator: Per Unit Cost of USG-Funded OSCE Election Observation
Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.

Strategic Goal 2: Counterterrorism	
I/P: Diplomatic Engagement	
	Indicator: Number of Completed Bilateral and Multilateral Counterterrorism (CT) Meetings and Conferences
Indicator Type	Input
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

Strategic Goal 2: Counterterrorism (continued)

I/P: Anti-Terrorism Assistance



Indicator: Average Length of Time a Country Spends in Basic Training Programs Before Achieving Sustainment of Basic Anti-Terrorism Capacities

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.

I/P: Terrorist Interdiction Program



Indicator: Number of Terrorist Interdiction Program (TIP) Personal Identification Secure Comparison and Evaluations System (PISCES) Phased Installations Completed per Yearly Appropriation

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.



Indicator: Percentage of the Highest Priority Countries Capable of Screening for Terrorists Through Implementation of the Terrorist Interdiction Program

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Issue covered by another indicator.



Indicator: Number of Highest Priority Foreign Ports of Entry Equipped to Conduct Terrorist Watchlisting in Cooperation with the United States

Indicator Type	Output
Revised	Indicator Removed
Justification	Scope of indicator too narrow. Does not directly measure expected result.

I/P: Foreign Military Financing (FMF) and International Military Education and Training (IMET) in the Western Hemisphere (PART Program)



Indicator: Ratio of FMF Program Costs to the Number of Personnel in the Colombian Armed Forces

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.

Strategic Goal 2: Counterterrorism (continued)

I/P: Combating Terrorist Financing



Indicator: Yearly Number of Names Designated Under Executive Order (E.O.) 13224 for Terrorist Asset Freezing

Indicator Type	Output
Revised	Indicator Removed
Justification	Scope of indicator too narrow. Does not directly measure expected result.



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

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Does not directly measure expected result.



Indicator: Number of Foreign Countries Submitting Names to the UN 1267 Sanctions Committee's Consolidated List

Indicator Type	Output
Revised	Indicator Removed
Justification	Scope of indicator too narrow. Does not directly measure expected result.

I/P: Foreign Emergency Support Team (FEST)



Indicator: The Department's Ability to Respond to Terrorist Incidents and Exercise Its Lead Agency Responsibilities with the Foreign Emergency Support Team (FEST)

Indicator Type	Input
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

I/P: Terrorist Financing Assistance Initiative



Indicator: Number of Financial Action Task Force (FATF) Members Evaluated; if Approved, Number of Evaluations Successfully Conducted by the USG on Behalf of FATF

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

Strategic Goal 2: Counterterrorism (continued)

I/P: Top Officials Exercise (TOPOFF)



Indicator: The Department's Ability to Provide the International Component to the DHS Top Officials National Exercise Plan

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Does not directly measure expected result.

I/P: Bioterrorism Response



Indicator: Status of the Global Health Security Action Group (GHSAG)

Indicator Type	Input
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Does not directly measure expected result.

I/P: Diminish Potential Underlying Conditions of Terrorism in Iraq



Indicator: Level of Economic Aid to Iraq

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not directly measure expected result.



Indicator: Progress of Alternative Education System Establishment in Iraq

Indicator Type	Output
Revised	Indicator Removed
Justification	USAID is no longer implementing education programs in Iraq.



Indicator: Progress of Economic Opportunity in Iraq

Indicator Type	Output
Revised	Indicator Removed
Justification	The indicator "Progress of Economic Opportunity in Iraq" does not measure its intended result and thus does not provide an accurate representation of USAID's economic development programs.

Strategic Goal 2: Counterterrorism (continued)	
I/P: Diminish Potential Underlying Conditions of Terrorism in Iraq (continued)	
 Indicator: Progress of Local Governance Establishment in Iraq	
Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not directly measure expected result. Result not attributable to USG activities.
I/P: Diminish Potential Underlying Conditions of Terrorism in Afghanistan	
 Indicator: Moderate Government Strength in Afghanistan	
Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not directly measure expected result. Result not attributable to USG activities.
I/P: Diminish Conditions Exploited by Terrorist Recruitment in Other Frontline States	
 Indicator: Extent of Support for Alternative Education Systems	
Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not directly measure expected result. Issue covered by another indicator.
 Indicator: Progress of Civilian Livelihood Opportunities Expansion	
Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not directly measure expected result.
I/P: Diminish Conditions Exploited for Terrorist Sanctuary in Other Frontline States	
 Indicator: Progress of Stable and Moderate Governments Establishment	
Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not directly measure expected result.

Strategic Goal 3: International Crime and Drugs

I/P: Andean Counterdrug Initiative



Indicator: Cost Per Hectare Sprayed

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.



Indicator: Foreign Cultivation of Coca in Hectares

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Issue covered by another indicator.

I/P: International Law Enforcement



Indicator: Status of UN Convention Against Corruption

Indicator Type	Outcome
Revised	Indicator Removed
Justification	The data set that we rely on for the measure comes from the Defense Intelligence Agency's (DIA) Interagency Assessment of Cocaine Movement (IACM). Over the past several years, DIA has been increasingly concerned about the validity of its estimate for cocaine entering the U.S. arrival zone, and since 2005 DIA has decided not to publish an official estimate but to give an increasingly widening range that undermines the indicator's usefulness as a performance measure (for 2005 the range is between 397 MT and 964 MT).



Indicator: Status of Regional Anticorruption Initiatives

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Issue covered by another indicator.



Indicator: Status of Financial Action Task Force on Money Laundering (FATF) List of Non-Cooperative Countries and Territories (NCCT)

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Issue covered by another indicator.

Strategic Goal 3: International Crime and Drugs (continued)

I/P: Combating Environmental Crime



Indicator: Capacity for Good Environmental Governance in Key Developing Countries

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not directly measure expected result.

I/P: International Narcotics and Law Enforcement in the Western Hemisphere (PART Program)



Indicator: Seizures Per Program Cost; Cash Value of Illicit Drugs Seized Over International Network on Environmental Compliance and Enforcement Funds Expended

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.



Indicator: Reduce the Flow of Illicit Drugs into the U.S. Arrival Zone by Improving International Law Enforcement Capabilities

Indicator Type	Outcome
Revised	Indicator Removed
Justification	The data set that we rely on for the measure comes from the Department of Defense's Interagency Assessment of Cocaine Movement (IACM). Since 2005, Defense has decided not to publish an official estimate but to give an increasingly widening range that undermines the indicator's usefulness as a performance measure (for 2005 the range is between 397 MT and 964 MT).

Strategic Goal 4: Democracy and Human Rights

I/P: Engagement to Advance Democracy



Indicator: Strength of Local Governance

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not directly measure expected result. Does not provide context for result.



Indicator: Civil Society Functioning

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not directly measure expected result. Does not provide context for result.



Indicator: Corruption Mitigated in Priority USAID Countries

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Issue covered by another indicator.



Indicator: Constituencies Political Parties Represent

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not directly measure expected result. Does not provide context for result. Issue covered by another indicator.



Indicator: Country Ratings in Human Rights Reports of the Right of Citizens to Change Their Government

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Does not directly measure expected result. Issue covered by another indicator.

I/P: Reform of Democratic Systems and Practices in Europe and Eurasia



Indicator: Monitoring Country Progress Democracy Index

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not directly measure expected result. Does not provide context for result. Issue covered by another indicator.

Strategic Goal 4: Democracy and Human Rights (continued)

I/P: Human Rights & Democracy Fund (HRDF)



Indicator: Percentage of HRDF-funded Countries Which Show a Positive Change (Decrease on the Scale) on Their Freedom House (FH) Freedom in the World Score

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Issue covered by another indicator.



Indicator: Operating Costs Divided By the Number of Projects Managed

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.

I/P: Support for East European Democracy (SEED) / Freedom Support Act (FSA)



Indicator: ACE Administrative Costs as a Percent of All Assistance Coordinated by ACE

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.

I/P: Economic Support Fund (ESF) – Western Hemisphere Affairs



Indicator: Corruption Perceptions Index for ESF Recipients in WHA

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Issue covered by another indicator.



Indicator: Ratio of Administrative Costs to Program Funding

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.

Strategic Goal 4: Democracy and Human Rights (continued)

I/P: Bilateral and Multilateral Diplomacy



Indicator: Number of UNCHR States With Negative Human Rights Records

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Issue covered by another indicator.
Justification	No need to cite data source in indicator title.

I/P: Labor Diplomacy and Advocacy for Workers' Rights



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

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Issue covered by another indicator.

Strategic Goal 5: Economic Prosperity and Security

I/P: Growth and Development Strategies



Indicator: Monitoring Country Progress Index for Economic Reform

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Issue covered by another indicator.

I/P: Science-Based Decision-Making and Standards Development



Indicator: Effectiveness of Contacts Between Science and Technology (S&T) Communities and Policymakers

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

I/P: United Nations Development Program (UNDP)



Indicator: Operational Support Costs as a Percentage of Total Costs

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.

Strategic Goal 5: Economic Prosperity and Security (continued)

I/P: Create Open and Dynamic World, Regional and National Markets



Indicator: Non-Oil Exports from USAID-Assisted Countries

Indicator Type	Output
Revised	Indicator Removed
Justification	USAID's Economic Growth Agriculture and Trade Bureau (EGAT) is unable to verify the FY 2006 results.



Indicator: Number of Market Opening Transportation Agreements in Place

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Issue covered by another indicator.



Indicator: Number of Countries with Laws and Regulations Inconsistent with the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Issue covered by another indicator.



Indicator: Adoption of U.S. Telecom, Information Technology (IT), and Radio Communication Proposals/Positions and Standards/Recommendations Favorable to U.S. Businesses in International Telecommunications Agreements and Declarations

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Issue covered by another indicator.

I/P: Integrating Environmental Protection and Trade



Indicator: Progress of Establishment of Trade Agreements and Environmental Cooperation Mechanisms That Enhance International Protection and Preservation of the Environment While Avoiding Disguised Barriers to Trade

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Issue covered by another indicator.

Strategic Goal 5: Economic Prosperity and Security (continued)

I/P: Genetic Resources Initiative



Indicator: Extent to Which International Environmental Regulations Concerning Agricultural, Medicinal, and Other Biotechnology Products Do Not Create Unreasonable Restrictions to Markets

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Does not directly measure expected result. Issue covered by another indicator.

I/P: Secure Energy Supplies



Indicator: Level of Support for Energy Sector Policy Reform






Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Does not directly measure expected result.

I/P: Food Security



Indicator: Number of People Receiving Title II Food Assistance

Indicator Type	Output
Revised	Indicator Removed
Justification	The results for this indicator are covered in the “Number and Percent of Beneficiaries Assisted by USAID Title II Emergency Food Aid” indicator in the Performance Section.

Strategic Goal 6: Social and Environmental Issues	
I/P: Maternal and Reproductive Health	
 Indicator: Total Fertility Rate (TFR) - Trend	
Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not directly measure expected result. Does not provide context for result. Issue covered by another indicator.
 Indicator: Percent of Need Satisfied with Modern Contraceptive Methods	
Indicator Type	Output
Revised	Indicator Removed
Justification	Does not directly measure expected result. Does not provide context for result. Issue covered by another indicator.
 Indicator: Percent of Births Parity 5 or Higher	
Indicator Type	Output
Revised	Indicator Removed
Justification	Does not directly measure expected result. Does not provide context for result. Issue covered by another indicator. Not clear to lay reader.
I/P: Population	
 Indicator: Management Reforms at UNFPA	
Indicator Type	Outcome
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.
I/P: Institutionalizing Sustainable Development	
 Indicator: Extent to Which Key Institutions and Processes Highlight Energy, Water, Domestic Good Governance Issues, Education, Agriculture, Environment, and Economic Growth and Adopt Approaches that Support the Implementation of Sustainable Development Projects	
Indicator Type	Outcome
Revised	Indicator Removed
Justification	Multi-component narrative describes activities rather than measuring results. Issue covered by another indicator.

Strategic Goal 6: Social and Environmental Issues (continued)

I/P: Coastal and Marine Resources



Indicator: Status of Agreements Regarding Living Marine Resources

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Multi-component narrative describes activities rather than measuring results. Issue covered by another indicator.



Indicator: Status of Agreements to Promote International Ocean Governance

Indicator Type	Output
Revised	Indicator Removed
Justification	Multi-component narrative describes activities rather than measuring results. Issue covered by another indicator.



Indicator: Partnerships to Build Capacity for the Sustainable Use and Protection of Marine Resources

Indicator Type	Output
Revised	Indicator Removed
Justification	Multi-component narrative describes activities rather than measuring results. Issue covered by another indicator.



Indicator: Impact of Scientific Research on Marine Resource Decision-Making

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Issue covered by another indicator.



Indicator: Hectares of Coastal and Marine Ecosystems Under Management

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not provide context for result.



Indicator: Number of Coastal and Marine Policies, Laws, or Regulations Developed, Adopted, and Implemented

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not provide context for result. Issue covered by another indicator.

Strategic Goal 6: Social and Environmental Issues (continued)

I/P: International Fisheries Commissions



Indicator: Great Lakes Fishery Commission (GLFC): Percentage of Habitat Controlled with Sea Lamprey Barriers

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.



Indicator: Northwest Atlantic Fisheries Organization (NAFO): Average Publishing and Correspondence Expenditure Per Document in Canadian Dollars

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.



Indicator: International Whaling Commission (IWC): Intersessional Meeting Costs as a Percentage of Total Meeting Costs

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.

I/P: Conservation of Biological Diversity, Protected Areas, Forests, and Other Natural Resources



Indicator: Status of Agreements and Programs Related to Forest Conservation

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

I/P: Global Climate Change



Indicator: Status of Bilateral Climate Change Partnerships

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Multi-component narrative describes activities rather than measuring results. Appropriate for internal management purposes only. Not reported to the general public.



Indicator: International Treaties and Organizations

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Multi-component narrative describes activities rather than measuring results. Issue covered by another indicator.

Strategic Goal 7: Humanitarian Response

I/P: Humanitarian Assistance



Indicator: UNHCR Inventory Control: Value of Non-Expendable Items Procured/ Total Value of Recorded Non-Expendable Property Procured (PART Program: United Nations High Commissioner for Refugees)

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.



Indicator: Reduction in Time Migrants From the Former Soviet Union Stay at Absorption Centers, Thereby Reducing Cost (PART Program: Humanitarian Migrants to Israel)

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.

I/P: Refugee Admissions to the U.S.



Indicator: Total Average Cost per Refugee Arrival in the U.S.

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.

I/P: Humanitarian Mine Action



Indicator: Percentage of Countries Targeted for End State* in 2009 That Are Meeting All Capacity-Building Targets as Defined in Their Country Plans

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Not easily understood by lay reader.



Indicator: Number of U.S. Program Countries in Sustainment or End State*

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Not easily understood by lay reader.



Indicator: Countries Reaching Sustainment of End State/ Cumulative Budget Authority

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.

Strategic Goal 7: Humanitarian Response (continued)

I/P: Partner Accountability



Indicator: Percentage of International Organization and NGO Partners That Take Corrective Action Within One Year of Receiving Negative Findings in Financial Audits

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

I/P: Capacity Building



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

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Does not directly measure expected result.



Indicator: Number of Institutions Reconstructed and Rehabilitated (Homes, Water/Sanitation Facilities, Schools, Markets, etc.)

Indicator Type	Output
Revised	Indicator Removed
Justification	The data for the number of institutions reconstructed and rehabilitated have not been reported by the USAID missions in a consistent, verifiable manner. As a result, USAID is unable to accurately measure the FY 2006 results, impact, "reason for shortfall" and "steps to improve" for this indicator.

Strategic Goal 8: Management and Organizational Excellence

I/P: Operational Readiness



Indicator: Status of Operational Readiness - Development of Active & Reserve Response Corps

Indicator Type	Output
Revised	Indicator Removed
Justification	Does not directly measure expected result. Does not provide context for result. Indicator not well defined.



Indicator: Average Number of Work Days Between Announcement Close and Offer (PART Program: USAID Operating Expenses)

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

Strategic Goal 8: Management and Organizational Excellence (continued)

I/P: Locally Engaged Staff



Indicator: Percent of Family Members Employed Overseas

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

I/P: Leverage Technology



Indicator: Technology-Based Distance Learning (DL) Enrollments

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

I/P: Overseas Schools



Indicator: Number of Advanced Placement Exams Taken by Students in Department-Assisted Schools

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Indicator not used.

I/P: Secure Global Network and Infrastructure



Indicator: Level of Global Network Availability

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Data for this indicator is consolidated under the indicator “progress towards centralized, secure, and modern global IT infrastructure.”



Indicator: Status of Implementation of Information Security Program With the Resources and in the Time Periods Required by the Federal Information Security Management Act (FISMA)

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

Strategic Goal 8: Management and Organizational Excellence (continued)

I/P: Modern, Worldwide, Integrated Messaging



Indicator: Level of Access to International Affairs Information and IT Support for Public Diplomacy

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Multi-component narrative describes activities rather than measuring results. Appropriate for internal management purposes only. Not reported to the general public.

I/P: Diplomatic Security / Worldwide Security Upgrades



Indicator: Number of Staff and Time Needed to Complete Background Investigation Cases

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.



Indicator: Replacement of Armored Vehicles

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.



Indicator: Installation of DOS Access Control Systems (ACS)

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

I/P: Capital Security Construction Program



Indicator: Ratio of Construction Management Costs to Total LROBP Construction Project Costs for Projects in Excess of \$25 Million

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.



Indicator: Percent of Capital Security Construction Projects Completed Within the Schedule Authorized in the Construction Contracts

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

Strategic Goal 8: Management and Organizational Excellence (continued)

I/P: Capital Security Construction Program (continued)



Indicator: Percent of Capital Security Construction Projects Completed Within the Authorized Budget

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

I/P: Foggy Bottom Renovation/ Consolidation



Indicator: Renovation of the Harry S Truman Building (HST)

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.



Indicator: ECA/IIP Relocation to Foggy Bottom

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

I/P: Integrate Budget and Performance



Indicator: State Department Budget and Performance Integration (President's Management Agenda, OMB Scoring)

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Included in PMA status report in Management's Discussion and Analysis.



Indicator: Implementation of Central Financial Planning System (CFPS) Modules

Indicator Type	Outcome
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

Strategic Goal 8: Management and Organizational Excellence (continued)

I/P: Improved Financial Performance



**Indicator: State Department - Improved Financial Performance
(President's Management Agenda, OMB Scoring)**

Indicator Type	Output
Revised	Indicator Removed
Justification	Included in PMA status report in Management's Discussion and Analysis.



Indicator: Number of Federal Managers' Financial Integrity Act (FMFIA) and Auditor-Identified Material Weaknesses

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.



Indicator: Procurement Cost-Effectiveness Ratio (Millions of Contract and Grant Dollars Awarded per Procurement Employee) (PART Program: USAID Operating Expenses)

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to general public.



Indicator: Status of Implementation of Joint Financial Management System (JFMS)

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public. Issue covered by another indicator.

I/P: Percentage of Service Contract Dollars That Are Performance-Based (Department-wide)



**Indicator: Percentage of Service Contract Dollars That Are Performance-Based
(Department-wide)**

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.

Strategic Goal 8: Management and Organizational Excellence (continued)

I/P: Competitive Sourcing



Indicator: Competitive Sourcing

Indicator Type	Efficiency
Revised	Indicator Removed
Justification	Reported in separate Department of State Efficiency Measures Appendix.

I/P: Allowances



Indicator: Status of E-Allowances System

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

I/P: Records and Publishing Services



Indicator: Record Declassification Backlog Reduction

Indicator Type	Output
Revised	Indicator Removed
Justification	Appropriate for internal management purposes only. Not reported to the general public.

I/P: Customer-Oriented Management Services



Indicator: Average "Margin of Victory" on Customer Service Survey for Management Offices

Indicator Type	PART Output
Revised	Indicator Removed
Justification	USAID did not complete an Agency-wide customer survey in FY 2006.

APPENDIX B

ABBREVIATIONS AND ACRONYMS

A/AID	Office of the Administrator	AERA	Accelerating Economic Recovery in Asia
A&A	Acquisition and Assistance	AFDB	African Development Bank
AACD	Activity Assistance Completion Date	AFDF	Africa Development Fund
AAD	Activity Approval Document	AFR	Africa Bureau
AAEF	Albanian-American Enterprise Fund	AG	Attorney General
AAFLI	Asian-American Free Labor Institute	AGEXPRONT	Nontraditional Exporters' Guild (Guatemala)
AATF	African Agricultural Technology Foundation	AGILE	Accelerated Growth, Investment, and Liberalization with Equity
ABA	American Bar Association	AGOA	Africa Growth and Opportunities Act
ABC	Abstinence, Being Faithful and Using Condom Approach	AIDS	Acquired Immune Deficiency Syndrome
ABEL	Advancing Basic Education and Literacy	AIDSCAP	Acquired Immunodeficiency Syndrome Control and Prevention Project
ACDI	Agriculture Cooperation Development International	AIFLD	American Institute for Free Labor Development
ACDI	Agricultural Cooperative Development Institute	AIHA	American International Health Alliance
ACI	Andean Counterdrug Initiative	AIN	Integrated Child Care (English translation)
ACILS	American Center for International Labor Solidarity	ALGAS	Asia Least Cost Greenhouse Gas Abatement Strategy
ACTOA	African Contingency Operations Training and Assistance program	ALO	Association Liaison Office
ADB	Asian Development Bank	AMA	Agreement on Movement and Access
ADEA	Association for the Development of Education in Africa	AMIR	Access to Micro-Finance and Implementation of Policy Reform
ADEX	Exporters' Association (Peru)	AMR	Anti-Microbial Resistance
ADF	African Development Foundation	ANA	Afghan National Army
ADP	Automated Data Processing	ANACAFE	Guatemala' National Coffee Association
ADR	Alternative Dispute Resolution	ANE	Asia and Near East Bureau
ADS	Automated Directives System	ANERA	American Near East Refugee Aid
AED	Academy for Educational Development	AOJ	Administration of Justice
AEEB	Assistance to Eastern Europe and the Baltics	AOJS	Administration of Justice Support
AELGA	Africa Emergency Locust and Grasshopper Assistance	APAC	AIDS Prevention and Control

APEC	Asia-Pacific Economic Cooperation	CAAEF	Central Asian - American Enterprise Fund
APEDA	Agricultural Products Export Development Authority	CABEI	Central American Bank for Economic Integration
APPT	Abuse Prevention and Protection Team	CABIO	Collaborative Agricultural Biotechnology Initiative
APR	Agricultural Policy Reform	CAC	Community Access Center
APRP	Agricultural Policy Reform Program	CACEDERF	Central America and Caribbean Emergency Disaster Relief Fund
AREP	Accelerated Reform for Enterprise Promotion	CAFTA	Central America Free Trade Agreement
ARI	Acute Respiratory Infection	CAI	Creative Associates Incorporated
ARV	Anti-Retroviral Vaccines	CAIC	Caribbean Association of Industry and Commerce
ASHA	American Schools and Hospitals Abroad	CAMP	Coastal Aquifer Management Program
ATA	Anti-Terrorism Assistance	CAP	Counterpart Alliance for Partnership Program
ATFL	American Task Force in Lebanon	CAPAS	Central American Protected Areas System
ATI	Appropriate Technology International	CAPEL	Center for the Promotion of Electoral Assistance
ATRIP	Africa Trade and Investment Program	CARE	Cooperative for Assistance and Relief Everywhere, Inc.
AUB	American University of Beirut	CAREC	Caribbean Epidemiology Center
AUSAID	Australia Agency for International Development	CARICOM	Caribbean Community
AVRDC	Asian Vegetable Research and Development Center	CARPE	Central African Regional Program for the Environment
AVSC	Access for Voluntary Surgical Contraceptive	CATIE	Center for Tropical Agriculture Investigations and Studies
AWACS	AID Worldwide Accounting and Control System	CBFRM	Community-based Forest Resource Management
BASIC	Basic Support for Institutionalized Child Support	CBJ	Congressional Budget Justification
BBSA	Basic Business Skill Acquisition	CBNRM	Community-based Natural Resource Management
BCN	Biodiversity Conservation Network	CBO	Community-Based Organization
BIGUF	Bangladesh Independent Garment Workers Union Federation	CCA	Clinger-Cohan Act
BIT	Bilateral Investment Treaty	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	CIP	Commodity Import Program
CDR	Cooperative Development Research Program (U.S.-Israel)	CIT	Communities in Transition
CECI	Canadian Center for International Studies and Cooperation	CITES	Convention of International Trade in Endangered Species
CE-DAT	Complex Emergencies Database	CLD	Consortium for Legislative Development
CEDPA	Center for Development and Population Activities	CLD/SUNY	Center for Legislative Development, State University of New York, Albany
CEE	Central and Eastern Europe	CLDP	Commercial Law Development Program
CEELI	Central and East European Law Institute	CLUSA	Cooperative League of the United States of America
CEP	Community Empowerment Program	CMM	Conflict Management and Mitigation
CEPAL	Economic Commission for Latin America	CMM	Country Coordinating Mechanism
CEPPS	Consortium for Elections and Political Processes Strengthening	CMR	Crude Mortality Rate
CERTI	Complex Emergency Response and Transition Initiative	CMS	Commercial Markets Strategy
CETTI	Centers of Excellence in Teacher Training Initiative	CNG	Compressed Natural Gas
CEWARN	Conflict Early Warning Network	CO2	Carbon Dioxide
CFE	Conventional Forces in Europe Treaty	COE	Council of Europe
CFET	Consolidated Fund for East Timor	COEN	El Salvador Disaster Preparedness Organization
CFO	Chief Financial Officer	COMESA	Common Market for Eastern and Southern Africa
CG	Consultative Group	COMURES	Corporation of Municipalities in El Salvador
CGAP	Consultative Group to Assist the Poorest	CONRED	National Disaster Coordinating Committee (Guatemala)
CGIAR	Consultative Group for International Agricultural Research	CONTIERRA	Land Conflict Resolution Commission (Guatemala)
CHF	Cooperative Housing Foundation	COOP	Continuity of Operations
CIA	Central Intelligence Agency	COP	Community of Practice
CIDA	Canadian International Development Agency	COTS	Commercial off the Shelf
CIF	Capital Investment Fund	CP	Congressional Presentation (now Congressional Budget Justification)
CIFOR	Center for International Forestry Research	CPA	Coalition Provisional Authority (Iraq)
CILSS	Permanent Interstate Committee for the Control of Drought in the Sahel	CPIC	Capital Planning and Investment Control
CIMMY	International Maize and Wheat Improvement Center	CPP	Comprehensive Post Partum Center
CIO	Chief Information Officer	CPR	Contraceptive Prevalence Rate
		CRED	Centre for Research on the Epidemiology of Disasters

CRM	Coastal Resources Management	DDR	Disarmament, Demobilization, and Reintegration
CRS	Catholic Relief Services	DEVTA	Deworming and Enhanced Vitamin A
CRSP	Collaborative Research Support Program	DFA	Development Fund for Africa
CSD	Child Survival and Diseases Fund (now Child Survival and Health Program Fund)	DfID	Department for International Development, United Kingdom
CSD	Commission on Sustainable Development	DG	Democracy and Governance
CSE	Colombo Stock Exchange	DH	Direct Hire
CSG	Council of State Governments	DHHS	Department of Health and Human Services
CSH	Child Survival and Health Programs Fund	DHRF	Democracy and Human Rights Fund
CSM	Contraceptive Social Marketing	DHS	Demographic Health Survey
CSO	Civil Society Organization	DIET	District Institute of Education and Training
CSW	Commercial Sex Workers	DIMS	Democratic Indicators Monitoring Survey
CT	Cash Transfer	DOD	Department of Defense, U.S. Government
CTAG	Counter-Terrorism Action Group	DOE	Department of Energy, U.S. Government
CTC	Counterterrorism Committee	DOJ	Department of Justice, U.S. Government
CTED	Counterterrorism Executive Directorate	DOP	Declaration of Principles on Interim Self-Governing Arrangement
CVA	Conflict Vulnerability Assessment	DOS	Department of State, U.S. Government
CWS	Church World Services	DOT	Department of Treasury, U.S. Government
CY	Calendar Year	DOTS	Directly Observed Therapy, Short Course
CYP	Couple-Years' Protection	DP	Democracy Partnership
DA	Development Assistance	DPEP	District Primary Education Program
DAC	Development Assistance Committee (OECD)	DPT	Diphtheria, Pertussis and Tetanus
DAF	Development Assistance Fund	DPT3	Diphtheria, Pertussis, Tetanus Immunization Series
DAI	Development Alternatives International	DRG	Diagnostic -Related Group
DAP	Development Activity Proposal	DRI	Development Readiness Initiative (USAID)
DART	Disaster Assistance Response Team	DRI	Diplomatic Readiness Initiative (Department of State)
DBO	Design-Build-Operate	DRP	Demobilization and Rehabilitation Program (World Bank)
DCA	Development Credit Authority	DSP	Development Support Program
DCHA	Democracy, Conflict and Humanitarian Assistance Bureau (USAID)	DTT	Deloitte Touche Tohmatsu
DCOF	Displaced Children and Orphans Fund	DVS	Democratic Values Survey
DCP	Development Credit Program		

EA	Enterprise Architecture	ENI	Europe and New Independent States (now Europe and Eurasia)
EA	Environmental Assessment	ENR	Environment and Natural Resources
EAC	East African Community	EO	Executive Order
EAGER	Equity and Growth through Economic Research	EOP	Office of Equal Opportunity Programs
EAI	Enterprise for the Americas Initiative	EPA	Environmental Protection Agency, U.S. Government
EAP	Environmental Action Plan	EPI	Expanded Program of Immunization
EAPEI	East Asia and Pacific Environmental Initiative	EPRA	Economic Policy Resource Center
EBRD	European Bank for Reconstruction and Development	EPSP	Economic Policy Support Project
EC	European Community	ERF	Emergency Response Fund
ECEP	Energy Conservation and Environment Project	ERMA	Emergency Refugees and Migration Assistance
ECHO	European Commission Humanitarian Organization	ES	Office of the Executive Secretariat
ECLAC	Economic Commission for Latin America and the Caribbean	ESAF	Extended Structural Adjustment Facility (International Monetary Fund)
ECOMOG	Economic Community of West African States Monitoring Group	ESCOs	Energy Service Companies
ECOWAS	Economic Community of West African States	ESEG	Energy Security for Economic Growth
ECU	European Currency Unit	ESF	Economic Support Fund
EDDI	Education for Development and Democracy Initiative	ETU	Egyptian Technology University
E&E	Europe and Eurasia Bureau	EU	European Union
EE	Emergency and Evacuation	EU/PHARE	European Union - Poland, Hungary, Albania, Romania, Estonia
EEAA	Egyptian Environmental Affairs Agency	FANTA	Food and Nutrition Technical Assistance
EEDC	Economic Entrepreneurial Development Center	FAO	Food and Agriculture Organization (United Nations)
EEHC	Electricity Holding Company	FAR	Fixed Amount Reimbursable
EEPP	Egypt Environmental Policy Program	FATF	Financial Action Task Force
EG	Economic Growth	FBO	Faith-Based Organization
EGAT	Economic Growth, Agriculture and Trade Bureau (USAID)	FDA	Food and Drug Administration, U.S. Government
EIA	Environmental Impact Assessment	FDI	Foreign Direct Investment
EIB	European Investment Bank	FEMA	Federal Emergency Management Agency, U.S. Government
EMED	Entrepreneur Management and Executive Development	FEWS	Famine Early Warning System
EMPS	Environment Managed for Prosperity and Sustainability	FFMIA	Federal Financial Management Improvement Act

FFP	Food for Peace	GAVI	Global Alliance for Vaccines and Immunization
FFW	Food for Work	GATT	General Agreement on Tariffs and Trade
FH	Freedom House	GC	Office of the General Counsel
FH/FNN	Freedom House/National Forum Foundation	GCA	Global Coalition for Africa
FIAS	Foreign Investment Advisory Service	GCC	Global Climate Change
FICCI	Federation of Indian Chambers of Commerce and Industry	GDA	Global Development Alliance Secretariat
FINCA	Foundation for International Community Assistance	GDF	Global Drug Facility
FLAG	Firm Level Assistance Group	GDP	Gross Domestic Product
FMIP	Financial Management Improvement Act	GEF	Global Environment Facility
FORWARD	Fostering Resolution of Water Resources Disputes	GESAMP	Group of Experts on the Scientific Aspects of Marine Environmental Protection
FP	Family Planning	GESI	Global Environmental Sanitation Initiative
FREEDOM	Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 (FREEDOM Support Act)	GFATM	Global Fund to Fight AIDS, Tuberculosis, and Malaria
FRM	Forest Resources Management	GH	Global Health Bureau (USAID)
FSA	FREEDOM Support Act	GHAI	Greater Horn of Africa Initiative
FSI	Financial Systems Integration	GHG	Greenhouse Gas
FSO	Foreign Service Officer	GHSAG	Global Health Security Action Group
FSVC	Financial Services Volunteer Corps	GIE	Gaza Industrial Estate
FTA	Free Trade Agreement	GIN	Greening of Industry Network
FTAA	Free Trade Area of the Americas	GIS	Geographic Information System
FTE	Full Time Equivalency	GITM	Global Information Technology Modernization
FtF	Farmer to Farmer Program	GLI	Great Lakes Initiative
FWWB	Friends of Women's World Banking	GLJI	Great Lakes Justice Initiative
FY	Fiscal Year	GNP	Gross National Product
G-8	Group of Eight (leading industrialized nations consisting of Canada, France, Germany, Italy, Japan, Russia, United Kingdom, and United States)	GOS	Government of Sudan
GAI	Global AIDS Initiative	GPA	Global Program of Action for the Protection of the Marine Environment from Land-based Activities
GAIN	Global Alliance for Improved Nutrition	GPRA	Government Performance and Results Act (P.L. 103-62)
GAM	Global Acute Malnutrition	GREGI	Gobi Regional Growth Initiative
GAO	General Accounting Office	GSA	General Services Administration
		GSP	General System of Preference

GSU	Georgia State University	ICLARM	International Center for Living Aquatic Resources Management
GTN	Global Technology Network	ICNL	International Center for Not-For-Profit Law
GTZ	German Agency for Technical Cooperation	ICRC	International Committee of the Red Cross
HA	Hectare	ICZM	Integrated Coastal Zone Management
HBCUs	Historically Black Colleges and Universities	ID	Infectious Diseases
HCC	Historical Clarification Commission	IDA	International Development Assistance
HG	Housing Guaranty	IDA	International Disaster Assistance (now International Disaster and Famine Assistance)
HIID	Harvard Institute of International Development	IDB	Inter-American Development Bank
HIPC	Heavily Indebted Poor Countries	IDE	International Development Enterprises
HIV	Human Immunodeficiency Virus	IDEE	Institution for Democracy in Eastern Europe
HKI	Helen Keller International	IDFA	International Disaster and Famine Assistance
HMHC	Health Maintenance and Health Care	IDP	Internally Displaced Person
HMO	Health Maintenance Organization	IDSR	Integrated Disease Surveillance and Response
HPSP	Health Policy Support Program	IEA	International Energy Agency
HRC	Human Rights Commission	IEC	Information, Education and Communication
IACCC	Inter-Agency Climate Change Committee	IESC	International Executive Service Corps
IAF	Inter-American Development Foundation	IFAD	International Fund for Agricultural Development
IARC	International Agricultural Research Center	IFC	International Finance Corporation
IAS	International Accounting Standards	IFDC	International Fertilizer Development Center
IAVI	International AIDS Vaccine Initiative	IFES	International Foundation for Electoral Systems
IBRA	Indonesian Bank Restructuring Agency	IFESH	International Foundation for Education and Self Help
IBRD	International Bank for Reconstruction and Development (World Bank)	IFI	International Financial Institute
IBTC	International Business and Technical Consultants	IFPP	International Relief Partnership Program
ICASS	International Cooperative Administrative Support Services	IFOR	Implementation Force (NATO)
ICDDR	International Center for Diarrheal Disease Research	IFPRI	International Food Policy Research Institute
ICDS	Integrated Child Development Services	IFPS	Innovations in Family Planning Services
ICE	International Coordination Exercise	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

IHRIG	International Human Rights Law Group	ISA	Initiative for Southern Africa
IIDH	Inter-American Institute of Human Rights	ISAF	International Security Assistance Force
ILO	International Labor Organization	ISAR	Institute on Soviet - American Relations
ILRF	International Labor Rights Fund	ISBO	Institutional Strengthening for Business Opportunities
ILSI	International Life Sciences Institute	ISO	International Export Standard
IMCI	Integrated Management of Childhood Illnesses	IT	Information Technology
IMET	International Military Education and Training	ITSH	Internal Transport, Shipping and Handling
IMF	International Monetary Fund	IUD	Inter-Uterine Device
IMR	Integrated Managing for Results	IVCHS	Improved Village and Community Health Service Program
IMR	Infant Mortality Rate	IVS	International Voluntary Services
IMT	Irrigation Management Transfer	JAFPP	Jordan Association of Family Planning
INC	International Narcotics Control (State Department)	JBIC	Japanese Bank for International Development
INCLE	International Narcotics Control and Law Enforcement	JCG	Joint Consultative Group
INCLEN	International Clinical Epidemiology Network	JFMIP	Joint Financial Management Improvement Program
INDRA	Indonesia Debt Restructuring Agency	JHPIEGO	Johns Hopkins Program Providing Reproductive Health
INL	International Narcotics and Law Enforcement (State Department)	JHU/PCS	Johns Hopkins University/Population Communication Services
IO	International Organization	JICA	Japanese International Cooperation Agency
IOM	International Organization for Migration	JSI	John Snow Incorporation
IPEC	International Program on the Elimination of Child Labor	JUSBP	Jordan U.S. Business Partnership
IPO	International Public Organization	JVA	Jordan Valley Authority
IPPF	International Planned Parenthood Federation	JWC	Joint Water Committee
IPR	Intellectual Property Rights	KfD	Knowledge for Development
IQC	Indefinite Quantity Contract	KFOR	Kosovo Force
IR	Intermediate Result	KG	Kilogram
IRDPA	Integrated Rural Development Program	KHANA	Khmer HIV/AIDS Alliance
IREX	International Research and Exchanges Board	LAC	Latin America and the Caribbean Bureau
IRI	International Republican Institute	LAF	Lebanese Armed Forces
IRIS	Center for Institutional Reform in the Informal Sector	LAU	Lebanese American University
IRM	Information Resource Management	LC	Local Currency
IRRF	Iraq Relief and Reconstruction Fund		

LE	Egyptian Pound	MHO	Mutual Health Organizations
LEB	Locally Elected Body	MILGP	Military Group
LEWS	Livestock Early Warning System	MINUGUA	United Nations Verification Mission for Guatemala
LGU	Local Government Unit	MIS	Management Information System
LMI	Lower-Middle-Income	MMR	Maternal Mortality Rate
LPA	Legislative and Public Affairs Bureau	MNE	Ministry of National Education
LTTE	Liberation Tigers of Tamil Elam	MNLF	Moro National Liberation Front
LWVF	Patrick J. Leahy War Victims Fund	MOA	Ministry of Agriculture
M	Management Bureau (USAID)	MOE	Ministry of Education
MACS	Mission Accounting and Control System	MOE	Ministry of Environment
MAFF	Ministry of Agriculture Forestry and Fisheries	MOEYS	Ministry of Education, Youth and Sports
MAI	Multilateral Assistance Initiative	MOF	Minister of Finance
MANPADS	Man-Portable Air Defense Systems	MOH	Ministry of Health
MAP	Market Access Program	MOHHC	Ministry of Health and Health Care
MAP	Morocco Agribusiness Promotion	MOHP	Ministry of Health and Population
MBA	Masters of Business Administration	MOJ	Ministry of Justice
MBIT	Masters of Business in Information Technology	MOLG	Ministry of Local Government
MCA	Millennium Challenge Account	MOMRA	Ministry of Municipal and Rural Affairs
MCC	Millennium Challenge Corporation	MOPH	Ministry of Public Health
MCEI	Municipal Coastal Environmental Initiative	MOST	Micronutrient Operational Strategies and Technologies
MCH	Maternal and Child Health	MOU	Memorandum of Understanding
MCM	Million Cubic Meters	MP	Member of Parliament
MDB	Multilateral Development Bank	MPF	Multiproject Financing Facility
M&E	Monitoring and Evaluation	MPM	Management Policy and Metrics
MEA	Middle East and North Africa	MPMS	Management Policy and Metrics Staff
MEG	Morocco Education for Girls	MPP	Mission Performance Plan
MEPI	Middle East Partnership Initiative	MPRP	Mongolian People's Revolutionary Party
MERC	Middle East Regional Cooperation	MRA	Migration and Refugee Assistance
MES	Mongolian Energy Sector Project	MSE	Micro and Small Enterprises
MFA	Microenterprise Finance	MSED	Micro and Small Enterprise Development
MFI	Microfinance Institution	MSH	Management Sciences for Health

MSME	Micro, Small and Medium Enterprise	NICS	Nutrition Information in Crisis Situations
MT	Metric Tons	NID	National Immunization Day
MTCT	Mother-to-Child Transmission	NIH	National Institutes of Health
MTT	Mobile Task Team	NIS	New Independent States of the Former Soviet Union (now Independent States of the Former Soviet Union)
MVCS	Most Valuable Companies	NMS	New Management System
MW	Megawatt	NOAA	National Oceanic and Atmospheric Administration
MWI	Ministry of Water and Irrigation	NORAD	Norwegian Aid
NA	Not applicable, or Not Available	NPA	Non-Project Assistance
NACP	National AIDS Control Program	NPI	New Partnership Initiative
NADR	Nonproliferation, Antiterrorism, Demining and Related Programs	NPR	National Performance Review
NAMRU-3	Naval Medical Research Unit	NRECA	National Rural Electric Cooperative Administration
NAPA	National Academy for Public Administration	NRM	Natural Resources Management
NAS	Narcotic Affairs Section (State Department)	NTA	New Transatlantic Agenda
NASA	National Aeronautics and Space Administration	NTE	Non-Traditional Export
NASDA	National Association of State Development Agencies	NTFP	Non-Traditional Forest Products
NATO	North Atlantic Treaty Organization	NWI	Ministry of Water and Irrigation
NBG	National Bank of Georgia	OAS	Organization of American States
NCBA	National Cooperative Business Association	OAU	Organization of African Unity
NCJS	National Center for Judicial Studies	ODA	Official Development Assistance
NDI	National Democratic Institute	OE	Operation Expenses
NEA	Near Eastern Affairs	OECD	Organization for Economic Cooperation and Development
NEAP	National Environmental Action Plan	OECS	Overseas Economic Cooperation Fund
NED	National Endowment for Democracy	OECF	Organization of Eastern Caribbean States
NED	New Enterprise Development	OECS	Organization of Eastern Caribbean States
NEP	New Entry Professional	OFDA	Office of Foreign Disaster Assistance (USAID)
NEPAD	New Partnership for Africa's Development	OHCHR	Office of the High Commissioner for Human Rights (United Nations)
NET	NIS Exchanges and Training	OIG	Office of Inspector General (USAID)
NFALP	Non-Formal and Adult Literacy Program	OMB	Office of Management and Budget
NFC	National Finance Center	OPEC	Organization of Petroleum Exporting Countries
NGO	Non-Governmental Organization		

OPIC	Overseas Private Investment Corporation	PIP	Parks in Peril
OPIN	Online Presidential Initiatives Network	PIPA	Palestinian Investment and Promotion Agency
OPV	Oral Polio Vaccine	PL	Public Law
ORS	Oral Rehydration Salts	PLANTE	National Alternative Development Plan (Colombia)
ORS/T	Oral Rehydration Salts/Therapy	PLC	Palestinian Legislative Council
ORT	Oral Rehydration Therapy	PLN	Indonesian National Electric Company
OSCE	Organization for Security and Cooperation in Europe	PLO	Palestinian Liberation Organization
OSDBU/MRC	Office of Small and Disadvantaged Business Utilization/Minority Resource Center	PMA	Palestinian Monetary Authority
OTI	Office of Transition Initiatives (USAID)	PMA	President's Management Agenda
OVC	Orphans and Vulnerable Children	PMC	Pune Municipal Corporation
PA	Palestinian Authority	PMO	Program Management Office
PACD	Project Assistance Completion Date	PMP	Performance Monitoring Plan
PACT	Private Agencies Collaborating Together	PMTCT	Prevention of Mother-to-Child AIDS Transmission
PACT	Program for the Advancement of Commercial Technology	PMTI	Presidential Management Training Initiative
PAHO	Pan American Health Organization	PNFPP	Philippine National Family Planning Program
PAL	Planning, Achievement, and Learning	POP	Persistent Organic Pollutant
PART	Program Assessment and Rating Tool	PPC	Policy and Program Coordination Bureau (USAID)
PASA	Participating Agency Service Agreement	PPG7	Pilot Program to Conserve the Brazilian Rainforest, Group of 7
PATH	Program for Appropriate Technologies in Health	PREAL	Program for Education Reform in the Americas
PC	Palestinian Council	PRIME	Program for Innovation in Microenterprise
PDF	Power Development Fund	PRIME	Primary Providers' Training and Education in Reproduction
PED	Provincial Environment Departments	PRM	Population, Refugees, and Migration (State Department)
PERPP	Public Enterprise Reform and Privatization Program	PRSP	Poverty Reduction Strategy Paper
PEPFAR	President's Emergency Plan for AIDS Relief	PSC	Personal Service Contract
PES	Policy Environment Score	PSI	Population Services International
PHC	Primary Health Care	PSIP	Procurement System Improvement Project
PHCI	Primary Health Care Initiative	PSO	Private Sector Organization
PHN	Population, Health and Nutrition	PVC	Private Voluntary Cooperation
PIEFZA	Palestinian Industrial and Free Zone Authority	PVO	Private and Voluntary Organization
PIL	Public Interest Litigation		

PW	Price-Waterhouse	SEBI	Securities and Exchange Board of India
PWA	Palestinian Water Authority	SEC	Office of Security
PWC	PricewaterhouseCoopers	SEC	Securities and Exchange Commission
QCHT	Quality Control of Health Technologies	SEED	Support for East European Democracy
QIZ	Qualifying Industrial Zones	SEI	State Environmental Initiative
RACHA	Reproductive and Child Health Alliance	SEP	Senior Executive Program
RCSA	Regional Center for Southern Africa (USAID)	SET	Supreme Electoral Tribunal
RCSP	Rural Civil Society Program	SIGN	Safe Injection Global Network
RDS	Regional Development and Support	SIWM	Souss-Massa Integrated Water Resources
REDSO	Regional Economic Development Support Office (USAID)	SMART	Standard Monitoring of Relief and Transitions
RH	Reproductive Health	SME	Small and Medium-sized Enterprises
RHUDO	Regional Housing and Urban Development Office (USAID)	SME	Small and Micro-Enterprises
RIG	Regional Inspector General (USAID)	SMME	Small, Medium and Micro Enterprises
ROL	Rule of Law	SO	Strategic Objective
ROT	Rehabilitate-Operate-Transfer	SOE	State-Owned Enterprise
RRB	Regional Rural Banks	SOW	Scope of Work
RSD	Regional Sustainable Development Office (USAID)	SPA	Special Program of Assistance
RTI	Research Triangle Institute	SPLA	Sudan People's Liberation Army
RTII	Regional Trade and Investment Initiative	SPO	Special Objective
SAARC	South Asian Association for Regional Cooperation	SPR	Sector Policy Reform
SACU	South African Customs Union	SPRP	Sector Policy Reform Program
SADC	Southern Africa Development Community	SPS	Sanitary and Phyto-sanitary Standard
SAEDF	Southern Africa Enterprise Development Fund	SRII	Standard Research Institute International
SAGA	Strategies and Analyses for Growth and Access	SRP	Sahel Regional Program
SAGE	Strategies for Advancing Girls Education	SSH	Special Self-Help Program
SAI	Special Assistance Initiative	SSRC	Social Science Research Council
SARI	South Asia Regional Initiative	SSMSC	Stock Market State Commission (Ukraine)
SCA	Supreme Council for Antiquities	STD	Sexually Transmitted Disease
SDF	Special Development Fund	STI	Sexually Transmitted Infection
SEATO	Southeast Asia Treaty Organization	TAACS	Technical Advisors for AIDS and Child Survival

TACIS	Technical Assistance for the Commonwealth of Independent States, European Union	UNCH/HRC	UN Commission on Human Rights/Human Rights Council
TAF	The Asia Foundation	UNCHS	United Nations Center for Human Settlements (Habitat)
TB	Tuberculosis	UNDB	United Nations Development Bank
TBD	To be Determined	UNDCP	United Nations Drug Control Program
TCB	Trade Capacity Building	UNDP	United Nation Development Program
TDA	Tourism Development Authority	UNDPKO	United Nations Department for Peacekeeping Operations
TFCA	Tropical Forest Conservation Act	UNECE	United Nations Economic Commission for Europe
TFET	Trust Fund for East Timor	UNEP	United Nations Environment Program
TFR	Total Fertility Rate	UNESCO	United Nations Educational, Scientific and Cultural Organization
TI	Transition Initiatives	UNFCCC	United Nations Framework Convention on Climate Change
TIFA	Trade and Investment Framework	UNFPA	United Nations Population Fund
TIP	Terrorist Interdiction Program	UNGA	United Nations General Assembly
TISS	Tata Institute of Social Sciences	UNHCR	United Nations High Commissioner for Refugees
TN	Tamil Nadu	UNHRC	United Nations Human Rights Commission
TNC	The Nature Conservancy	UNICEF	United Nations Children's Fund
TR&D	Tropical Research and Development	UNIFEM	United Nations Fund for Women
TRA	Telecommunications Regulatory Agency	UNIOSIL	UN Integrated Office for Sierra Leone
TRADE	Trade for African Development and Enterprise Initiative	UNMIL	UN Mission in Liberia
TRG	Triangle Research Group	UNMIS	UN Mission in Sudan
TRM	Tadla Resources Management	UNOPS	United Nations Operations Support
TSG	The Services Group	UNRWA	United Nations Relief and Works Agency
UC	Union Council	UNSCR	Nations Security Council Resolution
UECP	Urban Environmental Credit Program	USUN	U.S. Mission to the UN
UES	Urban Environmental Services	UNTAET	United Nations Transitional Authority for East Timor
UK	United Kingdom	URC	University Research Corporation
ULP	University Linkages Project	US	United States
UMCOR	United Methodist Committee on Relief	USACE	United States Army Corps of Engineers
UN	United Nations	USAEP	U.S.-Asia Environmental Partnership
UNAIDS	United Nations Joint Program on HIV/AIDS		
UNAMSIL	UN Mission in Sierra Leone		

USAID	United States Agency for International Development	WHO	World Health Organization
USDA	United States Department of Agriculture	WID	Women in Development
USDH	United States Direct Hire	WMD	Weapons of Mass Destruction
USEA	United States Energy Association	WMO	World Meteorological Organization
USF	University of San Francisco	WOCCU	World Council of Credit Unions
USFS	United States Forest Service	WRS	Water Resource Sustainability
USFDA	U.S. Food and Drug Administration	WSSCC	Water Supply and Sanitation Collaborative Council
USG	United States Government	WSSD	World Summit on Sustainable Development
USIA	United States Information Agency	WTO	World Trade Organization
USIS	United States Information Service	WWF	World Wildlife Fund
USSR	Union of Soviet Socialist Republics	YMCA	Young Men's Christian Association
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		
WB	World Bank (International Bank for Reconstruction and Development)		
WCC	World Coast Conference		
WCF	Working Capital Fund		
WFF	World Wildlife Federation		
WFP	World Food Program (United Nations)		

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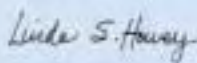
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We welcome your comments on how we can improve USAID's Performance and Accountability Report. Please provide comments to:

The Office of the Chief Financial Officer at (202) 712-1980, or by email at usaipar@usaid.gov.
The FY 2006 PAR can also be accessed on the World Wide Web at <http://www.usaid.gov/policy/par06/>.



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