

PATHWAYS TOWARD REFORM

The Department of State, Department of Defense, and U.S. Agency for International Development share responsibilities for responding to stabilization and reconstruction operations. None of the three, however, clearly has charge of planning, executing, or overseeing them. Duties are diffused among the three agencies. Processes for SRO management remain opaque or undefined.

In Iraq, no U.S. government office possessed sufficient authority to lead the reconstruction program. The U.S. approach amounted to an *ad hoc* approach, which failed to coalesce into a coherent whole. Some lessons learned were applied along the way, but those were temporary fixes.

The Iraq reconstruction program's improvised nature, its constant personnel turnover, and its shifting management regimes forced U.S. strategy to change speed and course continually, wasting resources along the way and exposing taxpayer dollars to fraud and abuse. Management and funding gaps caused hundreds of projects to fall short of promised results, leaving a legacy of bitter dissatisfaction among many Iraqis.

As the difficulties in carrying out reconstruction operations in Iraq became apparent, the United States implemented a variety of strategies to remedy weaknesses, but a permanent solution never emerged. The current fix, embodied by the Department of State's Bureau of Conflict and Stabilization Operations, has limited resources and a conflict-prevention focus. It probably will not bring about the kind of large-scale interagency integration for SROs required for future success.

No reform effort to date has optimized the government's ability to manage SROs. As things stand, the U.S. government is not much better prepared for the next stabilization operation than it was in 2003. True, there are many more hands experienced in the field,

but no structure exists to integrate them. Contingency contracting has undergone reform, but not in a comprehensive fashion. Various agencies have preparations in place, but no locus exists for integrative SRO planning. The Congress created the Global Security Contingency Fund, a good "interagency" idea, but one that remains untested. No integrated data system exists for tracking rebuilding projects. The list of current shortfalls, cumulatively imposing a strategic national security weakness, goes on.

Despite this grim litany, there is a path that could lead to the effective applications of Iraq's lessons. A wise approach to SRO reform would aim at producing a unified system that plans and



U.S. patrol encounters cattle in rural Diyala. (USF-I photo)



Falluja had become a lawless, chaotic place by mid-2004, with insurgents in complete control of the city, yet in June of that year the CPA awarded a \$28.6 million task order calling for the completion of a new sewerage network by February 2006. (USACE photo)

executes operations integratively, averts significant waste, increases the likelihood of tactical success, and better protects U.S. national security interests. Such a reform would concentrate the SRO mission into a single structure, pulling the scattered pieces of the current inchoate system under a single roof. That structure, which could be called the U.S. Office for Contingency Operations, would have a clear mandate and sufficient capacity to command and carry out stabilization and reconstruction operations. Importantly, this organization would be held accountable for results. See Appendix A for a draft USOCO bill.

The Coalition Provisional Authority had neither the time nor the resources to plan effectively for what quickly became the largest rebuilding program in history, one much larger than originally envisioned. The United States anticipated spending about \$2 billion on reconstruction, with Iraq shouldering the remaining costs. But, by the end of 2003, planned U.S. expenditures had increased about ninefold and, by the end of 2012, expenditures were more than 25 times higher than originally anticipated.

Many of the challenges faced by the CPA were beyond its control, most notably the collapse in security. Nevertheless, a well-developed contingency rebuilding plan, implemented by an already-established

interagency management office, could have brought a more robust capacity to bear on the many problems that erupted in Iraq in 2003–2004 and thereafter. Moreover, such an entity would have been better prepared to make timely and effective adjustments as events unfolded.

If USOCO had existed at the outset of the Iraq program, the United States might have avoided wasting billions of taxpayer dollars. Furthermore, the unity of effort that USOCO presumably could have applied would have ensured better effect from the massive outlays in Iraq. Ultimately, the Office of Reconstruction and Humanitarian Assistance, the CPA, and the entire adhococracy became necessary because no established structure existed in 2003 to manage SROs. That void still largely exists.

Responding to Deficiencies

When faced with problems in Iraq's reconstruction, the Congress acted to ameliorate them by taking incremental steps that provided guidance on specific issues. For example, the Congress required the following:

- creation of a database of information on the integrity of persons awarded contracts⁵¹⁴
- linking contract award fees to outcomes⁵¹⁵
- ensuring that asset-transfer agreements, with commitments to maintain U.S.-funded infrastructure, be implemented before certain funds are used⁵¹⁶
- making funds for civilian assistance available in a manner that uses Iraqi entities⁵¹⁷
- an end to “contracting with the enemy” in Iraq or Afghanistan (including at the subcontractor level)⁵¹⁸
- ensuring that Defense, State, and USAID have the capability to collect and report data on contract support for overseas contingency operations⁵¹⁹
- that Defense, State, and USAID contracts discourage subcontracting more than 70% of the total cost of work performed⁵²⁰ (or excessive “tiering” of subcontractors)⁵²¹
- that Defense, State, and USAID assess and plan to mitigate

operational and political risks associated with contractor performance of critical functions⁵²²

- designation of a “lead Inspector General” in SROs to oversee and report on them⁵²³
- that Defense, State, and USAID have suspension and debarment officials who are independent of their respective agencies’ acquisition offices⁵²⁴
- that Defense, State, and USAID assess whether the host country wanted proposed capital projects (and could sustain them) before obligating funds for them⁵²⁵

Two Steps Forward and One Step Back: State’s Coordinator for Reconstruction and Stabilization

In July 2004, the Administration began implementing reforms addressing evident SRO-management problems. Pursuant to a National Security Council decision, the Secretary of State created the Office of the Coordinator for Reconstruction and Stabilization within State.⁵²⁶

In December 2004, the Congress authorized S/CRS to monitor unstable situations worldwide, catalogue U.S. government nonmilitary SRO resources and capabilities, determine appropriate civilian efforts to respond, coordinate the development of interagency contingency plans, and train civilians to perform stabilization and reconstruction activities.⁵²⁷ S/CRS was supposed to solve the “who’s in charge” question regarding SROs. It did not.

From the outset, the organization struggled to find its footing. First, it failed to receive the funding necessary to succeed. Then it found itself marginalized within State’s turf-conscious bureaucracy. Moreover, S/CRS concentrated on an arguably peripheral task—putting together a corps of civilian responders—rather than engaging in Iraq.

In 2012, the Bureau of Conflict and Stabilization Operations supplanted and absorbed S/CRS, as prescribed by the State Department’s December 2010 Quadrennial Diplomacy and Development Review.⁵²⁸ Notwithstanding its difficult history, S/CRS-cum-CSO comprises a valuable set of resources; however, its current direction and resourcing means that it is not the comprehensive solution to resolving SRO planning and execution problems.

CERP in Iraq: Congress as the Program Office

The multibillion-dollar Commander’s Emergency Response Program began modestly in July 2003, expanded greatly in 2005, and served as a significant reconstruction funding source through 2010. SIGIR uncovered weaknesses along the way.

The Congress responded to these weaknesses, taking a series of steps over the years to rein in the program. For example, in 2008 the Committees on Appropriations directed Defense to “establish minimum guidelines for commanders to follow in monitoring project status and performance indicators to assess the impact of CERP projects,” and to improve reporting on the CERP.⁵³²

It further imposed a limit of \$2 million on the amount of U.S. CERP funds that could be contributed to any project in Iraq. The Congress required the Secretary or the Deputy Secretary of Defense to certify that any project funded from CERP at a level of \$1 million or more addressed the urgent humanitarian relief and reconstruction requirements of the Iraqi people.⁵³³

In the Conference Report on the National Defense Authorization Act for Fiscal Year 2010, the

Congress directed the Secretary of Defense to review the CERP and assess “the process for generating and justifying [the] CERP budget; the existing management and oversight of CERP funds and contracts ... and coordination with the host government on CERP projects, including procedures for ensuring the sustainment” of CERP projects.⁵³⁴



A CERP-funded project in Iraq renovated the electrical distribution grid in the northeast Baghdad neighborhood known as Muhalla 312 at a cost of \$11.7 million.

Revolution at the Pentagon: Defense Directive 3000.05

In November 2005, the Secretary of Defense issued Defense Directive 3000.05, *Military Support for Stability, Security, Transition, and Reconstruction Operations*, committing the military to developing and expanding its stabilization capabilities.⁵²⁹ This fundamentally transformed the Pentagon’s approach to post-conflict operations, adding stabilization operations to the Army’s existing duties to execute offensive and defensive operations.

The directive stated that stability operations are a “core U.S. military mission” that should be given priority comparable to combat operations.⁵³⁰ In 2009, Defense reissued Directive 3000.05 as an instruction to make permanent the military’s responsibility to be ready to support civilian agencies in stability operations.⁵³¹



The original contract for construction of Nassiriya Prison was terminated for default after the U.S. government spent \$31 million. The project was eventually completed, more than four years later than originally planned, after the expenditure of an additional \$37 million.

Despite repeatedly recognizing the centrality of a “civilian lead” for SROs, Defense made limited progress in integrating the relevant civilian agencies into its approach. It generally conceives of SRO work as an aspect of counterinsurgency operations. The civilian agencies see post-conflict contingencies as predominantly relief and reconstruction endeavors. Creating USOCO could provide a platform for the development of an integrated interagency understanding, a cultural rapprochement, and a common terminology applicable to future SROs.

Reaching for More Reform: NSPD 44

In December 2005, President Bush issued National Security Presidential Directive 44, *Management of Interagency Efforts Concerning*

Reconstruction and Stabilization, stating that “reconstruction and stabilization are more closely tied to foreign policy leadership and diplomacy than to military operations.”⁵³⁵ Through this order, the President sought to set in motion a process for improving the coordination, planning, and implementation of U.S. government stabilization and reconstruction missions.

Although a sensible response to observed organizational weaknesses, the President’s directive foundered on the shoals of competing interagency interests. For example, NSPD 44 charged the Secretary of State with leading the development of a strong stability and reconstruction response mechanism and ordered State and Defense to “integrate stabilization and reconstruction contingency plans with military contingency plans when relevant and appropriate.”⁵³⁶ This did not happen.

State’s S/CRS played no role in Iraq (and it only intermittently deployed small numbers of personnel to Afghanistan).⁵³⁷ Despite the White House’s reform impetus, State and Defense failed to integrate civilian SRO systems with military capabilities. State’s role in managing the reconstruction of Iraq ebbed and flowed in cycles driven by the personalities involved, with State frequently on the losing end of arguments, notwithstanding the President’s directive.

Authority Is Not Action: RSCMA and Dual Key Approaches

The 2009 National Defense Authorization Act enacted the Reconstruction and Stabilization Civilian Management Act of 2008.⁵³⁸ Elaborating on S/CRS’s original mandate, the RSCMA assigned chief responsibility for planning and managing the civilian response to overseas contingencies to State through S/CRS. Though RSCMA provided S/CRS ample authority, the Administration did not implement very many of its provisions. For example, it failed to nominate a coordinator for Senate confirmation, indicating an apparent lack of confidence in and commitment to S/CRS’s capacities or future.

In a notable effort to promote “jointness,” Secretary of Defense Robert Gates sent a memorandum to Secretary of State Hillary Clinton in 2009 suggesting “a new model of shared responsibility and

pooled resources for cross-cutting security challenges.”The proposal envisioned a pooled-funding mechanism, requiring joint approval by Defense and State for support of SRO efforts in security, capacity development, stabilization, and conflict prevention.⁵³⁹ The “Global Security Contingency Fund,” adopted in the National Defense Authorization Act for Fiscal Year 2012, sought to realize this vision. As of January 2013, while Nigeria, Philippines, Bangladesh, Libya, Hungary, Romania, and Slovakia had been designated as possible recipients of assistance, programs to employ the fund were still being developed.

Reform but Not Integration: State’s Quadrennial Diplomacy and Development Review

In its inaugural Quadrennial Diplomacy and Development Review, State proposed several new structural reforms to improve SRO management. Along with creating CSO, the QDDR’s recommendations included:⁵⁴⁰

- expanding joint civil-military training programs for senior State personnel
- evaluating success in interagency assignments when making promotions into State’s senior ranks⁵⁴¹

The Review called upon CSO to expand the Civilian Response Corps⁵⁴² and to “enhance” the Civilian Reserve Corps.⁵⁴³ It charged CSO with coordinating State’s efforts in conflict prevention, managing the rapid deployment of civilian responders, and serving as State’s institutional locus for developing SRO policy and operational capacities.⁵⁴⁴ It left opaque CSO’s relations with other agencies, including USAID, noting that the bureau would be “working closely with [USAID] senior leadership.”⁵⁴⁵

CSO became operational in April 2012, led by a highly qualified assistant secretary, Rick Barton, who possessed the broad mandate of acting as the Secretary of State’s senior adviser on “conflict and instability.”⁵⁴⁶ In September 2012, CSO reported that it had “obligated \$30 million of programming to top-priority countries, expanded the contracting capabilities of the U.S. government in places facing crisis,

and provided fresh talent and customized initiatives to embassies in need.”⁵⁴⁷ It expended 80% of its effort in four areas: Syria, the northern tier of Central America, Kenya, and Burma. The balance was spread among more than 15 other countries, including Afghanistan, El Salvador, Libya, Somalia, and South Sudan.⁵⁴⁸

Notwithstanding its merits, the CSO solution is incomplete. Establishing it was a step toward better coordination, but the new bureau provides little impetus toward true interagency integration on SROs. While CSO advances State’s thinking and practice about SRO management within the Department, it does not ultimately resolve existing interagency disconnects. “Stovepiping” continues.

A Plausible Solution

In recent years, the United States pursued an SRO management strategy dubbed “whole of government.” This simultaneously elliptical and glib term has yet to generate an operational structure that is either comprehensive or coherent. Whole-of-government’s core flaw is that everyone is partly in charge, ensuring that no one is fully in charge.

In 2007, the Interagency Management System became the chief coordinative mechanism for addressing SRO issues on a whole-of-government basis. A National Security Council committee chaired by the director of S/CRS, the IMS ostensibly provided guidance on issues bubbling up from the Iraq and Afghanistan SROs. But, in truth, it had limited effect on the actual execution of operations in either theater and is now nonoperational.

Advantages of an Integrated SRO Management Office

Creating USOCO would knock down stovepipes. Further, it would allow Defense, State, and USAID to focus on their core competencies while working closely with USOCO on the post-conflict reconstruction mission. See Appendix A for a draft USOCO bill.

USOCO would provide these immediate benefits:

- Planning and managing SROs would move from being an additional duty at several departments (State, Defense, USAID,

Institutional Changes That USOCO Would Quickly Implement

USOCO would provide the integrated nexus for developing SRO solutions by taking these actions:

- **Draft doctrine.** USOCO would develop clear-cut SRO doctrine, with the National Security Council defining requirements and identifying implementing mechanisms.
- **Integrate planning.** USOCO would bring together all relevant agencies to develop integrated contingency plans for SROs.
- **Rationalize budgeting.** The National Security Council and Office of Management and Budget would work with USOCO to develop realistic budget requirements for potential contingencies.
- **Incentivize personnel.** Existing federal personnel regulations would be adjusted to provide stronger incentives that rewarded civilian employees for accepting temporary deployments in support of SROs.
- **Consolidate training.** Existing SRO training initiatives would be consolidated into an interagency training center with a joint curriculum modeled on the U.S. Army Training and Doctrine Command's Interagency Fellowship Program.
- **Reform contracting.** USOCO would implement new contingency contracting procedures and prescribe a new "Contingency Federal Acquisition Regulation" for use across SROs by all agencies, which would improve contract management in theater and ensure a more accountable program.
- **Coordinate with contractors.** USOCO would provide contractors with a single point of contact, simplifying reporting responsibilities and improving coordination.
- **Anticipate international involvement.** USOCO would develop curricula, programs, and systems that anticipate international participation in future contingency operations.
- **Integrate information technology.** USOCO would develop a single interoperable IT system capable of tracking all relief and reconstruction projects in theater.
- **Ensure oversight.** USOCO's structure would include an independent Special Inspector General for Overseas Contingency Operations who would provide effective oversight through audits and investigations of all funds used during the SRO.

Treasury, and Justice) to the primary duty of one agency (USOCO).

- Providing an institutional home for the management of SROs would ensure that lessons learned from Iraq become lessons applied to future operations.
- The civilian-led office would mitigate the perception that U.S. assistance programs have become militarized.
- The proposed structure would eliminate redundancies and save taxpayer dollars.

From a fiscal perspective, USOCO makes sense. The cost of running the office would be easily covered by the waste averted through improved SRO planning.⁵⁴⁹ As the Commission on Wartime Contracting in Iraq and Afghanistan reported, unacceptable waste

continues in Afghanistan because operational responsibilities for executing stabilization operations remain diffused across too many agencies.⁵⁵⁰ Consolidating existing systems under one roof would induce unity of effort and produce significant savings.

To ensure operational agility and low overhead, USOCO would scale its size according to the needs of the mission at hand. When no SRO is ongoing, USOCO's permanent staff would engage in formulating plans and conducting exercises to prepare for future activities. The truth, however, is that the United States has been engaged in some form of SRO almost every year since 1980. Given that history, USOCO should expect no fallow time.

A Solution on the Table: The Elements of an Effective SRO Reform Bill

SROs do not fit easily into any of the "3 Ds": defense, diplomacy, and development. They are executed during unsettled periods, occurring between the termination of full-blown conflict and the implementation of long-term development. Thus, legislation creating USOCO must define SROs precisely. Stabilization and reconstruction operations could usefully be described in law as providing a combination of security, reconstruction, relief, and development services provided to unstable fragile or failing states (see Appendix A).

Clarifying USOCO's Operational Space. The best institutional analogue to USOCO is the Federal Emergency Management Agency. Statutorily, USOCO's operational engagement could roughly mirror the approach defined under the Stafford Act, which governs FEMA.

USOCO's enabling statute could draw from the Stafford Act's paradigm by tying its operational authority—and the availability of emergency funds—to a Presidential declaration.⁵⁵¹ In the event of an SRO, the President would issue a declaration specifying the SRO's commencement, activating USOCO's access to SRO funds, and outlining the SRO's geographical and operational parameters. During the life of the operation, the USOCO Director's relationship with the Ambassador would be similar to the kind of relationship the USAID Administrator has with the Ambassador. USOCO programs and projects would harmonize with the State Department's foreign policy and development goals.

USOCO staff would embed within the combatant command overseeing the affected theater to ensure close coordination with military units on SRO activities. When the need for reconstruction support to an overseas contingency operation no longer exists, the President would issue a declaration terminating the SRO. USOCO would then transfer remaining programs and projects to the appropriate entity, presumably the host nation or State/USAID.

Defining USOCO Leadership and Reporting Requirements.

The President would appoint the USOCO Director, who would have Under Secretary rank with the authority to convene meetings with the Assistant Secretaries of State and Defense. The Director would operate under the general supervision of the Secretary of State *and* the Secretary of Defense. This dual-reporting scheme, though rare in government, reflects SIGIR's reporting scheme, which worked effectively in the oversight of Iraq's reconstruction. Both Departments have a major role in SROs; thus, both should have a major say in their planning and execution.

Additionally, the Director would report to the National Security Advisor so that USOCO's engagement is woven into the policy decision-making process. The office would have robust reporting responsibilities to the Congress. Within 30 days after the end of each fiscal-year quarter, the director would submit to the appropriate committees of the Congress a comprehensive report summarizing USOCO's activities and expenditures for that quarter. Each quarterly report would include a detailed statement of all obligations, expenditures, and revenues associated with any ongoing stabilization and reconstruction operations.

Consolidating SRO Structures under USOCO. Current SRO lines of responsibility, accountability, and oversight are poorly defined. To remedy this predicament, USOCO's enabling legislation would consolidate certain aspects of existing agency offices responsible for discrete SRO components. The long-term benefits of developing an integrated SRO management office decidedly outweigh any near-term restructuring costs, which would be partially offset through consolidation.

Institutionalizing Oversight: Special Inspector General for Overseas Contingency Operations. An independent inspector general office would be an integral part of this reform. A new inspector



The Inspector General discusses contingency contracting reform at a CWC hearing.

general within USOCO would have the authority to oversee all accounts, spending, and activities related to an SRO regardless of the implementing agency. This would ensure the uninterrupted supervision of U.S. expenditures made during stabilization and reconstruction operations, not merely those made by USOCO. The Commission on Wartime Contracting in Iraq and Afghanistan recommended the creation of just such a permanent inspector general for contingency operations with broad authority extending beyond SRO activities.⁵⁵²

Other Statutory Powers. USOCO's enabling act should empower its director to take the following actions:

- Issue contingency acquisition regulations for use in stabilization and reconstruction emergencies.
- Prepare information and financial management systems for use in SROs.
- Establish an interagency training, preparation, and evaluation framework for all personnel supporting SROs.
- Establish a Stabilization and Reconstruction Reserve Fund that USOCO would administer during a presidentially declared SRO.

Arguing for USOCO

Key stakeholders in the U.S. interagency community generally agree on the need for robust SRO reform, but dispute continues as to the shape such reform should take. State is pressing ahead with the CSO

solution, but its mandate does not indicate that it will be operating aggressively on an interagency level to plan and execute SROs. Others argue for creating an independent USAID and giving it the full SRO mission. Some support a quasi-independent SRO management entity.

In discussions with SIGIR, Ambassador Ryan Crocker and former National Security Advisor Lieutenant General Brent Scowcroft endorsed the idea of an independent SRO office like USOCO. So did Senator John McCain, former Congressman Bill Delahunt, and former Under Secretary of Defense (Comptroller) Dov Zakheim. Dr. Zakheim's views carry special weight because he also served on the Commission on Wartime Contracting in Iraq and Afghanistan. Ambassador James Dobbins expressed support for creating a USOCO-like entity, but believes it could best operate within USAID. Former CENTCOM commander General Anthony Zinni likes the concept, but advocates embedding it within Defense as a combatant-command analogue. Housing a new SRO office within State, USAID, or Defense, however, leaves unresolved the stovepiping and agency-bias issues.

With the Iraq experience fresh in mind, circumstances are ripe for bold reform. Implementing USOCO could be the means by which the hard lessons from Iraq are turned into best practices for future SROs. Consolidating existing resources and structures under USOCO would achieve money-saving management efficiencies that would avert waste and produce real financial savings. Moreover, integrating the planning, management, and execution of SROs would ensure that the next time the United States undertakes such an operation, those deployed to execute the mission will have the mandate, expertise, and resources to succeed.

The bottom line is that creating USOCO would dramatically improve the bottom line of our SRO balance sheet, significantly increase the likelihood of success in future SROs, better protect U.S. national security interests abroad, and strengthen the stewardship of scarce taxpayer dollars in the next stabilization and reconstruction operation. The need for such reform is great: that next operation may soon be upon us. 🌐