ECONOMIC MISSION AREA SUMMARY

MISSION: PROMOTE PROSPEROUS AND STABLE AMERICAN AND WORLD ECONOMIES

Treasury seeks to maximize growth and stability in the U.S. and world economies. In pursuit of this mission, the Secretary of the Treasury is the principal economic advisor to the President and plays a critical role in policy making by bringing an economic and financial policy perspective to national and international issues.

In the domestic arena, Treasury develops policies and provides guidance affecting fiscal matters, financial institutions, financial regulation, and capital markets. Treasury also oversees the activities of the Offices of the Comptroller of the Currency and Office of Thrift Supervision, whose primary missions are to ensure the safety and soundness of National Banks, Federally Chartered Savings Associations, and Federally Chartered Savings Banks.

Additionally, through the program of the Community Development Financial Institutions Fund, Treasury promotes economic growth in distressed communities by increasing the availability of business capital and financial services. To achieve its economic goals, Treasury coordinates cross-cutting activities with other agencies, principally the Federal Reserve Board, Federal Deposit Insurance Corporation, Securities and Exchange Commission, the Departments of Health and Human Services, Housing and Urban Development, Labor, and Commerce, Small Business Administration, and various Executive Office councils and offices, such as the National Economic Council and Office of Management and Budget.

In international affairs, Treasury is a key Cabinet agency charged with developing policies and guidance on international monetary issues, trade and investment policy, international debt strategy, and leading U.S. participation in international financial institutions, such as the International Monetary Fund and the World Bank. Overall, it is difficult to attribute performance in the global economic arena solely to Treasury or one specific agency because international efforts are coordinated by several U.S. agencies, including Treasury, the U.S. Trade Representative, the Departments of State, Commerce, and Agriculture, Agency for International Development, Central Intelligence Agency, Overseas Private Investment Corporation, and the Export-Import Bank of the U.S. Of course, other nations and international organizations affect the outcomes of these efforts. The "Group of Seven" industrialized nations (the G-7), Organization for Economic Cooperation and Development, the "Paris Club," International Monetary Fund and World Bank, to name just a few, are all players, and all have an impact.

<u>FY 2000 Highlights</u>

Domestic Economic Growth

- In FY 2000, the unified budget surplus was $237 billion, the largest ever in nominal terms and almost twice as large as in FY 1999. Relative to the size of the Gross Domestic Product, this year's surplus at 2.4 percent was the largest since 1948.

- Treasury's Office of Tax Policy completed a number of projects aimed at simplifying the regulatory environment surrounding pension plans. Particularly noteworthy was the ruling permitting automatic enrollment of new employees in 401(k)s and other similar pension plans. Surveys suggest that automatic enrollment has increased participation in many companies from about 75 percent to about 95 percent and in some cases has doubled the rate of participation.

Global Economic Growth

- The Secretary of the Treasury and Under Secretary for International Affairs were influential in obtaining international cooperation to relieve the debt of many poor countries, particularly in Africa. The unmanageable debt burdens of these poor countries often prevent them from making investments to reduce their poverty. The G-7 nations agreed to do more to reduce the debt burden of these heavily indebted poor countries (the HIPC initiative) if they commit to reform and use the savings for investments in the social sectors.

- Treasury helped mobilize resources to fight the spread of AIDS, a transnational problem that is devastating sub-Saharan Africa and seriously affecting other areas of the developing world. Treasury was effective in urging the World Bank and regional development banks to reallocate resources to prevent and treat AIDS and other infectious diseases. Treasury worked to secure Congressional approval of $50 million in FY 2001 for the Global Alliance for Vaccines and Immunizations, a new collaborative effort of the U.S. and other governments and private organizations. Treasury also urged Congress to pass a new tax credit to encourage U.S. pharmaceutical companies to develop vaccines for HIV/AIDS and other infectious diseases ravaging developing countries.

- The U.S. and its partners in the "Group of Seven" industrialized nations (the G-7) launched new initiatives to reform the International Monetary Fund (IMF) and Multilateral Development Banks and to redefine core thinking about development and assistance. As a result, the IMF instituted key reform measures, such as increasing openness and transparency within the institution itself and in the countries receiving IMF financial assistance.

- Treasury helped establish an international Financial Stability Forum (FSF) in 1999 to promote global financial stability through cooperation and information exchange. In 2000, three FSF working groups helped strengthen the international financial architecture through their reports recommending improvements in risk management, disclosure practices among financial institutions, and oversight of creditor institutions.

- Treasury took the lead in integrating various agency efforts to curb international money laundering, tax evasion, corruption, and other financial crimes that could undermine the credibility of the global financial system. The G-7 nations agreed that measures could be imposed on countries identified as uncooperative in dealing with these problems.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
80	**57 (71%)**	11 (14%)	12 (15%)	37 (46%)

GOAL: PROMOTE DOMESTIC ECONOMIC GROWTH

Treasury develops and implements policies related to domestic economic development, tax policies and programs, banking and financial institutions, and other fiscal matters. Working with other agencies and organizations, Treasury works to improve retirement security, increase saving rates, strengthen entitlement programs, improve economic growth in impoverished communities, improve the transparency, integrity, and efficiency of U.S. financial markets, and improve the structure and safety of financial institutions. Treasury also contributes to this goal through its regulation of the safety and soundness of the financial institutions it oversees.

Key Partners in Achieving this Goal Include: The Departments of Commerce, Housing and Urban Development, and Health and Human Services, the Small Business Administration, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, the Commodity Futures Trading Commission, the White House, various advisory committees, and Congress.

Benefits to the American Public: Economic growth provides stimuli for improvement in the quality of life for all Americans through increases in employment opportunities with its related income, potential for savings and investment, disposable income, consumption, and financial security.

FY 2000 Highlights

- In FY 2000, the unified budget surplus was $237 billion, the largest ever in nominal terms and almost twice as large as in FY 1999. Relative to the size of the Gross Domestic Product, this year's surplus at 2.4 percent was the largest since 1948.
- Treasury's Office of Tax Policy completed a number of projects aimed at simplifying the regulatory environment surrounding pension plans. Particularly noteworthy has been the ruling permitting automatic enrollment of new employees in 401(k)s and other similar pension plans. Surveys suggest that automatic enrollment has increased participation in many companies from approximately 75 percent to about 95 percent and in some cases has doubled the rate of participation.
- The President's Working Group on Financial Markets issued a report to Congress on the modernization of Over-the-Counter derivatives regulations. Many of the recommendations in this report were included in legislation that has since become law, namely the Commodity Futures Modernization Act of 2000 (CFMA). A key element of the CFMA was an agreement between Securities Exchange Commission (SEC) and the Commodity Futures Trading Corporation (CFTC) on single stock futures. Treasury played a significant role in brokering this agreement.
- During 2000, the Office of Thrift Supervision's Community Affairs staff met with approximately 600 different entities or individuals as part of its outreach efforts, and sponsored or co-sponsored or participated in over ninety training and partnership building events.

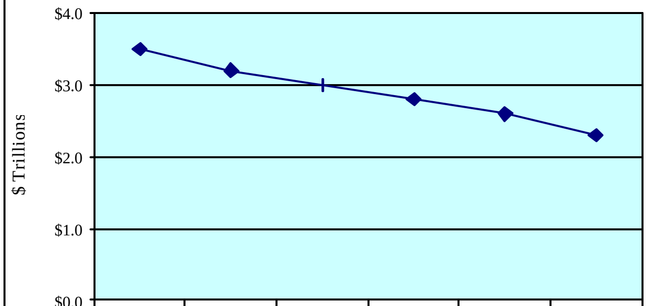
Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
59	**44 (75%)**	9 (15%)	6 (10%)	24 (41%)

Treasury Objective: Reduce Public Debt to No More than $2.3 Trillion by 2005

Key Trends

The unified Federal budget moved into surplus in FY 1998. Since that time, fiscal responsibility and a strong economy have produced growing unified budget surpluses with still larger surpluses projected for at least the next dozen years. The Office of Management and Budget Sequestration Update to the President and Congress for FY 2001 projects this objective will be met with an estimated $2.29 Trillion debt securities held by the public in 2005 (see Fig. 1).

Fig. 1: Federal Debt Held by the Public



	CY 2000	CY 2001	CY 2002	CY 2003	CY 2004	CY 2005
$ Trillions	$3.5	$3.2	$3.0	$2.8	$2.6	$2.3

Treasury Programs

Treasury's Office of Economic Policy, Office of Domestic Finance, and Office of Tax Policy provide to White House and top Administration officials key analyses and information on budget policy and related issues. Treasury also provides critical support with regard to the Budget's revenue proposals by developing options, estimating their revenue effects, and providing explanations of the proposals actually incorporated in the Budget.

FY 2000 Key Accomplishments

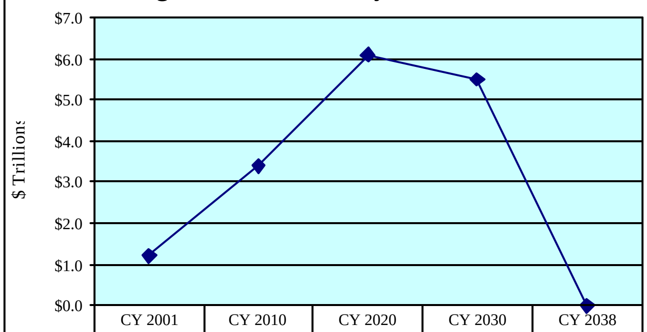
In FY 2000, the unified budget surplus was $237 billion, the largest ever in nominal terms and almost twice as large as in FY 1999. Relative to the size of the Gross Domestic Product (GDP), this year's surplus at 2.4 percent was the largest since 1948. This was the eighth consecutive year of improvement in the Federal budget position since the deficit peaked at nearly $300 billion in FY 1992. Federal spending relative to GDP has declined for eight consecutive years, and in fiscal year 2000 was the lowest since 1966.

Treasury Objective: By 2005, Achieve a 75-Year Solvency for Social Security, and Extend the Projected Solvency for Medicare Beyond 2025

Key Trends

Entitlement reform remains a major challenge for the Nation. Tax revenues for the Old-Age, Survivors, and Disability Insurance Program (OASDI, known generally as Social Security), are projected to exceed expenditures until 2016. Additional revenue from interest earnings on bonds held by the Trust Funds will result in accumulation of assets by the Trust Funds through the mid-2020s. However, reflecting an increasing number of retirees relative to workers, total income is then estimated to fall short of expenditures in each year beginning in 2025. Consequently, Trust Fund assets would be redeemed to cover the difference until the funds are exhausted in 2038 (see Fig. 2).

Fig. 2: Social Security Trust Funds



	CY 2001	CY 2010	CY 2020	CY 2030	CY 2038
$ Trillions	$1.2	$3.4	$6.1	$5.5	$0.0

The Hospital Insurance (Medicare Part A) Trust Fund is also projected to accumulate assets over the near term. However, total income for the Hospital Insurance Trust Fund is projected to fall short of expenditures beginning in 2016, and the Trust Fund is projected to be exhausted in 2029.

Treasury Programs

The Secretary of the Treasury is the Managing Trustee of the Social Security and Medicare Trust Funds and is a leading member of the Administration’s economic team. Treasury’s Office of Economic Policy provides support to the Secretary in this capacity. Treasury plays a leading role in developing the assumptions on real wage growth, interest rates, and inflation that the Trustees use in evaluating the programs and in setting economic assumptions. Treasury also plays an important role in analyzing potential reforms to Social Security and Medicare.

FY 2000 Key Accomplishments

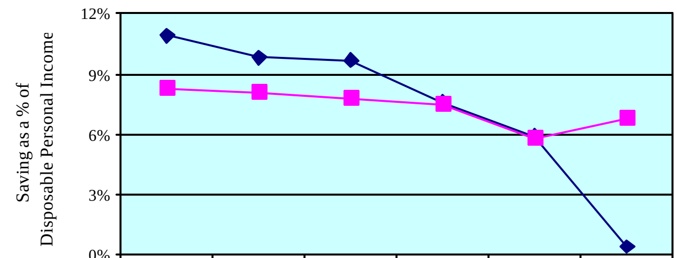
The 75-year actuarial balance of the OASDI Trust Fund improved between the 1999 Annual Report and the 2000 Report, from a deficit of 2.07 percent of payroll to a deficit of 1.89 percent of payroll, and the projected exhaustion date (2037) is three years later than in the FY 1999 report. The improved financial outlook represents the net effect of several relatively small changes in the economic and demographic assumptions used to make the 75-year projections and some improvements in the projection methods. However, during the performance measurement period, no legislation aimed at improving the long-term outlook for either program was enacted.

Treasury Objective: Improve Retirement Security by Increasing Personal Savings and by Expanding Pension Coverage and Participation

Key Trends

Many households are woefully unprepared for retirement or financial emergencies. Unfortunately, personal savings for all too many Americans are wholly inadequate to fill the remaining gap between a financially secure retirement and the resources provided by Social Security and an employer-provided pension, if any. Indeed, in the 1998 Survey of Consumer Finances, only 56 percent of families reported that they had saved anything at all in the previous year. Half of households on the brink of retirement (age 55 years to 64 years) had financial holdings of less than $46,000.

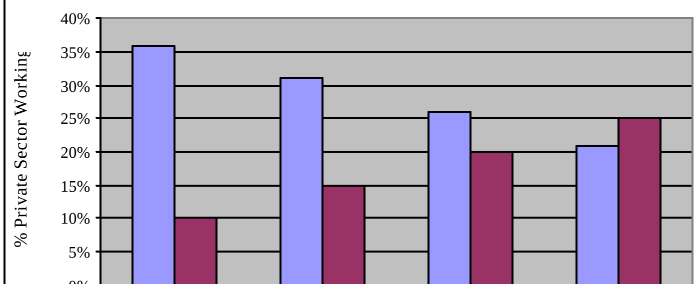
Fig. 3: Personal Saving Rate



	FY 1975	FY 1980	FY 1985	FY 1990	FY 1995	FY 2000
Published	10.9%	9.8%	9.7%	7.6%	5.9%	0.4%
Adjusted	8.3%	8.1%	7.8%	7.5%	5.8%	6.8%

At the aggregate national level, the personal saving rate has dropped precipitously. Even after adjusting for the unprecedented run-up in household net worth (the "wealth effect"), the saving rate has eased from the levels prevailing before 1990 (see Fig. 3). In FY 2000, the official personal saving rate dropped by 2.4 percentage points to 0.4 percent from 2.8 percent in 1999. A significant part of this decline can be explained by the sharp increase in equity valuations in recent years. On a wealth-adjusted basis (accounting for the performance of household net worth), the personal saving rate declined by a much narrower 0.7 percentage point to 6.8 percent and was one full percentage point above its level in FY 1995.

Fig. 4: U. S. Pension Plan Participation



	CY 1982	CY 1987	CY 1992	CY 1997
Def Bene	36%	31%	26%	21%
Def Contr	10%	15%	20%	25%

Although private pension coverage continues to grow, half of American workers, more than 50 million people, are not covered by an employer retirement plan. Typically these are lower-wage workers, employees of small businesses, and women. Many part-time workers are not covered by Federal rules on pension plans. Statistics also indicate that while the percentage of private sector workers covered by defined contribution plans, which include 401(k) type plans, have increased, the percentage of those covered by traditional defined benefit plans continues to decrease (see Fig. 4). The portability of defined contribution plans favors job mobility, and workers' desire for more portable benefits may have contributed to the rise of these plans.

Treasury Programs

Treasury's Offices of Tax Policy and Economic Policy work with the Department of Labor to develop policy proposals related to retirement and pensions plans. Treasury provides in-depth studies and analyses on trends and projections, as well as the implications of policy proposals. Several Treasury Offices are involved in the newly formed National Partners for Financial Empowerment (NPFE), which works to increase public awareness of the importance of financial literacy; encourage better personal financial education for our nation's young people, workers and families; and bring greater focus and visibility to financial literacy projects underway. Its mission is to help Americans from all walks of life improve their personal financial circumstances.

FY 2000 Key Accomplishments

Treasury's Office of Tax Policy has completed a number of projects aimed at simplifying the regulatory environment surrounding pension plans. Particularly noteworthy has been the ruling permitting automatic enrollment of new employees in 401(k)s and other similar pension plans. Surveys suggest that automatic enrollment has increased participation in many companies from approximately 75 percent to about 95 percent and in some cases has doubled the rate of participation.

Treasury Objective: Help Bring Residents of Distressed Communities into the Economic Mainstream by Promoting Fair and Efficient Delivery of Credit and Other Financial Services

Key Trends

Recent national data indicate that the availability of capital for low- and moderate-income communities is improving. According to the Federal Financial Institutions Examination Council, during the period 1993-99 the number of home purchase loans extended to applicants with incomes less than 80 percent of the median increased 86.2 percent, and to applicants with incomes 80-99 percent of the median 52.1 percent. Between 1998 and 1999 (the latest available data), the number of home loans to African-Americans increased by 11 percent; the number of home loans to Hispanics increased by 18 percent; and the number of home loans to Native Americans increased by 44 percent.

In 1999, lending to small businesses in low- and moderate-income areas increased from 1998. However, the proportion of such lending in low- and moderate-income areas declined from 1998 to 1999, when compared with the proportion of lending in middle- and upper-income areas, falling 8 percent when measured by dollar amount, and 2 percent when measured by the number of loans.

In 1999, commercial banks and savings associations reported community development lending that totaled $17.1 billion, representing an increase from 1998 of 19 percent by number of loans, and 6 percent by dollar amount. A community development loan has as its primary purpose affordable housing for low- or moderate-income individuals, community services targeted to these individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low- or moderate-income neighborhoods.

Treasury Programs

The Office of Community Development Policy develops affordable housing policy and community development financial and tax policies, and policies on micro-enterprise development, Brownfields redevelopment, fair lending, the Community Reinvestment Act, improved access to financial services, low-income savings strategies, Empowerment Zones and Enterprise Communities, New Markets, BusinessLINC, the District of Columbia and other matters.

The Community Development Financial Institutions Fund promotes access and local economic growth by directly investing in and supporting CDFIs and by expanding financial service organizations' lending, investment, and services within under-served markets.

The Office of the Comptroller of the Currency and the Office of Thrift Supervision (OTS), pursuant to the Community Reinvestment Act (CRA), assess their institutions' record of helping to meet the credit needs of their entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations.

The Community Adjustment Investment Program (CAIP), a partnership between the U.S. Government and the North American Development Bank, was established as part of the North American Free Trade Agreement. The CAIP's mission is to help create and sustain jobs in U.S. communities experiencing temporary job dislocations attributable to changing trade patterns with Canada and Mexico.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

The Community Adjustment and Investment Programs (CAIP) Grant Program was initiated in October 1999 to assist in preservation of jobs in adversely affected areas. Grants totaling $6 million were approved.

During FY 2000, the CDFI Fund awarded more than $125 million to banks, thrifts, and CDFIs. Amounts provided to CDFIs are matched by awardees with other funds of similar form and value. The number of certified CDFIs increased by 24% during the year, to 415. In addition, awardees under the Fund's Bank Enterprise Awards (BEA) program provided loans, investments and services to distressed communities totaling in excess of $1 billion.

Every year, OTS's Community Affairs Program defines a number of strategies to encourage and stimulate more thrift lending, investment and service in under-served markets. Those strategies are focused in three principal areas: outreach, training/education, and partnership building. In order to accomplish program strategies in these areas, the community affairs staff actively partners with the other banking agencies and other federal agencies, the Neighborhood Reinvestment Corporation and their affiliated organizations, government sponsored enterprises such as Fannie, Mae, Freddie Mac and the Federal Home Loan Banks, State Housing Finance Agencies, Indian Tribal Councils, local community based organizations, and others.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
24	**17 (71%)**	4 (17%)	3 (12%)	7 (29%)

Departmental Offices Performance Goal: *Promote domestic financial institutions and markets growth and stability, and community development through the development and implementation of effective programs and policies*

Performance Measure: Domestic Financial Institutions and Markets Growth and Stability, and Community Development

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	Progress Reported	Qualitative Progress	See Below

Explanation of Measure: This measure captures progress made in establishing policies, guidance, and analysis relative to financial institutions, financial regulations, availability of credit, community development, financial crimes, Federal debt, capital markets, privatization and sale of Government assets, and other issued related to domestic finance.

Explanation of Performance: Treasury chaired a joint task force with HUD and issued a report on predatory lending, including recommendations for legislative action to fight predatory lending. Treasury continued to work with the Federal Reserve to push regulatory issues related to predatory lending and with Congress on legislative proposals. Also, Treasury's Office of Government-Sponsored Enterprise and Office of Community Development Policy worked with HUD on HUD's housing goal rules as related to Fannie Mae and Freddie Mac. The proposed rules were published and final rules are in process.

Community Development Financial Institutions Fund Performance Goal*: Increase participation in the Fund's CDFI programs to facilitate local economic growth*

Performance Measure: Number of New Organizations Receiving CDFI Awards

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	20	**22**

Explanation of Measure: This measure captures the change in the number of new awardees (for all CDFI programs) compared to the prior year.

Performance Measure: Number of CDFIs Receiving Financial or Technical Assistance from Treasury

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
51	112	125	135	**143**

Explanation of Measure: This measure captures the number of CDFIs receiving financial or technical assistance.

Performance Measure: Number of CDFIs Receiving Financial Assistance from Treasury (Includes Core And Intermediary Components)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	42	60	63	**77**

Explanation of Measure: This measures the number of Core and Intermediary Component CDFIs selected to receive grants, deposits, credit union shares, equity, investments or loans to strengthen the financial capacity of CDFIs.

***Community Development Financial Institutions Fund Performance Goal**: Increase diversity of CDFI awardees*

Performance Measure: Number of States with a CDFI Awardee

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	45	47	**48**

Explanation of Measure: This measures the number of States, excluding D.C., Puerto Rico, and the Virgin Islands, in which the Fund has provided assistance to at least one CDFI. The Fund seeks to have at least one certified CDFI in every State in order to increase the geographic diversity of CDFIs receiving awards. Outreach sessions were held in geographic areas without certified CDFIs to encourage potential participation in the Fund's program.

***Community Development Financial Institutions Fund Performance Goal:** Increase private and non-Federal capital investments in CDFIs*

Performance Measure: Total Private and Non-Federal Investments in CDFI Awardees within One Year of Receiving Fund Assistance ($ in millions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	$55	**$77**

Explanation of Measure: CDFIs are required to obtain funds similar in value and form to awards made by the Fund. This measures the amount of matching funds obtained by CDFIs that received awards during the fiscal year.

***Community Development Financial Institutions Fund Performance Goal**: Increase the number of organizations engaged in community development finance that receive training or technical assistance*

Performance Measure: Number of Institutions that Receive Technical Assistance from Treasury

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	80	**87**

Explanation of Measure: The Fund seeks to increase the number of institutions that receive CDFI technical assistance. Through technical assistance, the Fund provides grants to existing or proposed CDFIs that have organizational capacity needs and demonstrate significant potential for generating community development impact. Includes 21 awardees receiving technical assistance grants under the Core Program.

***Community Development Financial Institutions Fund Performance Goal**: Increase direct investment by financial services organizations (FSOs) in distressed communities and to under-served populations.*

Performance Measure: Change in Community Development Investment by Bank Enterprise Award (BEA) Awardees from the Prior Year ($ in millions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	$700	**$1,100**

Explanation of Measure: This measures the amount of investment by BEA Awardees in those communities with the greatest need for banking services.

Note: The reliability o the data for this measure is questionable or of unknown accuracy. As a result, CDFI is holding discussions about the future of the program.

Performance Measure: Number of BEA Awardees that Provide Financial or Technical Assistance to CDFIs or Distressed Communities

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	89	95	85	**87**

Explanation of Measure: One of the objectives of the BEA Program is to provide incentives to those insured depository institutions that increase their investments in CDFIs. This helps to increase the ability of CDFIs to serve their intended markets.

Performance Measure: Number of First-Time BEA Program Applicants

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	30	**36**

Explanation of Measure: This measures the number of first-year BEA program applicants.

Community Development Financial Institutions Fund Performance Goal*: Federal Government efforts to assist microenterprise are coordinated through interagency working groups*

Performance Measure: Establish and Manage an Interagency Work Group and Website

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	Established Workgroup	Complete	**Completed**

Explanation of Measure: A work group of Federal agencies having an interest in microenterprise to assist and raise awareness of the microenterprise industry was established in FY 1999, with a website developed during FY 2000.

Community Development Financial Institutions Fund Performance Goal*: Increase participation in the Presidential Awards for Excellence in Microenterprise Development*

Performance Measure: Number of Applicants for Microenterprise Awards from the Previous Round

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	15	35	0

Explanation of Measure: This measure captures the Fund's goal to raise awareness of the microenterprise industry, and compares the number of applicants for each round.

Explanation of Shortfall: The solicitation for FY 2000 awards was postponed.

Office of the Comptroller of the Currency Performance Goal:
I. Continue to contribute to and influence the development in the bank customer information privacy arena
II. Monitor complaint trends and use Customer Assistance Group data to develop policy positions and continue to share data with banks and internal OCC audiences
III. Develop a proposal for a pilot program for using a consortium-owned bank, and develop recommendations for other delivery channels for banks, to serve inner city neighborhoods

Performance Measure: Complete the Proposal for Consortium-Owned Bank Pilot

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	Complete proposal	**Proposal Completed**

Explanation of Measure: Paper to be developed through cross-functional team and external stakeholders identifying how to set up consortium owned bank.

Performance Measure: Percentage of Time that Follow-up Actions are Identified and Implementation Begins within 60 Days of Each Access Meetings

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	100%	100%	**100%**

Explanation of Measure: Each division director in the Community Affairs department prepares a Community Affairs monthly report for the Deputy Comptroller for Community Affairs. The report lists outreach meetings, identifies follow up actions arising from the meetings, and documents timeliness of initiation of follow up actions.

Office of Thrift Supervision Performance Goal: *Ensure that OTS-regulated thrift institutions comply with consumer protection, fair lending, community reinvestment and other public policy laws and regulations*

Performance Measure: Percentage of Thrift Institutions that, Within 60 Days of Having Received an Unsatisfactory Compliance Rating, is Either Subject to a Formal or Informal Enforcement Action or as to which such Action Has Been Waived

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	100%	100%	**100%**

Explanation of Measure: Each OTS-regulated institution receives a compliance rating from 1 to 5 following its compliance examination and the ratings are entered into the Examination Data System. OTS uses this measure to ensure that every institution that receives a poor compliance rating receives special attention.

Office of Thrift Supervision Performance Goal*: Provide educational and technical assistance to industry representatives, the OTS examination staff and other relevant parties on community development issues, needs and opportunities; key players and programs; and investment authority or regulatory barriers*

Performance Measure: Percentage of Thrifts with Less than Satisfactory CRA Ratings to Which OTS Offers or Provides One-On-One Community Development-Related Outreach and Technical Assistance to Within 60 days of Completion of the Examination

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	100%	100%	**100%**

Explanation of Measure: In 1993, OTS established its Community Affairs Program to assist the thrift industry's efforts to help meet the credit and financial services needs of their communities. OTS uses this measure to ensure that all thrifts that receive an unsatisfactory CRA rating are given special attention to help them achieve a satisfactory rating.

Performance Measure: Percentage of Identified Community Development-Related Regulatory Barriers Addressed by OTS

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	73%	85%	57%

Explanation of Measure: Regulatory barriers include barriers pertaining to both investment authority and CRA. Interpretations of, changes to, and guidance about the subject regulations are an acceptable means for addressing the regulatory barriers. This measure demonstrates OTS's success in addressing the regulatory barriers which have been identified.

Explanation of Shortfall: OTS has determined that the original target of 85% for this measure is unrealistic because many of the barriers identified are not within OTS' sole jurisdiction. Three of the seven barriers that were not successfully resolved by year end 2000 were matters beyond OTS' immediate control. OTS is working with an interagency group on a CRA regulation review project. This project should conclude in 2002. A question regarding whether debt obligations issued by community development non-profit organizations are "corporate debt securities" was referred to the Federal Deposit Insurance Corporation for an interpretive opinion. A question regarding whether a low income housing tax credit limited partnership is a thrift affiliate is awaiting feedback from the OCC. OTS will continue to work with these groups to complete resolution.

Office of Thrift Supervision Performance Goal*: Promote and help facilitate partnerships between financial institutions, community organizations and others as a means of improving the availability of and access to credit and financial services*

Performance Measure: Percentage of Planned Outreach, Training, or Partnership-Building Events OTS Sponsored or Participated In

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	90%	**100%**

Explanation of Measure: Each year the Community Affairs staff establishes a program agenda and individual work plans for Washington and the regional offices that set forth program goals for the year. This measure indicates the extent to which the program goals were achieved.

Performance Measure: Percentage of Thrift Institutions that Participated in Community Affairs' Sponsored or Co-Sponsored Events

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	90%	**96.5%**

Explanation of Measure: Each year the Community Affairs staff establishes a program agenda and individual work plans for Washington and the regional offices that set forth program goals for the year. This measure indicates the extent to which the program goals were achieved.

Performance Measure: Percentage of Thrift Participants to Those Targeted

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	50%	45%

Explanation of Measure: Each year the Community Affairs staff establishes a program agenda and individual work plans for Washington and the regional offices that set forth program goals for the year. This measure indicates the extent to which the program goals were achieved.

Explanation of Shortfall: OTS had a 45% success rate for this measure because not as many thrifts attended the events scheduled as were targeted. In some instances the number of thrifts targeted was very aggressive. OTS's West Region co-hosted a CRA Conference and targeted approximately 148 thrifts (a very aggressive attendance record for any given event). Only 67 thrifts actually attended this event. The OTS regions that targeted a very aggressive number of thrifts skewed the results for the rest of the OTS Regions. OTS will continue to work with these groups to complete resolution.

Performance Measure: Number of New Partnerships Formed, Activities/Programs Commenced or Investments Made as a Result of OTS's Outreach, Training, or Partnership- Building Activities

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	26	26	**28**

Explanation of Measure: Each OTS regional office follows up periodically with the thrifts and others with whom it has worked directly (through outreach, training, partnership building and one-on-one assistance) to determine whether an investment was made, partnership was formed or activity commenced as a result of the office's work.

Performance Measure: Number of Speeches or Presentations Given by Senior Management on Community Development-Related Topics

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	25	25	23

Explanation of Measure: Each of OTS's six offices (5 Regions and Washington) track and report on the number of speeches given or community affairs related activities participated in by senior management that includes significant discussion of community development related topics.

Explanation of Shortfall: Senior management, other than OTS' Director, did not participate in as many community affairs events or community development related speaking engagements as anticipated. The Community Affairs staff will continue to provide opportunities for OTS senior managers to participate during 2001.

***Community Adjustment and Investment Program (CAIP) Performance Goal**: To provide financial resources to businesses for the creation of new private sector jobs in trade affected communities, leveraging private sector lending*

Performance Measure: Number of Private Sector Jobs Created or Retained in Trade-Affected Communities

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: This measures the number of private sector jobs to be created or retained as reported by financial assistance awardees. Annual targets are taken from applications, and actuals are taken from the reports of awardees. Data is captured from financial assistance applications.

Explanation of Performance: CAIP provides the financial resources for projects that create or retain jobs in trade affected communities. Three thousand jobs were estimated to be created or retained based on estimates from the borrowers and grantees in their applications for loans or grants under the program.

Performance Measure: Number of Private Sector Jobs Created Due to the Provision of Technical Assistance on a Project -Specific Basis

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: This measures the number of private sector jobs created or retained as reported by the technical assistance awardees. Annual targets are taken from applications, andactuals are taken from the reports of awardees. Data is captured from grant applications.

Explanation of Performance: As a result of provision of technical assistance, an estimated 1,100 jobs were created or retained based on estimates from the grantees in their applications.

Treasury Objective: Improve and Modernize the U.S. Financial System

Key Trends

Modernizing America's financial services industry to improve and enhance services to customers, and to increase efficiencies for financial services companies, has been an important policy objective for many years. Over time, the financial market and regulators had used a variety of innovations to try to undo the separation of services (and restrictions on offering their products) that Federal law had established well over 65 years ago. These divisions and distinctions resulted in substantial competition, but competition that was largely inefficient and not in the public interest. The Gramm-Bliley-Leach Act, enacted in November 1999, made several key improvements, allowing the affiliation of financially related firms (i.e., banks, securities firms, and insurance companies).

Treasury Programs

Treasury's Office of Domestic Finance provides analyses, recommendations, and policy advice in the areas of domestic finance, banking, fiscal policy and operations, and other related economic matters, including development of policies and guidance in the area of financial institutions.

The Office of the Comptroller of the Currency (OCC*)* is the chartering authority and primary Federal regulator of nationally chartered banks. OCC oversees the execution of laws relating to national banks, promulgates rules and regulations governing the operations of national banks, and examines and supervises national banks.

OTS's primary statutory authority is the Home Owner's Loan Act (HOLA). Under HOLA, OTS is responsible for chartering, examining, supervising, and regulating Federal savings associations and Federal savings banks. HOLA also authorizes OTS to examine, supervise, and regulate state-chartered savings associations belonging to the Savings Association Insurance Fund and provide for the registration, examination, and regulation of savings association affiliates and holding companies.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- Achieved enactment of historic legislation to modernize the financial services industry, the Gramm-Leach-Bliley Act of 1999.

- Significant new privacy protections were achieved as part of Financial Modernization legislation and other initiatives to highlight privacy issues were pursued.

- Treasury continued to play a leadership role in protecting critical infrastructure in the banking and finance sector by encouraging the private financial sector to organize itself to address the threat of cyber-terrorism. Working with Treasury, the financial services industry established a computer defense center to share information on information center attacks and appropriate responses. Successful conferences to draw attention to issues were held. Continuing efforts and support for private sector efforts are ongoing.

- OCC and OTS, acting with the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration, proposed rules to implement the Fair Credit Reporting Act's (FCRA) notice and opt-out provisions. The rules explain how to comply with corporate financial institution affiliate sharing provisions and apply to any institution that wants to share consumer information other than transaction or experience information, with its affiliates, but does not wish to be considered a consumer reporting agency for legal purposes.

- OTS implemented a Customer Service Plan for Examinations in response to the fundamental objective of the National Partnership for Reinventing Government to create a customer-focused government. One outcome of this has been in improving the value of examinations to thrift institution directors and management.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
32	**25 (78%)**	5 (16%)	2 (6%)	16 (50%)

Departmental Offices Performance Goal: *Promote domestic financial institutions and markets growth and stability, and community development through the development and implementation of effective programs and policies.*

Performance Measure: Domestic Financial Institutions' and Markets' Growth and Stability, and Community Development

CY 1997 Performance	CY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
--	--	Progress Reported	Qualitative Progress	See Below

Explanation of Measure: This measure captures progress made in establishing policies, guidance, and analysis relative to financial institutions, financial regulations, availability of credit, community development, financial crimes, Federal debt, capital markets, privatization and sale of Government assets, and other issued related to domestic finance.

Note: This objective is also reported under the objective "Help Bring Residents of Distressed Communities in to the Economic Mainstream by Providing Fair and Efficient Delivery of Credit and Other Financial Services."

Explanation of Performance: Significant new privacy protections were achieved as part of Financial Modernization legislation and major initiatives were developed to further highlight privacy issues linked to financial aspects of economy. Working with Treasury, the financial services industry established a computer defense center to share information on information center attacks and appropriate responses. To coordinate the efforts of regulators -- i.e., the Fed, banking agencies, SEC and CFTC -- in this area the Center for Financial Services Sector was successfully established. Successful conferences to draw attention to issues were held. Continuing efforts and support for private sector efforts are ongoing.

Office of the Comptroller of the Currency Performance Goal: *Achieve efficient and effective risk-based supervision and compliance with the FDICIA exam schedule*

Performance Measure: Percentage of FDICIA Examination Exceptions After 6/30/00 Limited to Conversions, Mergers, System Conversions, Etc.

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	92%	92%	100%	98%

Explanation of Measure: The number of examinations past due compared to the number of examinations due (except those approved exceptions related to conversions, mergers, system conversions, etc.).

Explanation of Shortfall: There are multiple sources of "friction" in any complex process that involves several thousand people. For example, scheduling issues, employee turnover, matching expertise with specialized examining needs, budget constraints. Owing to these natural elements of process friction, 95% is a more realistic ongoing target. Examination guidelines that allowed examiners to delay community bank safety and soundness exams for up to 90 days in low risk banks were in effect until 6/30/00. During 2000, 98% of exams were conducted within timeframes of examination guidelines.

Performance Measure: Percentage of Critical Work Completed on Large-Bank, Mid-Size Bank, and Federal Branch/Agency Strategies

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	100%	100%	**100%**

Explanation of Measure: The Bank Supervision Operations Management Team has defined critical work. The process for determining critical work in the context of the Bank Supervision Operations department was defined in 1999: “High-priority examinations, quarterly reviews, and large bank strategies are completed on a timely basis.” This was included in a memo addressing the Bank Supervision Operations department resource allocation process.

Performance Measure: Percentage of Enforcement Actions Against Banks that Meet Policy Time Frames

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	82%	90%	72%

Explanation of Measure: The number of enforcement actions that are processed in accordance with policy time frames. The timeliness is calculated as the time it takes from the date the supervisory office receives the recommendation for action to the date the OCC presents the action to the banks as compared to policy time frames.

Explanation of Shortfall: The current policy time frames measure action dates that are not within OCC control. For example, the current timeframes say that enforcement actions will be completed within 45 days of the date they are initiated. OCC controls when the action is presented to the bank for signature, but OCC does not control when the bank signs the action (completion of the action). OCC is currently rewriting the guidelines so that they will apply to actions within the control of the OCC.

Performance Measure: Percentage of 4- and 5-Rated Banks with Enforcement Actions (Formal and Informal) in Place or Pending

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	92%	100%	**100%**

Explanation of Measure: A quarter end listing will be generated of all 4 and 5 rated banks, including any outstanding enforcement actions. Those 4 and 5 rated banks without an outstanding enforcement action will be checked to see if they have an enforcement action pending. Any 4 and 5 rated banks without outstanding or pending enforcement actions will be reported as an exception. The reports will be generated from the OCC's NBSVDS System based on data input from SMS and EV.

Performance Measure: Percentage of Quarterly Reviews Completed for Y2K

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	100%	100%	100%	**100%**

Explanation of Measure: 100% of required reviews completed and any supervisory action initiated with banks as required.

Office of the Comptroller of the Currency Performance Goal: *Consider what the supervisory process of the 21st century should be, taking into account advances in technology and trends in the banking industry and the provision of financial services*

Performance Measure: Percentage of Examination Questionnaires Submitted by Bankers that Are Analyzed Within 90 days of the Close of the Evaluation Period and Disseminated Throughout the Agency

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	100%	100%	**100%**

Explanation of Measure: Perform analyses of examination questionnaires received from bank management and disseminate the analyses within 90 days of the close of the evaluation period.

Performance Measure: Percentage of Supervision 2000 Project Plan Completed

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
--	--	--	100%	**100%**

Explanation of Measure: There are two main initiatives under the project plan: 1) integrate technology into the examination process (i.e. obtaining information in a digital form) and 2) implementing Examiner View (an automated examination database).

Office of the Comptroller of the Currency Performance Goal: *Implement an effective process for analyzing trends, making predictive judgments, and fashioning supervisory responses that take trends into account*

Performance Measure: Perform Quality Assurance Reviews of Banks Examined After National Bank Examiners (NBEs) Receive Structurally Weak Loan Training

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
--	--	--	Perform reviews	**Reviews Performed**

Explanation of Measure: This measure supports the Bank Supervision Operations (BSOP) Priority for credit: "Rebuild and strengthen overall credit skills and expertise. Ensure quality evaluation of risk in the loan portfolio." One of the tasks identified in BSOP's project plan for structurally weak loan training is the performance of a Quality Assurance (QA) review of banks examined after local NBEs receive the training. The QA team will draw a sample of one bank per field office for exams started after June 30/2000. BSOP mandated that the training be delivered by June 30, 2000. The review will answer the following three areas: 1) Were structurally weak loans properly identified? 2) Were they properly recorded on the database and structurally weak loan page of the Report of Examination? 3) Were examination conclusions (report comments, ratings) consistent with the level of structurally weak loans identified?

Performance Measure: Provide Shared Credit Training to Examiners Per Schedule

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
--	--	--	Provide training	**Training provided**

Explanation of Measure: This measure supports the OCC strategy "Rebuild and strengthen overall credit skills and expertise. Ensure quality evaluation of risk in the loan portfolio." Although this measure is not in BSOP's priority or core measures, it is an initiative relating to the shared credit initiative in large banks.

Performance Measure: Produce Annual Underwriting Survey Analysis to Identify Asset Quality Deterioration

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
--	--	--	100%	**100%**

Explanation of Measure: This measure supports the OCC strategy to implement an effective early warning system for trend analysis. The survey identifies trends in credit risk within the national banking system. The questionnaire-based survey address changes in lending standards since the previous survey for the most common types of commercial and retail credit offered by national banks. The survey is conducted through Examiners-in-Charge of approximately 70 of the largest OCC supervised banks, covering 90% of the loans in the national banking system. The information obtained through the survey is used to develop revised risk-based policy guidance and procedures designed to focus examiners' and bankers' attention on leading indicators of inherent levels of credit risk.

Performance Measure: Pilot the "Early Warning System for Bank Failure Potential" (Project Canary) by January 1, 2000

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
--	--	--	Complete Pilot	**Pilot Completed**

Explanation of Measure: Demonstrate the Project Canary early warning system, including Canary database preparation, benchmarks screening process for highlighting banks with increased risk appetite, and early warning reports.

Performance Measure: Make Web-Based Early Warning Reports for Liquidity, Interest Rate Risk, and Credit Available to Users by March 31, 2000

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
--	--	--	Complete reports and make them available via the web by 3/31/00	**Web-based reports for these functions completed and available by 3/31/00**

Explanation of Measure: Implement web-based access to Project Canary early warning tools on the OCC Intranet for Washington and District office personnel.

***Office of the Comptroller of the Currency Performance Goal**:*
I. Implement the Gramm-Leach-Bliley Act to effectively support safety and soundness and competitiveness of national banks
II. Address the variety of issues related to Internet banking, with a view toward establishing a lead role in this area for national banks
III. Develop an effective program for identifying, quantifying, and sharing information about the benefits of a national bank charter

Performance Measure: Percentage of On-Time Performance for Non-Protested Applications

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	95%	95%	95%	**96%**

Explanation of Measure: The number of non-protested applications for which on-time performance is maintained.

Performance Measure: Percentage of Instances Where Supervisory Concerns are Addressed Before New Initiatives, Products, or Powers Are Approved

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	100%	100%	99%

Explanation of Measure: Under 1999 Law Department Coordination Guidelines, OCC legal staff responsible for drafting decisions must contact specific OCC staff in OCC's Bank Supervision department in each case.

Explanation of Shortfall: In the sample of 72 documents used for this measure, there was one instance where bank supervision was not listed as a reviewer on a legal interpretation due to the fact that no specific bank was involved.

Performance Measure: Participant Satisfaction with Outreach Programs

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	Tracking system established	Report on participant satisfaction	Data Not Available

Explanation of Measure: A tracking system was developed in the fourth quarter of 1999 to capture scheduled District outreach activities with bankers. In March 2000, a feedback form was activated for District management to report on the results of the outreach activity.

Explanation of Shortfall: This is a new reporting system. The report design was completed in FY 2000, but the system was not implemented during that year. The reporting function will be operational during FY 2001. An initial report system will be available in during FY 2001.

Performance Measure: Percentage of Project Plan for Community Bank Initiatives Finalized, Milestones Met, and Recommendations Implemented

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	100%	**100%**

Explanation of Measure: Project plan for community bank initiatives finalized, 100% of milestones met, recommendations implemented. Continue to develop and implement initiatives targeted to community banks.

Office of the Comptroller of the Currency Performance Goal:

I. Continue to contribute to and influence the development in the bank customer information privacy arena

II. Monitor complaint trends and use Customer Assistance Group data to develop policy positions and continue to share data with banks and internal OCC audiences

III. Develop a proposal for a pilot program for using a consortium-owned bank, and develop recommendations for other delivery channels for banks, to serve inner city neighborhoods

Performance Measure: Average Number of Days to Process Consumer Complaints

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	40	45	45	51

Explanation of Measure: The average complaint processing days are determined by averaging the number of days from receipt of a complaint to resolution of that complaint for all of the complaints resolved during a calendar quarter. This measure is included also included in the previous objective.

Explanation of Shortfall: Demand exceeded expectations, and therefore, targets were missed because OCC had more demand than our supply of resources to get it all done. OCC will reevaluate the target and will increase the average processing target to 50 days.

Performance Measure: Percentage of Requests for Consumer Complaint Information Provided Within 30 Days of Request, or by the Requested Date if Longer Than 30 Days, With Copies of the Information to the Bank and Appropriate Bank Supervision Operations Office

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	95%	95%	90%

Explanation of Measure: Each request for information on the complaint volume of a bank is required to be in writing. When a request is received, it is logged into a tracking system that is maintained on the group drive. When the report is mailed to the supervisory office and the bank, one of the analyst electronically notifies the examiner that the report is being mailed. The log is updated with that date. The log calculates the number of days between the request and the delivery of the report.

Explanation of Shortfall: Demand exceeded expectations, and therefore, targets were missed because OCC had more demand than our supply of resources to get it all done.

Performance Measure: Publish Final Privacy Regulations As Required by New Legislation

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	Complete rule	**Rulemaking Completed**

Explanation of Measure: Privacy regulations are published in final form.

Office of Thrift Supervision Performance Goal: *Conduct safety and soundness, compliance, holding company, trust and information systems examinations of all thrift institutions scheduled to receive such examinations*

Performance Measure: Percentage of Thrifts That Received Each Type of Examination as Scheduled:

(1) Safety and Soundness
(2) Compliance (including CRA)
(3) Holding Company
(4) Information Systems
(5) Trust

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
(1) 96.2% (2) 98.3% (3) 83.2% (4) 77.7% (5) 63.3%	(1) 96.6% (2) 98.3% (3) 86.7% (4) Note (a) (5) 87.5%	(1) 97.9% (2) 99.3% (3) 87.8% (4) Note (a) (5) 82.8%	(1) 95% (2) 95% (3) 90% (4) 85% (5) 80%	**98.3%** **98.6%** **91.1%** **102%** **91.3%**

Explanation of Measure: Through the examination process, OTS assesses the financial condition and risk profile of thrift institutions and identifies violations of law and regulation and potential financial and economic problems. The OTS examination process assists in preventing the development or continuation of unsafe operating practices and effects timely resolution of identified problems or weaknesses, consumer protection, and Community Reinvestment Act (CRA) weaknesses.

OTS conducts risk-focused examinations of thrift institutions in four major disciplines: Safety and Soundness and Holding Company, Compliance and CRA, Information Technology, and Trust Activities. Each institution undergoes examination in each discipline, as applicable, by seasoned, highly trained examiners specializing in the discipline. OTS maintains written procedure manuals and work programs in each discipline to guide the conduct of examinations, and to ensure compliance with statutory requirements and agency policy. OTS management tracks the timeliness of examinations, and any examination or institution that falls outside of the specified guidelines for the examination time frame or duration is identified. When necessary, management will determine why examination standards are not being met and will initiate steps to improve OTS's performance.

Note (a): During 1999, available OTS Information Systems (IS) examination resources were diverted to Y2K issues, including quarterly reviews of large service providers, and thrift institutions with complex information technology environments. Staff were redeployed in 2000 to risk-focused IS examinations of service providers, software vendors, and thrifts.

The rate for Information Systems is 102% and resulted from more examinations conducted than were scheduled.

Office of Thrift Supervision Performance Goal: *Ensure that OTS-regulated thrift institutions operate in a safe and sound manner or that OTS has taken appropriate supervisory or enforcement action*

Performance Measure: Percentage of Thrift Institutions That, Within 60 days of Having Received an Unsatisfactory Safety and Soundness Rating, Is Either Subject to a Formal or Informal Enforcement Action or As to Which Such Action Has Been Waived

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	86.7%	100%	**100%**

Explanation of Measure: OTS employs its enforcement powers to advance the agency's supervisory mission of maintaining a safe and sound thrift industry. Most new enforcement cases focus on correcting unsafe and unsound practices in thrifts before they result in the institution becoming undercapitalized. This measure ensures that institutions with low safety and soundness ratings receive special attention.

Office of Thrift Supervision Performance Goal*: Improve the consistency and quality of examinations*

Performance Measure: Percentage of Examination Reports Reviewed That Are Deemed Generally Consistent with OTS Examination Policies and Procedures

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
100%	99%	100%	99%	**100%**

Explanation of Measure: OTS believes that examination reports should effectively communicate safety and soundness concerns to boards of directors, and that our supervisory efforts should be responsive to thrift management concerns. OTS's Quality Assurance (QA) Program solicits input from thrift managers on examination issues and the QA reviews a statistical sample of examination reports for clarity and consistency with national examination policies; the examination handbooks are updated continuously to reflect new statutes, policies, and new activities being undertaken by the thrift industry.

Office of Thrift Supervision Performance Goal: *Improve the value of examinations to thrift institution directors and management*

Performance Measure: Percentage of Thrifts Rating the Value of the Examination Process as Satisfactory or Better

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
98%	99%	98%	95%	**99%**

Explanation of Measure: Explanation of Measure: The Customer Service Plan for Examinations was the Agency's first response to the National Performance Review's fundamental objective to create a customer-focused government. While the concept of customer service directly conflicted with the perceived mission of a regulatory agency, after speaking directly with hundreds of industry leaders the challenge was evident and the advantages numerous. As a result, OTS's first Customer Service Plan was adopted in September 1994. The plan commits OTS to 13 specific performance standards that emphasize communication and cover all phases of the supervisory process, including pre-examination, on-site examination and post examination. OTS made a strong commitment to be measured by these performance standards and the results have been dramatically successful.

Office of Thrift Supervision Performance Goal: *Ensure that 100% of OTS-regulated thrift institutions are at least "adequately capitalized" or are under a Prompt Corrective Action (PCA) Directive or are recapitalized to the "adequately capitalized" level or operating within an approved Capital Plan within 150 days of becoming undercapitalized*

Performance Measure: The Number of OTS-Regulated Thrift Institutions That Are at Least "Adequately Capitalized" or Are Under a PCA Directive or Are Recapitalized to at Least the "Adequately Capitalized" Level Within 150 Days of Becoming Undercapitalized, or That Have Received Prior Approval by the Deputy Director for Exceeding the 150-Day Timeframe for Issuance of the PCA Directive, Divided by the Total Number of OTS-Regulated Thrift Institutions, Minus Those That Are Operating Under an Approved Capital Plan or That Have Been Undercapitalized for Less Than 150 Days

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	99.9%	100%	**100%**

Explanation of Measure: This measure addresses both of the objectives of PCA: 1) to recapitalize undercapitalized thrifts at the least cost to the deposit insurance fund; and 2) to do it "promptly." The statute requires that institutions submit capital restoration plans within 45 days of becoming "undercapitalized," and for the agency to act on the capital plan generally not later than 60 days after submission. The OTS policy is to formally act on capital plans through the issuance of a PCA directive. The measurement adopted allows 150 days from the thrift becoming "undercapitalized." to issue the PCA Directive. This time frame includes notification, capital plan submission, review, decision on the capital plan, and issuance of the PCA Directive. Alternatively, OTS can also comply with the measurement if the institution does not fail and is recapitalized, even if the 150-day time frame is exceeded.

Office of Thrift Supervision Performance Goal: *Reduce regulatory burden whenever possible, consistent with effective supervision*

Performance Measure: Percentage of Times That Application Processing Timeframes Are Met

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
99%	98.9%	98.3%	98%	**98%**

Explanation of Measure: OTS regulations require thrift institutions to file an application before engaging in certain activities. Most applications are reviewed and acted upon at OTS's five Regional Offices. Certain complex transactions and those containing issues of policy or law are reviewed and acted upon in Washington. The mission of OTS's applications program is to ensure that applications are processed within established timeframes and that application decisions are consistent with current OTS regulations and policies. All applications, unless eligible for expedited treatment, should be processed and a decision reached within 60 days from the date they are deemed complete, unless they raise issues of law or policy. Expedited applications should be processed and a decision reached within 30 days from the date they are deemed complete.

Performance Measure: Percentage of Planned Regulatory Reinvention Projects Completed in Question and Answer Plain Language Format

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	80%	100%	80%	**100%**

Explanation of Measure: One of OTS's continuing initiatives is to reduce the regulatory burden on thrifts and to rewrite our regulations in plain language question and answer format. This format makes our regulations easier to understand and enables savings institutions to find the information they need more quickly.

***Office of Thrift Supervision Performance Goal**: Develop, distribute and monitor adherence to service plans for all major agency functions*

Performance Measure: Percentage of Service Plans That Met Their Standards

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
100%	83.3%	80%	80%	**100%**

Explanation of Measure: On September 11, 1993, President Clinton issued an Executive Order entitled "Setting Customer Service Standards." The purpose of the Order was to facilitate the establishment and implementation of customer service standards within the government. The order requires agencies to survey their customers and understand their needs and expectations. Agencies must then set forth and publish standards that address needs.

OTS has developed service plans for the Examination Process, Congressional Correspondence, Interpretive Opinions, Applications Processing and Consumer Assistance. Other service plans will be created as needed.

Treasury Objective: Promote the Transparency, Integrity and Efficiency of the Nation's Financial Markets

Key Trends

Treasury is committed to making sure that the nation's financial markets remain the most liquid and efficient in the world. In November 1999, the President's Working Group prepared a report on over-the-counter (OTC) derivatives markets and the Commodity Exchange Act (CEA). Despite strong growth and development, much of the OTC derivatives markets in the United States existed in an environment of legal uncertainty due to ambiguities in the CEA. There was a real concern that this vast institutional market would migrate overseas unless the regulatory structure was clarified. The Working Group's report offered a number of specific recommendations designed to establish legal certainty for the OTC derivatives market. These recommendations formed the basis of legislation that was ultimately passed by Congress in 2000.

Treasury Programs

The President's Working Group on Financial Markets is chaired by the Secretary of the Treasury and includes the chairmen of the Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), and the Federal Reserve Board. At both the principals' level and the staff level, the Working Group provides a forum for the discussion and examination of a wide range of subjects of importance to the financial markets. As the need arises, the Working Group may also draft legislation or prepare reports on specific market issues. Separately, Treasury works directly with Congress and the private sector to promote initiatives that will increase the integrity and efficiency of the financial markets.

Two Treasury offices develop and implement policies to promote the transparency, integrity, and efficiency of the nation's financial markets. The Office of the Under Secretary for Domestic Finance, among other things, assists in drafting, clarifying and improving legislation that affects financial markets and market participants, and works with other government agencies, Congress, and the private sector in the course of developing Treasury policy on financial markets issues. In addition, Domestic Finance is responsible for the development of Treasury policy with respect to the Government Securities Act and regulations thereunder. The Office of the Fiscal Assistant Secretary administers the uniform offering circular for marketable Treasury securities auctions and the buyback regulations.

FY 2000 Key Accomplishments

- The President's Working Group on Financial Markets issued a report to Congress on the modernization of OTC derivatives regulations. Many of the recommendations in this report were included in legislation that has since become law, namely the Commodity Futures Modernization Act of 2000 (CFMA).

- A key element of the CFMA was an agreement between SEC and CFTC on single stock futures. Treasury played a significant role in brokering this agreement.

Treasury Objective: Apply Sound Governmental Financial Policy on All Relevant Governmental Issues

Key Trends

The number of Federal agency and legislative proposals involving Federal credit policies has increased considerably in recent years. The Federal Financing Bank, a government corporation under the general supervision of the Secretary of the Treasury, continues to play a crucial role in Federal financing. The majority of the most recent proposals have involved additional sources of Federal credit assistance.

Treasury Programs

Treasury's Office of Domestic Finance formulates principles and standards for Federal lending, investing, and borrowing policies, with particular emphasis on policies governing Federal credit programs. Treasury has an on-going commitment to ensure that Federal lending, investing, and borrowing activities and legislation are consistent with long-standing Treasury policy. The consistent application of Treasury policy in these areas allows the Government to achieve program objectives in the most cost-efficient manner, while minimizing the adverse effects on financial markets and the economy.

Treasury works with the Office of Management and Budget (OMB), other Federal agencies, and congressional staffs to achieve this objective. Treasury provides financial and economic analyses of government financial policy initiatives and legislative proposals involving Government lending, investment, and borrowing. It also partners with the Chief Financial Officers Council, the Federal Credit Policy Working Group, and other appropriate organizations to identify and articulate government-wide financial policy issues.

FY 2000 Performance Results

Following is a report on the performance target in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
1	**0**	0	1 (100%)	0

Departmental Offices Performance Goal: *Promote economic efficiency and domestic and global economic growth and stability through the development of sound and effective economic policies*

Performance Measure: Development of Sound and Effective Economic Policies

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: This measure captures Treasury's efforts and progress made in establishing useful and effective policies and analysis related to economic and budget issues.

Explanation of Performance: During FY 2000, Treasury worked with OMB to revise, finalize and publish OMB Circular A-129, which governs federal credit policies and non-tax receivables. During the year, Treasury also provided guidance and direction on a wide range of financial policy initiatives, including the creation of government corporations and government-sponsored enterprises, trust funds, privatization issues, Federal Financing Bank issues, U.S. Postal Service issues, Treasury loans to the Presidio Trust, D.C. Pension actuarial issues, and Foreign Service retirement issues.

Treasury Objective: Protect the Public and Prevent Consumer Deception in Specified Regulated Commodities

Key Trends

One of the missions of the Bureau of Alcohol, Tobacco and Firearms (ATF) is to protect the public by ensuring that the alcohol, tobacco, firearms and explosives industries meet safety and product-identity standards and by keeping ineligible persons from entering these industries.

In the explosives arena, one indicator of success is the minimal number of accidental explosions related to storage. There have been only three storage-related accidental explosions since 1996, resulting in one death and three injured.

During the period from FY 1997 to FY 2000, the number of safety violations per hundred inspections in the explosives industry increased from 8 to 13. The increase may be attributable to management's emphasis on and improvements to ATF's inspection programs. These improvements include the creation of a standardized inspection workplan and the introduction of the Advanced Explosives Class, which trains inspectors on the latest explosives inspection techniques. ATF will continue to work with industry, regulatory agencies, and others to identify and correct violations in the future.

Treasury Programs

In order to protect the public and prevent consumer deception, ATF has a number of programs designed to assure the integrity of the products, people and companies in the marketplace, encourage compliance with law and regulations through education, inspection and investigation, and inform the public when problems arise.

ATF regulates distilleries, wineries, breweries, importers and wholesalers in the alcohol industry. ATF also regulates tobacco manufactures and importers. Prior to becoming engaged in business, ATF conducts an inspection to ensure qualification requirements are met including personnel and financial investigations to ascertain whether the applicant is likely to maintain operations in compliance with laws and regulations. In addition, ATF has a number of directed inspection programs to ensure collection of taxes rightfully due and the integrity of beverage alcohol products and their market place. Through these programs ATF conducts tax compliance inspections and investigations into allegations of label fraud, misleading advertising claims, product adulteration, illegal trade practices, diversion, and smuggling. ATF reviews all alcohol beverage label applications to ensure labels do not contain misleading information and adhere to regulatory mandates. Alcohol and tobacco products are routinely secured and sent to ATF laboratories for analysis.

In addition, ATF works to educate Federal firearms licensees to promote proper business practices and to prevent the diversion of firearms to violent criminals. This education process is conducted through seminars and through meetings with licensees during the inspections process. ATF's inspectors further promote public safety by focusing on Federal firearms licensees who have certain firearms tracking indicators associated with their business.

ATF also licenses and inspects explosives dealers. ATF inspects licenses to ensure that explosives transactions are properly recorded and that explosives are secure from theft and are located so as not to present a threat to the general public. ATF expects the number of unsafe conditions in the explosives industry to decrease as the industry becomes better informed and more compliant through ATF's focused programs. ATF anticipates that repeat violations will decline when the same industry members are inspected and informed of the legal requirements. When there is a history of repeat violations, this can be interpreted as willful and administrative procedures or criminal sanctions are available to address this problem. ATF also expects a public safety benefit from a focused inspection effort that uses trace and other indicators to identify firearms dealers associated with crime guns.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishment

In FY 2000, the ATF laboratories analyzed approximately 3,000 alcohol beverages and tobacco products, and reviewed/analyzed over 12,500 other alcohol-based products and non-beverage products.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
2	**2 (100%)**	0	0	1 (50%)

Bureau of Alcohol, Tobacco and Firearms Performance Goal: *Ensure regulated industries meet their eligibility, product and safety standards; maintain systems that are effective and efficient; and educate the public on regulated commodities*

Performance Measure: Number of Corrections Made to Unsafe Discovered During ATF Inspections

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
677	1,071	923	825	**1,119**

Explanation of Measure: This measure tracks the number of corrections made to unsafe conditions reported to ATF from outside sources and found through its inspection activities.

Performance Measure: Number of Industry Seminars Held on ATF-Regulated Commodities

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	227	229	175	**175**

Explanation of Measure: This measure shows the number of seminars conducted for permit holders in the alcohol, tobacco, firearms and explosives industries. These seminars are attended by state and local law enforcement officials and those on alcohol are conducted jointly with state alcohol beverage control agencies. These seminars provide current information on the laws and regulations pertaining to these commodities, any changes in ATF policies, and an opportunity to discuss industry issues. The seminars also allow ATF to form partnerships with these regulated industries to help prevent accidents in the firearms and explosives industries.

GOAL: MAINTAIN U.S. LEADERSHIP ON GLOBAL ECONOMIC ISSUES

Treasury is a key Cabinet agency charged with developing U.S. policies and guidance in matters of international monetary affairs, trade and investment policy, and international debt strategy. The Secretary serves as U.S. governor of International Financial Institutions, such as the International Monetary Fund (IMF) and the World Bank. Treasury's objectives and efforts are geared to achieving U.S. International Strategic Goals to: increase global economic growth and financial stability, promote broad-based growth in developing and transitional nations, open markets to increase trade and expand U.S. exports, minimize the impact of international financial crime on the U.S., secure a sustainable global environment, and reduce the spread of infectious diseases.

Key Partners in Achieving this Goal Include: The Department of State, the U.S. Trade Representative, Agency for International Development and other federal agencies who coordinate U.S. international affairs efforts. International Financial Institutions, such as the International Monetary Fund and the Multilateral Development Banks (the World Bank and regional development banks) help Treasury accomplish its global economic objectives. Leaders of the "Group of Seven" (G-7) industrialized nations (Canada, France, Germany, Italy, Japan, the U.K. and the U.S.) work together to create a more secure, prosperous and democratic world though mutual trust, cooperation and assistance.

Benefits to the American Public: The U.S. has benefited from exceptional economic performance in recent years, but U.S. expansion depends on balanced and sustainable world economic growth. In the last decade, we have seen the emergence of a global economy that has profound implications for the U.S. and the world. Globalization can bring far-reaching benefits, but also poses significant challenges. U.S. economic prosperity is increasingly linked to international investment, trade and capital flows. Globalization has been accompanied by a rapid increase in the volume of financial transactions, types of financial instruments, and the number of global players, all of which have brought increased vulnerabilities and risks to financial systems. In this interdependent world, one nation's financial crisis can become a global economic issue that affects the U.S. economy and thus every American.

A truly global economy will offer Americans and people of all nations the opportunity to share in the benefits of globalization. Global economic growth can reduce poverty, bring regional stability, and advance democracy and the rule of law. A major challenge, however, is successful economic integration between industrial countries and less technologically advanced "developing" countries and "transitional" countries moving from government-controlled to market-based economies.

FY 2000 Highlights

- Treasury was influential in obtaining international cooperation to relieve the debt of many heavily indebted poor countries, particularly in Africa. The unmanageable debt burdens of these poor countries often prevent them from making investments to reduce poverty and improve education and health.

- The U.S. and its G-7 partners launched new initiatives to reform the IMF and Multilateral Development Banks (MDBs) and to redefine core thinking about development and assistance. As a result, the IMF instituted key reform measures.

- Treasury helped establish an international Financial Stability Forum (FSF) in 1999 to promote global financial stability through cooperation and information exchange. In 2000, three FSF working groups helped strengthen the international financial architecture with their reports recommending improvements in risk management, disclosure practices among financial institutions, and oversight of creditor institutions.

- An important Treasury accomplishment was helping secure Congressional approval for Permanent Normal Trade Relations with China, thus giving impetus to China's efforts to become a member of the World Trade Organization (WTO). This is expected to happen in 2001 and to result in lowered trade barriers between China, the U.S. and other WTO members. Treasury also helped secure passage of the Africa Growth and Opportunity Act of 2000, which should help expand Africa's trade and participation in the global economy.

- Treasury took the lead in integrating various agencies and organizations' efforts to curb international money laundering, tax evasion, corruption, and other financial crimes that could undermine the credibility of the global financial system. The G-7 nations agreed that measures could be imposed on countries identified as uncooperative in dealing with these problems.

- Treasury analyzed and monitored the weak exchange rate performance of the euro, the new European currency. In September 2000, in view of the euro's depreciation and the potential implications for the world economy, Treasury and the Federal Reserve participated in coordinated intervention initiated by the European Central Bank to purchase euros. Initially, the euro's depreciation continued, but the euro subsequently stabilized.

Examples of indicators used to measure performance for this goal are: the rate of growth in Gross Domestic Product in developing and transitional countries as well as countries that are major U.S. trading partners, the level of U.S. exports of goods and services, and the level of U.S. direct investment abroad.

It should be noted that it is difficult to attribute successful performance in foreign affairs to a specific agency because these efforts are coordinated by several U.S. agencies.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
25	**15 (60%)**	2 (8%)	8 (32%)	14 (56%)

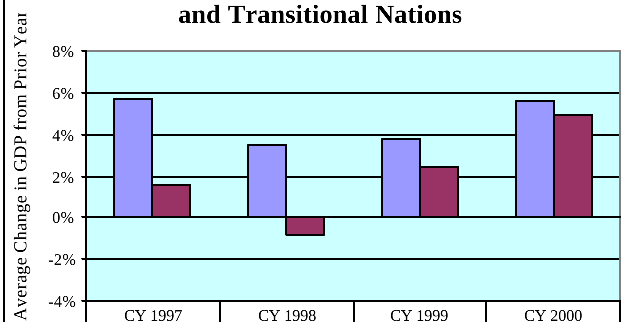
Treasury Objective: Promote Economic Growth and Sound Policies in Developing and Transitional Economies

Key Trends

A truly global economy will offer people of all nations the opportunity to participate in the benefits of globalization. Ultimately, a global economy that fails to benefit large parts of the world will fail every one of us. The framing challenge of economic globalization is successful integration between industrial and developing countries. Developing countries are less technologically advanced than industrialized economies, generally have low per capita incomes, and are principally in Africa, Asia, and Latin America. The term “developing” economy distinguishes these countries from “transitional” economies, which are countries moving from a government-controlled economy to a market-based economy, principally in Central and Eastern Europe, the former Union of Soviet Socialist Republics, and Central Asia.

Economic growth and sound economic policies in developing and transitional economies can reduce poverty, improve regional stability, and advance democracy and the rule of law. A key indicator of progress in these countries is the annual growth rate of their real Gross Domestic Product (GDP). Overall, there has been positive GDP growth in each of the past four years in developing countries. In transitional countries, annual growth rates were positive in 1997 and 1999. An increase of 4.9% in 2000 was the highest growth rate since the fall of communism (see Fig. 5).

Fig. 5: Economic Conditions in Developing and Transitional Nations



	CY 1997	CY 1998	CY 1999	CY 2000
Devel	5.7%	3.5%	3.8%	5.6%
Trans	1.6%	-0.8%	2.4%	4.9%

Treasury Programs

The Under Secretary for International Affairs monitors the economies of developing and transitional nations and works closely with their governments, international institutions and other agencies to promote sound economic policies and programs in these countries. Treasury has 40 resident advisors and 100 intermittent advisors in 40 countries to give on-site technical assistance and expert advice in tax, budget, banking and financial institutions, government debt issuance and management.

A desired outcome of international economic integration is an inclusive global economy that works for all people and the public good. Since individual governments may not be able to solve problems that cross borders, Treasury acts to bring about concerted global cooperation to achieve global public goods and address global problems, such as HIV/AIDS and other infectious diseases, global warming, loss of biodiversity, money laundering, and other financial crimes.

CY 2000 Key Accomplishments and Performance Results

Key Accomplishments

Treasury played a key role in international cooperative efforts to promote growth in developing nations and to help resolve cross-border problems that have a significant global impact.

- ***Debt Relief for Heavily Indebted Poor Countries.*** In 1999, Treasury urged the “Group of Seven” industrialized nations (the G-7) to provide much more debt relief to Heavily Indebted Poor Countries (HIPC). The unmanageable debt burdens of these poor countries often prevent them from making investments to fight ravaging diseases, reduce poverty and improve education. The G-7 agreed to an expanded HIPC initiative to help these poorest countries reduce their debt burden if they commit to reform and use savings to increase investment in the social sectors. A significant Treasury accomplishment in 2000 was securing a major U.S. commitment of $600 million for the HIPC

Trust Fund to be used to reduce the debt owed to regional development banks by thirty-two heavily indebted poor countries. By the end of 2000, twenty-two countries were receiving significant debt relief and making progress in implementing their poverty reduction strategies. In addition, the U.S. pledged to deliver another $320 million for relief of debt these countries owe directly to the U.S.

- ***AIDS in Africa***. Treasury has been helping mobilize resources to fight the spread of AIDS, a transnational problem that is devastating sub-Saharan Africa and seriously affecting other areas of the developing world.

- ***Tropical Forest Conservation.*** In FY 2000, Treasury continued implementing the Tropical Forest Conservation Act of 1998 (TFCA) that provides debt relief for eligible developing countries that agree to conserve or restore their tropical rain forests. Treasury determines which countries are eligible for reduction of the debt they owe the U.S. In September 2000, Treasury completed the first TFCA agreement with Bangladesh. In FY 1999 and FY 2000, Treasury helped secure appropriations of $26 million for this program ($13 million in each year).

- ***Coordinated Efforts of Creditor Nations.*** Treasury actively participates in the meetings of an ad hoc group of official creditor nations, the "Paris Club." Through this group, the major lending nations coordinate their debt reduction and rescheduling agreements on the debt owed to them by developing and transitional countries. In 2000, the Paris Club committed to debt reduction for Honduras, Mauritania, Senegal, Tanzania and Uganda and negotiated debt rescheduling agreements with Ecuador and Indonesia.

Treasury can point to its accomplishments in promoting economic growth and reform as it monitored and worked directly with individual nations in Asia, Africa, Latin America, Eastern and Central Europe, the former USSR and Central Asia. There were setbacks as well as successes.

- ***Transitional Economies.*** In 2000, growth in transitional economies, including Central Europe, the Balkans, and the former Soviet Union, was estimated at 5% -- up from 2.4% in 1999. This is the highest rate of economic growth for this area in many years. For most of these economies, inflation is lower and exchange rates are more stable, but these recent achievements may not be sustainable. In many of these countries, poverty and social ills are rising, not falling.

- ***Russia.*** This past summer, the Russian government approved a comprehensive economic reform plan, including the enactment of key tax reform measures. Treasury encouraged Russian authorities to undertake long-delayed structural and institutional reforms, including strengthened controls on use of Central Bank reserves and steps to combat corruption and strengthen the rule of law (for example, passage of a strong money laundering law). A potential obstacle to US-Russian cooperation is the Russian government's planned taxation of U.S. contracted technical assistance, beginning in early 2001.

- ***Ukraine***. It is estimated that Ukraine will post real economic growth of 6% in 2000. This will be its first recorded real economic growth since independence. Treasury worked closely with Ukrainian officials in giving tax, debt and macroeconomic technical assistance. Progress has been slow with State tax administration counterparts, who have shown little enthusiasm for tax policy reform.

- ***Kosovo.*** Treasury continued to provide budget and economic policy advice to officials of the United Nations Mission in Kosovo. A major accomplishment in 2000 was the establishment and development of the Central Fiscal Authority, which serves as the treasury for Kosovo's interim government.

- ***Turkey.*** Treasury closely monitored a financial crisis that developed in Turkey in late November 2000. Treasury consulted closely with the IMF and Turkish officials on their proposed responses. Turkish authorities announced new measures to accelerate privatization efforts and strengthen the banking sector.

- ***Financial Abuse***. Some Central European and Asian countries have shown resistance to correcting financial abuse. U.S. government advisors who were working on anti-corruption or anti-money laundering activities were dismissed or discouraged from performing their duties after touching on sensitive and entrenched interests.

- ***African Growth and Opportunity Act.*** The African economy is expected to grow by 3.4% in 2000, up from 2.2% in 1999, but the African continent is still the poorest region in the world. Sub-Saharan Africa has over 10% of the world's population, but accounts for only 1% of global GDP and world trade. Treasury played a key role in securing enactment of the African Growth and Opportunity Act of 2000, which allows African nations duty free access to the U.S. for their exports in return for their commitments to economic reform, poverty reduction and democratic rule. Treasury effectively focused international economic assistance on those countries committed to reform. For example, following reports of misappropriation of funds in Uganda, Treasury delayed consideration of debt relief under the HIPC initiative until Uganda clarified its allocation of funds and gave assurances that the funds were being used for their intended purposes.

- ***Latin America.*** The economy of Latin American is expected to grow by 4.3% in 2000, compared to almost no growth (0.3%) in 1999. Nonetheless, Latin America remains highly dependent on external financing. Treasury led international efforts to stabilize an economic and financial crisis in Ecuador and endorsed a $2 billion international support program. Brazil had 4% growth in 2000 and made the final repayment on its loan from the Bank of International Settlements facility. Priorities for Latin America include increasing domestic savings, liberalizing trade, and strengthening the financial sector.

- ***Argentina.*** Following two years of recession and deflation, as well as rising interest rates, Argentina has faced acute financing difficulties at the end of 2000. Additional official-sector commitments were required for the government of Argentina (GOA) to meet its 2000 and 2001 public sector financing requirements. In December 200, the GOA and the International Monetary Fund (IMF) reached an agreement on a new program supported by the IMF-led financial package of $39.7 billion. Of the total, about half would be financed by the IMF, World Bank, and Inter-American Development Bank (including $1 billion bilateral contribution from the government of Spain), and half by Argentina's private financial institutions. The thrust of the program is to restore investor and consumer confidence, and over the medium-term, enhance the sustainability of public finances. But significant economic and political risks to Argentina's prospects remain.

- ***Asia.*** The Asian economy has rebounded from the financial crises of the late 1990s, with economic growth of 5.9% in 1999 and almost 6.7% in 2000. However, many of the cyclical factors supporting this robust economic growth are beginning to fade due to higher oil prices, weakened demand for high tech goods, and global liquidity constraints. Economic growth in Asia is highly dependent on exports and, in some Asian countries, on fiscal stimulus.

- ***India***. In April 2000, the U.S. and India initiated a new India-U.S. Economic and Financial Forum to strengthen economic and financial relations through regular contact between the two countries. Treasury encouraged the Indian government to accelerate fiscal consolidation and privatization and to strengthen supervision and regulation of its banking sector.

Performance Results

Following is a report on performance targets in Treasury's FY 2000 Performance Plan related to this objective.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
4	**2 (50%)**	0	2 (50%)	2 (50%)

Departmental Offices Performance Goal: *Promote Economic Growth and Sound Policies in Developing and Transitional Economies*

Performance Measure: Economic Conditions in Developing Countries (rate of growth in GDP)

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
+5.7%	+3.5%	+3.8%	GDP Growth	**+5.6%**

Explanation of Measure: This measures the overall percent change in GDP from the prior calendar year for all developing countries.

Explanation of Performance: Overall, there has been positive growth in each of the past four years.

Performance Measure: Economic Conditions in Transitional Countries (rate of growth in GDP)

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
+1.6%	-0.8%	+2.4%	GDP Growth	**+4.9%**

Explanation of Measure: This measures the overall percent change in GDP from the prior calendar year for all transitional countries.

Explanation of Performance: Overall, there has been positive growth in three of the past four years. The rate of growth in 2000 was the highest in these countries in many years.

Performance Measure: Debt Reduction Agreements for Poorest Countries

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
13	10	11	Qualitative Progress	See Below

Explanation of Measure: This measure is the number of bilateral agreements the U.S. entered into with the poorest countries during the fiscal year to reduce or defer the debt these countries owe the U.S.

Explanation of Performance: Although the poorest countries owe most of their debt to international lending institutions or nations other than the United States, the U.S. sets a leadership example through its own bilateral agreements with poor countries to reduce or defer the debt they owe us. During FY 2000, the U.S. concluded bilateral debt reduction agreements with Bolivia, Bosnia, Central African Republic, Honduras, Jordan, Mauritania, Rwanda, and Zambia. In 2000, the U.S. pledged to deliver $320 million for reduction of debt these countries owe directly to the U.S. In FY 2000-2001, Treasury helped secure appropriations of $185 million for reduction of debt owed to the US.

Performance Measure: Developing And Transitional Countries Acceptance of U.S. Recommendations For Economic Reforms

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: This is a qualitative description of the leadership the U.S. has shown in encouraging developing and transitional countries to implement needed economic reforms and appropriate policies.

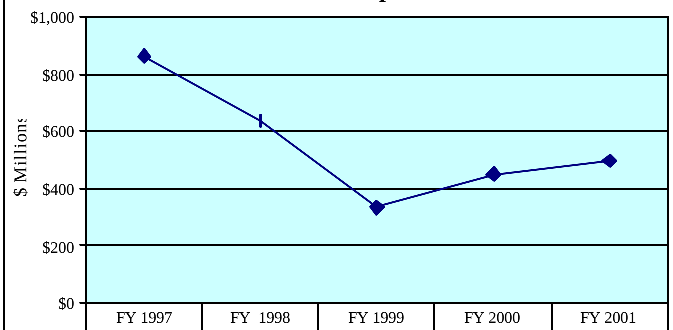
Explanation of Performance: Treasury can point to examples where countries, particularly the transitional economies, implemented needed economic reform. This past summer, at Treasury's urging, the Russian government approved and implemented a comprehensive economic reform plan, including the enactment of key tax reform measures. Treasury encouraged Russian authorities to undertake long-delayed structural and institutional reforms, including controls on use of Central Bank reserves and steps to combat corruption and strengthen the rule of law (for example, passage of a strong money laundering law). Another major accomplishment in 2000 was the establishment of the Kosovo Central Fiscal Authority, the treasury for Kosovo's interim government. In November 2000, Treasury closely monitored a financial crises that developed from a liquidity shortage and consulted closely with Turkish officials and the IMF on their proposed response. Turkish authorities announced new measures to accelerate privatization efforts and strengthen the banking sector. Further discussion of Treasury's progress and setbacks is found in the *Key 2000 Accomplishments* section in the narrative above.

Treasury Objective: Strengthen International Financial Institutions that Promote Global Economic Stability and Support Developing and Transitional Economies

Key Trends

One means through which the U.S. achieves its international strategic objective of sustainable economic growth, development, and financial stability is through its leadership in International Financial Institutions (IFIs), such as the International Monetary Fund (IMF) and the Multilateral Development Banks (the World Bank and regional development banks) and the Global Environment Facility. The U.S. is a leader and major shareholder in these institutions, and Treasury has taken the lead in pushing for fundamental reforms in the way the institutions do business, including improved project and program implementation, transparency, openness and accountability, and support for strategic global interests.

Fig. 6: Unmet U.S. Commitments (Arrears) to Multilateral Development Banks



	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
$ Millions	$862	$638	$335	$451	$498

The leadership and influence the U.S. exercises in these institutions is affected by whether or not we make good on our financial commitments to them, particularly by paying off our unmet commitments or arrears. Treasury proposed a plan to eliminate U.S. arrears owed to the Multilateral Development Banks (MDBs) by FY 2001 and pressed Congress for the needed resources. We made progress between FY 1997-1999, when arrears dropped to $335 million; however, FY 2000 and FY 2001 appropriations were short of requested budget amounts, bringing current arrears back up to almost $500 million (see Fig. 6).

Treasury Programs

The Secretary of the Treasury serves as U.S. Governor of several IFIs, including the IMF and the World Bank. Although the U.S. is a major shareholder in most of the IFIs, the U.S. does not control or direct their operations. Treasury does, however, work with other shareholders and outside interest groups to push for improvements and reform in the IFIs and to obtain agreement on U.S. objectives. Treasury has encouraged the IFIs to strengthen internal controls, including measures to minimize misuse of the loans countries receive.

Treasury encourages the IFIs to carry out their responsibilities effectively, efficiently and in conformance with their mandates. Treasury promotes IFI financial stability, performance-based lending allocation, and greater openness and transparency of the IFIs' finances and operations. Additionally, Treasury seeks better coordination and cooperation among the IMF, the World Bank and regional development banks.

Treasury works with the Congress to secure timely payment of U.S. financial commitments to the World Bank and the development banks for specific regional areas, such as Asia, Africa, the Americas, and Eastern Europe.

Treasury promotes sound global environmental policies by urging the IFIs, World Bank and regional development banks to adhere to high environmental standards in all their operations, including their lending practices. Treasury works closely with the Global Environment Facility, which funds projects to help developing countries deal with their environmental problems which ultimately affect the global environment.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- ***International Monetary Fund Reform (IMF)***. In December 1999, Treasury took the lead in launching a major new initiative to reform and modernize the IMF.

- ***Improved IMF Openness and Transparency***. Treasury continued to press for improved transparency at the IMF, both within the institution itself and in the countries receiving financial assistance under IMF programs. Treasury urged the IMF to increase its flow of information – releasing more details of its own operations, advice to governments, and assessments of compliance with standards and codes. A few years ago, little information was available about a country's reform commitments under IMF programs or about IMF analysis of countries' economies. Now the IMF releases the details of borrowing countries' reform programs and policy intentions for about 90 percent of country programs. Additionally, 48 countries have released update reports on their economies.

- ***Addressing Misuse of IMF Resources***. Treasury helped strengthen the IMF by taking a lead role in urging IMF follow-up on alleged misuse of IMF resources. For instance, independent audits confirmed allegations that Ukraine had mismanaged its reserves and misreported key data to the IMF. Ukraine agreed to repay $100 million to the IMF and to strengthen its reserve management practices.

- ***Multilateral Development Bank (MDB) Reform and Priorities***. In the fall of 2000, the U.S. and its G-7 partners launched a new MDB reform initiative to improve the way the banks do business and to redefine core thinking about MDB development and assistance. Under strong U.S. leadership, the G-7 has now set priorities for strengthened accountability and transparency, donor coordination, greater disclosure and selectivity in setting priorities and improving development impact.

Performance Results

Following is a report on performance targets in Treasury's FY 2000 Performance Plan related to this objective.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
3	**3 (100%)**	0	0	2 (67%)

***Departmental Offices International Affairs Performance Goal**: Strengthen international financial institutions that promote global economic stability and support developing and transitional economies*

Performance Measure: U.S. Meets Current Financing Commitments and Pays All Arrears to Multilateral Development Banks (MDBs) (in millions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
$862	$638	$335	$451	**$451**

Explanation of Measure: This measures the amount of unpaid commitments (arrears) the U.S. owes to the MDBs.

Explanation of Performance: In FY 2000, arrears or U.S. unpaid commitments to MDBs totaled $451 million. The FY 2001 budget request included $167 million for arrears clearance. Full funding of the request would have reduced U.S. arrears to $284 million. However, the amount appropriated fell short of the request and arrears increased to $498 million.

Performance Measure: Economic Conditions in Developing Countries (Rate of Growth in GDP)

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
+5.7%	+3.5%	+3.8%	GDP Growth	**+5.6%**

Explanation of Measure: Measures overall percent change in GDP from the prior calendar year.

Explanation of Performance: Overall, there has been positive growth in each of the past four years.

Performance Measure: Economic Conditions in Transitional Countries (Rate of Growth in GDP)

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
+1.6%	-0.8%	+2.4%	GDP Growth	**+4.9%**

Explanation of Measure: Measures overall percent change in GDP from the prior calendar year.

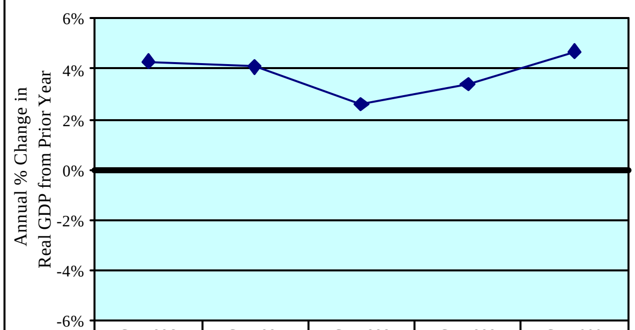
Explanation of Performance: Overall, there has been positive growth in three of the past four years. The rate of growth in 2000 was the highest in these countries in many years.

Treasury Objective: Monitor the Global Economy and Promote International Economic Leadership through Cooperation on Economic Policy

Key Trends

America's economic performance in recent years has been exceptional, but U.S. expansion depends on balanced and sustainable world economic growth, particularly in the major industrial economies of Europe and in Japan. One indicator of success in achieving world economic growth is the rate of growth in global gross domestic product (GDP). In each of the past four years, there has been positive real growth in global GDP (see Fig. 7).

Fig.7: Real Global GDP Growth



	CY 1996	CY 1997	CY 1998	CY 1999	CY 2000
% Change	4.30%	4.1%	2.6%	3.4%	4.7%

Treasury Programs

The Secretary of the Treasury and Under Secretary for International Affairs play key leadership roles in global economic cooperation as they meet regularly with the finance ministers of the "Group of Seven" industrialized nations (the G-7). These nations (Canada, France, Germany, Italy, Japan, the U.K. and the U.S.) work together to create a more secure, prosperous and democratic world though mutual trust, cooperation and assistance.

To include more nations in this kind of cooperative body, Treasury proposed a new "Group of 20" nations (the G-20), which was formed in 1999. Members, in addition to the G-7 nations, are Argentina, Australia, Brazil, China, the European Union (15 European countries), India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea, and Turkey. With these nations at the table of economic cooperation, 80 percent of the world's economic production and 65 percent of its population are represented. The G-20 forum has the potential to promote cooperation and international financial stability and build consensus in the coming years.

CY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- ***International Financial Architecture***. In the wake of the Asian financial crisis and other financial crises of the 1990s, Treasury led a comprehensive international effort to reduce the risk of future financial crises and strengthen the international community's capacity to respond. A Treasury task force developed a comprehensive set of proposals to reform the global financial system (or financial architecture). The Treasury proposals, adopted almost in their entirety by the G-7, recommended stronger international financial institutions, a greater voice for emerging market nations, more openness and transparency by governments and lending institutions, stronger lending regulations, shared responsibility for crisis management, and a framework for private sector involvement in crisis prevention and resolution.

  A Financial Stability Forum, recommended by Treasury, was inaugurated by the G-7 in the spring of 1999 to promote international financial stability through information exchange and international cooperation in financial supervision and surveillance. Following the Forum's first meeting, three working groups were established to deal with Highly Leveraged Institutions, Capital Flows, and Offshore Financial Centers. In 2000, these groups made important contributions to strengthening the international financial architecture when they released reports with recommendations for better risk management, better disclosure practices among financial institutions, and improved oversight of creditor institutions.

- ***U.S.-China Financial Sector Dialogue***. Treasury officials have met bilaterally with senior Chinese finance officials on a regular basis to discuss China's reform plans in the financial and state-owned enterprise sectors, monetary and exchange rate policy, and global economic developments, such as the Asian financial crisis, and rising world oil prices. In 1999, China and the U.S. announced plans to form a U.S.-China Financial Sector Dialogue to strengthen the financial and economic relationship between the U.S. and China through regular contact among policymakers from both countries. At the initial meeting in October 2000, co-chaired by Treasury, the Federal Reserve, China's Ministry of Finance, and the People's Bank of China, participants discussed the development of capital markets and banking sector developments.

- ***Dialogue on Financial Reform in Japan.*** After impressive growth in the 1980s, Japan suffered a prolonged period of weak economic growth during the 1990s, associated with serious financial system problems and a general awareness that Japan's economy needed major structural changes to adapt to new economic circumstances. Treasury devoted substantial effort to analyzing Japan's economic problems and discussing policy issues with Japanese authorities, both bilaterally and in meetings of the G-7 finance ministers and central bank governors. The objective was to encourage stronger Japanese performance that would support global growth and reduce external imbalances. Treasury, along with other agencies, encouraged Japanese authorities to embrace financial sector reform and restructuring and market-opening measures. In 1998 and 1999, the Japanese government took measures to stabilize Japan's financial system, deal with weak banks, and institute an improved supervisory and regulatory structure.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
6	**6 (100%)**	0	0	6 (100%)

Departmental Offices Performance Goal: *Monitor the global economy and promote international economic leadership through cooperation on economic policy*

Economic Conditions of Foreign Countries That Are Major U.S. Trading Partners	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
Canada	3.3%	4.5%	GDP Growth	**4.7%**
European Union (11 countries using the euro)	2.7%	2.5%	GDP Growth	**3.45%** (est)
United Kingdom	2.6%	2.3%	GDP Growth	**3.0%**
Mexico	4.9%	3.5%	GDP Growth	**6.5%** (est)
Japan	-2.5%	0.8%	GDP Growth	**1.4%** (est)
China	7.8%	7.1%	GDP Growth	**7.5%** (est)

Explanation of Measure: This measures the percent change over the prior calendar year GDP of six major U.S. trading partners.

Explanation of Performance: One indicator of success in achieving world economic growth is the rate of growth in global gross domestic product (GDP) of foreign countries that are major U.S. trading partners. In each of the past several years, there has been positive real growth in their GDP. The exception is Japan, which experienced a prolonged period of weak economic growth and serious financial system problems in the 1990s. Encouraged by Treasury and other agencies, Japan undertook financial sector reform and restructuring, and in 2000, Japan's economy improved, and Japan showed an increase in GDP growth rate.

Treasury Objective: Facilitate Legitimate Trade, Enhance Access to Foreign Markets, and Enforce Trade Agreements

Key Trends

Fig. 8: Value of U. S. Exports

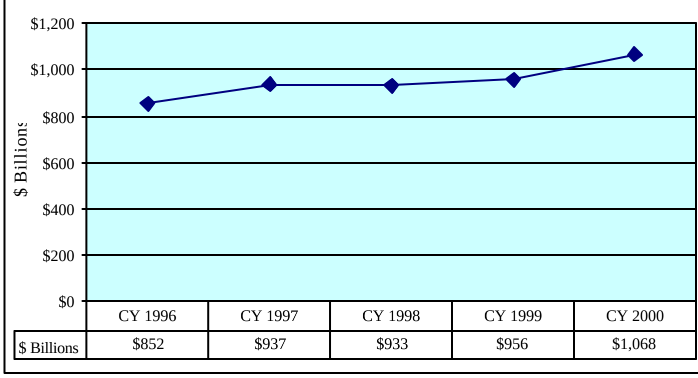
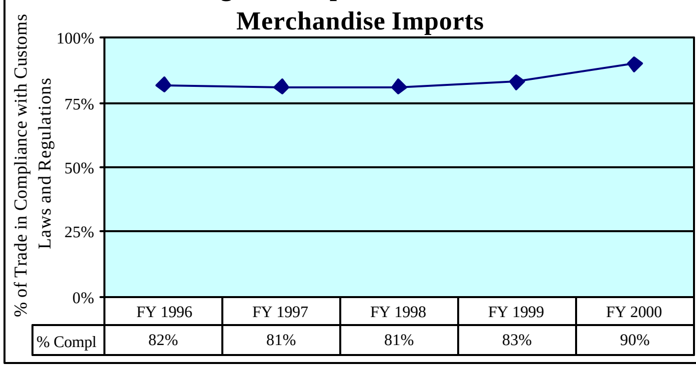


Fig. 9: Compliance Rates for Merchandise Imports



As we integrate nations and people through trade, we invest in the future security of the U.S. and the rest of the world. We are moving closer to U.S. international affairs policy goals of opening world markets through a strong, fully integrated international trading system and expanding U.S. exports to $1.2 trillion early in the 21st century. In calendar year 2000, U.S. exports topped $1 trillion for the first time in history (see Fig. 8).

Another aspect of this Treasury objective is the need to enforce trade agreements. The rate of compliance with U.S. trade laws is a success indicator of enforcement efforts of the U.S. Customs Service and a reflection of Customs' partnerships with the trade community. The rate of compliance had been relatively flat over the past few years, but jumped significantly to 90% in FY 2000 (see Fig. 9).

Looking to the future, Customs anticipates import tariffs will decline worldwide as trade agreements are implemented, the Internet and e-commerce grow, the size and capacity of container ships increase, and free enterprise is expanded to include former Eastern Bloc, Pacific Rim and South Asian countries as well as Iran and Cuba.

Treasury Programs

Treasury's Under Secretary for International Affairs, Under Secretary for Enforcement and the U.S. Customs Service play important roles in developing U.S. trade policy--negotiating and implementing provisions on financial services, investments, balance of payments, rules of origin, taxes and other customs matters.

The Under Secretary for International Affairs works with the governments of other nations and with other Federal agencies such as the U.S. Trade Representative (USTR) to promote a strong and fully integrated international trading system. To open markets and encourage rules-based international trade, Treasury and the USTR negotiate new agreements that liberalize trade. One strategy for opening world markets and reducing trade barriers is to expand World Trade Organization membership to key emerging economic countries on a commercially meaningful basis.

The U.S. Customs Service, under the Under Secretary for Enforcement, administers and enforces trade agreements to ensure that all goods and persons entering and exiting the United States comply with U.S. trade laws and regulations. To increase compliance, Customs uses innovative programs and targeted enforcement actions. Customs works with industry partners to expedite the movement of compliant cargo and works with international trade organizations to standardize trade and Customs data.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments -- Under Secretary for International Affairs

- ***Permanent Normal Trade Relations with China***. An important Treasury accomplishment in 2000 was helping secure Congressional approval for Permanent Normal Trade Relations with China, thus giving impetus to China's efforts to become a member of the World Trade Organization (WTO). This is expected to occur in 2001 and to result in lowered trade barriers between China, the U.S. and other WTO members.

- ***Bilateral US-China Trade Agreement***. In a bilateral WTO agreement with the U.S. in November 1999, China committed to reducing its tariffs significantly in U.S. high-priority sectors: technology, autos, chemicals, and agriculture. China agreed to allow U.S. firms the right of full distribution for their products in China, to remove quantitative trade restrictions in banking and insurance, and to eliminate export subsidies for agricultural products. The agreement also committed to eliminate most restrictions on foreign investments and to allow the "grandfathering" of current market access and activities in all service sectors.

- ***Africa Growth and Opportunity Act***. Treasury helped secure passage of the Africa Growth and Opportunity Act of 2000 (AGOA), which reduces U.S. tariffs on goods from African countries. AGOA should help expand African countries' trade and participation in the benefits of the global economy. AGOA allows African nations duty free access to the U.S. in return for their commitments to economic reform, poverty reduction and democratic rule.

- ***Multilateral Trade Negotiations***. The primary objective of the Seattle World Trade Organization Ministerial meeting in December 1999 was to launch a new round of multilateral trade negotiations, but the WTO was unable to reach agreement on a broad-based agenda encompassing the complex issues needed for a new round. There were encouraging signs of progress at the start of WTO negotiations in 2000 on agriculture and services, and trade-related measures to assist developing countries.

- ***Bilateral Trade Negotiations***. In 2000, Treasury, working with the U.S. Trade Representative, negotiated improved market access for U.S. financial services providers in a *U.S.-Vietnam Agreement on Trade Relations* and *a Jordan Free Trade Area* agreement. These agreements are pending Congressional approval.

- ***"Tied Aid" Subsidies***. When aid given to a developing country is linked to the procurement of goods and services from the donor country, this "tied aid" can distort trade, limit competition, and, in effect, subsidize export promotion. Since 1991, when the U.S. and other countries in the Organization for Economic Cooperation and Development agreed to rules to curtail tied aid, Treasury has been the leader in enforcing these rules. These efforts have enabled U.S. export firms to compete more effectively and fairly on projects in developing and transitional countries. Treasury is now proposing that the rules on tied aid also be applied to "untied aid," aid which is not formally linked to procurement from the donor country, but which is often linked *de facto*.

Key Accomplishments -- Under Secretary for Enforcement/U.S. Customs Service

- ***Remote Location Filing (RLF).*** In FY 2000, Customs continued to implement the Modernization Act by expanding the number of ports using RLF. RLF allows cargo to be entered and processed at locations that are not normally within reach of the typical port where the goods actually arrived, such as factories or warehouses. Currently 116 ports, 193 brokers, and 1,119 importers are participating. There are 10,500 RLF entries filed per month.

- ***Entry Revision Proposal***. The Entry Revision Proposal identified the need for major legislative changes to streamline and modernize Customs entry statutes and has been a primary and continuing initiative. Regulations packages such as the revised broker regulations, new fines penalties and forfeiture guidelines, and a revision in the procedures for issuance of administrative rulings on import issues have all been completed in FY 2000. Additionally, the binding rulings program has issued over 12,000 rulings to the importing public in order to help resolve import issues while promoting uniformity throughout ports located nationwide. Rulings which were formerly available only by subscription are now available on the Internet free of charge within two weeks of issuance.

- ***Account Management***. The Account Management Program, which monitors the largest importers, now includes 205 national and 564 port-based accounts. This represents a significant increase over the past year, and reinforces Customs move from a traditional transaction-based processing methodology to a more customer focused account-based approach that increases compliance.

- ***Compliance Assessment.*** The Compliance Assessment Program, now in its fifth year of operation, uses a statistical sampling methodology to select importers for review who exhibit a high degree of non-compliance. Although the review does not constitute an audit, it is a comprehensive way to determine whether or not information being submitted to Customs is complete, accurate, and in accordance with laws and regulations. As part of the Program, teams of auditors, import specialists, international trade managers and analysts combine their skills and expertise in a joint effort with corporate managers. These efforts help develop plans for improving performance, which in turn increases national compliance rates. This program continues to be a key element of the Risk Management Process, giving Customs access to vital data needed to construct import profiles by industry, while helping direct resources in the most advantageous manner to correct deficiencies and processing errors.

  Customs also completed Compliance Assessment reviews of 103 major importers, and is in the process of issuing a report on 132 more. These are positive numbers for a program that is a cornerstone of the Customs informed compliance initiative. In further support of this effort, 55 Informed Compliance Publications were issued. These provide practical guidance to importers and are available to the trade in hard copy or on the Customs website.

- ***Intellectual Property Rights***. With the development of new technologies and the decreasing cost and proliferation of duplication equipment, copyright and trademark infringement continues to be a great concern for both Customs and legitimate businesses and consumers. FY 2000 saw the publication of the Intellectual Property Rights Handbook for Customs field officers, and the number of infringing seizures continued to increase.

- ***Raising Compliance.*** Compliance rates for “Letter of the Law Discrepancies,” which measure all trade discrepancies, and “Major Transactional Discrepancies,” which measure discrepancy types deemed most significant, have steadily increased over the past few years. Looking at the overall compliance gains more closely, the combined Primary Focus Industry compliance rates reached 91%. Several carefully designed and coordinated interventions and innovative programs like the Focus On Non-Compliance and the Multi-Port Approach to Raise Compliance by the year 2000 helped with these gains. Each of these programs had a goal of not only raising compliance, but also promoting uniformity and information outreach among members of the international trading community.

- ***Risk Management Prototype.*** Also accomplished during FY 2000 was the success of Customs Phase 1 Risk Management Prototype, which included 9 major ports of entry. This prototype challenged managers to better align their resources with areas of non-compliance by considering the potential impact of field activities on specific accounts, industries, and commodities. By linking port operations to the 4-step risk management wheel (collecting data, assessing risk, prescribing action, and tracking and reporting results), prototype managers were able to improve their compliance by an average of 2% per port, targeting by an average of 33% per port, and decreased inconvenience rates by an average of 24% per port.

Performance Results

Following is a report on performance targets in Treasury's FY 2000 Performance Plan related to this objective.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
9	**4 (44%)**	2 (22%)	3 (33%)	4 (44%)

Departmental Offices Performance Goal: *Facilitate legitimate trade, enhance access to foreign markets*

Performance Measure: Dollar Value of U.S. Exports of Goods and Services ($ Billions)

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
$937	$933	$956	Growth over Prior Year	**$1,068**

Explanation of Measure: Measures in billions of dollars the value of goods and services the US exports to other countries.

Performance Measure: Negotiate Bilateral and Multilateral Agreements to Provide Access for U.S. Financial Services Firms

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	Qualitative progress	See Below

Explanation of Measure: The U.S. negotiates agreements with individual countries or with multiple nations to obtain commitments to allow U.S. financial services firms to do business in these countries.

Explanation of Performance: In 2000, working with the U.S. Trade Representative, Treasury negotiated improved market access for U.S. financial services providers in a *U.S.-Vietnam Agreement on Trade Relations* and *a Jordan Free Trade Area* agreement. These agreements are pending Congressional approval. There were also trade and investment provisions in a broader trade agreement that the U.S. negotiated with Vietnam.

Customs Service Performance Goal: *Stimulate and protect the economic interests of the United States by maintaining a sound trade management system which maximizes compliance with import and export laws and moves legitimate cargo efficiently*

Performance Measure: Compliance Rate -- Imports

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
81%	81%	83%	90%	**90%**

Explanation of Measure: The overall compliance rate for imported goods in terms of major transactional and major issue discrepancies. Compliance is determined by an intensive examination and analysis of a random sample of merchandise entering the country. The calculation is the percent of all cargo entry lines with no major discrepancies with trade laws and regulations.

Performance Measure: Compliance Rate -- Primary Focus Industries (PFIs)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
83%	84%	85%	92%	91%

Explanation of Measure: The weighted average of compliance rates for imported goods based upon the Harmonized Tariff Schedules of the United States. The measure is calculated by dividing the estimated total number of entry lines of the industries into the estimated total number of compliance entries, presented as a percentage. PFIs are those trade areas that Customs gives priority attention to because of such factors as revenue, quota, and domestic industry impact. These industries include advance information displays, agriculture, automobiles, automobile and truck parts, bearings, board level products, fasteners, production equipment, steel mill products, telecommunications and apparatus, textiles and textile products, and wearing apparel.

Explanation of Shortfall: The measure for level of trade compliance for PFI's are based on statistically valid random examination of cargo. Minor fluctuations of data are normal and to be expected. Customs has managed to maintain compliance levels though innovative programs, despite a huge surge in trade volume.

Customs Service Performance Goal: *Stimulate and protect the economic interests of the United States by maintaining a sound trade management system which maximizes compliance with import and export laws and moves legitimate cargo efficiently*

Performance Measure: Targeting Effectiveness -- Outbound Enforcement

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	11.0%	11.5%	7.5%	**9.3%**

Explanation of Measure: The total number of positive examinations (i.e., exams that result in a seizure, penalty, or discrepancy) divided by the total number of targeted examinations, presented as a percentage.

Performance Measure: Number of Automated Export System (AES) Participants

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
3,400	7,652	33,665	50,000	**222,619**

Explanation of Measure: The number of unique exporters, as represented by filers who file on their behalf, participating in AES.

Customs Service Performance Goal: *Contribute to a safer America by reducing civil and criminal activities associated with the enforcement of Customs laws*

Performance Measure: Number of Outbound Stolen Vehicles Seized

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	816	900	667

Explanation of Measure: The number of stolen vehicles seized annually by Customs officers that are intended to be exported from the United States. Included are the seized vehicles that are intended to be exported and would result in being stolen subsequent to the export because of fraud.

Explanation of Shortfall: The decrease in the number of outbound stolen vehicles can be attributed to a change in smuggling techniques. Legal requirements to provide an original Title at the time a vehicle is exported is believed to have driven this change. For example, new techniques now involve smugglers to first steal a vehicle and remove key parts, then place the vehicle where it will be found by the authorities and declared as abandoned. The vehicle will then be purchased at a minimal cost with a legal salvage title. The removed parts are then replaced and the vehicle is exported, thus circumventing the illegal direct exportation of the vehicle.

Note: The data is of unknown accuracy. Customs is currently developing the means to verify the accuracy of the data.

Customs Service Performance Goal: *Stimulate and protect the economic interests of the United States by maintaining a sound trade management system which maximizes compliance with import and export laws and moves legitimate cargo efficiently*

Performance Measure: Disruption of Fraudulent Trade Activities and Organizations

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: A narrative assessment of Customs effectiveness in disrupting organizations that are engaged in violating U.S. trade laws in the following programmatic priority areas: textile fraud, public health and safety, intellectual property rights, and forced labor.

Explanation of Performance: Fraud investigative efforts initiated in prior years, and continuing through FY 2000, resulted in the significant identification, disruption, and dismantling of entities who employ illicit trade practices that negatively impact United States trade policies and laws. In one instance, Customs concluded a 2-year investigation targeting manufacturers, importers, and distributors of counterfeit golf equipment, with resulted in the conviction of the final defendant. The investigation culminated with the arrest and conviction of 13 individuals and the seizure of $1.7 million worth of illegally imported counterfeit golf components. During the course of the investigation, Customs seized over 301 shipments of counterfeit golf equipment, which represented a potential loss of revenue to American golf club manufacturers of over $100 million.

In a second investigation, Customs identified a company, in India, that allegedly uses forced and/or indentured child labor. Customs issued a Detention Order against all imports related to the company. To date, three shipments of cigarettes produced by the company have been officially detained at the border.

In another instance, Customs concluded an investigation involving a corporation which fraudulently marked consumer electronic products with false country of origin markings and undervalued the products to avoid paying Customs duties. The corporation pled guilty to smuggling and was sentenced to pay a $6 million criminal fine. The corporation must also pay Customs an additional $8 million in penalties and fines.

In a fourth investigation, Customs concluded a 3-year investigation into the illegal importation of approximately 26,000 30-pound cylinders of ozone depleting chemicals. A company located in Los Angeles, California, pled guilty to storing and selling the chemicals and agreed to pay a $1 million fine of which $100,000 was directed to the Santa Monica National Recreational Area for use on various environmental protection and preservation projects. The investigation of a smuggling organization, responsible for the importation of textiles and counterfeit computer software from Taiwan, resulted in the arrest of three individuals. Over a 2-year period, the organization smuggled into the United States approximately 360 containers of counterfeit merchandise, falsely declared as household furniture. The investigation determined that the organization had smuggled approximately $37 million worth of textiles and counterfeit software into the United States. Two of the individuals were sentenced for their part in the smuggling scheme and ordered to pay a total of $7.4 million in restitution to Customs.

In a continuing special operation, agents have been focused on the illegal importation of butane-filled cigarette lighters and cigarette lighters manufactured without child protective safety switches. Since its inception, the operation has resulted in the seizure of 4,358,381 cigarette lighters, with a value of $8.5 million; 20 search warrants; 5 consent searches; 2 arrests; 4 indictments; 3 guilty pleas; and 2 convictions. Textile Production Verification Teams were deployed to 10 foreign countries, where they conducted visits to over 500 foreign textile factories to verify production capabilities and identify illegal transshipment schemes.

Customs Service Performance Goal: *Contribute to a safer America by reducing civil and criminal activities associated with the enforcement of Customs laws*

Performance Measure: Disruption of Cybersmuggling Activities and Organizations

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: A narrative assessment of Customs effectiveness in disrupting organizations and individuals that are engaged in violating U.S. trade laws through the use of the Internet and other electronic media.

Explanation of Performance: In FY 2000, Customs continued to expand its investigative techniques in pursuit of violators of trade laws and priority enforcement areas conducted or facilitated via the Internet. Such expansion was augmented by a staffing increase at the Cybersmuggling Center. This allowed for the creation of the Cyber Crimes Unit, which has successfully made inroads into the areas of Intellectual Property Rights and prohibited imports (i.e., pharmaceuticals and cultural artifacts). During the fiscal year, the completion of the Cybersmuggling Center facility was realized, to include current technology to meet the demands of the Internet violator. With targeted leads from the Center, Customs has realized an increase of 57 percent in child pornography arrests in FY 2000. Customs continued to enhance its international presence through the use of international training and cooperation with countries in Southeast Asia and Europe. A total of 24 special agents were trained as Computer Investigation Specialists, giving Customs a total of 110 trained computer forensic investigators, exceeding our goal of 100 by the end of the fiscal year.

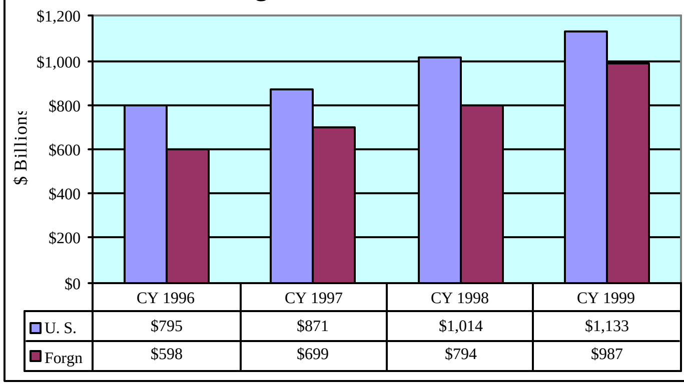
Treasury Objective: Strengthen the Stability and Efficiency of Global Capital Markets and Promote a Sound Framework for International Investment

Key Trends

As the world moves closer to a global economy, U.S. economic prosperity is increasingly linked to international investment, trade and capital flows. We can expand and open world markets through growth and greater efficiency in global capital markets, more international investment, and strong global financial systems that are less vulnerable to crises.

There are significant challenges. With increased globalization and complexity has come a rapid increase in the volume of financial transactions, types of financial instruments, and the number of global players. Economic and financial shocks are difficult to predict, and the effectiveness of our responses to them depends largely on the reaction of financial markets and the adequacy of policies adopted by other countries.

Fig. 10: U.S. Direct Investment Abroad and Foreign Investments in U.S.



A goal of U.S. international economic policy is to increase the free flow of goods, services, and capital worldwide. Two progress indicators are the levels of U.S. direct investment abroad and foreign direct investment in the U.S. Direct investments, rather than portfolio or stock investments, are those in which an individual or business buys or holds over 10 percent of the equity in a foreign firm. As shown, both types of investments have increased each year from 1996 through 1999 (see Fig. 10). The investment amounts for 2000 are not yet available.

Treasury Programs

The Under Secretary for International Affairs works to reduce risks to the international financial system and vulnerability to financial crises. When financial crises in other countries have occurred, we have recommended prompt action on a mix of domestic policy reforms, external official support, and involvement of the country's private sector creditors. Other strategies have been to establish a network to address emergencies, assess the risk posed by global firms and maintain high standards of effectiveness for their management controls, encourage cooperation among regulators and the private sector, and enhance openness and transparency through public disclosure and meaningful risk-based reporting.

To establish a policy framework for international investments, two Treasury offices are principally involved: International Affairs and Tax Policy. The Under Secretary for International Affairs, working with the State Department and U.S. Trade Representative, negotiates investment treaties with other countries. The Assistant Secretary for Tax Policy develops policies on taxation of international income, negotiates tax treaties with other countries, and supports negotiations of investment treaties. Also, Treasury serves as Chair of the Committee on Foreign Investment in the U.S. (CFIUS), a government function with the dual purpose of preserving the principles of an open U.S. investment policy and protecting U.S. national security.

CY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- ***Financial Stability Forum***. In response to numerous financial crises that threatened global financial security in the 1990s, Treasury led a comprehensive effort to reform the international financial system or architecture. The "Group of Seven" industrialized nations (the G-7: Canada, France, Germany, Italy, Japan, U.K. and U.S.) adopted a Treasury proposal and inaugurated a Financial Stability Forum (FSF) in 1999 to promote financial stability through information exchange and cooperation in the supervision of financial markets. Membership in the forum consists of several international financial organizations and banking committees and the governments of the G-7 nations plus Australia, Hong Kong, Singapore and The Netherlands.

In 2000, three FSF working groups were formed and reported on Highly Leveraged Institutions, Capital Flows, and Offshore Financial Centers. These working groups made important contributions to strengthening the international financial architecture when the G-7 and G-20 approved their recommendations on risk management, financial institution disclosure practices, and oversight of creditor institutions.

- ***Financial Crime and Money Laundering***. Corruption, money laundering, tax evasion, and other financial crimes could undermine the credibility of the global financial system. Treasury has taken the lead in integrating work on these issues by the FSF, the Financial Action Task Force, and the Organization for Economic Cooperation and Development.

- ***Foreign Acquisitions in the U.S***. Treasury serves as Chair of the CFIUS, a government function with the dual purpose of preserving the principles of an open investment policy and protecting U.S. national security. In 2000, Treasury reviewed over 70 foreign acquisitions of U.S. businesses.

- ***Bilateral Investment Treaties***. The Senate recently approved bilateral investment treaties between the U.S. and 10 other countries that gave their commitment to market access in their countries for U.S. banking and securities firms. The countries were Jordan, Bahrain, Croatia, Azerbaijan, Lithuania, Uzbekistan, El Salvador, Honduras, Bolivia, and Mozambique. There were also investment provisions in a broader trade treaty that the U.S. negotiated with Vietnam.

Performance Results

Following is a report on performance targets in Treasury's FY 2000 Performance Plan related to this objective.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved**
2	0	0	2 (100%)	0

Departmental Offices International Affairs Goal: *Strengthen the Stability and Efficiency of Global Capital Markets and Promote a Sound Framework for International Investment*

Performance Measure: Negotiation of Bilateral and Multilateral Agreements with Other Countries to Stimulate Foreign Investments by U.S. Firms

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: The U.S. negotiates agreements with individual countries and also negotiates multi-nation agreements to obtain commitments to ensure that foreign markets are open to investment by U.S. firms.

Explanation of Performance: In 2000, the Senate approved Bilateral Investment Treaties between the U.S. and 10 countries (Jordan, Bahrain, Croatia, Azerbaijan, Lithuania, Uzbekistan, El Salvador, Honduras, Bolivia, and Mozambique). There were also investment provisions included in a broader trade treaty the U.S. negotiated with Vietnam.

Performance Measure: Level of U.S. Direct Investment Abroad (in billions)

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	FY 2000	
			Target	Performance
$871 (Corrected Actual)	$1,014	$1,133	Growth over Prior Year	Data not yet available

Explanation of Measure: Direct investments are those where the U.S. investor owns more than 10 percent of the equity in a foreign company.

Explanation of Performance: In CY 1999, U.S. direct investment abroad totaled $1.1 trillion, a 12 percent increase over the 1998 level of $1.0 trillion. Data on CY 2000 investments will not be available until July 2001 and will be reported in the next year's performance report.

Treasury Objective: Pursue Exchange Rate Policies to Promote Stable Financial Systems

Key Trends

Global financial stability is in the U.S. national interest because, in this increasingly interdependent world, one nation's financial crisis can have global consequences that affect the U.S. economy and each American. The objective is to assure global financial stability through a stable system of exchange rates and through flexible but orderly exchange rate systems or regimes. As the international financial system changes rapidly, currency exchange rate systems must cope with change over time.

An indicator of success for this objective is the avoidance of large and sustained misalignments of currency exchange markets that cause significant economic and financial disruptions. When a financial crisis has arisen, the U.S. has worked with other countries and international organizations to stabilize currency exchange markets and resolve the crisis quickly.

Treasury Programs

Treasury represents the United States internationally on monetary issues and plays a key role in charting the course of the international financial system.

Working through the International Monetary Fund (IMF) and with the other G-7 nations (Canada, France, Germany, Italy, Japan, and the U.K.) Treasury develops and implements policies to promote a stable system of exchange rates and flexible but orderly exchange rate mechanisms. Treasury helps other countries establish appropriate exchange rate systems that command the trust of domestic citizens and foreign investors, accommodate regional and global integration, and remain resilient over time.

Treasury monitors the value of U.S. currency against the currencies of our major trading partners and other countries, prepares analyses of market developments and vulnerabilities, and interprets market signals relating to key financial risks and broader economic issues.

Treasury has primary responsibility for US foreign exchange operations. Through its Exchange Stabilization Fund, with $36 billion in assets, Treasury can undertake operations to help deal with excessive fluctuations or significant deviations in currency values (consistent with U.S. obligations in the IMF).

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- ***Dollarization***. In 2000, Ecuador and El Salvador decided to "dollarize" or use the U.S. dollar as their national currency. Treasury took the lead in developing the Administration's dollarization policy -- namely, that it would be inappropriate to alter U.S. monetary or banking policy in light of another country's decision to dollarize. Panama already uses the dollar as its currency, and Guatemala is considering such a move.

- ***Single Currency in Europe***. Treasury analyzed and monitored the effects of the 1999 creation of a single European currency. The euro's weak exchange rate performance during its first two years surprised most observers. In September 2000, in view of the potential implications for the world economy of the euro's depreciation, Treasury and the Federal Reserve participated in coordinated intervention initiated by the European Central Bank to purchase euros. Initially, the euro's depreciation continued, but it subsequently stabilized as market participants covered short euro positions.

- ***Brazil***. Through the Exchange Stabilization Fund (ESF), Treasury guaranteed $3 billion of a total of $8.7 billion in credit Brazil had drawn from the Bank for International Settlements in 1998 and 1999. This was part of a successful international support package that was instrumental in stabilizing Brazil's financial situation. In April 2000, Brazil made its final repayment. The ESF earned over $100 million in commissions from Treasury's guarantee.

- ***Egypt***. Treasury worked with Egyptian authorities on monetary policy issues and greater exchange rate flexibility. This resulted in the Egyptian government's easing foreign exchange shortages and undertaking a limited amount of exchange rate depreciation against the dollar. Treasury continued to press for more progress in this area.

- ***Turkey.*** Treasury closely monitored a financial crisis that developed in Turkey in late November 2000. Treasury consulted with the IMF and Turkish officials on their proposed response. Turkish authorities announced new measures to accelerate privatization efforts and strengthen the banking sector.

- ***Russia***. Treasury has been monitoring Russia's economic recovery since its debt default and currency devaluation in 1998, Treasury encouraged Russian authorities to undertake long-delayed structural and institutional reforms. These included strengthening controls on use of Central Bank reserves and taking steps to combat corruption and strengthen the rule of law (for example, passage of a strong money laundering law).

Performance Results

Following is a report on performance targets in Treasury's FY 2000 Performance Plan related to this objective.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
1	**0**	0	1 (100%)	0

Departmental Offices International Affairs Goal: *Pursue exchange rate policies to promote world economic growth and financial stability*

Performance Measure: Avoidance of Large and Sustained Misalignment of Exchange Markets That Would Cause Significant Economic and Financial Dislocations

FY 1997 Performance	**FY 1998 Performance**	**FY 1999 Performance**	**FY 2000**	
			Target	**Performance**
--	--	--	Qualitative Progress	See Below

Explanation of Measure: The indicator of success is the leadership the U.S. has shown in developing policies that help avoid financial crises and in dealing with these crises quickly when they do occur.

Explanation of Performance: In FY 2000, major foreign exchange rates did not fluctuate significantly against the U.S. dollar. Treasury urged the IMF to identify inconsistencies in national exchange rate policies that could destabilize currencies and to encourage those countries to change their policies before they created a crisis. Treasury's efforts to help maintain a stable system of currency exchange rates and avoid significant financial dislocations are discussed above in the section, *FY 2000 Accomplishments and Results*.