Overview

The complexion of foreign policy is ever changing, and our leadership over the past year was continuously drawn upon as events unfolded around the world. Our leadership has been tested, but our resolve is unmatched, and now we continue the path forward with the President’s foreign policy agenda.

To meet the goals set out by the President, the Secretary of State’s FY 2013 request continues to strengthen diplomacy and development so that they stand alongside defense as core pillars of American power. Abroad, we are strengthening alliances, forging new partnerships, and using every tool of American power to advance our objectives—including enhanced diplomatic and development capabilities with the ability both to prevent conflict and to work alongside our military.

True partnership is based on shared effort and responsibility. Mindful of the fiscal realities confronting the U.S. Government and our nation, our budget request reflects adherence to fiscal discipline by making choices among competing policy priorities.

The State Operations FY 2013 Congressional Budget Justification supports the achievement of the Department’s Strategic Goals and U.S. foreign policy priorities. This budget request (CBJ Vol. 1), together with the Foreign Operations Congressional Budget Justification (CBJ Vol. 2), serves as the Department’s FY 2013 Annual Performance Plan (APP) and FY 2011 Annual Performance Report (APR). The APP/APR details the work conducted by the Department and USAID to achieve their joint mission to: shape and sustain a peaceful, prosperous, just, and democratic world and foster conditions for stability and progress for the benefit of the American people and people everywhere.

Like all international affairs agencies, programs funded under the Department of State Operations are adjusting strategies and plans, focusing programs, leveraging resources, and placing greater emphasis on demonstrating results. The Department is leveraging interagency funding structures such as Capital Security Cost Sharing (CSCS) and International Cooperative Administrative Support Services (ICASS) to consolidate costs while delivering a robust interagency platform. The Department is also reaching out to allies, donors, and private organizations to leverage investments for maximum impact.

The FY 2013 request contains two components: funding in the enduring budget for ongoing responsibilities and core programs, and funding in a separate Overseas Contingency Operations (OCO) budget for extraordinary and temporary requirements associated with achieving key national security goals in the frontline states of Afghanistan, Pakistan, and Iraq.

In the next 10 years, we need to be smart and systematic about where we invest time and energy, so that we put ourselves in the best position to sustain our leadership, secure our interests, and advance our values. One of the most important tasks of American statecraft over the next decade will therefore be to lock in substantially increased investment...

Hillary Rodham Clinton
Secretary of State
Foreign Policy Magazine, November 2011
The FY 2013 request of $13.511 billion for enduring State Operations appropriations support the Department’s overseas and domestic programs, Presidential initiatives, and the enduring costs for the U.S. civilian presence in Afghanistan, Pakistan, and Iraq. This represents a $1.097 billion net increase over the FY 2012 estimate, including an increase of $390.6 million to meet the President’s commitment to fully pay international organization and peacekeeping assessments; an increase of $563.4 million for State Programs, including Diplomatic and Consular Programs (D&CP); an increase of $100.7 million in Embassy Security Construction and Maintenance (ESCM); and an increase of $66 million for Other Administration of Foreign Affairs Programs. Funding for Related Programs and International Commissions includes a decrease of $23.4 million from the net FY 2012 estimate. In addition to appropriated funding, the FY 2013 request includes $3.3 billion in fee-funded activities, primarily the Border Security Program.

**FY 2013 Budget Request**

The FY 2013 request for the Department of State enduring appropriations totals $13.511 billion, excluding mandatory funding for the Foreign Service Retirement Disability Fund. The FY 2013 request is an increase of $1.097 billion.

**Frontline States**

The FY 2013 request includes $538.4 million for the Department’s D&CP Ongoing Operations and Worldwide Security Upgrades in Afghanistan, Pakistan, and Iraq, an increase of $182.1 million from the FY 2012 estimate. Enduring funding for Afghanistan supports core operations for Embassy Kabul, including security and cultural exchange programs. Funding for Pakistan provides for ongoing embassy and consulate operations, cultural exchanges, and a portion of the OIG’s Middle East Regional Office. Iraq remains the largest component of the enduring Frontline States request, recognizing that Embassy Baghdad and newly-established consulates will continue to have high operating costs in D&CP and ESCM relative to other missions, as well as OIG oversight, and funding in the Contributions to International Organizations account to support United Nations Assistance Mission for Iraq (UNAMI) outreach.

**Rebuilding Civilian Capacity**

The Diplomacy 3.0 initiative continues the Department’s multi-year strategy to build civilian capacity by filling long-standing staffing gaps, improving language skills in key positions, and adding new positions in the most strategically critical posts and policy bureaus. A key benchmark has been to increase the size of the Foreign Service by 25 percent relative to 2008, and the FY 2013 request would enable cumulative growth of 18 percent by funding 121 positions, including 82 Foreign Service positions and 39 Civil Service positions. These positions will be focused on QDDR priorities, particularly bureaus for energy and counter-terrorism issues, and supporting presidential priorities such as the establishment of an Embassy in Juba and supporting Haiti’s recovery.

**International Organizations**

The FY 2013 request of $3.669 billion for assessed Contributions to International Organizations (CIO) and Contributions to International Peacekeeping Assessments (CIPA) supports $1.570 billion in U.S. dues for membership in over 40 international organizations and U.S. assessments of $2.099 billion for at least 15 active peacekeeping missions. This level is consistent with the expectations set by the President that the U.S. will pay its multilateral obligations in full, and the specific priorities set by the National Security Council, which has made robust peacekeeping operations in Somalia, Darfur, and Sudan a top national security priority. The FY 2013 request does not reflect dramatic increases in actual costs for multilateral
BUDGET AND PERFORMANCE SUMMARY

operations, but rather the full utilization of peacekeeping credits over FY 2011-2012, and the impact of exchange rates fluctuations resulting from the European economic and fiscal environment.

Infrastructure
The request includes $1.921 billion for investments in, and sustainment of, the Department’s domestic and overseas infrastructure, an increase of $127.1 million over the FY 2012 estimate. Facilities managed by the Bureaus of Overseas Building Operations (OBO) and Administration (A) provide for safety and security of U.S. Government personnel. Recognizing the importance of maintaining the $44 million in shared overseas infrastructure, the request includes $162 million for the Department contribution to the new Maintenance Cost-Sharing Program, an increase of $27 million over FY 2012 estimate. In light of constraints faced by the Department and other civilian agencies, $439 million is requested for Capital Security Cost-Sharing Construction, a decrease of $270 million from the FY 2012 estimate. Funding for the Bureau of Administration for domestic infrastructure provides $290 million for ongoing leases, renovations, and acquisition planning in the Washington, DC area, a $33 million increase from FY 2012 due to non-recurring costs.

Public Diplomacy and Exchanges
Public diplomacy (PD) supports the achievement of U.S. foreign policy goals, enhances national security by influencing foreign publics, and strengthens people-to-people relationships. The FY 2013 request of $1.094 billion for PD and exchange programs, an increase of $26 million over the FY 2012 estimate, supports the Department’s strategic realignments, maximizing outreach to emerging powers and demographic groups. Key realignments within D&CP Public Diplomacy include a shift of regional bureau funding to Public Affairs, associated with the creation of regional media hubs. The funding level for ECA is leveraging feedback from extensive consultations with post Public Affairs Officers to prioritize the most cost-effective education and cultural exchange programs.

Enabling Ongoing Operations
The remainder of the enduring request totals $6.288 billion. The Department has identified spending reductions through non-recurring one-time costs funded in FY 2012, shifting support of U.S. direct hire consular staff from appropriations to fee-based funding, factoring in the establishment of the OCO accounts and limiting the increases for current services. Increases to support current services were constrained by holding domestic inflation to two percent and American pay increases to one half percent. Overseas wage adjustments are held to six percent, assuming the two-year civilian pay freeze ends in December 2012, and overseas inflation is held to three percent, less than half the average rate that most posts have experienced over the last five years. Efficiency savings applied in FY 2012 are recurred in the FY 2013 request.

Overseas Contingency Operations
State Operations funding for Overseas Contingency Operations (OCO), totaling $4.362 billion, is addressed in a separate chapter. OCO funding is of critical importance in planning for the ongoing national security challenges in Afghanistan, Pakistan, and Iraq. The FY 2013 State Operations OCO request retains the same concepts as included in the FY 2012 budget, but reflects the augmenting trajectories of our transition efforts in Afghanistan and Iraq.

Campaign to Cut Waste
In support of this White House Initiative, the Department is implementing cost saving efficiency measures for information technology, electronic signatures, and freight consolidation. When fully implemented these may save the Federal Government up to $27 million through FY 2015. Also, in support of the President’s Executive Order 13589, “Promoting Efficient Spending”, the Department is actively pursuing other efficiency initiatives in order to reallocate funds to higher priorities. Specifically,
the Department has identified over $100 million in FY2012-FY2013 administrative savings through measures including more efficient travel, procurement, and printing.

**Delivering an Efficient, Effective, and Accountable Government**

The Department is actively working to implement the Government Performance and Results Act Modernization Act. To this end, the Department has worked with USAID to develop joint Agency Priority Goals (APGs), per OMB Memorandum M-11-31. The APGs are measurable, near-term goals that align with the long-term strategic goals and priorities of the Department and USAID. These eight APGs are outcome-based and reflect the Secretary’s and Administrator’s highest priorities through FY 2013.

**Linking Resources to Foreign Affairs Outcomes**

The Department of State and USAID are the lead U.S agencies for carrying out the President’s foreign policy agenda, which includes developing and executing U.S. foreign policy and interacting with foreign governments and international organizations. The Department of State supports diplomats and development experts who protect our national security, promote our economic growth, and protect our values in virtually every country in the world. The State Department and USAID budgets amount to only one percent of total federal budget outlays, an investment on the part of the American people that pays excellent returns and constitutes an integrated strategy for renewing America’s global leadership.

**Budget and Performance Management**

Strategic planning and performance management are guided in the Department and USAID by the Quadrennial Diplomacy and Development Review (QDDR) released in December 2010 and covering FY 2010 - FY 2014, and the Government Performance and Results Act Modernization Act of 2010 (GPRAMA). The QDDR sets institutional priorities and provides strategic guidance as a framework for the most effective allocation of resources. The QDDR serves as the State-USAID Joint Strategic Plan for FY 2011 – FY 2016 and continues to address key U.S. foreign policy and national security priorities. Effective with the FY 2013 strategic planning and budget formulation processes, the Department and USAID implemented a new Joint Strategic Goal Framework. This new Joint Strategic Goal Framework is depicted above, with a crosswalk from the strategic goals of the previous strategic plan.
The Department and USAID carry out their joint mission in a worldwide workplace, focusing their energies and resources wherever they are most needed to best serve the American people and around the world. Headquartered in the Washington DC, the Department has an extensive global presence, with more than 260 Embassies, consulates, and other posts in more than 180 countries. To view the organizational structure of the Department of State, see page 9 in the FY 2011 Agency Financial Report:

The Department continues to make great strides to identify and use performance indicators that are useful for decision making, are of high quality, and are most representative of its goals. This budget justification includes a sample of key performance indicators with measures and milestones in various CBJ chapters to show agency-level progress and challenges towards the joint strategic goals. These key indicators are presented by CBJ chapters and not sequentially by strategic goals. At the end of this volume, a Performance Overview and Analysis chapter (Performance chapter) presents and discusses State Operations resources supporting the strategic goals sequentially.

The performance chapter summarizes and analyzes relevant performance information from 63 indicators featured throughout the CBJ. More information on the Department’s selection of these indicators is presented in the Performance chapter.

Highlights from the Performance Overview and Analysis chapter at the end of this volume include:

- The Department’s FY 2013 budget request for State Operations for each strategic goal;
- Selection Criteria for Performance Indicators with a list of active and discontinued performance indicators by Strategic Goal with a summary of FY 2011 performance ratings and verification and validation of data to support the accuracy and reliability of active performance indicators and reason for discontinuation;
- An assessment of the quantitative and qualitative indicators that summarizes how successful the Department has been in meeting previously established annual targets;
- A comparison of actual performance with target levels, an analysis and explanation of the causes of variances or changes in trends, and a sample of six illustrative indicators for six strategic goals that represent the majority of the State Operations budget; and
- A summary of evaluations initiated or completed in FY 2011 of State Operations funded programs, projects, activities, and initiatives.

In both CBJ Vols. 1 and 2, historical performance trend is displayed for five preceding fiscal years. FY 2007 marked the first year of program planning and implementation under the foreign assistance reform announced in 2006. State-USAID also issue a Joint Summary of Performance and Financial Information report available to the public on the respective agency’s website in mid-February every year.

**State-USAID Agency Priority Goals**

Under the leadership of Secretary Clinton, the Department of State and USAID have developed a new strategic approach to accomplishing their shared mission, focusing on robust diplomacy and development as central components to solving global problems. Per the GPRA Modernization Act of 2010, State and USAID are submitting for OMB consideration eight outcome-focused agency priority goals (APGs) that reflect the Secretary’s and USAID Administrator’s highest priorities. These near-term goals advance the Joint Strategic Goals, reflect USAID and State strategic and budget priorities and will continue to be of particular focus for the two agencies through FY 2013. The short title of each APG is identified below by
the Strategic Goal it supports. The full APG language, goal leads, collaborating partners, and additional information on the goals can be found in the Performance Chapter of this document.

<table>
<thead>
<tr>
<th>Strategic Goal</th>
<th>Agency Priority Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Goal 2</strong>: Effectively manage transitions in the frontline states.</td>
<td>Afghanistan</td>
</tr>
<tr>
<td><strong>Strategic Goal 3</strong>: Expand and sustain the ranks of prosperous, stable and democratic states by promoting effective, accountable, democratic governance; respect for human rights; sustainable, broad-based economic growth; and well-being.</td>
<td>Democracy, Climate Change, Food Security, Global Health</td>
</tr>
<tr>
<td><strong>Strategic Goal 5</strong>: Support American prosperity through economic diplomacy.</td>
<td>Economic Statecraft</td>
</tr>
<tr>
<td><strong>Strategic Goal 7</strong>: Build a 21st Century workforce; and achieve U.S. government operational and consular efficiency and effectiveness, transparency and accountability; and a secure U.S. government presence internationally.</td>
<td>Management, Procurement Management/Local Development Partners</td>
</tr>
</tbody>
</table>

**Program Evaluation**

Evaluations are an essential component to implementing the Department’s diplomatic and development programs. Evaluations allow managers to better understand their programs and give policy makers a tool to assess the capacity of a particular program, project or intervention. The Department has revised its evaluation policy to strengthen its connection to the evaluation of both State Operations and Foreign Operations funded programs. The Department’s revised policy and evaluation activities are discussed in more detail in the Performance Overview and Analysis Chapter of Vol. 1 of the State Operations CBJ. The Department’s evaluation policy is available at [http://www.state.gov/s/d/rm/rls/fs/2011/163299.htm](http://www.state.gov/s/d/rm/rls/fs/2011/163299.htm).