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# POST-COMBAT STABILIZATION AND RECONSTRUCTION: THE LESSONS FOR US GOVERNMENT ORGANIZATION AND NATIONAL SECURITY RESOURCE PLANNING

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## **Introduction**

Once the initial phase of full combat ended in Iraq, the United States government found itself in the unanticipated role of a long-term occupying power, with major responsibilities for post-conflict stabilization and reconstruction (S&R).<sup>2</sup> The successes and failures of the past three

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<sup>1</sup> This paper is based, in part, on research on national security resource planning and budgeting that the author is conducting jointly with Dr. Cindy Williams of the Security Studies Program at the Massachusetts Institute of Technology. The author's work is being supported by the John D. and Catherine T. MacArthur, Smith Richardson, and Compton Foundations and the Ploughshares Fund. The author wishes to thank Brian Harding, Cindy Williams and the members of the working group on national security budget processes supporting the research project, as well as Ellen Laipson and Maureen Steinbruner, for their help and advice.

<sup>2</sup> A number of terms have been used to describe US military and civilian operations that follow or are not full-scale military combat. In the 1990s, the Defense Department commonly used the term "Military Operations Other Than War" (MOOTW), or "peacekeeping," to describe these operations. The term "contingency operations" was generally used to describe the Somalia, Rwanda, and especially Haiti and the Balkans deployments, security and reconstruction activities. In the early 21st century, "nation-building," though often disparaged, was frequently used to describe operations that required both military and civilian activity in countries where government had failed, forces had been deployed, and rebuilding of some kind was needed after a more combat-driven phase of operations. By 2004, the term "stabilization and reconstruction" came to be used, with specific reference to Afghanistan and Iraq. This article will use this latter phrase (S&R) to describe government actions of any magnitude that follow active combat use of US military force or involve both the military and the civilian capabilities of the federal government to seek to bring order and stability to a country, combined with programs that target socio-economic recovery and the strengthening of governance in that country.

years of occupation have raised troubling questions about the way in which the US government is organized and carries out budgetary planning for this kind of responsibility.

US government structures, programs and resource planning for S&R in Iraq fell manifestly short, including failure of the interagency process for policy-making, inadequate planning, serious underestimation of costs and requirements (both military and civilian), an overestimation of the absorptive capacity of the Iraqi economy and major problems with program implementation and reporting.

These weaknesses and failures in governmental planning and budgeting have had important consequences for broader national security processes, which no longer function as they should in laying out clear choices and options, setting priorities and providing the detailed analysis required for sound policy-making. As a consequence of the Iraq experience, moreover, the executive branch is struggling to restructure itself and reform its processes for dealing more effectively with the challenges of future S&R operations. The Iraq experience also has exposed significant weaknesses in Congressional structures and processes for policy oversight and resource planning that will need to be addressed to cope with the cross-cutting realities of 21<sup>st</sup> century national security challenges. It is important to codify these lessons for the future, since, as in the recent past, the US is highly likely to be involved in future S&R operations, albeit possibly on a less dramatic scale than those in Iraq.<sup>3</sup>

Iraq is not the first S&R challenge the US government has faced. On a major scale in Germany and Japan, and a smaller, but not insignificant scale in Somalia, Haiti, Rwanda, Kosovo, East Timor, Afghanistan, and a large number of humanitarian interventions, post-conflict S&R operations have been a significant part of the US use of military force overseas for more than 50 years.<sup>4</sup> While the lessons of earlier S&R operations could have been harvested and applied,

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<sup>3</sup> A 2004 Defense Science Board summer study, led by Craig Fields and Philip Odeen, concluded that since 1990, the end of the Cold War, the US has started stabilization and reconstruction operations every 18-24 months, with operations lasting typically 5-8 years. Defense Science Board, *Transition to and from Hostilities*, 2004 Summer Study (Washington, DC: Office of the Under Secretary of Defense for Acquisition, Technology and Logistics, December 2004).

<sup>4</sup> James Dobbins, et al., *America's Role in Nation-Building: From Germany to Iraq*, (Santa Monica, CA: RAND Corporation, 2003).

virtually every US post-combat S&R operation since the end of the Second World War has been created and managed as a one-off, with little learning applied to subsequent cases.

The Clinton administration made an effort to generalize from the intervention experiences of the 1990s, proposing a process for more systematic planning for post-conflict S&R.<sup>5</sup> But the proposed process was not implemented in the subsequent intervention in Kosovo. The Bush administration entered office highly critical of what it called the “nation-building” and peacekeeping uses of US military forces, but rapidly found itself facing this kind of challenge following the use of combat forces in Afghanistan and Iraq. As a result of these experiences, the Administration has increasingly focused on how to structure the government to deal more effectively with similar future cases.<sup>6</sup>

This discussion begins with a brief review of the planning and implementation of post-conflict operations in Iraq. It then evaluates some of the lessons learned to date from that experience: information/intelligence/planning assumptions; institutional and planning issues; implementation of S&R operations; flexible spending authorities; budgetary issues; and Congressional budgeting and oversight.

### **The Case of Iraq**

Given the size of the deployment, the duration, the financial costs, and the enormous consequences for the US military of the Iraq occupation, it constitutes perhaps the limiting case for examining such S&R operations and provides a number of potential lessons learned. According to the Congressional Research Service, through fiscal year (FY) 2006, Congress will have appropriated roughly \$350 billion for Iraq operations, including both military and foreign assistance activities.<sup>7</sup> Moreover, annual appropriations for Iraq have risen regularly over the past

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5 Presidential Decision Directive, *Managing Complex Contingency Operations*, PDD/NSC 56, (May 1997), <http://clinton2.nara.gov/WH/EOP/NSC/html/documents/NSCDOC2.html> (accessed July 14, 2006).

6 US Department of Defense, *Military Support for Stability, Security, Transition and Reconstruction Operations*, Directive Number 3000.05 (November 28, 2005), [http://www.dtic.mil/whs/directives/corres/pdf/d300005\\_112805/d300005p.pdf](http://www.dtic.mil/whs/directives/corres/pdf/d300005_112805/d300005p.pdf) (accessed July 16, 2006); National Security Presidential Directive, *Management of Interagency Efforts Concerning Reconstruction and Stabilization*, NSPD-44 (December 7, 2005), <http://www.fas.org/irp/offdocs/nspd/nspd-44.html>. NSPD-44 superseded PDD-56.

7 Amy Belasco, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*, Congressional Research Service Report #RL33110, (Washington, DC: CRS, June 16, 2006), 4; This number includes a pro-rated

four years from \$51 billion in FY 2003, to \$77 billion FY 2004, to \$87 billion in FY 2005, to \$100 billion in FY 2006.<sup>8</sup> US military forces in Iraq, generally said to be around 138,000, are actually closer to 200,000 if one counts forces in the entire theater, including those at sea, that are relevant to Iraq military operations.<sup>9</sup>

From the early planning stages for the post-combat period to budget planning, implementation of the policy, and oversight and evaluation, post-conflict S&R in Iraq may be the poster-child for negative lessons, despite the considerable funding and serious effort made by government officials and private contractors. Lessons from past S&R operations were not taken into account, initial planning was short-sighted and based on erroneous assumptions, budgets were not prepared for the post-conflict period, ad hoc structures were created to implement the policy and then changed on the ground in rapid succession, execution has been slow and relatively ineffective both with respect to stabilization and reconstruction, and Congressional oversight of this operation has been virtually non-existent.

The failures of pre-conflict planning for Iraq S&R have been widely reported.<sup>10</sup> The Department of Defense (DoD) lacked the planning, budgeting, statutory authorities, staff and training to plan or implement the kind of stabilization and reconstruction operation that proved to be needed.<sup>11</sup>

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estimate (by this author) of the \$50 b. "bridge fund" likely to be voted by the Congress as transition funding to a future FY 2007 supplemental budget request. The Congressional Budget Office estimates that all US military operations in Iraq, Afghanistan and the global effort to combat terrorism could cost an additional \$371 b. between FY 2007 and FY 2016; Congressional Budget Office, *An Alternative Path Assuming a Reduction in Spending for Military Operations in Iraq and Afghanistan and in Support of the Global War on Terrorism* (Washington DC: CBO, February 24, 2006), <http://www.cbo.gov/ftpdocs/70xx/doc7048/02-24-AlternativePath.pdf>.

8. Belasco, *The Cost of Iraq*, 4. On a monthly basis, CRS estimates that the Department of Defense will be spending around \$8 b. a month. *Ibid.*, 13, 15.

9 The total relevant force is difficult to calculate for a variety of technical and reporting reasons. *Ibid.*, 25-28, 29.

10 George Packer, *The Assassins' Gate: America in Iraq* (NY: Farrar, Straus and Giroux, 2005) 3-148; Larry Diamond, *Squandered Victory: The American Occupation and the Bungled Effort to Bring Democracy to Iraq* (New York: Times Henry Holt & Company, 2005) 67-102; Michael R. Gordon and General Bernard E. Trainor, *Cobra II: The Inside Story of the Invasion and Occupation of Iraq* (New York: Pantheon Books, 2006); David L Phillips, *Losing Iraq: Inside the Postwar Reconstruction Fiasco*, (NY: Westview, 2005); Interviews with members of the working group on national security budget processes.

11 James Dobbins, who was involved in post-war relief operations in Somalia, Haiti, Bosnia and Kosovo, felt the decision to create ORHA was a mistake: "Rather than use the structures that had done our nation-building for the last

Moreover, DoD planners systematically sought to exclude foreign policy and assistance agencies from the planning effort. The State Department had coordinated a “Future of Iraq” study for more than a year, involving both interagency representatives and substantial participation by Iraqi exiles.<sup>12</sup> The DoD, however, had prevailed in the interagency discussion over “unity of command,” and had been put in charge through National Security Presidential Directive (NSPD) 24. Gen. Jay Garner, the head of the Office of Reconstruction and Humanitarian Assistance (ORHA), the first institution given responsibility for post-war Iraq, focused on humanitarian issues. Military planners made it clear that the US would rely on the Iraqi army, police forces, provincial government, and ministries, funded by oil revenues, to establish order and carry out reconstruction.<sup>13</sup> Such funding as was needed for post-combat S&R was provided as part of the operating costs for DoD forces in the region.<sup>14</sup>

In addition to the relatively ad hoc way in which post-conflict S&R institutions were created, funded and staffed, the specific management organizations for administering the operations also evolved over time. Planning, priority-setting, and oversight over reconstruction programs passed through the Development Fund for Iraq (DFI, non-US funds), as well as the Iraq Reconstruction and Relief Fund (IRRF). DFI-funded projects were selected, and contracts decided by an ad hoc Program Review Board in the Coalition Provisional Authority (CPA) headquarters in Baghdad. Contracting services were provided largely by the Army Corps of Engineers and the US Agency

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decade, we created a completely new structure. We transferred responsibilities from State and the Agency for International Development to the Department of Defense for things the Department of Defense had never been responsible for. That imposed another very substantial burden in terms of creating a whole new bureaucracy to do things for which there already existed bureaucracies.” Katherine McIntire Peters, “Blind Ambition,” *Government Executive*, July 1, 2004, <http://www.govexec.com/features/0704-01/0704-01s3.htm> (accessed July 14, 2006).

12 The complete overview and 12 reports from the 17 working groups in the Future of Iraq Project can be found at “Reports From the Future of Iraq Project,” Reports from State Department, (Future of Iraq Project, October 2001) [http://www.thememoryhole.org/state/future\\_of\\_iraq/](http://www.thememoryhole.org/state/future_of_iraq/) (accessed July 21, 2006); Phillips, *Losing Iraq*.

13 Gordon and Trainor, *Cobra II*, 144.

14 ORHA and CPA officials have noted in private interviews that ORHA had difficulty finding funding from the Army, which was understandably focused on prosecuting the military campaign. Given the pressure from policy officials at DoD to execute the military campaign with a constrained force, military planners were reluctant to give priority to Garner’s desires for forces assigned to post-war S&R operations. One planner noted: “No officer in the headquarters was prepared to argue for actions that would siphon resources from the war fighting effort, when the fighting had not yet begun.” Steven W. Peterson, “Central but Inadequate: The Application of Theory in Operation Iraqi Freedom,” (seminar paper, National Defense University, National War College, Washington, D.C. 2004,) 11.

for International Development (USAID). Projects were implemented and supervised by an ad hoc Program Management Office (PMO), the Army Corps, AID, State, and a number of other agencies. Once the US embassy took responsibility for post-conflict S&R operations in June 2004, a new oversight and contract authority was created – the Iraq Reconstruction and Management Office (IRMO), with a supporting Project Contracting Office (PCO) run largely by the Army Corps of Engineers.

This evolving architecture has been responsible for the management of more than \$25 billion in US appropriated funds and, until June 2004, for more than \$20 billion in Iraqi resources.<sup>15</sup> In addition, the DoD has operated its own programs for reconstruction and stabilization operations, the largest single part of which has been the Commander’s Emergency Response Program (CERP).<sup>16</sup> The CERP program grew out of the realization, as combat was ending, that US forces would need resources to deal with budding emergencies well before CPA or any contracting authority could act.

The initial resources for CERP came from the discovery of caches of dollars in the homes of former Iraqi regime officials. With quick action from Washington, these resources were made available at once for such tasks as cleaning streets, collecting garbage, providing rations, repairing roofs, wells, sewers, doors and the like, rehabilitating jails and police stations and meeting urgent medical needs. In June 2003, this ad hoc program became CERP, which would allow commanders “to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility, by carrying out programs that will immediately assist the Iraqi people and support the reconstruction of Iraq.” Over time, the CERP program grew from \$300 million to \$500 million, to \$850 million in May 2005.<sup>17</sup>

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15 Curt Tarnoff, *Iraq: Recent Developments in Reconstruction Assistance* Congressional Research Service Report RL31833 (Washington, DC: CRS, October 24, 2003) 2, 6.

16 For details on the CERP program, see Special Inspector General for Iraq Reconstruction, *Management of the Commander’s Emergency Response Program for Fiscal Year 2005*, SIGIR-05-025 (January 23, 2006); Mark Martins, “No Small Change of the Soldiering the Commander’s Emergency Response Program in Iraq and Afghanistan,” *Army Lawyer*, February 2004, 1-20.

17 Special Inspector General for Iraq Reconstruction, *Management*, 1.

The ad hoc nature of post-conflict S&R operations in Iraq has been mirrored in the way the administration and the Congress have dealt with resourcing Iraq policy in Washington. The first, most serious policy mistake was to underestimate the difficulty and therefore the resources that would be needed to meet the challenge. The administration provided no hard estimate for the military and S&R costs of Iraq operations, but public statements tended to suggest the total cost might be less than \$50 billion.

Once the resource implications of Iraq became clear, the normal budgeting process was not used as a channel for managing Iraq-related resource planning. Instead, since 2003, the administration and the Congress have considered resource requirements through a series of out-of-cycle emergency supplemental requests. Virtually all of the \$350 billion allocated for Iraq has been funded in this way. Emergency supplemental requests from DoD have been prepared outside the normal agency budget planning processes.<sup>18</sup> In the case of foreign assistance and diplomatic operations, the initial \$21 billion request from State/USAID was actually drawn up at the CPA in Baghdad, working against a severe deadline and with little budget-quality information.<sup>19</sup>

Normally, the documentation that supports national security budget requests is voluminous, with detailed program descriptions, discussion of program priorities, and details on the ultimate objectives for the program or project. For Iraq, emergency supplemental budget requests rarely provided detailed backup of this kind. Congress, in turn, has held virtually no budget or oversight hearings on post-conflict S&R spending in Iraq. The consequences for the national security budget process are discussed below.

Congress did act to require some detailed reporting on Iraq resource planning. As part of the initial post-conflict S&R approval, Congress required a quarterly report from the State Department describing in detail the categories of spending for which the funds would be used, and reporting on the execution of those amounts. These Section 2207 reports provide the most detail that exists on S&R spending in Iraq, broken down into ten categories. Congress also enacted another important provision, creating the organization which has become the Special

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18 DoD supplemental budget requests have focused on overall requirements for counter-terror operations and Afghanistan, as well as Iraq; Iraq funding has consumed roughly three quarters of such requests.

19 Interviews with members of the working group on national security budget processes.

Inspector General for Iraq Reconstruction (SIGIR), which has been in operation since 2004, and provides some tracking of program execution and problems in the S&R operation.

This brief summary of planning, implementation, and budgeting for Iraq post-conflict S&R indicates why the program has been subject to criticism. Inadequate pre-conflict planning, ad hoc structures for implementation, personnel difficulties and thin budget planning and scrutiny in Washington, all have created serious concern and a sense that some, perhaps a substantial part of the more than \$50 billion invested in security and reconstruction activities may have been wasted, or is at least hard to track.

The consequences of poor planning, shifting needs on the ground, a lack of clear priorities and inadequate administration, have been intense criticism of the program, a failure to create the impact desired in Iraq, and growing realization that some, perhaps even a substantial part of the more than \$40 billion in overall funds from all sources devoted to reconstruction alone have been wasted. Given the inadequacies of reporting, tracking performance and waste is difficult.<sup>20</sup> As the executive branch and the Congress cope with the Iraq experience, a number of lessons can be drawn that may provide guidance for future S&R operations.

### **Preliminary Lessons**

Though the entire story of post-conflict stabilization and reconstruction operations in Iraq has yet to be told, a number of preliminary lessons can be drawn for future S&R planning, budgeting and program implementation. A first important set of lessons involves information, intelligence and planning assumptions, which will drive planning and implementation decisions. A second concerns how the executive branch should be organized to plan and execute S&R operations. A third related set has to do with how the funding for such operations should be integrated into the overall federal budget process. A fourth concerns how Congress can provide effective oversight over S&R funding and programs.

#### *Information, Intelligence and Planning Assumptions*

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<sup>20</sup> The most detailed available reporting on Iraq budgets has been provided by the Congressional Research Service, an agency of the Congress. The greatest detail on actual implementation has been provided by the reports and audits of the Special Inspector General for Iraq Reconstruction, which are available at [www.sigir.mil](http://www.sigir.mil).



Perhaps the most important lesson of Iraq for future post-conflict stabilization and reconstruction operations involves the information, intelligence and planning assumptions that were the starting basis for thinking about what the post-conflict situation might require. Such information and administration assumptions will have a direct influence on how planning and budgeting is done in anticipation of post-conflict operations. The information available to date on the administration's pre-war thinking about post-war Iraq suggests that the failures and problems in implementation were driven, in part, by the assumptions made at the start.

Briefly, there were several key assumptions and judgments about Iraq that drove pre-war planning and budgeting:

- The Iraq operation should be carried out with a minimal number of US forces, relying on technological superiority and the use of “shock and awe” on the Iraqi military.
- The US experience of “nation building” in the 1990s— primarily in the Balkans— had incentivized depending on the US for presence and assistance. This was unacceptable and should not be reproduced in Iraq.
- The United States would carry out the invasion and post-conflict operations with only a small coalition of international support, of which the largest part would be British forces. Reconstruction operations would be small, short-term, Iraqi-led and largely self-funded through oil revenues.

The consequence of making these assumptions and relying on these judgments with respect to Iraq was that planning for post-war Iraq S&R operations was simply not done in the length of time and detail required for effective stabilization and reconstruction to take place.<sup>21</sup>

Although, as Field Marshall von Moltke is said to have observed, no battle plan ever survives contact with the enemy, the absence of a US government plan, driven by these assumptions and judgments, played a key role in leading to the ad hoc, inadequately funded efforts of ORHA and the CPA. The disorganization of the US executive branch and the “on the job” learning curve for organizations responsible for implementation in Iraq might have been avoided, had the

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21 “Bush, Cheney, Rumsfeld, and Tommy Franks spent most of their time and energy on the least demanding task – defeating Saddam’s weakened convention forces – and the least amount on the most demanding – rehabilitation and security for the new Iraq.” Gordon and Trainor, *Cobra II*, 503.

assumptions and judgments been different or had differing views been taken into account in the policy process.

### *Institutional and Planning Issues*

Sound policy implementation, budgeting and oversight over post-conflict S&R programs depend, to some degree, on the clarity and transparency with which the executive branch is organized to plan and execute such programs. As noted, there was relatively little clear structure for planning and implementation of post-conflict S&R operations in Iraq.

Post-conflict experience clearly suggests that some kind of architecture was needed, to shape clear policy goals, plan for budget requirements, oversee execution, and correct the course, as needed. Such an organization needed to coordinate a broad number of agencies, communicate clearly and hold implementers accountable.

Despite the history of S&R operations by the United States, the National Security Council and agency infrastructure has never been well prepared for post-conflict realities.<sup>22</sup> This continued to be true in the case of Iraq. The agency tasked by NSPD-24 to lead the effort—the Defense Department— did not develop a specific architecture for Iraq planning and implementation inside the Pentagon, though it did play a central role in the creation of ORHA and the CPA, both of which reported to the Secretary of Defense. The National Security Council (NSC) did task a Senior Director and an executive group to oversee Iraq policy implementation, but that organization left the planning and implementation tasks to the agencies, especially DoD.

The Iraq experience, combined with Afghanistan and smaller interventions in Haiti, the Sudan, and Liberia, has led to efforts to organize the executive branch more systematically for post-conflict stabilization and reconstruction. Both the DoD and the State Department have been affected, as has the interagency process dealing with post-conflict S&R issues.

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22 “Over the past decade, the United States has made considerable investments in the combat efficiency of its forces...There has been no comparable increase in the capacity of US armed forces or of US civilian agencies to conduct postcombat stabilization and reconstruction operations.” Neither Defense nor State considered S&R to be core missions, leading to ad hoc structures and policies in every successive intervention.. Dobbins, et al., *America’s*, xxviii.

The Defense Department has come to accept the reality that the US military is likely to be called on to carry out post-conflict operations involving security, reconstruction and governance. Defense Directive (DD) 3000.05, issued November 28, 2005, recognizes this likelihood and treats such operations as equal in mission status with combat operations.<sup>23</sup> DD 3000.05 describes S&R missions as “a core US military mission,” which, in the long-term, should “help develop indigenous capacity for securing essential services, a viable market economy, rule of law, democratic institutions, and a robust civil society.” This Directive explicitly recognizes that civilian officials may be best able to perform the tasks of developing local governance, promoting economic activity, rebuilding infrastructure, and developing local capacities, but that the military may have to begin such tasks early in an intervention.

The Directive lays out a path to implement these intentions fully through the DoD policy, acquisition, and budgeting stovepipes. In particular, it instructs the services to make these missions an integral part of training and exercising the forces, and tasks the DoD Comptroller to ensure that the Department’s planning, programming and budgeting process has “addressed the resource requirements for stability operations.” It also instructs DoD to “work closely” with other relevant US government agencies in such operations.

The administration also has recognized that putting stabilization and reconstruction operations under the responsibility of DoD, which was done in Iraq through June 2004, was not effective. As a result, the DoD directive is paired with a National Security Presidential Directive (NSPD-44), of December 2005, giving the State Department responsibility for managing interagency efforts for Reconstruction and Stabilization.<sup>24</sup> NSPD-44 notes the need for a focal point for a more coordinated stability and reconstruction effort by the US government and the related need to coordinate such efforts more closely with military planning and operations in such cases as complex emergencies, failing and failed states, and transitions from peacekeeping and military interventions.

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23 Department of Defense Directive 3000.05, *Military Support for Stability, Security, Transition, and Reconstruction (SSTR) Operations* (Washington, DC: Department of Defense, November 28, 2005), [http://www.dtic.mil/whs/directives/corres/pdf/d300005\\_112805/d300005p.pdf](http://www.dtic.mil/whs/directives/corres/pdf/d300005_112805/d300005p.pdf) (accessed July 19, 2006).

24 White House, “Management of Interagency Efforts Concerning Reconstruction and Stabilization,” *National Security Presidential Directive NSPD-44* (December 7, 2005), <http://www.fas.org/irp/offdocs/nspd/nspd-44.html> (accessed July 19, 2006); This NSPD superseded PDD-56.

NSPD-44 calls for the State Department to lead an integrated US government process preparing, planning for, and conducting post-conflict S&R efforts. This responsibility includes creating a process to identify states at risk of instability or collapse, developing strategies and plans for the US response and ensuring program and policy coordination among agencies. While NSPD does provide for a National Security Council level Policy Coordinating Committee in this area, State is given primary responsibility for coordination with DoD, foreign governments, international organizations and non-governmental organizations for these operations. In particular, the NSPD charges State with the responsibility to “resolve relevant policy, program, and funding disputes” among government departments with respect to S&R operations. Other agencies are to coordinate with State in preparing budgets covering these programs and activities.

The DoD Directive and NSPD-44 clearly represent progress, based on the Iraq experience, though Iraq operations have not been included in the NSPD process. These documents and the process they have created may not, however, be adequate to resolve the issues raised by the Iraq experience.

One set of issues involves the Department of Defense. DoD and the military are being asked to walk a difficult path in the Directive and take on major responsibility for reconstruction and governance, at least at the start of an operation, while ensuring that effective coordination takes place with other government agencies, principally State and USAID. One of the major reasons for making DoD responsible for Iraq post-conflict S&R was a sense that the State Department (and USAID) had not been effective in the Balkans and Afghanistan, reflecting mistrust in DoD that State was capable of coordinating and managing such operations. It is still unclear whether Defense officials believe State is capable of leading, coordinating, and implementing such operations. At the same time as issuing the Directive, DoD has recognized that State may have difficulty raising funds to support its coordinating activity. To cope with this problem, DoD has urged, and Congress approved, making \$200 million in DoD funds available for S&R operations at State.<sup>25</sup> At the same time, DoD has sought, and is slowly being granted, additional authority to carry out S&R activities of its own, including humanitarian assistance, training and equipping

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<sup>25</sup> Section 1206 of the National Defense Authorization Act of FY 2006 makes \$100 million in DoD funds available for each of two years, for transfer to State for “immediate reconstruction, security, or stabilization assistance to a foreign country.” This authority would need to be renewed for subsequent years. Congress, House, National Defense Authorization Act for Fiscal Year 2006, 109<sup>th</sup> Cong., H.R.1815, Sec. 1206. Authority to Build the Capacity of Foreign Military Forces, H12739-13175.

foreign military forces, and engaging more widely in the kind of reconstruction programs funded by the CERP program in Iraq.<sup>26</sup>

There are also continuing issues with respect to the role of State in executing the responsibilities given it in NSPD-44. The State Department created an office of the Coordinator for Stabilization and Reconstruction (S/CRS) in 2004, which was tasked in NSPD-44 as responsible for interagency coordination on post-conflict S&R.<sup>27</sup> The office has been active for the past two years, establishing a process for identifying collapse-prone states, creating a staff of roughly 60 drawn from a number of agencies, developing a planning framework for S&R operations, developing plans for a civilian reserve corps, and planning “pilot project” missions in Haiti, sub-Saharan Africa, Congo, and the Sudan.<sup>28</sup>

There remains concern, however, that S/CRS will not be adequate to all of the tasks it has been given.<sup>29</sup> Internally, the organization ranks relatively low in the overall structure of State, making it unclear how effectively it can coordinate other parts of the department or USAID, or have an influence on internal budget decisions. The role of regional bureaus and country desks, which are major players in State decision-making, has not been specified, nor is it clear how S/CRS responsibilities might relate to such important offices as the newly created Office of the Director for Foreign Assistance, or the office responsible for International Narcotics and Law Enforcement. Other organizations in the foreign policy community continue to jockey for turf, concerned that S/CRS may seek to be a program management and implementation office, in addition to coordinating the interagency effort.<sup>30</sup>

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26 Some of this authority (T&E) was legislated in the FY 2006 authorization act; the remainder is in the legislative process deliberating on the FY 2007 National Defense Authorization Act. These additional authorities were agreed on in the executive branch between State and Defense and provide, generally, for the concurrence of the Secretary of State as decisions are made on specific programs and projects.

27 S/CRS explicitly has no responsibilities with respect to Iraq, Afghanistan or counter-terror operations.

28 A rather complete description of S/CRS activities and programs is available at <http://www.state.gov/s/crs/>; See also “An Interview with Carlos Pascual,” *Joint Forces Quarterly*, 42, no. 3, (2006): 80-85.

29 Interviews with government officials.

30 Interviews with executive branch officials.

It has also been difficult for S/CRS and State to raise the funding for its operations. Budgets for its personnel have been low, limiting the staff size.<sup>31</sup> A two-year effort to acquire a contingency fund of \$75-100 million for initial operations has failed in Congress. And the office continues to struggle with defining and creating a civilian reserve corps that could be available for rapid deployment to another country at the early post-conflict phase of operations.<sup>32</sup>

NSPD-44 represents a minimalist model for interagency coordination, defining tasks and responsibilities without changing the existing structure. In Iraq the Army Corps of Engineers, CERP, USAID (through several offices—the Office of Transition Initiatives, the Office for Foreign Disaster Assistance’s Disaster Assistance Response Teams, and Development Assistance offices), State Department Economic Support Funds, Treasury Department technical assistance programs, and Justice and FBI training programs all pursued separate agendas that were only “loosely coordinated.” To properly integrate the planning, budgeting and implementation machinery, an office like S/CRS would need to have higher status and be significantly better endowed with resources. While S/CRS may make some progress in identifying future states at risk, and in encouraging some pre-planning, as currently envisioned, it will likely lack the strength and resources to change the current way of doing business, which tends to stand up new operations as they appear on the horizon, create ad hoc coordinating mechanisms, and hope the implementation works. The coordination model, especially one run out of one Department, is likely to leave such missions poorly planned and under-resourced.

It is not clear that the civilian coordination and integration responsibility has been put at the right level for effective post-conflict S&R operations. It is difficult to empower one federal department to coordinate the actions of other departments. Asking one department to resolve disputes and budgetary issues with another is often a recipe for stalemate; it is even more difficult if the responsible office is relatively low within the hierarchy of the responsible department. This

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31 Former coordinator Ambassador Carlos Pascual estimates that S/CRS should be funded at \$60 million for personnel and operations, another \$50 million for a civilian reserve corps, and \$200 million for a contingency response fund. Actual funding is \$21 million for personnel and operations, with no contingency fund. “An Interview,” *Joint Forces*: 85.

32 S/CRS has personnel and administrative budget of roughly \$17 million and no contingency funding to start planning operations or conducting early missions. State has requested \$75 million for a Conflict Response Fund that would enable S/CRS to initiate planning in specific contingencies; a similar request for \$100 million in the FY 2006 budget was denied by the Congress.

is particularly true, as the Iraq case suggests, when one is dealing with State and Defense, two of the most powerful agencies in the national security arena. Should the leadership of these agencies be at loggerheads, a situation which clearly obtained during the buildup to the Iraq invasion, there is little hope that one of them can prevail without White House intervention.<sup>33</sup>

History suggests that only the NSC can bring the President's authority to bear over disputing departments, when it comes to national security policy. The importance of the task and the difficulties integrating two or more key agencies' activities (along with the work of dozens of less powerful agencies) may demand a more integrated approach, based at the NSC. Future operations are likely to be considerably more effective if the planning and oversight processes are directly coordinated and institutionalized at the NSC level, which has the experience and authority to resolve interagency disputes. This process could and should be closely linked to the Office of Management and Budget (OMB), which has greater capability than any one department to affect the budget allocation decisions of the agencies.

A model of this kind has been proposed by the Center for Strategic and International Studies, among others.<sup>34</sup> It would create a new Senior Director at NSC and an office responsible for developing Presidential guidance for complex contingency operations, integrating interagency planning, and enhancing civilian agency capacity for planning such operations. Operations would be implemented by the agencies, but the NSC would retain a policy integration and oversight role, while Interagency Crisis Planning teams would be created to develop campaign plans.<sup>35</sup>

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33 "The principle problem of interagency decision-making is lack of decisive authority: there is no one in charge." Gabriel Marcel, "National Security and the Interagency Process," in *US Army War College Guide to National Security Policy and Strategy*, ed. J. Boone Bartholomees (Carlisle Barracks, PA: Army War College, July 2004), 253.

34 Clark Murdock and Michele Flournoy, *Beyond Goldwater-Nichols: US Government & Defense Reform for a New Strategic Era; Phase 2 Report* (Washington, DC: Center for Strategic and International Studies, July 2005). The Lugar-Biden bill passed by the Senate, like the CSIS proposal, would create a directorate at NSC to oversee interagency contingency planning. "Reconstruction and Stabilization Civilian Management Act of 2006," S.3322, 109th Cong., Congressional Record S5394-5397 (May, 26, 2006); Marcell, "National Security," 253.

35 The Clinton administration also made an effort to build on its experience of complex contingency operations through Presidential Decision Directive 56. PDD 56 called for integrated planning of such operations, requiring the development of a political-military plan defining issue that needed to be resolved in advance of an operation and assigning agency responsibilities. The process was to be overseen by the NSC Deputies committee. An Executive Committee would be created for each new operation to supervise day-to-day management of the US role, gather

The foundation for planning, coordination of interagency activity, and policy, legal, and budgetary dispute resolution needs to be established at a more authoritative level than a single department. Should such a structure and process be created, its first task should be to undertake an institutional review of structures, budgets and authorities relating to S&R operations. This process should lead to a proposal for NSC and OMB restructuring to allow timely focus, careful interagency planning, investment in appropriate agency capabilities for such operations, and the redeployment of offices and capabilities to eliminate redundancy and clarify responsibilities. Appropriate distribution of agency responsibilities for S&R should follow from such a review.<sup>36</sup>

### *Implementation Issues*

The Iraq experience exposed a number of implementation issues involving human and fiscal resource decisions that need to be dealt with in any subsequent post-conflict S&R operation. Many lessons were learned the hard way on the ground in Iraq, but are slowly being codified into an agenda for the agencies responsible for planning, interagency coordination and oversight.

The first issue is who or which agencies should have responsibility for implementation on the ground. In Iraq, a bewildering array of organizations had implementation responsibility, working for a series of ad hoc agencies responsible for coordination. What is needed is one clear, institutionalized office, supported by an interagency presence, based either in an embassy or presidential representative, with authority over post-conflict operations and a clear division of responsibility and working relationship vis-à-vis the military commander in the field. This office should be linked to an authoritative dispute resolution organization in Washington.

This office needs to be empowered to make decisions about program priorities, spending and contracting, with tasking being done to the many agencies involved locally. The program officers delivering reconstruction projects for such agencies as USAID, State, Justice, Health and Human Services, and Defense should be accountable to this office. Full use needs to be made of the capabilities already at hand in the US government to implement such programs – particularly the

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together the appropriate agencies, and ensure legal and fiscal issues were resolved. An “after action” review would be done of each operation. PDD-56 was never fully implemented and was superseded by NSPD-44.

<sup>36</sup> For a summary of various reform proposals for the interagency process, see Nayla Arnas, Charles Barry, and Robert B. Oakley, *Harnessing the Interagency for Complex Operations* (Washington, DC: Center for Technology and National Security Policy, National Defense University, Washington, DC, August 2005), [http://www.ndu.edu/ctnsp/Def\\_Tech/DTP%2016%20Harnessing%20the%20Interagency.pdf](http://www.ndu.edu/ctnsp/Def_Tech/DTP%2016%20Harnessing%20the%20Interagency.pdf) (accessed July 19, 2006).



USAID capabilities housed in the Office of Transition Initiatives and the Disaster Assistance Response Teams (DART) experienced in humanitarian and disaster relief.<sup>37</sup>

Human resource issues are a second important problem exposed by the Iraq experience. It was extraordinarily difficult to recruit civilian personnel to serve in Iraq, the time in service in-country was highly variable, private personnel contracting was difficult, security for civilian personnel was a major problem, the right skill sets were not always available, and inexperience was common on the CPA staff. All these problems spilled over into lack of efficiency in operations and effectiveness of performance for the CPA.

Virtually every study and directive concerned with future S&R operations has focused on the human resource problem, calling for better and different staff training and education at civilian agencies, the creation of a “surge capability” such as a reserve corps of civilian specialists that could be rapidly deployed to post-conflict areas, flexibility in hiring and contracting rules for personnel, greater inter-agency coordination on personnel policies and human resource regulations (including some form of joint service for personnel likely to be involved in post-conflict operations), and planning for security for civilian personnel.<sup>38</sup> Defense has now focused on training and exercising personnel for S&R operations (Directive 3000.05) and S/CRS is developing a concept for a civilian reserve corps, which is supported by the Lugar-Biden bill pending in Congress. These actions, while important, will not provide near-term solutions to the personnel problem.

A third issue is flexibility of funding and contracting mechanisms. As noted, the provision of appropriated funds for post-conflict Iraq S&R was slow, due in large part to the failure to anticipate the requirements. While DFI funds filled the gap and could be used flexibly, questions

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37 Ibid., 20; and Diamond, *Squandered Victory*, 104, contrasted OTI with its parent organization (AID): “leaner, more adaptive, and more rapid...not afraid to take risks...could make grants quickly,...without the usual ponderous trail of approvals.”

38 Murdock Flournoy, *Beyond Goldwater-Nichols*; Defense Science Board, *Transition to and from Hostilities*; Department of Defense Directive 3000.05, *Military Support for Stability*; White House, *National Security Presidential Directive NSPD-44* (This NSPD superseded PDD-56 NSPD-44), all pay attention to this issue; In particular, the Special Inspector General for Iraq focused his first lessons learned report on human resources; Special Inspector General for Iraqi Reconstruction, *Iraq Reconstruction: Lessons in Human Capital Management* (January 2006), 30; This report described CPA as a “pickup team” with high turnover.

were raised about the accountability with which these funds were contracted and spent. In addition, cumbersome federal spending and contracting practices seriously slowed the delivery of appropriated funds, creating a substantial lag between the time the funds were made available and their actual obligation to a project.

As a consequence, considerable attention has been devoted to both flexibility and accountability in funding.<sup>39</sup> The Special Inspector General for Iraq Reconstruction recommends greater flexibility in the uses of contracting rules, a more clear definition of program requirements, the use of flexible funding instruments, and greater attention to long-term costs of projects and their sustainability by the receiving government. Flexibility is a key consideration. The CERP program appears to have combined flexibility and accountability successfully, allowing rapid delivery of local projects.<sup>40</sup> Similar initiatives such as the Accelerated Iraq Reconstruction Program (AIRP- developed by the CPA) and the Rapid Contracting Initiative for the electricity sector also seem to have dealt with the need for flexibility, and deserve further study and possible institutionalization.

Along with flexibility comes accountability. A number of questions have been raised, based on the Iraq experience, about the accountability for spending and contracting. In part to deal with this problem, the assistance appropriated in the fall of 2003 was left in the hands of OMB to “apportion” to the appropriate agencies. Congress also required regular reporting on the functional allocations of this funding by the CPA, through the 2207 reports, and created the Special Inspector General for Iraq Reconstruction to audit the spending. There remains concern, however, that data systems have not been created to track expenditures and that contracts and fiscal reporting mechanisms are slow or non-existent.

The precedent of the SIGIR is a good one that could be institutionalized more generally. In addition, it will be important to ensure that trained contracting personnel deploy with any local office responsible for post-conflict S&R operations, to ensure proper contracting practices.<sup>41</sup> In addition, it will be critical to create clear and timely reporting requirements from the local S&R

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39 Celeste J. Ward, *The Coalition Provisional Authority's Experience with Governance in Iraq*, Special Report 139 (Washington, DC: US Institute of Peace, May 2005) 11.

40 Martins, “No Small Change,” 15.

office to the executive branch and the Congress, permitting appropriate oversight over S&R programs and projects.

### *Flexible Spending Authorities*

One issue which connects implementation and broader federal budget considerations is the flexibility with which the Defense Department can conduct programs that would normally fall under the authority of the State Department. Operations in Iraq, as well as in Afghanistan and against terrorist organizations, have brought the military more centrally into the arena of foreign assistance than ever before. As a result, the Department of Defense has been seeking a broad expansion of its authority to carry out foreign assistance-like programs directly.

DoD has moved in this direction in part to acquire the capacity to act directly in support of post-conflict S&R and counter-terror operations without seeking State Department approval, as is required under the Foreign Assistance Act for such programs as Foreign Military Financing. The result has been a growing effort to redefine and, to some extent, reallocate the authority to carry out S&R and security assistance activities between State and Defense. In virtually every emergency supplemental budget request, DoD has sought to expand its authority to support friendly and allied governments for contributions to counter-terror operations and for training and equipping non-American forces for such operations, in Iraq and elsewhere—without invoking State Department authorities. The result has been a persistent tug-of-war between State and Defense over what State has seen as an erosion of its prerogatives under the Foreign Assistance Act.

In the FY 2006 National Defense Authorization Act, DoD did receive new authority, allowing the President to direct the Secretary of Defense to support (through training, equipment and supplies) building the capacity of other country's militaries to conduct counter-terrorist operations or to "participate in or support military and stability operations" in which US forces also participate. The Secretary of Defense was to jointly formulate such programs with the Secretary of State, and coordinate with State in the implementation of the program. Defense could draw on up to \$200 million of its defense-wide operating and maintenance budgets to fund such programs.<sup>42</sup>

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42 National Defense Authorization Act for Fiscal Year of 2006, HR.1815, 109th Cong., Section 1206 (April 26, 2005): H12739-13175. This Act also asked the President to report to Congress in a year on changes that might be needed to the Foreign Assistance Act of 1961 to facilitate building the capacity of foreign governments and militaries to support such

In its legislative proposals for FY 2007, Defense has sought to expand on this authority and add others. These proposed changes were made with the agreement of the Secretary of State, who is generally required to “concur” in DoD actions under the authorities. The Section 1206 authority provided in the FY 2006 bill would be expanded to allow training and equipping programs to build capacity in a broad cross-section of allied or coalition forces—military, gendarmes, internal defense, civil defense counter-terror and border protection. DoD would be authorized to carry out such programs directly, or it could transfer up to \$750 million from any DoD operating funds to State or any other agency for this purpose.

In addition, DoD is seeking authority to allow using up to \$100 million from DoD operating funds, with the concurrence of the Secretary of State, to provide logistic support, supplies and services to allied forces in a wide range of contingencies, including peacekeeping, S&R, and humanitarian relief. Another proposal would allow DoD to transfer military equipment and communications to allied forces. Still another would allow DoD to use operating funds to allow commanders to respond to urgent humanitarian relief or reconstruction requirements to benefit the local populace, up to \$550,000 per case, with the concurrence of the Secretary of State, which would effectively institutionalize and broaden the application of the CERP program.<sup>43</sup>

These issues of authorities and funding flexibility could help solve some of the rigidities and inflexibilities of the current, stove-piped budgetary system, which hamper counterterrorism and S&R operations. The Defense proposals recognize an important reality: Congress is reluctant to provide significant funding and flexible contingency authority to the State Department for S&R operations. The compromise would be for Defense to be provided the funding and the authorities, as long as decisions require the concurrence of the State Department.

Some in the State Department see this compromise as a gradual erosion of State authorities over foreign assistance, with long term implications for the Secretary of State’s ability to direct US foreign relations overseas. Others worry about orienting significant foreign assistance funds

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operations, including the resources and funding mechanisms that might be needed to ensure adequate funding for such programs. This report has not been submitted as of May 2006.

43 Grants could go above \$500,000, but would then require the approval of the Secretary of Defense.

more toward military purposes and operations, at the cost of investment in government capacity-building more broadly.

It seems clear that the current capabilities and structures of the State Department are not yet ready to take on the full civilian planning function that S&R operations demand. As long as such missions are being carried out, funding and capabilities are more abundant at DoD, even though the Iraq campaign has highlighted severe limitations in what Defense is capable of doing in the areas of reconstruction and governance. A fully capable State/USAID, that can plan, fund and carry out S&R operations may be years away and will require substantial cultural changes in the State Department (greater training and capabilities for program operation) and USAID (greater focus on ability and government capacity-building).<sup>44</sup>

### *Budgetary Issues*

The Iraq experience, combined with Afghanistan and broader counter-terrorist operations, has raised significant issues for federal budgeting for national security. These issues include the adequacy of national security budget resources, their location in appropriate agencies, the discipline and transparency of internal and cross-agency resource planning processes, and problems of oversight and reporting.

The first fundamental budget question is whether the US government budgets adequately, and in the right places, for post-conflict contingency operations. It is clear that, in the Iraq case, the government did not. Actual funding for Iraq operations, following open combat, has fallen far short of the requirement. On the military side, operations over the past three years have substantially surpassed expectations, due to a longer and larger presence, the insurgency and instability in Iraq and wear and tear on equipment. There continue to be problems to the present day, including the expectation by the Army and the Marine Corps that resetting the force with overhauled and new equipment will cost substantially more than currently projected budgets.

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44 Secretary Rice's focus on "transformational diplomacy," announced in January 2006 includes greater attention to training foreign service officers for program management and delivery, consistent with this goal of cultural change. "Transformational Diplomacy," fact sheet, US Department of State, January 18, 2006, <http://www.state.gov/r/pa/prs/ps/2006/59339.htm> (accessed July 19, 2006).

On the civilian side, reconstruction funding has fallen far short of the need and little in the way of additional funds is expected from the Congress.<sup>45</sup> As the Defense Science Board put it, only eighteen months after the end of Iraq combat, “We have learned to provide adequate resources for ‘as long as it takes’ for combat, but we often don’t provide adequate resources for a sufficient period for stabilization and reconstruction.”<sup>46</sup>

No conflict plan can accurately anticipate the exact funding requirement for a war and its aftermath. Adequate budgeting for post-conflict S&R, however, could be estimated. The first requirement would be to provide adequate funds for the civilian capability needed to plan and put in place the capability to respond to a post-conflict S&R need. As already noted, these funds, largely for staff, civilian reserves, and planning office operations, have been hard to obtain from the Congress. Equally important is providing adequate funds to permit early-entry operations in a failing state or invaded state. These are contingency funds, by their very nature, since no system can accurately predict where the next post-conflict operation is likely to take place. As noted, contingency funding for State or any other civilian response capability has been hard to raise in the Congress. The US clearly does not budget adequately to allow appropriate advance preparation and initial response.

The consequence of erroneous projection of the requirement and need for a reactive response has led to the second major budgetary issue growing out of Iraq operations: the continuing use of emergency supplemental budget requests, at very high dollar levels. The consequence of repeated reliance on emergency supplementals has been a serious breakdown in the federal budget process, both in the executive branch and the Congress. Budget discipline in national security—meaning the provision of detailed justifications for budget requests, pushed through a normal agency budget process, and given adequate oversight by the White House and the Congress—has been seriously eroded by Iraq, Afghanistan, and counter-terror operations.

For Defense, the need to respond to the attacks of 9/11, the Afghanistan campaign and the Iraq war seriously compressed the timing for defense budget decisions, leading to an internal DoD budget planning process that ran parallel to and bypassed the normal DoD resource planning process. The first national security emergency supplemental, for \$40 billion requested a month

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45 Joel Brinkley, “Give Rebuilding Lower Priority in Future Wars,” *New York Times*, April 8, 2006.

46 Defense Science Board, *Transition to and from Hostilities*, 8.

after the 9/11 attacks, had no program justification and, because of the pressure of events, was appropriated by the Congress in record time. As operations continued in Afghanistan and then in Iraq, budgeting through emergency supplementals became the norm for DoD. The normal budget continues to be submitted to the Congress, but parallel requests amounting to nearly 25 percent of all DoD funding between FY 2003 and 2006 have been submitted off schedule.

The DoD has argued that it cannot accurately predict future Iraq costs and will continue to need funding on an emergency supplemental basis to cover requirements in a timely way. The Department points to past experience, when wartime costs have been unpredictable and required rapid, supplemental funding. However, in past conflicts, supplemental or unbudgeted funding has generally only been supplied at the start of a conflict, with budget requests reverting to normal budgetary planning channels by the second or third year.<sup>47</sup>

The distinction between the regular DoD budget request and these emergency supplemental requests has become increasingly blurred. As the Iraq operation continues, equipment that has been heavily used requires repair and replacement. The result is a growing emergency supplemental request for procurement dollars to repair and replace the equipment. It is increasingly unclear how much of that replacement is Iraq war-driven and how much may simply be an acceleration of procurement plans the services already had in place, which would have normally appeared in the regular defense budget request.

The relationship between Iraq and broader plans to restructure the Army are also unclear. Until FY 2007, the Army was seeking “modularity” funding through the emergency supplemental route, justified by the need for autonomously operating brigades in Iraq. On the other hand, this modularity was a predictable, long-term planning and budgetary process for the Army and not an emergency, so it might have been included in the normal budget. Over time, the grey area between the regular, systematic DoD budget planning process and the emergency supplemental process has been growing.

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<sup>47</sup> Stephen Daggett, *Military Operations: Precedents for Funding Contingency Operations in Regular or in Supplemental Appropriations Bills*, Short Report RS22455 (Washington DC: Congressional Research Service, June 13, 2005).

The danger for national security budget discipline is that budget planning in DoD for emergency supplementals does not go through the same process as the regular budget. Supplementals tend to be planned at a high level, in the Office of the Secretary of Defense, rather than through the services programming processes. They move quickly through the DoD process, are reviewed quickly and not in detail at OMB, and are transmitted to the Congress. Congress, as noted below, gives these requests considerably less scrutiny than they do the normal budget. In DoD, this process can create a strong temptation to game the budgetary system, putting in the less scrutinized supplemental service requests that might have been trimmed in the normal resource planning process.<sup>48</sup>

The same problem exists, on a smaller scale, for the State Department, USAID and the foreign policy agencies. Including the FY 2006 emergency supplemental, between Iraq and Afghanistan, over \$36 billion in foreign assistance, embassy construction and operations have been provided, over 75 percent of it for Iraq.<sup>49</sup> Normally, annual foreign assistance requests would range from \$18-20 billion a year. Here, too, emergency supplemental budget requests are not subject to the same detailed program scrutiny regular budget requests receive, leading to thinly articulated justifications and unclear definitions of budget priorities. The practice is even more risky for the international affairs agencies, as the Defense Science Board notes, since members of Congress have less appetite for continuing to fund these programs over time than they have for supporting forces deployed in the field.

This breakdown in budget discipline will take time to repair. For DoD, it will require returning most budget decisions to the normal process. This can now include substantial parts of Iraq spending, as troop levels and pay are relatively predictable, as is the rate at which equipment is being used, repaired and replaced. Should deployments shrink, the net result is a savings, which can be reflected in future budget requests. For foreign affairs, the correction will involve putting Iraq, Afghanistan and other counter-terror spending into the normal budgetary mix and setting priorities for overall spending before budgets are transmitted to OMB.

Congress has begun to focus on the issue, as members note the use of supplementals for DoD and seek a more fully justified and disciplined process. The Senate version of the National Defense

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<sup>48</sup> Interviews within Congress and the executive branch.

<sup>49</sup> Amy Belasco, *The Cost of Iraq*, 12; Since then \$4 billion in International Affairs spending has been added.



Authorization Act includes a requirement that, starting in FY 2008, the President's budget "shall include a request for funding for such fiscal year for ongoing military operations in Afghanistan and Iraq," an estimate of all funds needed for that year, and a detailed justification.<sup>50</sup>

Discipline on the planning end of the budget also needs to be matched by oversight on the execution end. As noted, however, reporting on budget execution for Iraq is intermittent and incomplete. The allocation of foreign assistance programs is reported regularly, but not their execution. The Defense Department has failed to respond to the requirement to report on Iraq, Afghanistan and counter-terror costs and to estimate future costs legislated in three different statutes. In addition, such data as exist on DoD obligations for the war are inconsistently defined and exclude some costs, making them hard to track.<sup>51</sup>

A broader budgetary implication of the war in Iraq, as well as Afghanistan and counter-terror, is the constraint these operations necessarily put on other national security spending and federal spending in general. Despite the use of emergency supplementals, these operations have potential consequences for future resources available to the Defense Department, the foreign affairs agencies and to the federal budget. At DoD, continual growth in spending for Iraq is already constraining resources that may be needed to execute programs focused on defense transformation—the technologies that will magnify combat capabilities in the future. Manpower and operating costs in Iraq (and elsewhere) are digesting resources at a rate approaching \$10 billion per month. If there are overall constraints on future defense budgets and this spending rate continues, future resource planning could be severely compromised.

The same stress could be felt in the foreign affairs agencies. Resources for crises such as Darfur, the tsunami, or the Pakistan earthquake are difficult to obtain. There is little stretch or internal flexibility inside existing foreign affairs budgets, so these emergencies tend to require emergency supplemental funding. Iraq costs, both in personnel and in assistance resources, are consuming a growing proportion of overall foreign affairs spending and are not always well integrated into

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50 This amendment was introduced by Sen. McCain, supported by the Chair and Ranking Member of the Armed Services Committee (Sens. Warner and Levin), and the Chair of the Budget Committee (Sen. Gregg) among others. Senate Amendment, "Levin Amendment," amendment 4320 to S. 2766, National Defense Authorization Act for Fiscal Year 2007, 109th Congress, 2nd sess., June 22, 2006.

51. Amy Belasco, *The Cost of Iraq*, 1, 31-32.

ongoing foreign assistance operations. As Congress presses for a more integrated approach to foreign affairs budgets, the State Department may well find itself pushed to reduce other spending in order to accommodate demands for Iraq and related funding.

This budgetary pressure is amplified in the federal budget as a whole. Iraq spending continues to be high, as do intelligence and homeland security budgets. There also has been significant growth in Medicare, education and transportation costs. The result has been rapid growth in the federal deficit and national debt. While deficits are projected by OMB to decline in future years, these projections are based on current legislation, not taking into account the costs of reform in the Alternate Minimum Tax and the extension of current tax cuts. Nor do they include long-term projections for Iraq and related spending, which are budgeted year-by-year. As deficit pressures grow, the politics of deficit reduction have begun slowly to reappear, with potential consequences for other federal spending. For example, under the spending ceilings proposed by the administration for FY 2007, which protect projected growth for national defense, domestic spending over the next five years would be forced to decline by \$152 billion from the Congressional Budget Office (CBO) current services baseline.<sup>52</sup>

#### *Congressional Budgeting and Oversight*

Through its oversight, legislative, and budgetary responsibilities, Congress is an important part of the post-conflict S&R equation. Problems in Executive branch planning, organization, budgeting and implementation could be addressed, in part, through congressional scrutiny of policies and budgets. Over the past four years, however, Congress has held few committee hearings on Iraq, influenced perhaps by unitary government and a reluctance to appear to be undermining troops deployed in the field. In addition, while Congress has been willing to support budgets for the military, there is a widespread reluctance among members to commit additional funding to foreign affairs in general, or to post-conflict S&R operations in the State Department in particular.

The result has been minimal attention to proposals that address post-conflict S&R requirements through changes in the executive branch. One exception is the Lugar-Biden bill, which would

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<sup>52</sup> Center on Budget and Policy Priorities, *Five-Year Discretionary Caps Would be Unwise at this Time* (Washington, DC: Center on Budget and Policy Priorities, March 27, 2006), <http://www.cbpp.org/3-27-06bud2.htm> (accessed July 19, 2006).

create a slightly different version of NSPD-44 (a State S/CRS lead), authorize \$100 million a year for operating funds for State S/CRS, and authorize a readiness response corps and reserve to support civilian deployments for S&R operations.<sup>53</sup> With the support of the Chair of the Senate Armed Services Committee, this bill passed the Senate in May 2005. Rep. David Drier has introduced a different bill in the House that would create an Undersecretary of State for Overseas Contingencies and Stabilization, a civilian overseas contingency force, a joint task force at NSC for stabilization, reconstruction and contingency operations, and a support fund for these activities at State (to be offset by reductions in foreign assistance programs). There has been no action on the Drier bill.<sup>54</sup>

Congressional oversight of Iraq operations also has been rare, neither the Foreign Relations nor Armed Services Committees have devoted significant attention to the conduct of the war itself. Only the appropriating committees have been engaged in a sustained way on these issues, but both regular and emergency supplemental budget requests move through the process with little scrutiny of Iraq spending. Congressional appropriations staffers have noted, privately, that they see the emergency supplemental budget process as weakening overall defense budget discipline.<sup>55</sup> The foreign assistance and State operations budget requests for Iraq receive attention from committee staff, but rarely from members. In general, both authorizers and appropriators are uneasy about the wisdom of expanding DoD authority to conduct foreign assistance activities. They are, however, equally leery of providing the State Department with increased funding, particularly contingency funding for post-conflict S&R.

Relative inattention, minimal oversight, budgetary reluctance, and institutional skepticism in the Congress pose major problems for dealing with post-conflict stabilization and reconstruction operations long-term. One underlying issue is that the committees in Congress that legislate and oversee defense and foreign affairs rarely communicate as committees and almost never hold joint hearings. Yet the issues of authorities and accountability, which cut across agencies in the executive branch, also cut across the structure of Congress.

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53 Stabilization and Reconstruction Civilian Management Act of 2004, S. 2127, 108th Cong., (March 18, 2004): S108-247.

54 International Security Enhancement Act of 2005, H. R. 1361, 109th Cong., 1st sess., (Mar 17, 2005).

55 Bipartisan source on the Hill have described the defense budgeting and appropriations processes as “bankrupt,” as a result of the supplemental process. Confidential interviews.

This is especially apparent in the case of Iraq and post-conflict S&R. Congress simply cannot legislate or conduct oversight on S&R programs without stumbling across the relationship between Title 10 of the US Code (which governs the Defense Department) and Title 22 and the Foreign Assistance and Arms Export Control Acts (which govern State and the foreign affairs agencies). At the very least, joint oversight and legislative hearings are needed to deal with this relationship as it appears in new legislative proposals. If nothing else, such hearings would inform committee members and staff about the relationship between the two departments and the importance of strengthening foreign affairs capabilities as one tool to lessen the S&R burden on the military.

The same lack of communications exists, even more rigidly, with the appropriating committees. Once the Appropriations Committee Chair has allocated funds to the appropriations subcommittees, the subcommittees do not regularly interact. Three subcommittees deal with defense funds—Defense, Military Quality of Life and Veterans Affairs (House) or Military Construction and Veterans Affairs (Senate), and Energy and Water. For foreign affairs funding, there is one major subcommittee in the Senate (State, Foreign Operations), but two in the House (Foreign Operations and Foreign Operations, Export Financing). The appropriations subcommittees will need to be in communication on the fiscal and budgetary issues that cut across agencies over which they have jurisdiction, or it will be difficult for executive branch reform to be effective.

Ultimately, the challenge will be to sustain Congress's attention on post-conflict S&R operations. The Congressional attention span is limited. An issue like post-conflict S&R can come and go, but is unlikely to be sustained, which raises serious questions about Congressional support for long-term post-conflict programs. Policy failures, such as those seen in the first two years in Iraq, will further erode Congressional interest in providing additional support or contingency funding to agencies with what is seen as an uneven track record.

### **The Path Ahead**

Regardless of the wisdom of the decision to invade Iraq, planning and implementation for post-conflict stabilization and reconstruction have been severely flawed, with major consequences for policy success. It is important to cull the lessons from the Iraq experience and to apply them to future operations, lest each be treated as a one-off, reproducing the same flaws and discovering new ones.

A lessons-learned exercise, focusing on planning, resource allocation, implementation and evaluation is critically needed, in an atmosphere free of partisan or political judgment, lest the only lessons learned be that one party or the other is at fault. Effective future planning and resource allocation for such exercises will depend on the fairness and truthfulness of that evaluation.

Second, reporting needs to be an early reform in approaching such exercises in the future. In the rush to implement, DoD has been left virtually free of reporting requirements, while State/USAID reporting is incomplete. Evaluation, none of which is provided today, needs to be included in that requirement. Without accurate reporting and evaluation, agencies will remain forever critical and mistrustful of each others' capabilities and unwilling to coordinate or integrate operations. Without accurate and transparent reporting, congressional mistrust of the executive branch will guide responses to the request for greater flexibility and agility in planning and funding mechanisms.

Third, a way needs to be found to create and empower planning mechanisms that truly integrate executive branch capabilities and allow the government to anticipate future contingencies. These planning mechanisms need to be institutionalized and provided with adequate authority to make programmatic and budgetary trade-offs in advance of a post-conflict stabilization and reconstruction operation. The executive branch needs to have flexible and agile mechanisms that allow resources, human and fiscal, to move swiftly into an S&R operation. These need to be created in dialogue with the Congress, to reassure the latter that information and accountability will be adequate for their oversight and legislative tasks.

America cannot avoid being engaged in the 21<sup>st</sup> century world. The key to success in that engagement will be the way in which it takes place. It is important to remember that the best planning in the world will not survive in a country whose population does not want US forces and civilian agencies to enter or stay. Therefore, the most critical decisions will involve the use of force and the speed, effectiveness and responsiveness with which post-conflict programs are resourced and implemented—to stabilize, provide assistance, bring order, and ensure security. Having tools in the national security toolkit that are flexible, agile, effective and realistically focused will be an important part of that engagement. Iraq demonstrates at least that such tools—for planning, resource allocation, and execution – are not in place and are badly needed.