

Spring 2009
Industry Study

Final Report
Reconstruction and Nation Building Industry



The Industrial College of the Armed Forces
National Defense University
Fort McNair, Washington, D.C. 20319-5062

RECONSTRUCTION AND NATION BUILDING 2009

ABSTRACT: The Reconstruction and Nation Building (RNB) industry focuses on the role of governments, companies and non-governmental organizations involved in the development of secure and stable societies. This paper recommends that the U.S. elevate the significance of RNB efforts within national security priorities. Future RNB operations should incorporate a multi-lateral approach which is focused on the long-term, adequately resourced and appropriately coordinated within the U.S. government. These recommendations are based on analysis of the RNB industry including on-going operations in Haiti and Australian-led efforts in the South Pacific.

CAPT Bjorge Aase, Royal Norwegian Navy
Ms. Carol Axten, Department of Navy
Lt Col Michael Claffey, U.S. Air Force
Col Philip Clemmons, U.S. Army
Lt Col James Dignan, U.S. Air Force Reserve
Mr. Randy Flietman, Department of State
Mr. Dan Froelich, Boeing Company
CAPT David Girardin, CHC, U.S. Navy
Ms. Laura Griesmer, Department of State
LTC Ali Aden Houmed, Djibouti Army
Ms. Leigh Ann Kidd, Department of State
Col Reinhard Koenig, U.S. Army
Mr. Raymond O'Toole, Department of Navy
Col Dianna Roberson, U.S. Army
Mr. Laird Treiber, Department of State
LTC Peter With, U.S. Army
Col Michael Young, U.S. Marine Corps

Dr. Andrew Leith, Faculty
Mr. John Terpinas, Federal Bureau of Investigation, Faculty
Dr. Barbara Corvette, Faculty

PLACES VISITED

Domestic

Defense Industrial Initiatives Group, Washington, DC
The International Peace Operations Association (IPOA), Washington, DC
Adventist Development and Relief Agency (ADRA) World Headquarters, Silver Springs, MD
U.S. Army Peace Keeping and Stability Operations Institute (PKSOI) Carlisle Barracks, PA
US Agency for International Development (USAID), Washington, DC
World Bank Group, Washington, DC
U.S. State Department, Washington, DC
Xe (formerly known as Blackwater), Moyock, NC
Joint Forces Command, Norfolk, VA
United Nations, New York City, NY
New York University, New York City, NY
Australian Embassy, Washington, DC
Louis Berger Group, Washington, DC
U.S. Embassy, Port-au-Prince, Haiti
MINUSTAH, Port-au-Prince, Haiti
USAID Port-au-Prince, Haiti
Operation Double Harvest, Port-au-Prince, Haiti
Haiti National Police, Cite de Soleil, Haiti
Opportunity International, Washington, DC

International

1st Division Headquarters, Brisbane, Australia
World Bank, Honiara, Solomon Island
Guadalcanal Battlefield, Honiara, Solomon Island
Victoria Barracks, Sydney, Australia
Center for Defense and Strategic Studies, Canberra, Australia
Australia Agency for International Development (AUSAID), Canberra, Australia
Australia Federal Police International Deployment Group, Canberra, Australia
Joint Operations Command, Canberra, Australia
Australia National University, Canberra, Australia

INTRODUCTION

While the Reconstruction and Nation Building (RNB) industry may appear to be new, the U.S. has been involved episodically in nation-building since the Spanish-American War. The U.S. also spearheaded efforts to rebuild Europe and Japan after World War II. With the end of the Cold War, the pace of reconstruction and nation-building efforts increased.

Since 2001, RNB has preoccupied the USG, especially the Departments of State, Defense and USAID, as the U.S. leads efforts to rebuild Afghanistan and Iraq. While the efforts to rebuild Afghanistan and Iraq garner national and international headlines, the U.S. and our allies continue to work quietly in Haiti, Liberia, the Philippines, the Solomon Islands and East Timor, among others. We believe that the U.S. and its allies will continue to be engaged in similar smaller-scale nation-building efforts as the pace of globalization continues and countries continue to struggle with poverty, corruption, disease, and scarce resources.

While most attention has been placed on governments and the politics of intervention, a diverse group of companies and NGOs have decided to specialize in RNB. The industry itself evolves constantly as lessons-learned are applied in new countries and as we learn that every intervention is different. The geographic focus has changed; we have moved from Eastern Europe to the Middle East and Central Asia, and are likely to move to Africa in the future. It is clear that U.S. efforts are increasingly dependent on the provision of services by contractors and non-governmental organizations. As the U.S. and its allies continue their RNB efforts, the general consensus is that there is no single recipe for success, no “development in a box” approach that will work.¹

This paper represents the analysis of the Reconstruction and Nation Building industry study, which examined the current structure of international nation building operations. We considered several case studies, including Haiti, the Solomon Islands, and the efforts of other allies like Australia. We also looked at the structure of the companies and NGOs that implement RNB activities by applying a Porter Five Forces Analysis, as well as the complex strategic framework in which this industry operates. We examined the history of RNB operations since the end of the Cold War and potential future failed states that could lead to RNB operations. A list of companies engaged in the RNB industry was also compiled and those organizations that we met with are also included.

Our paper makes several recommendations which should reshape the role of the RNB industry within the national security framework.

THE INDUSTRY DEFINED

The Reconstruction and Nation Building² (RNB) Industry Study Seminar of Academic Year 2009 for the Industrial College of the Armed Forces spent a considerable amount of time on the definition and the scope of the industry we studied. After considerable debate, we settled on the following definition from the *Harvard International Review - Winter 2006*:

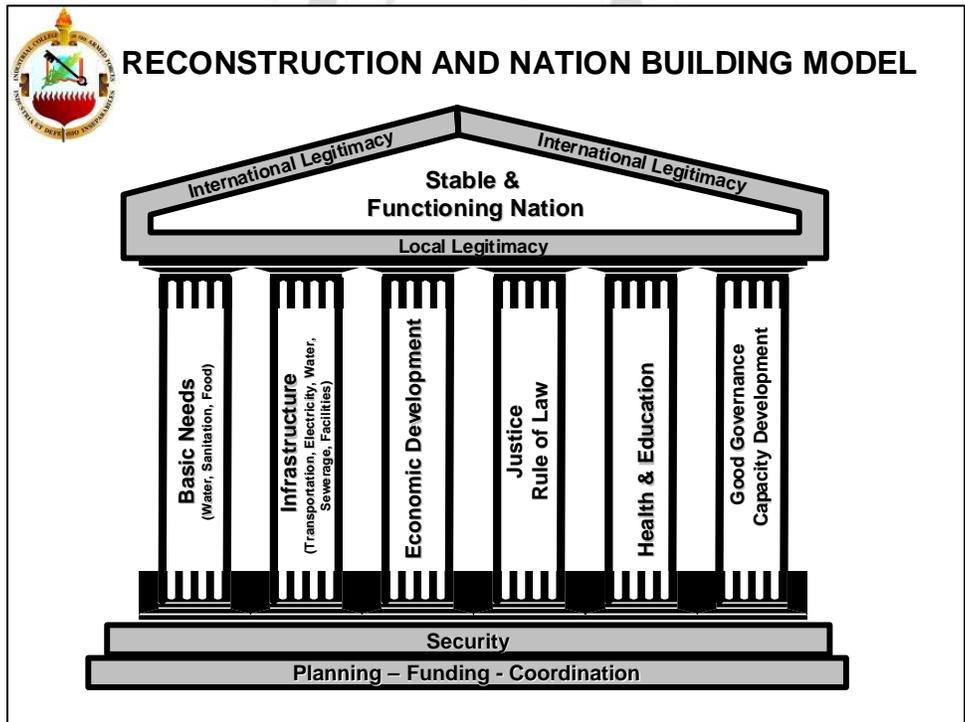
"Since at least the beginning of the 1990s, state- and nation-building has been an industry unto itself. A wide spectrum of activities and actors fall under this heading: military peacekeepers, diplomats, experts in reconstruction, governments

willing to help, myriad of international organizations, and humanitarian helpers from non-governmental organizations—their work is as multifaceted as the range of problems they try to solve.”³

The U.S. Government (USG) and other donors use the private sector, including Non-Governmental Organizations (e.g., International Red Cross), to support policy and goals in RNB. Perhaps uniquely, the USG is also part of the industry, in that it implements some programs directly with its own resources. Thus the industry is made up of these actors along with international organizations (e.g., United Nations).

Most discussions of nation building over the last eight years have commonly involved a conception of the use of the armed forces, often after conflict, “as part of a broader effort to promote political and economic reforms with the objective of transforming a society emerging from conflict into one at peace with itself and its neighbors.”⁴ We concluded that nation building and reconstruction are different missions with different markets and industries that support the USG’s efforts. We broadened the definition to include both pre- and post-conflict. While Nation Building includes long-term development, it includes much more in order to put in place a stable and functioning nation. One that is functional, peaceful and stable that allows the country to participate constructively in the international system.

Below, is a conceptual framework of how this seminar defined RNB:



Capstone of Reconstruction and Nation Building

The Capstone of RNB is a stable and functioning nation with local (i.e. in-country) and international legitimacy. Local legitimacy is achieved when the local population looks to its own

government for support and assistance instead of the international aid organizations. International legitimacy is reached when a country is accepted as a nation with a recognized government by a majority of the international community.

Pillars of Reconstruction and Nation Building

RNB operations tend to draw from a common set of policies to stabilize a country and get it “back to normal.” Within the RNB industry study, we selected an illustrative set of these policies defined as six pillars: Basic Needs, Infrastructure, Economic Development, Justice and Rule of Law, Health and Education, and Good Governance/ Capacity Development. These pillars are interdependent, and not shown in any priority order. The situation in each country is different, with some pillars assuming greater importance than others. Without security, none are possible to implement. They are defined below:

Basic Needs

Providing basic services represents the most critical aspect beyond establishing security in reconstruction and nation building in a post conflict or failing state situation. If basic needs, such as water, sanitation and food, are not met, there is the risk of continued deterioration of the situation and an increased chance of failure for political or economic development efforts.⁵

Post conflict reconstruction efforts must take advantage of what is called the “golden hour” to achieve win-win situations for the local government, aid providers, and aid recipients. The golden hour is the first year during which inhabitants are likely to endure continued hardship in the hope that their future will improve immediately following conflict; it is the best opportunity to engage the general population and show genuine concern for their well being.⁶ Upon arrival, intervening authorities need to make available basic life support packages to meet basic needs to minimize the risk of lawlessness and further deterioration of services. Involving the populace in delivery of basic services gives them a sense of purpose and an opportunity to be part of the solution. They are then less likely to resist or support spoilers, and have political buy-in to the process. When the local government is also involved in providing these basic services the populace’s confidence in the local government is bolstered. This in turn lays the foundation for long-term sustainment and development.

Failure to provide basic services can lead to disastrous health and safety situations. An adequate supply of food minimizes the chance of people becoming malnourished or a famine outbreak which would create additional requirements on an already overburdened system. Potable water is critical for survival in every aspect of human life, including consumption, sanitation, cooking and medical facilities. Electricity affects every aspect of providing basic services; it is required for food, water production, shelters, and more importantly medical facilities. Because the lack of electricity has an effect on the delivery of other basic services, minimizing disruption or restoring service provides a sense of return to normalcy.

Infrastructure

Infrastructure is the interdependent network of systems comprising identifiable industries, institutions, and distribution capabilities that provide a reliable flow of products and services essential to the defense and economic development of a country as well as the smooth functioning of the government.⁷ For the RNB industry, the definition is further refined as those

specific tangible assets that support the other five pillars. As such, infrastructure as an RNB pillar can be broken down into five main components:

- Transportation (roads, airports, seaports, and rail systems)
- Electricity (production, transmission, and distribution)
- Water (production, treatment, and distribution)
- Sewerage (collection, treatment and disposal)
- Facilities (medical, fuel distribution, governmental, and schools)

The infrastructure categories are interrelated and must be addressed simultaneously in order to achieve the maximum effect. Infrastructure supports the other five pillars and when lacking will retard the development of the other pillars and delay the RNB effort. Local involvement and ownership is critical in order to maintain long-term viability.

Economic Development

Economic development is critical to providing a stable environment and opportunities and incentives for disaffected populations to reintegrate into society. Given Paul Collier's findings that economic growth directly affects the likelihood of a return to conflict,⁸ it is essential that the appropriate actions are taken during the golden hour to spur economic development. It is important to coordinate economic programs between the phases of a reconstruction effort (e.g., recovery and long-term development) and that planners should endeavor to ensure that programs in one phase lead to and support projects in the next phase. However, it is more important to produce early wins that generate income and employment for the population and tangible examples of the new government's success than to create obstacles and time-lags to these programs by delaying them to coordinate with plans for long-term growth.

Future reconstruction programs must include economic development as a critical priority for promoting long-term peace. In any post-conflict situation, the U.S. needs to develop a realistic but flexible plan that takes advantage of the golden hour. The State Department's Coordinator for Reconstruction and Stabilization (S/CRS) Post-Conflict Reconstruction Essential Tasks matrix is a good document to begin to craft a plan, but should be updated to include items like job creation, especially for former combatants, as an early priority. It is also important to quickly provide educational opportunities, either in remedial or vocational studies, which promotes long-term economic development while occupying potential spoilers and employing teachers.

Restoration of the financial system should focus on stabilizing the currency and establishing rudimentary financial facilities to promote trade. True financial system restoration and reform is a long-term project and the U.S. and international community must avoid establishing systems and mechanisms that are overly complicated for the country's capabilities and needs. Private sector development should co-opt informal trading networks (especially grey and black markets) and encourage the development of local commerce. Investment by local businessmen and the diaspora⁹ in local companies and services should be encouraged. Care must be taken when advocating investment so that winners and losers do not destabilize the economy or the peace process through corrupt practices. Prompt attention to agricultural sector development are critical to increasing employment and food production. Privatization should be delayed until adequate alternative employment is available for displaced workers. Regional

effects must be considered when developing and implementing reconstruction programs and the international community should proactively develop regional frameworks to address financial, tax, regulatory, and trade issues.

Justice and Rule of Law

In previous stability operations, international assistance in the area of justice and the rule of law focused almost exclusively on reestablishing a functioning police force in order to help maintain public safety. While this is vital, future operations may be more successful to the degree that they take a more comprehensive approach. Specifically, the justice and rule of law pillar should include six key components¹⁰:

- A fair constitution and body of law
- Effective law enforcement instruments that respect human rights
- An impartial, open, and accountable judicial system
- A humane corrections system
- Mechanisms for monitoring and upholding human rights
- Reconciliation mechanisms to deal with abuses and resolving grievances

It is critical that policymakers and practitioners build upon any functioning local practices (e.g., informal justice systems), laws, and institutions that existed before the conflict or instability that led to the intervention. As a guiding principle, international assistance should seek to empower legitimate local actors and to promote the building of sustainable local capacity while reinforcing respect for human rights and international norms. Particularly in cases where the previous state was not strong or enjoyed little legitimacy, intervening authorities are likely to find they cannot simply apply systems and procedures developed in more advanced countries. Instead, they may find they need to work with local authorities, who may be informal, to build a hybrid system that combines formal and informal justice systems¹¹.

Health and Education

Health and Education contribute to the strength and stability of a nation. Health is essential to ensuring the ability of the people to contribute to nation building activities. Educational institutions play a substantial role in promoting the requirements for long-term stability. A nation's economic welfare reflects its intellectual capital and this mitigates poverty, crime, and corruption.

Healthcare for developing countries is a serious problem. Especially in post-conflict nations, there is a serious problem with the outbreak of communicable diseases. The issue of providing healthcare in both post-conflict and developing countries has many facets. The main problem is the lack of trained specialists to provide healthcare services. Another problem is the lack of adequate nutrition and clean drinking water, particularly for pregnant women and small children. In some countries, more than one third of the disease burden can be avoided by improving the environment. The solution to these problems requires the community and its leaders to promote water treatment, educate the population on how to prevent disease, and develop a system of trained healthcare providers.

Education is a catalyst for creating long-term stabilization. A well educated population supports the development of the other pillars within the conceptual framework. Additionally, education is essential to the success of the state's social system. Countries with the highest literacy rates tend to have less crime, poverty, corruption, migration, and are typically more stable¹². Education also provides the intellectual supply chain fundamental to a stable and functioning nation. Reconstruction operations in several countries have been hampered by the low level of education (e.g. Haiti, East Timor), which limits opportunities for local involvement in development projects. This is particularly true for girls, who often have reduced opportunities for education.

Good Governance/Capacity Development

Developing the capacity of local governments is key to making reforms in other sectors function. Donors often use several approaches to restore governance in post-conflict countries including “substituting temporarily for weak or yet-to-be constituted governments, direct assistance for capacity building to weak or fragile governments, support for public private partnerships, and assistance through non-governmental organizations.”¹³ For an approach to be successful, generally, the following are required: collaboration and consensus between the host country, the donor, and the implementing agency; a good program design; and an effective implementing partner with capable people on the ground and in the home office.¹⁴ Implementing agencies also must be flexible in carrying out programs, as the scope of programs often need to be changed on the fly.

Western capacity development programs tend to be based, at least implicitly, on the assumption that the complex institutions developed endogenously over centuries in the West can be transferred to failed or fragile states. This may underemphasize the point that “capacity development is about altering power, authority and access to resources.”¹⁵ It may be useful to regard long-term capacity development as a transformation, rather than a set of technical skills, which implies the need for a much stronger involvement of the aid recipients.¹⁶ Capacity development supports the building of a state that represents an emerging agreement in society about how government will work, which may address the causes of initial instability and reduce the prospect for future interventions. This suggests that “overall state-building strategy processes should frame ... post-conflict needs assessments,”¹⁷ and cautions donors to be careful how much they bypass governments in favor of managing their own programs, as this may undercut the perceived legitimacy of the new government.¹⁸ It may make more sense to structure programs to allow citizens of the affected country to decide between short-term service and long-term capacity as a way of sustainably building their societies.¹⁹

UNDP notes “each country has a different political tradition, culture and society, and different levels of capacity to recover from hostilities, making the needs and conditions for restoring governance quite varied. Each country requires a different combination of financial and technical aid. ... Policies and programs that were successful in one country have to be modified and adapted if they are tried in others.”²⁰ It is also important to note that “the feasibility of interventions is limited by the social, political, economic and military conditions of the country and by the weak absorptive capacity of the government. This capacity and prospects for success of intervention will, in turn, be affected by the background of the country before it collapsed, as well as how a conflict ended.”²¹ For a program to be successful, generally, a mix of three issues is required: including buy in between the host country, the donor and the

implementing agency on what will be done; a good program design; and having a good implementing partner, which requires good people on the ground as well as in the home office.²²

Base of Reconstruction and Nation Building

The speed with which the U.S. military overthrew the Taliban and Saddam Hussein regimes, and the difficulties experienced afterwards, demonstrate the need for the USG agencies, civilian and military, to prepare for the RNB mission long before an intervention. Security, planning, funding and coordination between USG agencies and with international partners are all critical aspects of a successful RNB operation.

Security

The establishment of security is the fundamental requirement in nation building. Sustainable development is nearly impossible until a basic level of security is established. Security is generally the first step in planning a nation building contingency operation. It requires constant adjustments during execution to ensure the appropriate mix of police and military personnel provide sufficient security and rule of law in order for the government and economy to function and meet basic needs. The initial establishment of security often requires an international military and police force deployment. Depending on the situation, the forces could be led by a civilian police or a military commander.

Planning, Funding and Coordination

Planning, funding and interagency coordination are necessary to achieving a successful RNB operation. The planning process should bring agencies together to develop a common strategic approach and to determine roles and responsibilities. Participating in planning and exercises can build agencies' institutional capacity for RNB, and expose institutional, cultural or political obstacles that must be overcome. Additionally, the planning process should reveal any resource shortfalls. Early coordination with other international partners and with implementing agencies, such as NGOs, is also important in planning interventions, be it under the UN or donor leadership.²³

CURRENT CONDITION AND CHALLENGES

As consideration of the illustrative pillars suggests, analyzing the RNB Industry presents a number of unique difficulties. Typically, this industry operates in connection with an intervention (often armed). As such, the objectives are inherently political; they generally involve the formation or strengthening of an effective local government that enjoys sufficient political legitimacy to quell the conflict that generated the initial international intervention.

Since the end of the Cold War, there have been at least 30 peace-keeping or peace-building operations around the world, a substantial number of which have also involved nation building and reconstruction activities. In most of these operations, the lead actors (e.g., the UN or nations such as the U.S.) have turned to private companies and NGOs to handle specific tasks, such as restarting essential services like electricity and water, training local governments to perform key tasks and providing urgent humanitarian relief. Private companies have developed

an increasingly effective expertise in areas that traditionally have been considered governmental operations, such as training local police forces and setting up financial and rule of law institutions.

Unlike most industries, governments (either national or international) create and define the market by deciding when and where to intervene. Decisions on whether and where to intervene have a direct impact on the size and composition of this industry. While it is true that most interventions are not surprises,²⁴ it is equally true that non-governmental actors have little impact on determining which crises produce interventions. The character of the conflict shapes an intervention, which in turn dictates the most likely industry players. For example, a less violent conflict is more likely to see a wide range of actors, while a more violent conflict may require actors with more resources and tolerance for greater risk and direct cooperation with the U.S. Government.

Governments and international organizations have gone through a number of different approaches on how best to approach the question of dealing with failed or failing states. Based on the experience of Iraq and Afghanistan, governments are very likely to adapt their approaches yet again. Given this intimate connection between government policy and the shape of the market, companies and NGOs need to closely follow the evolution of government thinking and development of policy.²⁵ The course of this evolving thinking will shift emphasis within the industry. For example, governments placed less emphasis on reconstruction in operations during the 1990s compared to Iraq and Afghanistan. Should governments in the future decide to reduce the emphasis on construction, and/or shift away from contracting with international firms to favoring local firms, the scale of participation by large international construction firms, for example, would be much different.

This suggests that, in order to understand the challenges the industry faces, industry must understand the challenges that government policy faces in addressing failed and failing states. There has been a lot of discussion, particularly since 2001, of how to handle “failed” or “failing” states, generally driven by a sense that they represent an increased security threat to their neighbors, and to the developed world. A number of the discussions tend to assume that some kind of outside intervention is called for to “fix” these problem states. A lot of this analysis tends to focus on the dangers these states pose to the world, and less attention on the causes of the internal problems. Often, these causes are either overlooked, or treated as a uniform set of issues.

The causes turn out to be rather different, which makes adopting a uniform solution difficult. Indeed, since the end of the Cold War, there have tended to be two kinds of external interventions: peacekeeping and peace enforcement. “Peacekeeping missions have been mounted on the basis of prior agreement among the warring parties. Peace enforcement operations have been launched despite the opposition of one or more indigenous factions. Interventions of the first type have typically been led by the UN; those of the second by a major global or regional power.”²⁶ Perhaps the best way to conceive of the difference is that the first does not require an invasion, while the second does. While the United Nations is, for a number of reasons, the best equipped and most cost effective vehicle to handle the first type, it “does not do invasions,” and “seldom deploys more than about 20,000 troops in any given operation.”²⁷

Recent literature has tended to treat these interventions, particularly those led by the United States, as some kind of unique category of event. Our examination of the issue suggests that it is important to remember the link between security and long-term development, which offers the prospect of resolving the issues that led to the initial conflict. Therefore, it may be more helpful to consider these interventions as part of a continuum of our broader development policy. Indeed, much of the “stabilization” phase of post-conflict operations consists of traditional development activities, albeit conducted under very different situations. A number of experts have examined the causes of “failed” states, and have developed some useful indicators²⁸ or warning signs, suggesting that greater attention in development policies in the fields of education, health and economic development may help countries avoid what Paul Collier calls ‘the conflict trap,’ which can wipe out decades of development.²⁹ Evidence from recent cases suggests, for example, a disturbing link between low levels of education, particularly literacy, and conflict. Both the military and development agencies seem to be paying more attention to prophylactic activities, although it is not clear they are yet on the same wavelength or sufficiently coordinate their activities.

Trust Funds

There is a complex interplay among various nations, international organizations such as the United Nations and the World Bank, and private actors, all of which operate with host country elements. The world’s major donors, as measured by membership in the OECD’s Development Action Committee, gave more than \$103 billion in assistance in 2007, of which \$75 billion was given as bilateral aid and \$30.5 billion through multilateral institutions such as the UN (\$5.8 billion), the World Bank’s IDA (\$5.6 billion) and regional development banks (\$2.3 billion).³⁰ Many of these countries either donate through UN agencies, or coordinate their activities through international trust funds, particularly in the case of post-conflict operations (recent examples include Iraq, Afghanistan and Lebanon). Particularly for smaller donors, working through the UN, World Bank and/or trust funds allows them to contribute to the sectors which they want to support (e.g., health or economic development) without having to bear the significant costs of setting up a mission in a post-conflict environment to disburse aid and monitor projects. Over the last decade, trust funds have generally improved their operations, although they still tend to face some problems in donor coordination and there can be some frustration at the delay involved in coordinating with several entities, especially host countries with limited capacity. They do have the advantage, however, of tending to incorporate local government views, suggesting the programs will both be more sustainable and have a greater impact. They also help reduce overlap in donor programs, and have helped coordinate activities of UN agencies.³¹

Non Governmental Organizations

NGOs are also increasingly important actors in RNB. While their role in the immediate aftermath of stability operations may be limited by security concerns, an increasing number play roles either as implementers for government assistance programs or in directly assisting recovering nations. A number of recommendations to improve coordination between governments and NGOs, both on general foreign policy and specifically on post-conflict operations, range from re-organizing existing foreign affairs agencies into a Department of Global Development to establishing closer coordination on the ground. A number of factors may complicate implementing these recommendations, however. The sheer number of existing

NGOs (in 2007, more than 72,000 grant-making institutions were active in the U.S. alone),³² and the breadth of issues on which they focus (some narrow, some broad) would make any such coordination difficult, as would the fact that some are more transitory than others and some have objectives and philosophies that conflict with others. Some observers note that NGOs often have experience – and in some cases maintain an active presence – in failed states that emerge from conflict. It would be very useful to increase consultation with these NGOs in planning any future interventions, be it under the UN or donor leadership.³³

NGOs are likely to continue to be a feature of the landscape, as they have significant resources to give. U.S. NGOs in 2007 are estimated to have donated \$5.4 billion dollars to international recipients,³⁴ which represents a 50% increase in real terms over 2002 levels. For many of these institutions, international giving represents “a long-term commitment and an integral strategy.”³⁵ Most NGOs focus donations on health, education and projects designed to help countries recover from natural disasters; Africa was the single biggest geographic concentration. If these trends continue into the future, U.S. grant-making institutions are likely to focus on long-term development projects that may help countries from entering into conflict/failing as states, and/or recover from conflict, although it is not clear how big a role many of these NGOs, like the Bill and Melinda Gates Foundation, will play in post-conflict recovery operations absent government involvement.

Legislative Involvement

Donor country legislatures also play an important, although often overlooked, role. Most donors receive funding annually, and must justify ongoing programs. The U.S. Congress is likely to apply the lessons it learned from Iraq and Afghanistan to any future requests for funding.³⁶ The bulk of the money for U.S. participation in stability operations is funded from Foreign Assistance accounts, which is provided by a different set of committees than those that appropriate Defense funds for the cost of military operations. In Iraq and Afghanistan, Defense committees provided increasing amounts of funding to support operations that blurred the line with traditional foreign assistance (such as the Commanders Emergency Response Program). The provision of these funds, with different procurement and reporting regulations, complicated coordination of programs on the ground. The foreign assistance committees in Congress expressed skepticism about the utility of large construction projects, particularly those involving international contractors, which tend to be costly and take a long time to complete, most notably in Iraq. These committees in Congress, like other legislatures, are also keen to see relatively quick disbursement of funds once they have been appropriated, and tend to expect the host country to pick up the costs of these programs after a relatively short period (e.g., three to five years), despite evidence over the last 20 years suggesting that programs like capacity development need to be sustained as long as 10-15 years³⁷. Congress has always shown a proclivity for directing that money be spent in particular ways and in particular countries (notably through ‘earmarks’ and Report Language in appropriations bills). This is likely to continue in future operations.

Industry Size

This industry is composed of several sectors and actors, ranging from providing humanitarian relief and immediate reconstruction activities to developing capacity and rule of law programs. Each of these markets has slightly different characteristics, based on the nature of

the activity. A key feature of this difference is the degree to which local and international governments play an active role, sometimes acting as buyers, sometimes as suppliers of services. The overall size of these markets is considerable. An estimated \$103 billion was spent in 2007 by major donors on Overseas Development Assistance, of which \$14 billion was spent on technical assistance and \$12 billion on infrastructure according to OECD DAC. The U.S. spent more than \$40 billion on Iraq and Afghanistan since 2001; while future budgets are not likely to be as large, the example of Pakistan shows that programs in troubled countries can still be very large.

Application of Porter Five Forces Model

The Porter Five Forces Model was developed by Michael Porter of the Harvard Business School to analyze companies in a specific industry to determine the competitive intensity of the industry and therefore the attractiveness of the market.³⁸ The model is generally used to analyze a single company or product in a competitive industry. Our seminar extended the application beyond the standard use to apply the model to a variety of actors in the RNB industry. We found this was useful in analyzing the sectors of the RNB industry. It illustrated a number of market forces that shape the behavior of companies and NGOs that are key implementers of RNB programs. For example, NGOs compete for grants much as commercial companies in a more standard industry do. Companies in the RNB industry work hard to develop recognized expertise and track records to gain new business. Both NGOs and companies are heavily dependent on government decisions. Perhaps unique to other industries, both NGOs and companies also face potential competitive forces from government agencies, which may decide to perform these actions directly. Finally, we also determined that the Porter model can yield some useful insights if applied to national security priorities. In that regard, it can be argued that the RNB industry competes with other national security priorities, both domestic and international, for budget resources.

How the Market Performs

Despite significant challenges, including the inherent unpredictability of which countries will enter conflict, the market has managed to provide contractors to meet U.S. and other donor needs both for capacity development and capacity substitution. What is less clear is whether these projects will meet the countries' goals of transforming post-conflict states into capable states. The reactive nature of the industry accentuates a donor-driven 'push' in design, although the program is likely to succeed only if a 'pull' develops in the host country.³⁹ There is a related tension between donors' "impatience for quick results within a two- or three- year budgeting time horizon versus the reality that public administration reform is a complex politically sensitive long term process that may need a decade or more to accomplish."⁴⁰ Building capacity requires capacity, as multiple donors with complex programs can quickly overwhelm the resources of host governments. The World Bank concluded that a lot of the technical assistance in Afghanistan was donor driven, and involved high-cost consultants with little local input, thus these programs had only a marginal impact on lasting capacity building.⁴¹ Large scale interventions, such as Iraq and Afghanistan have lead to new and often less qualified entrants to meet the demand. USAID notes the developed world faces a shortage in its capacity to handle many more capacity development contracts.⁴²

Given the challenges involved in a war zone under incredible time pressures and often with significant security threats, why would companies compete for contracts, particularly from the USG, which limits the amount of profit that can be charged? A number of factors seem to be at play. The first is that the structure of USG contracts offers an attractive return⁴³ if a company can control its costs.⁴⁴ Companies also hope that good performance will lead to follow-on business with the aid provider or the host government, which could offer lucrative financial management technologies and consulting contracts. There is also the potential to develop follow-on consulting business with private sector companies that might seek to enter the market after the country is stabilized.⁴⁵

OUTLOOK

It is open to debate whether the real security challenge of this century will be a rising military power (e.g., China), or a series of unstable countries wielding weapons of mass destruction. What is clear is that there will be future RNB operations, even though at the end of the Cold War, most Americans viewed nation building as a dubious endeavor. Many recall the killing of 19 soldiers in Somalia and the image of bodies being dragged through the streets of Mogadishu in 1993 as an example of the risk and futility of nation building.⁴⁶ Since then, the U.S. has been involved in at least 30 RNB operations.

The events of 9/11 changed many people's minds about the need to address challenges emanating from failed or failing states. Other western states (Australia, France) have also felt that failed states posed intolerable security threats in key regions (the South Pacific and Africa, respectively).

Future operations may be elective (like Iraq), but they are not likely to be as ambitious, and almost certainly will not be conducted without broader international support.⁴⁷ The future is more likely to be an effort in Africa. The example of Australia in the South Pacific and USAID in the Philippines suggest that alternative approaches may be more effective and worth considering elsewhere.

The future is likely to see an increased emphasis on pre-conflict activities, involving a multilateral approach under mandates either from regional or international organizations such as the UN. Typically, these operations will not be led by the military, which will require that other agencies (e.g., UN, USAID, State Department) receive greater resources.

Just as the character of operations has changed over the last twenty years, future operations are likely to be different, reflecting the nature of the specific countries in which they will take place. This will shift emphasis among the pillars of the industry (e.g., there may be less emphasis on infrastructure and more on education or capacity building).

GOVERNMENT GOALS AND ROLE

Ultimately, the goal of RNB is a stable and functioning nation with local (i.e. in-country) and international legitimacy. The RNB industry is unique in the very specific sense that the governments (both host country and interventionists) specifically define the scope of the market.

The industry engages across a wide spectrum of circumstances generally in relation to conflict. The role played by development as a tool used in conflict prevention (*pre-conflict*) is as much applicable to the industry as the role of capacity development, infrastructure projects, and humanitarian relief during security and stabilization phases (*post-conflict*). The role of government is to play the preponderant role in defining the market which will identify the activities required given the unique and specific circumstances within the host country. Government decisions on whether a situation is pre- or post-conflict tends to have a significant impact on defining the particular market.

Beyond the simple analysis of determining the stage of the conflict, there are a variety of factors that can confuse the process of defining the market for a given host country. Multi-lateral interventions pose a significantly different set of challenges as compared to bi-lateral interventions. Cultural awareness is often highlighted as a weakness on the part of the interventionists. Usually overlooked, however, are the different agendas that distinguish activities conducted by NGOs as compared to government agencies. Resource allocation decisions directly define the market for RNB activities. Current foreign policy reflects an integrated strategy consisting of three elements: development, defense and diplomacy. The weakest link in this strategy is, in fact, resourcing it. Understanding that nation building has a role to play throughout the spectrum of conflict requires a profound ability to anticipate where, when and how appropriate resources are allocated. Choice of implementer will affect the character of the activities. All of these factors need to be considered in order to accurately define the scope of the market.

Within the context of government, the RNB industry is in direct competition with other priorities of the political leadership. Addressing the supply and demand questions applicable to the industry is a practical discussion purely in the sense of forcing political leadership to analyze the trends which shape the future of the industry. It's been said that low-intensity intervention is a reflection of what economists refer to as the yield curve: when cost is low, demand will be high.⁴⁸ The yield curve is an important concept to keep in mind when making resourcing decisions particular to pre-conflict development resourcing decisions. Security and stabilization activities in Afghanistan and Iraq drew attention to one specific sector of the industry – post-conflict. The reality is that current global trends indicate an increased inclination by regional powers for early engagement in order to prevent conflict. To be successful, donors will need to ensure that resourcing for pre-conflict activities matches this increase in demand.

In the world of strategy, today's answer is tomorrow's problem.⁴⁹ From a strategic perspective, addressing the resource shortfall with regards to developmental engagement is fundamentally a leadership issue. The role of the government should be to balance national priorities with reference to RNB activities. Narrowly focusing on current stabilization operations is both constrictive and short-sighted. Weak, failing, and failed states should be a significant concern. These states threaten national interests and challenge global prosperity, safety and security. Recognizing this threat (and its opportunity) and responding accordingly should be demanded of government.

MAJOR ISSUES

Security Sector Reform (SSR)

One of the first priorities of occupiers is providing short-term security. Over the long-term, if local governments want to be seen as legitimate, they must provide for the security of their own populations. Doing so often requires reform or the creation of a new security force. Programs to reform security and justice systems in conflict areas are interdependent and buttress one another; however they are not the same. The justice sector is focused on reforming the state's laws to address crimes against humanity and incorporating a legal system that is consistent with the country's traditional culture and religious system. The security sector is focused on developing/creating an intelligence service, border control systems, police, and military forces, and the training and equipping of those forces. SSR also includes the creation of a national security process and strategy that clearly articulates roles and responsibilities so that the state can respond to security threats, internal and external, in a professional and legitimate manner. The justice and security sectors are interdependent – unless each sector develops or reforms at an equal rate, the other sector will likely fail.⁵⁰

Security sector reform is important to prevent the country from relapsing into violence – as recent difficulties in several countries illustrate (Iraq, Afghanistan, East Timor, and the Congo). Equally important, security is a precondition for development – without security it is impossible for the economic, political, and social elements of the state to develop.

In a number of cases where problems developed, the international community tried to apply a model for a security structure without first thinking through with the local government what structure might best fit its political goals. In some instances, the international community is more concerned with completing training for security forces before the conflicted country has decided who is in charge and how it will assign the various roles and responsibilities to the various security forces. This task is often complicated by the fact that local governments are still in the process of formation. Nevertheless, intervening authorities should spend the time necessary to understand local dynamics, including culture, potential ethnic and class or status differences and geographic issues. This will help the intervening authorities adapt their training and make it more sustainable, rather than applying a textbook set of training or importing models from abroad. It may make sense initially, particularly in smaller countries, to form a single police force, rather than distinct security and police forces, which may later come into conflict if these structures do not match the evolving political structure of the government. If possible, it makes sense to avoid gray lines or overlapping areas of roles and responsibilities for distinct security forces. In several cases (e.g., East Timor and Haiti), these overlapping responsibilities turned minor issues into violent confrontation.

In most conflicted countries the immediate priority is getting police back on the street to handle the primary threat of internal or domestic instability. Intervening authorities will have to decide whether to use existing police forces, despite possible involvement in previous abuses, or to provide law enforcement while standing up a new force, which generally takes longer. In many cases, intervening authorities have decided to retain existing forces, perhaps purged of senior officers and known abusers, while assembling a new force over a year or two. Regardless of the approach, it is critical to provide law enforcement from the beginning of the operation to prevent criminal elements emerging and allowing space for opponents of the new regime.

Coordinated Planning

The Bush Administration issued NSPD-44 on Management of Interagency Efforts Concerning Reconstruction and Stabilization, on December 7, 2005. The Directive appointed the State Department to coordinate and lead integrated USG efforts to prepare, plan for, and conduct stabilization and reconstruction activities and to coordinate these activities with the Secretary of Defense. A variety of documents have defined agency and interagency doctrine, roles, and procedures for stability operations and RNB missions. DOD policy Directive 3000.05 on Military Support for Stability, Security, Transition, and Reconstruction (SSTR) Operations of November 28, 2005 stated that stability operations were now a core military mission of comparable priority to combat operations, to be explicitly addressed and integrated across all DOD activities. In 2008, the Army published Field Manual 3-07, Stability Operations, which states that future missions are unlikely to resemble Afghanistan or Iraq, and that the U.S. must use all elements of national power and prepare to address nation building in a comprehensive approach through and with the international community. The Measuring Progress in Conflict Environments (MPICE) framework establishes a system of metrics that provide both a tool for policymakers to diagnose potential obstacles to stabilization before an intervention, and benchmarks for practitioners to track progress from the point of intervention towards the goals.⁵¹ The Planning Framework for Reconstruction and Stabilization (R&S) and Conflict Transformation, and the 2008 Interagency Conflict Assessment Framework integrate planning and assessment across all agencies. The 2007 Interagency Management System (IMS) for R&S established a system to manage interagency planning and operations for such missions. An interagency working group is developing institutionalized guidance to implement the IMS and planning concepts.

USG civilian and military agencies have made significant progress in developing their planning and preparation for carrying out RNB programs. It appears, however, that much of the planning has been for situations modeled on significant U.S. military intervention, like Iraq or Afghanistan, rather than for operating under a UN mandate in a supporting role, despite the admonition in FM 3-07 not to use Iraq and Afghanistan as a model. The nature of this planning also deserves closer attention. As James Dobbins notes, “just as no war plan survives contact with the enemy, no nation-building plan can survive contact with the nation being built. The true test of any such planning process, therefore, is not its capacity to foresee every twist and turn of the operation, but rather its success in matching ends to means.”⁵² In this regard, future stability operations may be more successful if they are constructed less as combat operations plans and more as strategies to achieve larger political goals that can address the underlying causes of the conflict. Shifting this focus may make it easier to coordinate the actions of multiple actors, including local officials and NGOs, as well as international partners. In this regard, civilian agencies have displayed remarkable success in planning for humanitarian interventions around the world in a variety of conditions. This record may offer useful suggestions to better integrate civilian and military planning.⁵³

Local Input and Ownership

Donors (who can also be occupiers) face two contradictory challenges between providing services fast enough to “address the challenges of fragility,” which often dictates relying on outside providers, without “undermining the legitimacy of the state.”⁵⁴ “One of the practical questions confronting donors in failed states is how service delivery by non-state actors (which is often all there is) can be scaled up, while at the same time national institutions and their

legitimacy are being rebuilt.”⁵⁵ There is also an enormous time constraint, given the desire to withdraw international military troops as soon as possible. Implementing these programs in a “normal” developing country context has proven challenging⁵⁶; it is even more so in a post-conflict situation, where all of the problems are exacerbated and accelerated. The solution donors often adopt is capacity substitution. Experience shows that, although the ultimate goal is to create sustained capacity in the host government, a “period of capacity substitution is often unavoidable as countries require technical assistance to meet specific capacity gaps.”⁵⁷

Particularly when donors substitute in whole or in part for local governments, they can undercut efforts to build long-term capacity and there is the danger that programs can be “supply driven, rather than demand driven.”⁵⁸ While the provision of services by international agencies may be necessary, “substituting international decision making, or giving international officials vetoes over domestic economic decisions, does not constitute a sustainable recovery strategy.”⁵⁹

Getting local input is key to the success of a stabilization operation, however. The people of a country need to believe that they are a part of the process, and that they have a role in determining their future. There is a sense that, during the golden hour, it is critical to elicit local input into deciding what the immediate development needs are and what sectors of the economy to focus on to create jobs, particularly in the short term. It is also critical to obtain local input into rule of law issues, such as determining what kind of police force and courts will operate. If donors fail to sufficiently involve the local population, “development can become envelopment,”⁶⁰ as the case of Haiti illustrates, leading the local population to stand on the side lines and watch the intervening countries fail. Once the international partners send the wrong message that local input is not welcome, it is very hard to convince the local population not to simply wait out the intervention and get back to ‘business as usual.’ This is particularly true in the case of parts of the population that would be disadvantaged by significant change. Local input or “ownership” must mean more than having the locals accept western policies developed elsewhere.⁶¹

Donors also face the challenge of training the right people for the right reasons, as capacity building programs will influence the course of the country’s future state building efforts. Despite the technical nature of some of these programs, they can have important political consequences;⁶² in the rush to meet goals, donors can miss the underlying political importance involved in shifting resources or power from one ministry to another.⁶³ Asking simple questions like ‘capacity for whom’ and ‘for what’ can be useful in designing the overall approach to building capacity in post-conflict. These will reinforce the point that capacity development supports nation building, which is “not part of a post-conflict phase, nor is it limited to Peacebuilding. State-building is rooted in the history of a state and is an ongoing process of change and institutionalization relevant to all states.”⁶⁴

Rule of Law in Islamic Countries

As previously discussed, in any RNB operation, security and stability for the general public are key for a return to normalcy. It is critical to get the police and the judicial system back up and running. Doing so requires that the new system be seen as legitimate by the local population. This is particularly challenging if the intervening force in a Muslim nation is non-Muslim. Good planning can help, and should be based on an understanding of the condition of the domestic justice system, and public attitudes and expectations about post-conflict resolutions.

Legitimacy of the engagement is enhanced by obtaining international involvement (e.g., UN sanction), to reduce the potential for misinterpretation by the local population.

Implementing the rule of law in Islamic regions will be more successful when focusing on similarities between domestic mentalities and the western ideal of a secular state, instead of seeking a complete change of system. Therefore, the recognition and understanding of the existing domestic rule of law should be the first step. Throughout history, state authority existed in typical Muslim societies, with a clear separation between the executives and the judiciary. Islamic rule of law is flexible to certain changes according to its scholars based on the interpretation of divine texts, and can be adapted to various circumstances. One way to explain the relationship between the two entities of ruler and scholar is to emphasize the notion of separate but complementary aspects to Muslim legal authority, both applying God's Law ("Shari'a"), but manifested in two distinct forms: "Fiqh" and "Siyassa" (literally translated they mean administration and policy-management). The rule of law obviously falls under the administration and can be shaped according to the needs of the people.

The rule of law based on the state's constitution and judicial systems must guarantee and protect international human rights. The classical development of a judiciary system follows the creation of different courts such as criminal justice, civil courts, customary law and traditional justice and law enforcement tools. The distinctiveness in Islamic countries will be that the State will have procedures based on customary laws and traditions, where Shari'a can combine within the official institutions. Thus, the typical institution will benefit by being "close" to the people while at the same time excluding the influence of extremist ideas. However, some of these traditional justice models may have serious defects concerning gender equality, children's rights, and forms of punishment that are prohibited under international law, but which can be corrected and debated with Islamic scholars. Therefore, the completion of the application of the rule of law should be viewed as a long-term national education project and an orderly process that avoids any hasty implementation in which all groups and affiliations should publically participate in the debate.

It is important to note that the majority of Islamic civil society is still in conflict within itself by misinterpreting the Sharia'. The state should promote public education about the modern rule of law and initiate programs of gradual harmonization of the indigenous culture and state laws with the Islamic legal framework and moral values. RNB justice experts should develop strategies to overcome the challenges to the program of Islamist extremists. Moreover, the most central challenges are to garner consensus among Islamic scholars in order to develop a cohesive approach and methodology to deal with the issue of the rule of law in Islamic environments as well as to fill the gap between societies.

Importance of Women

When women play a greater role in the development of their families, communities and nations, their countries tend to perform remarkably better. Investing in women and girls is part of the solution to building a sustainable future for a nation. They tend to support activities like education and health care that are critical components of post-conflict recovery. Educated women have a multiplier effect on the levels of education and health of their families and on the productivity for sustained economic growth of the people and the nation. When girls and women are educated they become agents of change, thus allowing them to become part of the solution to

the economic crisis instead of merely suffering from its consequences.⁶⁵ They also can play a critical role in supporting reconciliation and the reintegration of armed groups into communities⁶⁶.

UN Security Council Resolution 1325, adopted in 2000, reaffirms the importance of the role of women in the prevention and resolution of conflicts and peace-building, and stresses the importance of the equal participation and full involvement of women for the maintenance and promotion of peace and security. In addition, the document expresses the need to increase the role of women in the decision-making process with regard to conflict prevention and resolution.⁶⁷ UN Security Council Resolution 1820 adopted in 2008 expresses the inter-agency initiative “United Nations Action against Sexual Violence in Conflict” which creates awareness about sexual violence in armed conflicts and post-conflict situations. The resolution requests the Secretary-General to develop effective guidelines and strategies to enhance the ability of UN peacekeeping operations to protect civilians from all forms of sexual violence.⁶⁸ To the extent that post-conflict development policies can support the development and involvement of women, they are more likely to be successful.

CONCLUSION

Liddell Hart wrote, “The object in war is to attain a better peace.”⁶⁹ Applying that logic to the RNB industry implies that the objective of reconstruction and nation building is to attain a better condition for a country; such an objective also includes situations without any military intervention. Hence, this objective is applicable for the following three scenarios: pre-conflict, in-conflict and post-conflict.

The RNB industry focuses, primarily, on fragile and failed states. These states are characterized by “institutional weaknesses serious enough to threaten the stability of the central government.”⁷⁰ Given the wide spectrum for these states – either failed or failing – the emphasis of RNB is to facilitate the development of these states into secure stable functioning societies.

The most important stakeholder in reconstruction and nation building is the host country itself. The host country must define the end state as its own strategic vision, communicate it and assume responsibility for chartering its own sustainable development. A solution for one country is not the same solution as for other countries facing internal or external conflicts. Countries are different with regard to history, geography, security, economy, culture, ethnicity and religion.

The general consensus about RNB is that there is no single recipe for success, there is no “development in a box” approach that will work.⁷¹ The long-term commitment required to successfully develop sustained positive results in this industry invariably constitutes an environment fraught with opportunities to make mistakes. Initial planning for interventions for the purpose of RNB tends to evolve and change during the course of implementation. Nonetheless, a well-defined strategic approach not only provides clarity but is essential in order to chart a path and help identify what instruments to use.

The research for this paper identified several broad common themes that cover the spectrum of the industry. These themes are listed below as recommendations that should be

considered:

- We need to adopt a broader view of our national security that eschews the Cold War viewpoint that there are parts of the world that we can ignore. Within today's international system failed and failing states do, in fact, play a significant role for global security. Globalization has changed the importance of formerly neglected regions, raising both risks and opportunities we can no longer ignore⁷². RNB operations should no longer be seen as military issues, but should be seen as critical challenges to the existing international political order. Put another way, international development is no longer an elective activity, but must be seen as just as critical to the nation's security as defense of the Homeland. As such, we recommend sufficiently resourcing these operations and obtain sustained support from Congress that will allow the entire USG to address these issues.
- Nation-building requires long-term commitment. Typically, sustainable capacity development activities require a generation's worth of effort. The patience, time, and cost of for this level of commitment can only be achieved through a strategic, and in most cases international, approach. We recommend that Congress fully fund these operations up front and in a form that can be spent over the length of the operation (e.g., ten to fifteen years).
- The scope of nation-building is beyond a vital American interest - it is an international and global security objective that demands high level priority. Nation-building requires a multi-lateral approach. Current international organizations provide legitimacy and a forum for synchronized efforts. The U.S. needs to take steps to further legitimize organizations such as the UN, WTO, IMF, and the World Bank. Our research found most success stories were conducted under the auspices of mandates from either the UN or Regional organizations – bi-lateral development engagement is challenging. Multi-lateral engagement allows for complimentary contributions from a variety of sources. Security sector development is a prime example that demonstrates the requirement for a multi-lateral approach. The U.S. does not have the same capability to conduct police training such as mature institutions found in Australia (Australian Federal Police) or Italy (Carabinieri). We recommend that the U.S. fully fund and staff international organizations. We also recommend that the U.S. reach a strategic consensus with key international partners and international organizations on the challenges that unstable regions pose, and means to address these challenges. It is important to go beyond merely coordinating tactical implementation of already agreed upon bilateral programs. The outcomes of RNB operations may require changes to the existing political map (e.g., recognizing Somaliland as a country), which would require international political agreement.
- Improved coordination of the whole of government effort is required. This research did not conclude that broad sweeping changes are required within the executive branch; much to the contrary we are convinced that current government structure is adequate to the task of nation-building. We recommend, however, that the resources dedicated to various organizations and the tasks that they undertake be redistributed to allow existing

structures of government to perform as intended. We also recommend the Administration discuss with Congress ways to improve coordination between committees, both in terms of funding and oversight, to improve the U.S. ability to design and implement these programs.

The ultimate goal for the Reconstruction and Nation Building industry is “to leave behind a society likely to remain at peace with itself and its neighbors once external security forces are removed and full sovereignty is restored.”⁷³



ENDNOTES

¹ Louise Andersen, Danish Institute for International Studies Working Paper Number 2005/10, (Copenhagen: DIIS, 2005), page 20, notes that most of the lessons learned, however, do contain a uni-linear model of development of societies, built on a general and universal theory of the relationship between economic, social and political development, believing that a combination of democracy and market economy is suitable for all societies and will eventually bring about lasting peace.

² The title “Nation Building” implies affecting a national identity and modification of cultural norms which although may be necessary for longtime stability of a country, is clearly outside the intent of this industry study. A more accurate title or description of this effort would be “Reconstruction and State Building” because it implies improving governmental effectiveness and capabilities. For the purposes of this analysis however, we maintain the title Nation Building.

³ Michael Schmunk, “Nation Building Revisited,” Harvard International Review, Vol. 27 (4) Winter 2006, 2 pgs.

⁴ James Dobbins, et al, *The Beginner’s Guide to Nation-Building*, (Santa Monica, CA: Rand National Security Research Division, 2007), xvi.

⁵ Ibid., xxiii.

⁶ Ibid, xxiv.

⁷ President’s Commission on Critical Infrastructure Protection. *Critical Foundations: Protecting America’s Infrastructure*. October 1997.

⁸ Paul Collier found that the risk that a typical post-conflict country will fall into civil war is five times greater than a similar country that has not experienced a conflict in the previous ten years. Paul Collier describes this as a ‘conflict trap;’ see Paul Collier, V.L. Elliott, Harvard Hegre, Anke Hoeffler, Marta Reynal-Querol, and Nicholas Sambanis. *Breaking the Conflict Trap – Civil War and Development Policy*. (Washington, DC: World Bank Policy Research Report, 2003), s 106-107. Collier also describes the link between prosperity and avoiding conflict; see, for example, *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It*, (New York: Oxford University Press, 2007).

⁹ While diaspora involvement has been very helpful in cases like Liberia, in some cases, they have not always been helpful, such as Iraq and Afghanistan.

¹⁰ Michele Flournoy and Michael Pan, “Dealing with Demons: Justice and Reconciliation,” in *The Washington Quarterly* 25:4 (2006), pp. 111-123,
<http://www.twq.com/02autumn/flournoy.pdf>

¹¹ Volker Boege, Anne Brown, Kevin Clements and Anna Nolan, “On Hybrid Political Orders and Emerging States: State Formation in the Context of ‘Fragility.’” (Brisbane, Australia: Berghof Research Center for Constructive Conflict Management, Australian Centre for Peace and Conflict Studies, October 2008), 12.

¹² Jeanne Cure. “Prevention Works: Education as Crime Prevention.” 2007. Accessed at npcp.typepad.com/prevention_works_blog/2007/05/education_as_cr.html.

¹³ United Nations, *The Challenges of Restoring Governance, Crisis and Post-Conflict Countries*, (UNDP Report, 2007.), 88.

¹⁴ From interviews with USAID, State Department officials and representatives from implementing agencies.

¹⁵ Heather Baser and Peter Morgan, *Capacity, Change and Performance, a Study Report*. (Maastricht: European Centre for Development Policy Management, Discussion paper 59b, April 2008), 123. This report also notes (page 23) that capacity development may be more usefully considered as a systems phenomenon, given that “it usually dealt with a soup of complex technical, organizational and social activities that could not be addressed through exclusively functional interventions.” It also notes that capacity is about empowerment and identity, the creation of public value and collective action.

¹⁶ Sakiko Fukuda-Parr, in Sakiko Fukuda-Parr, editor. *Capacity for Development: New Solutions to Old Problems*. (London: Earthscan Publications, LTD, 2002), 8.

¹⁷ Bruce Jones, Rahul Chandran, *Concepts and Dilemmas of State Building in Fragile Situations: From Fragility to Resilience*, (Paris: OECD, 2008), s 7, 8.

¹⁸ Derrick W Brinkerhoff, "Where there's a Will, There's a Way? Untangling Ownership and Political Will in Post-Conflict Stability and Reconstruction Operations," *The Whitehead Journal of Diplomacy and International Relations* 8, no. 1 (Winter/Spring 2007), spring 2007, http://diplomacy.shu.edu/academics/journal/resources/journal_dip_pdfs/journal_of_diplomacy_vol8_no1/09-Brinkerhoff.pdf, 117.

¹⁹ Tony Levitas, “A Tale of Two Entities: How Finance Reform Builds Democracy in Bosnia and Herzegovina,” (DAI Democracy Briefs, Issue Number 1, February 2007), 8.

²⁰ United Nations, *The Challenges of Restoring Governance*, 106.

²¹ How the conflict ended will have an important influence on the character of recovery assistance, as a decisive victory by one side will generate a “self-enforcing peace (e.g., Eritrea, East Timor),” which will differ from a “mediated conflict” in which excluded groups may disrupt the peace (e.g., Cambodia, Mozambique) and “conflicted situations in which one side achieves military victory without a comprehensive peace settlement (e.g., Afghanistan and Rwanda).” United Nations, *The Challenges of Restoring Governance*, 111-112.

²² From interviews with USAID, State Department officials and representatives from implementing agencies.

²³ Dobbins, *The Beginners Guide* 120-124.

²⁴ Dobbins, *The Beginners Guide* 1.

²⁵ Some NGOs, particularly faith-based, may pursue greater, even complete, independence from government policy and actions, although, for most NGOs, government actions play an important part of their planning process. For the purpose of this industry study, we are primarily focusing on NGOs that work with governments.

²⁶ Dobbins, *The Beginners Guide* xxxvii.

²⁷ Dobbins, *The Beginners Guide* xxi.

²⁸ Brinkerhoff, "Where there's a Will..." 117.

²⁹ Paul Collier, *The Bottom Billion* (Oxford: Oxford University Press, 2007), 17.

³⁰ Organization for Economic Cooperation and Development (OECD), Statistical Annex of the 2009 Development Co-operation Report (Paris: OECD, 2009), tables 1, 5 and 14), accessed at: http://www.oecd.org/document/9/0,3343,en_2649_34447_1893129_1_1_1_1,00.html.

³¹ Chandran’s Haiti case study notes the problems of coordination between UN bodies; at times these agencies actively compete with one another for funding from the UN general fund, and there have been instances of very poor coordination between UN agencies, let alone with other donors.

³² *International Grantmaking IV: An Update on U.S. Foundation Trends, Highlights* (New York: The Foundation Center, 2008), 4, accessed at: <http://foundationcenter.org/gainknowledge/research/internationaltrends.html>. Michigan State University has a great web site with a list of international NGOs, at <http://staff.lib.msu.edu/harris23/grants/privint.htm>. Non profit expert.com also offers a very useful site. <http://www.nonprofitexpert.com/international.htm>. See also: <http://foundationcenter.org/pnd/specialissues/item.jhtml?id=3000057>.

³³ Dobbins, *The Beginners Guide* 122.

³⁴ *International Grantmaking IV: An Update on U.S. Foundation Trends, Highlights*, 7.

³⁵ *International Grantmaking IV: An Update on U.S. Foundation Trends, Highlights*, 9.

³⁶ The U.S. Congress generally mirrors the concerns that other legislatures have expressed.

³⁷ There is often a mismatch between the length of time required for a successful capacity development program and the appetite for donor nations to support an operation. The OECD and World Bank estimate that creating viable state institutions should take between five and ten years. See OECD DAC *State Building in Situations of Fragility, Initial Findings*, (Paris: OECD, August 2008), 1- 2. Accessed at www.oecd.org/dac/fragilestates. The OECD prioritizes state building as “the central objective of international partnerships in fragile situation and in countries emerging from conflict, (page 1), and stresses that it must be an endogenous process, which “requires the existence of inclusive political processes. The study also notes that states need a minimum amount of administrative capacity. The key elements of an administrative structure are a reasonably well functioning civil service and public financial management system and the ability to raise funds, particularly through taxation. OECD study notes (page 3) that taxation not only provides the state with critical funds, but also “forms the basis of bargaining between citizens and political leaders.” See also *Report on the use of country systems in public financial management, working party on aid effectiveness, joint venture on public financial management*, 3rd high level forum on aid effectiveness, September 2-4, Accra, Ghana, (Paris: OECD, 2008) , 4. Report, accessed at <http://www.oecd.org/dataoecd/29/20/41085468.pdf>. The experience of recent post-conflict recovering states suggests it may take an average of 18 years to establish functioning governments that can generate enough revenue to meet the basic needs of the people and foster the economic growth many believe is required to keep these countries from lapsing back into conflict. See The OCED’s Principles for Good International Engagement with Fragile States forecasts this will generally take at least ten years. OECD, *Principles for Good Engagement with Fragile States*, April 2007, <http://www.oecd.org/dataoecd/61/45/38368714.pdf>. The World Bank’s IDA reauthorization forecasts that post-conflict states may need assistance for seven years. World Bank, Summary of Performance-Based Allocation System for IDA14, <http://sitesources.worldbank.org/IDA/Resources/ANNEX1CPIA.pdf>. Donors usually plan for less time. The European Union typically plans programs for five to seven years. See Chand and Coffman, op cit, 5, who estimate it will take between 15 and 27 years for Liberia, Solomon Islands, Mozambique and East Timor to reach this point, suggesting that the ‘average’ post-conflict recovering state would need 18 years of support. They note that “there is now a large and growing body of evidence suggesting that state services such as institutions to protect property rights is the minimum necessary for successful private enterprises,” which in turn supports “a growing economy that is able to fund improved public provision” of services, which supports a virtuous cycle. “A post-conflict state may land itself in a trap: lacking the fiscal space to provide the minimal levels of public goods to induce enterprise that in turn keeps it starved of the necessary resources to climb out of its predicament on its own volition. (Breaking out of this trap)... requires both the creation of the necessary fiscal space and the institutions to undergird economic activity.” Page 9.

³⁸ Michael E. Porter, "The Five Competitive Forces that Shape Strategy," *Harvard Business Review* (January 2008).

³⁹ Dennis A. Rondinelli, "Reforming Public Administration in Post-Conflict Societies: Implications for International Assistance, Washington: United States for International Development, January 2006, 27.

Rondinelli notes the existence of this "push-pull dilemma," in which "supply driven assistance accompanied by aid conditionalities may be far less effective and more prone to failure than assistance that responds to indigenous demand for strengthening administrative capacity."

⁴⁰ *Ibid.*, 27.

⁴¹ Waldman, Matt. *Falling Short: Aid Effectiveness in Afghanistan*. ACBAR Advocacy Services, March 2008, 10. This echoes the findings of an earlier World Bank evaluation of civil service reform programs in West Africa in the 1990s, which found that only about one third of interventions achieved satisfactory outcomes. See "Civil Service Reform: A Review of World Bank Assistance," Operations Evaluation Department sector Study Number 19599, Washington, DC: World Bank, 1999, 2.

⁴² "The rate at which development and change can occur in a post-conflict state is dependent on both the country's absorptive capacity as well as the US Government's, donor's and international community's ability to supply relevant expertise. ... It extends not only to sectoral expertise but encompasses the skills and knowledge required to function effectively in a post-conflict context including an understanding of development principles, concepts and best practices. Without extensive understanding of the context, regional experience, or appropriate language skills, a development worker can be rendered completely ineffectual and potentially harmful to the long-term goals. Unfortunately, there are many indications that the international community capacity is insufficient to meet the growing demands of international post-conflict assistance. ... In the post-conflict environment, where burn-out and staff hiring and retention can be a challenge for most agencies, the resource demands are even higher."⁴² See USAID, *Local Governance Programming in the Post-Conflict Environment: an Analysis of What Does and What Does Not Work in a Transitional*. (Washington, DC: USAID, May 2006), 15-16.

⁴³ The GSA publishes schedules of allowable fees, and OMB has extensive guidelines on what costs can be covered by government. Non-profit organizations, for example, are generally allowed to charge 27% overhead for a wide variety of costs. X asserts that contractors are earning x-y% on contracts, in addition to the large salary bonuses (from danger pay) that are allowed, which makes it easier for these companies in some cases to recruit subject matter experts.

⁴⁴ The fact that Bearing Point, one of the largest contractors working with the USG, filed for bankruptcy on February 18, 2009, largely because it could not control its costs, particularly related to compliance requirements for filing with the SEC and for financing outstanding debt, illustrates this point. See Bearing Point filings: <http://phx.corporate-ir.net/phoenix.zhtml?c=121861&p=irol-SECbridge>.

⁴⁵ This recognizes that one of the core objectives of U.S. policy in these countries is to actively encourage follow on Foreign Direct Investment and trade as a means of sustaining the stabilization. See great citation on page 40 about the fact that companies will pursue investment opportunities commensurate with their risk profiles, but in most cases will wait two years or so before pursuing serious opportunities in post-conflict countries. See: http://www.international-alert.org/pdf/International_companies_post-conflict_WBank.pdf.

⁴⁶ Mark Bowden, "Blackhawk Down," New York, Atlantic Monthly Press, 1999.

⁴⁷ Other potential cases, such as Iran, North Korea, Pakistan and Mexico represent very different scenarios, and are not likely to replicate the U.S. experience in Iraq and Afghanistan.

⁴⁸ Boot, Max. *The Savage Wars of Peace*. (New York, Basic Books, 2002), 20.

⁴⁹ Behm, Allen. "Strategic plan misses target", The Australian, 5 May 2009, 10.

⁵⁰ Dobbins, *The Beginners Guide* 6.

⁵¹ Dziedzic, Michael. "Measuring Progress in Conflict Environments (MPICE)" Paper presented at the annual meeting of the ISA's 50th Annual Convention "Exploring the Past, Anticipating the Future", New York, Feb 15, 2009.

⁵² James Dobbins, et al, *The Beginner's Guide to Nation-Building*, (Santa Monica, CA: Rand National Security Research Division, 2007), 4.

⁵³ USAID's Office of Foreign Disaster Assistance (OFDA) and the State Department's Population Refugee and Migration (PRM) Bureau have managed a number of international operations in which they have coordinated closely as needed with the military to manage emergency situations.

⁵⁴ Jones, Bruce, Rahul Chandran, et al. *Concepts and Dilemmas of State Building in Fragile Situations: From Fragility to Resilience*. (Paris: OECD, DAC Discussion Paper, 2008), 40-41.

⁵⁵ Andersen, 19.

⁵⁶ United Nations *The Challenges of Restoring Governance*, 112. This report notes that designing successful governance reforms is hard even under normal conditions. "The World Bank's evaluation of its civil service reform assistance during the 1990s, for example, found that only about one-third of the interventions achieved satisfactory outcomes and noted that inadequate information on civil service performance, limited attention to cultural change and strategic management, the failure to appreciate important contextual constraints, and the failure to create checks and balances on arbitrary government action all undermined assistance for strengthening public administration." 114, quoting World Bank, "Civil Service Reform: A Review of World Bank Assistance," Operations Evaluation Department Sector Study Number 19599, Washington DC, World Bank: 1999, 2. Development programs have gone through several different approaches over the last four decades, vacillating between a focus on broader economic development and on poverty alleviation, for example, which has led to different kind of capacity building programs at different times. Ebba Dohlman and Mikael Soderback. "Economic Growth Versus Poverty Reduction: A Hollow Debate?" OECD Observer, accessed at http://www.oecdobserver.org/news/fullstory.php/aid/2173/Economic_growth_versus_poverty_reduction:_A_93hollow_debate_94_.html.

⁵⁷ United Nations, "Comparative Experiences in Developing National Capacities After Conflict," December 15, 2008, 3. The report notes that, in cases where substitution is employed, it is imperative to also develop a clear exit strategy under which these tasks will be transferred to local government responsibility.

⁵⁸ United Nations *The Challenges of Restoring Governance*, 123.

⁵⁹ United Nations, "Sustaining Post-Conflict Economic Recovery: Lessons and Challenges." (New York: UNDP BCPR Occasional Paper number 1, October 2005), 13.

⁶⁰ Nikolas Barry-Shaw, "Haiti's New PM and the Power of NGOs," Upsidedownworld, <http://upsidedownworld.org/main/content/view/1517/8/>, October 2008.

⁶¹ Simon Chesterman, "You the People: The United Nations, Transitional Administration and State-Building." (New York: International Peace Academy, UN, Project on Transitional Administrations, Final Report, November 2003).

⁶² Lebanon provides an unfortunate example of a failed reconstruction in the 1990's, which led to violence and a second wave of interventions in 2006. After the 15 year civil war ended in 1990, the peace process that ended the war produced a generally weak set of state institutions that allowed a private actor, future Prime Minister Hariri, to dominate the reconstruction of Beirut and become the leading political figure. In so doing, Hariri concentrated on transforming Beirut into a modern, for profit residential center, ignoring the needs of the poorest segments of society living on the periphery of Beirut. This void was filled by para-state actors, primarily Hezbollah, which became so powerful that it all but replaced the state, declaring war on Israel in 2006 and led to a second reconstruction after a 40-day war. "Even more than during the 1990s, this second reconstruction appears to be an open struggle over resources and power, a scramble for influence over the institutions of the Lebanese state." Kathrin Hockel. "Beyond Beirut: Why Reconstruction in Lebanon Did Not Contribute to State-Making and Stability," (London: London School of Economics Crisis States Research Centre Occasional Paper Number 4, July 2007), 10. Part of the problem is that, unlike other post-conflict recovery countries, Lebanon has no central agency responsible for guiding reconstruction. Lebanon "demonstrates how reconstruction can fail and can lead to negative outcomes that perpetuate state fragility if ambitious but exclusive reconstruction plans are not accompanied by more inclusive and redistributive national development strategies." (Hockel, *ibid*, 12). International interventions are also not helping, as Iran and Western countries are supporting Hezbollah and the Siniora governments, respectively, which is reinforcing a deadlock that is paralyzing state institutions and "preventing any renewed chance to tackle old problems." (Hockel, *Ibid*, 14).

⁶³ Andersen, DIIS working paper, 16, notes that donors often fail to "adapt their assistance to the political dynamics of the war-torn societies they seek to support," and pay little attention to contradictions "including the potential destabilizing effects of transitional problems following liberal adjustment programs." She also notes that "rule of law efforts have been perceived as largely apolitical technical exercises involving transfer of know-how, when in reality they are profoundly political."

⁶⁴ OECD DAC *State Building in Situations of Fragility, Initial Findings*, (Paris: OECD, August 2008), 1- 2. Accessed at www.oecd.org/dac/fragilestates. The OECD prioritizes state building as "the central objective of international partnerships in fragile situation and in countries emerging from conflict, (page 1), and stresses that it must be an endogenous process, which "requires the existence of inclusive political processes. The study also notes that states need a minimum amount of administrative capacity. The key elements of an administrative structure are a reasonably well functioning civil service and public financial management system and the ability to raise funds, particularly through taxation. OECD study notes (page 3) that taxation not only provides the state with critical funds, but also "forms the basis of bargaining between citizens and political leaders." See also *Report on the use of country systems in public financial management, working party on aid effectiveness, joint venture on public financial management*, 3rd high level forum on aid effectiveness, September 2-4, Accra, Ghana, (Paris: OECD, 2008) , 4. Report, accessed at <http://www.oecd.org/dataoecd/29/20/41085468.pdf>.

⁶⁵ "International Women's Day, 8th March 2009, <http://www.ei-ie.org/en/news/show.php?id=968&theme=gender&country=global/>, 1.

⁶⁶ Based on interviews with officials with the Regional Assistance Mission to the Solomon Islands. AFP officers noted it was particularly important to involve women police officers in patrols in a matriarchal society, which they found significantly improved law enforcement.

⁶⁷ United Nations Security Council 1325 adopted by the Security Council at its 4213th meeting, on 31 October 2000, 1-4.

⁶⁸ United Nations Security Council 1820 adopted by the Security Council at its 5916th meeting, on 19 June 2008, 1-4.

⁶⁹ Basil Liddell Hart, *Strategy* (New York: Meridian Books, 1991), 353.

⁷⁰ Headquarters Department of the Army, FM 3-07 Stability Operations, (Washington, D.C.: October 2, 2008), 1-10.

⁷¹ Andersen, DIIS Working Paper, 20, notes that most of the lessons learned, however, do contain a uni-linear model of development of societies, built on a general and universal theory of the relationship between economic, social and political development, believing that a combination of democracy and market economy is suitable for all societies and will eventually bring about lasting peace.

⁷² Contrary to common perceptions, globalization has evolved slowly over a period of decades; globalization is not a sudden emerging phenomena. One could argue that the gradual expansion of globalization largely contributed to the downfall of the Soviet Union – a vivid conclusion demonstrating economic realities between closed market economies as compared to capitalist open and free market principles. Ironically, the end of the cold war provided a distinct and well-defined scar in the gradual spread of globalization. Literally overnight the international system had changed yet the impact of globalization had not been fully acknowledged. Colloquially and with an uncomfortable level of fondness, mainline strategists reminisce on the cold war years as a time of strategic clarity. The world was defined in terms of black or white; good and bad; us versus them. As the positive attributes of economic globalization continued to spread, the new international system – no longer defined bi-laterally – generated, in essence, an unpredictable fog for American strategists. From the downfall of an obvious and justifiable opponent, strategists weaned on cold war thinking have encountered new and emerging threats; threats that are (a) extremely difficult to recognize, and (b) complex to resolve if applying cold war thinking. Global connectivity – the hallmark of globalization – has evolved to a unique environment where small local events in far places can lead to significant consequences elsewhere and everywhere. International reaction to piracy could be the poster child for the consequences of globalization. In short, American “National Strategic Professionals” have failed to define the appropriate leadership role that the US should and needs to play. Protectionist options are no longer realistic or even pragmatic given the current international system – the reality is America needs to provide leadership on a global scale in a completely different context than what was provided during the cold war. That leadership needs to recognize the significant multi-lateral requirement for legitimate international engagement across the entire spectrum – this is specifically true for the industry of reconstruction and nation-building.

⁷³ Dobbins, *The Beginners Guide*, xxxvi.

ICAF