

**Afghanistan and Pakistan:  
Three Strategic Principles for Resourcing the Civilian Surge**

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Subcommittee on National Security and Foreign Affairs

15 May 2009

This written testimony is intended to provoke strategic thinking as we seek to close the gap between our military operations and our civilian-led support for Afghanistan and Pakistan. Our Armed Forces are mobilized for action, but our civilian departments and agencies, for a multitude of reasons, are lagging far behind. As a consequence, we are preparing a predominantly military campaign plan without adequately resourcing the diplomatic and economic framework into which it must be nested; as a result, we risk missing the opportunity to create the best chance of transforming a region on the brink of widespread war into a region of sustainable stability. Most immediately, our civilian surge ought to be guided by three principles which can be adapted from military strategy: population-centered development; developmental centers of gravity; and unity of effort. In addition, our short-term actions should be tied to our own long-term institution building to strengthen our civilian capacity to work in fragile states. But first let me tie these reforms to the gravity of the challenge.

**The High Stakes at Risk**

The high stakes at risk in Afghanistan and Pakistan deserve our urgent debate. In Afghanistan, civilian casualties are on the ascent, and unless trends are reversed the fragile state may again fail. Meanwhile, burgeoning unrest within Pakistan endangers the entire region. While the Pakistani state remains strong, it is at grave risk from the proliferation of violent extremism. The mounting conflict in Afghanistan has expanded the “Talibanization” of parts of Pakistan’s historically autonomous tribal areas on the border, and attempts to check extremism risk creating more extremism, both on the border and deeper into Pakistan as the fighting around Swat has demonstrated. In addition, terrorists using “ungoverned” spaces within Pakistan, as in the attacks on Mumbai, threaten to trigger a war between Pakistan and neighboring India, two nuclear powers with a long record of conflict and distrust. The alarming prospect, however remote, of a Pakistani nuclear weapon falling into the hands of terrorists, places a premium on assiduously working with the Pakistani government to prevent such scenarios from ever becoming serious possibilities. The Administration is attempting to do

this, but it is mentioned here to underscore the importance of the region. Finally, there is a window of opportunity for coalescing national and international support that may well close within the next two years if the present strategic course cannot show a path towards greater stability. For all of these reasons, this is urgent business.

Most Americans seem to realize that we neglect these countries at our peril, and yet fashioning an effective, sustainable strategy remains elusive. The work of the Committee on Oversight and Government Reform is pivotal: any strategy that under-invests in the crucial work of diplomats, development specialists, economic and financial advisors, and other civilians is myopic and unwinnable. To be sure, we may well fail even with the best-laid plans and plentiful resources; more than a few strategists believe that it is quixotic to seek quick fixes in such a complex region with such diverse cultures and profoundly fragile governance. As Anthony Cordesman has pointed out, there is little or no empirical evidence of successful “armed nation-building.” But the decision to put forward America’s best effort in Afghanistan and Pakistan has been made and based on a compelling rationale. Our security objectives, both immediate and long-term, hinge on preventing Afghanistan from falling back into the hands a regime that gives al Qaeda sanctuary and protecting our key partner Pakistan from mounting extremist violence. As President Barack Obama said during his summit meeting with Afghan President Hamid Karzai and Pakistani President Asif Ali Zadari, all three countries share a common goal “to disrupt, dismantle, and defeat al Qaeda and its extremist allies in Pakistan and Afghanistan, and to prevent their ability to operate in either country in the future.”<sup>1</sup> Failure to secure these minimalist goals would severely compromise U.S. national security and jeopardize the stability of an entire region—the consequences of which would be impossible to place in terms of dollar value.

### **Taking the First Steps**

The new Administration has taken important steps in the right direction. First, the Obama Administration is to be commended for focusing anew on these priority countries. It does so even while necessarily seeking to manage other and myriad challenges both at home and around the globe. The Administration has placed Afghanistan and Pakistan atop its foreign policy agenda; created an outstanding, high-level team of civilian and military professionals to plan and help implement a new strategy in which the alignment of ends and means is given serious thought; vigorously engaged Afghans and Pakistanis in the process; and begun the arduous process of working to erect a strong foundation of regional and international support.

But urgency is not a strategy and a strategy that cannot be fully implemented cannot succeed. Our present ‘strategy’ remains largely a military-led campaign plan, not because our leadership is at fault but because they have not yet succeeded in creating the civilian means necessary to complement the military

instrument of policy. In grappling with insurgency, terrorism, and political violence, our civilian response will be equally important to our military response. Because the use of military force only makes sense when serving larger political objectives, surging or significantly scaling up diplomatic, developmental, economic, and governmental support for each of these two countries is essential to any concerted strategy that seeks to better match ends and means.

### **Avoiding ‘Business as Usual’**

If the civilian surge is to come closer to matching our military investments, then we will have to avoid ‘business as usual.’ Senior Administration officials recognize that our efforts to date have not succeeded. Secretary of State Hilary Clinton has noted that despite tremendous expenditures of money in Afghanistan in particular, progress on the ground has been sparse and “heartbreaking.” Indeed, unless we attempt a completely different business model for our fragile-state diplomacy and development, then we will fail no matter how much money Congress approves.

Three fundamental strategic principles should guide our efforts as we try to narrow the gap by surging our civilian capacity. The first principle builds on the developmental best practice of ownership and mirrors the Counterinsurgency principle of focusing on the welfare of the population. Just as it is the security and welfare of the people of the country, rather than the number of adversaries killed, that is at the heart of COIN operations, so, too, developmental assistance to a fragile state like Afghanistan or a partner like Pakistan must be owned by the Afghans and Pakistanis at the national, provincial and local level. The second principle is also derived from military strategy and might be reduced to this: focus on developmental “centers of gravity” with catalytic interventions. We cannot accomplish everything, and in fragile states more may well be less. Third is the related but overriding principle of unity of effort, both with respect to U.S. activities but also those of other outside actors and the donor community.

In addition to hewing to these three principles, there will also have to be long-term institution building and a cultural shift within our civilian agencies and across the interagency to bring about a greater capacity for whole-of-government responses to complex contingencies. In order to have a better governmental capability for dealing with fragile states “in the round,” there are a number of choices decision-makers in both the Executive and Legislative Branches of government will face, as they seek to align our short-term actions to our own long-term institution building.

### **Principle One: Population-Centered Development**

The principle of ensuring that our assistance helps the people of Afghanistan and Pakistan has two essential levels. At the highest level, our assistance must support Afghan and Pakistani requirements and decisions; without their

commitment, there can be no sustainable implementation. Afghans and Pakistanis own the problems and the solutions. Recognizing this reality is the first step towards crafting a realistic strategy that might be sustainable over the long run. Local ownership means moving from a leading to a supporting role faster than we have been comfortable doing in the past. We should never think that our money and commitment can be anything but instruments of support for Afghans and Pakistanis; it is not a matter of putting an Afghan or Pakistani 'face' on our assistance, but rather ownership and legitimacy necessarily rest with the local population.

Second, at the subnational level—provincial, district, and village--our assistance has to reach the people for whom it is intended. The best way to do this is to help build local capacity rather than for outsiders to drop assistance on the local population. USAID needs to enhance its capacity for working at the provincial and district level and balance these capabilities with its reliance on capital-intensive development. Because of past under-investment and other constraints, USAID often has to manage contracts from a distance. But oversight, engagement, and capacity building must take place at a more tactical and local level because of the political importance of each and every project in a COIN operation.

At the same time, we must not short-change the 'enablers' that are essential as we place increasing numbers of civilians at the local area: namely, security, transportation, and communications are three expensive and usually overlooked constraints on enhancing civilian capacity in the countryside of a fragile state. When sending our civilians into harm's way, let us make sure that they have not only the equipment to ensure their safety, but also the state-of-the-art communications equipment to work effectively. Properly vetted civilians also need regular access to a classified system, given the sensitive nature of much of their work in fragile states.

In Pakistan, one can distinguish between efforts to stabilize border areas from the larger task of demonstrating to most Pakistanis that America is committed to their prosperity and welfare, and not simply a short-term transactional relationship in which Pakistan fights terrorists and insurgents to assist us with Afghanistan.

Finally, administering grants to the people will require authorities that are flexible, like those for OTI programs, rather than those intended to be slow, long-term development projects in relatively stable countries. USAID's historic exception to sluggish assistance has been housed in the relatively modest Office of Transition Initiatives, which was created as a political tool using contracts and assistance to meet political objectives. In an ideal world there should be a combination of OTI's flexibility tied to development objectives of "big AID." The Defense Department's 1206 authorities provide the kind of flexibility needed, but such authorities must reside in the civilian agencies and not just DoD. Some

money will not be well spent, even in a peaceful environment; one can be certain there will be problems in a combat zone and fragile stage with rampant corruption and illegal narcotics' trade. To limit the damage, USAID should be forced to invest in both better knowledge management to track everything it possibly can from the ground, and interventions should be made with the full knowledge of the Special Inspector General for Afghanistan Reconstruction, or another appropriate independent, third-party, to help understand why difficult investments were made in the first place—not later when issues of corruption might arise.

### **Principle Two: Developmental Centers of Gravity**

The best way of relating assistance more closely to Afghan priorities across the gamut of international donor efforts is to focus on catalytic interventions that simultaneously bolster the capacity of the country in question. Anyone who has worked in development knows the complexity and interrelatedness of multiple sectors. Even so, when attempting to stabilize a fragile state, there must be focal points to the interventions if they are to have any chance of keeping pace with the conflict on the ground. Clare Lockhart, Dawn Liberi, Jeremy Pam have crafted a development, economic, and governmental strategy for Afghanistan that would have three focal points:

- **Public finance, especially the budget:** public finance at all levels is a linchpin of public governance, at both the national and subnational levels. For instance, money allocated to Afghan priorities, flowing from Afghan systems, to the Afghan people will support reasonably effective governance and create greater government legitimacy. Government legitimacy is a crucial question in both Afghanistan and Pakistan.
- **Key sector roadmaps:** the United States can work with other donors to help Afghans and Pakistanis design effective programs through which their institutions can address their priorities (i.e., programs worth receiving money). For example, in Afghanistan, programs in agriculture, education, health, electricity, and justice and improve governance at the national and local level , help with the delivery of basic services, and once again reinforce legitimacy of the state.
- **Catalytic approach to private sector driven growth and jobs:** working closely with the Afghan and Pakistani governments and other stakeholders, the U.S. and other donors can identify local business ventures, then use U.S. and international support and other instruments to help overcome hurdles and scale up. For instance, one catalytic investment in Afghanistan can come in the form of generating jobs for Afghans, which in turn can bring in more revenue for the state, and which can once again support government legitimacy.

### **Principle Three: Unity of Effort**

We must align, to the maximum degree practicable, U.S. and international efforts with the priorities of each country. At present, there some 75,000 development activities underway in Afghanistan, but they are not focused and the vast majority of them are not locally owned. The lack of alignment between donor efforts and country priorities and institutions remains one of the fundamental problems in civilian assistance in overseas contingencies. For instance, SIGIR's "Hard Lessons" final report highlights that programs should be geared to indigenous priorities and needs. The buy-in of the host country is essential to reconstruction's eventual success. Yet many of our efforts in Iraq are focused on large projects and often with little or Iraqi participation. As that landmark report documented, "Detailed joint planning with Iraqi officials—perhaps the most important prerequisite for success after security—only gradually improved over time."<sup>2</sup>

We need to use budgets as unifying tools. A strategy of focusing on host country budgets can improve this alignment and strengthen governance and delivery of essential services. A December 2008 report of the United States Institute of Peace, "Evaluating Iraq's Provincial Reconstruction Teams While Drawdown Looms," highlights this important point. As that report observes, budget execution enables provincial governments and central government ministries to build governmental capacity to provide basic services. As essential services improve, the report also notes, it creates a virtuous cycle that helps to undergird and nurture sustainable development. PRT efforts account for much of the successful improvement in infrastructure, economic development and basic services in Iraq over the past two years.

Similar results can be attributed to a focus on budget execution at the national level. For instance, in 2007 the capital budget execution rate for Iraq was more than double the rate in 2006. In June 2008, the U.S. Embassy formed the Public Finance Management Group, chaired by the Coordinator for Economic Transition in Iraq and comprising all U.S. personnel involved in addressing budget execution. Following the money—and helping to erect the indigenous institutions of a fragile state to do so—can reap dividends that make development sustainable.

To ensure better unity of effort on the part of U.S. civilians in fragile states, but also better team work between our civil-military enterprises, we need far more training and education to prepare civilians. Civilian training and education lags far behind that of the Defense Department, even while both need to find ways to create a larger cadre of national security professionals who can operate together for stability operations and construction. The President's FY 2010 Budget requests \$323.3 million for the Civilian Stabilization Initiative to build our capacity for reconstruction and stabilization efforts, including a Civilian Response Corps. These are excellent steps and they deserve our steadfast

support. In the interim, hopefully we can also move smartly to better prepare all civilians and military personnel preparing to deploy to Afghanistan for Provincial Reconstruction Teams (PRTs); this training can build on the recent initiatives taken by the Foreign Service Institute, working with the National Defense University.

### **Our Long-Term, Institution-Building Challenge**

Despite our can-do attitude within governmental ranks, our civilian agencies are ill-prepared for large-scale action in fragile states. There are four major challenges to consider as we contemplate reforms that will help lift our civilian capacities for grappling with states in conflict or emerging from conflict. The first is to make the conscious decision and investment in a single center of excellence—and I believe that should be the United States Agency for International Development—in which to put our expertise not simply for traditional development but for a shared appreciation of fragile-state development. At present USAID is heavily weighted to development outside of conflict zones, even though much of its budget is spent on fragile states and post-conflict recovery. The slivers of culture that appreciate this work, such as in the Office of Transition Initiatives, needs to become put on a par with the culture of development in more stable areas. The attached Appendix 1 suggests what might be done.

A second challenge is better linking the division of labor between the State Department, which must provide the overall policy guidance and top-level decision-making, to USAID and our developmental efforts. Strengthening State Department control but also understanding of these complex issues, both in Washington, D.C. and in the field, is an essential step to ensuring greater unity of effort from our government.

A third challenge is providing a civilian-led strategy for our military campaign planners and for all the civilian agencies and departments that can contribute to development. The creation of a Special Envoy for Afghanistan and Pakistan has provided exactly the kind of central platform needed in the short term. Obviously support of the President and the White House generally is crucial for ensuring that such interagency leaders have sufficient authority to make difficult decisions.

Fourth and finally, Congress has to join the long-term discussion with this and future administrations over how to find an acceptable balance between prudent stewardship of public money and the agility, speed and risk which is needed to deal with stabilizing fragile states. One way to square this circle is to make full use of Special Inspectors. For instance, bringing Major General, USMC (Ret.) Arnold Fields, the Special Inspector General for Afghanistan Reconstruction, into the planning process, well before money is actually spent, may be the best way to provide independent, third-party scrutiny that can help ensure that monies are spent effectively under the extenuating circumstances of the facts on the ground,

bearing in mind that ultimately it is the Afghans and Pakistanis who must be in control.<sup>3</sup>

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<sup>1</sup> See President Obama's remarks from May 6, 2009 available on the White House webpage at [www.whitehouse.gov](http://www.whitehouse.gov).

<sup>2</sup> See SIGIR's Hard Lessons final report [http://www.sigir.mil/hardlessons/pdfs/Hard\\_Lessons\\_Report.pdf](http://www.sigir.mil/hardlessons/pdfs/Hard_Lessons_Report.pdf), p. 332.

<sup>3</sup> These and other ideas for revamping our foreign assistance to deal with stability operations in general are expanded upon in Appendix 1, which is a chapter I had the privilege of co-authoring with career USAID Foreign Service Officer Dr. Steve Brent.

## Appendix 1

This chapter appears in *Civilian Surge: Key to Complex Operations*, edited by Hans Binnendijk and Patrick M. Cronin (Washington, DC: National Defense University, 2009).

### STRENGTHENING FOREIGN ASSISTANCE

Patrick Cronin and R. Stephen Brent<sup>2</sup>

#### **Introduction**

The United States must strengthen its civilian capacity to deliver foreign assistance. Whether one examines stabilization and reconstruction missions or long-term economic development efforts, the present condition of U.S. programs is failing to meet expectations. Preceding chapters have addressed civil-military issues and options for strengthening civilian agency support for stabilization and post-conflict operations. This chapter will examine the U.S. Agency for International Development (USAID), which will be a key agency in implementing future changes. It will also consider other functions of development assistance, including support for health and education, economic growth, and conflict prevention.

The George W. Bush Administration raised the profile of development, conceptually elevating its stature by ranking it along side defense and diplomacy, coining the phrase “the three D’s”. But concept is not the same as practice, and recent experience, especially in Afghanistan and Iraq, has exposed glaring deficiencies in the ability of the United States to deliver non-military aid to contested and war-torn zones. Redressing these shortcomings, particularly in an environment of fiscal austerity, will not be easy; success will require not only resources but also high-level political leadership, innovation, and strategic patience.

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To be sure, the Bush Administration's legacy of bolstering development assistance is better than it is generally credited. It increased aid to Africa and established two major new assistance programs: the President's Emergency Plan for AIDS Relief (PEPFAR) and the Millennium Challenge Account (MCA). The new Administration, however, will have to go well beyond these initiatives if it is to rejuvenate America's "soft power," bring coherence to badly fragmented foreign assistance programs, and achieve a heightened capacity for delivering reconstruction assistance. Additional personnel and skills will have to be accompanied by reorganization, new authorities, expanded training, a dedicated cadre of policy planners, galvanized country teams, and improved civil-military cooperation. This chapter examines two options for future aid organization, one of which is to form a new United States Agency for Reconstruction and Development (USADR).

## **Section 1. History of U.S. Foreign Assistance**

### ***Early U.S. Development Programs***

To understand how the United States found itself with the limited foreign assistance capacity that it has today, as well as to underscore the potential influence a robust foreign assistance capacity can deliver, it is necessary to recall early U.S. development programs. The field of development hardly existed prior to the Second World War. After the war the United States led the ambitious and successful Marshall Plan (a recovery program rather than a development program) and gave economic assistance to a number of countries. But it was only in the late 1950s that people began to think seriously about concerted efforts to help poor countries advance. President Kennedy was a student of the new ideas and had a particular interest in Africa. He believed that the United States could do well by doing good—that American aid to poor countries could be a powerful tool in the geopolitical competition with the Soviet Union. When President Kennedy established USAID in 1961, he put the United States in the vanguard of international development.

Kennedy tasked USAID with leading expanded development efforts in Asia, Africa, and Latin America (the Alliance for Progress). Large American aid helped Korea and Taiwan launch their successful growth and export pushes in the 1960s (and would later help Thailand, Indonesia, and Malaysia do the same). Similar programs in Latin America were less successful—mainly due to less hospitable local environments (bad economic policies, elite politics, and weak private sectors). USAID had in short order become second to none, the world's gold standard with respect to development assistance.

The growing American war effort in Vietnam created a need to deliver state-building assistance in harm's way. USAID expanded dramatically to meet the new demands. By the late 1960s there were thousands of USAID officers in

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Vietnam, working hand-in-hand with the American military to support pacification and development. Integrated military and civilian teams looked a lot like today's "provincial reconstruction teams" in Iraq and Afghanistan, except that they included vastly more USAID officers than the relatively small numbers in the field today.

In 1973 Congressional and public disillusionment with the war and disappointment with the lack of economic progress in Latin America and Africa led Congress to mandate significant changes in American aid. USAID staff levels were reduced and USAID was directed to focus on poverty reduction and "basic human needs" such as health and education (rather than economic growth). To implement the new approach, Congress earmarked foreign assistance budgets, narrowly legislating the specific purposes for which money could be used. Health program funding increased because it could be seen as immediately helping impoverished people, could be measured with considerable precision, and could produce results even where economies and governments were weak.

The end of the Cold War brought another reassessment of American aid. Because of the strategic importance of post-Communist transitions, the State Department took the lead in formulating aid policies toward the former Soviet Union and Eastern Europe, while USAID and other U.S. agencies implemented assistance programs. Aid to other regions declined, as did State Department and USAID staff levels (even as the total number of overseas posts grew). The U.S. Information Agency (USIA) was folded into the State Department and there was strong Congressional pressure on USAID to follow suit. With program demands expanding and in-country staffs shrinking, USAID had to find ways to "do more with less." USAID moved away from its earlier model of large professional staffs leading programs and working directly in ministries to relying more on contractors and grantees. At the same time as USAID was cutting back on personnel, other governmental departments and agencies were expanding their international programs. While the Department of Justice, the Environmental Protection Agency, and the Department of Health and Human Services, among others, tapped new areas of American expertise, the proliferation of governmental actors posed serious coordination challenges in Washington and the field.

### ***The Bush Legacy***

The Bush legacy in foreign assistance comprises four major initiatives that the new administration will have to consider as a starting point for further reform: two costly aid programs (one for health and one for economic development), a re-emphasis on building some post-conflict reconstruction and state-building capacity, and a reconsolidation of policy authority in the State Department.

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By the time the George W. Bush Administration entered office, USAID had become a shell of its former self. It had approximately 1,000 Foreign Service Officers and a total workforce of 2,200 direct-hires in Washington and the field (compared to a workforce of about 12,000 at the height of the Vietnam War). As part of its reassessment of U.S. foreign policy after 9/11, the Administration decided to strengthen aid programs.

It launched two major new development initiatives: PEPFAR (to address the growing crisis of HIV/AIDS) and the Millennium Challenge Account (to provide more development assistance countries to those demonstrating the greatest readiness to help themselves).<sup>2</sup> The latter program targeted a limited number of countries selected by their good performance on a set of development indicators, awarding them large grants for fully-funded multi-year programs or Compacts designed by the countries to improve growth and reduce poverty. Both were to be run by independent organizations—PEPFAR by the Global AIDS Coordinator based in the State Department and the Millennium Challenge Account by the Millennium Challenge Corporation (MCC), a new public corporation with an interagency Board of Directors.

Both of these initiatives responded to legitimate needs and received Congressional support. The President's Emergency Plan for AIDS Relief has been especially popular and recently received a substantial budget increase that is supposed to continue for the next five years. The Millennium Challenge Account has addressed a shortcoming in American aid that dates back to 1973: the lack of support for economic growth. Development advocates in Congress and the public like aid to the social sectors (and humanitarian assistance) because its results are visible and can be more readily explained to constituents. However, large social programs without accompanying economic growth are not sustainable and cannot raise income levels. For that, economic growth is vital (if hard to attain). Millennium Challenge Account programs try to address this dilemma by focusing growth support on countries with the best development conditions. It stakes out new terrain with its concepts of country-designed growth programs and non-earmarked multi-year funds. In so doing, it seeks to help recipient nations grow their economy and their middle class.

However, both the AIDS and economic programs have limitations. PEPFAR funding levels have been set with little regard for the ability of recipient countries to absorb and manage large influxes of directed health-care funds or for their implications for other U.S. assistance priorities. The Millennium Challenge Account received lower funding in the last two years as Congress expressed concerns about the failure to spend money in Compact accounts, which have been plagued by a slow disbursement rate like so many other development programs. Slow disbursements are not necessarily the Millennium Challenge Corporation's fault, because large infrastructure investments emphasized in many Compacts take time. Unrealistic expectations of how quickly countries should see the

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benefits of aid are making it hard for the MCC to sustain support for its business model, which envisages fully funding five-year Compacts at the outset rather than providing incremental funding as with USAID projects.

The AIDS Relief and Millennium programs also hamper coordination and coherence of U.S. development efforts. U.S. development assistance is now provided by three separate entities: two special purpose organizations (PEPFAR and MCC) and USAID (which is responsible for almost everything else). This division of labor has created stove-piping in Washington and confusion in the field. For example, both the Millennium Challenge Corporation and USAID have field missions in developing countries, prompting uncertainty about who “speaks for the United States on development.”

A third priority of the Bush Administration had been to expand the civilian capacity to support stabilization and reconstruction in Afghanistan and Iraq. In the past decade the question of enlarging U.S. state-building capabilities has moved tortuously through four phases: 1) initial disregard of State Department and USAID plans for post-conflict reconstruction based on a desire to leave nation building to others; 2) recognition that reconstruction was important but an excessive reliance on Defense-managed infrastructure investments (especially in Iraq) and with little thought given to operations, maintenance and capacity building; 3) broadening of priorities to include local government, social, and economic development programs and a reluctant expansion of the Department of Defense roles in stabilization to make up for constrained capacity constraints within USAID and other civilian agencies; and 4) recent calls by Secretary of Defense Robert Gates for State and USAID to be given more money and people to cope with the social and economic dimensions of conflict and fragile states. USAID has been given funds to begin expanding its ranks—the goal of USAID’s Development Leadership Initiative is to double the number of USAID Foreign Service Officers by 2012 (see chart). Although the Bush Administration created the Office of the Coordinator for Reconstruction and Stabilization in the State Department (S/CRS) in 2004 to strengthen civilian capacity for conflict prevention and management, the absence of serious funding and authority severely limited the initial effectiveness of this innovation.

A fourth key initiative that is part of the Bush legacy in foreign assistance deals with the overall structure and management of aid programs. In 2006 the Bush Administration sought to improve aid coordination by creating a new position of Director for Foreign Assistance (DFA) in the State Department with the rank of Deputy Secretary and giving the USAID Administrator this role as a second management responsibility. The creation of a Director has improved budget coordination between State and USAID, but has not been able to ensure coordination among the AIDS Relief, Millennium and USAID programs, or with domestic agency programs.

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## **Section 2. Six Challenges**

Strengthening the capacity of the United States in foreign assistance—both for stability operations and post-conflict reconstruction as well as for poverty reduction and economic growth--will require the new Administration to go well beyond the four initiatives that are part of the Bush legacy. Not only will the challenge of coherence across foreign assistance programs need to be reviewed, but so will the need to expand and reform existing organizations and their authorities. Six critical challenges include improving integration and program coherence, enlarging the capacity for stabilization and reconstruction efforts, strengthening conflict prevention, promoting economic growth, strengthening institution building, and leveraging U.S. programs internationally.

### ***Integration and Program Coherence***

If the United States is to restore development assistance to once again being a major instrument of national security policy, it will have to begin with the question of who's in charge. Thus, the first challenge is to for the White House to revisit the debate as to how to minimize the stove-piping of American development programs and to find new, more integrated ways of planning and delivering foreign assistance both in wartime and in peacetime.

As has been noted, the United States presently has three major development programs: USAID, the Millennium Challenge Corporation and the President Emergency Program for AIDS Relief; while they may operate with coordination, few would contend that they achieve a unity of effort that might make them more strategic and effective. Both the real and perceived disunity, furthermore, cause America to “punch below its weight” and receive less recognition for its contributions to the developing world than it deserves.

The problem is far from just a Washington bureaucratic turf war. One of the lessons of the last fifty years is that implementation in the field is more important for aid effectiveness than strategies or directives issued from donor capitals. This has led to a growing trend among donor agencies to strengthen field offices and delegate more authority to them. In the past, the United States led in this area because of the strength of USAID field missions. Much maligned in Washington, USAID was often seen in developing countries as the most capable, informed, and responsive of all aid agencies. However, this American advantage has been undermined by the proliferation of American aid programs and the mission creep of Washington micromanagement from both the Executive and Legislative Branches of government. This is not to excuse USAID from all culpability, but until one realigns the major aid missions—as well as a larger new effort for post-conflict reconstruction—then it will be difficult for a new administration to achieve a high degree of fidelity when it comes to implementing priorities overseas. It was Mark Twain who wrote, “Put all your eggs in one basket, and

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then watch that basket.” Today, there is a felt need for U.S. foreign assistance programs to be placed under a more powerful single authority in order to be able to look across the seams of different programs and increase the chances of achieving national objectives.

### **Stabilization and Reconstruction**

The current approach to strengthening civilian capacity for post-conflict stabilization and reconstruction is to establish a cadre of officials drawn from various U.S. departments and agencies (especially Defense, State, and USAID) who can deploy to crisis zones on short notice, supported by a large reserve corps of specialists outside the government who can be called up for duty in crisis zones. Program and crisis planning is to be led by the State Department Office of the Coordinator for Reconstruction and Stabilization (S/CRS). Other chapters in this book call for larger quick response and reserve corps, based on expectations that future conflict demands may be numerous and last many years.

The scale of future stabilization capacity is a basic policy judgment for the next administration. We believe that numerous stabilization operations may be less likely than more prolonged interventions. But no matter what decisions are made on these issues, civilian capacity clearly has to expand. That may be done by the proposed combination of USG agency and reserve corps capacity or that capacity plus continued reliance on the contract organizations that have carried much of the weight in Iraq and Afghanistan.

How would these people and organizations be managed? We believe this will require much stronger management and implementation oversight capacity in USAID. Early experiences in Iraq revealed the danger of believing that American civilians with little experience in overseas operations can step into chaotic situations and lead effective stabilization and reconstruction programs. Stabilization has to be led by teams of professionals who specialize in that work, train for it, and develop plans and doctrines for expeditionary operations in the same way that the military plans for crisis interventions. We believe these functions would best be led by new offices within USAID that build on the existing structures of the Office of Transition Initiatives (OTI), Office of Military Affairs (OMA), and Office of Foreign Disaster Assistance (OFDA), but are substantially larger than current structures. The new offices would recognize that stabilization requires different skills, operational routines, and culture than long-term development. It would hire new staff and set up its organizational processes around this different set of demands. The new offices would form a distinct cone within USAID with its own budget lines and procurement rules (allowing fast and flexible contracting, authorities to pay contractors to maintain ready capacity, etc.). These offices would develop close ties with DOD (including joint planning with the Unified Combatant Commands) and work with other USG agencies that have relevant expertise.

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If the next Administration chooses to take nation building seriously, these functions could amount to a “new side” of USAID (complementing the existing elements that are focused on long-term development). Some might argue that this new set of functions should become a separate component, possibly tied to State. We believe that would be a mistake, because 1) stabilization operations have to eventually transition to longer-term development; 2) USAID can work with both State and DOD (both of which have important roles in stabilization); and 3) we need greater unity of effort in development activities, not less (see challenge one).

### ***Conflict Prevention***

A third challenge for the new administration is trying to get ahead of the curve by placing greater emphasis on preventing conflicts in the first instance. While Afghanistan and Iraq have focused public attention on the challenges of post-conflict stabilization, they both reinforce the short-term, crisis management mentality of Washington’s approach to global affairs. If the United States is to broaden its tools for crisis management, then surely conflict prevention must be part of that. It will not be easy. There are no sure-fire methods for preventing conflict and the United States hardly enjoys sufficient power to prevent every conflict even if it knew how. But recent research by Paul Collier and others has highlighted the importance of three key elements of a conflict prevention strategy.

- *Strengthening conflict mediation and peace enforcement.* Because the United States cannot and in many cases should not take the leading role in mediation and peace-making efforts on the ground, the United States will have to find ways to strengthen international and regional bodies--most of which admittedly tend to lack political will or enforcement capacity, or both. This should include strengthening the military capacity of UN or regional peace-keepers and expanding their mission from peace-keeping to peace-enforcement.
- *Increasing support for economic growth.* It may seem obvious, but it is surprising how little international assistance to countries emerging from conflict is focused on creating sustainable economic growth. Not surprisingly, Collier finds a high correlation between economic stagnation and political instability, and he argues that one of the best ways to reduce conflicts is to help countries improve their growth. This is especially important for countries that have experienced a recent cessation in hostilities. They have high risks of lapsing back into conflict within a decade, but that risk can be reduced if they make economic reforms and receive aid for growth support.

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- *Pressing oil-producing and resource-rich countries to improve transparency.* Collier finds that poor countries that are rich in oil, diamonds, or other mineral wealth are prone to authoritarian rule, corruption, and instability (fueled by fights for control of the proceeds of mineral wealth). He wants oil-consuming nations to force oil companies and oil-producing countries to accept new norms of payment and budget transparency in order to reduce theft and abuses and to focus oil proceeds more on development. Now that global recession is reducing global demand for oil, it may be more possible to begin to address these problems. Moreover, America's concern about energy security is compatible with the need to improve the governance and stability of those developing world countries fueling the U.S. and global economy.

### ***Growth Promotion***

As noted above, the Millennium Challenge Account has promised a game-changing conceptual approach to America's bargain with the developing world by holding out the prospect of lasting poverty reduction through growth. Developing countries demonstrating good performance are offered a chance to design a serious investment to complement other interventions to support growth. However, if the Millennium Challenge Account works in theory, it has thus far been less successful in practice. The following three factors help to account for the limited effectiveness of the Millennium Challenge Account:

- *An overly narrow interpretation of economic growth.* The MCA emphasizes specific investments evaluated with an "investor banker" point of view. The assumption is that the overall system is in good enough shape that good individual investments can spur growth. However, few low-income countries are in that situation. Most have multiple public and private sector shortcomings that keep private investment and social returns low. Asian experience suggests that these shortcomings can only be addressed through locally led reforms and investments.
- *An overly optimistic belief in rapid economic transformation.* The MCA assumes that countries know how to promote business development and exports and can graduate from aid in 5-10 years. Neither is the case. Most low-income countries have little idea how to strengthen their private sectors or improve exports. They need technical assistance to develop and implement sound growth initiatives. Even with such help, it is unrealistic to hope that they will quickly improve their economic performance and graduate from aid. That will take decades in the best of worlds.
- *A misinterpretation of the historical record of successful development.* The successful growth experiences of fast-growing countries in Asia do not support the idea that growth follows from "good performance" on policy and

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institutional indicators. Korea and Taiwan would not have scored well on the MCA indicators in the early stages of their growth pushes and China would not score well today. Asian fast growers did not “reform first and let businesses develop naturally” (the Washington Consensus prescription). Rather they intervened actively to promote business development and low-wage manufactured exports. Local political commitment to business development was more important than economic orthodoxy. Low-income MCA countries will have a hard time expanding their manufactured exports today because of the dominance of Asian producers. They may be able to do better on other aspects of growth promotion, but that will depend on local leadership and evolutionary changes that builds business capacity along the way. The best measure of “good performance” is not current rankings on development indicators but how well countries perform over time on business development and non-traditional exports.

### ***Institution Building***

USAID needs to enhance its capacity to help developing countries strengthen their institutions, especially their budgeting, financial management, and procurement functions. The Agency used to do a lot of this work, but it has been another casualty of the downsizing of the USAID Foreign Service. The need for institution building is higher than ever, influenced by the desires of many donors to use budget support, the need of the MCC for government capacity to implement Compacts, and the demands of the PEPFAR program for local capacity in health. In Iraq, limitations on the capacities of ministries to program the proceeds from oil wealth are posing major constraints on the pace of transition. In Afghanistan, the next stage of stabilization and reconstruction will depend heavily on strengthening the institutions of the central and provincial governments (complementing the focus on PRTs).

We do not have agreed principles for effective institution building, but much can be done by USAID teams on the ground with the ability to adapt to local situations. However, this function cannot be contracted out—it has too many elements that are “inherently governmental.” USAID needs expanded Foreign Service personnel and overseas missions to do this work, which should include placement of Foreign Service officers within government ministries (done in the past, but not in recent years). It will not be feasible to seriously pursue institution building everywhere--choices will have to be made on which countries it is most vital to focus on. However, such activities would be highly desirable in Afghanistan, Iraq, and most MCA Compact countries. USAID would also have to be given non-earmarked funds for this purpose as well as freedom from excessive demands for “results indicators” (hard to measure in this field).

### ***Leveraging International Cooperation***

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Regardless of whether the new Administration aims for more effective reconstruction or development programs, no single improvement is more important than the need to forge greater international cooperation. The American debate on development assistance has been surprisingly parochial, given that we are living in an increasingly globalized world. We are not on the cusp of returning to the world of half a century ago, when the United States was a foreign assistance superpower. In contrast to the national security arena, when it comes to development assistance the United States is not even *primus inter pares* but instead one actor among many. Other major players are the European Commission, the World Bank, the UN specialized agencies, and other bilateral donors, plus huge private donors such as the Bill and Melinda Gates Foundation. U.S. reform proposals have paid little attention to how they would fit into the overall mix of global programs, whether on development or reconstruction. In a recent speech in Boston, British Prime Minister Gordon Brown called for concerted international efforts on global warming, energy, poverty, and post-conflict reconstruction—inviting the United States to join an international coalition to address these shared concerns. A new administration sharing these priorities should begin by determining how to better leverage international cooperation.

### **Section 3. Aid Reform**

#### ***A New Department***

The most prominent proposals for aid reform focus on the first of these challenges (program coherence). They argue that the U.S. is suffering from major incoherence in its development activities that is creating dysfunctions in Washington and inefficiencies in the field. They also argue that no one designed this system by choice; it rather evolved over time as the consequence of many uncoordinated decisions. To address these problems, many development advocates want the U.S. to follow the British approach of creating a new Cabinet-level development department that has authority over all development activities. This would allow development to take its rightful place as a fully empowered third “D” and bring the unity of command and budget that are needed for effective operations overseas.<sup>2</sup>

This proposal has considerable appeal, especially in raising the priority of development and strengthening unity of command. The current fractionalization of aid programs can be compared (on a much smaller scale) to the problems that used to exist in the defense establishment when unbridled independence among the Services impeded effective joint operations. In the defense field, centralized control and program cohesion were strengthened in three steps: 1) the creation of the Department of Defense and the appointment of a Secretary in the aftermath of World War II; 2) the strengthening of the powers of the Office of Secretary of Defense, powers which Secretary McNamara put in place during the Kennedy

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Administration, including by using systems analysis and the budget process to control procurement decisions and force planning; and 3) the Goldwater-Nichols legislated changes to strengthen jointness and create powerful operational Unified Commands. Today the Defense Department has elaborate planning and budget processes to try to achieve program coherence, which work well given the massive size of defense programs, budgets, and forces.

While sometimes the parallels from Defense reform may be inappropriate for the non-military departments of the U.S. government, the experience of DoD is still relevant. It suggests that an analogous process in development might take decades to reach full force, but could be jump-started by the first step of creating a Cabinet-level—or at least a more powerful and integrated—department with a high-powered staff. As in the case of Defense, the staff would have to be attuned to the national security thinking of the administration and work closely with National Security Council staff. They would also have to write a national strategy for development similar to DoD's Quadrennial Defense Review—or fully contribute to a national security strategy that works across defense, foreign relations, and development issues. The benefits of such innovations would be substantial: greater priority on the most important issues and programs; better balancing of short- and long-term objectives; more coherent budget choices; and better program integration and coordination in the field.

However, securing support in Congress and the Executive Branch for such a radical change (requiring new legislation, new budget accounts, and major reorganization of Executive Branch structures) would be politically difficult and costly. The new administration may not wish to bear those costs, especially given the present economic and financial outlook.

On the other hand, major reforms and increases in American development aid will require a dramatic repackaging and sustained, high-level political leadership. Indeed, there is at least in policy communities a broad consensus that reform is needed and that continuing the status quo is undesirable. Bipartisan support should rally behind a well articulated plan to strengthen foreign assistance for both contested state building and reconstruction and long-term development assistance. The main aim should be to achieve greater unity of effort if not command across the government.

While various proposals exist, we focus on two major organizational options for restructuring foreign assistance in the United States. The first would emphasize the need to shore up weak capacities within existing structures, shifting greater authority and funding to USAID, but basically preserving development assistance as its core mission. The second would go further by creating a new agency in which both state-building and post-conflict reconstruction and development assistance would become the twin pillars of a powerful agency, still under State

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Department overall foreign policy direction, but capable of implementing the array of responses likely to be needed in the developing world in decades to come.

***Option 1: A Stronger United States Agency for International Development (USAID)***

This option would maintain today's three-program structure comprising USAID, the Millennium Challenge Corporation and the President's Emergency Program for AIDS Relief. However, it would especially seek to strengthen USAID, which has been left to atrophy, by providing greater funding, more personnel, and a wider role in coordinating overseas implementation. While some enhancement of USAID's limited capacity for state-building could be undertaken, this option would be predicated in part on an assumption that Afghanistan and Iraq were more anomalous than they were bellwethers of future requirements. Instead, this option would seek to restore America's "soft power" by bolstering USAID as a lead agency, providing more development assistance and restoring a higher caliber of development assistance expertise and central coordination in the field than currently exists. It would be most attractive if the next administration wanted to strengthen country assistance programs without major legislative or organizational changes. The administration would have to convince Congress and other U.S. agencies to agree to two changes: 1) a substantially larger USAID personnel budget and permission to bring qualified experts into senior positions from outside the government; and 2) strengthening the roles of USAID Mission Directors in controlling development activities overseas. If these changes were made, this option would allow the following improvements:

- The Director for Foreign Assistance would shift from State to USAID and be given authority to coordinate the Millennium Challenge Account and PEPFAR programs and track all other U.S. programs impinging on development (including DoD, public diplomacy, and domestic agency programs). The State Department activities and managers of three Bureaus--International Narcotics and Law Enforcement Affairs; Democracy, Human Rights and Labor; and Population, Refugees and Migration--would shift from State to USAID.
- Senior USAID officials would be better able to play major roles in Washington policy processes.
- USAID Mission Directors would become Development Counselors with authority to coordinate programmatic activities at the country level across all three major development assistance programs. Domestic agencies with international programs would have to get clearance from Development Counselors to work in country.
- USAID would expand its number of technical experts in fields such as economic growth, private sector development, infrastructure, and rule of law. It would replace some functions that contactors now perform with

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- direct-hire personnel—e.g., working as senior advisors in government ministries.
- USAID would be allowed flexibility to create a “float” of officers above the number required to permanent positions, to enable USAID to respond to emergency demands and to provide training (e.g., the most promising foreign service officers selected for executive leadership--FS-1's--would regularly attend the National Defense University).
  - The Director for Foreign Assistance would create a new independent Office of Evaluation that reports to the Administrator. This office would evaluate all three major development programs.

***Option 2: A United States Agency for Development and Reconstruction (USADR)***

In this option a single development agency could be created at the Cabinet or sub-Cabinet level. However, in this option state-building and reconstruction missions would be elevated on a par with development assistance, and the agency might therefore assume a new name to reflect both its dual missions and its new authority. At the same time, to ensure that it was indeed the foreign assistance implementation agency of the United States, it would be given chief budget authority over all foreign assistance activities—obviously still under the overall administration guidance from the White House (especially the Office of Management and Budget) and the State Department (which would remain the lead in foreign affairs policy overall).

The Millennium Challenge Corporation and the President’s Emergency Plan for AIDS Relief would continue as separate operating agencies, but they would not have their own independent budgets; the Administration would request their funds in a unified development budget overseen by one set of authorizing committees and appropriations subcommittees. Foreign assistance programs for U.S. domestic agencies would continue to appear within the budgets of those agencies, but would have to be approved by the development agency.<sup>2</sup> Congress would retain the authority to promulgate program guidance, but earmarks would be kept to a bare minimum. The development agency would build its program budgets more from the bottom up, with field Missions and Development Counselors (see Option 1) playing stronger roles. The USAID Inspector General would have audit authority over all foreign assistance programs.

The rationale for this option is that “budget is policy.” If you do not have control of the budget, you do not have control of policy or programs. With independent budgets, agencies develop their own objectives, their own support structures on Capitol Hill, and their own interest groups. That tends to happen even with formal budget controls (as Secretary McNamara learned in the 1960s). But without the budget tool, there is no hope for coherent resource allocation. This option would require new legislation.

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The challenges for the future are not just to improve program coherence, but also to strengthen conflict prevention, growth support, stabilization, and international cooperation. We believe these objectives can be advanced through a stronger USAID, but especially through a single development agency reconfigured to place missions on a more equal footing with development assistance. The stronger USAID or new USADR would work hand in glove with the Departments of State and Defense, while it would retain sufficient strength to preserve development assistance programs from becoming overwhelmed by short-term security goals.

Under either option, several additional steps can be taken, including:

- USAID/USADR should develop a new component of its staff and operations focused on stabilization and reconstruction, including coordination with the Department of Defense, Combatant Commands, and the State Department on contingency planning and expeditionary implementation. All aspects of program management (personnel, contracting, operational doctrines, and organizational culture) should be optimized for the special demands of stabilization support. This component should be large enough to meet the demands for leading and coordinating civilian capacity for the full range of planning contingencies. It would be far larger under a new USADR than a bolstered USAID.
- Formally designating conflict prevention as a goal of U.S. diplomatic, security, and development policies. The United States should strengthen its engagement with the UN and regional bodies to support conflict mediation and peace-enforcement. AFRICOM and other Combatant Commands should help national and UN forces improve their logistics, equipment, and training and should advise peace-enforcement forces on contingency planning. The U.S. should work with Britain to build G-7 support for the Extractive Industry Transparency Initiative and other agreements to incentivize good management of mineral wealth. USADR and State should be given more resources for rule of law, local government, and institution building.
- Integrating the resources presently in the Millennium Challenge Account and USAID to offer better support for long-term economic growth initiatives in leading-edge countries. The Millennium Challenge Corporation could continue to select its Compact-eligible countries based on quantitative indicators, but more attention could be paid to qualitative judgments of who among the best-scoring countries is demonstrating the strongest political commitment to self-led reforms and sound business development policies. USAID/USADR could help countries develop sound business development strategies that can be incorporated in country proposals to the MCC. These proposals may focus on specific investments to be funded by the MCC but should include broader national changes to improve the conditions for

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business development and exports. The best-performing countries should be eligible for multiple Compacts that can overlap and be renewed. The MCC and its Board of Directors could be the judge of the most promising proposals (the “judging” function should be separated from the advice function provided by USAID), but proposals should not be forced into textbook norms (local leadership of change is more important than strict orthodoxy). In Compact countries, the MCC and USAID/USADR could work together to oversee program implementation and help the government and private sector build their capacities. For Compact countries with strong development potential, USAID should provide long-term help on institutions building, especially in financial planning and management. If host governments can improve their fiduciary capacity to levels required to meet U.S. standards of accountability, the MCC could allow them to include budget support in their Compact proposals.

- USAID/USADR could work with the Departments of State and Defense to strengthen its cooperation with multilateral and bilateral development agencies. The United States needs more coordination of its policies toward the developing world across U.S. agencies and between the United States and other actors and governments involved in reconstruction and development. One way to improve both types of coordination would be to establish a new statutory body of senior career officials from State, USAID/USADR, Treasury, and the Office of the U.S. Trade Representative (similar to the Joint Chiefs of Staff) to provide advice to Cabinet Secretaries and the White House on U.S. policy on poverty, trade, energy, global warming, and conflict management.<sup>2</sup> That should be combined with more active engagement in G-7 diplomacy.

### ***Building USAID***

Critics may object that USAID does not have the capacity to play these ambitious roles. Some skepticism is warranted; after all, even if all goes well, these reforms will take years to implement. But the question is not whether one has faith in USAID as it is today, but how can the United States best strengthen its capacity in development assistance to meet the likely demands of the future? We believe that institution is USAID (or a stronger development agency that subsumes USAID) for the following reasons.

- Running development programs overseas require operational and management skills and strong familiarity with local conditions. USAID has those capabilities. They have been weakened by staff cuts but can be re-built. State also has knowledge of local conditions, but lacks an operational and management culture. State is a policy, diplomatic, and reporting organization. Its officers are selected for analytic and representational skills. USAID officers are chosen and rewarded for management skills. They are specialists in the art of implementing development programs in the difficult

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and often chaotic conditions of poor countries. While in some cases they tend to focus on bureaucratic minutia, the best members of the USAID Foreign Service have more in common culturally with the best military officers in DoD (who also have a management culture) than with their fellow Foreign Service Officers in State.

- USAID is not good at interagency coordination, but these weaknesses could be compensated for by changes in USAID or the creation of USADR. USAID has long been a “junior partner” in the interagency game, limited by its specialized role, uneven support at senior levels of the national security apparatus, and narrow political base on Capitol Hill. Over the years USAID has developed a culture of trying to “fly below the radar”—keeping its head down and trying to minimize outside intrusions on its programs. These problems are not easily solved, but could be improved if USAID or USADR were given more staff with the bureaucratic skills and political savvy to operate at senior levels in interagency processes. Such people could come from the ranks of Agency political appointees, Agency senior career staff, and State Department detailees. In addition, the new Administration could appoint a new Deputy National Security Advisor for Development in the White House to oversee policy development and implementation.

USAID or USADR would be the best placed organization to ensure that US development activities complement each other and fit local conditions. The involvement of U.S. domestic agencies in foreign assistance activities has to be managed better. Most such programs focus on one sector or one discipline within a sector (e.g., agriculture or police training). You can’t run a coherent assistance program with 10-20 different activities directed from 8,000 miles away.

## **Conclusions and Findings**

Creating an interagency ethos built around defense, diplomacy and development requires, *inter alia*, strengthening our capacity for development and state-building, as well as improving our unity of effort (if not also unity of command) over foreign assistance programs. To meet the demands of American national security, development and conflict management require increased resources and organizational changes. The Bush Administration has made several important improvements—raising aid levels, actively addressing the HIV/AIDS crisis, and establishing an innovative program to promote economic growth (the Millennium Challenge Account). However, the jury is still out on the final success of other Administration efforts such as the creation of an integrated aid system through the establishment of the Director for U.S. Foreign Assistance, or the launching of the Coordinator for Reconstruction and Stabilization to provide adequate civilian capacity for stabilization and state building in contested zones and post-conflict reconstruction.

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There are sound arguments to be made for a Cabinet-level development department, not least to help elevate economic and development assistance as a priority and to create better unity of effort. The same principle that insisted that we created a strong Chairman of the Joint Chiefs of Staff and Combatant Commanders, as well as a new, joint culture across the Military Services—even while preserving individual Service culture and expertise—could well be applied to our foreign assistance and development programs.

Whether or not a Cabinet-level development department is appropriate or feasible, two basic attributes—greater effectiveness and greater integration and unity of effort—deserve bipartisan support in the new administration. One alternative would be to strengthen policy and budget control by an empowered USAID. A weaker version of that approach would leave budgets separate but seek to increase policy coherence through a strong policy staff in USAID and OMB leverage on the budget. A stronger version would integrate the budgets for the main development programs (USAID, PEPFAR, and MCC) and require domestic USG agencies to have their foreign assistance activities approved by USAID. However, the second version would require legislative action.

Regardless of how program coherence is addressed, the next Administration needs to strengthen civilian capacity for stabilization and reconstruction. A key missing ingredient is structured contingency planning, training, and doctrine development for expeditionary activities. That should be led by an expanded cadre of stabilization specialists in USAID that works closely with the Combatant Commanders. The U.S. also needs to strengthen its efforts to: 1) prevent conflict (including more support for peace enforcement); 2) promote economic growth in good-performing low-income countries (building on the Millennium Challenge Account but adding other elements); and 3) work cooperatively with international development partners.