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Strengthening Statecraft and Security

Reforming U.S. Planning and Resource Allocation

Cindy Williams and Gordon Adams

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Chapter 1 Introduction

The U.S. government spends roughly three-quarters of a trillion dollars annually on foreign affairs and security. Unfortunately, the nation is not getting its money's worth for that investment. Part of the fault can be found in the organizations, processes, and tools that surround planning, resource allocation, and budgeting for national defense, homeland security, and international affairs in the executive branch and Congress.

Sound planning, resource allocation, and budgeting arrangements can help leaders to ensure that programs support national policy goals and to orchestrate the activities of diverse federal entities. Unfortunately, today's weak and outdated arrangements for planning and resource allocation prevent leaders from adequately addressing the challenges they say are important.

For example, leaders on both sides of the political aisle say that a nuclear weapon in the hands of an international terrorist group is one of the gravest threats the nation faces. The United States spends more than $1 billion annually on programs to prevent trafficking in nuclear materials or weapons and to help Russia and other countries secure their nuclear materials and expertise. Such efforts cut across multiple offices within the Departments of Defense, State, Energy, and Homeland Security.

Unfortunately, the effectiveness of such efforts is undercut by a lack of coherence that begins with the way resources are allocated. In recent years, the Department of State purchased and fielded multiple sets of equipment to detect nuclear materials at foreign borders, only to find later that the Department of Energy (DOE) had developed similar equipment that was far more capable. The Departments of Defense and State are each managing their own separate programs to keep Russian scientists from selling their nuclear or biological weapons expertise on the open market. The departments get money for these efforts through multiple channels in the White House and separate committees of Congress, and the programs come together only at the level of the president. As a result, programs are sometimes uncoordinated until the individuals who must implement them meet up at the U.S. embassy in Moscow.

Similar problems plague U.S. foreign assistance efforts. Strengthening weak and failing states is a major policy priority for the administration. Yet the responsibility for foreign assistance budgets is so dispersed across organizations that duplication, waste, and missed opportunities are endemic.

Today's processes also result in gaps in important areas. For example, the Bush administration has made defense against bioterrorism a key policy priority. One important way to ward off future biological threats is to work with other countries to develop and enforce international regimes like the biological weapons treaty. Yet the State Department lacks money for relatively inexpensive efforts to strengthen international verification procedures to prevent the manufacture of pathogens abroad and keep them out of terrorist hands. Moreover, the Department of Homeland Security (DHS) lacks basic tools to avert panic and garner public cooperation in the face of a natural or deliberately spread epidemic.

Today's budget processes can also lead to redundancies in efforts. For example, the Department of Health and Human Services (HHS) and DHS are each building new maximum containment facilities to house research on countering biological weapons. The lack of a top-down plan for the

use of such facilities risks duplication among efforts at those laboratories and the existing laboratories of HHS and the Department of Defense (DOD).

Sound organizations, processes, and tools are not a substitute for leadership. Capable leaders can enforce their priorities and unify the efforts of multiple organizations even when such arrangements are weak, and poor leaders can subvert even the best processes. Moreover, when much of what passes for strategy is actually political rhetoric, budgetary outcomes may well reflect genuine priorities even if those outcomes differ from articulated policy.

That said, effective planning, resource allocation, and budgeting arrangements can give leaders reliable information about the multi-year costs and consequences of the policy choices they face. Such arrangements can reveal gaps that need to be filled, pinpoint wasteful duplication, and identify efforts that would benefit from consolidation or close coordination. In other words, these organizations, processes, and tools can help leaders establish control over genuine priorities and pull the activities of competing organizations into a cohesive whole.

This report looks at the arrangements planning, resource allocation, and budgeting for U.S. security and statecraft. It identifies crucial problems and offers recommendations for reform within the departments and agencies of the executive branch, in the White House, and in Congress. The report examines the processes through the lens of four cases: the effort to counter biological threats and prepare for disease pandemics; programs to counter nuclear terrorism; international security assistance; and post-conflict stabilization and reconstruction in Iraq since the end of the initial combat phase in May 2003.

The remainder of this chapter explores the mismatch between today's resource allocation and budgeting arrangements and the international and security challenges the United States faces. It briefly describes some of the types of problems inherent in current processes. The chapter ends with an overview of the report and a brief introduction to the case studies.

The Situation Today

The end of the Cold War and the events of September 2001 brought marked changes in the security environment the United States faces and the portfolio of missions for acting on the world stage and making the nation secure. This section highlights where we stand today in those areas.

Security Environment and Missions

With the end of the Cold War, the United States became the world's only superpower. The rise of a peer competitor appears to be a concern of the future rather than the immediate present. Instead of the peaceful world some observers envisioned during the early 1990s, however, the nation now faces complex challenges that stem from the rise of international terrorism, the potential proliferation of nuclear and biological weapons, ethnic conflicts and civil wars, and failing states.

For the institutions of federal government that safeguard the nation and advance its interests abroad, the changed security environment translates into altered and expanded missions, including homeland security, counterterrorism, and post-war stabilization and reconstruction. Such missions typically require the participation and close cooperation of multiple departments and agencies. Homeland security, for example, requires the coordinated efforts of the State Department to enlist the cooperation of allies in intelligence gathering and law enforcement, the

intelligence community to gather and assess information, federal law enforcement agencies like the FBI, aviation and border security agencies, FEMA, and the military. Similarly, stabilization and reconstruction require coordinated effort by the Departments of Defense and State, U.S. Agency for International Development (USAID), the Department of Justice, HHS, and others.

National Security Strategies

Reflecting the changes in the national security landscape, the nation's leaders have overhauled national security strategy.[1] A far cry from "deterrence and containment" of the Cold War era, the national security priorities articulated in today's strategy documents include disrupting and destroying terrorist organizations, preventing the proliferation of nuclear and biological materials and know-how, helping other countries to reform their political and economic institutions, protecting critical infrastructure in the United States, and preparing to manage and ameliorate the consequences of potential terrorist attacks. Current White House strategy documents portray the prospects for international order and U.S. security as deeply intertwined with the advancement of free markets, free trade, and democratic institutions around the globe. They call for employing "the full array of political, economic, diplomatic, and other tools at our disposal."[2]

Budgets for Security and Statecraft

Including the costs of the wars in Iraq and Afghanistan, federal budgets for security and foreign affairs have more than doubled since the terrorist attacks of 2001 (see Table 1.1). After adjusting for inflation, they have grown by about 70 percent. Even base budgets, which exclude war costs, have grown by about 40 percent in real terms.

Table 1.1: Budgets for Security and Foreign Affairs
Budget Authority in Billions of Current Dollars

	FY 2001[a]	FY 2008 Estimate	FY 2009 Request[c]
National Defense			
Excluding Iraq and Afghanistan	318	507	541
Iraq and Afghanistan	0	189[b]	70
Total National Defense	**318**	**696**	**611**
Homeland Security			
Total Homeland Security	17	65	66
Homeland Security Spending in DOD	4	17	18
Homeland Security Net of DOD	**13**	**48**	**49**
International Affairs	**20**	**39**	**38**
Total	**351**	**783**	**698**

Sources: Author's calculations based on Office of Management and Budget, Congressional Budget Office, and Congressional Research Service documents.
Notes:
Totals may not add due to rounding.
[a] Fiscal year (FY) 2001 figures exclude post-9/11 emergency supplemental appropriations.
[b] The administration requested $189 billion in war funding for 2008; as of May 22, 2008, Congress has appropriated $87 billion of that.
[c] The administration included with the FY 2009 base budget an unallocated bridge estimate of $70 billion in war funding, included here. Secretary of Defense Robert M. Gates indicated in congressional testimony that the total war budget for FY 2009 might be about $170 billion. Using that figure would add $100 billion to the FY 2009 estimate for national defense and to the FY 2009 total.

Federal budget pressures related to the rising costs of health care and the imminent eligibility of large numbers of baby boomers for retirement may prevent continued growth of budgets for security and foreign affairs. Many observers believe that concerns over short-term deficits, as well as anticipated long-term structural imbalances between federal spending and revenues, will compel congressional and executive branch leaders to reduce future budgets. In such a fiscal environment, getting the most out of every dollar spent on statecraft and security will be crucial.

Within the federal budget, most of the spending for the military and foreign affairs is aggregated into two major categories, called budget functions. The national defense budget function (assigned the number 050 in the federal budget, and often referred to as the 050 budget) pays for most activities of the DOD, the nuclear weapons activities of the DOE, and some defense-related programs in other federal departments. The international affairs budget (the 150 budget) includes spending for the conduct of diplomacy and other activities of the State Department, much of the nation's foreign assistance and international security assistance, educational and cultural exchange programs, and foreign broadcasting through media such as the Voice of America.[3]

No single budget function accounts for homeland security. Even after the creation of DHS, six other federal departments each spend more than $500 million annually for homeland security (see Table 1.2). On the other hand, DHS is responsible in many areas that are not homeland-security related, for example maritime safety programs in the Coast Guard. In the president's budget request for fiscal year (FY) 2009, about half of all federal spending for homeland security falls within DHS, while only about 65 percent of the DHS budget is homeland-security related.[4]

Table 1.2: Homeland Security Funding by Agency
Budget Authority in Billions of Current Dollars

Homeland Security Funding	**FY 2008 Estimate[a]**	**FY 2009 Request**
Department of Homeland Security	32.7	32.8
Department of Defense	17.4	17.6
Department of Health and Human Services	4.3	4.5
Department of Justice	3.5	3.8
Department of State	2.0	2.5
Department of Energy	1.8	1.9
Department of Agriculture	0.6	0.7
National Science Foundation	0.4	0.4
General Services Administration	0.4	0.1
Other Agencies[b]	1.9	2.0
Total, Homeland Security Funding	64.9	66.3

Source: Budget of the United States Government, FY 2009, *Analytical Perspectives* (Washington, DC: The White House, February 2008), Table 3-1.
Notes: Totals may not add due to rounding.
[a] Includes funding in FY 2008 emergency supplemental appropriation request.
[b] Includes those agencies whose FY 2008 budgets are less than $0.3 billion.

Beginning in 1999, Congress required the White House to report annually on total federal spending for homeland security and combating terrorism. For several years, OMB prepared stand-alone reports on such spending. More recently, in the absence of an integrated budget function for homeland security, OMB reports information on total federal activities and budgets for homeland security within a chapter on "Crosscutting Programs" of the *Analytical Perspectives* volume of the federal budget. To prepare those reports, OMB collects budget information from every agency involved in homeland security. Rather than a top-down plan, however, the report reflects each agency's best estimate of what homeland security activities its budget supports.

Military spending makes up by far the largest share of budgets for security and statecraft (refer to Table 1.1). Excluding the costs of the wars in Iraq and Afghanistan, national defense budgets come to about 85 percent of the total in FY 2008. Of the three categories of spending, however, nonmilitary homeland security funding experienced the fastest percentage growth since the 2001 terrorist attacks, more than tripling in nominal terms between 2001 and 2008.[5] Including the costs of the wars and reconstruction operations in Iraq and Afghanistan, national defense and international affairs budgets each about doubled during the same period.

When budgets are rising, it is relatively easy to take on new missions without making the tough choices that would be required under tighter budgets. The added funding can go toward new efforts without cutting into dollars for old priorities. This has largely been the case in the DOD, which maintained virtually all of its planned procurements of weaponry designed for large-scale combat, even as it added the development and purchase of unmanned aerial vehicles and technologies to counter the improvised explosive devices (IEDs) encountered in Iraq. Within the newly created DHS, the new money was allocated in about the same way as the old. Every year from 2003 to 2008, each of the seven major operating components received about the same share of the department's total budget as the year before.[6]

Current government projections assume that spending for statecraft and security will continue to grow, though at a slower pace than that of the past five years. However, as discussed above, concerns over short-term fiscal deficits, anticipated long-term structural imbalances between federal spending and revenues, and public fatigue with foreign involvement may compel leaders to cap or reduce future budgets. In such a fiscal environment, adding new money for high-priority missions will not be possible without reducing budgets in areas of lower priority.

One way to get more from the money the nation spends is to capitalize on the synergy inherent in the full toolkit of statecraft and security. Sound resource allocation and budgeting processes within federal departments and agencies, in the White House, and in Congress can help tighten the links between strategy and programs, improve the coherence of cross-agency efforts, and trim wasteful duplication.

How We Got Here: Post-9/11 Reorganizations

The events of September 11, 2001, demonstrated how poorly the U.S. government was organized for dealing with interconnected threats and cross-cutting missions. Information about terrorists and their activities collected by the FBI was not coordinated with data bases containing visa records, travel data, and flight school records. No single federal institution was charged with overall responsibility for preventing terrorist attacks, protecting vital infrastructure, and preparing to respond.

To improve the coherence of federal efforts, the Bush administration and Congress undertook a wide-ranging reorganization of the federal government. Early in 2003, the DHS opened its doors, pulling together 22 existing agencies.[7] To improve coordination across the intelligence community and strengthen the nation's capacity for countering terrorism and weapons of mass destruction, leadership of the intelligence community was centralized under a new director of national intelligence (DNI). The DOD also altered its unified command structure, establishing Northern Command (USNORTHCOM) in October 2002 to coordinate its homeland defense activities.

During the same period, the administration instituted structural changes within the White House Executive Office of the President (EOP), with the aim of improving coordination and oversight of federal departments and agencies with roles in homeland security and counterterrorism. In October 2001, President Bush established the Homeland Security Council (HSC) within the EOP.[8] Conceived as an analog to the National Security Council (NSC) and headed by the assistant to the president for homeland security and counterterrorism, the HSC is charged with advising the president on homeland security policy, overseeing the implementation of that policy, and facilitating coordination among the departments and agencies with roles in homeland security.

The EOP also reorganized the Office of Management and Budget (OMB), creating a new Homeland Security Branch within its General Government Resource Management Office (RMO). The new branch oversees the programs and budgets of the DHS, but not of other agencies involved in homeland security. Thus despite the reorganization, responsibility for homeland security as a function is still scattered across OMB. For example, another branch of the General Government RMO oversees the FBI. The National Security RMO oversees homeland security budgets within the DOD and the State Department, and the Human Resource RMO holds responsibility for the homeland security activities in HHS.

Congress undertook several organizational changes of its own. On the authorizing side, the House of Representatives established a new Homeland Security Committee with responsibility for broad homeland security policy and for many activities of DHS. The Senate reconfigured the Governmental Affairs Committee as the Homeland Security and Governmental Affairs Committee and gave it jurisdiction over some parts of DHS. Both of those committees still share oversight of DHS and of other homeland security-related entities with numerous other committees and subcommittees, however.

Both the Senate and House Appropriations Committees set up new, separate subcommittees for homeland security. The jurisdictions of those subcommittees extend to the DHS, but not to homeland security as a function. Thus, even the Homeland Security Appropriations Subcommittees lack purview over major homeland security accounts for activities like biodefense in HHS or the tracking of terrorist organizations by the FBI in the Department of Justice. Moreover, each chamber's Appropriations Committee still has multiple subcommittees dealing with various other aspects of security and statecraft.

Although the reorganizations in both branches were substantial, some critics suggest that more restructuring is needed. In the executive branch, for example, the FBI remains in the Department of Justice and retains its lead role in domestic counterterrorism, potentially diluting the authority of the new secretary of homeland security.

Additional realignment of executive branch departments and agencies may not be helpful, however. No matter how the departments are organized, some functions of government will be

important both to national security and to domestic governance. For example, crop safety programs are both a vital tool of defense against biological threats and a hedge against naturally caused agricultural problems. Moving such programs from the Department of Agriculture to DHS would take crop safety experts away from colleagues and resources they depend upon; alternatively, establishing a separate counterterrorism crop safety function in DHS would lead to duplication of effort. Similarly, few would advocate combining DOD with DHS. Regardless of structure, not every function can be split cleanly across federal departments, and not all departments that deal with statecraft or security should be combined.

With so many departments and agencies involved in security and foreign affairs, improved White House and congressional oversight and coordination of policies, programs, and budgets would help the nation get value for its three-quarters of a trillion dollar investment. Better alignment within the EOP and among congressional committees and subcommittees will be crucial.

Problems with Today's Arrangements

Three reasons were generally cited for the post-9/11 reorganizations of the executive branch. First, the consolidations would improve the alignment between top-level strategies on the one hand and programs and budgets on the other, so-called vertical integration. Consolidating as much of the federal homeland security effort as possible under the leadership of a single cabinet secretary would allow that secretary to establish priorities and enforce them by wielding the budget tool. The budget authority granted the DNI would allow that individual to do something similar in the area of intelligence.

Second, the consolidations would improve so-called horizontal alignment. Pulling related programs together under the umbrella of individual leaders—the secretary of homeland security, the DNI, the commander of NORTHCOM—would allow those leaders to forge a unity of effort that previously did not exist. The new leaders could identify and fill important gaps, drive coordination and integration, and get the components under their authority to sing from the same sheet of music. Third, the restructuring would allow the new leaders to improve government efficiency by identifying and ending wasteful redundancy among programs.[9]

The reorganizations have not delivered the gains their proponents hoped for, however. Flawed arrangements related to planning, resource allocation, and budgeting are partly to blame, as discussed in the four case study chapters.

Toward a Better Way

Today's planning and resource allocation processes lead to budgets that do not reflect strategies, cross-agency programs that are incoherent, and wasteful redundancies. The next four chapters examine some of the specific problems they cause and explore possible solutions in four cases: federal efforts to counter biological threats and prepare for disease pandemics, programs to counter nuclear terrorism, security assistance to foreign countries, and post-conflict stabilization and reconstruction in Iraq since the end of the initial combat phase there in May 2003.

Taken together, the four case studies cover a substantial range of 21st century missions and most of the departments and agencies with major roles in national defense, homeland security, or statecraft. They surface weaknesses in both vertical and horizontal integration and expose

important inefficiencies. They reveal problems within and among departments and agencies, at the White House level, and in Congress.

Box 1.1: Key Recommendations

- The next administration and Congress should work together to review and realign the roles and missions of departments and agencies involved in cross-cutting areas like biodefense, security assistance, and stabilization and reconstruction.
- The next administration should reconfigure the Executive Office of the President to strengthen White House oversight of cross-cutting missions of security and statecraft and diminish the current seams between homeland security and national security.
- The 111th Congress should provide the resources needed to expand the National Security Division and the Budget Analysis Division of the Congressional Budget Office.
- The new administration should take actions to improve its articulated strategies for national security and homeland security and to strengthen the linkages between strategy and resources.
- The new secretary of defense, the administrator of the National Nuclear Security Agency in the Department of Energy, the secretary of homeland security, and the secretary of state should make improvements to their departments' internal processes for planning, programming, budgeting, execution, and evaluation.
- The new secretary of state and secretary of defense should work together to streamline programs and authorities for security assistance and for reconstruction.
- The next Congress should mandate that the executive branch conduct and publish a Quadrennial National Security Review and prepare a biennial National Security Planning Guidance.
- The next Congress should conduct regular joint hearings of national security, homeland security, and international activities that span the jurisdictions of multiple committees or Appropriation Subcommittees.
- The executive branch and Congress should work together to limit sharply the use of emergency supplemental appropriations and to subject supplemental requests to scrutiny and tradeoffs with base budgets.
- OMB should establish and maintain an accurate data base with planned budgets and historical records of budgets and outlays for important cross-cutting security missions.

The biodefense and pandemic preparedness case lies at the nexus of international affairs, national defense, homeland security, and public health. It provides insights into the internal organizations and processes of HHS, DOD, and DHS. It also exposes a spaghetti-bowl of lead roles at the interagency level that fosters wasteful redundancy and stands in the way of coherence. At the White House level, it reveals policy and budget divides between the National Security Council and the Homeland Security Council and also within OMB. The case surfaces a tangle of congressional jurisdictions and the lack of unified legislative oversight and resource allocation.

The case on countering nuclear terrorism lies at the nexus of international affairs, national defense, and homeland security. It reveals insights into internal organizations and mechanisms in DOD, DOE, DHS, and State, and reinforces findings about the White House and Congress identified through the biodefense and pandemic preparedness case. Taken together, the first two cases surface most of the problems in planning and resource allocation for the wider counterterrorism effort referred to by the Bush administration as the global war on terrorism (GWOT).

The security assistance case affords a deeper look into core missions and responsibilities of the DOD and the international affairs community. It explores some of the internal arrangements for

planning and resource allocation in DOD, State, and USAID. The case raises concerns regarding interagency roles and missions, vertical and horizontal integration at the White House level, and congressional oversight and resource allocation.

The case on stabilization and reconstruction in Iraq offers the opportunity to view planning and resource allocation in an operational setting. The case reveals problems with the implementation of programs and contracts in the field as well as with the planning and resource allocation arrangements in Washington, DC.

Each case study chapter offers recommendations for improvements within the federal departments and agencies with significant roles in national security and statecraft, in the White House EOP, and on Capitol Hill (see Box 1.1 for a summary of key recommendations). A final chapter collects the most important of those recommendations for consideration by the next administration and Congress.

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[1] Successive administrations are required by law to make public their strategies for ensuring the nation's security. The Bush administration has produced two national security strategies: The White House, *National Security Strategy of the United States of America*, September 2002, and *National Security Strategy of the United States of America*, March 2006. In addition, the Bush administration has published several supporting strategy documents, including the *National Strategy for Homeland Security* (July 2002 and October 2007); *National Strategy to Combat Weapons of Mass Destruction* (December 2002); and *National Strategy for Combating Terrorism* (February 2003 and September 2006).

[2] *National Security Strategy of the United States of America*, March 2006, p. 6.

[3] Cindy Williams, "Beyond Prevention and Preventive War: Increasing U.S. Budget Emphasis on Conflict Prevention" (Muscatine, IA: The Stanley Foundation, February 2006).

[4] For the latter figure, see *Homeland Security Budget-in-Brief Fiscal Year 2009* (Washington, DC: U.S. Department of Homeland Security, February 2008), p. 140.

[5] Table 1.1 figures for homeland security budgets in 2001 are based on early OMB reports that may understate the full extent of homeland security spending during that year. In addition, changes in the definitions of homeland security activities increase the size of current estimates relative to earlier ones. Thus the table exaggerates the rise in homeland security spending between 2001 and later years.

[6] Cindy Williams, *Strengthening Homeland Security: Reforming Planning and Resource Allocation* (Washington, DC: IBM Center for the Business of Government, January 2008), p. 13.

[7] The DHS was established by the Homeland Security Act of 2002, Public Law 107-296, November 25, 2002.

[8] The establishment of the HSC early in October 2001 was made official in the first Homeland Security Presidential Directive, HSPD-1, "Organization and Operation of the Homeland Security Council," October 29, 2001. HSC's advice and oversight roles were later codified by Congress in the Homeland Security Act of 2002, Secs. 902 and 904.

[9] Then-director of the White House Office of Homeland Security Tom Ridge promised as much in testimony regarding the creation of a department: "…The cost of the new elements (such as the threat analysis unit and the state, local, and private sector coordination functions), as well as department-wide management and administration units, can be funded from savings achieved by eliminating redundancies inherent in the current structure." Tom Ridge, testimony before the Senate Judiciary Committee on president's proposal for reorganizing the federal homeland defense infrastructure, June 26, 2002.

Chapter 2 Biodefense and Pandemic Preparedness

Political leaders on both sides of the aisle identify biological weapons in the hands of terrorists as a grave threat to U.S. national security. Federal spending to counter the threat has grown markedly since the anthrax attacks of 2001 (see Table 2.1). Between 2001 and 2009, the federal government budgeted more than $57 billion to prevent terrorist groups from acquiring dangerous biological agents, protect people in the event such weapons are used, and prepare to mitigate the societal and public health consequences of a biological attack.[1]

Table 2.1: Federal Funding to Counter Biological Terrorism
Budget Authority in Billions of Current Dollars

Department/Agency	FY 2001	FY 2008	FY 2009 Request	FY 2001-09 Total
Health and Human Services	0.3	4.0	4.2	31.5
Defense	0.7	1.7	1.8	12.0
Homeland Security	0	0.4	0.4	3.3
Agriculture	0[a]	0.2	0.3	1.6
Environmental Protection Agency	0[a]	0.1	0.2	1.0
Postal Service	0.2	0	0	1.3
Other[b]	0[a]	0.1	0.1	0.3
Project BioShield	0	0	2.2	5.5
Total[c]	**1.3**	**6.5**	**9.0**	**57.0**

Source: "Federal Funding for Biological Weapons Prevention and Defense, Fiscal Years 2001 to 2009" (Washington, DC: Center for Arms Control and Nonproliferation, 2008), p. 2.
Notes:
[a]Less than $50 million.
[b]Includes Commerce, Energy, State, Veterans Affairs, and National Science Foundation.
[c]Figures may not add to totals due to rounding.

Since 2005, the Bush administration and Congress have also grown more concerned about the potential public health and security consequences of a global outbreak of naturally occurring diseases, such as a variant of the avian influenza virus. As a result, current laws and policy directives generally seek to develop preparedness measures, medical countermeasures, and security responses to deal with disease outbreaks and with pandemics, whether deliberately or naturally introduced.[2] Between 2001 and 2009, the federal government has budgeted some $8.2 billion to prepare for the possibility of an influenza pandemic.[3]

As with other security missions that cut across the federal government, weak organizations, processes, and tools for planning and resource allocation are keeping the nation from getting its money's worth in this area. Top-down, mission-oriented planning is weak, both within and across departments. As a result, agencies are duplicating each others' efforts in research and development, intelligence, surveillance, and infrastructure. Yet important gaps remain in other areas, particularly for preventive measures like diplomacy, intelligence sharing, and the control of exports.

This chapter briefly outlines the main federal programs for countering the threat of biological terrorism and dealing with naturally occurring pandemics. It describes the organizations, processes, and tools that surround planning and resource allocation for them. The chapter finds substantial weaknesses in some of today's arrangements and offers recommendations for change.

Programs for Biodefense and Pandemic Preparedness

Several federal departments play substantial roles in countering biological terrorism and dealing with the potential for and consequences of pandemics. Among them, the Department of Health and Human Services (HHS), the Department of Defense (DOD), the Department of Homeland Security (DHS), the Department of Agriculture (USDA), and Project BioShield account for nearly 99 percent of the administration's requested funding for biodefense in FY 2009 (refer to Table 2.1). This section briefly describes the biodefense and pandemic preparedness activities in those departments.

Programs and Budgets in HHS

The lion's share of biodefense budgets goes to HHS, primarily for activities of the National Institutes of Health (NIH) and the Centers for Disease Control and Prevention (CDC) (see Table 2.2). In addition, HHS has received most of the federal funding for pandemic preparedness.

Much of NIH's biodefense budget goes toward research and development of medical countermeasures such as vaccines, antibiotics, and antiviral drugs. NIH also spent more than $1 billion in recent years to build new research facilities or upgrade security at existing ones.

Table 2.2: HHS Funding to Counter Biological Terrorism
Budget Authority in Billions of Current Dollars

Component	**FY 2008**	**FY 2009 Request**
National Institutes of Health	1.6	1.6
Centers for Disease Control & Prevention	1.5	1.4
Office of the Secretary	0.7	0.8
Food and Drug Administration	0.2	0.3
Total HHS	**4.0**	**4.2**

Source: "Federal Funding for Biological Weapons Prevention and Defense, Fiscal Years 2001 to 2009" (Washington, DC: Center for Arms Control and Nonproliferation, 2008), p. 11-12.
Note: Figures may not add to totals due to rounding.

The CDC passes about one-half of its annual budgets on to state and local governments as grants to help improve public health capacity. Another $570 million of that agency's planned FY 2009 budget goes toward the Strategic National Stockpile, a store of vaccines, medicines, and medical supplies that can be trucked to a community should a public health emergency exhaust the local supply. In addition, the CDC's biosurveillance initiative includes improvements in quarantine stations at U.S. ports of entry, a laboratory response network to identify and report suspicious cases, and the BioSense program. BioSense aims to analyze and evaluate health data from emergency rooms, pharmacies, poison control centers, and other clinical settings to identify possible disease outbreaks.

The Office of the Secretary of HHS and the Food and Drug Administration (FDA) also hold sizeable budgets for biodefense. The Office of the Secretary passes about one-half of its funds to local entities, to help hospitals prepare to handle public health emergencies. Most of FDA's biodefense dollars go toward food safety programs.

Programs and Budgets in DOD

DOD holds the second largest share of budgets for countering bioterrorism. About two-thirds of DOD's biodefense funding goes toward research, development, test, and evaluation (RDT&E), much of it aimed at medical countermeasures including vaccines, drugs, and diagnostic equipment to examine tissue samples for exposure to biological agents.[4] About one-quarter goes to purchase biodefense goods and equipment, including early warning and detection systems, decontamination equipment, protective gear, diagnostic tools, and vaccines.[5] DOD is also building a new, $1 billion research facility at Fort Detrick, Maryland.[6]

DOD's Transformational Medical Technology Initiative (TMTI), established in 2006, accounts for nearly 20 percent of the department's biodefense budget request for FY 2008. Through TMTI, the DOD aims to counter biological agents that are new or intentionally bioengineered. Rather than trying to keep up with such emerging threats by developing new vaccines and medicines for each possibility, the initiative seeks to develop broad-spectrum countermeasures that would work against multiple agents. To that end, TMTI research focuses on gathering an understanding of the underlying mechanisms by which certain pathogens and viruses work within animal cells.[7] DOD believes TMTI complements the department's more traditional medical countermeasures programs for individual vaccines and medicines tailored to specific biological threats, such as anthrax, smallpox, or plague.

Programs and Budgets in DHS and USDA

DHS and USDA are each responsible for about five percent of planned federal biodefense spending for FY 2008. As the department responsible for environmental monitoring and assessment of biological threats, DHS spends about two-thirds of its biodefense budget on science and technology programs aimed largely at surveillance and detection. Another one-quarter of the DHS biosecurity budget goes to operate the BioWatch system, which samples the air in about 30 U.S. cities to detect the release of biological agents.[8]

Much of USDA's biodefense budget pays for the monitoring of animal and plant health, research into animal diseases and countermeasures, and the maintenance of a stockpile of animal vaccines and medicines. Other USDA programs include food surveillance and monitoring and research into food-borne illnesses.

Like HHS and DOD, DHS and USDA are making substantial investments in new research facilities. DHS is building two new research facilities, the National Bio- and Agro-Defense Facility (NBAF) and the National Biodefense Analysis and Countermeasures Center (NBACC), and upgrading its Plum Island Animal Disease Center.[9] That department plans to spend nearly $90 million on laboratory facilities in FY 2008.[10] USDA has built a new facility in Ames, Iowa, and is beginning the design work for a poultry research laboratory in Athens, Georgia.

Preventive Programs

In FY 2009, the Bush administration plans to spend about $250 million on programs to prevent the proliferation of biological agents or equipment that could be used to develop weapons. Among those preventive programs is the $184 million biological portion of DOD's cooperative threat reduction (CTR) effort to reduce the risk of proliferation of biological weapons, pathogens, and expertise in Russia and other countries. The Departments of State and Energy will spend another $43 million and $7 million, respectively, on biological nonproliferation programs. Other such programs include $6 million at USDA and $5 million in HHS's CDC to regulate the possession and transfer of pathogens and toxins, and a $4 million program in the Department of Commerce for export controls on materials and equipment of concern.[11]

Planning and Resource Allocation in Three Departments

Each of the cabinet departments with major roles in countering bioterrorism has its own organizations, processes, and tools for planning and allocating resources. This section describes and assesses those arrangements in HHS, DOD, and DHS.

Planning and Resource Allocation in HHS

Within the Office of the Secretary of HHS, two organizations play key roles in planning, resource allocation, and budgeting efforts that cut across the department: the Office of the Assistant Secretary for Planning and Evaluation (ASPE) and the Office of Budget. ASPE was established in the 1960s to bring a systems analytic perspective to departmental decision-making.[12] Like the Office of Program Analysis and Evaluation in the Office of the Secretary of Defense, ASPE conducts independent analyses of the multiple-year costs and benefits of policy choices that face the department. ASPE manages the department's cross-cutting strategic planning activities and conducts studies to evaluate the effectiveness of HHS programs.

The Office of Budget, which resides in the Office of the Assistant Secretary for Resources and Technology, manages the department's budget formulation and execution processes. The office coordinates program performance assessments required under the Government Performance and Results Act (GPRA)of 1993 and the Bush administration's President's Management Agenda, and pulls together the budget justifications and other budget documents required by the Office of Management and Budget (OMB) and Congress.

Both of those offices are typically consumed with other issues, however. Although large compared with the biodefense funding of other federal departments, HHS's $4 billion biodefense budget is a small fraction of the $700 billion the department will spend in FY 2008. About 90 percent of the department's spending goes to Medicare, Medicaid, and other entitlement programs.

The assistant secretary for preparedness and response (ASPR) holds responsibility for integrating HHS strategies, policies, plans, and operations to deal with bioterrorism and other public health emergencies. ASPR represents HHS on biodefense in the interagency arena. The office of ASPR is also the home of the Biomedical Advanced Research and Development Authority (BARDA). As called for in the Pandemic and All-Hazards Preparedness Act of 2006 (PAHPA, Public Law

109-417), BARDA coordinates HHS and interagency efforts to bring medical countermeasures to the point of product development and procurement. BARDA also directs HHS-wide strategic planning for research, development, and procurement of medical countermeasures.[13]

Within the Office of ASPR, the Office of Policy and Strategic Planning has a role in the biodefense arena somewhat like the one that ASPE holds for all of HHS. ASPR's Office of Policy and Strategic Planning has a mandate to conduct gap analyses and studies of policy alternatives, manage the development of integrated, department-wide strategic plans and policy objectives for biodefense and public health preparedness, and serve as the bioterrorism focal point for HHS in the interagency policy arena.

HHS uses a department-wide, cascading process to align the annual plans and budgets of all its operating divisions with the goals set forward in a departmental long-term strategic plan.[14] The process culminates in budget presentations by component agencies in a meeting with the secretary and deputy secretary, which inform the secretary's final resource allocation decisions.

The shift of budget shares among HHS's various agencies is consistent with the department's growing strategic emphasis on biodefense. Between 1999 and 2007, NIH budgets nearly doubled, in part to fund the Institutes' growing role in biodefense. Within NIH, moreover, the share of spending devoted to the National Institute for Allergy and Infectious Disease, where NIH's biodefense effort is concentrated, grew from 10 percent in 1999 to 15 percent in 2005, while shares for that agency's institutes and centers that lack roles in biodefense generally shrank.[15]

NIH's approach to allocating resources for the research conducted in its various institutes is in flux. There is a debate over whether centralized or decentralized resource allocation produces the most value for taxpayers. Some experts take the view that good science requires a freedom to explore that can be achieved only through decentralization and autonomy; others hold that centralized decision making and collaboration will give taxpayers more bang for the research buck. The NIH Reform Act of 2006 (Public Law 109-482) moved the Institutes from a process that was decidedly decentralized toward a more centralized approach by expanding the authority of NIH's director to allocate resources. The director set up an Office of Portfolio Analysis and Strategic Initiatives to jump-start priority projects, and now holds back a "common fund for shared needs" to pay for such central projects.[16]

Within the medical countermeasures area, there are important choices to be made between research and acquisition aimed at individual diseases and the broad-spectrum research on medicines that might be used against a wider variety of threats. In 2006, HHS created a departmental public health emergency medical countermeasures enterprise, led by the ASPR and including members from NIH, CDC, and FDA as well as partners from DOD, DHS, and the Department of Veteran Affairs.[17] The group is charged with integrating federal research on and acquisition of medical countermeasures. The group has developed an enterprise strategy, and HHS's budget request for advanced research and development of countermeasures identified in that strategy grew by 60 percent between FY 2008 and FY 2009.[18] It is not yet clear whether ASPR will have the budgetary clout to integrate countermeasures work across HHS or, through its non-HHS partners, across federal departments.

Planning and Resource Allocation in DOD

DOD uses a planning, programming, budgeting, and execution process (PPBE) to bring programs and budgets into line with national and departmental strategies. A PPBE is a phased, disciplined

process designed to help leaders explore tradeoffs and make decisions based on explicit criteria of national strategy, rather than compromises among institutional forces. Such a system can help bring programs and budgets into line with strategic goals. A PPBE can also serve as a management tool by revealing gaps and areas of duplication across the various components and programs of the organization and by fostering an outlook that considers the future costs and consequences of current decisions.[19]

DOD's PPBE has its roots in the planning, programming, and budgeting system (PPBS) established by Secretary of Defense Robert McNamara in the early 1960s. The system, revised several times in the intervening decades, was modified and renamed PPBE in 2004. The PPBE provides decision makers with explicit information about the multi-year costs and consequences of multiple policy alternatives.[20] The process culminates in a future-years defense program (FYDP), structured in alternate years with a five-year or six-year outlook. The office of program analysis and evaluation (PA&E) within the office of the secretary of defense is charged with managing the process, working with other DOD elements to formulate policy alternatives, and conducting trade-off studies of the costs and consequences of various choices.

DOD develops a variety of strategy documents aimed at articulating priorities. These include a National Defense Strategy and a National Military Strategy. The strategy documents generally do not consider the likely or needed resources, nor do they deal with questions of resource allocation. Since 1996, Congress has required the secretary of defense to conduct a Quadrennial Defense Review (QDR) at the beginning of each presidential term. That review is meant to spell out the full chain from strategies to budgets for a period of two decades. The law specifically mandates that the secretary's report address the resources that will be required to carry out the strategy and programs envisioned. QDRs conducted during this decade have not done that, however.[21] As a result, those QDRs have not fulfilled the fundamental purpose of the congressional mandate.

In the area of biodefense, DOD's PPBE appears to have worked as intended in aligning resources with leadership priorities. In 2004, Secretary of Defense Donald Rumsfeld called for increasing the department's effort in biological defense. The PPBE for the FY 2006 budget included consideration of alternatives to do that, and of programs that could be reduced to free up money for the new initiatives. The resulting Program Budget Decision added $2.1 billion over the course of the FY 2006-2011 FYDP to expand the department's chemical and biological defense program and its health program to improve laboratory infrastructure and increase research on biological agents that are new or intentionally bioengineered.[22] A year later, the QDR of February 2006 called for reallocating resources within the chemical, biological, radiological, and nuclear defense program to increase the emphases on applied research into broad-spectrum medical countermeasures for such emerging threats. The department's FY 2007 budget request reflected those shifts.[23]

DOD's arrangements are less successful in illuminating important gaps, overlaps, or tradeoffs for consideration by the department's top leaders. PPBE participants describe the process as "much ado about nothing," a frenzy of work that shifts money only at the margins and generally leaves the services with the programs they proposed in the first place.

The department's track record in integrating the efforts of its various biodefense players appears to be poor. The Army's laboratories conduct basic and applied research on biological agents and bring new vaccines, drugs, and diagnostic tools through initial development. A separate Army chain of command under the Army acquisition executive controls acquisition programs like the Joint Vaccine Acquisition Program that develops and licenses medical countermeasures. OSD's

Defense Threat Reduction Agency (DTRA) manages research and development projects of its own.[24] The management of science and technology projects generally falls under the Defense Advanced Research Projects Agency (DARPA), another OSD agency. Even within the Office of the Undersecretary of Defense for Policy, multiple players reporting through separate assistant secretaries hold responsibility for various aspects of biodefense policy.[25]

In recent years, internal and external critics voiced concern over a lack of coordination and management of the various players.[26] Critics cited unneeded duplication of effort, the potential for decisions to be made based on political influence rather than risk and gap analyses, and the continuation of weak and unpromising programs that would not survive if the selection process were more coherent and rational.[27] They noted that groups established to coordinate activities among the department's various components were ineffective because they lacked authority to make decisions.[28]

To sort out the tangle of responsibilities, the DOD in April 2007 issued Directive 2060.02, "DoD Combating Weapons of Mass Destruction Policy."[29] The directive names the assistant secretary for global security affairs as the single point of contact for combating WMD within the Office of the Undersecretary for Policy. It names the assistant to the secretary of defense for nuclear, chemical, and biological defense programs as the single point of contact within the Office of the Undersecretary for Acquisition, Technology, and Logistics. The directive also clarifies the roles of the various actors within OSD, and instructs the service secretaries to ensure that their services' laboratory activities are coordinated with all the various OSD players, including DARPA and DTRA. It is too soon to tell whether the directive's assignment of roles and lead offices will be enough to pull the department's fragmented biological defense programs into a coherent whole.

Planning and Resource Allocation in DHS

DHS also uses a PPBE, modeled loosely after the process in DOD. The process is managed by the Office of Program Analysis and Evaluation (DHS PA&E) within the Office of the Chief Financial Officer. Like the process in DOD, the DHS PPBE results each year in a five-year or six-year program, including budget projections for each program element, in this case called the future years homeland security program (FYHSP).

As practiced to date, DHS's PPBE is not up to the job of linking budgets and programs to top leadership priorities or of weaving the department's disparate efforts into a cohesive whole. At the front end, the plethora of overlapping strategy documents related to homeland security can make it difficult to discern top priorities. Improved assessments of threats, vulnerabilities, and risks could help in this regard, but the department lacks tools to integrate such assessments across its components in a way that could help leaders to manage risks by shifting resources from one activity to another.[30] Moreover, the department devotes much of its risk assessment effort to a small and diminishing portion of the activities it funds, namely the grants to state and local governments.

In the biodefense area, DHS has developed a framework for assessing the risks associated with a variety of biological agents.[31] A review of that framework by the National Academy of Sciences found deep flaws. These include the lack of a mechanism for considering what information decision makers would actually need to help allocate resources in a way that would reduce risk; the lack of mechanisms like red teaming that could bring in the potential moves of intelligent adversaries; and the absence of an approach to managing risk.[32]

DHS is the lead federal agency for threat assessments and net assessments related to biological weapons. It seems crucial that the department develop sound processes to assess threats and risks, identify gaps in capabilities, and establish priorities for the nation's biodefense efforts. Such processes represent an important and to date insufficient first step in the department's PPBE.

DHS has no formal periodic review of the long-term linkages among strategy, programs, and budgets. To rectify that problem, Congress in 2007 required the department to conduct a Quadrennial Homeland Security Review (QHSR) that draws long-term links from strategy to resources, with the first review due in 2009.[33] Such a review could go a long way toward improving badly needed vertical integration between priorities and budgets, but only if it actually includes the assessment of required resources that the legislation mandates.

DHS's processes have also suffered from a lack of leadership engagement. The Integrated Planning Guidance, which should convey the secretary's key program and policy priorities at the outset of the PPBE process, has been sent to the department's operating components without the signature of the secretary or the deputy secretary. Without the secretary's endorsement, the document has not played its intended role of defining priorities that guide the components' budget choices. In the later phases of the process, the department's top leaders have engaged with the heads of the components, but that engagement has taken place in one-on-one sessions rather than a department-wide meeting. Two scheduled meetings between the senior leadership of the Office of the Secretary and the heads of the operating components—the first toward the beginning of the process, as priorities are identified, and the second at the end of the program review—could surface cross-component duplication and gaps and help build consensus for priorities and programs.[34]

Although DHS PA&E manages the PPBE, its analysts do not conduct the tradeoff studies or gap analyses that would provide information about the costs, risks, and benefits of shifting resources among programs. PA&E analysts are instead typically consumed with helping the components develop and report on metrics used to track performance under the President's Management Agenda.[35] In addition, DHS PA&E does not have the senior analysts with the breadth of experience and the perspective to conduct gap analyses and tradeoff studies.

DHS's organizational and process weaknesses lead to duplication and uncoordinated biodefense programs. For example, the Office of Health Affairs is the principal agent for biodefense within the department, but several other DHS components are also engaged in biodefense work.[36] In past years, the various components have not shared details of their program plans as they developed them. Those charged with coordinating the department's biodefense programs only learned the program details after the budget and justification documents were finalized. Reviews of the justification documents after the fact surfaced duplicative mission statements as well as uncoordinated efforts fragmented across tens of programs.[37]

Planning and Resource Allocation in the White House

With multiple departments and agencies involved, it is incumbent upon the White House to orchestrate federal biodefense and pandemic preparedness efforts to reflect national strategic goals and to achieve coherence among the programs and activities. Yet within the White House, there is little in the way of top-down, long-term planning or resource allocation for any area of national and homeland security. The Executive Office of the President (EOP) is poorly organized

for that job, and it is short on people with the outlook and analytic skills to do long-term planning.

The staffs of the National Security Council (NSC) and the Homeland Security Council (HSC) both typically concentrate on policies, rather than the cost of policies, which is OMB's focus. Moreover, NSC, HSC, and OMB staffs are generally too busy with immediate issues to devote much time to the long-term strategic planning that would connect the dots between top-level strategy and the actual programs and budgets.

This section examines the organizations, processes, and tools of the EOP as they relate to planning and resource allocation for countering biological terrorism. It then considers some of the problems related to interagency roles and missions and lead agency assignments.

Organizations of the Executive Office of the President

Within the EOP, three institutions share responsibility for advising the president on biodefense. The NSC, established through the National Security Act of 1947, advises the president on national security matters, including those related to the threat of biological terrorism. The HSC, established in October 2001, advises on strategic and policy matters related to homeland security. OMB is concerned with oversight and administration of the entire federal budget, including funds for countering bioterrorism and dealing with pandemic disease. In addition (at least during the Bush administration), the Office of the Vice President takes an active role in some areas, including the shaping of national policies and programs to respond to biological threats.

The NSC and the HSC

Both the NSC and the HSC are chaired by the president. Their memberships overlap to a large extent, but it is striking that secretary of homeland security does not have a regular seat at the NSC table.[38] The current arrangement means that the secretary of homeland security and the president's assistant for homeland security and counterterrorism would not be in the room as a matter of routine should an NSC principal's meeting turn to a discussion of a U.S. military attack that could carry homeland security consequences.

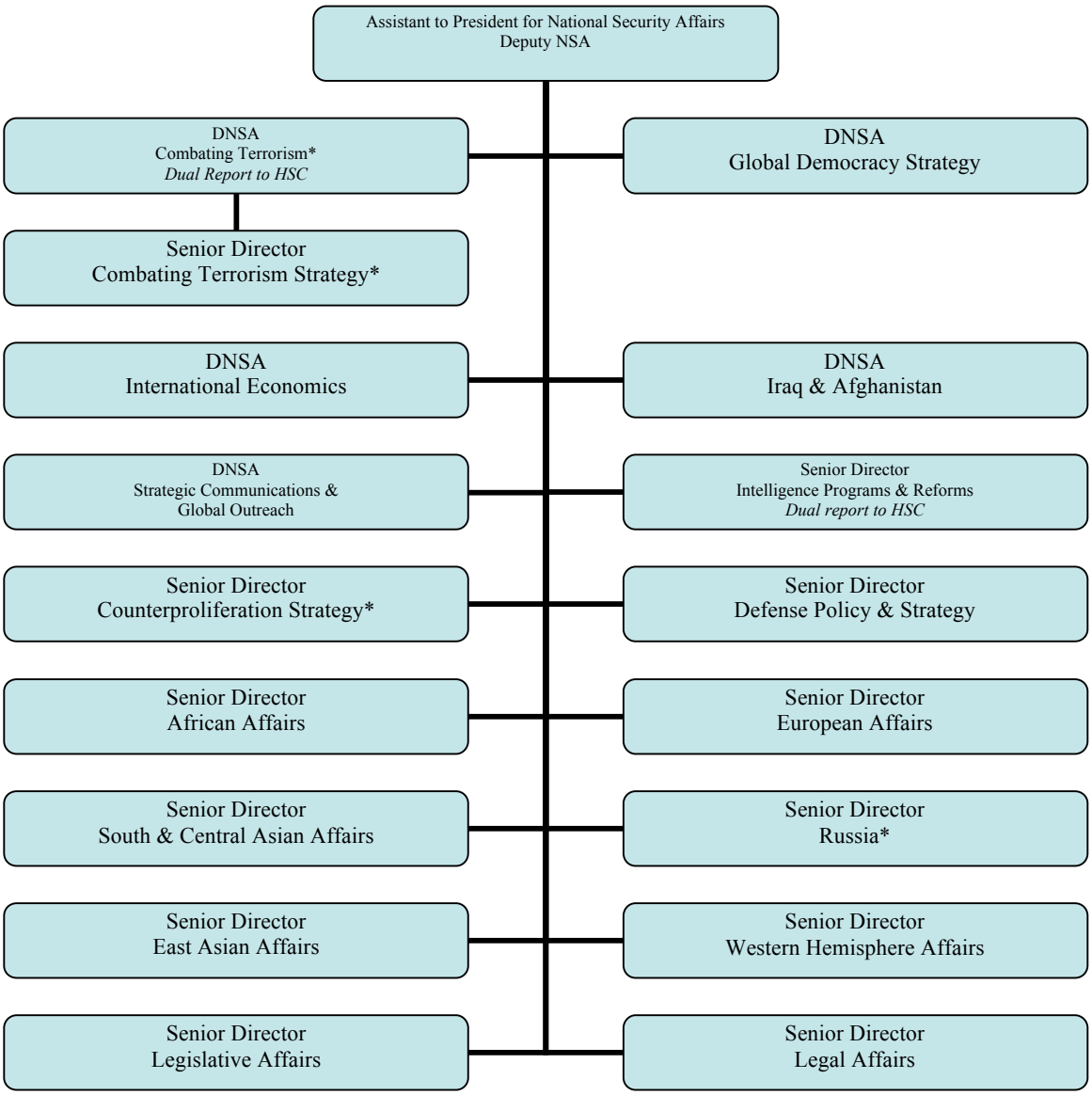
In theory, the HSC advises the president on domestic security matters while the NSC is concerned with international ones. In reality, in an area like biosecurity, the two are deeply intertwined and require an integrated international and domestic approach.

The day-to-day work of both the NSC and the HSC is conducted by staffs of policy experts, most of them political appointees or individuals seconded from the departments and agencies. The NSC staff is headed by the assistant to the president for national security affairs (often referred to as the national security advisor, or NSA). The HSC staff is headed by the assistant to president for homeland security and counterterrorism. In contrast to the NSC staff of some 225 (with more than 100 policy positions), the HSC staff numbers only 35, with fewer than twenty policy positions.[39]

As currently organized, the NSC staff has five deputy NSAs and 11 senior directors, all reporting directly to the NSA and deputy NSA (see Figure 2.1). The deputy NSA for combating terrorism and the senior director for intelligence programs and reform are dual-hatted into the HSC. The senior directors for combating terrorism strategy, counterproliferation strategy, intelligence

programs and reform, and Russia all handle issues related to countering bioterrorism. Contentious issues that cut across those directorates must be resolved at the level of the NSA or deputy NSA.

Figure 2.1: Organization of the National Security Council



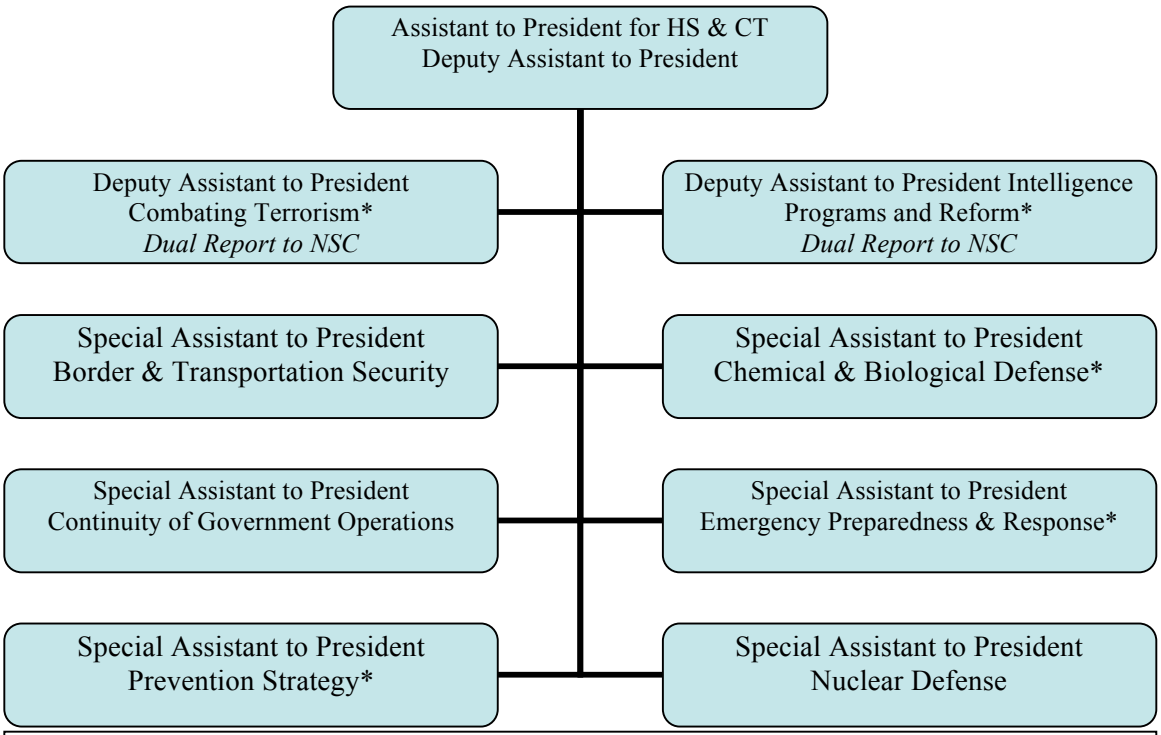
DNSA – Deputy National Security Advisor
* - Significant role in countering bioterrorism
Source: Author's diagram, based on Whittaker et al, *The National Security Policy Process: The National Security Council and the Interagency System* (Research Report, April 2007 Annual Update) (Washington, DC: Industrial College of the Armed Forces, National Defense University, U.S. Department of Defense, April 2007), p. 62.

In terms of public transparency and internal funding, the HSC operates outside the norm for an office of the EOP. Some information about the organization is available at a White House web site, but it is not clear how frequently that information is updated.[40] The organization appears to

lack any officially published organization chart or statement of policy, and "lacks authorization to receive appropriations as an agency within the EOP."[41]

As described at the White House web site, the HSC is organized around eight deputy assistants and special assistants to the president (see Figure 2.2). An HSC senior director for biological defense policy holds principal responsibility for countering bioterrorism and dealing with pandemic influenza.[42] As indicated by asterisks in Figure 2.2, four other HSC deputy assistants and special assistants also seem to share some responsibility for various aspects of countering bioterrorism. As on the NSC, it appears that responsibility for arbitrating contentious issues would have to be resolved at the top. Presumably, only the president can resolve contentious biodefense issues that cannot be settled between the two councils.

Figure 2.2: Organization of the Homeland Security Council



HS & CT – Homeland Security and Counterterrorism
* - Significant role in countering biological terrorism
Source: Author's diagram, based on information at HSC website as of May 2008.

The NSC staff prepares the administration's top-level security strategy document, the *National Security Strategy of the United States of America*. The Office of Homeland Security (disestablished as DHS was created) prepared the first *National Strategy for Homeland Security* (July 2002), while the HSC staff prepared the second version (October 2007).

Day-to-day coordination and dispute resolution is the job of policy coordinating committees (PCCs) of the NSC and the HSC. The PCCs are led by senior members of the NSC and HSC staffs and include senior representatives from the relevant departments.

The joint NSC/HSC PCC on biodefense provides a forum for coordinating cross-agency efforts to counter biological threats.[43] That PCC is co-chaired by the senior director for proliferation strategy, nonproliferation, and homeland defense from the NSC staff and the senior director for biological defense policy from the HSC staff.[44] A separate HSC PCC, chaired by the senior director for biological defense policy, handles avian and pandemic influenza. In addition, PCCs on counterterrorism and national preparedness; arms control; proliferation, counterproliferation, and homeland defense; intelligence and counterintelligence; interdiction; proliferation strategy; and combating terrorism information strategy handle issues that overlap significantly with biological security.[45]

A key responsibility of the NSC and HSC PCCs is to draft and build consensus for presidential directives. President George W. Bush has signed some 56 National Security Presidential Directives (NSPDs) and 23 Homeland Security Presidential Directives (HSPDs). Four of these focus on issues at the core of countering bioterrorism: HSPD-9, "Defense of United States Agriculture and Food" (January 30, 2004); HSPD-10, "BioDefense for the 21st Century" (April 28, 2004); HSPD-18, "Medical Countermeasures Against Weapons of Mass Destruction" (January 31, 2007); and HSPD-21, "Public Health and Medical Preparedness" (October 18, 2007).[46]

The level of interagency participation in developing biodefense-related HSPDs is not clear. Participants in the 2003-2004 end-to-end review of biodefense that resulted in HSPD-10 say that the HSC staff relied on a small team of experts from the DOD's National Defense University and elsewhere to develop a list of needed federal activities in the areas of threat assessment and awareness, prevention, protection, surveillance and detection, and response and recovery. The HSC circulated the list and the analysis for review by the departments and agencies with roles in biodefense.[47]

The top-down process of generating HSPDs has not included consideration of implementation challenges or budgetary requirements. Some individuals charged with implementing new HSPDs reported that they were unfamiliar with the provisions of the directives before the signed versions hit their desks. The directives frequently demanded unrealistic timelines and lacked the funding to carry out programs or organizational changes.[48]

Organization of OMB

With a staff of about 500 career civil servants (about half of whom serve in support roles), OMB is charged with managing the federal budget process, developing projections of the federal deficit, examining competing funding demands among agencies, and advising the president on funding priorities. OMB's budget examiners also assess the effectiveness of executive branch programs and policies, and in recent years, score agency programs using the program assessment rating tool (PART). Much of OMB's work is dictated by the exigencies of the budget calendar, and the organization has little time for long-term resource allocation.

A budget examiner typically enters OMB with a master's degree in public administration or in a field related to the area in which he or she will work. The office provides new examiners with rigorous training about its processes and procedures, but not on how to align strategies with budgets, and certainly not on how to think about cross-agency issues.

OMB's budget examiners are organized into four resource management offices (RMOs), which are generally aligned to the organization of the executive branch. The RMOs are divided into divisions, which in turn are organized into branches.

Three separate RMOs and at least 18 branches share substantial responsibility for biodefense.[49] Responsibility for public health activities generally falls within the Public Health Branch of the Human Resource Programs RMO, while activities within DOD are overseen by the National Security Division of the National Security Programs RMO. The Bush administration reorganized OMB in recent years to consolidate oversight of the newly created DHS into a single Homeland Security Branch within the Transportation, Homeland, Justice, and Services division of the General Government Programs RMO.

This dispersed organization means that OMB cannot easily identify overlaps or gaps in federal biodefense budgets. The short timelines of the White House budget process exacerbate the situation. Budget examiners typically do not see an agency's budget documents until September. OMB sends its comments to the agencies late in the fall, and the final version goes to Congress early in February. Therefore, there is barely enough time to ensure that individual agency requests are internally coherent; coordinating such oversight across 18 branches in multiple RMOs is generally out of the question.

Processes and Tools in the EOP

Shifting resources to meet biodefense priorities requires an understanding of the costs of current policies and alternatives to them. Unfortunately, there appears to be no official, consolidated tracking of federal funds devoted to biodefense. Instead, analysts inside and outside the executive branch reportedly rely on data assembled by independent think-tanks.[50] OMB is in the best position to develop a consistent, official projection and historical record of biodefense spending.

Interagency Cooperation and Lead Roles

In an effort to improve the coherence of interagency efforts, the Bush administration has assigned various players to take the lead in coordinating interagency activities in many of the missions that contribute to countering bioterrorism. The result is a confusing tangle of lead agency responsibilities that complicate rather than unify planning and resource allocation and are bound to sow confusion during emergency operations. To the extent that interagency cooperation occurs, participants say it often springs not from formal arrangements, but from existing, informal networks of personal working relationships that developed decades ago at the DOE laboratories or DOD, where several of today's biodefense officials began their careers.[51]

Finding mechanisms to foster coherence across a mission as varied and as intertwined with other federal roles as countering bioterrorism is not easy. Doing so when multiple players are formally assigned to take the lead on the various challenges involved is even harder. This is especially true when, as is often true in this case, one of the weaker organizations is directed to take charge of coordinating plans and activities where stronger organizations are also involved and have core interests at stake.

Some participants in the interagency process believe that a top-down architecture would help. Others hold that trying to develop and enforce compliance with such an architecture is futile; a better choice is to accept that biodefense has multiple pieces and players, and try to integrate the puzzle a few parts at a time.[52] No matter which model prevails, participants in the process note that interagency coordination can be successful only if a strong leader takes a central role in pulling things together.

A reading of the relevant HSPDs reveals a spaghetti bowl of agencies assigned to lead the interagency coordination of various efforts. DHS is to take charge of coordinating the response to terrorist incidents that cross multiple states, but HHS is the lead on medical response.[53] DHS is the lead for coordinating domestic incident management and also for pulling together the forensic analysis following a biological attack, but the Department of Justice leads the coordination of criminal investigations of terrorist acts by individuals or groups inside the United States.[54]

At the front end, DHS is responsible for integrating the bioterrorism risk assessments, but HHS is charged with ensuring that the priority-setting process for medical countermeasures in the Strategic National Stockpile is risk-informed.[55] DHS orchestrates the interagency synthesis of threat assessments and pulls together the net assessments for biological threats, but HHS is in charge of coordinating the acquisition of medical countermeasures to meet those threats for the civilian population, while DOD leads the acquisition of such countermeasures if the threat is to military personnel.[56] The expenditure of funds under Project BioShield (which changed the government's acquisition model for medical countermeasures) requires both DHS's assessment that a material threat exists and HHS's assessment that no countermeasure is currently available. Although DOD retains separate acquisition authority for developing countermeasures to treat military personnel, HHS has the lead role in identifying high-priority gaps in mass-casualty care and planning for an integrated national mass-casualty care system that would include DOD and Veterans Affairs hospitals.[57]

In some important areas with multiple agency involvement, there does not seem to be a lead agency. For example, HSPD-18 assigns lead responsibility for civilian medical countermeasures to HHS, but the author can find no evidence of a lead agency for the acquisition of detection systems. In the area of prevention, HSPD-10 mentions that the intelligence community and the Departments of State, Defense, and Justice all share critical roles, but does not assign a lead agency.

When multiple agencies are involved, and especially when leadership roles are divided, top-down leadership of formal coordination processes is important. Currently there is no regular process to make sure that happens. There is no comprehensive examination of problems and solutions and no coherent, top-down planning and resource allocation. The PCCs could help pull things together, but their efforts fall short. The lists of activities and lead agents that they build through efforts like the end-to-end review of 2004 instead substitute for the establishment of priorities and an interagency plan to address them.

One result of this complicated organization is program duplication. Many overlaps are the result of legacy interests or internal program expansion rather than coherent deliberation about national needs. The Congressional Research Service points out that biodefense activities in HHS and DHS overlap in several areas, including research and development, state and local disaster preparedness, surveillance of infectious disease, and mental health counseling for disaster victims.[58]

DOD and HHS maintain separate lists of biological threat agents. The research and development activities being planned for new laboratories in DHS and HHS are closely related to each other, yet it is not clear how the two departments plan to benefit from each others' activities or guard against wasteful duplication.[59] The maintenance of separate inventories of vaccines in HHS and DOD means that doses set to expire that could be used by DOD to inoculate military personnel will instead be wasted as HHS rotates its stockpile.[60]

Perhaps most troubling, fundamental questions about the relative potential contributions to national safety of prevention through international regimes; public education about the role of social distancing, isolation, and quarantine in reducing the spread of disease; improvements to public health capacity; development of medical countermeasures; or other approaches to countering biological terrorism remain largely unaddressed.

The large number of players involved in biodefense stems partly from legacy interests and partly from necessity. Some organizations have a long history in the area. The Army conducted medical countermeasures research and acquisition to complement its biological weapons programs during the Cold War. HHS has been involved in disease-tracking and public health preparedness for decades. Within DHS, FEMA has long played a role in medical relief during disasters. Other roles are more recent. NIH's work on the development of medical countermeasures expanded greatly following the anthrax attacks of 2001. DHS inherited or was assigned roles in biosurveillance and bio-sample testing as part of the effort to unify federal biodefense capacity.

Yet little has been done to end legacy activities in one organization as new activities and capabilities arose in another. For example, it is not clear why DOD's involvement in medical countermeasures research did not end when HHS took on responsibility in the area. DOD argues that medical countermeasures for the soldier are distinct from those for the civilian. HHS argues that the work needs to be done outside secure facilities, by scientists who do not have security clearances.[61] In this area and across the federal biosecurity effort, the next administration owes it to taxpayers to resolve the debate with a thorough examination and consolidation of roles and missions.

Oversight and Resource Allocation in Congress

As in other areas of national security, Congress's budgetary and oversight responsibilities give lawmakers a role in resource allocation for biodefense and pandemic preparedness. The exercise of that role is complicated by the fact that multiple authorizing committees and appropriations subcommittees share jurisdiction for pieces of biodefense. The congressional support agencies could help lawmakers improve oversight by exploring broad tradeoffs and alternatives to current arrangements and activities.

Authorizing Committees

Congress's authorizing committees are charged with the oversight of executive branch policies and programs. Multiple authorizing committees in each chamber hold jurisdiction for biodefense and pandemic preparedness. The committees exercise their jurisdictions to varying degrees through hearings and legislation (see Table 2.3 for examples). The staffs of those committees also play an important role in oversight.

The Armed Services Committees in both chambers provide significant guidance related to DOD biodefense programs through annual defense authorization acts. In addition, between September 2001 and December 2006, Congress passed four major biodefense-related authorization acts with implications for multiple federal departments.[62] All of those acts originated in the House Energy and Commerce Committee or the Senate Health, Education, Labor, and Pensions (HELP) Committee.

Table 2.3: Some Topics of Committee Hearings Held and Legislation Proposed Through Committees of Jurisdiction for Biodefense and Pandemic Preparedness		
Senate		
Committee	**Hearing Topics**	**Legislation**
Agriculture, Nutrition, & Forestry	Food & agriculture biosecurity, food counterterrorism, biosecurity coordination	Agroterrorism prevention act of 2005 (S. 1532)
Armed Services	Future biological threats, technologies to combat weapons of mass destruction, cooperative threat reduction	Annual national defense authorization acts
Foreign Relations	Avian influenza	Global pathogen surveillance act of 2007 (S. 1687)
Health, Education, Labor, and Pensions (HELP)	Biological threats, biodefense, public health preparedness, medical countermeasures	Public health preparedness workforce development act of 2007 (S. 1804); Pandemic & All-Hazards Preparedness Act of 2006 (P.L. 109-417); BioShield Act of 2004 (P.L. 108-276)
Homeland Security and Governmental Affairs (HSGAC)	Bioterrorism preparedness	National agriculture & food defense act of 2007 (S. 1882); homeland security food & agriculture act of 2005 (S. 572)
House of Representatives		
Agriculture	None identified	Legislation to respond to the vulnerability of the U.S. agricultural production & food supply system to international terrorism (H.R. 3198), 2001; legislation to establish a coordinated program of science-based countermeasures to address the threats of agricultural bioterrorism (H.R. 3293), 2001
Armed Services	National biodefense strategy, science & technology for irregular warfare, improving interagency cooperation for the global war on terrorism, combating weapons of mass destruction	Annual national defense authorization acts
Energy and Commerce	BioShield, pandemic influenza	Biodefense & pandemic vaccine & drug development act of 2006 (H.R. 5533, elements included in P.L. 109-417); legislation to increase number of political subdivisions directly receiving awards under the program for improving state & local preparedness for public health emergencies (H.R. 1987), 2005; Smallpox Emergency Personnel Protection Act of 2003 (P.L. 108-20); Public Health Security & Bioterrorism Preparedness & Response Act of 2002 (P.L. 107-188); global network for avian influenza surveillance act of 2005 (H.R. 4476)
Foreign Affairs (formerly International Relations)	Multidrug resistant tuberculosis, counterterrorism strategy, nonproliferation, proliferation security initiative, pandemic flu	None found
Homeland Security	BioShield, medical countermeasures, national bio- and agro-defense facility, agro-terrorism, vulnerabilities in food supply chain, pandemic influenza, multidrug resistant tuberculosis	Project BioShield material threats act of 2006 (H.R. 5028); legislation to establish a national bio- and agro-defense facility (H.R. 1717), 2007; legislation on the position of Chief Medical Officer (P.L. 6352), 2006
Source: Author's table drawn from public records of hearings and witness statements and from Thomas.loc.gov. Note: Includes committee and subcommittee hearings between January 2004 and May 2008. Includes legislative bills and acts between October 2001 and May 2008.		

With multiple committees involved, the path toward passage of authorizing acts for biodefense can be difficult. For example, S. 15, the bill that ultimately became the Project BioShield Act, was introduced in the Senate in March 2003. A related bill, HR 2122, was introduced in the House that May and passed in the House that July. It took a full year after that to iron out details and pass the bill in both chambers.

Similarly, S. 975, one of the bills that ultimately led to the Pandemic and All-Hazards Preparedness Act (PAHPA) of 2006 (P.L. 109-417), was introduced in the Senate in April 2005, and the HELP committee held hearings in July of that year.[63] At least eight Senate committees shared jurisdiction over various aspects of the bill.[64] Negotiations over that and other versions of the bill took more than 18 months, and PAHPA finally became law in December 2006. Participants in the legislative process generally attribute the successful passage of PAHPA and other biodefense legislation to the committed leadership of a few members of the House Energy and Commerce Committee and the Senate HELP Committee.[65]

Despite the cross-committee implications of biodefense activities, joint hearings among the key authorizing committees are rare, as they are in other areas of national security. Cross-committee hearings regarding national risk-management plans, the roles and missions of the multiple federal departments involved, the coherence of the overall federal effort, and the relationship between the federal effort and state and local responsibilities could help authorizers to exercise oversight. Joint hearings might address reports of gaps or cross-cutting issues identified in reports by the congressional support agencies. For example, joint hearings on laboratory infrastructure and medical countermeasure development could serve to reduce duplication in these programs.

Appropriations Subcommittees

The Appropriations Committees of the Senate and House are responsible for the annual funding bills that provide the money that runs the federal government. In each chamber, jurisdiction for biodefense is spread across several subcommittees of the Appropriations Committee (see Table 2.4). The relevant subcommittees generally hold hearings on the annual budget requests for the departments under their purview. Witnesses from the executive branch typically highlight their departments' biodefense activities during those hearings. In addition, the appropriations committees have occasionally held hearings focused directly on biodefense or pandemic disease.[66]

Table 2.4: Principal Appropriations Subcommittees for Biodefense

Senate	House
Agriculture, Rural Development, FDA, and Related Agencies	Agriculture
Defense	Defense
Homeland Security	Homeland Security
Labor, HHS, Education, and Related Agencies	Labor, HHS, and Education

In recent years, the Appropriations Committees have not succeeded in bringing most appropriations to completion. Defense and homeland security were the exceptions until FY 2008. For FY 2008, even homeland security lacked an individual appropriation. Like the appropriations for agriculture and for labor, HHS, and education, homeland security spending for FY 2008 was

rolled into a series of continuing resolutions and finally into a single, consolidated act to fund the entire federal government with the exception of defense.

The failure to pass individual appropriation acts often reflects the inability to reach consensus between the two chambers or between Congress and the administration. Some observers hold that consolidated spending bills are not a sign of weakness in the appropriation process. They argue that the subcommittee hearings and the committee markups and reports from each chamber, together with the budget levels granted through a consolidated appropriation, provide sufficient guidance to the agencies.[67] Nevertheless, the failure to come to terms on the differences that stand in the way of individual appropriation bills has the potential to lead to confusion within the departments, particularly in an area like biodefense that involves so many executive branch and congressional players.

Since 2001, the administration and Congress have relied heavily on emergency supplemental appropriations to provide funds for biodefense and pandemic preparedness. Of the $57 billion budgeted for countering bioterrorism since 2001, nearly $8 billion has come through emergency supplemental appropriations (see Table 2.5). In addition, some $6.3 billion of the $8.2 billion allocated to prepare for an influenza pandemic was budgeted through the emergency supplemental process.

The use of emergency supplementals during 2001 and 2002 was clearly warranted as a way to provide funds quickly to deal with the aftermath of 9/11 and the anthrax attacks of October 2001. Since that time, however, it is not clear that the funds provided were for genuine emergencies, or that the annual appropriations process would have been too slow.

In recent years, Congress has also used emergency supplemental appropriations as a vehicle to mandate policies directly. For example, the second emergency supplemental appropriation for pandemic influenza preparedness indemnifies those who provide medical countermeasures against claims that result from the administration of those countermeasures during a public health emergency.[68] That policy was included in the early authorization bills that ultimately resulted in the PAHPA legislation of December 2006, but was pushed into the emergency supplemental act as those bills met with roadblocks.

The use of the emergency supplemental process to set policy and provide budgets for recurring activities poses three problems. First, emergency supplemental appropriations generally circumvent the congressional authorization process entirely and typically receive far less scrutiny in the executive branch and Congress than regular appropriations. The result is weakened oversight in both branches. (This point is discussed in greater detail in Chapter 5.) Second, the use of emergency supplementals for recurring activities can muddy projections of the federal government's future fiscal picture. When the government relies on such appropriations to pay for routine activities, future spending for those activities does not enter into calculations of future deficits by OMB or the Congressional Budget Office (CBO), even though they are likely to recur.

Finally, the routine use of emergency supplemental appropriations complicates efforts to balance the federal budget. In recent years, the administration and Congress have made no serious effort to enforce spending limits of the sort that prevailed during the 1990s. Should such limits be restored, emergency supplemental appropriations would likely be excluded from the calculation, making the limits easy to circumvent.

Table 2.5: Emergency Supplemental Appropriations for Countering Bioterrorism			
Department	**Purpose**	**Amount** Millions of Dollars	**Appropriation Act**
Agriculture	Improve security at research facilities, and related activities	367	P.L. 107-117, January 2002
HHS	Grants to state & local governments & hospitals; biodefense research; biocontainment facilities; SNS; smallpox vaccine	2,800	P.L. 107-117, January 2002
US Postal Service	Protection of postal service employees & customers from exposure to biohazards	500	P.L. 107-117, January 2002
Agriculture	Security at animal disease research facility	25	107-206, August 2002
Agriculture	Improve national animal disease center	110	P.L. 108-11, April 2003
HHS	Smallpox vaccination program	100	P.L. 108-11, April 2003
HHS	Administer compensation program for individuals injured through smallpox vaccinations	42	P.L. 108-11, April 2003
HHS	Improve production of flu vaccine, purchase medical countermeasures to deal with flu outbreak	68	P.L. 109-13
USAID	Global programs to contain avian influenza	25	P.L. 109-13
HHS	Improve National Disaster Medical System	100	P.L. 109-62, September 2005
Agriculture	Avian influenza programs	91	P.L. 109-148, December 2005
DOD	Vaccine purchase, surveillance, information management, diagnostic equipment, & operations to counter avian flu	130	P.L. 109-148, December 2005
DHS	Train, plan, & prepare for potential outbreak of highly pathogenic influenza	47	P.L. 109-148, December 2005
HHS	Public health & social services emergency fund to prepare for and respond to influenza pandemic	3,320	P.L. 109-148, December 2005
State	Avian flu country coordination	31	P.L. 109-148, December 2005
USAID	Surveillance, planning, preparedness, & response to avian flu; deployment of supplies & equipment	132	P.L. 109-148, December 2005
Veterans Affairs	Avian flu programs	27	P.L. 109-148, December 2005
HHS	Pandemic flu programs	2,300	P.L. 109-234, June 2006
Source: Author's table, based on record of public laws available at Thomas.loc.gov and Sarah A. Lister, "Pandemic Influenza: Appropriations for Public Health Preparedness and Response" (Washington, DC: CRS, January 23, 2007).			

Relationships between Authorizers and Appropriators

Relationships between authorizers and appropriators are important. Several participants from both communities observed that those relationships are strong when the subject is countering bioterrorism or naturally occurring health emergencies.[69] The historical evidence supports that view.

For example, the 2004 authorizing act for Project BioShield authorized a single appropriation of $5.6 billion into a special reserve fund, to be used over a period of ten years for the procurement of medical countermeasures. The unprecedented plan for a relatively flexible ten-year fund was initially viewed unfavorably by appropriators, who prefer the annual control of federal purse strings implicit in annual appropriations.

To circumvent the impasse, authorizers and appropriators found an accommodation: the money was appropriated for ten years, subject to annual approval of the appropriators. The single-year appropriation of a significant sum of money boosted the confidence of potential countermeasure suppliers that the government would share in the financing of successful countermeasures, while allowing appropriators to retain oversight of spending.

In other instances, authorizers and appropriators have considered joint hearings, though logistics appear ultimately to have gotten in the way. Senator Richard Burr, the initial sponsor of the PAHPA legislation, was invited to and attended a key appropriations hearing on the subject in May 2006.[70] Joint hearings between authorizers and appropriators could be helpful in the future, as lawmakers consider the policy implications of major budgetary choices.

A striking feature of congressional hearings and legislation—authorizations as well as appropriations—in the areas of biodefense and public health preparedness is the extent to which they respond to perceptions of a crisis. Concerns over the West Nile virus shaped legislation before 2001. The anthrax attacks of 2001 sparked hearings, emergency supplemental funding, and authorizing legislation related to biodefense in 2002. Fears that the Iraqi government might introduce smallpox during the 2003 invasion sparked lawmakers to hold hearings and pass legislation related to that disease. In 2005 and 2006, concern over avian influenza sparked the administration to request and Congress to grant billions of dollars in emergency funding to prepare to deal with a pandemic, and sparked Congress to mandate changes in executive branch organization and procurement policy.

The perception of a looming crisis can be the stimulus for positive changes, and the legislation that resulted in each of those cases is important. Unfortunately, focusing continually on the crisis of the moment can draw attention away from the exploration of long-term challenges and opportunities. A series of hearings to explore biodefense roles and missions, the coherence of strategic priorities and the overall national effort, gaps in activities to address long-term challenges, and duplication of effort could help Congress to carry out its oversight role.

Congressional Support Agencies

Members of Congress rely heavily for information and analysis on three nonpartisan support agencies: CBO, the Congressional Research Service (CRS) of the Library of Congress, and the Government Accountability Office (GAO). CBO develops economic and budgetary projections, provides independent estimates of the costs of policy changes under consideration, and prepares reports that include descriptions of alternatives to current policies and detail their costs and potential consequences. CRS prepares reports on a wide variety of topics of interest to members of Congress. As the government's auditor, GAO prepares assessments of programs across government and makes recommendations for improvements.

Since 2001, all three agencies have produced important work on various aspects of biodefense and public health preparedness for pandemic disease, including cost estimates and analyses of major authorization bills, reports on individual programs, and examinations of methods of risk analysis. To date, however, the three have done relatively little in the way of studies that assess the likely benefits, costs, and risks of broad alternatives to existing biodefense programs.

Useful studies could include an examination of the possible tradeoffs between the medical countermeasures development programs in DOD and HHS, a look at biodefense roles and missions and the potential for cross-agency consolidation, and a critical examination of the

federal role in public health preparedness. Such studies could improve members' understanding of the broad resource allocation choices the executive branch has made. However, CBO in particular lacks the analysts it would need to examine broad biodefense tradeoffs routinely.

Recommendations for Change

The case of biodefense and pandemic preparedness surfaces a number of problems in the organizations, processes, and tools that surround planning and resource allocation for national security and homeland security. This section reviews those problems briefly and offers recommendations for change.

Changes to Organizational Structures

Roles and missions review

Finding mechanisms to foster coherence across a mission as varied and as intertwined with other federal roles as countering bioterrorism is not easy. Doing so when multiple players are assigned to lead the interagency integration of federal responses to the various challenges is even harder.

Biodefense and pandemic preparedness activities in HHS, DOD, and DHS overlap in multiple areas. The result is often incoherent and overlapping approaches and policies. An important question is why so many agencies are involved in biodefense in the first place. In some areas, the answer is legacy interest. Other roles are more recent. Yet little has been done to end legacy activities in one organization as new activities and capabilities arose in another. The next administration owes taxpayers a thorough examination and consolidation of roles and missions.

Recommendation: The next administration and Congress should work together to consolidate responsibilities and staffs to reduce overlaps and improve coherence across the federal biodefense and pandemic preparedness effort. Within a few months of taking office, the administration should convene a bipartisan panel of experts to examine roles and missions and recommend areas for consolidation. The report of the panel should be reviewed by the congressional support agencies and should be the subject of joint hearings of the relevant committees of jurisdiction in the Congress.

Organization of the EOP

In theory, the HSC advises the president on domestic security matters while the NSC is concerned with international ones. In reality, in an area like biosecurity, the two are deeply intertwined and require an integrated international and domestic approach. Moreover, the HSC lacks the staff and institutional heft needed to bring coherence to the homeland security issues involved in biodefense.

The seam between the NSC and the HSC is also evident in the organization of OMB. Responsibility for biodefense is scattered across numerous branches in multiple resource management offices. To some extent, the split is unavoidable, because biodefense is at the same time an international issue, a domestic security challenge, and a public health concern. A marked reduction in DOD's role in biodefense could alleviate the problem. An additional approach to facilitating the consistency and coherence of resource allocation for biodefense is to shift OMB's Homeland Security Branch away from the General Government RMO and into the National Security RMO.

Today's NSC staff itself is often too caught up in immediate issues or in planning for the next principals' meeting to conduct the long-term planning, risk assessment, gap analyses, and tradeoff studies that are needed in an area like biodefense. An understanding of the future budgetary implications of the various choices under consideration is crucial to such studies.

In an effort to address some of these problems, Congress and the executive branch have assigned individual agencies or offices to lead on various aspects of biodefense and pandemic preparedness, and on public health and counterterrorism more generally. Rather than streamlining, the resulting tangle of lead roles complicates coherent planning and resource allocation and is sure to cause confusion in emergency operations.

In an area that brings together important players from so many agencies, some planning and resource allocation functions simply cannot be devolved to lead agencies; they belong in the White House. To improve the capacity of the EOP to deal with this area, we offer the following recommendation.

Recommendation: The next administration should reconfigure the EOP to strengthen White House oversight of cross-cutting issues like biodefense and diminish the current seams between homeland security and national security. Specifically, the next president should:

- Abolish the HSC and fold its staff and responsibilities into an expanded NSC.
- Move OMB's Homeland Security Branch into the National Security RMO.
- Expand the EOP to create dedicated cells of trained specialists within the NSC staff and OMB to conduct long-term planning, risk assessment, gap analyses, and tradeoff studies, and to identify key long-term federal priorities constrained by realistic future budgets in cross-cutting areas like biodefense.
- Sharply reduce reliance on lead agencies as the main mechanism for ensuring program coherence and integration.

Congressional support agencies

The congressional support agencies provide information and analyses that can help Congress exercise its resource allocation and oversight roles. CBO, CRS, and GAO have contributed importantly to congressional understanding of key issues in biodefense and pandemic preparedness. Those agencies have done less in the way of broad studies that cut across the full panoply of federal efforts in biodefense and pandemic preparedness. The Congressional Budget Office in particular currently lacks the analysts it would need to examine broad tradeoffs routinely for areas like biodefense that lie at the intersection of homeland security, national defense, and domestic public health preparedness.

Recommendation: The 111th Congress should provide the resources to expand the CBO's National Security Division and its Budget Analysis Division, so CBO can do more to assess programs that lie at the intersection of homeland security and national security. The director of CBO should carry out the expansion.

Changes to Processes

Mechanisms to improve top-level linkages between strategies and budgets

In an ideal world, the White House would allocate resources to national security and homeland security by carefully weighing the benefit of each endeavor and allocating resources accordingly.

Strategies would identify the nation's most pressing national security and homeland security problems and risks, and resources would be realigned to their most productive use.

In reality, current processes do not lead to clear strategies or priorities. Multiple strategy documents, HSPDs, and end-to-end reviews list the various activities of biodefense and all-hazards preparedness. They impose requirements on the various players, but it is not easy to discern genuine priorities in this area. The documents are often not well understood by those who must implement them, and they sometimes arrive with no money to carry them out.

DHS has developed a framework for assessing the risks associated with a variety of biological agents, but an external expert review of that framework found deep flaws. It seems crucial that the next administration develop sound processes to assess threats and risks, identify gaps in capabilities, and establish priorities for the nation's biodefense efforts.

Moreover, there is currently no formal document that links strategy and resources for biodefense, or more generally for the range of missions that lie at the intersection of national security, homeland security, and statecraft.

Recommendation: The new administration should take the following actions to improve its articulated strategies for national security and homeland security and to strengthen the linkages between strategy and resources:

- The EOP and the new secretary of homeland security should improve national and DHS methods and frameworks for assessing risks.
- The new cells established between the NSC and OMB should conduct top-level, long-term risk assessment and gap analyses to identify key long-term priorities for biodefense.
- Within the first year, the EOP should update, integrate, and streamline the strategy documents and presidential directives for national security and homeland security. A single overarching strategy for promoting the nation's security should clearly set and articulate priorities within and among the various elements of national defense, homeland security, and international affairs. They should include a prioritized list of critical missions and identify the role of the federal government. The overarching, prioritized strategy should be updated at least every four years.
- Within the first year, the NSC and OMB should jointly conduct, with interagency support, a Quadrennial National Security Review (QNSR). The QNSR should establish top-down priorities for national defense, homeland security, and statecraft, within budgetary constraints. It should draw genuine long-term links between the strategy articulated in the streamlined strategy document and the resources the administration plans to devote to national defense, homeland security, and statecraft. The QNSR should start with the administration's overarching strategy; articulate a prioritized list of critical missions; and identify the major federal programs, infrastructure, and budget plan that will be required to implement the strategy successfully.
- Within the first year, NSC and OMB should work together to develop a National Security Planning Guidance (NSPG) that provides detailed guidance for agency actions and programs. This document should consider resource tradeoffs and constraints with respect to a small handful of important crosscutting missions. An NSPG should be prepared every two years, and each successive NSPG should focus on a few crosscutting missions. The first one should include biodefense and pandemic preparedness as one of those crosscutting missions.
- The QNSR and the NSPG should inform OMB's fiscal guidance to federal departments and agencies. Cabinet secretaries and agency heads with roles in national defense, homeland security, and statecraft should be directed to use the QNSR and the NSPG to inform their

planning and resource allocation processes. The NSC and OMB should use the QNSR and the NSPG as the basis of an annual review of agency future-year program and resource planning documents.
- OMB should conduct integrated budget reviews for key cross-cutting missions like biodefense and pandemic preparedness.

Process changes in DHS and DOD

DHS's budgetary stake in biodefense and pandemic preparedness is generally not as large as that of HHS or DOD. Nevertheless, DHS plays important roles in risk assessment and environmental monitoring. Thus it is important that DHS exercise sound planning and resource allocation.

As practiced in DHS, the PPBE lacks formal mechanisms to facilitate the secretary's personal involvement, to build consensus for resource allocation decisions across components, and to provide the secretary with independent analyses of the components' plans and alternatives to them.

DOD's PPBE is more mature, but it is far less relevant than it should be in providing decision makers with information about alternatives to the programs advanced by the services and departmental agencies. The Quadrennial Defense Review lacks the resource dimension that should differentiate it from national and departmental strategy documents.

Recommendations:
The new secretary of homeland security should make improvements to the department's PPBE process and should engage personally at key points in the process. Specifically, the secretary should:

- Institutionalize a meeting that pulls together the heads of the operating components and top staff of the Office of the Secretary at the beginning of each PPBE cycle to discuss the secretary's top priorities and preferences.
- Personally review the department's Integrated Planning Guidance and sign it on schedule.
- As part of the program review, instruct the director (PA&E) to conduct tradeoff studies and provide information about the costs and risks associated with a variety of alternatives to component programs.
- Institutionalize a meeting of component heads and senior leaders of the Office of the Secretary to review the alternatives considered in PA&E's tradeoff studies and deliberate on decisions.

The new secretary of defense should make the following improvements:
- Restore a resource component to the QDR, and use the QDR to establish firm, long-term linkages from strategic priorities into programs and budget.
- Restore the program review to a process lasting at least three months, to allow PA&E analysts sufficient time to develop and analyze important policy alternatives for consideration by the secretary and deputy secretary.

Process changes in Congress

Since 2001, lawmakers have passed important authorizing legislation and appropriated substantial sums for biodefense and pandemic preparedness. Congressional success in completing legislation is largely due to the leadership and skill and of a handful of members. Congress lacks an

institutionalized, integrated approach to resource allocation and oversight of issues like countering bioterrorism that lie at the intersection of national security and homeland security.

Jurisdiction for biodefense and pandemic preparedness is shared among several committees and subcommittees. Because the issues involved cut deeply across federal government, it is unrealistic to imagine that jurisdiction for these missions would ever be consolidated under a single authorizing committee and a single appropriations subcommittee in each chamber. Biodefense and other issues that lie at the intersection of homeland security, national security, and statecraft will continue to cut across committee and subcommittee jurisdictions.

To ensure the administration reviews and articulates long-term, top-level linkages between its national security strategies and the budgets it proposes, Congress should mandate that the executive branch conduct a QNSR and prepare a biannual NSPG, and that the report of the QNSR be made available to Congress and the public.

The congressional support agencies play important roles in providing information and analyses that can help lawmakers as they consider the allocation of federal resources to biodefense and pandemic preparedness, as well as to other missions that lie at the intersection of national security, homeland security, and international affairs. CBO, CRS, and GAO should be called upon to conduct studies and prepare reports that will help Congress get the most out of the mandated QNSR.

Recommendation: The 111th Congress should make the following changes:

- Mandate and review the recommendations of a White House-appointed, bipartisan panel to examine agency roles and missions in the area of biodefense and pandemic preparedness and to recommend areas for consolidation.
- Mandate that the administration produce a publicly available QNSR and a biennial NSPG; the NSPG may be classified.
- Request that during the first year of each presidential term, CRS provide lawmakers with a report on the issues for congressional consideration that are likely to be raised by the QNSR.
- Request that CBO prepare an assessment of the administration's QNSR.
- Ask CBO periodically to conduct a study of the costs, risks, and other implications of the administration's plans for biodefense and pandemic preparedness and of alternatives to those plans.
- Conduct regular joint hearings of national security, homeland security, and international activities that span the jurisdictions of multiple committees or appropriation subcommittees, including biodefense. In particular, hold joint hearings on the administration's QNSR, informed by the CBO and CRS reports. Other topics for cross-committee hearings include national risk-management plans, the roles and missions of the multiple federal departments involved, the coherence of the overall federal effort, the relationship between the federal effort and state and local responsibilities, and duplication in laboratory infrastructure and in medical countermeasure development programs.

Changes to Tools

Emergency supplemental appropriations

Substantial funding for biodefense and pandemic preparedness since 2001 has come through emergency supplemental appropriations. The routine use of the emergency supplemental process to set policy and provide budgets for recurring activities poses important problems. Avoiding

their use for biodefense and pandemic preparedness could lead to improved oversight in the executive branch and in Congress.

Recommendation: The next administration and Congress should work together to establish strict standards for activities that qualify for emergency supplemental appropriations, avoid the use of emergency supplemental appropriations to fund ongoing activities, and review requests for ongoing programs within the normal agency budget process.

Record of spending for biodefense and pandemic preparedness

The executive branch does not publish a spending plan or a record of spending that pulls together the various federal programs related to countering bioterrorism and preparing for disease pandemics. In fact, it appears that the executive branch does not develop such a data base even for its own internal use. Sound resource allocation starts with knowing where the money is spent. The executive branch should develop a consolidated accounting of federal-wide budgets and historical spending for important cross-cutting missions like biodefense.

Recommendation: OMB should establish and maintain an accurate data base with planned budgets and historical records of budgets and outlays for biodefense, pandemic preparedness, and other cross-cutting missions. This information should be included with the budget documents submitted annually to the Congress and made available to the public.

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[1] "Federal Funding for Biological Weapons Prevention and Defense, Fiscal Years 2001 to 2009" (Washington, DC: Center for Arms Control and Nonproliferation, 2008), p. 2. Other non-governmental organizations report somewhat different figures; see for example Crystal Franco and Shana Deitch, "Billions for Biodefense: Federal Agency Biodefense Funding, FY2007-FY2008," *Biosecurity and Bioterrorism*, Volume 5, Number 2, 2007. The federal government does not provide an aggregated picture of spending to counter bioterrorism. The estimation of total spending in this area is complicated by the fact that in some instances, the government groups programs for countering biological threats together with those for dealing with nuclear and chemical threats.

[2] For example, see Homeland Security Presidential Directive (HSPD)-21, "Public Health and Medical Preparedness" (Washington, DC: White House Office of the Press Secretary, October 18, 2007).

[3] Center for Arms Control and Nonproliferation, 2008, p. 18.

[4] Center for Arms Control and Nonproliferation, 2008, p. 7-8; "Department of Defense FY 2008/2009 Budget Estimates: Research, Development, Test, and Evaluation, Defense-Wide" (Washington, DC: DOD, February 2007), Volume 4, "Chemical and Biological Defense Program (CBDP)," pp. 3, 27, 39, 83, 106, 125, 153, 170, 199, 258, 315, and 425.

[5] "DOD Joint Service Chemical and Biological Defense Program: Committee Staff Procurement Backup Book, FY 2008/2009 Budget Estimates, Procurement, Defense-Wide" (Washington, DC: DOD, February 2007), Exhibits P-40, P-5, and P-40C.

[6] Center for Arms Control and Nonproliferation, 2008, p. 7-8

[7] Center for Arms Control and Nonproliferation, 2008, p. 7-8; "Department of Defense FY 2008/2009 Budget Estimates: Research, Development, Test, and Evaluation, Defense-Wide" (Washington, DC: DOD, February 2007), Volume 4, "Chemical and Biological Defense Program (CBDP)," p. 13.

[8] Department of Homeland Security, "Budget in Brief, FY 2008 (Washington, DC: DHS, 2007), pp. 84-96.

[9] Jamie Johnson, Director, Office of National Laboratories, DHS, briefing at DHS "S&T Stakeholders Conference," May 22, 2007.

[10] Department of Homeland Security, "Budget in Brief, FY 2008 (Washington, DC: DHS, 2007), pp. 92-93.

[11] Center for Arms Control and Nonproliferation, 2008, p. 4.

[12] The organization was then in the Department of Health, Education, and Welfare, and was initially called the Office of the Assistant Secretary for Program Coordination. "Brief history of the Office of the Assistant Secretary for Planning and Evaluation, HHS" (http://aspe.hhs.gov/info/aspehistory.shtml).
[13] "HHS Progress in National Preparedness Efforts," Statement by Gerald W. Parker, principal deputy assistant secretary, Office of the ASPR, Department of Health and Human Services, before the Senate Committee on Homeland Security and Governmental Affairs (October 23, 2007), p. 3.
[14] U.S. Department of Health and Human Services, *Strategic Plan, Fiscal Years 2007-2012*, p. 15.
[15] "National Institutes of Health Actual Obligations, Percent of Total, by Institute and Center," on the web site of NIH's Office of the Budget (http://officeofbudget.od.nih.gov/UI/SpendingHistory.htm).
[16] Biographical sketch of Elias A. Zerhouni, M.D., Director of NIH, included in his written statement before the Subcommittee on Labor-HHS-Education of the House Appropriations Committee, March 5, 2008, page 11.
[17] " HHS Progress in National Preparedness Efforts," Statement by Gerald W. Parker, Principal Deputy Assistant Secretary, Office of the ASPR, Department of Health and Human Services, before the Senate Committee on Homeland Security and Governmental Affairs (October 23, 2007), p. 1, 4.
[18] U.S. Department of Health and Human Services, *Budget in Brief, FY 2009* (Washington, DC), p. 5.
[19] Alain C. Enthoven and K. Wayne Smith, *How Much is Enough: Shaping the Defense Program 1961-1969* (NY: Harper & Row, 1971; reprinted by Rand, 2005).
[20] Enthoven and Smith, 2005.
[21] The first DOD QDR report was published in May 1997 by Secretary of Defense William Cohen; it included an estimate of the resources that would be required, but that estimate rested on overly optimistic assumptions about savings from infrastructure reforms. The second QDR, submitted by Secretary of Defense Donald Rumsfeld just weeks after the 9/11 attacks, argued that it was not yet possible to estimate the resources needed to deal with the terrorist threat. The third QDR, submitted by Donald Rumsfeld in February 2006, dismissed the notion that a discussion of resources was relevant or necessary.
[22] DOD, Program Budget Decision No. 753, "Other Secretary of Defense Decisions," December 23, 2004.
[23] DOD, *Quadrennial Defense Review* (February 2006), pp 51-53; Jean D. Reed, special assistant to the secretary of defense for chemical and biological defense and chemical demilitarization programs, briefing to the National Defense Industry Association, "Department of Defense Chemical and Biological Defense Initiatives" (September 27, 2006).
[24] See www.dtra.mil.
[25] Inspector General of the U.S. Department of Defense, "DoD Initiatives for Combating Weapons of Mass Destruction," March 30, 2007, p. 14.
[26] For an example of external criticism, see Coleen K. Martinez, "Biodefense Research Supporting the DoD: A new Strategic Vision" (Carlisle, PA: Army Strategic Studies Institute, March 2007). For internal criticism, see Inspector General, March 30, 2007.
[27] Coleen K. Martinez, March 2007, p. 12-14.
[28] Inspector General, March 30, 2007, p. 6.
[29] DOD Directive 2060.02, "Department of Defense (DoD) Combating Weapons of Mass Destruction (WMD) Policy, April 19, 2007.
[30] Cindy Williams, *Strengthening Homeland Security: Reforming Planning and Resource Allocation* (Washington, DC: IBM Center for The Business of Government, 2008), p. 20.
[31] Steve Bennett, Ph.D., DHS Risk Assessment Program Manager, "DHS Bioterrorism Risk Assessment: Background, Requirements, and Overview," briefing to the Committee on Methodological Improvement to the Department of Homeland Security's 2006 Bioterrorism Risk Assessment, 28 August 2006.
[32] National Academy of Sciences Board on Mathematical Sciences and Their Applications, "Interim Report on Methodological Improvements to the Department of Homeland Security's Biological Agent Risk Analysis" (Washington, DC: The National Academies Press, 2007), p. 2.
[33] Public Law 110-053, "Implementing Recommendations of the 9/11 Commission Act of 2007," signed August 3, 2007, Section 2401.
[34] Cindy Williams, 2008, p. 17-20.
[35] Cindy Williams, 2008, p. 18-21.
[36] DHS Budget in Brief, FY 2009, p. 93.
[37] Author interview with DHS official.

[38] HSPD-5, "Management of Domestic Incidents," updates the organization of the NSC to include secretaries of homeland security at meetings "pertaining to their responsibilities."
[39] For NSC figure, see Alan G. Whittaker, Frederick C. Smith, and Elizabeth McKune, *The National Security Policy Process: The National Security Council and the Interagency System* (Research Report, April 2007 Annual Update) (Washington, DC: Industrial College of the Armed Forces, National Defense University, U.S. Department of Defense, April 2007), p. 11. For HSC figure, see White House web site, http://www.whitehouse.gov/hsc/, as of May 2, 2008. An examination by CRS of documents provided for the record of a hearing in 2004 indicates a somewhat higher figure: 40 full-time-equivalent direct employees and 26 detailees; see Harold C. Relyea, "Organizing for Homeland Security: The Homeland Security Council Reconsidered" (Washington, DC: Congressional Research Service, March 19, 2008), p. 4.
[40] For example, as of May 2, 2008, the site names Frances Townsend as the advisor to the president for homeland security and counterterrorism, though she departed that post in January 2008.
[41] Harold C. Relyea, March 19, 2008.
[42] "Q&A With Dr. Robert Kadlec," PRTM, on the web at www.prtm.com/strategiccategory.aspx?id=1882&langtype=1033 as of May 2, 2008.
[43] Whittaker et al, *The National Security Policy Process*, p. 50-51.
[44] DOD, Chairman of the Joint Chiefs of Staff Instruction 5715.01B, "Joint Staff Participation in Interagency Affairs," current as of 1 August 2007, p. B-3.
[45] Ibid, pp A-3 to A-4.
[46] Federation of American Scientists (http://www.fas.org/irp/offdocs/nspd/) as of May 2, 2008.
[47] Discussions with DHS and HHS.
[48] Author discussions with participants in the departments.
[49] Author's discussion with OMB budget examiners.
[50] Discussions with personnel from OMB and various federal departments.
[51] Interviews with officials from HHS, DHS, and DOD.
[52] Interviews with biodefense officials in HHS, DHS, and DOD.
[53] HSPD-5, February 28, 2003; HSPD-10, "Biodefense for the 21st Century," April 28, 2004.
[54] HSPD-5 and HSPD-10.
[55] HSPD-18, "Medical Countermeasures against Weapons of Mass Destruction," February 7, 2007; HSPD-21, "Public Health and Medical Preparedness," October 18, 2007.
[56] HSPD-10 and HSPD-18.
[57] HSPD-21.
[58] Sarah A. Lister, "Public Health and Medical Preparedness and Response: Issues in the 110th Congress" (Washington, DC: CRS, February 8, 2007), p. 2.
[59] Dana A. Shea, "The National Biodefense Analysis and Countermeasures Center: Issues for Congress" (Washington, DC: CRS, February 15, 2007), p. 14.
[60] GAO, "Project BioShield: Actions Needed to Avoid Repeating Past Problems with Procuring New Anthrax Vaccine and Managing the Stockpile of Licensed Vaccine" (Washington, DC: GAO, October 2007).
[61] Coleen K. Martinez, March 2007. Martinez recommends consolidating all federal biodefense resources into a new agency within HHS.
[62] The acts are the Public Health Security and Bioterrorism Preparedness and Response Act (P.L. 107-188, June 12, 2002); the Smallpox Emergency Personnel Protection Act (P.L. 108-20, April 30, 2003); the Project BioShield Act (Public Law 108-276, July 21, 2004); and the Pandemic and All-Hazards Preparedness Act (PAHPA, Public Law 109-417, December 19, 2006).
[63] PAHPA assigns leadership of the federal medical response to public health emergencies to the Secretary of HHS, creates the position of assistant secretary for preparedness and response and a new biomedical advanced research and development authority (BARDA) within HHS, adjusts federal programs to help state and local governments prepare for public health emergencies, and establishes a fund and the authority for expedited procurement procedures to help HHS contract with biomedical firms to bring promising new vaccines and drugs through advanced research and development.
[64] The point was made in testimony by Chuck Ludlam, former legal counsel to Senator Joseph Lieberman, to a roundtable of the Senate HELP Subcommittee on Bioterrorism and Public Health Preparedness on July 14, 2005. The author's examination of the list of subjects contained in the bill at Thomas.loc.gov reveals

the following relevant committees: Agriculture, Armed Services, Finance, Foreign Relations, HELP, Homeland Security and Governmental Affairs, Judiciary, and Transportation.

[65] Discussions with current and former congressional staff.

[66] For example, the House and Senate Appropriations Subcommittees on Labor, HHS, and Education both held hearings in November 2005 on HHS's budget request for pandemic flu. The Homeland Security Subcommittee of Senate Appropriations held a hearing on biodefense and pandemic influenza in May 2006.

[67] Author's discussions with congressional staff members.

[68] P.L. 109-148, Division C, "Public Readiness and Emergency Preparedness Act," December 30, 2005.

[69] Author's discussions with congressional staff members.

[70] Opening statement of Senator Judd Gregg in the transcript of the hearing of the U.S. Senate, Subcommittee on Homeland Security, Committee on Appropriations, Tuesday, May 23, 2006.

Chapter 3 Countering Nuclear Terrorism

Leaders across the U.S. political spectrum say that nuclear weapons in the hands of terrorists constitute one of the most important threats the nation faces. Countering that threat requires the integrated efforts of diverse federal departments and agencies. Yet within the executive branch, those efforts often come together only at the level of the president. The efforts also cut across the jurisdictions of at least nine committees in each chamber of Congress.

As is the case for other aspects of countering terrorism, getting the most from the various programs that address the threat of nuclear terrorism requires allocating resources to reflect national priorities and to guard against significant gaps, overlaps, and mismatches. But the processes through which the government allocates resources to deal with nuclear terrorism often stand in the way of setting priorities or achieving policy coherence.

The problems in planning and resource allocation that surface in this case generally echo those of the case on biodefense and pandemic preparedness discussed in Chapter 2. To avoid repetition, this chapter is limited to a brief review of programs and spending for countering nuclear terrorism, a short discussion focused on unique features in the organizations, processes, and tools related to planning and resource allocation in this case, and a summary of the recommendations for reform that flow from this case.

Programs to Counter Nuclear Terrorism

In the broadest sense, most of the main tools of security and statecraft play some role in countering nuclear terrorism. Diplomacy can persuade friends and allies to help in the fight against terrorism (see Table 3.1 for some examples of tools and the agencies that wield them). Foreign security assistance can help other countries to improve their capacity to patrol borders to prevent nuclear smuggling or to pursue terrorists. Intelligence and law enforcement efforts can provide information about the location and nature of nuclear materials or facilities in other countries and about terrorists and their capabilities.

Conventional armed forces can attack terrorist training camps or nuclear facilities in other countries, and the threat of retaliation by U.S. nuclear forces serves as a powerful deterrent against states that might consider allowing terrorists to access their nuclear materials or weapons. Robust homeland security measures to protect critical facilities or to improve the preparedness of local first responders can help to ameliorate the effects of a nuclear attack and may even dissuade potential terrorists by convincing them that an attack would not produce the desired results.

Among those national security efforts, some are aimed squarely at reducing and responding to the threat posed by nuclear weapons in the hands of terrorists. For example, the Department of Defense (DOD) and Department of Energy (DOE) together spend about one-half billion dollars a year to secure nuclear warheads and materials in Russia and other countries. DOE and the State Department spend about $100 million to provide employment for nuclear experts in other countries, to dissuade them from selling their expertise to terrorists or to other states. DOD also spends about $180 million to stop the production of weapons-grade plutonium in other countries.[1]

Table 3.1: Some Federal Tools and Agencies Involved in Countering Nuclear Terrorism	
Tools	**Federal Departments & Agencies**
Prevention	
Secure nuclear warheads and materials in other countries	• Department of Energy • Department of Defense • Department of State
Stabilize employment for nuclear personnel	• Department of Energy • Department of State
Reduce nuclear stockpiles worldwide	• Department of Energy
Strengthen & enforce nonproliferation norms & regimes	• Department of State
Improve economic conditions in foreign countries	• USAID • Department of State
Offense	
Locate and destroy terrorist training camps	• Department of Defense • Intelligence agencies
Identify and destroy nuclear processing facilities and storage sites	• Department of Defense • Intelligence agencies
Find and destroy terrorist networks	• Intelligence agencies • FBI and others
Defense	
Gather and analyze international intelligence	• Intelligence agencies
Gather and analyze information on domestic threats	• FBI and others
International law enforcement	• Department of Homeland Security, others
Domestic law enforcement	• FBI, others
Develop and install nuclear detection equipment at U.S. ports and international borders	• Department of Energy • Department of State
Train foreign police regarding nuclear smuggling	• FBI, DOD
Customs, border security, and immigration	• Department of Homeland Security • Department of State
Protection of U.S. nonmilitary facilities	• Department of Homeland Security • Department of Energy
Protection of U.S. military bases	• Department of Defense
Disaster preparedness	• Department of Homeland Security • Department of Health and Human Services • Department of Energy
Attribution of source of nuclear materials or components	• Department of Homeland Security
Response and Recovery	• Department of Homeland Security • Department of Defense • Department of Health and Human Services

DOD, DOE, and State together spend about $210 million annually to develop and deploy systems to interdict nuclear smuggling abroad.[2] The Department of Homeland Security (DHS) spends another $200 million to field nuclear radiation monitors in U.S. cities and at points of entry throughout the United States.[3] In addition, DHS spends more than $100 million annually on research and development to detect, identify, and attribute the source of nuclear and radiological materials.[4] In the event of an attack, knowing the source of materials would provide a "return address" for retaliation against states that allowed terrorists access to their nuclear materials or devices.

Other programs aim at dealing with the aftermath of a nuclear attack, whether by a state or a terrorist organization. Such programs include DOE's nuclear incident response teams ($110 million requested for FY 2009), FEMA's urban search and rescue teams ($20 million for FY 2009), and the national disaster medical system ($53 million for FY 2009).[5] DHS also funds exercises and courses to help prepare state and local emergency workers to respond to radiological emergencies (approximately $24 million).[6]

As in the case of biological defense programs, it is not easy from the outside to develop a full accounting of U.S. federal programs that aim specifically at countering nuclear terrorism. The Office of Management and Budget (OMB) reports annually on planned federal spending for defending against catastrophic threats, but the report combines programs related to nuclear, radiological, chemical, and biological threats. Harvard University's Managing the Atom project tracks U.S. funds for nuclear counterproliferation programs, but generally not for programs aimed at preparing to mitigate the consequences of or recover from a nuclear event. A rough accounting based on information available to the authors suggests that spending in this area in DOD, DOE, DHS, and State exceeds $2.6 billion.

That figure ignores the many federal programs that address terrorism and provide for homeland security more generally. The Bush administration's strategy to combat terrorism calls for gathering and analyzing information about terrorists' capabilities and plans, killing and capturing their leaders and foot soldiers, disrupting their funding and communications, denying them entry to the United States, protecting critical infrastructure and resources that could become targets of a terrorist attack, and denying them the support, sanctuary, or control of any nation (for example by destroying terrorist training camps).[7] Broad homeland security efforts like protecting U.S. borders and ports are also important to the effort.

Over the longer term, the administration's strategy to combat terrorism calls for spreading democracy around the globe, a goal whose implementation would also involve a broad array of instruments of statecraft. In addition, a wide range of homeland security programs may help to mitigate and manage the consequences of a terrorist attack, whether nuclear or not. These include the grants from DHS and the Department of Health and Human Services (HHS) to state and local governments to improve the preparedness of first responders and bolster public health capacity.

Planning and Resource Allocation in Departments

As in the biodefense and pandemic preparedness case, each of the cabinet departments with a role in countering nuclear terrorism has its own organizations, processes, and tools for planning and resource allocation. Those of DOD and DHS are described in Chapter 2. The following two subsections discuss the internal processes of DOE and State.

Resource Allocation in DOE

Like DOD, DOE uses a systematic, cyclical process, in this case termed planning, programming, budgeting, and evaluation (PPBE), to establish program priorities and allocate resources. As in DOD, the process results in a rolling, multi-year program and budget.
DOE's PPBE is managed by the Office of the Chief Financial Officer (CFO). An Office of Program Analysis and Evaluation (PA&E) within the CFO's office manages department-wide performance assessments and strategic analyses.

The National Defense Authorization Act for fiscal year (FY) 2000 required the establishment of the National Nuclear Security Administration (NNSA) as a semiautonomous entity within the DOE. The NNSA holds responsibility within the department for nuclear weapons activities, naval reactor programs, and the nuclear nonproliferation effort. The Office of the NNSA Administrator generally develops the NNSA plans, programs, and budgets with little interference from the CFO or others in the Office of the Secretary of Energy.[8]

NNSA runs its own corporate PPBE, which results each year in a future-years nuclear security program (FYNSP) that projects budgets by program and also by strategic goal for at least five years. The corporate PPBE is designed and managed by NNSA's Office of Management and Administration.

The NNSA administrator reviews the programs and budgets of each of that organization's components for coherence and consistency with national strategies before submitting the integrated NNSA program and budget to the department's CFO. Usually, the NNSA's programmatic and budgetary choices are upheld by the secretary.[9]

In 2001 and 2002, the Government Accountability Office (GAO) criticized NNSA for weaknesses in its nascent corporate PPBE.[10] By 2007, most of those weaknesses were resolved, and GAO's evaluation of the corporate PPBE was generally positive. Nevertheless, two important problems remain. First, the NNSA lacks an independent organization to review the program proposals and cost estimates and analyze alternatives to component plans, as PA&E does for the DOD. Second, important policy guidance appears to go unsigned while the NNSA waits for DOE input. Without leadership endorsement, such guidance may not be playing its intended role of defining the priorities that should shape budget choices.[11]

Resource Allocation in the State Department

As discussed in Chapters 4 and 5, State lacks a disciplined planning and resource allocation process that would result each year in a five-year or six-year program and budget aligned to the national strategy and with a departmental strategic plan. As with other federal departments, government-wide reforms of the past decade require State to develop plans and budgets covering five years. Programs beyond the first year often reflect an extension of the current baseline, however, rather than a systematic effort to link future activities to strategic plans or to explore broad alternatives and tradeoffs.

Some observers justify the less disciplined process and a short-term planning horizon at State, arguing that one cannot plan for the next Rwanda or Darfur, but must deal with crises around the world as they occur.[12] DOD faces the same challenge. Yet for all its faults, DOD's PPBE is systematic and forward-looking, and brings in the critical analyses and cost estimates of a PA&E that is independent of the services.

Organizations, Processes, and Tools at the White House Level

As in other areas of national security, an effective strategy for countering nuclear terrorism requires setting priorities among programs in the various departments. Yet aside from the president, no one individual in the federal government has the responsibility or authority to make such decisions. There is no top-down process for linking programs and budgets to national strategies and considering broad, long-term tradeoffs among the various tools of security and statecraft that might be applied. Instead, numerous federal offices and coordinating committees participate in the development and implementation of policies and budgets.

Chapter 2 discusses in detail the interagency arrangements and the organizations, processes, and tools in the Executive Office of the President (EOP) surrounding planning and resource allocation for biodefense and pandemic preparedness. The arrangements related to countering nuclear terrorism are similar. This section finds similar features and weaknesses in the nuclear counterterrorism case.

The National Security Council and the Homeland Security Council

As with the effort to counter biological terrorism, the National Security Council (NSC) and the Homeland Security Council (HSC) share responsibility at the White House level for coordinating policy priorities related to countering nuclear terrorism. The organization and responsibilities of the two councils are discussed in Chapter 2.

Responsibility for countering nuclear terrorism is shared among multiple senior directors and special assistants of the NSC and the HSC. On the NSC staff, responsibility is shared by the deputy national security advisor (DNSA) for combating terrorism (who also reports to the assistant to the president for homeland security and counterterrorism), the senior advisor to the president (SAP)/senior director for counterproliferation strategy, and the SAP/senior director for Russia (refer to Figure 2.1 in Chapter 2).[13] On the HSC staff, special assistants to the president for prevention strategy, intelligence programs and reform, emergency preparedness and response, and nuclear defense policy all share some responsibility (refer to Figure 2.2). As is the case for biodefense and pandemic preparedness, only the president can resolve contentious nuclear counterterrorism issues that cannot be settled between the two councils.

As discussed in Chapter 2, NSC policy coordinating committees (PCCs) manage the coordination, development, and implementation of interagency policies in the area of national security. HSC PCCs perform a similar function on the homeland security side. In the Bush White House, two NSC PCCs deal most directly with policies related to countering nuclear terrorism: the PCC on interdiction and the PCC on proliferation strategy.[14] The HSC PCC on domestic nuclear defense handles most homeland security issues related to countering nuclear terrorism; the domestic readiness group and the plans, training, exercise, and evaluation PCC also share an interest.[15]

In the limited case of nuclear nonproliferation programs, integration at the White House level appears to be a success story. Senior directors provide top-down, resource-constrained guidance and work with the PCCs to resolve cross-agency and cross-program disputes. Participants in the process variously attribute the success to three factors: the fact that much of the responsibility for nonproliferation programs falls within the purview of a single director; the strong leadership by

one or two senior directors in recent years; and the attention focused on those programs by Congress and outside think tanks.

That does not appear to be the case for nuclear counterterrorism programs as a whole, however. Policy choices that span the two councils—for example, decisions about the relative priority of prevention through cooperative threat reduction versus preparations to manage the consequences of a nuclear disaster—generally cannot be resolved by any one senior director or through any of the PCCs. Such choices must be addressed at a higher level.

The bottom line is that no single EOP office or committee has the job of setting priorities for countering nuclear terrorism or ensuring that federal budgets reflect them. Every program manager in each agency holds that his or her program is of the highest priority, and there is no institutional mechanism at the White House level to determine which ones matter most. There is no top-down planning guidance to inform the allocation of budgets between domestic and international measures, for example between DHS's nuclear detection activities and the State Department's nonproliferation programs abroad.

Arrangements in OMB

OMB's organization for the oversight of activities to counter nuclear terrorism is less dispersed than for the oversight of biodefense activities. Oversight of three of the four main agencies with roles in this case—DOD, State, and DOE's NNSA—resides within the National Security Resource Management Office (RMO), leaving DHS, overseen by the General Government RMO, as the only outlier. Shifting responsibility for DHS into the National Security RMO, as recommended in Chapter 2, would bring all of the departments and agencies with major roles in countering nuclear terrorism under the oversight of a single OMB RMO.

As discussed in other chapters, the budgetary oversight of OMB is not well integrated with the policy oversight of the NSC and the HSC. Budget requests for programs to counter nuclear terrorism, as in others, are by department, not by issue area. Without periodic reviews of the related programs throughout the government, this approach can produce waste, redundancy and surprises on the ground in foreign countries.

This case surfaced an additional problem with interagency arrangements that did not show up in the biodefense case. Several participants involved in resource allocation for countering nuclear terrorism noted that it is difficult to shift funds to areas where they are most needed. Even in years when DOD and DOE both agreed that funds held by DOD could be applied more effectively to DOE's programs, inflexible processes made it impossible to shift funds from one department to the other. Participants noted that the NSC staff in particular was generally reluctant to get involved in such matters, even when a shift of money appeared warranted in terms of policy outcomes.

As in the case of biodefense, better aligning resources with strategy requires an understanding of the costs of current policies and alternatives to them. Yet there appears to be no official, consolidated tracking of federal funds devoted to countering nuclear terrorism. As with biodefense, analysts inside and outside of the executive branch rely on data assembled by independent think-tanks. A consistent, official projection and historical record of spending to counter nuclear terrorism by agency and by mission is essential to sound resource allocation for the future. OMB is in the best position to develop that database.

Organizations, Processes, and Tools in Congress

As is the case with biodefense, numerous committees and subcommittees of the Congress share some piece of the nuclear counterterrorism puzzle. On the authorizing side, the Armed Services Committees in the two chambers have jurisdiction over DOD and NNSA. The Foreign Affairs Committee in the House and the Foreign Relations Committee in the Senate are responsible for State Department authorizations. The Homeland Security Committee of the House and the Homeland Security and Governmental Affairs Committee of the Senate share jurisdiction over DHS with numerous other committees and subcommittees. Responsibility is also shared across multiple subcommittees of the two Appropriations Committees.

Congress takes an active role in oversight and resource allocation for the subset of nuclear counterterrorism programs that address nonproliferation. In recent years, the Senate Armed Services Committee held hearings to examine issues related to nonproliferation strategy, the roles and missions of DOD and DOE in nonproliferation, and NNSA priorities. Authorization and appropriation acts frequently provided more money than requested for those programs and sometimes shifted funds among activities.

Observers generally attribute the success and coherence of congressional oversight and resource allocation for nuclear nonproliferation programs to the sustained personal leadership of a few individuals, particularly Senator Richard Lugar. The coherence of congressional oversight and resource allocation for broader efforts to counter nuclear terrorism is less apparent, however.

There have been some hearings on the broader efforts. The House International Relations Committee (since renamed the Foreign Affairs Committee) held a hearing in 2005 on averting nuclear terrorism. The Appropriations Subcommittees generally hold annual hearings on NNSA's programs. As with biodefense activities, however, joint hearings on countering nuclear terrorism are rare. Cross-committee hearings regarding national risk management plans, the roles and missions of the multiple federal departments involved, and the coherence of the overall federal effort could help Congress to exercise oversight and allocate resources effectively.

As in other areas of security and statecraft, members of Congress rely heavily for information and analysis on the Congressional Budget Office (CBO), the Congressional Research Service (CRS), and the GAO. All three support agencies contribute important work on various aspects of the counterterrorism puzzle. To date, however, the three have done relatively little in the way of studies that assess the likely benefits, costs, and risks of broad alternatives to existing programs to counter nuclear terrorism.

Such studies could improve members' understanding of the broad resource allocation choices the executive branch has made. CBO in particular lacks the analysts it would need to examine broad tradeoffs in this area routinely.

Recommendations for Change

The case of countering nuclear terrorism exposes a number of problems with the organizations, processes, and tools for planning and resource allocation. This section reviews those problems briefly and offers recommendations for change.

Changes to Organizational Structures

Organization of the EOP

In theory, the HSC advises the president on domestic security matters while the NSC is concerned with international ones. In reality, in an area like countering nuclear terrorism, the two are deeply intertwined and require an integrated international and domestic approach. Moreover, the HSC lacks the staff and institutional heft needed to bring coherence to the homeland security issues involved in this area.

In OMB, responsibility for countering nuclear terrorism is less dispersed than for countering biological terrorism. The most important seam is the one between the Homeland Security Branch in the General Government RMO and the bulk of oversight responsibility in the National Security RMO. Moving OMB's homeland security branch away from the General Government RMO and into the National Security RMO would facilitate the consistency and coherence of resource allocation in this area.

Today's NSC staff itself is often too caught up in immediate issues or in planning for the next principals' meeting to conduct the long-term planning, risk assessment, gap analyses, and tradeoff studies that are needed across the broad effort to counter nuclear terrorism. An understanding of the future budgetary implications of the various choices under consideration is crucial to such studies. To improve the capacity of the EOP to deal with nuclear terrorism, we offer the following recommendation.

Recommendation: The next administration should reconfigure the EOP to strengthen White House oversight of cross-cutting issues like countering nuclear terrorism and diminish the current seams between homeland security and national security. Specifically, the next president should:

- Abolish the HSC and fold its staff and responsibilities into an expanded NSC.
- Move OMB's Homeland Security Branch into the National Security RMO.
- Expand the EOP to create dedicated cells of trained specialists within the NSC staff and OMB to conduct long-term planning, risk assessment, gap analyses, and tradeoff studies, and to identify key long-term federal priorities constrained by realistic future budgets in cross-cutting areas like countering nuclear terrorism.

Congressional support agencies

The congressional support agencies provide information and analyses that can help Congress exercise its resource allocation and oversight roles. CBO, CRS, and GAO have contributed importantly to congressional understanding of specific issues related to countering terrorism. Those agencies have done less in the way of broad studies that cut across the full panoply of federal efforts in this area. CBO in particular currently lacks the analysts it would need to examine broad tradeoffs routinely for areas like countering nuclear terrorism that lie at the intersection of homeland security, national defense, and statecraft.

Recommendation: The 111th Congress should provide the resources needed to expand CBO's National Security Division and Budget Analysis Division, so that CBO can assess the costs and implications of administration plans and potential alternatives for functions that lie at the intersection of homeland security, national defense, and statecraft. The director of CBO should carry out the expansion.

Changes to Processes

Mechanisms to improve top-level linkages between strategies and budgets

In an ideal world, the White House would allocate resources to national defense, homeland security, and statecraft by carefully weighing the benefit of each endeavor and allocating resources accordingly. Strategies would identify the nation's most pressing problems and risks, and resources would be realigned to their most productive use.

In reality, multiple strategy and policy documents say that the threat of nuclear terrorism is one of the gravest dangers the nation faces, but it is not easy to discern the top priorities within this area or to determine how reducing that threat compares in importance to other jobs, such as reducing the threat of another 9/11.

Moreover, there is currently no formal review that delineates the linkages between strategy and resources for countering nuclear terrorism, or more generally for the range of important missions that lie at the intersection of homeland security, national defense, and statecraft.

Recommendation: The new administration should take the following actions to improve its articulated strategies for national security and homeland security and to strengthen the linkages between strategy and resources:

- The new cells established between the NSC and OMB should conduct top-level, long-term risk assessment and gap analyses to identify key long-term priorities.
- Within the first year, the EOP should update, integrate, and streamline the strategy documents and presidential directives for national security and homeland security. A single, overarching strategy for promoting the nation's security should clearly articulate priorities within and among the various elements of national defense, homeland security, and international affairs. The strategy should be updated at least every four years, and should include a prioritized list of critical missions and a prioritized list of the missions to be carried out by the federal government.
- Within the first year, the NSC and OMB should jointly conduct, with interagency support, a Quadrennial National Security Review (QNSR). The QNSR should establish top-down priorities for national security, homeland security, and statecraft, within budgetary constraints. It should draw genuine long-term links between the strategy articulated in the streamlined overarching strategy document and the resources the administration plans to devote to national defense, homeland security, and statecraft. The QNSR should start with the administration's overarching strategy; articulate a prioritized list of critical missions; and identify the major federal programs, infrastructure, and budget plan that will be required to implement the strategy successfully.
- Within the first year, the NSC and the OMB should work together to develop a National Security Planning Guidance (NSPG) that provides detailed guidance for agency actions and programs and considers resource tradeoffs and constraints with respect to a small handful of important crosscutting missions. An NSPG should be prepared every two years, and each

successive NSPG should focus on a few crosscutting missions. Countering nuclear terrorism should be one of the crosscutting missions examined early.

- The QNSR and the NSPG should inform OMB's fiscal guidance to federal departments and agencies. Cabinet secretaries and agency heads with roles in national security, homeland security, and statecraft should be directed to use the QNSR and the NSPG to inform their planning and resource allocation processes. The NSC and OMB should use the QNSR and the NSPG as the basis of an annual review of agency future-year program and resource planning documents.
- OMB should conduct integrated budget reviews for countering nuclear terrorism.

Greater agility in shifting funds

Today's resource allocation processes generally make it impossible to shift funds from one department to the other as new priorities emerge, even when both departments agree to the transfer. More flexible mechanisms, such as flexible contingency funding or expedited transfer authority, are needed.

Recommendation: The next administration should work with the new Congress to develop mechanisms to expedite the transfer of funds between agencies as new priorities or capabilities emerge.

Process changes within federal departments

Weaknesses in the internal planning and resource allocation processes of DOD, DOE, DHS, and State can stand in the way of a coherent national effort to counter nuclear terrorism. Chapter 2 offered recommendations for reforms in DOD and DHS. This section recommends changes in DOE and State.

The Department of State lacks a disciplined, multi-year process to review the costs, risks, and consequences of broad alternatives, align programs and budgets with leadership priorities, and foster coherence. In DOE, the NNSA lacks an independent organization to review the program proposals and cost estimates and analyze alternatives to component plans, as PA&E does for the DOD.

Recommendations:
The new secretary of state should institutionalize a PPBE, modeled loosely on that of DOD, that results in a future-years program.

The new administrator of the NNSA should establish an internal organization, independent of NNSA's components, to review program proposals and cost estimates and analyze alternatives to component plans, as PA&E does for the DOD.

Process changes in Congress

Congress's oversight and resource allocation for the subset of nuclear counterterrorism programs related to nonproliferation are coherent and successful, but largely because of the leadership of a single member. Congress lacks an institutionalized, integrated approach to resource allocation and oversight of the wider portfolio of nuclear counterterrorism programs.

Jurisdiction for programs to counter nuclear terrorism is shared among several committees and subcommittees. Because the issues involved cut deeply across the national security – domestic divide, it is unrealistic to imagine that jurisdiction for these programs would ever be consolidated under a single authorizing committee and a single Appropriations Subcommittee in each chamber.

To ensure the administration reviews and articulates long-term, top-level linkages between its national security strategies and the budgets it proposes, Congress should mandate the institutionalization by the executive branch of a QNSR and a NSPG, and should require that the report of the QNSR be made available to Congress and the public.

The congressional support agencies play important roles in providing information and analyses that can help lawmakers as they consider the allocation of federal resources to counter nuclear terrorism, as well as to other missions that lie at the intersection of national defense, homeland security, and international affairs. CBO, CRS, and GAO should be called upon to conduct studies and prepare reports that will help Congress get the most out of the mandated QNSR.

Recommendation: The 111th Congress should make the following changes:

- Mandate that the executive branch conduct a QNSR and a biennial NSPG. The report of the QNSR should be submitted to Congress and available to the public; the NSPG may be classified.
- Request that during the first year of each presidential term, CRS provide lawmakers with a report on the issues for congressional consideration that are likely to be raised by the QNSR.
- Request that CBO prepare an assessment of the administration's QNSR.
- Ask CBO periodically to conduct a study of the costs, risks, and other implications of the administration's plans for countering nuclear terrorism and of alternatives to those plans.
- Conduct regular joint hearings of national defense, homeland security, and international activities that span the jurisdictions of multiple committees or appropriation subcommittees, including nuclear counterterrorism. In particular, hold joint hearing on the administration's QNSR, informed by the CBO and CRS reports. Other important topics for cross-committee hearings include national risk-management plans, the roles and missions of the multiple federal departments involved, and the coherence of the overall federal effort.

Changes to Tools

Database of spending for countering nuclear terrorism

Sound resource allocation starts with knowing where the money is spent, but the executive branch does not develop or publish a detailed plan or record of spending that pulls together the various federal programs related to countering nuclear terrorism.

Recommendation: OMB should establish and maintain an accurate data base with planned budgets and historical records of budgets and outlays for countering nuclear terrorism and other cross-cutting missions. This information should be included with the budget documents submitted annually to the Congress and made available to the public.

[1] For all figures in this paragraph, see Matthew Bunn, *Securing the Bomb 2007* (Cambridge, MA: Harvard University, September 2007), p. 152.
[2] Matthew Bunn, *Securing the Bomb 2007*, p. 152.
[3] The White House, *Analytical Perspectives, Budget of the United States for Fiscal Year 2009,* p. 28.
[4] *Analytical Perspectives*, FY 2009, p. 28.
[5] *Analytical Perspectives*, FY 2009, p. 31.
[6] Author discussion with DHS official.
[7] The National Strategy for Combating Terrorism (Washington, DC: The White House, September 2006).
[8] Author discussion with DOE official.
[9] Author discussions with DOE officials.
[10] See for example testimony of Gary L. Jones before the special oversight panel on DOE reorganization of the House Armed Services Committee, GAO-02-451T, February 26, 2002.
[11] GAO, "National Nuclear Security Administration: Security and Management Improvements Can Enhance Implementation of the NNSA Act," GAO-07-428T, January 31, 2007.
[12] Author discussions with current and former State Department officials.
[13] Stephen J. Hadley, Memorandum for the Vice President and others, "National Security Council Staff Reorganization" (Washington, DC: The White House, March 28, 2005).
[14] DOD, Chairman of the Joint Chiefs of Staff Instruction 5715.01B, "Joint Staff Participation in Interagency Affairs," current as of 1 August 2007, p. A-4.
[15] DOD, Chairman of the Joint Chiefs of Staff Instruction 5715.01B, "Joint Staff Participation in Interagency Affairs," current as of 1 August 2007, p. B-2 to B-3.

Chapter 4 U.S. Security Assistance Programs

Security assistance has been a key ingredient of U.S. national security policy for more than sixty-five years.[1] Through security assistance programs, the United States has supported the military and security capabilities of its strategic allies and partners by transferring military equipment and services, providing training for foreign militaries, and engaging in joint planning, exercising, and operating with foreign militaries and other security forces.[2]

Like other efforts examined in the case studies of this report, security assistance lies at the nexus of statecraft and national defense. The Department of State and the Department of Defense (DOD) both have important roles and important equities in the formulation of policies and budgets in this area. Those roles and equities have shifted in recent years in response to new challenges and operations.

Planning and resource allocation arrangements for security assistance were always complex. The shifts of roles and equities in recent years have fostered changes in those arrangements that were expedient at the time, but that can lead to significant problems. This chapter examines the organizations, processes, and tools that surround planning and resource allocation for U.S. security assistance programs and the problems they pose.

The chapter begins with a brief historical overview of programs and spending in this area. It continues with a deeper look at two categories of security assistance programs: those that grew up during the Cold War, which here are termed "traditional programs", and those that emerged after the terrorist attacks of September 11, 2001, termed the "new programs". The chapter then explores important implications of the new programs. These include questions about DOD's ability to execute the new programs successfully; the risk that the new programs will distract DOD from core military missions; the impact of an increasingly military face on overseas U.S. engagement; and the effectiveness of State Department planning, funding and management of these programs. In the final section, the chapter offers recommendations for reforms in the executive branch and Congress that would foster a more streamlined and integrated security assistance effort in the future.

Historical Overview of Programs and Spending

Before and during World War II, the United States provided roughly $700 billion (in constant 2006 dollars) in security assistance to Britain, the Soviet Union, and other allies. U.S. security assistance programs provided critical support to sustain Allied war efforts against the Axis powers. During the Cold War, the United States was the largest global supplier of military equipment, services and training. U.S. security assistance programs strengthened the collective security system that kept the Soviet Union contained and supported U.S. security interests and policies in the Middle East, Latin America, and Southeast Asia. Overall, U.S.-Soviet tensions were the predominant rationale for spending some $213 billion (in constant 2006 dollars) on security assistance between 1946 and 1991 (See Table 4.1).

With the end of the Cold War, the rationale for U.S. security assistance has evolved to include support for peacekeeping, peace enforcement, internal and border security, and counterterrorism operations conducted by the United States and allied countries. Spending on these programs came

to another $135 billion (in constant 2006 dollars) between 1992 and 2008, not including the funds for security assistance programs for Iraq and Afghanistan or a new DOD program to train and equip foreign militaries (see Table 4.2).[3]

Table 4.1: U.S. Security Assistance, 1946-1991 FY 2006 dollars in billions	
Program	**1946-1991 Total**
Excess Defense Articles (EDA)	6.6
Military Assistance Program (MAP) Grants	43.1
Economic Support Fund (ESF)	68.5
Foreign Military Financing (FMF)	71.3
International Narcotics Control and Law Enforcement (INCLE)	1.1
Peacekeeping Operations (PKO)	0.2
International Military Education & Training (IMET)	2.5
Other Military Grants	3.6
Military Assistance Sales Fund Grants (Vietnam Conflict/1966-1975)	16.2
Greece-Turkey Aid (1948-1950)	0.1
Total	**213.3**
Source: USAID, *U.S. Overseas Land and Grants (Online Greenbook)*, 2007. Note: Figures may not add to total due to rounding.	

Despite the changing policy rationale for security assistance over a period of sixty-five years, the architecture of the traditional U.S. security assistance portfolio has remained very much the same. As new security challenges and goals such as counterterrorism operations, training for peacekeeping and the military campaigns in Iraq and Afghanistan have emerged, the existing programs have not been reviewed for their effectiveness in dealing with the changed environment. Instead, successive administrations have created a new, parallel architecture of programs, executed under new authorities and in ways different from existing programs.

Table 4.2: Security Assistance, 1992-2008 FY 2006 dollars in billions	
Program	**1992-2007 Total**
Foreign Military Financing (FMF) Grants	68.2
International Military Education & Training (IMET)	1.0
Peacekeeping Operations (PKO)	2.6
International Narcotics Control and Law Enforcement (INCLE)	7.2
Nonproliferation, Antiterrorism, Demining, and Related (NADR) Programs	3.8
Andean Counterdrug Initiative (ACI/ACP)	4.1
Economic Support Fund (ESF)	47.2
Post-Cold War Total	**135.2**
Sources: FMF Grants, IMET, & PKO Figures from Department of State, *Foreign Operations Congressional Budget Justification FY 2009*, 2008; 1992-2005 INCLE, NADR, ACI, and ESF figures from USAID, *Online Greenbook*, 2008; 2005-2007 INCLE, NADR, ACI, and ESF Figures from Department of State, *Foreign Operations Congressional Budget Justification FY 2009*. Note: Figures may not add to total due to rounding.	

The traditional programs were established and funded under the authority of the Department of State. Some of the new programs – counternarcotics, law enforcement, nonproliferation, peacekeeper training, and some counterterrorism support - remain under State Department authority, though they are the responsibility of a different collection of bureaus and offices from the management of the traditional program. The largest of the new security assistance programs appear to duplicate the traditional architecture, but have been created under the authorities of and are funded through the DOD, a significant break from the past.

The growth of DOD security assistance programs has had a dramatic effect on the distribution of overall U.S. foreign assistance activities between State and Defense. According to data supplied to the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD), the DOD share of overall U.S. overseas development assistance rose from 3.5% in 1998 to nearly 22% in 2005.[4]

The proliferation of overlapping U.S. security assistance programs and the rapid growth of an extensive array of DOD responsibilities in this area are a subject of growing concern.[5] In the past, State Department authority over policy and resource allocation for security assistance ensured that U.S. relationships with foreign militaries were planned in ways that conformed to overall U.S. national security and foreign policy goals. A separate architecture of DOD programs creates the potential for conflict between military goals and objectives and the broader interests of U.S. national security and foreign policy, as will be discussed in the next sections.

Overview of "Traditional" Programs

"Security assistance" encompasses the programs authorized by the Foreign Assistance Act of 1961 (FAA) and the Arms Export Control Act of 1976 (AECA), "by which the United States provides defense articles, military training, and other defense-related services, by grant, loan, credit, or cash sales in furtherance of national policies and objectives."[6] Those two statutes pulled together a wide variety of military assistance programs that the United States established in the early years of the Cold War to support its European allies and Asian nations battling insurgencies that were seen as inspired or supported by the Soviet Union. In the 1970s, the FAA and AECA were amended to expand State Department authorities to provide assistance to combat the trafficking of narcotics as well.

Programs Authorized Under FAA and AECA

The architecture of programs authorized under FAA and AECA include foreign military financing (FMF), foreign military sales (FMS), direct commercial sales (DCS), transfer of excess defense articles (EDA), "drawdown authority," and leases of defense articles. These programs generally focus on the transfer of military equipment, spare parts, services, and training. In addition, the international military education and training program (IMET) is the principal vehicle for providing education and training for foreign military officers, largely in the United States. All of these programs are planned and budgeted under FAA and AECA authorities, under which the State Department is the lead agency. They are largely implemented by the DOD. In addition, the United States provides assistance linked to security objectives through other State Department programs, notably economic support funds (ESF), peacekeeping operations (PKO), international counternarcotics and law enforcement (INCLE), and nonproliferation, antiterrorism, demining, and related programs and activities (NADR) (see Table 4.3).

The FMF and FMS programs grew out of the Military Assistance Program (MAP), established by the Mutual Defense Assistance Act of 1949 to assist in rebuilding NATO militaries. The Foreign Assistance Act of 1961 reauthorized the underlying concept and authority of MAP:

> The President is authorized to furnish military assistance, on such terms and conditions as he may determine, to any friendly country or international organization, the assisting of which the President finds will strengthen the security of the United States and promote world peace and which is otherwise eligible to receive such assistance by…acquiring from any source and providing (by loan or grant) any defense article or defense service.[7]

Table 4.3: Traditional Security Assistance Programs	
Program	**Statute**
Foreign Military Financing (FMF)	Section 23, AECA
Foreign Military Sales (FMS)	Sales From Stocks: Section 21, AECA; Sales from new procurement: Section 22, AECA
Direct Commercial Sales (DCS)	Section 38, AECA
International Military Education and Training (IMET)	Part II, Chapter 5, Section 541, FAA
Authority to Transfer Excess Defense Articles (EDA)	Section 21, AECA; and Part II, Section 516, FAA
Drawdown Authority	Section 506, FAA
Leases of Defense Articles	Chapter 6, AECA
Economic Support Fund (ESF)	Part II, Chapter 4, Section 531, FAA
Peacekeeping Operations (PKO)	Part II, Chapter 6, Section 551, FAA
International Counternarcotics and Law Enforcement (INCLE)	Part I, Chapter 8, Section 481, FAA
Nonproliferation, Antiterrorism, Demining and Related Programs and Activities (NADR)	Antiterrorism: Part II, Chapter 8, Section 571, FAA; Nonproliferation: Part II, Chapter 9, Sec. 582, FAA; Demining: Chapter 9 of Part II, FAA, section 504 of the FREEDOM Support Act, Section 23, AECA

FMF provides grants and loans directly to foreign governments to fund their purchase of U.S. defense articles, services, and training through the FMS or DCS programs. FMS covers the sale of military equipment and services to foreign countries when the U.S. government is the selling party. DCS covers commercial exports of defense articles, services, and training made directly by U.S. defense firms to foreign governments. For commercial sales, the Office of Defense Trade Controls (ODTC), which reports to the assistant secretary of state for political-military affairs (State PM), grants licenses for the transfer of military equipment, conforming to the rules and procedures set out in the International Traffic in Arms Regulations (ITAR).

The State Department is the principal authority for determining budgets and policies for the programs authorized under the FAA and the AECA. In particular, the State Department leads the planning and resource allocation process for military assistance programs, including FMF, FMS, DCS, and IMET.

The authority to sell military equipment under FMS, provided in Section 21 of the AECA, also authorizes the military services or DOD to identify equipment that is in excess of its requirements (EDA), which can be sold to foreign governments and international organizations. In addition, under Section 516 of the FAA, the President is granted the authority to transfer EDA without cost to eligible countries. Section 506 of the FAA authorizes "drawdown authority." Unlike EDA, Drawdown Authority allows the President to ask the DOD to transfer, at no cost to a foreign recipient, military equipment and services that are not in excess of its requirements. "Leases of Defense Articles" (Chapter 6, Sec. 61 of the AECA) allows the President to lease defense articles to friendly governments or international organizations for up to five years under certain conditions:[8]

- There is a compelling foreign policy or national security reason for the lease;
- The full cost of the lease is borne by the recipient; and
- The leased articles are not needed for the time of the lease for U.S. public use.

The IMET program funds technical training and education for foreign military officers both in the United States and in overseas institutions.

The State Department has complete authority over the policies and budgets, and USAID over the implementation of much of the funding provided through ESF, PKO, INCLE, and NADR. State also provides licenses for defense exports under DCS authority.

ESF differs from the "development assistance" provided by USAID. While ESF funds might be used for projects that are oriented toward development, the primary goal of the funding is to maintain and strengthen the strategic relationship between the United States and the recipient country. Such funding was provided for two decades before the International Security Assistance Act of 1978 (P.L. 95-384) formally established the ESF program. The act declared that under special economic, political, or security conditions, the national interests of the United States may require economic support for countries in amounts that could not be justified as development assistance.

ESF has been used extensively to support U.S. national security priorities in key regions, particularly the Middle East. Policy and budgets for ESF are determined by the State Department and its regional bureaus, but much of the program is implemented by USAID. ESF funds are frequently used to support particular projects, commodity imports, or simple budget support, as they did for a number of years in Israel. Israel and Egypt have been the largest recipients of ESF funding over the years.

Expanded State Department Portfolio

During the 1970s, the State Department's portfolio of security assistance programs expanded to include peacekeeping, counternarcotics, and nonproliferation. The peacekeeping operations (PKO) account, created in 1978, supports peacekeeping operations conducted outside the authority of the UN Security Council. These are typically operations carried out by international coalitions or by the militaries of countries in a region of conflict. Sometimes they are training programs that will improve the peacekeeping capabilities of other countries. U.S. support for regional peacekeeping by forces of the African Union in Sudan is funded through the PKO account, as are training programs and equipment for African militaries under the Global Peace Operations Initiative (GPOI), created in 2003. PKO programs are planned, budgeted and overseen by the Bureau of Political-Military Affairs (PM) in the State Department.

The counternarcotics and law enforcement program was established in 1971 with the creation of the international narcotics control and law enforcement (INCLE) account. The account initially focused on the U.S. government's growing support for counternarcotics activities in Latin America. In 1978, the State Department created a bureau to coordinate both State Department and government-wide operations against international narcotics trafficking, including training and equipment for security forces and judiciaries. Both the bureau and the program were expanded during the 1980s and into the 2000s with the creation of the Andean counternarcotics initiative (ACI, which became the Andean counterdrug program in 2008). The latter programs target drug trafficking in Colombia and other Andean countries. INCLE coverage was expanded into other drug producing areas outside Latin America, particularly Afghanistan, in the early 2000s. State's Bureau of International Narcotics and Law Enforcement Affairs (INL) develops, budgets, and implements INCLE programs.

The State Department's support for nonproliferation and counterterrorism programs is largely funded in the nonproliferation, antiterrorism, de-mining and related projects (NADR) account, which was created by Congress in 1996 to provide the executive branch with more flexibility in administering funds for these activities.[9] NADR funding supports training and equipment for border control and counterterrorism capabilities in recipient countries. The programs are planned, budgeted, and implemented by several State Department bureaus, including the Bureau of International Security and Nonproliferation (ISN), the Office of the Coordinator for Counterterrorism (S/CT), and the Office of Antiterrorism Assistance (ATA), as well as by INL.

Organizations Involved in Planning and Resource Allocation for Traditional Programs

The authorities provided in the FAA and AECA govern the FMF, FMS and IMET programs, as well as the more recent State Department security assistance programs. State is the lead agency for setting security assistance policies, priorities, and budgets for these programs:

> "Under the direction of the President, the Secretary of State shall be responsible for the continuous supervision and general direction of economic assistance, military assistance, and military education and training programs, including but not limited to determining whether there shall be a military assistance (including civic action) or a military education and training program for a country and the value thereof, to the end that such programs are effectively integrated both at home and abroad and the foreign policy of the U.S. is best served thereby."[10]

Organizations in the State Department

The State Department faces several organizational challenges in administering these programs. The State PM bureau is relatively small for its responsibilities. It relies on regional bureaus, ambassadors, and country teams in the recipient countries to coordinate security assistance plans at the country level. Moreover, the newer security assistance programs in counternarcotics, nonproliferation, and antiterrorism are administered outside of PM, by offices with relatively small staffs, which have to be coordinated within the department.

In reality, the planning and execution of FMF, FMS, and IMET programs have depended heavily on collaboration between State, DOD, and the regional combatant commanders. Because the military has the requisite expertise, in-country and regional presence and contacts, and a more

robust administrative capability, DOD has played a major role in the planning, contracting, administration, and implementation of FMF, FMS, and IMET. In addition, EDA, leases, and drawdowns of equipment and services come from DOD assets.

Organizations in DOD

DOD's security assistance responsibilities are largely administered by the Defense Security Cooperation Agency (DSCA), which also handles many of the newer programs created under DOD authorities.[11] Created in 1998, DSCA assembles the FMF/FMS programs on a country-by-country and regional basis, carries out negotiations for agreements and contracts with recipient and purchasing countries, and manages the process of acquiring military equipment from the U.S. defense industry. DSCA produces the handbooks and manuals that govern the administration and implementation of traditional security assistance programs and drafts and publishes the long-term strategic plan for security assistance, covering policies, programs, and management goals.[12] In addition, DSCA supervises Security Assistance Offices (SAOs) in recipient countries.

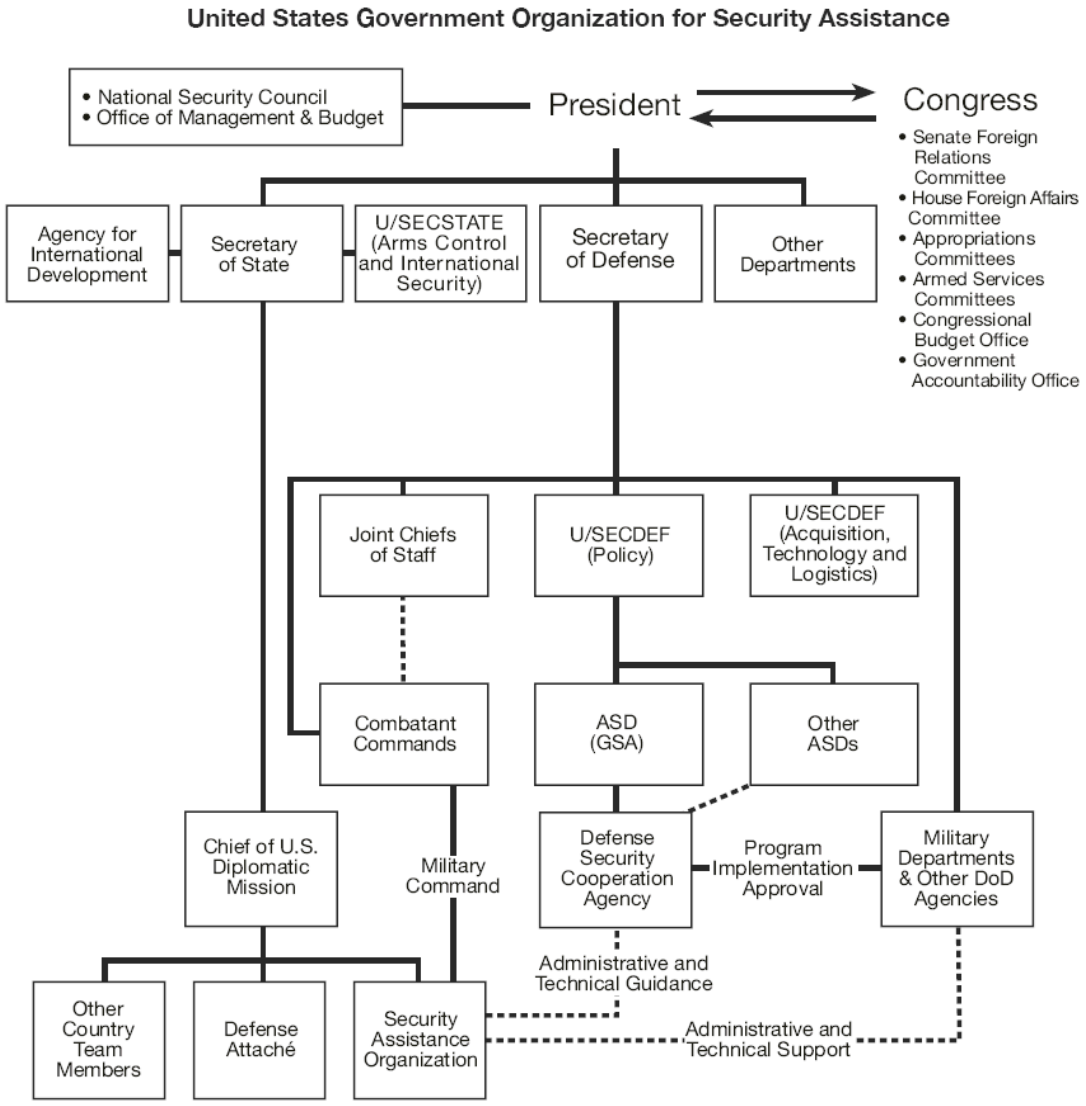
DSCA describes the DOD role in traditional security assistance in this way: "[DOD] has extensive input on policy, determines what equipment is available for sale, recommends foreign assistance funding levels, implements [the] FMS program, implements grant and credit FMF programs, [and] implements military education programs."[13]

DOD has significant institutional depth to carry out its security assistance responsibilities. To assemble FMF and FMS needs and requests and budget recommendations, as well as for contracting and local program execution, DSCA relies on the military departments, the regional combatant commanders (COCOMS), and uniformed personnel in the embassies.

DOD's organizational capacity, detailed knowledge, and extensive network give it a significant role even in the traditional security assistance programs. As a result, the actual planning and resource allocation process for traditional security assistance programs is complex, with overlapping responsibilities, as indicated in the figure below.[14]

This complexity and DOD's role are also clear at the country level. Recommendations for country participation in the FMF program, evaluation of the country's capabilities and needs, the contents of that program, and the projected funding requirement are initiated through military attaches in the U.S. embassy, which are part of the embassy's SAO. The SAO also includes State Department political and economic officers and operates under the authority of the ambassador. The SAO is also responsible for managing FMF/FMS "cases" and training programs. The military attaches, however, have direct contact with the military and civilian defense officials of the host country, giving them a major role in shaping the security assistance program and budget.

The regional combatant commanders (COCOMs) also play a role, developing regional plans for the traditional security assistance programs, coordinating those plans with the embassy, and evaluating foreign government requests for military equipment and training. The recommendations that emerge from the SAO go through both DOD and the State Department. They become part of the ambassador's Mission Strategic Plan (MSP), and are transmitted to State's PM Bureau. SAO recommendations are also part of the COCOM's Theater Security Cooperation Plan (TSCP), which lays out the COCOM's strategic plan for a particular country, and includes an annual justification for FMF and IMET funds that is transmitted directly to the DOD.



In addition to the traditional security assistance programs already described, the Defense Department and the Joint Staff have for decades had their own smaller military assistance programs, authorized through Title 10 of the U.S. Code (the portion of federal law that governs the armed services). These include a number of training, joint exercises, and assistance activities, such as Joint Combined Exchange Training, combined intelligence operations, international armaments cooperation, student training and military exchange programs, and military-to-military contact programs. In addition, DOD has a small humanitarian disaster and civic assistance program (overseas humanitarian disaster and civic aid program - OHDACA).[15]

During the 1990s, these programs were described as being part of DOD's "engagement" and "shaping" activities. Because this caused some confusion with the other DOD programs, the secretary of defense issued the first security cooperation guidance (SCG) in April 2003, defining as *security cooperation* "…all DOD interactions with foreign defense establishments [intended] to:

- Build defense relationships that promote specific U.S. security interests;
- Develop allied and friendly military capabilities for self-defense and coalition operations, including allied transformation;
- Improve information exchange and intelligence sharing to harmonize views on security challenges; and
- Provide U.S. forces with peacetime and contingency access and en route infrastructure."[16]

This guidance focuses on DOD planning processes and informs each COCOM's TSCP. However, the guidance does not explicitly provide for coordination between DOD's security cooperation programs and the array of traditional security assistance programs that fall under the authority and guidance of the secretary of state.[17] To the extent this happens, it is up to the individual COCOMs operating at the regional and country level.[18]

Overview of the New Security Assistance Portfolio

After the terrorist attacks of September 2001 and the U.S. invasions of Afghanistan and Iraq, the role of security assistance and security cooperation in overall U.S. strategy changed radically. First, the size and number of U.S. security assistance programs grew significantly. Second, security assistance programs were created for countries with which the United States had no recent security assistance relationship. Third, they expanded in focus beyond support for military forces to include assistance to a wider range of security forces, including border guards and police forces, and to even broader U.S. military activities supporting governance, democracy, capacity-building, and economic development and reconstruction projects. Fourth, the expansion of security assistance took place through the creation of new programs under DOD authorities and leadership that fall outside, but are parallel to, the traditional security assistance portfolio.

Much of this revolutionary change in security assistance emerged out of DOD activities in Iraq and Afghanistan and the global military effort to counter terrorist organizations (named the Global War on Terror or GWOT by the Bush administration) after September 2001. As counterterrorism and post-conflict missions grew, the DOD came to view the traditional security assistance portfolio as too inflexible and slow to respond to the dynamically changing combat environment and too poorly funded to meet the growing requirement.

From the DOD point of view, FMF weapons deliveries and training programs require too much forward planning, taking effect years after the need arises for rapidly trained and equipped forces in the field. Economic assistance linked to security concerns (ESF) is seen as inflexible, constrained by congressional restrictions and earmarks that make it difficult to provide such assistance to countries that might not meet the tests but are vitally important to the GWOT. Moreover, where major funding for security assistance is needed, the DOD sees the State Department as lacking the personnel, credibility and political leverage to raise the money for these programs or to deliver the programs in the field.[19]

As a result of these concerns, a number of major new security assistance and security cooperation efforts emerged, virtually all of them funded with DOD resources and operating under DOD authorities (See Table 4.4)**.**

From the DOD perspective, these programs provide the funding and flexibility needed for rapid implementation where they are most needed, both to train and equip partner forces in Iraq, Afghanistan and other areas where terrorism is a problem, and to support stabilization and

reconstruction efforts in areas where U.S. forces are engaged. The new programs are seen as essential for the promotion of U.S. interests and to ensure that partner countries have the capability to contribute to the U.S. effort.[20]

Table 4.4: New DOD Security Cooperation Programs		
Program	**FY 2002-08 DOD Total ($ in billions)**	**Parallel Traditional SA Programs**
Train and Equip (T&E) Funds for Afghan and Iraqi Forces	28.8	FMF, IMET
Global T&E: Section 1206 Authority	0.5	FMF, IMET, PKO
Coalition Support Funds (reimbursements to coalition partners)	6.6	ESF
Commander's Emergency Response Program (CERP)	3.7	USAID-OTI/OFDA and State MRA
Combating Terrorism Fellowship Program (CTFP)	0.1	IMET
Source: Calculations based on defense authorizations, appropriations, and emergency supplemental appropriations between FY 2002 and FY 2008. Acronyms: OTI Office of Transition Initiatives (USAID); OFDA Office of U.S. Foreign Disaster Assistance (USAID); MRA Migration and Refugee Assistance (State)		

Suggestions to strengthen these new programs have been consolidated in DOD's proposal for a "Building Global Partnership Act." This proposal was initially outlined in DOD's 2006 Quadrennial Defense Review and became a full legislative proposal in 2007.[21] The central goal of this proposal is to expand to the global level the application of DOD authorities that were initially crafted with the GWOT, Iraq and Afghanistan in mind, to increase funding for them, and to make them a permanent part of DOD authorities in Title 10 of the U.S. Code.

The remainder of this section provides background on the new programs and some of the issues they raise with regard to planning and resource allocation.

Train and Equip (T&E) Funds for Afghan and Iraqi Forces

The wars in Afghanistan and Iraq led to an urgent demand from the military for a flexible, well-funded program to train and equip the reemerging military and other security forces of those two countries. Given the urgency of the requirement and the slow, inflexible nature of FMF and IMET, DOD sought its own direct authority to train and equip the Iraqi and Afghan forces. The administration's FY 2004 emergency supplemental request sought authority for DOD, with the concurrence of the Secretary of State, to use up to $200 million of defense-wide operation and maintenance funds for the "training and equipping" of military forces in Iraq, Afghanistan, and "other friendly nearby regional nations."[22] The act as passed limited this authority to the Iraqi and Afghan Army. Since 2004, the DOD has received nearly $29 billion in budget authority to train and equip Iraq and Afghan security forces, including police units.[23]

Global Train and Equip: Section 1206 Authority

The Iraq and Afghanistan T&E programs and expanding DOD counterterrorist operations led to a DOD effort, starting in FY 2004, to broaden (to all security police forces), "globalize" (apply to all countries potentially working with the United States on counterterrorist operations), fund more generously, and make permanent (insert into Title 10 of U.S. Code) the Defense Department's authority to train and equip foreign security forces. DOD argued that FMF and IMET were not agile, sufficiently flexible, or adequately funded to meet DOD needs in the global struggle against terrorist organizations. The State Department initially resisted the expansion of DOD's authorities. In 2005, however, Secretary of State Condoleezza Rice endorsed the plan, which has since then been supported by both departments.

While lawmakers were willing to fund DOD's train and equip programs in Iraq and Afghanistan, Congress has resisted DOD's push for a more comprehensive, global, permanent program. Instead, Congress initially authorized a one-year, more restricted pilot program for global train and equip:

- The president could allow the secretary of defense to use up to $200 million of defense-wide operation and maintenance funds annually to support the Section 1206 program;
- The program could not be used to provide security assistance that was prohibited by law (such as police support);
- The program could not provide support to a country otherwise prohibited by law from receiving security assistance; and
- Although the program was authorized outside of Title 22 of U.S. Code (which governs the State Department), it would require the concurrence of the secretary of state, who would need to "jointly formulate" Section 1206 activities and coordinate on their implementation.[24]

The FY 2007 National Defense Authorization Act extended the Section 1206 program to the end of FY 2008. The act increased funding authority to $300 million and transferred general authority over the program directly to the secretary of defense. The act did not make the authority permanent, however. In the FY 2008 defense budget request, DOD sought a direct appropriation of $500 million for Section 1206 programs, which the Armed Services Committees did not support.[25] The House Appropriations Committee report deferred the request for $500 million to the FY 2008 emergency supplemental appropriation for the GWOT, citing the failure of the president to submit a report on the ability of the State and Defense Departments to conduct foreign military assistance programs.[26] The DOD requested such a program in its FY 2009 budget and asked for $750 million in authorized funding.

Neither the Senate nor the House authorizing committee has been willing to support a permanent Section 1206-type train and equip program.[27] Nonetheless, the section 1206 program is underway. Through the first part of FY 2008, it has provided over $450 million in training and military equipment to at least 21 countries in every area of the world with a regional U.S. military command.[28] State and Defense have developed a coordination process to jointly review and select proposals. However, a 2007 GAO report found that coordination did not occur consistently at the field level between combatant commands and embassy country teams.[29] A Senate Committee on Foreign Relations staff report also found that Section 1206 regional programs initiated by the combatant commands did not receive the same level of embassy input as bilateral programs.[30]

Coalition Support Funds

Coalition Support Funds (CSF) are not a formal part of the Building Global Partnership Act, but they have become a sizeable DOD security assistance program. CSF grew out of U.S. operations in and around Afghanistan and the desire to reimburse partner countries for their assistance in supporting U.S. counterterrorism operations. The rapid deployment of American military forces to the region did not allow time to prepare full logistical support and basing rights, leading to requests for Pakistan and Jordan, among others, to provide logistical and base support. Responding to the administration's request, the emergency supplemental appropriation for FY 2002 provided $100 million to the secretary of defense through the defense emergency response fund to reimburse "…Pakistan and Jordan for logistical and military support provided, or to be provided, to U.S. military operations in connection with Operation Enduring Freedom."[31] Although these funds were provided to DOD, their use required the concurrence of the Secretary of State.[32]

Subsequent appropriations acts have broadened the coverage of CSF, making them available to "other key cooperating nations" as well.[33] Other nations that have received CSF include Poland ($363 million for expenses related to Multinational Division-Center South in Operation Iraqi Freedom), Georgia ($53 million to finance pre-deployment training for troops sent to Iraq), Mongolia ($6 million for pre-deployment training for troops sent to Iraq), and Uzbekistan, Kyrgyz Republic, Romania, Ukraine, and Lithuania (reimbursement for their support in Iraq and Afghanistan).[34] Through FY 2008, CSF dollars have provided more than $6.5 billion to reimburse other countries for logistical and other support for the Afghanistan campaign and the GWOT.[35]

The CSF program in effect provides budgetary support for other nations. As such, it parallels economic support funds (ESF) under State Department authorities, especially those providing for budget support. In contrast with ESF, however, the CSF program intentionally supports military requirements, but not necessarily broader foreign policy objectives. In providing subsidies for military and counterterror operations, these funds may be more fungible within the recipient government's budget, thus making room for additional expenditures for non-defense purposes.

The complexities of the CSF program and uncertainties about its application have become increasingly clear in the case of Pakistan. Through February 2008, the United States provided over $5.5 billion in CSF funds to Pakistan, but the impact of this spending on controlling the terrorist threat has been decidedly mixed.[36] The relatively superficial U.S. oversight of these funds has led to further uncertainty over whether they have been spent for the stated purposed. In principle, the government of Pakistan transmits receipts of purchases to U.S. Central Command, and DOD provides the reimbursements, with oversight from the DOD comptroller, the embassy and the State Department, and the White House Office of Management and Budget. In 2004, DOD's office of the inspector general found that DOD management controls were inadequate to support coalition countries' reimbursement requests; determine whether the requests were reasonable; or ensure that claimed costs were in support of U.S. national security interests.[37]

Commander's Emergency Response Program (CERP)

The commander's emergency response program (CERP), which is similar to rapid response and development assistance programs at USAID, grew out of the experience of military operations in Iraq.[38] CERP was designed to allow local military commanders to provide rapid economic assistance for local stabilization and reconstruction needs in unstable and conflicted areas.

Insecurity and violence made it difficult for civilian assistance officials from State and USAID to operate in these situations, hence the creation of a program implemented by the military. For the military, the ability to provide short-term relief for humanitarian needs, electricity, medical service, and the like was seen as a critical part of the effort to win the "hearts and minds" of local populations.

CERP funding allowed military commanders to support local reconstruction projects they felt were critical to the military mission of achieving stability and curbing widespread violence. CERP funds are distributed at the discretion of military officers, rather than through a formal evaluation of the need for a proposed project. Initially, CERP was funded using Iraqi funds seized during the invasion and initial occupation of the country.[39] The program delineated permissible reconstruction projects, issued implementing assignments, and set expenditure limits for commanders in the field. Projects included improvements to water and sanitation infrastructure, food production and distribution, healthcare, education, telecommunications, installation or restoration of irrigation systems, and funds for day laborers to perform civic cleaning.[40] By late 2003, commanders had exhausted the seized funds, leading to a DOD request for appropriations to continue the program. Congress agreed, appropriating $3.7 billion for CERP through FY 2008.

The CERP program was seen as relatively successful, and was expanded to Afghanistan. The special inspector general for Iraq reconstruction (SIGIR) found that the implementation process was streamlined in comparison to projects carried out through the Iraq relief and reconstruction fund (IRRF).[41] Military commanders have used CERP as a means to improve damaged infrastructure quickly and help stabilize local areas. However, the program has not been well coordinated with other assistance efforts. A 2005 SIGIR Report examining the program's management expressed concern over the absence of an institutionalized process to coordinate CERP projects with State and USAID projects.[42]

DOD has also sought to globalize CERP, expand its funding, and establish it in permanent law. The administration requested $1.2 billion for global and permanent CERP authority for FY 2008 and $1.7 billion for FY 2009. Congress appropriated $500 million for FY 2008 and deferred the remainder to consideration as part of a second emergency supplemental appropriation for that fiscal year, but did not provide global or permanent CERP authority.[43]

Combating Terrorism Fellowship Program (CTFP)

The combating terrorism fellowship program emerged from a late 2001 request from regional COCOMS asking for a military education program that could quickly provide counterterrorism training and education to key foreign military partners. Pacific Command hoped to use this program to offer training programs in Indonesia. An independent counterterrorist training program would avoid congressional restrictions on existing IMET military assistance to the Indonesian military under the FAA. The CTFP is similar to the IMET program, uses DOD's IMET implementation process and regulations, but is funded in the DOD budget, under DOD authorities. Its training centers are mostly overseas in recipient countries.[44]

Other Expanded DOD Authorities

The expansion of DOD security assistance activities under both existing and new authorities can also be seen in the department's growing involvement in Africa. DOD programs in Africa include the combined joint task force Horn of Africa (CJTF-HOA), the trans-Sahara counterterrorism partnership (TSCTP), and the East Africa counterterrorism initiative (EACTI). Using both State

Department and DOD funding, U.S. military forces are training local militaries, working with civilian security and law enforcement agencies, assisting non-governmental organizations, and providing small-scale humanitarian and economic development assistance.[45]

The effort to deal with terrorist organizations in Africa, combined with the frequent use of U.S. forces in humanitarian and evacuation operations and the need for skilled regional peacekeepers for such conflict zones as Darfur led to the decision to create AFRICOM, a new regional military command for Africa. AFRICOM stood up early in 2008 and will "focus on conducting theater-security cooperation to build partnership capacities in areas such as peacekeeping, maritime security, border security, and counterterrorism skills."[46] Unusual among regional military commands, AFRICOM will include a significant civilian presence from State Department and USAID, focusing on the relationship among U.S. security concerns, diplomatic relations, and development policies.[47]

Resource Allocation Implications of the New Portfolio

The expanding portfolio of security assistance programs in the DOD reflects the significantly greater involvement of the American military in peacekeeping, occupation, counterinsurgency, and especially counterterrorism operations. Many of these programs grow out of the invasions of Iraq and Afghanistan and the post-invasion responsibilities the military has assumed for security force training, governance, and economic, political, and societal reconstruction. DOD's programs have developed in large part because DOD viewed State Department and USAID foreign assistance programs as insufficiently agile, flexible, or fundable to deal with the requirements of conflict and post-conflict problems in the 21st century. The expansion of the DOD security assistance portfolio, however, raises serious issues with respect to authority over and coordination of the overall U.S. security assistance portfolio, which now substantially overlaps the two departments and USAID.

DOD's new programs generally parallel or duplicate existing traditional security assistance programs operating under State Department authorities. They operate, however, under the authority of the secretary of defense, not under the Title 22 authorities of the secretary of state. Although the new programs ostensibly require the concurrence of the secretary of state, they are planned, budgeted and implemented by the Defense Department. The initiative for defining programs and projects for Section 1206 train and equip and CSF lies with DOD, not with the foreign policy institutions. Coordination of these programs with State and with overall U.S. foreign policy purposes depends on the relationship between the two departments and between the secretaries themselves.

The risks in this parallel system of authorities and programs are that security assistance becomes more complex and confusing, that it is disconnected from overall, long-term U.S. diplomacy and national security strategy, and that money is wasted through overlapping, uncoordinated, or conflicting efforts. As the Senate Foreign Relations Committee staff report of December 2006 suggested, leaving the security assistance initiative to DOD can lead to problems with integration and effectiveness of U.S. counterterrorism efforts in the field. The growing role of DOD, the report found, has led to an increase in military personnel in U.S. embassies who are carrying out non-traditional missions such as information operations, development assistance, and political analysis. These activities can compromise the "chief of mission" authority of the ambassador, lead to interagency turf wars that weaken U.S. counterterrorism operations, or even lead to a direct conflict between DOD missions and the overall relationship with the country in question. [48]

In addition, the expansion of DOD non-military programs could erode the effectiveness of delivery of foreign assistance. The planning and implementation of programs for governance, policing, law enforcement, and economic development are not core skills in DOD. U.S. civilian government institutions have longer experience and greater qualifications for such work. Unlike DOD, for these organizations such programs are a core skill. The civilian organizations also have the knowledge to ensure that funded projects are sustainable over the long term, not simply focused on a short-term, combat-related mission. It would make sense to enhance and exploit these civilian capabilities more fully, rather than create duplicate capabilities in the U.S. military. Moreover, as DOD expands these missions and capabilities, it risks draining the core military competence of the forces.

At a broader policy level, the development of DOD security assistance authorities and programs could lead to conflict over U.S. goals and objectives in various regions of the world. As the experience with AFRICOM may suggest, defining the U.S. relationship with a region as a security relationship may prove counterproductive to overall U.S. goals in that region. Because DOD appears able to raise funds for these programs more successfully than State or USAID, the weight of U.S. overseas engagement could tilt heavily toward military requirements, with potentially negative consequences for the achievement of wider U.S. aims. A military face on the broader U.S. global engagement may prove counter-productive to long-term U.S. national security goals.

Recommendations for Reform

Given the uncomfortable fit between the traditional U.S. security assistance portfolio and the demands of the security issues in the 21st century, it is not enough simply to dismantle the new DOD programs and leave policy and programs in the traditional framework. The policy choice is between the second track of security assistance programs that DOD seeks and a reexamination and reform of the entire security assistance portfolio. The goal should be to create a new architecture that is agile, flexible and adequately funded to deal with the new security challenges. This new architecture can and should make ample use of DOD's capabilities, but should do so under the authorities of the Department of State, in order to ensure that security assistance does not drive or conflict with overall U.S. international engagement.[49]

The following sections offer recommendations for reforms to be undertaken by the next administration and the next Congress.

Recommendations for the Next Administration

Review of security assistance programs

As U.S. security assistance programs have multiplied and expanded during the past 65 years, too little has been done to trim old programs as new ones emerged or to develop an overarching architecture that makes sense in light of changing needs. The result is a tangle of authorities and programs that can be confusing, duplicative, and difficult to manage responsibly.

Recommendation: The administration that takes office in 2009 should undertake a comprehensive review of security assistance programs, including both current State/USAID and DOD programs. The review should consider the following:

- The role of security assistance in the context of the overall national security and foreign policy goals of the United States;
- The appropriate types of security assistance (military equipment, training, budget support, police training, education for foreign militaries in the United States, and foreign assistance in post-conflict situations and failed states);
- The appropriate location of authorities and responsibilities for shaping, allocating resources to, and implementing security assistance programs;
- The appropriate funding level for each program; and
- The appropriate role of the National Security Council (NSC) in providing policy guidance and oversight for security assistance programs.

Consolidate and streamline security assistance programs

The shift in authority for security assistance programs from the State Department to DOD may have made sense during the early phases of operations in Afghanistan and Iraq, but the broadening and continuation of that shift poses serious problems for U.S. foreign policy.

Today's security assistance programs are divided from planning to execution, with one set operated by State and USAID and another by Defense. The two sets of programs may suit the institutional needs of the departments responsible for them, but continuing the division poses important risks to future U.S. foreign policy and national security. There should instead be a single set of programs, under the authorities of the State Department. DOD should, however, be intimately involved in shaping the program, since DOD is likely to remain the primary implementer of the program.

Recommendation: Consolidate and streamline accounts for security assistance into a single, coherent set, operated under State Department authorities with the full participation of the DOD.

Integrate into national security strategy

Security assistance lies at the intersection of foreign policy and security policy. If security assistance programs are to achieve their potential, they must be integrated closely with the foreign policy and national security goals of the United States. The allocation of resources to and among them must reflect the top priorities of the national security strategy.

Neither the DOD nor the State Department typically has the perspective needed to align these programs and their budgets with the administration's broader national security strategy. Moreover, leaving policy guidance solely to State will not satisfy Defense, while letting Defense set its own guidance for its own programs apart from State will not satisfy State. The only viable solution is a permanent process, overseen by the NSC with the participation of the Office of Management and Budget (OMB).

Recommendation: To improve the integration of security assistance policies and programs into its broader national security strategy, the next administration should establish a permanent interagency group under the NSC, co-chaired by OMB. The new interagency group should be charged with the following:

- Ensuring the integration of security assistance policies and programs into the broader national security strategy;
- Resolving policy and program disagreements between the Departments of State and Defense; and

- Providing overarching policy guidance to improve consistency with overall national security strategy, while leaving planning, budgeting and implementation to the two departments.

Shared development of budgets

Security assistance is an inherently joint activity between the Departments of State and Defense. As with policy disputes and program disagreements, budgetary decisions cannot be left to the two agencies operating separately or in opposition to each other.

Recommendation: Budgets for security assistance should be drawn up jointly between State and Defense, with oversight and integration assured by the OMB. Budget requests should reflect the policies and programs that the permanent interagency group, co-chaired by OMB, develops.

Reform of State Department planning and resource allocation processes

The State Department has yet to examine its own security assistance portfolio, link it to national security and foreign policy goals, and establish effective planning and oversight of the programs. State PM is thinly staffed and overworked. The new State Department foreign assistance office - the Office of the Director of Foreign Assistance – is also thinly staffed to oversee budgeting for security assistance programs. DOD, which has the personnel and resources, is continually frustrated with the absence of an effective strategic and long-term resource allocation planning process at State that parallels DOD's Planning, Programming, Budgeting, and Execution (PPBE) system. The broader issue of State Department strategic planning and long-term budget reform is part of the solution for security assistance programs to be integrated into a broader foreign policy and national security strategy.[50]

Recommendation: The next secretary of state should build on the experience of the Office of the Director of Foreign Assistance to develop and institutionalize this more rational process for strategic planning, programming, and budgeting of U.S. foreign assistance programs. A reformed process should lead to a five-year or six-year forecast, with budget projections for each program for each year.

Limit emergency supplemental requests

Much of the funding for DOD's security assistance activities since 2001 was requested and appropriated through emergency supplementals. The use of the emergency supplemental tool immediately following the terrorist attacks of September 2001 was appropriate, as it was during the first year of the wars in Iraq and Afghanistan. However, as discussed in Chapters 2 and 5, continued reliance on the emergency process circumvents executive branch and congressional oversight and stands in the way of fiscal discipline.

Recommendation: The next administration should limit the use of emergency supplemental requests to genuine emergencies.

Greater agility in putting the money where it is needed

The DOD critique of the traditional security assistance portfolio is valid. Security assistance programs have become inflexible and bureaucratic in both departments. They tend to reflect historical commitments (e.g., the Middle East peace process) more than current challenges. The review recommended above should bring together the more streamlined Section 1206 train and

equip programs with existing FMF, PKO, and other authorities, and reexamine the mix of authorities and funding needed to create a more flexible train and equip program. The same broad approach is needed with respect to CSF and authorities in relation to the traditional ESF programs. IMET and the counterterrorism fellowship programs need to be integrated under State Department authorities. The CERP and other DOD "foreign assistance" programs need to be redistributed in such a way that State and USAID have responsibility for longer-term governance and development programs, while DOD's role is tailored to shorter-term, urgent projects closely related to combat needs or to operations in insecure areas.

Today more than 90 percent of traditional FMF and IMET security assistance funds are earmarked.[51] The case for enhanced contingency authority and multi-year funding, which would give broader discretion to State and Defense to reallocate and target funds as requirements change, needs to be made to the Congress. Reforms need to include clear guidance on consulting and reporting to Congress, in order to provide the accountability that should accompany greater flexibility. Finally, reforms should include a careful redefinition of the purposes and targets for such programs, allowing flexibility to support non-military security forces involved in counterterrorism and stabilization operations. Such authorities as Section 1206 and the CERP program, however, ought not to be made permanent law as they now stand; the application of State Department authorities to these programs needs to precede any permanent provision in the FAA and AECA.

Recommendation: The next administration should revamp the entire security assistance portfolio, particularly elements that today belong to the traditional portfolio, to make it more flexible and agile and speed the provision of funds as they are needed.

DOD leadership involvement

Enterprising military commanders and lower-level policy officials have rightly and successfully innovated in the security assistance arena. DOD has restructured itself to some extent to integrate the management of some of the newer programs into the Defense Security and Cooperation Agency. The Office of the Secretary needs to take a close look at the DSCA structure to right-size its bureaucracy and reduce inflexibility. The Chairman of the Joint Chiefs of Staff needs to do the same with respect to the processes the COCOMs use. Ultimately, authority over DOD implementation of these programs needs to become a priority at the level of the secretary of defense. Only the secretary can ensure that DOD programs fit with overall national security needs and that the DOD implementation machinery understands and implements that reality.

Recommendation: The secretary of defense should make reform of DOD's security assistance activities within DOD a priority.

Recommendations for the Next Congress

Congressional involvement

Many a proposed reform of the national security institutions and processes in the executive branch hits a brick wall when it reaches the Congress. Reforms generally require congressional action, but the Congress has not been involved or consulted as part of the reform process. The same will be true for security assistance if the review process does not regularly consult with and involve members of Congress in key positions and with interests in these programs. Involving the Congress is one way to reduce the temptation to earmark security assistance funding and acquire greater funding flexibility.

Recommendation: The Congress must be involved in the review, reform, and restructuring process from the beginning.

Joint hearings on security assistance

The expansion of DOD security assistance programs has brought congressional defense authorizers and appropriators into the security assistance policy area. In general, security assistance programs have received inconsistent oversight from the foreign policy authorizers, who generally focus on specific problems like human rights violations of the Indonesian military or the training programs of the School of the Americas. For defense authorizers and appropriators, the DOD security assistance programs, while large, are only a tiny fraction of overall defense budgets. There is substantial risk that the programs will lack strong, systematic congressional oversight across the relevant committees. To craft an effective security assistance program for the 21st century, these committees will need to find new ways to work with each other to ensure consistent oversight.

Recommendation: Congress should consider making security assistance the focus of joint authorizing committee hearings and joint appropriations action.

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[1] Foreign assistance programs that target training and equipping the military of a recipient nation are generally referred to as "security assistance." More broadly, U.S. programs that support cooperative activities with the military and security forces of other countries are described as "security cooperation." The terms "security assistance" and "security cooperation" will be used interchangeably to describe this broad range of activities in the security sector. In addition, this chapter uses the term "security assistance" to cover a broader range of State/USAID programs that are focused on supporting U.S. national security goals.

[2] The authors wish to acknowledge the substantial contribution made to this chapter by Timothy Cooke.

[3] The figure does not include drawdowns, transfers of excess defense articles, or Foreign Military Sales. It also does not include nearly $40 billion in funding for new security cooperation and assistance programs for Iraq, Afghanistan, and global counterterror operations through FY 2008, discussed below.

[4] These numbers are based on U.S. overseas development assistance funding as reported by the U.S. government to the OECD. The 2005 total of $5.9 billion in DOD disbursements included large amounts of funding for the Iraq Relief and Reconstruction Fund (IRRF) and the Commander's Emergency Response Program (CERP, discussed below), which, combined, made up 85% of the total. The total does **not** include the substantial DOD train and equip programs for Iraqi and Afghan military forces, also discussed below. See OECD, Development Assistance Committee, *United States Peer Review,* 2006, p. 26. (http://www.oecd.org/dataoecd/61/57/37885999.pdf).

[5] See Center for Strategic and International Studies, *Integrating 21st Century Development and Security Assistance: Final Report of the Task Force on Nontraditional Security Assistance* (Washington, DC: CSIS, January 2008); Center for International Policy/Latin America Working Group Education Fund/Washington Office on Latin America, *Below the Radar: U.S. Military Programs With Latin America, 1997-2007* (March 2007); Patrick Cronin and Tarek Ghani, "The Changing Complexion of Security and Strategic Assistance in the 21st Century," in Lael Brainerd (Ed.), *Security By Other Means: Foreign Assistance, Global Poverty, and American Leadership* (Washington, DC: Brookings Institution and Center for Strategic and International Studies, 2006), Chapter 7.

[6] DOD, Joint Publication 1-02, *Dictionary of Military and Associated Terms* (12 April 2001), as amended through 13 June 2007.

[7] Foreign Assistance Act of 1961 (P.L. 87-195), Part II, Chapter 2, Sec. 503.

[8] The State Department's authority and approval with respect to EDA, drawdowns and leasing is implied in Section 622 of the FAA, which makes the secretary of state "responsible for the continuous supervision and

general direction of economic assistance, military assistance, and military education and training programs," including determining whether there will be a program in a specific country and the value of that program. For EDA, a distribution of surplus equipment is determined by a committee co-chaired by State (PM) and Defense (DSCA); for drawdowns, State administers the process that prepares a request for the President to sign.

[9] Government Accountability Office, *Nonproliferation, Antiterrorism, Demining, and Related Programs Follow Legal Authority, but Some Activities Need Reassessment* (GAO-04-521, April 2004), p.4.

[10] Foreign Assistance Act, Sec. 622(c).

[11] DSCA's predecessor was the Defense Security Assistance Administration (DSAA).

[12] Defense Security Cooperation Agency, *Security Assistance Management Manual* (http://www.dsca.mil/samm/); DOD, Defense Security Cooperation Agency, *Defense Security Cooperation Agency Strategic Plan: 2006-2011* (February 13, 2006). The DSCA mission, according to this plan, is to: "Lead, direct and manage security cooperation programs and resources to support national security objectives that build relationships that promote U.S. interests, build allied and partner capacities for self-defense and coalition operations in the global war on terrorism, and promote peacetime and contingency access for U.S. forces."

[13] *Welcome to DSCA: Strength Through Cooperation* (http://www.dsca.mil/about_us.htm.) DSCA notes the "military departments and combatant commanders execute the programs." DSCA describes the State Department role as: "determines which countries have programs, reviews and approves all sales and transfers, issues munitions export licenses, [and] determines foreign assistance funding levels."

[14] Defense Institute of Security Assistance, *Online Greenbook*, Chapter 3, p. 3-2. (http://www.disam.dsca.mil/pubs/DR/greenbook.htm.)

[15] For a complete listing of DOD programs and authorities for security assistance and cooperation, see Department of State, "Report to Congress: Section 1206(f) of the 2006 National Defense Authorization Act," July 3, 2007 (http://www.state.gov/t/pm/rls/rpt/spec/90867.htm.) See also Robert Reighard, "Security Cooperation: Integrating Strategies to Security National Goals," *U.S. Army War College Strategy Research Project* (March 15, 2006), p. 4. (http://www.strategicstudiesinstitute.army.mil/pdffiles/ksil476.pdf)

[16] Office of the Secretary of Defense, *Security Cooperation Guidance*, Coordination Draft, unclassified excerpt, June 2004; Albert Zaccor, *Security Cooperation and Non-State Threats: A Call for an Integrated Strategy* (Washington DC: Atlantic Council, August 2005) (http://www.acus.org/docs/0508-Security_Cooperation_NonState_Threats_Zaccor_Albert.pdf), p. 6.

[17] The guidance document states that DOD security cooperation "will be integrated with other elements of national power…in order to achieve national security, defense, and foreign policy objectives." See *Security Cooperation Guidance,* above.

[18] Author interview with DOD official.

[19] Eric Edelman, "Testimony Before the House Armed Services Committee on Train and Equip Authority," April 7, 2006 (http://www.DOD.mil/DODgc/olc/docs/TestEdelman060407.pdf); Doug Sample, "Wolfowitz Seeks Flexibility in Security Assistance Spending," *American Forces Press Service,* April 29, 2004 (http://www.defenselink.mil/news/newsarticle.aspx?id=26784); author interviews with DOD and State Department officials.

[20] DOD, "Defense Security Cooperation Agency Strategic Plan: 2006-2011," February 13, 2006.

[21] *Quadrennial Defense Review* (Washington, DC: DOD, February 2006), p. 87-91. According to the QDR: "existing authorities governing planning, financing and use of these instruments for shaping international partnerships do not accommodate the dynamic foreign policy demands of the 21st century. Based on recent operational experience, the Department seeks a continuum of authorities from Congress balancing the need to act quickly in the war on terrorism with the need to integrate military power to meet long-term enduring foreign policy objectives." (p.91). The full proposal is at http://www.DOD.mil/DODgc/olc/docs/BGPA.pdf. See also DOD, *Building Partnership Capacity: QDR Execution Roadmap,* May 22, 2006, at http://www.ndu.edu/itea/storage/790/BPC%20Roadmap.pdf. DOD re-submitted the BGP proposal for inclusion in the FY 2009 defense authorization bill. The proposed legislation makes permanent Section 1206 and allows the DOD to use up to $750 million to support such programs. The proposed legislation also makes CERP permanent; increases authorized funding for the Counterterrorism Fellowship Program to $35 million; and expands DOD's OHDACA authority to include stabilization activities.

[22] Office of Management and Budget, *FY 2004 Emergency Supplemental Request* (September 17, 2003) (http://www.whitehouse.gov/omb/budget/amendments/supplemental_9_17_03.pdf).
[23] Pat Towell, Stephen Daggett, and Amy Belasco, *Defense: FY 2008 Authorization and Appropriations*, (Report RL33999, Washington, DC: Congressional Research Service, July 2007), p. 29-30; P.L. 110-161, "Consolidated Appropriations Act (Division L – Defense Supplemental Appropriations)," December 26, 2007; Government Accountability Office, *Securing, Stabilizing, and Reconstructing Afghanistan: Key Issues for Congressional Oversight* (GAO-07-801SP, May 2007), p. 13.
[24] Section 1206 of the Defense Authorization Act for FY 2006 (P.L. 109-163). The State Department submitted its report in July 2007. The report endorsed the Section 1206 program and urged that it not end in September 2008. The report recommended expanding the program to allow assistance to non-military security forces and support for forces that assist in military and stability operations in any country, even if U.S. forces are not deployed there. State did not request that this program be made permanent law, in contrast to the DOD request. See Department of State, Bureau of Political-Military Affairs, *Report to the Congress: Section 1206(f) of the 2006 National Defense Authorization Act*, July 3, 2007 (http://www.state.gov/t/pm/rls/rpt/spec/90867.htm).
[25] House Armed Services Committee, *Statement of Secretary of Defense Robert M. Gates* (February 7, 2007).
[26] HR 110-279. The Senate report on its version of this bill left $300 million in the program and noted that it had reluctantly agreed to fund the program through DOD, but that "the Department of State normally is tasked to perform this critical function…the Committee believes the responsibility to train and equip foreign military forces should rest with the Department of State." The Committee urged that the next request for funds for this program be made through the Department of State budget. U.S. Senate, Committee on Appropriations, Senate Report 110-155, September 14, 2007.
[27] The House Report of the National Defense Authorization Act for FY 2008 (H.R. 1585) amended section 1206 to provide additional authority to build the capacity of Pakistan's "other" security forces, which include forces responsible for border protection and interdiction and international security forces responsible for counterterrorism operations. The Senate Armed Service Committee (SASC) Report (S. Report 110-77 accompanying the FY 2008 Authorization Bill) recommended a decrease of $214 million to DSCA's budget request of $673.4 million, of which $200 million would come from Section 1206.
[28] According to DOD data, the Section 1206 program has provided $454 million of funding for Indonesia, Sri Lanka, Malaysia, and the Philippines in the PACOM region; Macedonia, Albania, Georgia, Ukraine, and Azerbaijan in the EUCOM region; Pakistan, Yemen, Lebanon, Bahrain, and Kazakhstan in the CENTCOM region; Nigeria, Chad, Djibouti, Mauritania, Tunisia, Kenya, and other unnamed nations in the AFRICOM region; various Caribbean nations in the SOUTHCOM region; and Mexico in the NORTHCOM region. Data source: Office of the Secretary of Defense, *Global Train and Equip Projects Summary, FY06 through FY08*, data supplied to the Bipartisan Policy Council, March 2008.
[29] According to the report, for projects funded in FY 2006, coordination occurred in only 5 of 14 instances before proposals were submitted for joint DOD and State review. Government Accountability Office, *Section 1206 Security Assistance Program – Findings on Criteria, Coordination, and Implementation* (GAO-07-416, February 28, 2007), p. 3.
[30] Senate Committee on Foreign Relations, *Embassies as Command Posts in the Anti-Terror Campaign*, 109-52, December 15, 2006, p. 12 (http://www.fas.org/irp/congress/2006_rpt/embassies.pdf).
[31] These funds were made available from other appropriations. Public Law 107-117, 107th Congress, *Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the U.S. Act, 2002* (Washington, DC: Government Printing Office, Jan. 10, 2002).
[32] The requirement for concurrence was contained in P.L.107-206, the Emergency Supplemental Appropriations Act, FY 2002.
[33] Public Law 107-206, "2002 Supplemental Appropriations Act for Further Recovery From and Response To Terrorist Attacks on the U.S.," August 2002.
[34] DOD, *FY 2008 Global War on Terror Request,* February 2007, p. 52.
[35] DOD requested $1.7 billion for CSF in the FY 2008 GWOT request. The House Armed Services Committee (HASC) did not address limits on coalition support spending in its defense authorization bill, while the SASC supported a $1.2 billion limit on coalition reimbursement funds (S. 1547 Sec. 1532). Section 9008 of the FY 2007 Defense Appropriation Act authorized DOD to provide airlift and sustainment support to coalition partners participating in U.S. military operations in Iraq Afghanistan. The funds allow

smaller coalition countries to transport their forces to and from the battlefield or to sustain their troops for extended deployments. These funds are in addition to CSF. Pat Towell, Stephen Daggett, and Amy Belasco, *Defense: FY 2008 Authorization and Appropriations* (CRS Report for Congress RL33999, July 2007), p. 30.

[36] Alan K. Kronstadt, *Pakistan-U.S. Relations* (CRS Report for Congress, RL33498, January 11, 2008). (Data updated 3.5.08 by Kronstadt) This CRS report describes nearly $10.7 billion in total U.S. assistance to Pakistan between FY 2001 and the FY 2009 budget request, virtually all of which qualifies as "security assistance." ESF funding totaled $2.3 billion, while FMF came to over $1.5 billion. See also Craig Cohen and Derek Chollet, "When $10 Billion Is Not Enough: Rethinking U.S. Strategy Toward Pakistan," *The Washington Quarterly* (Vol. 30, Issue 2, Spring 2007), p. 12; and Craig Cohen, *A Perilous Course: U.S. Strategy and Assistance to Pakistan* (Washington, DC: Center for Strategic and International Studies, August 2007). See also David Sanger and David Rohde, "U.S. Pays Pakistan to Fight Terror, but Patrols Ebb," *New York Times,* May 20, 2007, p.A1.

[37] Report cited: *Coalition Support Funds,* Report 2004-045, Project 3LG-0107.00, January 2004. The official report is classified. Summary of report: DOD, "Performance and Accountability Report: FY 2004," November 15, 2004, p. 291.

[38] Similar State/USAID programs include State's ESF and MRA programs and USAID's development assistance, Office of Transition Initiatives (OTI), and Office of Foreign Disaster Assistance (OFDA).

[39] The CERP was initially authorized by a June 2003 memo from CPA administrator Ambassador L. Paul Bremer. Fragmentary Order 89 of the Commander of the Combined Joint Task Force 7 implemented the CERP on June 19, 2003.

[40] Mark Martins, "The Commander's Emergency Response Program," *Joint Force Quarterly*, Issue 37, 2005, p. 47.

[41] Special Inspector General for Iraq Reconstruction (SIGIR), *Iraq Reconstruction: Lessons in Contracting and Procurement* (July, 2006), p. 84 (http://www.sigir.mil/reports/pdf/Lessons_Learned_July21.pdf).

[42] SIGIR, *Management of the Commander's Emergency Response Program (CERP) for FY 2005*, SIGIR-05-025, January 23, 2006.

[43] The HASC reauthorized the CERP without setting a funding limit on the program (H.R. 1585). Section 1203 of the Senate's defense authorization bill for FY 2008 (S. 1547) authorized DOD to use up to $977.4 million in defense-wide operation and maintenance funding for the CERP. The State Department report on the Section 1206 program of July 2007 also requested that CERP authority be made permanent and global, though it also proposed that State and DOD jointly develop procedures to use the authority.

[44] According to DSCA implementation guidance, CTFP will follow IMET program development timelines, use IMET rates for training course costing, and provide the same emergency care covered by IMET. DOD, Defense Security Cooperation Agency, Defense Institute for Security Assistance Management, *Implementation Guidance for Regional Defense Counterterrorism Fellowship Program* (March 2003) (http://www.disam.dsca.mil/itm/Programs/CTF/Implementation.htm).

[45] These programs have involved the U.S. military in these activities in such countries as Ethiopia, Eritrea, Djibouti, Tanzania, Uganda, Kenya, Niger, Mali, Chad, Mauritania, Nigeria, and Senegal. For more detail, see Stewart Patrick and Kaysie Brown, *The Pentagon and Global Development: Making Sense of the DOD's Expanding Role* (Center for Global Development working paper (draft), September 2007), p.9-10. See also Jessica R. Piombo, "Terrorism in Africa: The Nature of the Threat," in *Strategic Insight*, Vol. VI, No.1 (January 2007).

[46] Theresa Whelan, DASD for African Affairs, DOD, quoted in John Kruzel, "Pentagon Official Describes AFRICOM's Mission, Dispels Misconceptions," *American Forces Press Service*, August 3, 2007 (http://www.defenselink.mil/news/newsarticle.aspx?id=46931&446931=20070803).

[47] For a full discussion of AFRICOM see Lauren Ploch, *Africa Command: U.S. Strategic Interests in Africa and the Role of the U.S. Military in Africa* (Report RL34003, Washington, DC: Congressional Research Service, December 12, 2007). There has been some resistance in Africa to the extension of U.S. military presence that AFRICOM could involve, and no country other than Liberia has offered to host the headquarters. According to one U.S. military officer, "it was seen as a massive intrusion of military might onto a continent that was quite proud of having removed foreign powers from its soil." Karen DeYoung, "U.S. Africa Command Trims Its Aspirations," *Washington Post,* June 1, 2008, p.18. U.S. Southern Command (SOUTHCOM) has also begun to expand its staffing to include State/USAID officials. SOUTHCOM Commander Admiral James Stavrides described the goal of this expansion as follows:

"…We want to be like a big Velcro cube that these other agencies can hook to so we can collectively do what needs to be done in this region." Remarks to Smart Power Lecture Series, Center for Strategic and International Studies, January 16, 2008.

[48] U.S. Senate, Committee on Foreign Relations, *Embassies as Command Posts in the Anti-Terror Campaign* (Washington, DC: U.S. Government Printing Office, 2006).

[49] In addition, and parallel to the following recommendations, see Center for Strategic and International Studies, *Integrating 21st Century Development and Security Assistance: Final Report of the Task Force on Nontraditional Security Assistance* (Washington, DC: CSIS, January 2008).

[50] See Gordon Adams, "Don't Reinvent the Foreign Assistance Wheel," *Foreign Service Journal* (March 2008) p.46-50.

[51] Flickner, Charles, "Removing Impediments to an Effective Partnership with Congress," In Brainard (Ed.) *Security by Other Means,* p. 225-253; Duncan Clarke, Daniel O'Connor, and Jason D. Ellis, *Send Guns and Money: Security Assistance and U.S. Foreign Policy* (Westport Connecticut: Praeger, 1997), p. 110.

Chapter 5 Stabilization and Reconstruction in Iraq

After initial combat operations ended in Iraq, the U.S. government found itself in the role of a long-term occupying power, with major responsibilities for post-conflict stabilization and reconstruction (S&R).[1] The successes and failures of U.S. policies and programs for Iraqi stabilization, governance, and reconstruction (and parallel efforts in Afghanistan) have raised troubling questions about how the U.S. government is organized and how it provides funding for post-conflict S&R.

The organizations, processes, and tools for planning and resource allocation for S&R in Iraq fell dramatically short of what was required. Post-war U.S. policy failures in Iraq reflected major weaknesses in the interagency policy-making process, inadequate planning, a serious underestimation of military and civilian costs and requirements, excessive optimism about the nature and absorptive capacity of the Iraqi economy, and major problems with program implementation, reporting, and accountability.

S&R operations are not new to the United States. On a major scale in Germany and Japan, on a smaller but not insignificant scale in Somalia, Haiti, Rwanda, Kosovo, East Timor, and Afghanistan, and in a sizeable number of humanitarian interventions, post-conflict S&R operations have been a significant part of U.S. engagement and use of force overseas for more than five decades.[2] The lessons of earlier operations could have been harvested and applied in Iraq. Unfortunately, Iraq is not unique in this regard. Virtually every U.S. post-combat S&R operation since the end of World War II was created and managed without an understanding or application of the lessons learned from previous missions.

On the planning side, the Clinton administration generalized from the U.S. military interventions of the 1990s in Presidential Decision Directive (PDD)-56, which outlined a more systematic process for the planning of post-conflict S&R.[3] When Kosovo came along, however, that administration failed to follow its own process. The Bush administration entered office highly critical of the 1990s uses of the military for nation-building and peacekeeping, but rapidly found itself involved in such operations in Afghanistan and Iraq. As a result of those experiences, the executive branch has again focused on how to structure the government to deal more effectively with similar cases in the future.[4]

The Iraq case has brought to the surface important problems with the organizational structures, processes, and tools for planning and resource allocation of S&R operations at the White House and interagency level. Typically, the executive branch operates in stovepipes that focus separately on military operations, diplomacy, and assistance programs. The military stovepipe is seen as better funded and better organized for field operations, while the civilian agencies – largely State and USAID – are seen as less prepared and organized, less flexible, and significantly less well-funded for a stabilization and reconstruction effort. The machinery for program integration, problem resolution, and implementation of activities that cut across multiple agencies is *ad hoc.* There is no institutionalized process to lay out clear choices and options, set priorities, and provide the detailed analysis required for sound policy-making. As a result, the military has increasingly become the default organization for S&R operations, both in Iraq and Afghanistan.

The Iraq experience also exposed significant weaknesses in congressional structures and processes for policy oversight and resource planning. Those weaknesses have important

implications, both for U.S. national security policy and for broader programs aimed at strengthening governance and economic growth in foreign countries.[5]

Iraq may not provide the best lessons for future U.S. government planning and organizing for post-conflict operations. S&R in Iraq followed a major U.S. military invasion and was part of a lengthy military occupation. There may be few such cases in the near future for the United States. Moreover, the failures in Iraq may amply demonstrate the limits any nation will face in trying to establish security, build responsive governance, and create the conditions for economic recovery and growth in another country. Future political leaders may shun such ambitious projects.

Leaders on both sides of the political aisle, however, continue to advocate a stronger capability for S&R missions under some conditions and at some level. Future interventions may be more multilateral, smaller in scale, and less costly than the one in Iraq. Regardless of scale, if such operations are to be conducted effectively in the future, the U.S. government needs mechanisms to enable a smoother application of the military and civilian instruments of statecraft in cooperation with other nations.

This chapter briefly reviews the planning and implementation of post-conflict S&R operations in Iraq. It evaluates the lessons learned in five areas: information, intelligence, and planning assumptions; how the executive branch is organized to plan and execute S&R missions; problems related to program implementation; how the funding for such operations should be structured and integrated into the overall federal resource allocation process; and how Congress can provide effective oversight and resource allocation for S&R programs. The chapter ends with recommendations for reform of the organizations, processes, and tools that surround planning, resource allocation, and execution for such contingencies.

The Case of Iraq

Iraq may prove to be the limiting case for U.S. S&R operations that follow military interventions. Five years into the war, the United States maintains a sizeable force there, and the fiscal costs continue to grow. According to the Congressional Research Service (CRS), through FY 2007, Congress appropriated roughly $526 billion for military and foreign assistance activities in Iraq.[6] Annual appropriations for Iraq rose regularly, from $53 billion in FY 2003 to $134 billion in FY 2007, with an estimated FY 2008 cost of roughly $150 billion.[7] Including the emergency supplemental funding appropriated for Iraq (as well as Afghanistan and broader counter-terror operations), the U.S. defense budget in FY 2008 is the largest, in constant dollars, since the end of World War II.

From the initial planning stages through budgeting, implementation, oversight, and evaluation, post-conflict S&R in Iraq is replete with negative lessons, despite this considerable investment of dollars and the efforts of government officials and private contractors. Inadequate pre-conflict planning, *ad hoc* structures for implementation, personnel difficulties, inadequate central steering, and thin budget planning and scrutiny in Washington, DC, have all created serious concern that the U.S. government was not properly organized, in Washington or in the field, to implement an effective S&R program. This section provides a brief summary of the operation and some of the issues it raises.

Pre-Conflict and Post-Invasion Planning

The failures of pre-conflict and post-invasion planning for Iraq S&R have been widely discussed.[8] The Department of Defense (DOD) lacked the planning, budgeting, statutory authorities, staff, and training to plan or implement an S&R operation.[9] DOD planners systematically sought to exclude foreign policy and assistance agencies from the planning effort. The State Department coordinated a "Future of Iraq" study for more than a year, involving interagency representatives and substantial participation by Iraqi exiles, but the result was not an actual post-invasion plan.[10] The DOD prevailed in the interagency dispute over "unity of command" and was put in charge of Iraq operations in National Security Presidential Directive (NSPD)-24. General Jay Garner, who led the Office of Reconstruction and Humanitarian Aid (ORHA), the first of several agencies to be put in charge of post-conflict operations, focused only on near-term emergencies and potential humanitarian issues. Military planners made it clear that the United States would rely on the Iraqi army, police forces, provincial government, and ministries, funded by oil revenues, to establish order and carry out reconstruction.[11] As for budgets, funding seen as necessary for post-combat S&R was provided as part of the operating costs for DOD forces in the region.[12]

The *ad hoc* quality of those arrangements continued once the occupation began, even as the specific management organizations for administering the operations evolved. ORHA gave way to the Coalition Provisional Authority (CPA). Planning, priority-setting, and oversight over reconstruction programs passed through the development fund for Iraq (DFI) in the case of non-U.S. funds and the Iraq reconstruction and relief fund (IRRF) in the case of U.S. appropriations. DFI-funded projects were selected and contracts decided by an *ad hoc* program review board at CPA headquarters in Baghdad. Contracting services were provided largely by the Army Corps of Engineers and, to a lesser extent, USAID. Projects were implemented and supervised by an *ad hoc* program management office (PMO), the Army Corps of Engineers, USAID, State, and a number of other agencies. After authority transferred to the interim Iraqi regime and the U.S. 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.

The evolving architecture managed more than $40 billion in U.S. appropriated funds, nearly half of which were appropriated in the fall of 2003. Through June 2004, it also administered more than $20 billion in Iraqi resources, drawn from Iraqi assets and oil revenues. In addition, the DOD created and operated its own S&R programs, including the Commander's Emergency Response Program (CERP) and a sizeable program to train and equip the Iraqi military.[13] As discussed in Chapter 4, CERP grew out of the realization, as combat was ending, that U.S. forces would need resources to deal with budding emergencies well before CPA or any contracting authority could act or find it safe to do so.

The initial resources for CERP came from caches of currency found during the early military campaign and occupation. Those resources were quickly made available for such tasks as cleaning streets; collecting garbage; providing rations; repairing roofs, wells, sewers, and doors; rehabilitating jails and police stations; and meeting urgent medical needs. In June 2003, this *ad hoc* financing was formally established by the CPA as CERP, allowing 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." Total CERP spending in Iraq through March 2008 was $1.8 billion.[14]

At least initially, CERP was an effective tool for local commanders to respond to urgent social and economic needs in areas where security did not make civilian reconstruction operations possible. The same cannot be said for the multiple programs and projects implemented under the CPA, which encountered problems including inexperienced personnel, bureaucratic delay, lack of coordination, contracting failures, inadequate follow-up on contractor activity, and corruption.[15] Gradually, the initial allocation of reconstruction funds to various sectors of the Iraqi economy and society was overwhelmed by the deteriorating security situation, leading to a reallocation of a significant portion of those funds just to provide security.[16] In the end, the failure of the reconstruction program was most clearly signaled by the persistent inability to raise Iraqi oil exports to pre-war levels, continued high levels of unemployment, electricity production that failed to meet pre-war levels, a massive migration of Iraqis away from their homes or out of the country entirely, and a variety of other indicators of social and economic stress and decline.[17]

Ad Hoc Planning and Resource Allocation Processes

The serious implementation problems encountered by field operators in Iraq resulted in part from the *ad hoc* nature of post-conflict S&R operations planning and resource allocation for Iraq reconstruction in Washington, DC. There were no systematic institutions or processes to deal with post-conflict S&R. The assumption before the war was that such crises as occurred would be humanitarian in nature. Once the conflict was over, it was assumed that the Iraqi government would be competent to take over direction of the economy and social services, which could be funded largely out of oil revenues.

Once reality proved these assumptions wrong, the institutions and processes in Washington, DC that evolved over time reflected considerable tension between a DOD in charge of the policy and operations, a State Department that was sidelined before the war and largely set aside once the occupation was under way, and a National Security Council (NSC) that turned responsibility for implementation over to the DOD. For the first year, decisions fell largely to the CPA in Baghdad, with DOD providing limited oversight from Washington, DC. The NSC staff did not exercise authority or significant oversight over these decisions, and in fact found DOD and the CPA generally unresponsive to their intrusion.[18] An *ad hoc* coordination group at the NSC was created in 2004, but never functioned fully. Individuals were appointed as Iraq coordinators at NSC, but did not have adequate authority or access to oversee implementation.

As a result, programs in Iraq were delivered by a multiplicity of agencies and offices, using a variety of budgetary "spigots." The spigots included the Army Corps of Engineers, CERP, USAID (through the Office of Transition Initiatives (OTI), the Office for Foreign Disaster Assistance's (OFDA's) Disaster Assistance Response Teams, and Development Assistance offices), State Department Economic Support Funds, Treasury Department technical assistance programs, and Department of Justice and FBI training programs. All of the players were pursuing parts of the emerging reconstruction effort, but without a coherent strategy and with only loose coordination.[19] Moreover, the multiplicity of government agencies involved in Iraq S&R led to a proliferation of government agencies involved in S&R planning and implementation in general.

The lack of foresight in planning and resource allocation led to a dramatic underestimation of the costs of such operations and an equally *ad hoc* way in which the funding of the effort has been implemented. There were no serious projections of the likely costs of military and S&R operations in Iraq, but public statements tended to suggest the total cost of the Iraq war might be less than $50 billion. Even after the resource implications of Iraq became clear, the normal

budgeting process was not used to manage Iraq-related resource allocation. Instead, since 2003, the administration and the Congress have funded military operations and reconstruction through a series of out-of-cycle emergency supplemental appropriations. In the case of foreign assistance and diplomatic operations, the initial $21 billion request from State/USAID for FY 2004 was drawn up at the CPA in Baghdad by analysts working against a severe deadline and with little budget-quality information.[20]

Congressional Oversight and Resource Allocation

Normally, the documentation that supports national security budget requests is voluminous, with detailed program descriptions, discussions of program priorities, and details on the ultimate objectives for the program or project. For Iraq, emergency supplemental budget requests did not provide detailed backup of this kind until the FY 2007 emergency supplemental request.

Until 2007, Congress provided little input into the planning and resource allocation processes for Iraqi post-conflict operations. With the exception of a small handful of hearings of the appropriations subcommittees, Congress held virtually no budget hearings or oversight hearings on post-conflict S&R spending in Iraq. Congress did require some reporting on budgets and budget execution for reconstruction. In approving the initial allocation of funds for post-conflict S&R, 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 reports – known as Section 2207 reports - provide details on reconstruction spending in Iraq, broken down into ten categories. Congress also created the organization that became the special inspector general for Iraq reconstruction (SIGIR). SIGIR has operated since 2004 and has provided some of the best tracking of program execution and of problems on the civilian side of U.S. reconstruction operations.

The consequence of poor planning, shifting needs on the ground, organizational chaos, and ineffective administration was a failure to achieve desired outcomes, intense criticism of the program, and a growing perception that resources were wasted.

Key Lessons from the Case

Several important lessons emerge from the review of the organizations, processes, and tools that surround planning, resource allocation, and implementation of post-conflict S&R operations in Iraq (see Box 5.1). This section considers those lessons in five sets.

The first set involves information, intelligence, and planning assumptions, which drive planning and implementation decisions downstream. The second set concerns how the executive branch is organized to plan and execute S&R operations. A third set regards problems related to program implementation. The fourth has to do with how the funding for such operations should be structured and integrated into overall federal resource allocation processes. The fifth set concerns how Congress can provide effective oversight over S&R funding and programs.

Intelligence and Planning Assumptions

The most important lesson of Iraq for future post-conflict S&R operations is the importance of adequate and accurate information about the post-conflict environment for such operations. Having such information available requires harvesting the lessons of past operations and paying attention to those lessons as the next one is being planned. It also requires an adequate investment in intelligence about the country in which the planned operation will take place, and the full, accurate use of that intelligence during the planning phase.

Box 5.1: Key Lessons from the Iraq Stabilization and Reconstruction Case

- Lessons from past invasions and S&R operations were not taken into account.
- Assumptions about the threat, the political coherence of Iraqi government, the state of the Iraqi economy, and the reaction to the invasion in Iraqi society were almost uniformly incorrect.
- There was very little planning for the U.S. role in post-conflict stabilization. Post-invasion force planning assumed a relatively rapid U.S. withdrawal, which soon became unrealistic. The U.S. stabilization role was invented and reinvented on the fly as events contradicted expectations.
- There was virtually no planning or budgeting in advance of the invasion for post-conflict reconstruction and governance. It was assumed that the post-conflict crisis would be short-term and humanitarian in nature, and that economic activity would resume quickly, with reconstruction handled by the Iraqi government and bureaucracy, funded by sufficient oil revenues.
- The institutions created to administer post-conflict S&R operations were created *ad hoc* and evolved through three phases in a year – from the limited functions of ORHA to the CPA, to the hand-off to an ill-prepared Iraqi interim government in June 2004, supported by the new State Department-supported IRMO.
- There was no clear assignment of agency roles and responsibilities at the start of the conflict. The DOD initially assumed charge of the entire enterprise. The relationship between the two critical agencies in Washington, DC – State and Defense – was contentious and non-communicative for much of the first two years of the occupation. Lacking training and expertise, DOD struggled to deliver the broad range of reconstruction tasks it took on. Lacking the authority, funding, and personnel, State and USAID were also continually challenged to deliver results.
- The policies, programs, and projects for S&R, governance, and military operations evolved continuously. Personnel delivering those policies were often inexperienced and they rotated in and out of country constantly.
- Program implementation, especially for governance and reconstruction, was slow, relatively ineffective, and conflict-laden, resulting in outcomes that fell well below expectations.
- The executive branch lacked an integrated capacity in Washington, DC, to develop policy, oversee programs and projects, and resolve disputes among agencies. The NSC waited more than a year to create an oversight working group and constantly changed its oversight structures after that time. Organizations involved in S&R proliferated, adding to the institutional chaos. Budgeting for stabilization and counterinsurgency operations was done on an incremental and emergency basis, with constantly shifting definitions of goals and objectives.
- Congressional oversight of Iraq policies, programs, and funding was virtually non-existent for the first four years of the occupation. Moreover, because of shared committee jurisdictions, Congress did not have an overarching view of the Iraqi operation.

At the broadest level, knowledge of the past, combined with detailed understanding of the culture, politics and economy of the country in question could lead to a decision not to intervene with military force at all, but rather to invest in other tools of statecraft to achieve U.S. national

security purposes. Not every fragile or failed state or regional crisis will require a U.S. military response.

Institutionally, the Iraq case makes clear the importance of tapping all the sources of information and integrating them, dissenting views intact, at the senior level of government. Leadership is an important component of this lesson, as is careful integration of all the elements of statecraft at the NSC level, as will be discussed in the next section.

At the operational level, history and information directly shape assumptions about the post-conflict environment for S&R operations. This in turn has a direct bearing on the need for and contents of advance planning and budgeting. The information available in Iraq suggests that the early problems in implementation grew directly out of an erroneous and incomplete understanding about the likely post-conflict environment.[21]

Several key assumptions and judgments the administration made about Iraq had an impact on pre-war planning and budgeting:

- Senior leaders reviewed the U.S. experience of "nation building" in the 1990s – primarily in the Balkans – as having created incentives fro war-torn countries to turn to the United States for security and economic reconstruction. Senior leaders were determined not to reinforce that notion through a long occupation or large reconstruction program in Iraq.
- The movement from war to stability would be swift, and a new Iraqi regime would emerge quickly to take responsibility for governing and reconstruction within 12 to 18 months. The existing Iraqi public bureaucracy was deemed capable of shouldering this responsibility; oil revenues would provide adequate funding; and the economy would recover quickly.
- Internal security could be assured by the Iraqi regular army and policing forces, making it possible to start reducing the occupation force in a matter of months.
- U.S. planning for the post-conflict period could focus on humanitarian relief – food, water, medical care, and lodging for displaced Iraqis. A rapid build-down of coalition forces would thus be possible.

These assumptions directly contributed to the lack of detailed planning for post-war S&R. As events on the ground contradicted the assumptions, planning was constantly behind the reality.[22]

Field Marshall von Moltke is said to have observed, "No battle plan ever survives contact with the enemy." Indeed, plans are usually only the starting point for what comes next. That said, plans at least provide a starting point. Inaccurate assumptions and the absence of a U.S. government plan rooted in the realities of post-war Iraq contributed directly to the relatively incoherent, inadequately funded, *ad hoc* character of ORHA and CPA programs and projects. The disorganized executive branch response, the absence of funding, and the on-the-job learning in the field could have been mitigated, had the administration been better informed, used different assumptions, and built on the volume of pre-planning activity undertaken by State but ignored by DOD.

Executive Branch Organization and Agency Capacities

A second major lesson of Iraq is the urgent need for a more permanent, cross-agency architecture for planning, resource allocation, oversight, and evaluation of post-conflict operations. A third lesson is that the principal agencies involved in Iraq and Afghanistan – DOD, State, and USAID - were not well structured, funded, or staffed to handle post-conflict S&R operations. Unfortunately, the institutional chaos that emerged from the Iraq efforts did not strengthen U.S. capabilities for such work.

Interagency arrangements on the eve of the war

Instead of establishing a capacity at the NSC level to oversee post-war operations, NSPD-24 of January 20, 2003, gave DOD the overall lead responsibility for these tasks. Aside from ORHA, DOD itself did not create a specific post-war planning architecture for S&R operations and did little to create an interagency process for this purpose. ORHA and the CPA both reported to the secretary of defense, not to the NSC. (Ambassador Paul Bremer, Director of the CPA, did report at various times through DOD to the White House and even the United Nations.) After the first year, the national security advisor did task a senior director and an executive group to oversee Iraq policy implementation, but that organization was generally frustrated in dealing with DOD decision makers.[23] The State Department was effectively sidelined from Iraq operations from the beginning until the hand-off to the interim government in Baghdad in June 2004, when State took over responsibility for reconstruction from the CPA.

Changes under the DOD and presidential directives of 2005

The frustrations of the Iraq experience, combined with Afghanistan and smaller interventions in Haiti, Sudan, and Liberia, led to a recognition that the executive branch needs to be organized more effectively both inside and across agencies to plan and implement post-conflict S&R operations.

The DOD, which sought single-agency control in the Iraq case, now holds that S&R missions are likely to be core activities of the military. Defense Directive 3000.05, issued November 28, 2005, puts these operations on a par with combat operations.[24] DD 3000.05 describes S&R as "a core U.S. military mission" that should "help develop indigenous capacity for securing essential services, a viable market economy, rule of law, democratic institutions, and a robust civil society." The directive says that while civilian officials may be best qualified to perform the tasks involved the military might have to carry them out, especially early in an operation.

The DOD directive lays out a path to implement these intentions through the DOD policy, training, acquisition, and budgeting establishment. In particular, it instructs the services to make such 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 processes address the "resource requirements for stability operations."

The 2005 directive and the subsequent 2006 Quadrennial Defense Review (QDR) explicitly recognized the importance of building for S&R in other parts of the government, in order that the military not become the "default responder."[25] The QDR called for increasing the budgets of the State Department's new Office of the Coordinator for Reconstruction and Stabilization (S/CRS) and giving the president more flexibility to redirect resources to the agency best capable of doing the work. The QDR also called for new, more flexible authorities related to DOD's

responsibilities to train and equip foreign militaries and to assist with short-term emergency reconstruction through CERP.[26]

The DOD directive was paired at the White House level with a National Security Presidential Directive, NSPD-44 of December 2005, which gave State the responsibility for coordinating interagency efforts.

NSPD-44 asks for the State Department to lead an integrated U.S. government process to prepare, plan for, and conduct post-conflict S&R. It directs State to create a process to identify states at risk of instability or collapse, develop strategies and plans for the U.S. response, and ensure program and policy coordination among agencies. The NSPD also creates an NSC level Policy Coordinating Committee for post-conflict S&R operations, but State is given primary responsibility for coordination with DOD, foreign governments, international organizations, and non-governmental organizations. In particular, the NSPD gives State 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 their budgets for these activities.

The DOD directive and NSPD-44 reflect a major change in executive branch structures, assignments and processes, based on the Iraq experience. Unfortunately, these documents and the processes they are not adequate to resolve the issues raised by the Iraq experience.

Concerns over the stature and funding of S/CRS

One of the main reasons for putting DOD in charge of S&R in Iraq was the belief that State had mismanaged such operations in the Balkans and Afghanistan. It is still not clear whether DOD officials see State as capable of leading, coordinating, and implementing such operations. DOD recognized that State might be underfunded for such work and successfully urged the Congress to make $200 million in DOD funds available for transfer to State's new S/CRS office, to support specific operations.[27] In addition, the new authorities DOD sought for its own military training and economic assistance programs reflects the view at DOD that State's authorities in these areas may be underfunded and too constrained bureaucratically and legislatively.[28]

The S/CRS solution at State is inadequate. The new office was created in 2004 and later given the task of coordinating S&R operations across the interagency.[29] The office, with a State Department staff of 17 and a growing interagency staff, has drawn up a process for identifying states that are prone to collapse and a matrix of "essential tasks" in post-conflict situations. The office has created a small "Active Response Corps" of State/USAID officials to conduct S&R and drawn up a proposal for a Civilian Reserve Corps for such missions.[30] Staff or Active Response Corps individuals have participated in small ways in pilot project missions in Haiti, Chad, Congo, Lebanon, Nepal, and Sudan.[31]

State proposes to expand S/CRS responsibilities through a Civilian Stabilization Initiative (CSI). In addition to an Active Response Corps of 250 civilians, the CSI would request a Standby Reserve Corp of 2000 government personnel drawn from foreign affairs and other government agencies (such as Agriculture and Justice) and a Civilian Reserve Corps composed of non-government experts in S&R. The president's FY 2009 budget request includes $248 million to begin implementing the CSI.

Even with the CSI, it not clear that S/CRS is large enough, well enough funded, or sufficiently high in rank to pull an interagency effort together.[32] The organization was first established as a

separate office reporting directly to the Secretary of State. It did not have the status of a bureau," and met resistance from other State's regional bureaus as it sought to coordinate smaller S&R operations.

In 2007, S/CRS became part of the new State Department Office of the Director of Foreign Assistance, with the S/CRS coordinator reporting to the director. What role State's regional bureaus and country desks will play in S&R is not clear. These bureaus lie at the core of State Department competencies. Thus there is a high likelihood of conflict between them and S/CRS, depending on the geographic location of future operations. In addition, some of the field responsibilities for S/CRS are similar to the missions of two USAID organizations: the Office of Transition Initiatives (OTI), and the Office of Foreign Disaster Assistance (OFDA).

While S/CRS and DOD have conducted a number of joint planning sessions and exercises, S/CRS has not yet taken the responsibility for the actual coordination of an interagency S&R operation. This leaves open the question of the willingness of other national security organizations to accept S/CRS, which is not at the top of the State Department organization, as an authoritative coordinator government-wide.[33]

Uncertainties about S/CRS's capabilities undermine its effort to raise money to coordinate the interagency effort or to create a capability to deploy to the field. Congress has resisted repeated requests for a Conflict Response Fund of $75 million to $100 million that State could tap into in the event of an S&R operation. Budgets for S/CRS remain small and staff size is limited by the ability to obtain funding from other agencies to support detailees.[34]

Congress has also not passed legislation to institutionalize the S/CRS office or to authorize the CSI. Legislation has been introduced in both chambers of Congress to this effect, but has not moved forward in the Senate. Moreover, it is not clear that congressional appropriators will provide funding, even if the office and its various corps are institutionalized. It is unlikely that S/CRS will have the authority or adequate funding for the CSI before the next administration enters office.

The Diaspora of other agencies

The *ad hoc* quality of S&R activity in Iraq, combined with uncertainty about State/USAID's capability to carry out such operations and the lack of progress on S/CRS, has led to a considerable "Diaspora" of U.S. government programs and offices involved in such work, with overlapping activities, programs, and authorities. At least ten programs or offices are involved in S&R in Iraq and more broadly. Some of them emerged from the Iraq occupation; some predated Iraq. They include the Army Corps of Engineers, CERP, the Combatant Commander's Initiative Fund (CCIF), OHDACA, Provincial Reconstruction Teams, USAID's OTI and OFDA, Department of Treasury technical assistance programs, Department of Justice and FBI training programs and the S/CRS.

Annual funding for these programs ranges from $40 million in the case of OTI to over $1 billion in the case of CERP. The statutory authorities for these organizations and programs are spread among and within agencies. There is little formal coordination structure for strategy, program integration, resource planning or implementation. Moreover, increasingly these new programs were established under the authorities of the DOD, which is seeking more money, global application, and permanent statutory status for its S&R programs.[35] This trend represents a substantial shift in responsibility, with implications for the degree to which civilian capabilities can be strengthened in the future.

Toward a better model of interagency integration

NSPD-44 prescribed a minimalist model for interagency coordination. It defined tasks and responsibilities, but did not fundamentally change the existing executive branch structure. To properly integrate the planning, budgeting, and implementation machinery, a responsible office would require higher rank and significantly greater resources than those of S/CRS. While S/CRS may make some progress in identifying future states at risk and encouraging some pre-planning, it will lack the resources and institutional heft to change the current way of doing business. The coordination model is likely to leave such missions poorly planned and underfunded.

S/CRS has proven incapable of overcoming internal resistance from State's regional bureaus or resolving the overlap in responsibilities with OTI and OFDA. Its weaknesses have strengthened the DOD's push to institutionalize and globalize its own S&R programs.

Even if S/CRS operated at a higher level with State, it would be hard pressed to orchestrate S&R across the federal government. It is never easy for one department to integrate and coordinate the actions of other departments, or to resolve policy and budget disputes. This is particularly true when dealing with State and Defense, two of the most powerful agencies in the national security arena, one of which is significantly better funded than the other. Should the leadership of these agencies be at loggerheads, a situation which clearly prevailed during the buildup to the Iraq war, there is little hope that one of them can prevail without White House intervention. [36]

Historical experience suggests that only the NSC can bring the president's authority to bear when more than one federal department is involved in a national security program. The importance of the task and the difficulties of integrating two or more key agencies' activities demand a more integrated approach, based at the NSC. An NSC-based process, moreover, should closely link in the Office of Management and Budget (OMB), which oversees the budget decisions of the agencies.[37]

Consistent with the broader recommendations of this monograph regarding a Quadrennial National Security Review (QNSR) and a National Security Planning Guidance (NSPG), it makes sense to create a new NSC senior director position with responsibility for S&R contingency planning and oversight, coordination, the responsible agencies, providing guidance for implementation, guidance, and dispute resolution. The new office could develop presidential guidance for such operations, integrate interagency planning through the existing Policy Coordinating Committee for Reconstruction and Stabilization Operations, and enhance civilian capacity in the agencies to carry out such planning. Operational responsibility would remain with the agencies, but NSC and OMB would retain a policy integration and oversight role. Interagency crisis planning teams would be created to develop campaign plans.[38] Both State and Defense should plug into this architecture through their current post-conflict S&R offices.

The next administration should put this reorganization high on its list of priorities. It must first decide that S&R operations are a national security priority, consistent with a QNSR. This should be followed by an institutional review of the structures, budgets and authorities related to S&R operations, with a clear proposal for restructuring current organizations and responsibilities. Civilian leadership should be a first principle in that proposal, with a careful delimiting of DOD responsibilities for activities that more appropriately belong with State and USAID. Restructuring should focus on the need for careful interagency planning, investment in appropriate agency capabilities for such operations, and the realignment of offices and capabilities to eliminate

redundancy and clarify responsibilities. NSC and OMB should take central responsibility for coordination and oversight.[39]

S/CRS and USAID should be adequately funded and staffed to play a key role in integrating the civilian S&R activities. The military should continue to plan for stabilization responsibilities, with greater emphasis than in the past on training for security operations in hazardous areas and less on economic reconstruction and development.

Program Implementation

The Iraq and Afghanistan operations surface lessons about the implementation of S&R operations.[40] These lessons should inform new arrangements for planning, interagency coordination, and oversight.

Agency roles, responsibilities, and capabilities

In Iraq, a bewildering array of organizations held implementation responsibility, working for a series of *ad hoc* structures responsible for coordination. There is a clear need for a single oversight office in the field, supported by an interagency process. The office should be based in an embassy or under a special presidential representative. It should exercise authority over all non-military post-conflict reconstruction operations, with a clear division of responsibility and a close working relationship with the military commander responsible for stabilization operations. The office should be linked to an authoritative dispute resolution organization in Washington, such as that of the new NSC senior director proposed in the previous section. The field office should have the authority to make decisions about program priorities, spending, and contracting, and to call upon the agencies involved on the ground for implementation. The offices involved in reconstruction, including those of USAID, State, Justice, Health and Human Services, and DOD (for programs such as CERP) should report to and be held accountable by this office.

A wider range of capabilities in the U.S. government should be brought together to implement such programs. The PRTs in Iraq and Afghanistan are too *ad hoc* and not accountable. CERP is too disconnected from civilian structures and processes, making coordination difficult. An operational S/CRS capability does not yet exist. Instead of centralizing response capabilities in S/CRS, implementation capabilities might better be built around USAID's OTI and the OFDA's Disaster Assistance Response Teams, already experienced in humanitarian and disaster relief. These two organizations have the experience and funding flexibility to engage in early reconstruction planning and program implementation.[41] Funding and staffing for both offices should be increased to enable them to act as the core element of U.S. civilian reconstruction capabilities. If Active and Civilian Reserve Corps are created through State, their work should be integrated with that of OTI and OFDA. Together, these capabilities should form the civilian architecture to provide personnel to PRTs or similar joint civilian-military teams.

Human resource issues

The Iraq experience also exposed important problems in human resourcing. It was difficult to recruit and retain skilled civilian personnel to serve in Iraq. Although there was some improvement in Iraq by 2007, early on personnel lacked skills, remained in country for too short a time, and worked under extremely insecure conditions. These realities hampered CPA and U.S. government reconstruction programs.

Civilian agency personnel will need new training if they are to become a "surge capability" that can be deployed rapidly to post-conflict areas. Some form of cross-agency experience for personnel involved in post-conflict operations would also be beneficial. In addition, there is a need for flexible hiring practices and contracting rules for such personnel and improved interagency coordination on human resource policies and regulations.[42]

Contracting issues

Current contracting mechanisms are another source of concern. Outside of CERP, funds for reconstruction arrived slowly in post-conflict Iraq, due in large part to the U.S. failure to plan and anticipate the requirements. Contracting for reconstruction was also slow, tied up in U.S. contracting regulations on both the civilian and military sides. Iraqi funds filled the gap for a time and could be used flexibly through CERP, but raised doubts about accountability. As U.S. funds began to flow, further questions were raised about the risks of corruption, the effectiveness of the projects, and their sustainability.

CERP appears to have combined flexibility and accountability successfully, enabling rapid delivery of local projects, but CERP is not without its critics. CERP guidance is expansive, allowing the funding of projects that are developmental in nature, rather than emergency, and that could be carried out by civilian agencies more attuned to the need for long-term sustainability.[43] Similar initiatives such as the Accelerated Iraq Reconstruction Program developed by the CPA and the Rapid Contracting Initiative for the electricity sector were also designed for flexibility. They deserve further study and possible institutionalization.

Accountability for S&R spending remains an important issue. As one step toward accountability, OMB was granted responsibility for the apportionment of Iraq reconstruction funds in the fall of 2003. Congress also required regular reporting on the functional allocations of those funds by the CPA, through the Section 2207 reports, and created the SIGIR to audit projects and spending. But data systems were not created to track expenditures and contracts, and reporting mechanisms are slow or non-existent. Especially on the military side, DOD audits find actual spending difficult to track. As a consequence, considerable attention has been devoted in the reviews of Iraq performance to the flexibility and accountability of funding.[44]

The SIGIR recommended greater flexibility in the use of contracting rules, clearer definition of program requirements, the use of flexible funding instruments, and greater attention to the long-term costs of projects and their sustainability by the receiving government. These recommendations should be implemented. In particular, it is important to ensure that trained contracting personnel from each agency involved be deployed to the local organization responsible for post-conflict S&R operations.[45]

It is also important to create reporting mechanisms for reconstruction spending that can provide transparent and timely information on spending and outcomes for local projects to the agencies, NSC oversight body, and Congress.

SIGIR itself constitutes an important precedent for accountability. Some observers hold that agency inspectors general should be responsible for investigations and audits. S&R operations create a volume and pace of spending that stretches the capacity of existing organizations, however. Future S&R operations should be audited by an office explicitly created to ensure

responsible and accountable implementation. It is also critical that such a capability be in-country where an operation is taking place, with timely reporting back to Washington, DC.

Flexible spending authorities

The Iraq and Afghanistan operations led DOD to the Building Partner Capability (BPC) initiative discussed in Chapter 4. The BPC would expand DOD authorities to provide military training and equipment and short-term reconstruction assistance parallel to and largely outside the authorities of similar programs executed by State and USAID. In addition, DOD has been authorized to reimburse foreign governments through Coalition Support Funds for support to U.S. military operations.

Although Secretary Rice concurred in this expansion of DOD authorities, Congress and the foreign policy agencies worry that it broadens DOD's role in foreign assistance more than is appropriate. Chapter 4 discusses the increased foreign and security assistance role of DOD. The trend reflects congressional reluctance to provide significant funding and flexible contingency authority to the State Department for S&R operations. The growth of separate programs and authorities risks weakening the link between such assistance and broader U.S. strategic and foreign policy interests, which could have negative consequences for U.S. relationships around the globe. There is also a down-side to orienting significant foreign assistance funds more toward military purposes and operations, at the cost of broader U.S. investments in economic development and government capacity-building.

The next administration will want to confront the question of how to enhance and develop the planning and program capabilities of State/USAID for S&R operations. The only certain guarantee that such programs will support broader U.S. strategic and foreign policy interests lies in strengthening the capacity of the civilian departments to implement them.[46]

Federal Resource Allocation and Budgeting

Iraq, Afghanistan, and broader counter-terror operations raise significant issues with respect to federal budgeting for national security, including the adequacy of national security budget resources, which agencies receive these funds, the discipline and transparency of internal and cross-agency resource planning processes, and problems of oversight and reporting.

Advance planning and contingency funding

The first, fundamental budget question is whether the U.S. government budgets adequately, and in the right places, for post-conflict contingency operations. In the Iraq case, the government clearly did not anticipate the requirement. Military operations differed substantially from initial expectations, leading to a longer and larger presence, a counterinsurgency and reconstruction mission, and growing requirements for equipment replacement and repair.

On the civilian side, reconstruction funding needs were not anticipated, and funding fell far short of the need. Beyond the initial $18.4 billion appropriated for reconstruction in 2003, Congress has only reluctantly provided additional reconstruction funding. As the Defense Science Board put it, "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 S&R."[47]

No plan can anticipate exactly the funds that will be needed for a war and its aftermath. Nevertheless, it is at least possible to estimate how much money will be needed for post-conflict S&R. Initially, adequate funds should be provided for the staff and civilian reserve to conduct planning and put in place the U.S. government reconstruction effort. To date, Congress has been reluctant to provide such funds.

In addition, contingency funding is needed to enable a quick U.S. government response to the needs of a failing or post-conflict state.[48] Such contingency funds are also difficult to obtain, especially for State/USAID, but the precedent does exist in such accounts as the Emergency Refugees and Migration Account (ERMA), the disaster assistance account (OFDA), and OTI, all of which are available long-term for response to emerging but undefined crises. It may make sense to bring these contingency capabilities together or link them more closely to a definition of contingency that covers post-conflict situations and fragile states.

Resource allocation processes and emergency supplemental appropriations

From FY 2001 to FY 2009, the Bush administration requested large emergency supplemental appropriations, first for post-9/11 recovery and counterterrorism and later for the operations in Afghanistan and Iraq as well. Iraq, Afghanistan, and the war on terrorism cost nearly $700 billion since FY 2001, virtually all of it provided through emergency supplemental funding. Some 75 percent of these funds went toward Iraq military and reconstruction operations; 90 percent went to DOD. [49]

The repeated use of the emergency supplemental mechanism has led to 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, scrutinized in a normal agency budget process, and given adequate oversight by the White House and Congress, has been seriously eroded.

For Defense, the need to respond to the attacks of 9/11, the Afghanistan campaign and the Iraq war and occupation seriously compressed the timing for obtaining needed resources. To speed things up, DOD developed a separate planning and budget process, conducted outside the normal Planning, Programming, Budgeting, Execution (PPBE) system in the Pentagon. The $40 billion national security emergency supplemental that passed Congress shortly after the 9/11 attacks had no detailed program justification at all. As operations continued in Afghanistan and then in Iraq, budgeting through emergency supplementals became the norm for DOD.

DOD's annual base budget goes through the PPBE process and is submitted to the Congress on a regular schedule. But parallel requests, which now account for more than 20 percent of DOD's resources, were submitted with minimal justification, outside the normal budget schedule, up through the FY 2007 supplemental request. These supplemental requests have never been processed through the normal PPBE process.

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 wartime history, when costs were unpredictable and required rapid, supplemental funding. However, in past conflicts, supplemental or unbudgeted funding was generally supplied only at the start of a conflict; wartime budget requests were processed through the normal budgetary planning channels by the second or third year.[50]

Moreover, DOD has increasingly blurred the distinction between its base budgets and the emergency supplemental requests. It is increasingly difficult to distinguish the war-related replacement of equipment from an acceleration or expansion of procurement that properly belongs in the base budget.

The relationship between Iraq and broader plans to restructure the Army are also unclear. Until FY 2007, the Army sought funding for its transition to "modular brigades" through the emergency supplementals, justifying the request based on the need for autonomous operating brigades in Iraq. On the other hand, this modularity was predictable based on long-term planning by the Army and not clearly an emergency, so it belonged in the normal budget. After FY 2006, the Army agreed to seek funds for modularity through the regular budget, only to return to an emergency request for this program in the FY 2008 supplemental. Over time, the gray area between the regular, systematic DOD budget planning process and the emergency supplemental process is growing.

Budget planning in DOD for emergency supplementals does not undergo the same scrutiny as the regular budget. The services examine likely war costs using planning and budgeting matrices, but those costs are not examined in relation to spending in the base budget. Supplemental requests move quickly through the DOD process, are reviewed quickly at OMB, and are transmitted to the Congress. Congress affords these requests considerably less scrutiny than the normal budget, and only in the appropriations committees. Until the FY 2008 budget submission, the authorizing committees did not examine the emergency requests. The accelerated oversight process creates a strong temptation in DOD to game the system by putting into the less scrutinized supplemental those items that would not survive the normal PPBE process.

The same problem exists for the State Department and USAID. Up through the FY 2007 emergency supplemental, over $42 billion in foreign assistance, embassy construction and operational funding was provided for State/USAID, nearly 75 percent of it for Iraq.[51] Annual international affairs budgets range between $35 billion and $40 billion, with roughly two thirds of that for foreign assistance. Emergency supplemental requests are not subject to the scrutiny given regular budget requests at State/USAID. As a result, justifications are thin and program priorities often murky.

The breakdown in budget discipline carries risks for DOD, which may be buying equipment and building up forces that will be unsustainable when the supplementals end. The practice is even more risky for the international affairs agencies, since Congress has less appetite for their programs than for military forces deployed in the field.

For DOD, a return to the normal budget process will be vital. For foreign affairs, Iraq, Afghanistan and other counter-terror spending should also be integrated into the normal budgetary process, setting priorities for overall spending before budgets are transmitted to OMB. This is crucially important as the State Department and USAID struggle to define a more integrated overall budget process, including the creation of a new foreign assistance office (the office of the Director of Foreign Assistance, or State-F).[52] The assumption that State operations and foreign assistance programs can "get well" through emergency supplementals can easily undermine the discipline being created through this new budget planning process. Moreover, Congress has less appetite for these programs over time. State/USAID may be building programs and budget requirements that cannot be sustained or funded in the long term.

Budget discipline will also be needed in the Congress. Congress began to focus on this issue with the National Defense Authorization Act for FY 2007, which included a requirement starting in

FY 2008 that the President's budget "shall include a request for funds 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. The December 2006 report of the Iraq Study Group strongly recommended this integration.[53] In its budget transmittal for FY 2008, DOD for the first time did send Congress both its base budget proposal and its emergency supplemental requests for FY 2007 and FY 2008 for the global war on terror. However, the emergency requests continued to be reviewed inside DOD and State/USAID using separate, parallel budget processes. The FY 2008 emergency supplemental request was not assembled in DOD until November 2006, well after the base budget went through much of the PPBE process.

Budget execution issues

Discipline in planning and budgeting needs to be matched by stronger oversight of budget execution. Reporting on budget execution for Iraq is intermittent and incomplete. State reports regularly on the allocation of foreign assistance funds, but not on budget execution. The DOD has failed to respond to congressional demands for reports of outlays and spending projections for Iraq, Afghanistan and counterterrorism. DOD has reported on obligations (money committed through contracts or hiring) for the conflicts, but there is no consistent reporting on actual expenditures.[54] State reporting is limited to the allocations recorded in the Section 2207 reports, with no systematic reporting on actual spending.

The budget execution systems at DOD are adequate to provide spending data on these operations; such reporting should be required by the Congress. State/USAID systems are less than adequate, but a similar requirement should be in place to incentivize the collection of data and more accurate reporting on international affairs spending.

Congressional Oversight and Resource Allocation

Congress is an important part of the post-conflict S&R process through its oversight, legislative, and budgetary responsibilities. Problems in executive branch planning, organization, budgeting, and implementation could be addressed in part through closer congressional scrutiny of policies and budgets. Over the first four years of the Iraq conflict, however, Congress held few committee hearings on Iraq. In addition, while Congress willingly supported budgets for the military, there is a widespread reluctance 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 in Congress to proposals to address post-conflict S&R requirements through changes in the executive branch. As discussed in an earlier section, the two proposals that would formally authorize and fund S/CRS to carry out its CSI met resistance in Congress. Congress was willing to permit the expansion of DOD authorities over security and foreign assistance, though lawmakers have stopped short of putting these in permanent law.

Congressional oversight of Iraq operations was also rare for the first four years. Neither the Foreign Relations/Foreign Affairs Committees nor Armed Services committees paid significant attention to the conduct of the war itself. Only the Appropriations Committees were engaged in a sustained way on these issues. Still, both regular and emergency supplemental budget requests moved forward with little scrutiny of Iraq spending. Congressional appropriations staffers note privately that the emergency supplemental process weakens defense budget discipline.[55] The foreign assistance and State operations budget requests for Iraq receive attention from committee

staff, but rarely from members of Congress. In general, both authorizers and appropriators are uneasy about expanding DOD authority over foreign assistance activities, but are equally wary of providing State with increased funding, particularly contingency funding for post-conflict S&R.

With the 110th Congress, hearings and investigative activity grew, providing greater scrutiny over Iraq operations and projects.[56] The appropriators in Congress set aside consideration of the emergency supplemental budget request for FY 2008, as had previous Congresses, but the request was scrutinized by the authorizing committees, and the appropriators moved some items, including some military hardware programs, into the base budget. Congress remains reluctant, however, to make major reductions in war budgets or to use war spending bills as a vehicle for attaching constraints to Iraq war policy.

Inattention, minimal oversight, budgetary reluctance, and institutional skepticism in the Congress pose important problems for dealing with post-conflict S&R operations long-term. One underlying issue, relevant to Iraq as well as to the broader question of reforming the congressional role in national security policy-making, is that the committees in Congress that legislate and oversee national 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.

Congress cannot legislate or conduct oversight on S&R programs without crossing the boundaries between Title 10 of the U.S. Code (which governs the DOD) and Title 22, the Foreign Assistance Act (FAA) and the Arms Export Control Act (AECA), which govern State and the foreign assistance agencies. At the very least, joint oversight and legislative hearings are needed to deal with this relationship as it is made manifest in budget and legislative proposals submitted by the administration. 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 is more rigid in the appropriations sub-committees. Once the Appropriations Committee chair allocates funds to the sub-committees, the subcommittees do not regularly interact. Three subcommittees deal with defense funds – Defense; Military Construction, Veterans Affairs and Related Agencies; and Energy and Water. For foreign affairs funding, there is now a single subcommittee in both the Senate and the House (State, Foreign Operations and Related Programs). These Appropriations Subcommittees need to conduct joint budget hearings and to establish a process for cross-communication on spending issues that cut across agencies over which they have jurisdiction.

Ultimately, the challenge for Congress is to sustain legislative, oversight and fiscal attention to post-conflict S&R operations. The congressional attention span for such issues is limited. This reality raises serious questions about congressional support for long-term post-conflict programs. Policy failures like those in Iraq further erode congressional interest in providing additional support or contingency funding to agencies with what is seen as an uneven track record.

Lessons learned and performance evaluation

Regardless of the wisdom of the decision to invade Iraq, planning and implementation for post-conflict S&R has been severely flawed, with major consequences for policy success. Given the likelihood of future S&R operations, it is important to cull the lessons from the Iraq experience to

avoid treating future operations as "one-offs," reproducing the same flaws and discovering new ones.

In addition, reporting is an important part of providing lessons for future operations. In the rush to implement policy, DOD was left virtually free of detailed reporting requirements, aside from a quarterly report on security in Iraq.[57] State/USAID reporting includes the Section 2207 reports, but there is little data on actual spending and results.

There is a critical need for a full lessons-learned exercise, focusing on planning, resource allocation, implementation, and evaluation. The exercise should be non-partisan and include the executive branch and Congress, as well as outside analysts. Effective future planning and resource allocation for such exercises will depend on the fairness and truthfulness of that evaluation.

In addition, there is a clear need for serious, near-term attention to setting reporting requirements for such operations, including Iraq and Afghanistan, particularly reporting on actual spending. Program evaluation, little of which is provided today, also needs to be included in that requirement. Without accurate reporting and evaluation, agencies are likely to remain 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 congressional responses to the request for greater flexibility and agility in planning and funding mechanisms.

Recommendations for Change

This section summarizes the recommendations discussed in the previous section for changes to organizational structures, processes, and tools surrounding planning, resource allocation, execution, and accountability for S&R missions.

Changes to Organizational Structures

Roles and missions review

Recommendation: The next administration should carry out a full-scale review of the current executive branch structures and authorities for S&R operation, including the participation of a bipartisan panel of outside experts.

Organization of the Executive Office of the President

Recommendation: The next administration should reconfigure the EOP to strengthen White House oversight of planning and resource allocation for S&R missions. Specifically, the next president should:

- Set aside the lead agency arrangements and other structures called for in NSPD-44 and DOD Directive 3000.05.
- Vest the responsibility at NSC and OMB for overseeing the planning, funding, coordination, and implementation of S&R missions.
- Create a new senior director position on the NSC staff to coordinate interagency planning and oversee the implementation of stabilization and reconstruction by the appropriate agencies.
- Hold the new senior director responsible for resolving policy and program disagreements among departments and agencies.

Organization of State/USAID

Recommendation: The next secretary of state should resolve the duplication of responsibilities for S&R activities between USAID's OTA and OFDA and the S/CRS office. The capabilities of those offices should be merged, with a single office providing leadership and overseeing the development of an institutional capacity and the personnel for civilian participation in S&R operations.

Organization in the field

Recommendation: At the field level for any S&R operation, future administrations should establish the following offices:

- For each operation, a single office in the field with overall responsibility for planning and oversight of in-country S&R operations. That office should be staffed with representatives from the agencies involved in the operation and headed by the chief of mission or a presidential special representative with authority over all non-military operations in the country. The office should make maximum use of the interagency capabilities for carrying out these operations, drawing both on DOD and on U.S. foreign policy and foreign assistance assets.
- An office similar to the SIGIR for ongoing review of S&R operations.

Changes to Processes

Intelligence and planning assumptions

Recommendation: The next administration should build on the lessons of past crises, invest in accurate intelligence, and use that intelligence in developing the plans for S&R operations.

Improving the linkages between strategies and budgets

Recommendation: The new administration should take the following actions to strengthen the linkages between strategies and resources, including S&R strategy:

- Within the first year, the NSC and OMB should jointly conduct, with interagency support, a Quadrennial National Security Review (QNSR). The QNSR should establish top-down priorities for national security and statecraft. It should start with the administration's overarching strategy; articulate a prioritized list of critical missions; and identify the major federal programs, infrastructure, and budget plan that will be required to implement the strategy successfully.
- NSC and OMB should work together to develop a national security planning guidance (NSPG) that provides detailed guidance for agency actions and programs and considers resource tradeoffs and constraints with respect to a small handful of important crosscutting policy areas. An NSPG should be prepared every two years, and each successive NSPG should focus on a few crosscutting missions. The first one should include S&R as one of those crosscutting missions.
- The QNSR and the NSPG should inform OMB's fiscal guidance to State and DOD. The secretaries of state and defense should be directed to use the QNSR and the NSPG to inform their planning and resource allocation for S&R.
- The NSC and OMB should use the QNSR and the NSPG as the basis of an annual review of State and Defense program and budget documents.

New human resources policies for training, education, and career development

Recommendation: An interagency training and education program should be established to develop defense, foreign policy, and foreign assistance and other U.S. agency personnel to provide surge capability to carry out S&R operations.

Recommendation: Define and implement cross-agency professional career paths for personnel who could be involved in S&R operations, including flexible hiring mechanisms to obtain skilled personnel from the private sector on a temporary basis.

Contracting and accountability

Recommendation: The next administration should implement the recommendations of the SIGIR to provide for greater flexibility in the uses of contracting rules, clarify program requirements, develop flexible funding instruments, and focus greater attention on the long-term costs of projects and their sustainability by the receiving government.

Capturing lessons learned and evaluating performance

Recommendation: The next administration and Congress should work together in a bipartisan effort to capture the lessons learned about planning, resource allocation, implementation, and evaluation from S&R operations in Iraq and in Afghanistan.

Process changes in Congress

Recommendation: The 111th Congress should make the following changes:

- Mandate a bipartisan panel, as proposed above, to review the roles and missions of executive branch departments and agencies in S&R operations. Upon completion of the panel's work, Congress should review the resulting recommendations and should enact appropriate reforms.
- Mandate the institutionalization in the executive branch of a QNSR and a biennial NSPG. The QNSR should be submitted to Congress and available to the public; the NSPG may be classified.
- Conduct joint hearings on S&R policies and processes, and on ongoing and emerging S&R operations. Topics could include interagency roles and missions, costs of ongoing operations and those under consideration, and issues related to planning and execution.

Changes to Tools

Emergency supplemental appropriations

Recommendation: The next administration and Congress should work together to reduce significantly the use of emergency supplemental budget requests, limiting such requests to genuine emergencies. Specifically, the two branches should:

- Establish strict definitions covering spending that qualifies as an emergency for such appropriations.
- Avoid the use of emergency supplemental appropriations to fund ongoing activities.
- When ongoing activities are involved, review emergency supplemental appropriations for them within the normal agency budget processes.
- Require that emergency supplemental requests be transmitted as an integral part of the base budget request.

Improved reporting mechanisms

Recommendation: The next administration should create data-gathering and reporting mechanisms for reconstruction spending that provide transparent and timely information on spending and outcomes of local stabilization and reconstruction projects to the agencies and the EOP, and to the Congress.

Budget execution systems in the State Department

Recommendation: The next secretary of state should put in place budget execution systems for State/USAID similar to those in DOD, permitting more consistent and transparent reporting.

Advance budget planning and contingency funding

Recommendation: During the planning of S&R operations, future administrations should work with Congress to ensure that adequate funds are provided initially for the civilian capability needed to plan and put in place the U.S. government response to post-conflict reconstruction operations. In addition, the administration should request contingency funding to enable a quick U.S. government response to the needs of a failing or post-conflict state.

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[1] A number of terms have been used to describe U.S. 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 security and reconstruction activities in Somalia, Rwanda, Haiti, and the Balkans. 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 chapter uses this latter phrase 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.

[2] See James Dobbins, et al., *America's Role in Nation-Building: From Germany to Iraq* (Santa Monica, CA: RAND Corporation, 2003).

[3] PDD-56, "Managing Complex Contingency Operations," May 1997. A white paper describing the PDD-56 structure and process is at http://clinton2.nara.gov/WH/EOP/NSC/html/documents/NSCDoc2.html.

[4] Current administration policy is codified in DOD Directive 3000.05, "Military Support for Stability, Security, Transition, and Reconstruction (SSTR) Operations," November 28, 2005.

[5] A 2004 Defense Science Board summer study, led by Craig Fields and Philip Odeen, concluded that since 1990, the United States has started S&R operations every 18 to 24 months, with operations lasting 5 to 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). More broadly, several recent studies focus on the U.S. role in weak or failed states. See Jeremy M. Weinstein, John Edward Porter, Stuart E. Eizenstadt, *On The Brink: Weak States and US National Security* (Washington, DC: Center for Global Development, June 2004); Stewart Patrick and Kaysie Brown, *Greater Than the Sum of Its Parts: Assessing "Whole of Government" Approaches to Fragile States* (New York: International Peace Academy, 2007).

[6] Amy Belasco, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11* (Washington, DC: Congressional Research Service, updated April 11, 2008), p.10. About 94 percent of this amount was for DOD, with roughly 7 percent for diplomatic operations and foreign assistance (p.11). Iraq spending constituted just under 75 percent of the $610 billion in U.S. spending for the "Global War on Terror" (GWOT) over the same period. Afghanistan operations constituted another 21 percent of that total. The administration requested another $175 billion in supplemental GWOT funding for FY 2008 and FY 2009. It is difficult to calculate exact Iraq or GWOT costs, given the sometimes unclear rationale provided for supplemental budget requests from DOD and the failure of DOD to provide reports on actual spending. Future long-term costs are also difficult to estimate, given the absence of DOD projections, although the

CBO estimates potential Iraq costs between $570 billion and $1.055 billion over the ten years from 2008 to 2017. (Belasco, p.15).

[7] Amy Belasco, p.10.

[8] See George Packer, *The Assassins' Gate: America in Iraq* (NY: Farrar, Straus, and Giroux, 2005), Chapters 1-4; Larry Diamond, *Squandered Victory: the American Occupation and the Bungled Effort to Bring Democracy to Iraq* (NY: Times Henry Holt & Company, 2005), Chapter 2; Michael R. Gordon and General Bernard E. Trainor, *Cobra II: The Inside Story of the Invasion and Occupation of Iraq* (NY: Pantheon Books, 2006), Chapter 8; David L. Phillips, *Losing Iraq: Inside the Postwar Reconstruction Fiasco* (Westview Press, 2005), Chapters 1-6; Rajiv Chandrasekaran, *Imperial Life in the Emerald City: Inside Iraq's Green Zone* (NY: Bloomsbury Publishing, 2007); Bob Woodward, *State of Denial: Bush At War, Part* III (NY: Simon and Schuster, 2006); and Thomas E. Ricks, *Fiasco: The American Military Adventure in Iraq* (NY: Allen Lane, 2006). See also the "Lessons Learned" reports of the Special Inspector General for Iraq Reconstruction (SIGIR) (http://www.sigir.mil/reports/lessons.aspx). The discussion in this chapter also draws on interviews and meetings conducted as part of a study on national security resource planning conducted between September 2005 and August 2007.

[9] 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 decade, we created a completely new structure. We transferred responsibilities from State and the Agency for International Development to the DOD for things the DOD 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.

[10] The complete overview and 12 reports from the 17 working groups in the Future of Iraq Project are at http://www.thememoryhole.org/state/future_of_iraq/.

[11] Gordon and Trainor, p.144.

[12] ORHA and CPA officials noted in private interviews that ORHA had difficulty obtaining funding from the Army, which was understandably focused on 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." LTC Steven W. Peterson, "Central but Inadequate: The Application of Theory in Operation Iraqi Freedom," Seminar Paper (National Defense University, National War College, 2004), p.11.

[13] For details on the CERP program, see SIGIR, *Management of the Commander's Emergency Response Program for Fiscal Year 2005* (SIGIR-05-025), January 23, 2006; LTC Mark Martins, "No Small Change of Soldiering: the Commander's Emergency Response Program (CERP) in Iraq and Afghanistan," *The Army Lawyer*, February 2004, p.1-20.

[14] SIGIR reports; Amy Belasco, p. 15. CERP funding is drawn from DOD operation and maintenance funds. Including CERP for Afghanistan, total CERP funding through May, 2008 is $3.7 billion.

[15] See quarterly reports of the SIGIR.

[16] The reallocation is documented in Section 2207 reports (www.state.gov/p/nea/rls/rpt/2207/c22562.htm).

[17] SIGIR reports; Rajiv Chandrasekaran; and Brookings Institution, *Iraq Index: Tracking Variables of Reconstruction and Security in Post-Saddam Iraq*, updated bi-weekly (www.brookings.edu/iraqindex).

[18] Author interviews with NSC staffers, 2006-2007.

[19] For an evaluation of this program and its coordination, including continuing disorganization, see Government Accountability Office, *Securing, Stabilizing, and Rebuilding Iraq: Key Issues for Congressional Oversight* (GAO-07-308SP, January 2007).

[20] Author interviews with participants in the process.

[21] SIGIR, *Iraq Reconstruction: Lesson in Program and Project Management*, Lessons Learned Report No. 3, March, 2007, p.23. As one unnamed official put it during a SIGIR Forum in April 2006: "Planning was done on operating assumptions that [were] so radically different from what ultimately evolved."

[22] Gordon and Trainor observe: "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, p.503.

[23] Interviews with DOD and NSC staff, 2006-07.

[24] DOD Directive 3000.05, "Military Support for Stability, Security, Transition, and Reconstruction (SSTR) Operations," released November 28, 2005.
[25] DOD, *Quadrennial Defense Review Report* (Washington, DC, February 2006). See discussion of "Changing Interagency Operations," in section on "Achieving Unity of Effort," pp. 83-87.
[26] For DOD follow-up on building partner capacity, see DOD, *QDR Roadmap: Building Partnership Capacity* (Washington, DC, May 2006).
[27] Section 1206 of the National Defense Authorization Act (NDAA) 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 was renewed in the FY 2008 NDAA.
[28] Some train and equip authority was legislated in the FY 2006 NDAA; the remainder remains in the legislative hopper, as Congress is reluctant to expand DOD authorities in these directions. See Chapter 4.
[29] S/CRS's mission is: "To lead, coordinate and institutionalize U.S. Government civilian capacity to prevent or prepare for post-conflict situations, and to help stabilize and reconstruct societies in transition from conflict or civil strife, so they can reach a sustainable path toward peace, democracy and a market economy." S/CRS has no responsibilities with respect to Iraq (www.state.gov/s/crs/c12936.htm).
[30] www.state.gov/documents/organization/53464.pdf.
[31] A description of S/CRS activities and programs is at http://www.state.gov/s/crs/. See also "An Interview with Carlos Pascual," *Joint Force Quarterly* (Issue 42, No.3, 2006), pp. 80-85.
[32] This discussion is based in part on interviews with government officials.
[33] Interviews with executive branch officials.
[34] S/CRS has personnel and administrative budget of roughly $17 million and no contingency funding to start planning operations or conduct the early phase of an emerging mission. Only in 2007 did it seem possible that Congress might appropriate funding for the proposed Civilian Reserve Corps, which is still being defined. 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. Interview with Ambassador Pascual.
[35] See, J. Stephen Morrison and Kathleen Hicks, *Integrating 21st Century Development and Security Assistance: Final Report of the Task Force on Non-Traditional Security Assistance* (Washington, DC: Center for Strategic and International Studies, January 2008).
[36] "The principal problem of interagency decision-making is lack of *decisive authority*: there is no one in charge." See Gabriel Marcel, "National Security and the Interagency Process," in J. Boone Bartholomees (ed.), *US Army War College Guide to National Security Policy and Strategy* (Carlisle Barracks, PA: Army War College, July 2004), p. 253. A similar conclusion is arrived at in Patrick and Brown, p. 133.
[37] The Clinton administration built on its experience of complex contingency operations with Presidential Decision Directive-56, which called for integrated planning to be overseen by the NSC Deputies Committee. An Executive Committee would be created for each new operation to supervise day-to-day management, gather appropriate agencies, and resolve issues. An after-action review would follow each operation. OMB did not have a central role. PDD-56 was not implemented; it was superseded by NSPD-44.
[38] For a model of this kind, see 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), esp. Chapters 2, 3 and 4. The Lugar-Biden bill pending in Congress would create a directorate at NSC to oversee interagency contingency planning. *Reconstruction and Stabilization Civilian Management Act of 2006.* Marcel calls for an "NSC-centric national security system, consolidating the State Policy Planning Staff and DOD's strategic planning, to deal with the need for authoritative decisions." p. 253.
[39] 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, August 2005).
[40] See Lessons Learned reports of the SIGIR from January 2006, July 2006, and March 2007.
[41] Arnas, et al. describe the expansion of USAID's DART team in Iraq into governance, elections, and rule of law, p.20. Larry Diamond contrasted OTI with its parent organization (AID) as "leaner, more adaptive, and more rapid…not afraid to take risks…could make grants quickly,…without the usual ponderous trail of approvals." p. 104.
[42] CSIS, the Defense Science Board, DD 3000.05, and NSPD-44 all raise this issue. The SIGIR focused his first lessons learned report on human resources. SIGIR, *Iraq Reconstruction: Lessons in Human Capital*

Management (January 2006.) This report described CPA as a "pickup team" with high turnover (p. 30). DOD focuses on training and exercising personnel for S&R operations (DD 3000.05). The Foreign Service Institute is working on training programs for such personnel.

[43] Martins sees the CERP as an important "new and different tool to conduct major stability operations." p.15.

[44] Celeste J. Ward, *The Coalition Provisional Authority's Experience with Governance in Iraq* (Special Report 139, Washington, DC: US Institute of Peace, May 2005), p.11: "US government agencies and other organizations involved in building governance structure should develop financial systems that allow them to get money moving quickly….Though attempts were made to streamline contracting procedures, the CPA was maddeningly slow in delivering funding for projects." James Glantz, "Iraq Ignored Spending Rules," *New York Times*, May 23, 2008, says none of the payments for $8.2 billion in Army spending on contractors followed federal rules, and there is no record of what was received for millions of dollars of it.

[45] Secretary Rice's focus on "transformational diplomacy" announced in January 2006 includes greater attention to training Foreign Service Officers for program management and delivery. See Transformational Diplomacy (Fact Sheet, January 18, 2006) (http://www.state.gov/r/pa/prs/ps/2006/59339.htm).

[46] See Joel Brinkley, "Give Rebuilding Lower Priority in Future Wars," *New York Times*, April 8, 2006.

[47] DSB report, p. 8.

[48] The cross-national study by Patrick and Brown supports the call for contingency funding, p.143.

[49] Amy Belasco.

[50] See Stephen Daggett, *Military Operations: Precedents for Funding Contingency Operations in Regular or in Supplemental Appropriations Bills,* (Short Report RS22455, Congressional Research Service, June 13, 2005), which examines budgetary experience in Korea, Vietnam, the first Gulf War and the contingencies of the 1990s. For Vietnam, supplemental funds were provided from FY1966-69, when spending exceeded initial budget estimates that had been put through the normal budgetary process.

[51] Amy Belasco, Tables 3 and 4, p. 11, 13.

[52] See discussion of the new budget process for foreign assistance (www.state.gov/f/reform/).

[53] Iraq Study Group recommendation 72.

[54] Amy Belasco, Table 2, "Notes and Sources," p. 10.

[55] In interviews, Congressional staff from both sides of the political aisle described the defense budgeting and appropriations processes as "bankrupt" as a result of the supplemental process.

[56] Rep. Henry Waxman (D-CA) held hearings in the House Government Operations Committee on a variety of reconstruction and Iraq issues. See interview of Waxman on the Huffington Post, September 11, 2007.

[57] These reports, required since 2005, have been valuable, but the data tends to be dated, and the reports do not fully cover U.S. performance results. (www.defenselink.mil/home/features/Iraq_Reports/Index.html).

Chapter 6 Recommendations for the New Administration and Congress

The U.S. government spends roughly three-quarters of a trillion dollars each year on programs that support U.S. participation in world affairs, national defense, and homeland security. Weaknesses in organizations, processes, and tools for planning, resource allocation, and budgeting mean that the nation is not getting its money's worth for that investment.

Those weaknesses lead to three general types of problems: poor alignment between top strategic goals on the one hand and programs and budgets on the other hand—so-called vertical integration; a lack of coherence among the various parts that should contribute to the effort—horizontal integration; and wasteful redundancy in some activities that costs taxpayers money and robs other crucial activities of the funds they need.

The case studies examined in Chapters 2, 3, 4, and 5 revealed numerous specific weaknesses in the planning, resource allocation, and budgeting arrangements of individual departments and agencies, the Executive Office of the President (EOP), and the Congress. Each case study chapter offers recommendations for improving the organizations, processes, and tools that support planning and resource allocation at each of those levels. This chapter consolidates those recommendations for consideration by the next administration and Congress.

Changes to Organizations in the Executive Branch

Roles and Missions Review

The cases on biodefense and pandemic preparedness, security assistance, and reconstruction and stabilization revealed important concerns about the roles, missions, and lead agency status of the various departments and agencies involved. In each case, little has been done to trim old programs and activities as new ones emerged, or to develop an overarching architecture of programs, authorities, and leadership that makes sense. The result in all three cases is a tangle of lead agency status that fosters incoherent and overlapping approaches and policies, wasteful duplication, and confusion. The next administration owes the nation a thorough examination and consolidation of roles and missions in these areas.

Recommendation: The next administration and Congress should work together to review and realign the roles and missions of departments and agencies involved in cross-cutting areas like biodefense, security assistance, and stabilization and reconstruction. The administration should convene bipartisan panels of experts to examine roles and missions and to recommend areas for consolidation and realignment. The reports of those panels should be reviewed by the congressional support agencies and should be the subject of joint hearings of the relevant committees of jurisdiction in the Congress. Such panels should be convened around the following topics:

- Biodefense and pandemic preparedness
- Security assistance programs, including both current State/USAID and DOD programs. The review in this case should consider the following:

    - The role of security assistance in the context of the overall national security and foreign policy goals of the United States;
    - The appropriate types of security assistance (military equipment, training, budget support, police training, education for foreign militaries in the United States, and foreign assistance in post-conflict situations and failed states);
    - The appropriate location of authorities and responsibilities for shaping, allocating resources to, and implementing security assistance programs;
    - The appropriate funding level for each program; and
    - The appropriate role of the NSC in providing policy guidance and oversight for security assistance programs.
- The roles and missions, structures, budgets and authorities for stabilization and reconstruction operations.

Organization of the EOP

The cases on biodefense and nuclear counterterrorism both revealed a serious problem in the policy structure of the EOP. In theory, the HSC advises the president on domestic security matters while the NSC is concerned with international ones. In reality, in any sensible approach to countering terrorism, the two are deeply intertwined and require an integrated international and domestic approach. Moreover, the HSC lacks the staff and institutional heft needed to bring coherence to the homeland security issues involved in countering terrorism, protecting lives and infrastructure, and preparing to mitigate the consequences of deliberately or naturally caused disasters.

The biodefense and nuclear counterterrorism cases also expose important seams in the organization of OMB. Responsibility for biodefense is scattered across numerous branches in multiple Resource Management Offices (RMOs). For the main programs focused specifically on countering nuclear terrorism, responsibility within OMB is more focused, but even in that case there is an important seam between national security oversight in the National Security RMO and homeland security oversight in the General Government RMO.

To some extent, the split in the biodefense case is unavoidable, because biodefense is at the same time an international issue, a domestic security challenge, and a public health concern. A marked reduction in DOD's role in biodefense could alleviate the problem. An additional approach to facilitating the consistency and coherence of resource allocation for both biodefense and nuclear counterterrorism is to shift OMB's Homeland Security Branch away from the General Government RMO and into the National Security RMO.

All four cases reveal the absence of a cohort within the EOP with the mandate, skills, outlook, and time to conduct resource-based, long-term planning, risk assessment, gap analyses, and tradeoff studies that are needed for security missions that cut across cabinet departments. In the absence of such top-level studies, Congress and the executive branch have assigned individual agencies or offices to lead on various aspects of crucial missions. Rather than streamlining, the resulting tangle of lead roles complicates coherent planning and resource allocation and causes confusion on the ground in operations like stabilization and reconstruction.

In key missions that bring together important players from multiple agencies, some planning and resource allocation functions simply cannot be devolved to lead agencies; they belong in the

White House. To improve the capacity of the EOP to deal with this area, we offer the following recommendation.

Recommendation: The next administration should reconfigure the EOP to strengthen White House oversight of cross-cutting missions of security and statecraft and diminish the current seams between homeland security and national security. Specifically, the next president should:

- Abolish the HSC and fold its staff and responsibilities into an expanded NSC.
- Move OMB's Homeland Security Branch into the National Security RMO.
- Expand the EOP to create dedicated cells of trained specialists within the NSC staff and OMB to conduct long-term planning, risk assessment, gap analyses, and tradeoff studies, and to identify key long-term federal priorities constrained by realistic future budgets in cross-cutting missions of security and statecraft.
- Sharply reduce reliance on lead agencies as the main mechanism for delivering program coherence and integration.
- In the case of stabilization and reconstruction, set aside the lead agency arrangements and other structures called for in NSPD-44 and DOD Directive 3000.05. Replace those arrangements with the following:
    - Vest the responsibility at NSC and OMB for overseeing the planning, funding, coordination, and implementation of S&R missions.
    - Create a new senior director position on the NSC staff to coordinate interagency planning and oversee the implementation of stabilization and reconstruction by appropriate agencies.
    - Hold the new senior director responsible for resolving policy and program disagreements among departments and agencies.
- Establish a permanent interagency working group at the NSC, co-chaired by OMB, to oversee security assistance programs, ensure their integration into the broader national security strategy, resolve interagency disagreements on programs, and provide policy guidance.

Organization in the Field

One of the few positive lessons for planning, resource allocation, budgeting, and implementation to surface from the case on stabilization and reconstruction operations in Iraq is the value of the special inspector general for Iraq reconstruction (SIGIR) office in providing timely reports of budget execution, progress toward performance goals, and issues of concern in the field during such operations. The case also underscored the importance of having a single office to pull together interagency planning and oversee such operations at the field level.

Recommendation: At the field level for any S&R operation, future administrations should establish the following offices:

- For each operation, a single office with overall responsibility for planning and oversight of in-country stabilization and reconstruction operations. That office should be staffed with representatives from the agencies involved in the operation and headed by the chief of mission or a presidential special representative with authority over all non-military operations in the country. The office should make maximum use of the interagency capabilities for carrying out these operations, drawing both on DOD and on U.S. foreign policy and foreign assistance assets.
- An office similar to the SIGIR for ongoing review of stabilization and reconstruction operations.

Changes to Organizations of the Congress

Congressional Support Agencies

CBO, CRS, and GAO provide information and analyses that can help Congress exercise its resource allocation and oversight roles. Those congressional support agencies have contributed importantly to congressional understanding of key issues related to all four case studies examined in this report. The agencies have done less in the way of broad studies that cut across departments and agencies, and particularly across the domestic – national security divide. The Congressional Budget Office in particular currently lacks the analysts it would need to examine broad tradeoffs routinely for areas that lie at the intersection of homeland security, national security, and domestic public health preparedness.

Recommendation: The 111th Congress should provide the resources needed to expand the National Security Division and the Budget Analysis Division of CBO so it can do more to assess programs that lie at the intersection of homeland security and national security. The director of CBO should carry out the expansion.

Changes to Processes in the Executive Branch

Improved Linkages between Strategies and Budgets

In an ideal world, the White House would allocate resources to national security and homeland security by carefully weighing the benefit of each endeavor and allocating resources accordingly. Strategies would identify the nation's most pressing national security and homeland security problems and risks, and resources would be realigned to their most productive use.

All four case studies revealed the lack of permanent processes at the White House level to identify top priorities and oversee the alignment of agency policies and programs to those priorities. Multiple strategy documents, NSPDs, HSPDs, and executive orders list the various activities involved in national and domestic security. They impose requirements on the various players, but it is not easy to discern genuine priorities in this area. The documents are often not well understood by those who must implement them, and they sometimes arrive with no money to carry them out.

Moreover, there is currently no formal document that links strategy and resources for national security, homeland security, and statecraft.

Recommendation: The new administration should take the following actions to improve its articulated strategies for national security and homeland security and to strengthen the linkages between strategy and resources:

- The EOP and the cabinet secretaries should improve the methods and frameworks for assessing risks.

- The new cells established between the NSC and OMB should conduct top-level, long-term risk assessment and gap analyses to identify key long-term priorities.
- Within the first year, the EOP should update, integrate, and streamline the strategy documents and presidential directives for national security and homeland security. A single overarching strategy for promoting the nation's security should clearly set and articulate priorities within and among the various elements of national security, homeland security, and international affairs. They should include a prioritized list of critical missions and should identify the role of the federal government. The overarching, prioritized strategy should be updated at least every four years.
- The national security advisor and the president should hold the new EOP cells responsible for resolving policy and program disagreements among departments and agencies.
- Within the first year, the NSC and OMB should jointly conduct, with interagency support, a Quadrennial National Security Review (QNSR). The QNSR should establish top-down priorities for national defense, homeland security, and statecraft, within budgetary constraints. It should draw genuine long-term links between the strategy articulated in the streamlined strategy document and the resources the administration plans to devote to national defense, homeland security, and statecraft. The QNSR should start with the administration's overarching strategy; articulate a prioritized list of critical missions; and identify the major federal programs, infrastructure, and budget plan that will be required to implement the strategy successfully.
- Within the first year, NSC and OMB should work together to develop a national security planning guidance (NSPG) that provides detailed guidance for agency actions and programs. The document should consider resource tradeoffs and constraints with respect to a small handful of important crosscutting policy areas. An NSPG should be prepared every two years, and each successive NSPG should focus on a few crosscutting missions. The first one should include biodefense and pandemic preparedness and reconstruction and stabilization as two of those crosscutting missions.
- The QNSR and the NSPG should inform OMB's fiscal guidance to federal departments and agencies. Cabinet secretaries and agency heads with roles in national defense, homeland security, and statecraft should be directed to use the QNSR and the NSPG to inform their planning and resource allocation processes. The NSC and OMB should use the QNSR and the NSPG as the basis of an annual review of agency future-year program and resource planning documents.
- OMB should conduct integrated budget reviews for biodefense and pandemic preparedness and for security assistance programs.
- Budgets for security assistance should be drawn up jointly between State and Defense, with oversight and integration assured by the OMB. Budget requests should reflect the policies and programs that the permanent interagency working group, co-chaired by OMB, develops.

Agency Planning, Programming, and Budgeting Processes

Each department and agency with a major role in security and statecraft has its own formal and informal mechanisms for planning, resource allocation, and budgeting. The case studies in this report mechanisms in DOD, DOE, HHS, DHS, and State/USAID. It surfaced problems in those mechanisms at DOD, DOE, DHS, and State/USAID.

DOD's Planning, Programming, Budgeting, and Execution (PPBE) system is mature. In recent years, the process was effective in helping leaders to press their known preferences into programs

and budgets. The PPBE is less effective than it should be in bringing information about potential broad tradeoffs to the secretary's attention. Department leaders do deliberate on alternatives to existing programs, but the costs and consequences of the decisions that result are often negligible. In addition, DOD's quadrennial defense review lacks the resource dimension that should differentiate it from national and departmental strategy documents. Finally, the department's overreliance on emergency supplementals since 2001 has fundamentally sapped the discipline of the PPBE process.

DOE's National Nuclear Security Administration (NNSA) has made strides in recent years as it introduced its own system and secured general autonomy from the department in planning, resource allocation, and budgeting. The NNSA still lacks an independent organization to review the program proposals and cost estimates and analyze alternatives to component plans, however.

As practiced in DHS, the PPBE lacks formal mechanisms to facilitate the secretary's personal involvement, to build consensus for resource allocation decisions within the department, and to provide the secretary with independent analyses of the costs, risks, and other implications of the operating components' plans and alternatives to them.

The Department of State has begun to develop an integrated budget process, overseen by the Office of the Director of Foreign Assistance (State F), for foreign assistance programs. The first year of that new budget process reflected progress, but was also weakened by a lack of transparency, insufficient input from U.S. embassies and missions, and inadequate interaction with the Congress. The State F process represents an important first step toward an integrated process, but much work remains to be done.

Recommendation: The new secretary of defense, the administrator of NNSA, the secretary of homeland security, and the secretary of state should make improvements to their departments' internal processes for planning, programming, budgeting, execution, and evaluation. Specifically:

- The new secretary of defense should make the following improvements:
    - Restore a resource component to the QDR, and use the QDR to establish firm, long-term linkages from strategic priorities into programs and budget.
    - Restore the program review to a process lasting at least three months, to allow PA&E analysts sufficient time to develop and analyze important policy alternatives for consideration by the secretary and deputy secretary.
    - Cut back sharply on the practice of handling a significant share of the budget through a track separate from the regular PPBE. Take the actions necessary to incorporate funding that was previously planned through separate processes and funded through emergency supplemental requests into the regular PPBE process.
- The new administrator of the NNSA should establish an internal organization, independent of NNSA's components, to review program proposals and cost estimates and analyze alternatives to component plans, as PA&E does for the DOD. The administrator should charge the director of the new organization with conducting such reviews, estimates, and analyses.
- The new secretary of homeland security should take the following steps:
    - Institutionalize a meeting that pulls together the heads of the operating components and top staff of the Office of the Secretary at the beginning of each PPBE cycle to discuss the secretary's top priorities and preferences.
    - Personally review the department's Integrated Planning Guidance and sign it on schedule.

    - Expand DHS PA&E with senior staff who have the skills and outlook to conduct tradeoff studies and provide information about the costs and risks associated with a variety of alternatives to component programs. As part of the program review, charge the director (PA&E) to conduct such studies and provide such information.
    - Institutionalize a meeting of component heads and senior leaders of the Office of the Secretary to review the alternatives considered in PA&E's tradeoff studies and deliberate on decisions.
- The new secretary of state should build on the budget process reform begun in 2006. Specific changes should include:
    - Provide for more input from the embassies and the USAID missions in the field, to set clear and workable program priorities for countries.
    - Further elaborate on the framework for the State F process, with the emphasis on goals rather than the categorization of recipient countries.
    - Begin a consistent dialogue with the Congress on how the new process works and how it might be useful to congressional consideration of the budget request for foreign assistance.
    - More closely integrate budget planning for State Department operations with the planning for foreign assistance programs.
    - Name the director of foreign assistance as a deputy secretary of state, giving the office greater stature and accountability to the Congress.
    - Establish budget planning offices within the department's regional bureaus to increase the competence of those bureaus in planning and resource allocation.
    - Take the actions necessary to incorporate funding that was previously raised through emergency supplemental requests into base budgets for State and USAID.

Other Internal Processes

The stabilization and reconstruction case reveals a lack of coordination within the State Department and a proliferation of authorities and programs between State and DOD. The security assistance study reveals a similar proliferation of authorities and inflexibility in handling security assistance programs. The stabilization and reconstruction case also reveals agency budgeting problems that must be resolved.

Recommendation: The new secretary of state and secretary of defense should work to streamline programs and authorities for reconstruction and for security assistance. Specifically:

- The secretary of state should make the following changes:
    - Undertake an internal review of the entire security assistance portfolio and the stabilization and reconstruction portfolio, with an eye toward developing a more flexible and agile program that is aligned with U.S. strategic requirements.
    - Establish and budget for a single, coherent security assistance program within the department.
    - Work to transfer from DOD those authorities currently handled through the Section 1206 train and equip programs, the Coalition Support Funds, and appropriate parts of CERP.
    - Resolve the duplication of responsibilities for stabilization and reconstruction activities between USAID (OTI and OFDA) and the new S/CRS office. The capabilities should be merged, with a single office providing leadership.

- The secretary of defense should:
    - Request the transfer to State of authorities over Section 1206 train and equip programs, the non-combat related parts of CERP, and the Coalition Support Funds programs.
    - Reassert leadership over DSCA, reforming the sub-agency to become a more agile implementer of security assistance programs.

Process Changes in Congress

Congress lacks an institutionalized, integrated approach to resource allocation and oversight of issues that cut across committee and subcommittee jurisdictions. The absence of such an approach is particularly troublesome in areas that lie at the intersection of national defense, homeland security, and statecraft, like the areas examined in the case studies in this report.

Because the issues involved here cut deeply across federal government, it is unrealistic to imagine that jurisdiction for the missions examined in this report would ever be consolidated under a single authorizing committee and a single Appropriations Subcommittee in each chamber. Biodefense, nuclear counterterrorism, security assistance, and stability and reconstruction in war-torn countries will continue to cut across committee and subcommittee jurisdictions.

The congressional support agencies play important roles in providing information and analyses that can help lawmakers as they consider the allocation of federal resources to biodefense and pandemic preparedness, as well as to other missions that lie at the intersection of national security, homeland security, and international affairs.

Recommendation: The 111th Congress should make the following changes:

- Mandate the roles and missions reviews recommended in the first section of this chapter. Congress should review the resulting recommendations and mandate the implementation of appropriate reforms.
- Mandate that the executive branch conduct a Quadrennial National Security Review (QNSR) and prepare a biennial National Security Planning Guidance (NSPG). The QNSR should be submitted to Congress and available to the public; the NSPG may be classified.
- Request that during the first year of each presidential term, CRS provide lawmakers with a report on the issues for congressional consideration that are likely to be raised by the QNSR.
- Request that CBO prepare an assessment of the administration's QNSR.
- Ask CBO periodically to conduct a study of the costs, risks, and other implications of the administration's plans for key security missions that cut across departments and agencies, and of alternatives to those plans.
- Conduct regular joint hearings of national security, homeland security, and international activities that span the jurisdictions of multiple committees or appropriation subcommittees. In particular, hold joint hearings on the administration's QNSR, informed by the CBO and CRS reports. Other important topics for cross-committee hearings include national risk-management plans, the coherence of the overall federal homeland security effort, the relationship between the federal effort and state and local responsibilities in homeland security, the restructuring of security assistance, and roles and missions for stabilization and reconstruction.

Changes to Tools

Emergency Supplemental Appropriations

The biodefense and pandemic preparedness, security assistance, and Iraq reconstruction cases all involved substantial funding through emergency supplemental appropriations. The routine use of the emergency supplemental tool to set policy and provide budgets for recurring activities poses important problems. Avoiding their use for ongoing activities could lead to improved oversight in the executive branch and in Congress, and could help lawmakers to restore fiscal discipline.

Recommendation: The executive branch and Congress should work together to do the following:

- Establish strict standards for activities that qualify for emergency supplemental appropriations.
- Avoid the use of emergency supplemental appropriations to fund ongoing activities.
- When ongoing activities are involved, review emergency supplemental appropriations for them within the normal agency budget process.
- Require that emergency supplemental requests be transmitted as an integral part of the base budget request.

Record of Spending for Key Cross-Cutting Missions

The executive branch does not publish detailed projections or records of spending that pull together the various federal programs related to important cross-cutting missions.

Recommendation: OMB should establish and maintain an accurate data base with planned budgets and historical records of budgets and outlays for important cross-cutting security missions like biodefense, countering nuclear terrorism, operations in Iraq and in Afghanistan, and security assistance. This information should be included with the budget documents submitted annually to the Congress and made available to the public.

Budgeting and Reporting on Stabilization and Reconstruction

The case on stabilization and reconstruction surfaced several important recommendations about the processes involved in budgeting, contracting, and reporting for such interagency operations.

Recommendation: The secretary of state, the administrator of USAID, and the secretary of defense should direct the following changes within their organizations to improve budgeting, contracting, and reporting for stabilization and reconstruction operations:

- State and USAID should gather and report data on the actual implementation of S&R programs. Reports should include actual levels of spending and measurements of performance.
- DOD should use existing information systems to report regular data on actual spending for military and assistance operations in Iraq and Afghanistan.
- DOD and State/USAID should develop contracting mechanisms that provide greater flexibility for rapid action in stabilization and reconstruction operations.

- There is a clear need for a contingency funding account for stabilization and reconstruction operations. While this will not be easy to accomplish in Congress, the administration should work with the Congress to achieve needed, combined with adequate accountability.

Time for a Change

Sound arrangements for planning, resource allocation, and budgeting are no substitute for effective leadership. Capable leaders can establish and enforce priorities and unify the efforts of multiple programs and organizations even when such arrangements are weak, and poor leaders can subvert even the best processes.

Nevertheless, effective organizations, processes, and tools for planning and resource allocation can give leaders reliable information about the multi-year costs and consequences of the policy choices they make. The can illuminate gaps that need to be filled, pinpoint wasteful duplication of effort, and identify efforts that would benefit from consolidation or close coordination. They can help leaders make decisions based on explicit criteria of national interest. As such, they can help policy makers establish control over genuine priorities and pull the activities of competing organizations into a cohesive whole.

The new administration and Congress owe us nothing less.

Acronyms and Abbreviations

ACI	Andean Counternarcotics Initiative
ACP	Andean Counterdrug Program
AECA	Arms Export Control Act
AFRICOM	Africa Command
AIRP	Accelerated Iraq Reconstruction Program
ASPE	Assistant Secretary for Planning and Evaluation
ASPR	Assistant Secretary for Preparedness and Response
ATA	Office of Antiterrorism Assistance
BARDA	Biomedical Advanced Research and Development Authority
CBO	Congressional Budget Office
CCIF	Combatant Commander's Initiative Fund
CDC	Centers for Disease Control and Prevention
CERP	Commander's Emergency Response Program
CFO	Chief Financial Officer
CIA	Central Intelligence Agency
CJTF-HOA	Combined Joint Task Force Horn of Africa
COCOMS	Combatant Commanders
CPA	Coalition Provisional Authority
CRS	Congressional Research Service
CSF	Coalition Support Funds
CSI	Civilian Stabilization Initiative
CTFP	Combating Terrorism Fellowship Program
CTR	Cooperative Threat Reduction
DARPA	Defense Advanced Research Projects Agency
DART	Disaster Assistance Response Teams
DCS	Direct Commercial Sales
DD	Defense Directive
DFI	Development Funding for Iraq
DHS	Department of Homeland Security
DNI	Director of National Intelligence
DNSA	Deputy National Security Advisor
DOD	Department of Defense
DOE	Department of Energy
DSCA	Defense Security Cooperation Agency
DTRA	Defense Threat Reduction Agency
EACTI	East Africa Counterterrorism Initiative
EDA	Excess Defense Articles
EOP	Executive Office of the President
ERMA	Emergency Refugees and Migration Account
ESF	Economic Support Funds
FAA	Foreign Assistance Act
FBI	Federal Bureau of Investigation
FDA	Food and Drug Administration
FEMA	Federal Emergency Management Agency
FMF	Foreign Military Financing
FMS	Foreign Military Sales
FY	Fiscal Year

FYDP	Future-Years Defense Program
FYHSP	Future-Years Homeland Security Program
FYNSP	Future-Years Nuclear Security Program
GAO	Government Accountability Office
GPOI	Global Peace Operations Initiative
GPRA	Government Performance and Results Act
GWOT	Global War on Terror
HELP	Senate Health, Education, Labor, and Pensions Committee
HHS	Department of Health and Human Services
HSC	Homeland Security Council
HSPD	Homeland Security Presidential Directive
IED	Improvised explosive device
IMET	International Military Education and Training
INCLE	International Counternarcotics and Law Enforcement
INL	International Narcotics and Law Enforcement Affairs
IRMO	Iraq Reconstruction and Management Office
IRRF	Iraq Reconstruction and Relief Fund
ISN	International Security and Nonproliferation
ITAR	International Traffic in Arms Regulations
JCS	Joint Chiefs of Staff
MAP	Military Assistance Program
MOOTW	Military Operations Other than War
NADR	Nonproliferation, Antiterrorism, Demining, and Related Programs
NATO	North Atlantic Treaty Organization
NBACC	National Biodefense Analysis and Countermeasures Center
NBAF	National Bio- and Agro-Defense Facility
NIH	National Institutes of Health
NNSA	National Nuclear Security Administration
NSA	National Security Advisor
NSC	National Security Council
NSPD	National Security Presidential Directive
NSPG	National Security Planning Guidance
ODTC	Office of Defense Trade Controls
OECD	Organization for Economic Cooperation and Development
OFDA	Office of Foreign Disaster Assistance
OHDACA	Overseas Humanitarian Disaster and Civic Aid Program
OMB	Office of Management and Budget
ORHA	Office of Reconstruction and Humanitarian Assistance
OSD	Office of the Secretary of Defense
OSR	Office for Stabilization and Reconstruction
OTI	Office of Transition Initiatives
PA&E	Program Analysis and Evaluation
PAHPA	Pandemic and All-Hazards Preparedness Act
PART	Program Assessment Rating Tool
PCC	Policy Coordinating Committee
PCO	Project Contracting Office
PDD	Presidential Decision Directive
PKO	Peacekeeping operations
PMO	Program Management Office
PPBE	Planning, Programming, Budgeting, and Execution (in DOD); Planning, Programming, Budgeting, and Evaluation (in DOE)

PPBS	Planning, Programming, and Budgeting System
PRT	Provincial Reconstruction Team
QDR	Quadrennial Defense Review
QHSR	Quadrennial Homeland Security Review
QNSR	Quadrennial National Security Review
RDT&E	Research, Development, Test, and Evaluation
RMO	Resource Management Office
S&R	Stabilization and reconstruction
S/CRS	State Department Coordinator for Reconstruction and Stabilization
S/CT	State Department Office of the Coordinator for Counterterrorism
SAO	Security Assistance Office
SAP	Senior Advisor to the President
SCG	Security Cooperation Guidance
SIGIR	Special Inspector General for Iraq Reconstruction
State PM	Assistant Secretary of State for Political-Military Affairs
T&E	Train and Equip
TMTI	Transformational Medical Technology Initiative
TSCP	Theater Security Cooperation Plan
TSCTP	Trans-Sahara Counterterrorism Partnership
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USNORTHCOM	U.S. Northern Command
WMD	Weapons of Mass Destruction

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