

Spring 2011
Industry Study

Final Report
Reconstruction and Nation Building Industry



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RECONSTRUCTION AND NATION BUILDING 2011

ABSTRACT: Reconstruction and Nation Building (RNB) has been an international security concern for many generations. The United States Government has used its military, diplomatic, and economic might to create stability, reconstruct, and nation build far more frequently than it has engaged in large-scale war. With the rise of humanitarian interventions the international development industry becomes integral to U.S. foreign policy and RNB is becoming even more integral to U.S. foreign policy. The sixteen authors of this study belong to the AfPak Hands Fellows Program. Through a year-long series of integrated courses, Fellows developed a strategic perspective on South and Central Asia; increased their expertise on the greater Afghanistan and Pakistan region; and developed a deeper understanding of the challenges and successes in building security, governance, and economic viability in failed or failing states. As a result the authors of this study will have to operate within the RNB environment in the near future and have a practitioner's perspective on management of RNB efforts. The authors reviewed RNB through the lens of that program and focused on four critical pillars of success: Rule of Law, Governance, Economic Development, and Health and Education. The paper provides policy recommendation to improve future RNB success including the need to revise NSPD 44 to expand the current scope of Reconstruction and Stabilization to explicitly include Nation Building, and to formally assign DoD the lead role in implementing Nation Building in non-permissive environments.

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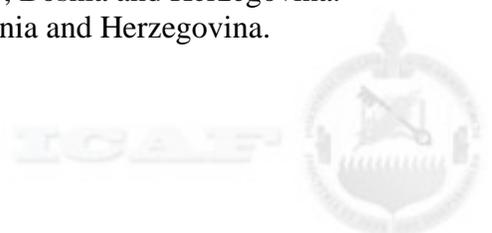
PLACES VISITED

Domestic:

Louis Berger Group, Washington, D.C.
Management Systems International, Washington, D.C.
Booz Allen Hamilton, McLean, VA.
Development Alternatives International, Bethesda, MD.
U.S. Department of State, Office of the Coordinator for Reconstruction and Stabilization (S/CRS), Springfield, VA.
AEGIS, Washington, D.C.
U.S. Central Command (CENTCOM), Tampa, FL.
U.S. Training Center (Xe), Moyak, NC
U.S. Joint Forces Command (JFCOM), Norfolk, VA
DynCorp International, Falls Church, VA
Council on Foreign Relations, New York, NY
Bosnian Ambassador to the United Nations, New York, NY
USAID, Washington, D.C.
Chemonics, Washington, D.C.
L3/MPRI, Washington, D.C.
Aga Khan, Washington, D.C.
Millennium Challenge Corporation, Washington, D.C.
RTI International, Washington, D.C.

International:

U.S. Embassy, Managua, Nicaragua.
Instituto de Estudios Estrategicos y Politicas Publicas (IEEPP), Managua, Nicaragua.
Central America Free Trade Agreement/USAID Conference and Trade Show, Managua, Nicaragua.
Reconciliation and development meeting with Nicaragua Vice President Jaime Morales Carazo, Managua, Nicaragua.
Development meeting with Mayor of Granada, Nicaragua.
Ram Power/Polaris Thermal Energy Plant, Leon, Nicaragua.
Nicaraguan Emerging Democratic Leaders/USAID, emerging democracies meeting.
VegiFruit , Managua, Nicaragua.
Masaya Volcano Nature Reserve, USAID discussion, Masaya, Nicaragua.
U.S. Mission to the European Union, Brussels, Belgium.
European Union, Brussels, Belgium. Brussels,
North Atlantic Treaty Organization (NATO), Brussels, Belgium.
U.S. Embassy Sarajevo, Bosnia and Herzegovina
Cultural and historical tour, Mostar, Bosnia and Herzegovina.
World Bank Group, Sarajevo, Bosnia and Herzegovina.
Office of the High Representative (OHR), Sarajevo, Bosnia and Herzegovina.
Human Rights House of Sarajevo, Sarajevo, Bosnia and Herzegovina.
Sarajevo Media Center, Sarajevo, Bosnia and Herzegovina.
European Bank for Reconstruction and Development, Sarajevo, Bosnia and Herzegovina.
Ministry of Foreign Affairs, Mr. Zoran Pekovic, Sarajevo, Bosnia and Herzegovina.



INTRODUCTION

The U.S. and the international community have engaged in Reconstruction and Nation Building (RNB) for generations. For example, in 1781, the Continental Congress was no longer able to pay its army, and as a result, large sections of the Continental Army revolted. The Colonial effort to establish a new United States of America faced financial collapse. At considerable expense to his own government, French General Comte De Rochambeau forwarded funds to General George Washington to pay the troops and, in Washington's view at least, possibly preserved the revolution from defeat.¹ France's nation building efforts in the late 18th century is one example of how powerful nations have had a security interest in the stability and good governance of lesser powers.

An examination of U.S. history reveals the Government of the U.S. using its military diplomatic and economic might to create stability and nation build far more frequently than it has engaged in large-scale interstate war. Post Civil War reconstruction and U.S. retention of the Philippines after the Spanish-American War are but two early examples. Following World War I, President Woodrow Wilson made the spread of democracy, self-determination and western-style liberal government the cornerstone of US foreign and security policy. While Wilson's policy ran into strong domestic isolationist opposition, such would not be the case in the aftermath of WWII. U.S. reflection on the state of the world after World War II largely broke the traditional restraint of isolationism. With the Marshall Plan, the Bretton Woods Agreement, the creation of the World Bank and IMF, the U. S. made engagement with the world and concern for the stability and legitimacy of foreign states the primary expression of its security policy. While the program begun by Wilson received intellectual heft from concepts such as the democratic peace theory, (i.e. the idea democracies do not war with each other and therefore more democracies create a more secure world), more recent times have witnessed the rise of the concept of humanitarian intervention and the much-argued concept "right to protect".² These newer articulations have motivated U.S. nation building and stabilization projects in Somalia, Bosnia, Kosovo and Haiti to name a few.

Some argue U.S. and western intervention in such nations as Somalia is a waste of military resources. Somalia-like interventions also compel an awkward marriage between Government entities and long-standing development organizations. With the rise of humanitarian interventions, the international development industry becomes integral to U.S. foreign policy. How to attend to the health of that industry would be difficult enough without the dramatic rise of transnational non-state threats to U.S. security exemplified by Al-Qaeda's attacks in America on 9/11 and elsewhere. When the creation of security is a prerequisite for development, Government is inextricably involved in nation building whether or not the professional nation builders like the idea. Similarly in a security doctrine that sees failed and rogue states as incubators of the most dangerous threats to U.S. security, Government is involved in development and nation building whether it likes it or not.



The Clinton administration National Security Strategy explicitly focused on failed and rogue states as a security threat. Since then, regardless of the party in power, subsequent National Security Strategies have continued the same emphasis.

U.S. involvement in nation-building is unavoidable. With so many multiple players from a wide variety of diverse organizations how is it possible to define RNB as an industry? Is this an industry that can be analyzed in a discrete manner such as using Porter's "Five Forces" model, or is it an inherently governmental activity that is contracted out due to lack of capacity within the United States Government? Attempts to define RNB as an industry are complex and seldom achieve a consensus as RNB is a cross-cutting effort involving the disparate worlds of development, defense and diplomacy. RNB is an imperfect aggregation of organizations supporting one or more of the developmental pillars discussed in this paper, each of which can be examined through Porter's Five Forces model and his more recent concept of *Shared Value*.

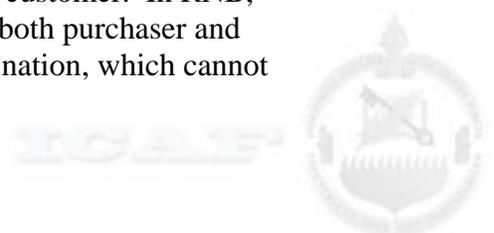
Shared Value takes into account the community of interests represented by government, civil society and business. The study will examine case studies in both specific regions and organizations. It largely views non-profit and for-profit organizations through the same spectrum. The study also examines recommended ways to organize nation building efforts. Further, while using a commonly accepted RNB model in which security is foundational, our focus will be on four critical pillars; Good Governance, Rule of Law, Economic Development, and Health and Education. According to some, nation building refers to the process of constructing or structuring a national identity using the power of the state, whereas state building is less widely used and is described as the construction of a functioning state."³ This paper uses the term *nation building* to define to define USG RNB efforts to create functioning and self sustaining *states*. It is important to note however, the two notions are not identical.

At the conclusion, this paper makes several actionable recommendations. These recommendations are highlighted by a need for the USG to acknowledge an enduring security requirement for a nation building capacity.

INDUSTRY DEFINED/METHODOLOGY

An industry is a discrete set of activities within a larger economy that create value generally in return for financial compensation. For the purposes of this paper, we define RNB as an industry of industries. RNB is comprised of widely varying governmental and organizational entities providing goods and services intended to support the creation of a self-sustaining state that provides basic governance, security, and services to its citizenry.

RNB does not fit into any normal industry definition, as the purchaser of the goods and services employs the providers to work themselves out of a job at the earliest possible juncture. Normally, the purchaser of goods and services is the customer. In RNB, governments, international organizations, and charities can be both purchaser and provider of goods and services to the target nation. The target nation, which cannot



afford to be a normal customer, often has minimal input to the goods and services provided. The overall objective is to build a nation that no longer needs the direct resource support of the international community and organizations.

The reconstruction component of RNB is a well established and understood international industry. Its primary focus is building or rehabilitating infrastructure. It is an industry clearly understood by engineering firms, a clarity undermined in the security-impacted environment of RNB. Costs, profits, schedules and deliverables are deeply impacted by security. This paper will focus more on the poorly understood and less clearly defined nation building aspects of RNB. As a consequence the paper does not address reconstruction.

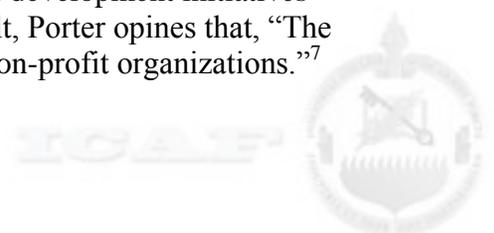
Nation building in a non-permissive environment “involves the deployment of military forces, as well as comprehensive efforts to rebuild the health, security, economic, political, and other sectors.”⁴ Nation building varies enormously from country to country. Nation building in Afghanistan is very different from nation building in either Iraq or Bosnia. Nation building is primarily about building capacity and institutions. Rebuilding developed nations, such as Germany and Japan where educated populaces were prevalent, was accomplished in just a few years. Building a self-sustaining nation from a dysfunctional war-torn developing nation takes decades.

There is significant agreement that we will see an increase in failed and failing states in the future as well as a requirement for intervention by the international community. Given this likelihood, and because in a modern sense RNB is an infant industry, we must continue to study and support how we can strengthen the industry to make it more effective and efficient.⁵ For every RNB effort completed, more will follow.

The issue of how to define RNB as an industry remains open. Can it be analyzed in a discrete manner such as using Porter’s “Five Forces” model, or is it an inherently governmental activity that is contracted out due to lack of capacity within the United States Government?

There is contradictory evidence on both sides of the argument, which suggests the logic lies in how the issue is defined. An additional framework for analyzing this issue can be found in the Harvard Business Review article outlining Michael E. Porter’s and Mark R. Kramer’s thesis that “the solution lies in the principle of shared value, which involves creating economic value in a way that *also* creates value for society by addressing its needs and challenges.”⁶ This cuts to the heart of Reconstruction and Nation Building, in delivering host nation societal needs through donor mechanisms that are flexible.

In the case of 21st Century involvement by Western countries in the developing world, there is a clear partnership between public and private organizations involved in this type of work. In the security sector, states maintain a monopoly on the policies related to the use of armed force. Outside of the security sector, the lines of development initiatives are directly related to donor interests and resources. As a result, Porter opines that, “The concept of shared value blurs the line between for-profit and non-profit organizations.”⁷



These private organizations can be based on non-profit philanthropic or religious underpinnings, or a for-profit economic response to a government or international organization customer. This hybrid understanding has enough intellectual resilience to address what more narrow definitions had historically lacked, which is an all encompassing framework under which all donors can act. Porter notes:

*“The principle of shared value creation cuts across the traditional divide between the responsibilities of business and those of and those of government or civil society. From society’s perspective, it does not matter what types of organizations created the value. What matters is that benefits are delivered by those organizations – or combinations of organizations – that are best positioned to achieve the most impact for the least cost.”*⁸

The Five Forces Model is typically used as a guide to determine a firm’s strategy to ensure profitability and strategic positioning over time.⁹ The essential challenge is to apply the model to the diverse actors and environments of RNB. These forces, which are further detailed in the diagram below, are the bargaining power of suppliers, bargaining power of buyers, threat of new entrants, threat of substitute services, and rivalry among existing competitors.

Of the five forces, the bargaining power of the buyer is the most significant influence on market behavior.¹⁰ However, one must ask exactly who is the buyer in an RNB pillar such as the development of governance? For example, if the United States Government (USG) through USAID hires a contractor, such as Management Systems International (MSI), to train Iraqi government ministry personnel in public sector skills, who is really the buyer? In logical terms the United States is the buyer, but the purchase of service is on behalf of the Iraqi people to build capacity in their government. The participation of the Iraqi “client” is not necessarily voluntary, at least not initially. Therefore, how do Iraqi Government Ministries act within Porter’s model as a client?

As pointed out in the 2010 ICAF RNB final report “need is separate from demand” in many instances in the RNB industry. In the MSI example there is a definite need for Iraqi Government Ministry personnel to receive training. However, the Iraqi Ministry is not the buyer and there is some coercion from the actual buyer (the USG) imposed on an Iraqi Ministry best described as a client. An Iraqi client has the need but is not directly creating the demand. The client-buyer-supplier relationship described here, Iraq Ministry-USG-MSI, ill-fits into some of the key analysis modes in Porter’s model. For example, a buyer might examine change cost issues when seeking competitive bids but the supplier’s relationship to the buyer and client have to be taken into consideration. The RNB situation is complex and does not fit neatly into the Five Forces Model.

As if this level of complexity were not enough, donors who support NGOs, IGOs and even national aid programs are an important actor in RNB. Are they to be viewed as philanthropists resistant to normal industry analysis? Donors provide funding to support

the development of nations. Firms involved in RNB provide a variety of services and support to nation states on behalf of the donors.

The Five Forces Model needs augmentation for an industry uniquely embedded in security and foreign policy with multiple diverse actors and economic dynamics. The model focuses specifically on the competitive factors of a business but does not take into account the strategic environment of the RNB industry. For this reason the Shared Value Model provides an additional analytical lens for a more inclusive analysis of the viability, competitiveness, and health of the issue. As Porter explains, “the solution lies in the principle of shared value, which involves creating economic value in a way that *also* creates value for society by addressing its needs and challenges.” Shared Values focus on addressing society’s needs, is an ideal fit for analysis of RNB—when successful Shared Value is exactly what RNB creates.

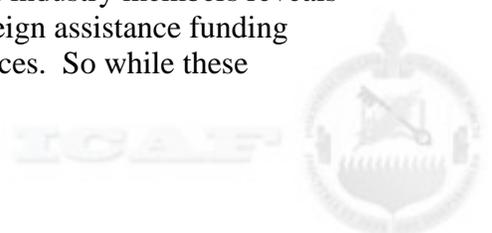
However, this study does not suggest Porter’s Five Forces Model is of only limited utility, but merely that it needs augmentation for analysis of RNB. Many of the firms assessed using the Five Forces Model reduce the competitive rivalry by finding a niche in the market. Once they receive government contracts, they continue to stave off competition by building an impeccable reputation and delivering results. These organizations build a niche within a market with essentially a single buyer to reduce competition amongst them. Firms rely on their reputation in the industry as a means of providing a source of sustainable advantage among their competitors. The Five Forces Model does provide a valuable, but insufficient, analytical tool to examine the four distinct pillars of RNB, Health and Education, Rule of Law, Governance and Economic Development. These four areas will also be looked at with a view to Shared Value analysis.

HEALTH OF THE INDUSTRY

CURRENT CONDITIONS/MARKET TRENDS

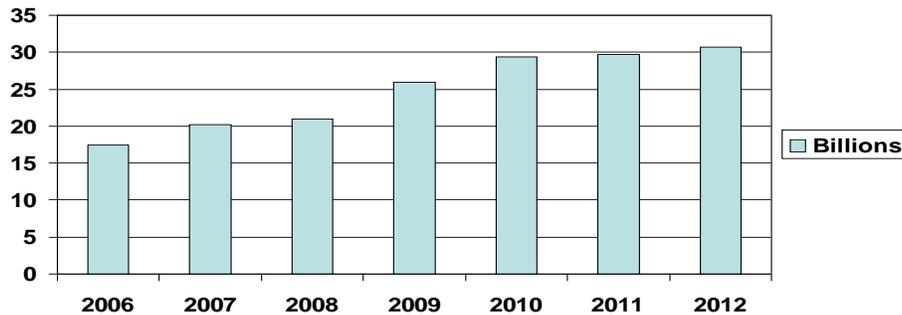
Developing nations continue to demand international attention in their efforts to improve the lives of their peoples. A tremendous amount of donor nation resources have been expended to address these issues over the past fifty years. This is a trend that is likely to extend into the future. As such, the overall health of the RNB Industry is strong, with an increasing amount of scarce donor resources being applied by the international community in an attempt to bring order to failed and fragile states.

Numerous public and private organizations participate in the various operational environments of RNB, which include pre-conflict, post-conflict (permissive and non-permissive) and post-disaster environments. Operating across this spectrum of conflict allows the participants to analyze risk and measure the potential for increasing shared value. Profit margins for private companies that choose to operate in the difficult areas of the spectrum—the post-conflict non-permissive environments—are relatively high. However, these companies also have to make strategic plans to ensure they can survive after the environments stabilize within these areas. A survey of industry members reveals dramatic increases in their revenues since 2006. The USG foreign assistance funding reflects this trend as one of the largest customers of RNB services. So while these



numbers are relatively modest in comparison to defense dollars spent during this period, the percentage change as a portion of the annual discretionary dollars has been relatively equal for both sectors.¹¹

U.S. Foreign Assistance Funding 2006-2012 (without environment and HA)



MAJOR ISSUES

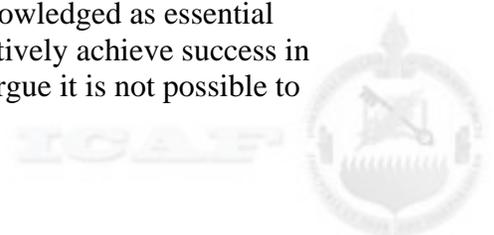
The optimal time horizon for RNB programs are best measured over the span of decades, yet we live in a global twenty four hour news cycle. Combining long timelines with a short public attention span leaves policy makers with an difficult dilemma to explain long term funding of RNB initiatives. To craft a message to the American public, a policy maker is forced to resort to sound bite proverbs such as “an ounce of prevention is worth a pound of cure” to justify appropriations. In difficult budget times, any level of resourcing is extraordinarily difficult to come by, especially with the apathy of the general public. The best public case to make is a clear causal link between a dollar spent and a positive outcome, and yet most of these causal linkages are weak.¹²

OUTLOOK

Despite these challenges, the RNB industry has gained legitimacy, particularly in multilateral relations. The proliferation of multilateral institutions and their trust funds leads the seminar to believe that greater burden sharing is on the horizon. Notably, the USG is facing very real challenges on a variety of fronts as it begins a slow transition of responsibility following the American hegemony of the latter half of the 20th Century. Aggressive efforts on the diplomatic front to encourage allies to share security burdens are the best course of action, and will likely occur over decades-long timelines.

PILLARS OF RNB

While good governance and capacity building are widely acknowledged as essential elements of long-term RNB efforts, it is not clear how to effectively achieve success in all areas of RNB simultaneously. Some RNB experts would argue it is not possible to



achieve sustainable success in all RNB areas simultaneously. Therefore, prioritization of tasks becomes critical. The Rand Corporation study “Beginner’s Guidebook to Nation-Building” provides a hierarchical prioritization task list to ensure successful RNB efforts:

- 1. Security:** peacekeeping, law enforcement, rule of law, security sector reform, and food security
- 2. Humanitarian relief:** return of refugees and response to potential epidemics, hunger, and lack of shelter
- 3. Governance:** resuming public services and restoring public administration
- 4. Economic stabilization:** establishing a stable currency and providing a legal and regulatory framework in which local and international commerce can resume
- 5. Democratization:** building political parties, free press, civil society, and a legal and constitutional framework for elections
- 6. Development:** fostering economic growth, poverty reduction, and infrastructure improvements (Rand Beginner’s Guidebook)

While this paper does not examine all six of Rand’s categories, it does examine four to include Rule of Law, Governance, Economic Development, and Health and Education.

RULE OF LAW

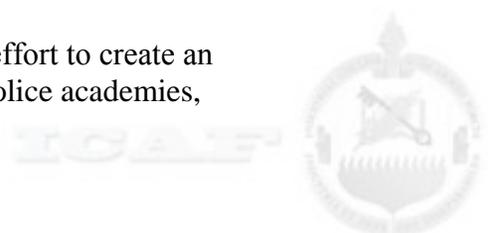
CURRENT CONDITIONS

Security is the fundamental tenet of the Rule of Law. In RNB initiatives, it must be at the forefront of development initiatives. As security is established, it is essential that a strategic plan be developed to increase capacity in the following key areas:

- Establishing laws in accordance with the customs and traditions of the target country
- Training impartial judges to administer the law
- Enabling lawyers as prosecutors and defense representatives
- Developing court administration
- Mentoring a responsible police force
- Establishing a prison system in accordance with recognized international prison standards and training officials to properly operate and administer the penal system

This section will look closely at Rule of Law capacity development in Afghanistan, where support for the Government of the Islamic Republic of Afghanistan (GIROA) represents a unique challenge for the international community. Despite the fact that security force training and development have been a high priority, the establishment of security in Afghanistan in support of the Rule of Law pillar has been difficult and frustrating. The following quote from 2010 highlights the lack of progress:

“America has spent more than \$6 billion since 2002 in an effort to create an effective Afghan police force, buying weapons, building police academies,



and hiring defense contractors to train the recruits—but the program has been a disaster. More than \$322 million worth of invoices for police training was approved even though the funds were poorly accounted for, according to a government audit, and fewer than 12 percent of the country's police units are capable of operating on their own.”

Announced in December 2009, President Obama’s surge in Afghanistan reaffirmed the U.S. commitment to success in Afghanistan. It also reinforced the need to build Rule of Law capacity within the Afghan government. There is growing evidence that other nations are willing to assume greater responsibility for some sub-sectors of this pillar administered via international organizations. For example, the European Union’s security training component, European Police (EOPOL), is increasingly providing security training for the growing Afghan police and prison capability. This training complements USG. efforts to train the Afghan Army. It is important to make a distinction between the EU and NATO when referencing EOPOL because the EU sees its mandate continuing past 2014, which is NATO’s current target date for transitioning to Afghan leadership of security.

As a result of the efforts of EUPOL and the USG, local capacity within the Rule of Law pillar is also improving gradually. Although it is nowhere near the standards set by developed countries, it is conceivable that the Rule of Law will attain sufficient capacity to be declared “Afghan good enough” to enable NATO partners to transition in a responsible manner. This positive trajectory in Afghanistan must continue to be bolstered by significant resources, with both financial and human capital in the form of expert trainers and continued donor funding. Otherwise, the effort to date may revert back to a status that is deemed unacceptable, even by local standards.

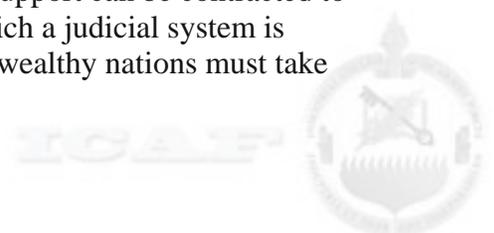
OUTLOOK/FUTURE TRENDS

It is clear that development efforts take decades to accomplish. The Afghan judicial and security sector will need guidance, support, training, and mentoring long after 2014. It is essential that the GIROA assume increased responsibility for enacting laws, providing security, and administering the multiple facets of the judicial system between now and 2014.

The increased expertise in the Rule of Law pillar must be complemented by building sufficient infrastructure to support the various components. Prisons, Police Stations, Courthouses, and Training facilities must be constructed locally in accordance with international standards. The Afghan government must plan to develop, implement, and resource this infrastructure after donor dollars begin to decrease as the security situation in Afghanistan improves.

GOVERNMENT ROLES AND RESPONSIBILITIES

The development of a responsible and balanced judicial system is an inherently governmental responsibility. While portions of development support can be contracted to private companies or NGOs, the cultural foundations upon which a judicial system is built originate with the host nation government. Donors from wealthy nations must take



the lead in building Rule of Law capacity in developing countries. For example, in some parts of the world, laws are unenforceable because police are burdened with the responsibility of acting as law enforcers, judges and jury. This type of system will undoubtedly lead to corruption, with a powerless population that incites eventual unrest. It is therefore essential that a functioning judicial system be designed by responsible governments to guard against these types of abuses.

MAJOR ISSUES

Construction of a judicial system must complement police development in support of providing stability and peace. This is especially true in a post-conflict environment, where one cannot exist without the other. Most importantly, security must be addressed as an inclusive part of the overall system in order to foster the best environment for success. Additionally, this system must use a mixture of indigenous actors and mentors to allow for oversight and guidance in establishing a healthy judicial system that supports adherence to universal human rights. Creating or reforming the legal system in a failed or fragile state is as challenging as it is crucial. It is essential that local, regional, cultural and religious expertise be employed during the creation of a suitable framework.

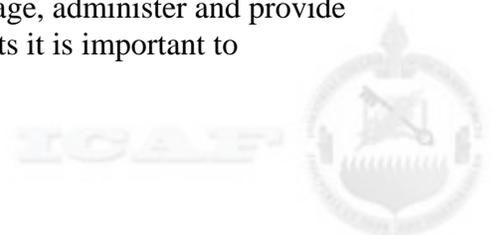
Analysis by the United States Institute for Peace reveals that capacities exist within U.S. government agencies that could be mobilized to fill the security gap in RNB operations. (need citation) These skill sets include the ability to recruit qualified police, judicial and legal personnel and to match these individuals with requirements in developing countries. However, this expertise is not centralized because it resides in multiple branches across all levels of government. Because of the USG's inability to pull adequate expert judicial resources from disparate departments and agencies within the government, DoD is often given the lead in Rule of Law development, despite this not being a core competency of the department.

It is clear that the US Government has been performing this mission for years, and will continue to do so for the foreseeable future. Rather than ignore the fact that the U.S. has been deeply involved in the building of Rule of Law throughout much of the world, the U.S. should consolidate this capability. It should create a unified law enforcement and judicial training and assistance agency under the direction of the Justice Department or State Department, in order to effectively provide oversight for this new initiative. The new agency should include planning and doctrinal development staff, including police, justice and penal programs staffed beneath one organizational umbrella.

GOVERNANCE

CURRENT CONDITIONS

Good governance complements and bolsters security and rule of law efforts. For the sake of this study we define good governance as the ability to manage, administer and provide basic services for a population. When engaging in RNB efforts it is important to remember that:



*“the primary objective is to make violent societies peaceful not to make them prosperous or to make authoritarian ones democratic. A society emerging from conflict may be able to wait for democracy, but it needs a government immediately if there is to be any law enforcement, education, or public health care. The prime objective of a nation-building intervention is to leave behind a society at peace with itself and its neighbors. Democratization alone will not ensure this outcome. On the contrary, elections may be polarizing events in already divided societies. In the context of nation-building, the process of democratization should be seen as a practical means of redirecting the ongoing competition for wealth and power within the society from violent into peaceful channels, not as an abstract exercise in social justice”.*¹³

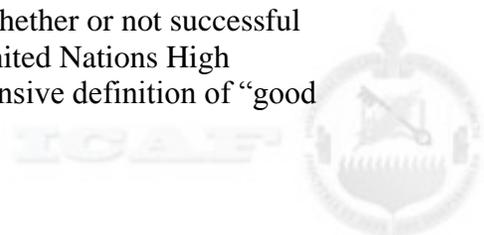
The bedrock supporting the governance pillar of RNB is establishing “some degree of political stability and legitimacy and respect of law, which is heightened by the presence of a stable judicial system that produces consistent resolutions of perceived problems”¹⁴. Quick wins in terms of providing basic governmental services followed by political stability, and some form of consistent and perceived fair judicial system is critical to setting the conditions for long term success. USAID’s Office of Transition Initiatives (OTI) hard hitting, immediate impact projects, along with military’s Commander’s Emergency Response Program (CERP), are platforms that provide these initial results. When these efforts are followed by capacity building programs through civilian and military organizations, good governance has a chance to take root and blossom.

GOVERNMENT’S ROLE AND RESPONSIBILITIES

For over 50 years USAID has led the Nation in providing technical leadership and strategic support in promoting sustainable democracy with the goals of 1) strengthening the rule of law, 2) promoting genuine and competitive elections and political processes, 3) increased development of a politically active civil society, 4) empowering transparent and accountable governance, and 5) promoting free and independent media. USAID is the largest source of U.S. democracy aid, spending approximately \$1.5 billion dollars a year on a broad range of programs. Overall there are six USG entities that fund democracy assistance programs: USAID, the Department of State, National Endowment for Democracy, Department of Justice, Millennium Challenge Corporation, and Department of Defense. A review of the USAID Award Listing has 35 Democracy and Governance contracts with completion dates ranging from 2010 – 2016. U.S. Foreign Assistance worldwide for governance during the period of FY 08 – FY 10 averaged \$2.1B per year with the high watermark of \$2.6B in FY 10 (these figures are exclusive of USG efforts in Afghanistan).

CURRENT OUTLOOK

Good governance, or at least good enough governance, is critical to successful RNB “Without ‘good,’ or at least ‘good enough’, governance the fight against breaking the cycle of violence in unstable countries cannot be won. Whether states are effective or not—whether they are capable of preventing violent conflict, fulfilling human rights obligations, helping business grow, and delivering essential public services to their citizens—is the single most important factor that determines whether or not successful development takes place.”¹⁵ According to the Office of the United Nations High Commissioner for Human Rights, there is no single, comprehensive definition of “good



governance.” Depending on context, good governance has been said to encompass: full respect for human rights, the rule of law, political pluralism, transparent and accountable processes and institutions, an efficient and effective public sector, legitimacy, access to knowledge, information and education, political empowerment of people, sustainability, and attitudes and values that foster responsibility, solidarity, and tolerance.¹⁶ The U.S. Institute of Peace (USIP) offers four necessary conditions in order to achieve stable governance:

Provision of essential services: the state provides basic security, the rule of law, economic governance, and basic human needs services; essential services are provided without discrimination; and the state has the capacity to provide services without significant help from the international community.

Stewardship of state resources: national and sub-national institutions of governance are restored, funded and staffed with accountable personnel; the security sector is reformed and brought under accountable civilian control; and state resources are protected in a way that benefits the population.

Political moderation and accountability: the government enables political settlements of disputes; addresses core grievances through debate, compromise, and inclusive national dialogue.

Civic participation and Empowerment: civil society exists and is empowered, protected, and accountable; media are present, professional, and independent of government influence.¹⁷

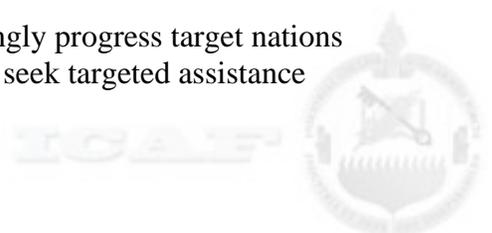
MAJOR ISSUES

While there are a number of enablers that facilitate these conditions, one of the most critical components is capacity building. Capacity building is used to describe the efforts of actors involved in assisting or aiding developing states to build the human capital, institutions and processes required to achieve and sustain good governance. For example, the security force can initially come entirely from an outside entity like the UN or a coalition but over time, it must seek to transfer this responsibility to the target state. This is possible only after the state has built its own internal capacity to secure and govern the population. This directly impacts legitimacy, a fundamental factor that must be considered when implementing any decisions on aid or programs to assist in building governance capacity. The key to developing this capacity is ensuring continuity of mentorship training in key government positions from the local to the national level.

Were aid organizations to simply ensure their own continued profits a desire to create sustainable human capacity in the target nation might well have little focus. Instead successful aid programs inevitably chart a path to work themselves out of a job for the mutual benefit of both themselves and their clients. There seems to always be more development work elsewhere and projects are normally multi-year. Creating this self-sustaining capability is a shared value construct, not a short term maximization of profit construct.

OUTLOOK/FUTURE TRENDS

In RNB, a primary goal of the governance sector is to increasingly progress target nations to a tipping point where they recognize their critical needs and seek targeted assistance



from external consulting companies. However, the majority of aid efforts will continue to focus on building human and institutional capacity in order to provide basic services for their citizens.

Basic security enables the development of the target nation's institutional capacity for good governance and the rule of law. The ability to govern and provide the rule of law forms the bedrock upon which development can succeed. While governance is conducted by the state, the state depends on the private sector and civil society to ensure long term development. Governance plays a significant role in the shared value concept by creating a climate that facilitates economic growth to both increase business productivity while improving the lives of its citizens.¹⁸ For example, government must invest in areas like innovation and infrastructure while at the same time enacting the right type of regulation that encourages private sector participation in the shared value concept. Finally, in today's world, the future challenge for the state is finding the right balance between taking advantage of globalization while at the same time providing a secure and stable social and economic domestic environment.¹⁹

ECONOMIC DEVELOPMENT

CURRENT CONDITIONS/MARKET

Economic development is not a panacea, but it is inextricably linked to all the other pillars of nation building and reconstruction. A growing economy is the engine that can pull a country up from the bottom billion. However, the overall economic environment will become sustainable only after comprehensive security (physical, property, and food) and stability is established and strong, visible, leaders are in place to ensure the conditions are present to grow economic activity. Before economic development assistance is introduced to a developing country, it is essential that the human terrain, cultural norms, and existing market forces at all levels, local to national, be understood.

In order to understand the human terrain, it is essential to work among the populace and hire local assistance with in depth knowledge of the forces that shape a country's economy. Economic plans must be informed by local conditions, not vice versa – a concept that is often difficult for westerners to understand. In order to compensate for cultural differences, it is often more effective to employ workers from developing countries like Pakistan or Sri Lanka, rather than western workers, in countries recognized as being in the bottom billion.

OUTLOOK

The outlook for development funding is uncertain. While Secretary Gates and other prominent officials are calling for increased development spending, some anticipate a decrease. According to the U.S. Global Leadership Coalition (USGLC), the U.S. is expected to slash funding for foreign aid and international affairs programs by \$6.5 billion, which drops spending below 2009 levels and affects nearly all of the programs covered by the international affairs budget, including those related to health and economic assistance.²⁰



Economic development projects are long term, many lasting well over 20 years. However, emerging crises may necessitate a realignment of resources from current development projects to new ones. The current economic slowdown will force more discipline into the allocation of development costs. It is anticipated that development resources will remain stagnant, at best, and disbursements will be made based upon a re-prioritization of need. It should be noted that the U.S. and international community are not abandoning developing countries, but the reality of a world-wide economic downturn and resulting budgetary woes simply cannot be ignored.

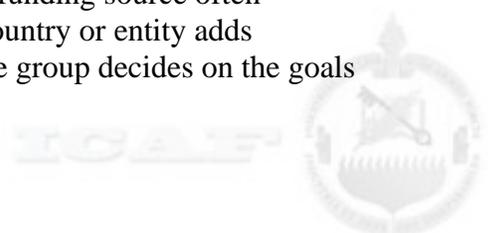
The latest trend in economic development is Expeditionary Economics, which argues for building the capacity of catalytic local entrepreneurs to help bring a country out of conflict.²¹ DoD has evolved this concept to examine how to best use the money the U.S. government spends in a conflict zone. These funds are distributed through contracting to support U.S. forces, CERP funds, and direct investment to support building local economic capacity in order to enable a responsible U.S. withdrawal.

MAJOR ISSUES

People act in their own self interest. If it is more beneficial to trade rather than fight, this adds to security. If there is a strong middle class they can exert pressure on the government to provide good governance. One form of pressure is establishing a system of laws and justice which enables business development and the protection of real and intellectual property. As the population becomes more prosperous hospitals, doctors, and education will be more in demand and create a more well-to-do populace. Therefore, economic development should be weighed in the context of all the other pillars of RNB. In most situations, security is more important than governance, which is more important than economic development. One reason economic development is a lower priority than security and governance is that economic development needs a predictable environment to prosper. When the security environment changes it introduces additional costs to emerging businesses potentially causing them to become unprofitable. Governance, even bad governance that is at least predictable, is needed to create a positive economic environment.

The existence of an overarching strategic plan is the key to building and sustaining economic development. This master plan must be comprehensive, addressing both short and long- term (about 40 years) strategies independent of any political agenda. A consolidated strategic development plan should be in place prior to initiating economic support. In addition, the components of a monitoring program should be agreed upon to ensure performance goals are achieved. The following areas of concern should be discussed as part of the strategic plan at a minimum: 1) actors and roles; 2) goals; 3) funding sources; 4) monitoring 5) sustainability.

One difficulty in generating a coordinated strategic plan is the funding source often determines the goals as a condition of donating funds. Each country or entity adds conditions based on the political realities of that country. If the group decides on the goals



of the plan, then the funding sources must be discussed. International as well as local elites bring funding to the table. However, competing interests by all donors and interested parties can result in an uncoordinated shotgun approach to development. The sequencing of multiple projects, assigned funding sources, and a plan to transition to long-term sustainment are keys to success.

As noted in other pillars, transparency is important to keep economic development and reconstruction on track and reduce corruption. Transparent processes must be built into the strategic plan to ensure funds are spent in accordance with a long-term plan. The National Solidarity Program in Afghanistan is an example of a program with transparent processes built in. If the development effort is effective and managed in a transparent manner, it will stay on track and lead to growth and poverty reduction.

Finally, the plan must ensure the long-term sustainability of the projects that are undertaken. One of the main criticisms of international development projects is once international aid is terminated, the local population cannot sustain development efforts. Before agreeing on a development project, the following considerations must be agreed upon for long-term sustainment: (1) commitments to support and fund the project over a long term, (2) integration of management processes, i.e. budgeting into the government system, (3) training and education, and (4) access to markets. The key to sustainability is to build only what can be managed – don't build a Cadillac when a Chevy will suffice. Third party actors who have recently seen successful results of development at the level of the current development process should be key advisors in the process.

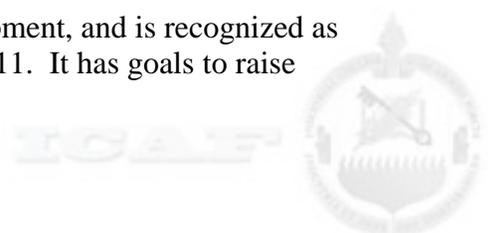
HEALTH AND EDUCATION

CURRENT CONDITIONS

Current U.S. Government efforts to assist the developing world in the Health and Education sectors are significant, although a large and diverse group of public and private organizations also contribute substantially. As Seth Jones of the Rand Corporation has noted, “Unless adequate attention is given to health [and education], nation-building efforts cannot be successful.”²² Health and education programs must be robust, as they are strongly interrelated with other areas of nation building. Exceeding ten billion dollars annually and comprising one-third of all U.S. foreign assistance, Health and Education are among the largest current U.S. efforts.

Health and Education programming applies to both permissive and non-permissive environments. They differ from those cases involving humanitarian assistance following a natural or man-made-disaster in the urgency of the response. Following are three examples of the scope of the effort currently being conducted by the U.S. Government, primarily by USAID:

1. Education is a key enabler of other pillars or development, and is recognized as such in the USAID Education Strategy published in 2011. It has goals to raise



reading skills for 100 million children by 2015, improve the workforce to support other development goals, and increase action for 15 million children in crisis environments. A major aspect of this effort is Gender Equality, where “high and cascading returns to investments in girls’ education have been one of the most important findings of educational and development research in the past two decades.”²³

2. One of the major challenges faced in most failed and failing states is a population explosion that results in a disproportionate number of young citizens. Excessive growth rates place an undue burden on national governments to provide services, resources, and employment. USAID funds the work of The United Nation Population Fund (UNFPA) in several of the countries. Their methods, supporting reproductive health programs that result in a decrease of fertility rates, are equally effective in promoting most social services as well as a critical demographic balance shaping tool for long term economic sustainability.

3. In the recent past, the United States Government initiated the President’s Emergency Plan For AIDS Relief (PEPFAR) to stem the tide of AIDS infection primarily in Africa. Subsequently, this and other programs have transitioned into the Global Health Initiative (GHI). This comprehensive framework provides a strategic roadmap that provides not only needed relief but addresses the requirement to build medical capacity in partner nations.

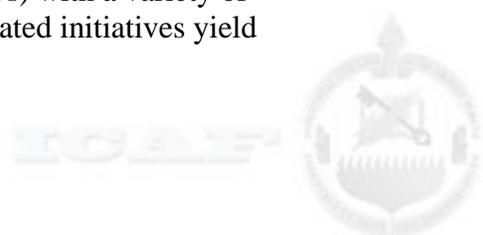
OUTLOOK – FUTURE TRENDS

Health and Education are highly dependent on coordination and planning within an overall strategy for reconstruction of infrastructure through donor resources to the target nation.²⁴ This is a generational commitment to engagement, where targeted and coordinated investment is the positive trend to get the most favorable outcome from each donor dollar.

Each situation for recipient and donor are different, and require a nuanced approach to each country which is best worked out on the ground by participating organizations. In particular, “Health-sector reform needs to be sustainable, with responsibility passed to the country’s health care providers and leaders. Countries such as Afghanistan that have weak national health capacities may never reach the point of sustainability.”²⁵

GOVERNMENT ROLES AND RESPONSIBILITIES

Many governments support Health and Education programming in the developing world. Donor countries collaborate to facilitate these programs. This bridge of cooperation is an example of Porter’s concept of “Shared Value,”²⁶ both within a developing country as well as among those conducting international relations. A substantial portion of the effort in this sector is led by Non-Governmental Organizations (NGOs) with a variety of motivations and methods. At the core, these largely uncoordinated initiatives yield positive outcomes but without unity of purpose.



This trend is augmented by long standing global charitable organizations whose programs are more issue specific. Their success is often enabled by government organizations considering their goals and missions when making plans. Many donor nations believe that health and education is a preventive solution to future political dilemmas, although the return on investment is difficult to measure.

MAJOR ISSUES

The trend in both public and private donors is to target efforts at achievable goals that have the most impact. Linking capacity building with the delivery of services is a major concern of the donor community and their constituent members. The World Bank notes:

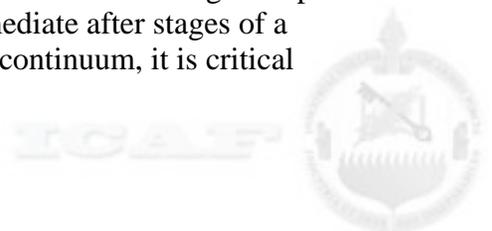
*"Despite these huge funding gains, progress toward development targets has been uneven. Lack of resources only partly explains many of the remaining gaps because links between spending and human development outcomes are weak, and good policies and strong institutions are central to improving the productivity of education and health spending."*²⁷

The donor community believes in Health and Education, which accounts for one third of its resources. During the resource scarcity of a global economic crisis however, the causal link between inputs and outputs received scrutiny. The World Bank highlights this difficulty in the passage above and calls for data intensive studies to strengthen the causal linkage.²⁸ Targeting aid is also important, as blanketing a region does not necessarily ensure those most in need receive the benefits. In fact, the World Bank states "numerous studies have found that public health spending is not concentrated among the poor and that the rich benefit disproportionately from public health subsidies."²⁹

Targeted aid is most effective when delivered directly to the endpoint recipient, but this method of distribution becomes counter productive when a country transitions from a humanitarian crisis, to an RNB model. Once the immediate crisis is solved, aid begins to drag on innovation and self-reliance, and a transition to capacity building in country or in region is particularly difficult. In particular, post-conflict regions are often poor at delivering these services with few incentives or accountability for domestic providers.³⁰ Thus a sustained level of interest and focus is critical for aid to overcome these obstacles.

A final issue with bottom-up delivered aid is the interaction with corrosive government structures rife with patronage or corruption. While external donors want directed aid to go to those most in need, individual self-interest, lack of domestic strategic vision, and momentum of the present system, all act to inhibit efficient capacity building. For example, a Provincial Reconstruction Team may be the most effective immediate method for aid delivery in the near term, but the goal of any foreign aid organization should be to work itself out of a job.

In summary, the best Health and Education assistance should be delivered along multiple pathways, with the major thrust from the bottom up in the immediate after stages of a crisis. As the country or region moves along the development continuum, it is critical



that this aid be consciously balanced to build target nation capacity in appreciation of conditions on the ground.

CASE STUDIES

NICARAGUA

Had Charles Dickens lived a century and a quarter later, he may of penned his iconic opening lines, “It was the best of times, it was the worst of times...” referring to Nicaragua rather than the French Revolution. In many respects, Nicaragua has seen the best and worst of the RNB process over the last twenty years. Our visit reinforced the importance of getting the fundamental building blocks of successful RNB efforts (i.e., security, good governance, rule of law, and economic growth) right initially and over the long term. Nicaragua illustrates the efficacy of external donor resources in failed or failing states, states where the majority of internal resources, infrastructure and institutions are destroyed or no longer viable. In the Nicaraguan story, the effective use of donated resources led to increased legitimacy for the government, security for the population, and much improved laws and regulations that fostered an environment conducive for economic growth and foreign direct investment (FDI).

The peaceful transition of power from the Sandinistas and Daniel Ortega, to the National Opposition Union’s Violeta Chamorro in 1990 was the vanguard of this process, leading with good governance. Nearly simultaneously, on 20 April 1990, peace accords were signed between Nicaraguan rebels and the Sandinista army, bringing a lasting security to Nicaragua. A large influx of USAID and European Union administered aid bolstered the ROL and economic sectors. Economic growth was sustained through FDI like the Ram Power Corporation’s San Jacinte-Tazite geothermal power plant, creating jobs and shared value for the community, schools, education and training. This type of shared-value FDI offsets the brain drain associated with most conflict states and societies engaging in civil war. Initially, at least, it was the best of times.

However, success in RNB can be fragile and the Nicaraguan experience remains a cautionary tale. After a decade and a half on the road towards a sustainable future, Nicaragua held another free, though protested, election in 2006 whose results were far from conclusive. However, through less than transparent executive and judicial maneuvering and with only 38% of the vote, Daniel Ortega and the Sandinista government returned to power. Since Ortega’s re-election, Nicaragua’s progress towards a stable, prosperous state has slowly reversed course. His administration is characterized by decreasing government legitimacy and stagnating economic growth with increasing patronage, corruption and graft. The Nicaraguan experience illustrates sustained positive development can only happen when the target nation continues to improve public fiscal transparency, rule of law, government legitimacy and economic growth while attempting to reverse the “brain drain” normally associated with states recovering from a civil war. This process takes decades, not years. Unfortunately, Nicaragua is trending toward the worst of times.



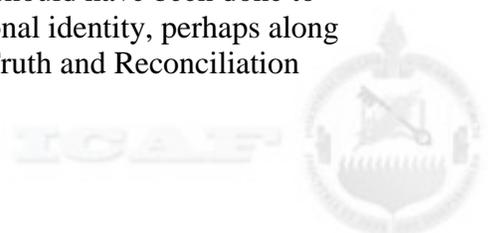
Lastly, a key lesson from Nicaragua is the need for synchronization of donor efforts at the strategic level. This includes efforts of foreign governments, civil society, NGOs and businesses. It is highly doubtful that a failed or failing state nation will have the necessary resources to recover on their own and they will need extensive foreign assistance for an prolonged period of time. History has shown that few donors will have the required attention span to stay the course long-term or that any one donor will be able to or willing to take on all the challenges associated with institution building, capacity development, essential services etc. As a result, there will likely be multiple donor pools whose compositions will also vary over time. Donor coordination is critical to maximize sustainable improvements and shared value.

BOSNIA AND HERCEGOVINA

Bosnia Herzegovina (BiH) offers a uniquely European perspective on RNB. Still recovering from the 1992-95 war that killed more than 100,000 and displaced some 1.8 million people, Bosnia's GNP remains half of its pre-war level despite 16 years of RNB efforts by the U.S and European nations. In 2010, NATO turned over security responsibility to EUFOR, which currently commands 1400 troops. While much of the infrastructure has been rebuilt, the country has failed to address economic recovery and reconciliation. It remains in political paralysis, and there is no foreseeable end to the need for oversight and assistance by the international community.

The Dayton Accords, signed in December 1995, brought the end to fighting and established the structure of the BiH government. The State of Bosnia Herzegovina is comprised of two decentralized entities: the Federation of Bosnia Herzegovina, consisting primarily of Muslim Bosniaks and Christian Croats, and the Republic of Srpska, consisting of mostly ethnic Serbs. Political elites represent the country's three major ethnic groups. The Presidency of BiH rotates among three ethnic groups; each member is elected for a four-year term, rotating every eight months. However, the highest political authority in the country is the High Representative, always a European, who leads the international civilian presence in the country. The Office of the High representative has an extremely unusual mix of judicial, legislative, executive powers.

While the Dayton Accords brought an end to the war, the resulting governmental framework is so weak, and the three member constituencies so at odds with each other, that little progress has been made on a national level. One interlocutor described the BiH Government as a "completely dysfunctional system." RNB is further complicated by extremely high tax rates and a history of the Soviet-style central socialist planning that prevailed during the Yugoslavia era. BiH is one of the poorest countries in the region. Official unemployment exceeds 40%, although an estimated 20% of the population works in the grey economy. Strikingly, social systems initiated in the aftermath of the Dayton Agreement seem destined to further thwart reunification and reconciliation. For instance, children, who once studied together, now attend separate classes under a national two-schools-under-one roof policy. In retrospect, additional work should have been done to force a more integrated government and promote a single national identity, perhaps along the lines of the hard work done in South Africa through their Truth and Reconciliation



Committees. Post-war reconciliation between Bosniaks, Croats and Serbs is not without precedent. The BiH Army is essentially three different ethnic armies under one national name. However, when the BiH troops – forced to ethnically integrate prior to a deployment to Afghanistan – returned, their commander noted that after fighting the Taliban together, each of his men would die for one another.

The dysfunction is even acknowledged by BiH officials who desperately want to join NATO and the EU in the hope that by doing so, membership will create national unity and a thriving economy. NATO and the EU will not consider membership until BiH addresses its core problems of corruption, property rights, and political paralysis. Despite years of negotiations, political elites cannot even agree on where to locate a major highway (funded by European Bank for Reconstruction and Development) to Europe that would greatly accelerate the economy. An interesting collaboration between European aid agencies and USAID may provide a useful model for future RNB. All contributed to trust funds for financing developing projects of up to seven years, and Europeans contributed directly to USAID to manage and implement projects. BiH provides an excellent example of the need for good governance to move a country out of its post-conflict era and put it on the road to real economic recovery and reconciliation.

A UNIQUE APPROACH - AGA KHAN DEVELOPMENT NETWORK

The Aga Khan Development Network (AKDN) provides a unique example of a development organization (NGO) that embodies Porter's concept of shared value. AKDN brings together a number of development agencies, institutions, and programs that work primarily in the poorest parts of Asia and Africa. They focus their efforts in social and economic development. The organization is unique in that it has an economic development for-profit arm that reinvests profits back into the development process. All AKDN agencies share a common goal of helping the poor achieve a level of self-reliance so they can then assist those less-fortunate than themselves. Like most NGOs, AKDN recognizes development takes time so AKDN agencies make long-term commitments in the areas where they work.³¹ They emphasize four principles of smart development: target-nation driven, accountable, impartial, and sustainable.

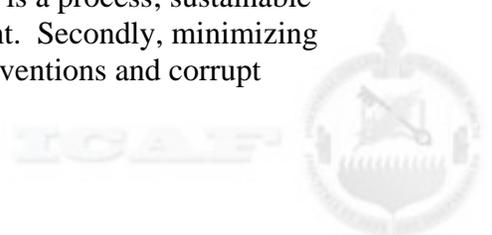
Target-nation driven: maximize the use of NGO national staff knowledge and acceptance, complemented by community driven programming methods.

Accountable: accountable to donors and communities. NGOs work with local communities to jointly maintain mechanisms to ensure program funds are spent transparently on projects that are valued by communities.

Impartial: smart development is independent of stabilization efforts and impartial, providing assistance based on need to all populations.

Sustainable: NGOs work together with government and civil society partners to strengthen local institutions' ability to meet the needs of their citizens.

AKDN, in conjunction with a target of other NGOs, offer three key recommendations for development in Afghanistan. First and foremost, development is a process; sustainable development cannot be realized through short-term engagement. Secondly, minimizing waste has to be a priority because perceptions of wasteful interventions and corrupt



officials are only reinforced when projects are delivered without concern for quality or never seen through to completion. Finally, genuine partnership is necessary since the success of any sustainable development effort is dependent upon the investment and cooperation of those it is designed to serve.³²

CONCLUSION

Reconstruction and Nation Building is a complex undertaking. It requires patience, dedication, multi-year funding streams, compromise, and coordination on the parts of donor countries and organizations. In order for development efforts to succeed, it requires leadership, active participation and ownership, and often personal courage on the part of donor countries. In some cases, development efforts must take place in areas where military operations are taking place. Development efforts in these areas require “a comprehensive approach combining military can-do with civilian know how.”³³ This balance is difficult to implement and politically challenging to sell at home.

This report highlights some of the development challenges that can be expected as the developed world attempts to address the incredible poverty experienced by those mired in the bottom billion. The U.S., international organizations, and NGO’s can do better in coordinating efforts to eliminate failed and fragile states. This paper will conclude with concrete recommendations to advance this effort.

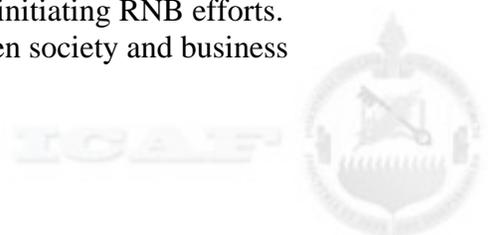
RECOMMENDATIONS

1. To provide clarity for USG management of RNB efforts, NSPD-44 should be revised to specifically address nation building roles, missions and responsibilities in order to resource national level capabilities and support policy execution. While NSPD-44 clearly assigns coordination responsibility to the DoS for stabilization and reconstruction, the implicit assumption is a permissive environment. This study recommends the following:

- In a non-permissive environment (defined as requiring the deployment of US forces in an offensive capacity), recommend DoD be assigned the lead for these actions in close coordination with DoS for future transition to DoS lead.
- Institute a transparent transition mechanism, as a portion of the consolidated strategic plan outlined below, between DoD and DoS lead to maintain continuity in USG RNB contract management, funding sources and program supervision.

2. Nation building is a long-term process that must transcend multiple administrations. The EU seven-year planning cycle offers a possible model. The Aga Khan 20-year plan offers another example from the NGO perspective. This study recommends:

- DoS leads the interagency in the creation of an RNB consolidated strategic, regional development plan that support U.S. national interest. This plan must be closely coordinated with DoD in a non-permissive environment, will have to be endorsed by Congress, and should be in place prior to initiating RNB efforts. The Aga Khan model reinforces mutual benefit between society and business within a shared value model.



- The NSPD-44 revision should incorporate this DoS mandate and add specific milestones for publishing and updating the RNB strategic plan annually.
3. A successful RNB industry rests on sustained, predictable funding. The USG, as the largest buyer of RNB goods and services, has struggled to maintain consistent levels of interest, leading to turbulence in the funding stream. This study recommends:
- Create long-term, flexible funding mechanisms such as USG and multi-national trust funds administered by DoS/USAID for targeted countries and/or regions. This recommendation further clarifies competitive opportunities in the RNB market allowing companies to design better strategic plans, reduce risk and build expertise. Predictability will encourage new market entrants in search of profits, which benefits the USG through increased competition, further strengthening buyer power size, volume and choice.
4. The USG approach to RNB needs to change. This study recommends:
- A paradigm shift from primarily providing services to a greater emphasis on capacity building. This shift is consistent with the holistic shared value approach and an emphasis on building institutions that create stability. Stability and nation building does not require duplicating western institutions. For example the USG should better organize its rule of law capacity building efforts in the form of national level standards of training and execution. Recommend DoS incorporate this shift into the strategic plan mandated in recommendation 2.

GLOSSARY OF ACRONYMS

AfPak	Afghanistan-Pakistan
BiH	Bosnia-Herzegovina
CEO	Corporate Executive Officer
CERP	Commanders Emergency Response Program
CRC	Civilian Response Corps (S/CRS)
DAI	Development Alternatives, Inc.
DoD	Department of Defense
DoJ	Department of Justice
DoS	Department of State
DPA	Dayton Peace Accords
EITI	Extractive Industries Transparency Initiative
EU	European Union
EUPOL	European Union Police
FTA	Free trade agreement
FY	Fiscal Year
GDP	Gross Domestic Product
IGO	International Governmental Organization
IMF	International Monetary Fund
IPOA	International Peace Operations Association
MCC	Millennium Challenge Corporation
MSG	Military Support Group
MSI	Management Systems International
NATO	North Atlantic Treaty Organization
NGO	non-governmental organization
NSPD	National Security Presidential Directive
NSS	National Security Strategy
OHR	Office of the High Representative
RNB	Reconstruction and Nation Building
RTI	Research Triangle International



S/CRS Office of the Coordinator for Reconstruction and Stabilization (State)
UN United Nations
UNDP United Nations Development Program
USAID United States Agency for International Development
USAID/OTI United States Agency for International Development / Office of Transition
Initiatives
USG United States Government



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