GUIDE TO REBUILDING PUBLIC SECTOR SERVICES IN STABILITY OPERATIONS: A ROLE FOR THE MILITARY

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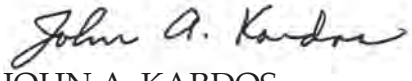
FOREWORD

Conflict and wars destroy basic infrastructure and disrupt public services (health, education, power, water, and sanitation), creating humanitarian crises and a lack of confidence and legitimacy in the reigning government. The inability of these states to provide the most basic services and enable economic activity to earn livelihoods immediately translates into a new role for stability operations. In permissive and even in semi-permissive environments, humanitarian organizations are often able to take the lead in meeting basic human needs for food, shelter, and health. In nonpermissive environments, the military must frequently assist the host country with humanitarian operations as well as help reconstruct the physical and institutional infrastructure to restore basic public services and economic activity.

In this guide, the authors provide a set of principles and operational guidelines for peacekeepers to help the country restore public infrastructure and services. The extent to which public sector reconstruction takes place is a function of the mission, the level of resources, expertise of the troops, and the host country context. The guide provides courses of action to both planners and practitioners in executing these operations and supplements existing and emerging documents. The material here draws from both theoretical and analytical frameworks as well as from the experience and lessons learned from practitioners.

While the guide is designed to provide peacekeepers with a thorough and nuanced understanding on the policy, planning, cultural and ethnic implications, tradeoffs, and options for public services reconstruction, it takes the position ultimately that the host government is responsible for public goods. Stability actors and host country governments can cooperate on policy, resource allocation, and service planning, even when the majority of services may initially be provided by nonstate or external actors, but the host country is in the lead. Issues addressed include control of corruption, administration of public services, policy, resource allocation and joint budgeting for restoration, reconstruction, and maintenance. Immediately after a conflict, the flight of skilled professionals may have left little capacity for public services restoration, making it a critical priority to rebuild capacity in engineering, planning, budgeting, and maintenance as well as to reestablish the revenue generation to sustain these services. The role for stability actors is broad and critical in this effort, as they seek to restore the ability of a government to meet the expectations of its citizens and restore legitimacy and stability to a nation.



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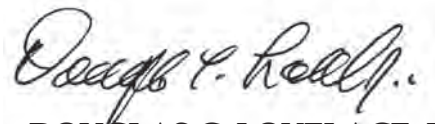

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SUMMARY

The Army's stability operations manual, Field Manual (FM) 3-07, identifies five sectors as components of an integrated approach to stability and reconstruction (S&R): **security, justice and reconciliation, humanitarian assistance and social well-being, participatory governance, and economic recovery and stabilization.**

FM 3-07 describes two categories of the range of activities in stability operations for achieving these end state conditions: *reconstruction* and *stabilization*.

> Reconstruction is the process of rebuilding degraded, damaged, or destroyed political, socioeconomic, and physical infrastructure to create the foundation for long-term development. Stabilization is the process by which underlying tensions that might lead to resurgence in violence and a breakdown in law and order are managed and reduced, while efforts are made to support preconditions for successful long-term development.

This guide examines the role of restoration of public services within the broader context of stability operations. The extent to which public service reconstruction takes place depends on the mission, the level of resources, and the host country context.

This paper provides guidance helpful to U.S. peacekeeping personnel in planning and executing stability operations tasks related to restoration of public sector services and infrastructure. It is designed to supplement existing and emerging guidance, and is specifically relevant to addressing the needs of public sector rebuilding in a post-conflict situation by peacekeeping forces. The material presented here draws both from theory and analytic frameworks and from on-the-ground experience of practitioners.

GUIDE TO REBUILDING PUBLIC SECTOR SERVICES IN STABILITY OPERATIONS: A ROLE FOR THE MILITARY

> Many stability operations tasks are best performed by indigenous, foreign, or US civilian professionals. Nonetheless, U.S. military forces should be prepared to perform all tasks necessary to establish or maintain order when civilians cannot do so. Successfully performing such tasks can help secure a lasting peace and facilitate the timely withdrawal of U.S. and foreign forces. Stability operations tasks include helping . . . develop representative government institutions.
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> DoD 3000.05, November 25, 2005

INTRODUCTION

Conflict and wars destroy basic infrastructure, disrupt the delivery of core services (e.g., health, education, electricity, water, and sanitation), and impede the day-to-day routines associated with making a living. The inability of fragile and post-conflict states to provide fundamental public goods and services has impacts on the immediate tasks facing stability operations. In permissive environments, humanitarian nongovernmental organizations (NGOs) often take the lead in meeting citizens' basic needs in the absence of state capacity. In nonpermissive situations, military forces generally play a role in providing basic services directly and/or providing protection to NGOs, while also engaging in offensive and defensive kinetic operations. However, the danger in this combination of functions is that insurgent forces may then regard these military-provided services and the NGOs as legitimate targets for attack.

While reliance on external actors may be a necessity early in stability operations, ultimately the capacity of the public sector in the conflict-affected country must be rebuilt or created to take the lead in providing public goods and services. Effective service provision is associated with a functioning civil service, basic budgeting and management systems, control of corruption, adequate municipal infrastructure, availability of health care and schooling, provision of roads and transportation networks, and (eventually) attention to social safety nets. The following sections in this guide cover the "nuts and bolts" of these components.

The general point made here is that stability and reconstruction (S&R) actors need to look for ways to foster the capacity of the government earlier rather than later in stability operations. Stability actors and host country governments can cooperate on policy, resource allocation, and service planning, even when the majority of services are delivered by nonstate providers. S&R actors can constructively align their capacity-building support, whether at national or subnational levels, with public-sector agencies to:

- Capitalize on existing sources of capacity (even if nascent or limited) as starting points to visibly demonstrate coordination,
- Undertake joint planning and budgeting exercises with public officials to build their capacities in these areas, and
- Structure service provision contracts with international NGOs and contractors to create incentives for local capacity building and partnership with government actors.

The hand-off from international NGOs and contractors to host country governments becomes harder the longer the two sets of actors proceed down parallel tracks. In most countries, effective basic services depend on more than government; the capacity of the private sector and civil society is also critical to rebuild. While a given failed state has very weak or no service delivery capacity at all, it is likely that even in dire situations some "pockets of productivity" exist that can serve as building blocks for interim governments and their international partners (see Box 1).[1]

Box 1. Restoring Services and Rebuilding Legitimacy.

Coalition forces in Al-Basrah were confronted with Iraqi citizens pressing them for the restoration of electricity, water, and sewerage. Post-conflict Iraq in 2003 had weak local administrative capacity, and extensive sabotage and looting following the war had incapacitated local service-delivery departments and destroyed most of their assets. The military turned to civilian contractors with the USAID Local Governance Program (LGP) for assistance. LGP worked with local departments to assess needs, develop a list of necessary parts and equipment, and prepare an action plan for restoration of services. With rapid response grants, and the introduction of competitive tendering coupled with transparent oversight, LGP helped the Al-Basrah municipal service departments to make emergency repairs and restore basic operations. The engagement of local staff and reliance on local talent, coupled with the introduction of transparency and accountability, gave credibility to the municipal departments and strengthened the legitimacy of Al-Basrah officials. Community residents volunteered to protect the restored service delivery assets from sabotage. Neighboring provinces emulated the practices employed in Al-Basrah.[2]

Beyond service provision, economic opportunity is a core public good, and getting the economy going following conflict is important for stability operations.[3] Effectiveness here involves employment generation, sound macroeconomic and fiscal policy-making, efficient budgeting, promotion of equitably distributed wealth creating investment opportunities, and an adequate regulatory framework. Failing and failed states generally exhibit the opposite: policies that privilege powerful elites, few budget controls, a thriving black market, and rampant corruption and cronyism. Moreover, patronage arrangements often keep opportunity in the hands of elites and siphon off public assets for private gain while a combination of punitive use of existing regulations and exemptions benefit the favored few.

Service delivery and economic development are central elements to the "social contract" between the state and its citizens. They contribute directly to legitimacy in that citizens will cease to support governments that cannot or will not provide basic services, limit corrupt practices, and generate economic opportunity. Particularly when coupled with ethnic tensions, weak states' inability/unwillingness to do so can be an important contributing factor to ongoing fragility and the eruption of renewed conflict. This area of governance also connects to security. If youth are in school, job opportunities are available, families have hope that their well-being will improve, and citizens (including demobilized combatants) are less likely to engage in crime or be recruited into insurgency.

EFFECTIVE PROVISION OF PUBLIC GOODS AND SERVICES

Failure to meet citizens' expectations that government provide public goods and services effectively and efficiently can be a cause or a consequence of conflict, civil disorder, or tensions that may lead to open disorder and violence. Groups within a society that feel deprived of basic services while elites are well-served may become insurgents or criminals. A larger-scale failure of government to deliver services that affects even many elites may cause a government to collapse or be deposed. A new government that replaces a discredited previous regime may lose its support if it is perceived as too slow in rebuilding or restoring basic services.

Public goods and services include:

- Routine basic public services such as water and sanitation, health, education, etc.;
- Long-term economic and social development planning including public sector capital investments in infrastructure and its financing;
- Economic goods and services that are considered a public, rather than private, sector responsibility.

In each of the above, the perspective is from the host country in which stability operations take place. That is, basic public services are those that the country considers a public sector responsibility. Similarly, economic goods are those that are considered public in the host country. Economic lines of operations (as opposed to rebuilding or restoring government) in stability operations involve activities with the private sector and are not covered in this guide. The focus here is on governmental institutions and their interaction with citizens and the private sector.

Interventions aimed at effective and efficient public services provision will occur in all phases from the final phases of conflict to reconstruction to stabilization. Reconstruction efforts aim at rebuilding degraded or destroyed public services. As public services are restored, stabilization efforts aim at establishing preconditions for successful long-term, sustainable development. The following discussion of effective provision of public goods and services addresses planning for and conduct of stability operations in both the reconstruction and stabilization phases.[4]

Planning for Public Service Restoration.

In stability operations planning, the first task in addressing issues of effective public goods and services provision is to identify what services are deemed public in the host country. Identifying what is and what is not considered public does not imply that stability operations will or should always focus only on services that the particular host country considers a public sector responsibility. In emergency and humanitarian operations, basic needs for food, shelter, disease treatment and prevention, etc., are met regardless of the government's normal role in the affected society in addressing those issues. But when emergency relief is no longer necessary for purposes of rebuilding or restoring governance, stability operations should mainly focus on services in which government is expected to play a significant role.

In the planning phase, in addition to considering the extant definition of governmental responsibilities in the specific country, other considerations for rebuilding government include the extent to which:

- Public infrastructure will be rebuilt versus more modest rehabilitation and repair interventions.
- Stability operations will include significant public sector management capacity building, introduction of technical management improvements in public goods, and services provision.
- Stability operations, depending on country context, will include significant policy dialogue to encourage the host country to contract or expand the scope of government in the society and in the economy.

Societies differ from each other in what is considered a public sector service provision responsibility and what is left to the individual, or family, or tribes and clans, or other social groupings. In addition, what is considered a public sector responsibility and what is not considered public changes over time. These differences are based in part on tradition; in part on cultural expectations about the respective roles of the individual, families, social and/or tribal affiliations, community-based organizations, and officially organized government; and in part on the stage of economic development.

In conflict-prone countries, the public sector has a relatively weak capacity to provide public goods and services effectively and efficiently. Many issues such as preschool education, assistance to the very poor, and other social issues are left to individuals or NGOs. At the other end of the economic spectrum, in advanced economies there is often greater reliance on the private sector for what may have been considered at one time public responsibilities. For example, water utilities are virtually completely privatized in several industrial economies. However, in many middle-income and developing countries, the public sector typically plays a substantial role in services provision.

In the stabilization phase of stability operations—establishing the preconditions for successful long-term development—there is scope for policy engagement with the host country about what are public sector responsibilities and the potential for greater involvement of the private sector in aspects of public services provision. Local government contracting out for solid waste collection and disposal, for example, is frequently an efficient way for the public sector to provide that service. However, where governmental institutions are very weak, as is typical in most post-conflict situations, a government may not be able to protect the public interest in managing private sector contractors in longer-term concession contracts where the government transfers responsibility to a contractor to provide a public service.

There also are key differences in the role of government in planning and in managing long-term economic and social development. In countries where stability operations are most likely, broad national strategy for allocating basic economic resources is guided typically by a multiyear national development plan. In cases such as Iraq and Afghanistan, national development plans are a central focus of multinational agreements expressing the political, economic, and social commitments of the two countries in return for U.S. commitments, multilateral institutions such as the United Nations (UN) and the World Bank, and other individual countries. These agreements are formalized in the Compact with Iraq and the Compact with Afghanistan.

With these caveats, the following services are more often public sector responsibilities in the settings in which stability operations are conducted and are thus the most likely to have to be addressed in both reconstruction and stabilization activities:

- Water,
- Sewerage/drainage,
- Solid waste collection and disposal,
- Electricity,
- Streets and roads,
- Flood control,
- Elementary and secondary education, particularly facilities and supplies,
- Public health clinics, particularly facilities and supplies,
- Recreational facilities such as community centers, football pitches, and parks,
- Telecommunications, particularly telephone,
- Markets,
- Public transportation,
- Public heating in countries with severe winters,
- Safety.

This is a larger list than would typically apply in stability operations, except perhaps in countries such as Iraq and Afghanistan where U.S. (and other external parties') intervention is very large and encompasses the whole society. Field Manual (FM) 3-07 notes that the more likely core activities among those above are sewage, water, electricity, academics (schools), trash, medical (hospitals and clinics), and safety (law enforcement and fire protection).[5] This section will address much of the list above, with the exception of safety.

Government also may be involved in far more sectors. Economic activities such as airlines, cement factories, and slaughterhouses may be carried out by state-owned enterprises. Government or government acting in the name of the people constitutionally may be the owner of natural resources. In the constitution of Iraq, oil is identified as owned by the people of Iraq. The constitution specifies the roles and responsibilities of the central and lower level governments in exploiting this natural resource formally owned by the people. Likewise, water is considered a natural resource that is the property of the people, to be exploited and protected through assignment of various responsibilities to central, regional, and provincial government.

The effective provision of public goods and services is divided into three main topics:

1. Basic or routine public services provision and management;
2. Long-term development planning, infrastructure investment planning and financing; and,
3. Government's management and support to economic growth, taxation, and regulation.

Basic services provision focuses mainly on routine services provision, management, budgeting, and operations and maintenance issues. Long-term planning and investment focuses on both economic and social development planning and capital investment

and financing for infrastructure facilities. The third section focuses on the public sector role in supporting and stimulating economic growth. Each topic discussion focuses on the key issues, trade-offs faced in addressing those issues in stability operations, and recommended options and strategies for addressing the issues and trade-offs.

PUBLIC SERVICES PROVISION AND MANAGEMENT

Routine or current services provision is treated separately from longer-term development planning, infrastructure planning, and investment. Of course, the two are intertwined as planning for financing and implementing public sector infrastructure projects is the basic hardware of routine services provision. However, there is a tendency in reconstruction planning and execution and even in long-term development planning to focus most of the attention on large-scale infrastructure projects, to the neglect of repair and rehabilitation and improving the management and operation of existing, often small-scale, public sector infrastructure. In this first subsection, attention to repair and rehabilitation, improvement of ongoing operation and maintenance, and improved public sector budgeting and performance measurement of routine services is the focus.

Key Issues.

Five sets of issues relate to public services provision and are discussed here. Each set is pertinent to routine services provision, long-term planning and investment, and economic goods and services:

1. Quantity/coverage issues,
2. Quality issues,
3. Neglected maintenance issues,
4. Sector organization and policy issues, and
5. Management and human capacity issues.

These issues overlap in that some may be the consequences and some more the causes of poor or failed service delivery. For example, neighborhoods may be underserved by the water distribution network (a coverage or quantity of service issue) because of years of neglected routine maintenance and repair of network lines or lack of a water distribution network. Or quantity and quality issues may result from basic policy weaknesses such as an overemphasis in the public sector budget on prestige, advanced services such as overbuilding sophisticated hospitals while neglecting public health clinics. In the latter stages of conflict and in the post-conflict period, the most critical path to restoring or improving services likely must first address the symptom—inadequate services delivery to large segments of the population—in order to reduce tensions. Attention to the underlying causes, such as inefficient policies or weak human capacity to manage, need to come later. In those cases, the actions taken to address directly inadequate services should avoid implicitly or explicitly supporting policies or practices that discourage subsequent policy reforms. For example, if the situation prior to the onset of operations was an autocracy that used central dominance to favor a few and suppress many, then, while addressing services delivery deficits initially, stability operations should not

strengthen institutions that encourage, even implicitly, a continuation of past policies that contributed to conflict. Box 2 illustrates the kind of policy and structural changes that can address such conflict drivers.

Box 2. Conflict Over Resource Exploitation in Indonesia.

One of the major contributors to tension and sometimes outright conflict in Indonesia during the Suharto dictatorship was the dominance of the island of Java, and even to a significant degree the Javanese, in both politics and the exploitation of the country's considerable mineral, petroleum and forest resources. Outlying provinces, where much of the natural resource wealth is located, felt that they were neglected in terms of public sector resource allocations, while "their" resources located in their regions were exploited by central authorities in Jakarta. The successive democratically elected governments after the overthrow of that regime have had to deal with both the reality and the perceptions. Among the significant policy changes gradually implemented since the Suharto regime have been decentralization reforms to include local election of executive and legislative officials, as opposed to appointment by the central government in Jakarta, and more extensive resource sharing across the provinces.

Quantity Issues.

Inadequate quantity of services may be the proximate causal link between public services provision problems and tensions that may lead to conflict. For example, flare-ups have occurred in Kosovo from time to time over issues of real or perceived neglect of basic city services in municipalities where the Serbian minority is concentrated.

For water, electricity, sewerage, and telephone service, the measure of coverage is delivery to the household (dwelling unit). What is the (1) percent of the population overall (nationally, within a region, within a city, within a neighborhood), and (2) number and percentage of the dwelling units or residents connected to or receiving the service? The less economically developed the society, the more likely it is that one or more of these household level services actually will be delivered not to the residence but to the neighborhood. Standpipes in each neighborhood may be the expected and only available water service. Neighborhood toilets and washing facilities may be the level of service typical of the area or of most areas outside densely populated and generally better served urban areas. In fragile states such as the Democratic Republic of the Congo (DRC), basic services are seriously deficient even in the capital and towns, and virtually nonexistent elsewhere.

For services such as solid waste collection, elementary schools, public health clinics, recreational facilities, and markets, the measure of coverage or quantity from the beneficiary's point of view may be the distance from residence to the service point. And for services discussed in the previous paragraph that are delivered only at the neighborhood level, then distance from residence to the service point is the basic quantity measure. Neighborhood solid waste disposal units that do not require much distance traveled to dispose of household solid wastes in most lower-income societies, or rural areas of more economically advanced societies, are considered adequate services. The longer the distance required to travel to dispose of waste, or for young children to get to elementary school, or for families to get to a primary care health clinic, or to reach public toilets or standpipes, the less favorable the attitudes are likely to be regarding the adequacy/quantity of public services.

For services such as streets, roads, and footpaths, the quantity measure is the distance traveled, for example, on a footpath to reach a road where one might obtain public transport services. Or the distance traveled on a meandering road winding among neighborhoods before reaching a larger artery that one might have to use to reach jobs, markets, public service facilities, and entertainment may affect the perception of the adequacy or the quantity of a service. For public transport systems, the quantity measure may be frequency of service on routes and hours of service. Time required to travel from point A to point B (residential village to work in nearby town) captures the notion of quantity of service. In restoring services of this type, it is important to consider the best way to remove obstacles to travel from neighborhoods to jobs, to markets, and to other locations.

There are no universal standards of what is an adequate quantity or level of service for most services. Also it is highly unlikely that central or local government agencies are adequately measuring quantity and certainly not to engage with citizens on setting goals for improved quantity. For early stage stability operations, stability operations personnel will rely on observation; some direct measurement; and discussions with community leaders, government officials, and ideally casual discussions with citizens to judge the perception of adequacy. Formal surveys of citizen satisfaction, such as the Iraq Local Governance Program's *Quality of Life* surveys taken in 2003 and 2004, are useful if the scale of operations permits (see Box 3).[6]

Box 3. Citizen Satisfaction with Services.

In the Iraq Quality of Life surveys, citizens were asked questions to elicit their familiarity with service delivery issues and to rate the adequacy as well as importance of these public services in their daily lives. The surveys also asked citizens to indicate the relative importance of various figures such as government officials, religious leaders, tribal leaders, family, and so forth as opinion leaders and as potential official leaders. The surveys helped inform the U.S. Agency for International Development (USAID) and Coalition Provincial Authority (CPA) in assessing the current state of public opinion as well as informing staff implementing the Local Governance Program in designing interventions to strengthen the nascent local governments' ability to address some of the key issues.

Water and sanitation related services are an exception to formal standardization of adequate quantity. The UN Commission on Human Rights (UNCHR) estimates that humans need an average of 5 liters (approximately 1.3 gallons) per day for drinking and cooking and 25 liters (approximately 7 gallons) per day for personal cleanliness.[7] Measures associated with other services relate more to human behavior and process characteristics, such as providing solid waste management staff involved in the service delivery with adequate protective clothing. Such measures are important, but are not as pertinent to issues that may give rise to conflict.

Regardless of the actual quantity of services delivered, the concept of adequacy of service is a function not of comparison with a universal or scientific standard, but of the perception of whether a service is provided in sufficient quantity. And the perception of adequacy of service is affected by how much, if any, citizens have to pay to receive or have access to the service. Adequacy is potentially an issue related to conflict, or tensions

that might lead to conflict in one or some combination of three circumstances:

1. Services have previously been more substantial, have deteriorated in quantity, and service levels have not been restored to previous levels.

2. Services are, or are perceived to be, differentially available to different geographic areas, different ethnic groups, different religious affiliations, or other defined groups, and made available across groups in a discriminatory pattern by authorities.

3. While the quantity of service has not deteriorated, the price that has to be paid to access the service has increased.

In the event of a natural calamity or conflict that has degraded or destroyed public services, the cause of further conflict is not likely to be that services are no longer available or available in less quantity, but the length of time it takes public authority to restore services or return them to previous levels. Public opinion polls in Iraq immediately following the downfall of the regime showed public services availability to be a problem, but not one of crisis proportions. The longer it took to restore services to prewar levels, the greater the hostility toward public authority, both during the occupation period and during subsequent Iraqi governments. In Aceh Province, Indonesia, the perception following the 2004 tsunami was that emergency needs were addressed rapidly, and longer-term basic services restoration was reasonably well-managed. Though many factors influenced citizens' perceptions in Aceh, improved and even-handed service delivery improvement contributed to lessening tensions. Public perceptions go a long way in either contributing to or lessening tensions (see Box 4). A contrary example also comes from Indonesia. The government's raising of the heavily subsidized price of the fuel used by *becaks* (three-wheel taxis)—one of the basic transport options for the urban poor—has on numerous occasions set off public demonstrations, some of which led to days of prolonged violence. Banning *becaks* altogether in some municipal zones because of their contribution to air pollution also has led to tensions and sometimes violence.

Box 4. Basra Water System.

In Iraq, the Basra water system in May 2003 was functioning at about pre-war quantity levels. But water clarity was considerably poorer, and in some sections of the city improperly treated for bacteria and other substances in the raw water. One diagnosis surfaced the need for substantial rehabilitation of a water treatment plant. Another diagnosis revealed that the personnel had no water quality monitoring instruments and insufficient quantities of filter material to remove sediment. Personnel were overtreating, using chemicals faster than necessary. Spare parts for small scale repairs to treatment equipment were not on hand. A quick fix was financial assistance to purchase supplies, monitoring equipment and spare parts, and repairs were made by departmental personnel themselves. It did not address long-standing leakage problems in the system or longer-run issues of coverage of additional population, but it did produce an immediate positive response from citizens who were able to see direct improvement in water clarity.

The most likely source of hostility toward a regime deriving from citizens' perceptions of service quantity available is the conclusion that the regime is deliberately withholding levels of service for some segments of the population while providing substantial services, often at subsidized prices, to favored societal groups. For example, often-voiced complaints in the Basra area of Iraq have been that the region's oil was exploited by the

previous regime to enrich others (Sunnis, Saddam Hussein's cronies, Baghdad, etc.) and citizens of the region around Basra were left mainly with the environmental damages of exploiting the oil wealth without any benefits in the form of improved service.

In Afghanistan, most public services outside the few urban centers are sparse to nonexistent. This is not the result of war damages, but is more a reflection of the overall level of poverty and the inability of the current government as well as previous ones to provide public services. As a result, the adequacy of services issue is one that is more akin to central authority being perceived as irrelevant by villages and rural areas because it has never provided any public service and is unlikely to in the future. It is not so much that a service has been withheld, but rather that it has never been available in the first place. Thus local residents have little reason to support a distant government that has few benefits to offer. Their experience with public officialdom may be limited to police and tax collectors, further reinforcing a negative view of the state.

Delivering basic public services such as health and education which previously were nonexistent is a well-recognized step toward increasing government's legitimacy in the eyes of citizens and contributing to a reduced probability of future conflict. Of course, the options are almost unlimited in areas where very few, if any, public services have ever been provided. Even without formal random sample survey methods, such as the Iraq *Quality of Life* surveys described above, stability and reconstruction (S&R) personnel must quickly gather local impressions of priorities rather than enter the situation with preconceived notions of what are the most important service deficits. In Iraq, for example, after security, education, and health issues were seen as the most important by citizens, whereas the reconstruction program assumed that electricity would be considered the most important. For Iraqis, getting children back in school and having access to basic health services for children were higher on the initial list of priorities than electricity.

In cases where there is a major international presence and the population perceives that it is international actors rather than host country authorities that have assumed responsibility for services provision, the expectations may be raised above what might have been considered acceptable in the previous regime. Failure to rapidly improve services on the part of the international party/parties may cause some transfer of hostile perceptions from the host country authorities to the international stability operation.

Quality Issues.

Quantity and quality issues are similar and overlap considerably. Citizens may not make a fine distinction between quantity and quality, and scholars might debate whether something is considered a quantity or quality issue. For example, since there is a public health standard for what constitutes the necessary quantity of water for drinking, cooking, and washing, some might argue that the health consequences of inadequate access to fresh water are more of a quality than a quantity issue. For purposes of examining trade-offs and identifying programming options, it is moot whether to consider an issue quantity or quality.

The difference is important when the service provided is perceived as of poor quality, less than needed, less than deserved, or, worse, damaging. For example, a household may be connected to public water supply or electricity, but the service is available on an irregular basis. Electricity that is available for only 4 hours a day but on a well-known

schedule and delivered reliably on that schedule is likely to be judged less harshly than electricity that is generally available, on average, 4 hours a day but at scattered or inconvenient intervals, or not according to any predictable schedule, or at varying voltages. The latter issues are generally considered more quality issues than quantity issues. Political considerations may also alter how quality is perceived or considered by local authorities, as Box 5 illustrates.

Box 5. The Politics of Service Quality.

Quality may also become a political issue tied to profitable private-sector alternatives or to political maneuverings around certain aid projects. The issue of quality came to the fore in the provision of water to the besieged city of Sarajevo in 1993-94. Serb forces controlled the majority of the city's water supply and allowed very little into the city. Citizens were forced to get water from a river or to congregate outside at wells where they were exposed to mortars and sometimes to sniper fire. A Soros Foundation-funded program built a water purification system that processed water to World Health Organization (WHO) standards and put the water into the city distribution system. For reasons most analysts tie to the lucrative trade in water delivery, Sarajevo officials refused to sanction the quality of the water from the purification system. In fact, almost all residents used the water that arrived through their taps.

Another example is if water supply to households that has been available several hours a day is disrupted but then restored after some major interruption to the same number of hours a day and the service is reliable on a daily basis. In that case, there is not likely to be a quantity or quality issue giving rise to conflict or tensions that may lead to conflict. However, citizens may be dissatisfied if the water service, while still averaging the same number of hours a day as before, is no longer on a reliable schedule. Households can store water for periods when the service is off and, if the on-hours are reliable, can make adequate storage provision. But if the hours become concentrated in shorter periods, such as a previous average of 2 hours a day delivered 2 hours every day becomes 20 hours in 1 day and none for 10 more days, households may not be able to adjust to storage capacity. For example, in the Philippines, before significant improvements in the 1990s to the Metropolitan Manila Water System, breakdowns in the reliability and frequency of water supply led to tensions in poor neighborhoods. This especially occurred in those neighborhoods relying on multiple trips a day to a neighborhood standpipe to obtain sufficient water for drinking, cooking, and cleaning.

Water quality issues also relate to inadequate filtering and treatment. As with quantity issues, the problem is more likely to be either deterioration in the water quality from some previous time period, a perception that poor water quality varies geographically or by population segment, or a perception that countries similar in economic and other circumstances enjoy much better public services. Typically, both quantity and quality issues for water, sewerage, electricity, education, and public health services combine to generate tensions, hostility, or outright conflict.

Quality issues in public services often affect citizens more by imposing additional costs on them to adapt to a deterioration in quality. If electricity is subject to surges and wide fluctuations in voltage, service recipients may have to spend more to protect electric appliances from damage or destruction. Households have to invest in greater storage

capacity to adjust to erratic water supply delivery. Drainage ditches that exist but are allowed to become overgrown with vegetation or clogged with litter and subsequently overflow with sewage or with water runoff in the rainy season lead to public health problems and to flooding.

Quality issues in public transport relate to overcrowding, vehicle or system breakdowns that disrupt services, and environmental degradation from fuels burned that have long-term health consequences. The last, however, is not likely to be an immediate or near-term source of tension or conflict in that air pollution from public transport is contributory to, but not the main cause of, most environmental health problems affecting the urban poor in developing countries. Environmental health problems are more the consequences of a cluster of problems such as fuels burned in household cooking, poorly filtered and treated drinking water, or drainage that has become clogged.

Maintenance and Repair Issues.

This and the next two sections cover the main causes, aside from catastrophic destruction, of inadequate quantity or poor quality issues. The discussion is separate because the programming options discussed below are different. In situations of catastrophic destruction or degradation of services, ending conflict or reducing tensions that might lead to conflict have to focus on immediately addressing quantity or quality issues, even if there has been a history of neglected or poor maintenance that has led to some services being more vulnerable to conflict and natural disaster-related damage. Training and assistance in routine operation and maintenance, or policy changes to improve resource allocations between and within sectors, or management and human capacity improvements are typically important long-term interventions. However, if actual and perceived problems in quantity or quality, particularly issues of uneven distribution, have already led to or followed from high levels of tension or conflict, then directly addressing the quantity and quality issues has to be among the first steps, or at a minimum, simultaneous steps if sufficient resources are available to address everything at once.

Many conflict-prone countries neglect maintenance and fail to make routine repairs of small problems before they become large problems. Underground utilities are the most vulnerable because problems do not become immediately visible. As leakage in a water distribution system increases, system pressure is often increased to make up for the lower volume, and leakage is exacerbated. Older cities in industrialized countries also suffer from similar problems, as systems are comprised of distribution lines that may be anywhere from 10 to more than 100 years old. Unaccounted-for water, which consists both of water lost to leakage and water that reaches consumers but is not metered or measured, in a very well run utility can be below 10 percent of water that enters the distribution system. A general standard of less than 20 percent is considered efficient. In older systems, unaccounted for water can easily exceed 50 percent and gets as high as 75 percent.

Until a leak detection and maintenance system is put in place, it is impossible to determine how much unaccounted for water is due to physical leakage and how much to unmeasured usage (illegal taps, for example). In regions where stability operations are

likely to be conducted, it is highly likely that routine maintenance and preventive repairs of water systems and other utilities will have been neglected. When U.S. military and civilian personnel first entered Iraq, they found a sewage pumping station in Baghdad to be inoperative, with sewage bypassing the station and flowing directly into the river. The main pumps had frozen over a decade ago and were never repaired.

When infrastructure is relatively new, it needs little maintenance and almost no repairs. Over time, though, even the best constructed infrastructure will require attention and investment to maintain it. When infrastructure is located underground, as is the case with water and sewage systems, small leaks and other minor problems do not become visible until more advanced degradation has occurred. Operations budgets that contain detection equipment to spot problems early, stockage of repair parts for quick response, and stockpiles of operating supplies are easier to cut because they are expenditures anticipating costs that may not even be incurred during the budget year. And sometimes the problem is not cutting maintenance out of the budget, but including it in the first place. Most poor country governments budget insufficient funds for public works maintenance due to lack of resources, or preference for new capital investment, or lack of realization of the importance of routine preventive maintenance.

Many of the problems of routine maintenance are obvious in the aftermath of conflict. Garbage has not been collected, drainage ditches and sewers have become clogged, and war has damaged some facilities and exacerbated stress in what were probably already leaky water lines and other underground utilities. Supplies have not been delivered to health clinics, and schools may have been used by combatants and suffered damage as a result. Communications within the conflict area and to regions outside the area have been disrupted. Most importantly, the problems are readily visible to the population.

Service Sector Organization and Policy Issues.

The main organizational and policy issues in basic public services provision cluster into two groups: (1) setting priorities and allocating resources among priorities, and (2) assigning responsibility to central versus local providers. Decisions about which public services to provide, in what quantities, and where are made on the basis of both technical and political criteria. Often the voices of political and economic elites carry more weight than those of average citizens or the poor. As a result, public priorities and spending can favor services that benefit the privileged few, for example, university systems or modern hospitals. Primary education, primary health care clinics, and improved rural roads may be neglected. Generally, in stability operations these skewed priorities may not be able to be addressed immediately during the reconstruction phase. However, in the stabilization phase, supporting basic institutional development including policy improvements entails discouraging policies and practices that have led to neglected maintenance and putting higher priorities on repair and maintenance than on new construction. It is important to note that it is not only developing country governments, but donors and military forces that also see new construction as more glamorous and attention-getting than the nuts and bolts of improved operations on existing systems. In any case, as with neglected maintenance, citizens' perceptions of the existing authority is also based on the quantity and quality of services.

A second policy and sector organization issue is how the existing authority deals with services in squatter settlements and other informally organized areas. The policy not to provide services may be deliberate, as these areas are regarded as illegal settlements that need to be discouraged. Providing services would only prolong the existence of the informal settlement. Withholding services makes sense when: (a) economic growth is occurring at a sufficient rate that there is a discernible "graduation path" as people who move initially from rural areas to informal squatter settlements are able to find work and then migrate to serviced, formal sections of the urban area; or (b) the government is providing more formally organized and serviced settlement areas. But if the "graduation path" is either objectively slow or is perceived by citizens to be lengthy, the policy may produce a level of hostility and tension that undermines the regime.

Another organization and policy issue that affects both how services have been provided (quantity and quality) and what kinds of interventions during stability operations are most likely to be effective is the assignment of responsibility between national and local authorities to make decisions about public services provision and to provide basic services. Systems in which all authority rests in central government—both policymaking and management of basic services—are more prone to elite capture. That is, the dominant group or coalition that controls the center also controls access to services everywhere. Complete central control does not equate automatically to uneven access to services, but it does make it more possible, and the history of regimes that have given rise to conflict or regimes that have begun to fail is dominated by those that are highly centralized.

Generally, the more centrally planned and managed the system, the greater the likelihood of a mismatch between the demand for services and the supply. Central systems tend to overbuild facilities in some cases with a "one size fits all" mentality. Centralized systems also tend to have a capital city bias in which services to outlying areas are sacrificed to ensure the capital city is well-serviced. Centralized systems tend to be less responsive to local demands, and even central government personnel based in regions or local areas may find central ministry managers unresponsive.

Management and Human Capacity Issues.

Potentially contributing to each of the previous four issue clusters are management and human capacity weaknesses. Often in developing countries, there simply are not enough skilled and well-trained personnel to run a modern state. To a considerable degree, human resource and management systems investments typically follow the pattern of other resource allocations. Medical professionals, university faculty, lawyers, planning, engineering, and construction services personnel are in demand because of the pattern of investments in universities, hospitals, and capital infrastructure facilities. Trained teachers at the primary and secondary school level, public health professionals, and skilled repair tradesmen are in relatively shorter supply.

Management attention to the day-to-day diagnosis of public services facilities operating problems, performance measurement that might identify declining quantity or quality, and routine maintenance is limited, and personnel trained to perform those tasks are in scarce supply. In a few settings where resources have been more substantial, access to international best practices may be reasonably good in the categories listed above in

which resources have been concentrated, but personnel in day-to-day management of public services are less likely to have up-to-date skills and knowledge. Iraq, for example, had a highly educated population during the previous regime. Former colonies may also have considerable indigenous expertise at the time of independence, albeit among the former colonial population. South Africa is a case where that knowledge and expertise has been well-exploited. Zimbabwe has over time driven out much of that expertise without having invested in the population to develop skills and knowledge. Where a regime has been overthrown through violent and prolonged conflict, it is highly likely that many of the educated elite have fled the country and may not perceive the situation conducive to returning to the country for years after the conflict has ended.

Medium- and longer-term actions to improve management systems and human capacity are critical development interventions.[8] In stability operations, management and skills development need to focus more on development of skills and understanding that address immediate quantity and quality of service issues, as these deficits are more likely to lead to tension and inhibit conflict resolution. Development of rehabilitation and repair and policy skills and management practices that focus on operation and maintenance generally have more short-term payoff in improving delivery of services than do longer-term development programs focusing on broader management and policy analysis skills. Of course, there is no clear line that indicates when it is timely to shift to longer-term institutional development and management capacity building. But generally, assuming there has been an end to conflict and no ongoing insurgency, stability operations likely will have given way to longer-term development programs.

Trade-offs.

There are two sets of trade-offs among intervention options discussed in this section: Short-term versus long-term and large-scale construction versus repair and rehabilitation.

Short-term versus long-term. Implicit in the discussion above is the need to focus short-term, immediate attention on those public services deficits that give rise to perceptions of uneven access to quantity and quality of services. In an immediate post-conflict period, the population is more sensitive to uneven distribution of hardship than to the initial hardship itself, assuming there is no significant humanitarian crisis with groups lacking food, water, and/or shelter. If electricity services are disrupted and substantially less available than before but there is no visible unfairness in who has service, there is at least a short period of time in which authority, whether the existing government or an international authority, has the opportunity to restore such services, as illustrated in Box 6 in the case of Aceh Province, Indonesia, after the disastrous 2004 tsunami.

In addressing short-term issues, donors and military forces both have the tendency in post-conflict settings to bring in international NGOs, uniformed personnel, and other organizations to fill immediate capacity gaps. To restore services to some reasonable level, this may be the only option. This tendency certainly supports more immediate restoration of services, but it contributes little or nothing to the longer-term and essential goal of host country state institutions being perceived as efficient, effective, and accountable to the

Box 6. Equal Distribution of Hardship in an Emergency Can Reduce Conflict Potential.

The Indonesian province of Aceh after the tsunami is a case in point. The need to meet immediate and widespread shortages of food, water and shelter overshadowed any other options. Only after the short-term emergency conditions were addressed did citizens' attention to distributional issues surface. The efforts of the Indonesian government and external donor reconstruction programs ameliorated much of the potential for conflict renewal by addressing previous inequity issues and demonstrating clearly the intent to treat Aceh province in a more transparent manner and to integrate it into longer-term development programs.

population for meeting basic needs. The risk is that a parallel system will develop in which the population, and even host country authorities, come to rely upon the outside organizations for doing things. S&R actors need to not neglect their more fundamental role of supporting the development of host country institutions to deliver services.

From a long-term development point of view, addressing many of the policy and management issues, sector management, and human capacity problems is more important, but usually has to give way in the short-term to addressing service delivery deficits and the policies and practices that are contributory causes to those deficits. An exception is when the regime has exercised its central control in a systematic fashion to favor some groups at the expense of others. Paying attention only to the physical aspects of service deficits, especially if the reconstruction, stabilization, or development activities replicate the geographic or other characteristics of uneven distribution of services may in fact exacerbate underlying tensions and provoke conflict or a resumption of conflict. In one form or another, addressing policies or management practices that have led in the first place to unevenness in public services provision is a short-term necessity. As discussed under programming options, one way to address this is to promote some decentralization of authority and resource allocation to local authority so citizens can see that their needs are being addressed.

*Large-scale physical construction versus repair, rehabilitation, tools, and supplies***.** The temptation is considerable in the event of major service delivery deficits, if resources permit to bring in large-scale physical construction projects. The trade-offs in such a decision are the likelihood of less involvement of skilled local personnel and the potential for incompatibility between new systems and existing systems. Training requirements for personnel to maintain the new systems, spare parts, potential lack of interoperability between existing and new systems, and the potential lack of fuel from local sources to operate the systems are all potential problems. On the other hand, providing diagnostic equipment, tools, spare parts, and material and supplies to allow existing host country personnel to make repairs, rehabilitate systems, and put systems back into operation may produce a nearer-term positive impact on both quantity and quality. The trade-off, however, is that preexisting service deficits caused by a shortage of major facilities such as power generation, water impoundment, water treatment, and sewage treatment plants are not addressed.

Options.

Pay attention to service deficits that are likely to provoke tensions. As should be apparent from the discussion of issues and trade-offs above, in the reconstruction and stabilization period, the focus is not strictly on deficits in quantity or quality of services and their causes. Rather, the initial focus should be on deficits that historically have generated tensions or conflict or may do so in the immediate term. Those are most likely to be perceptions that some geographic areas or some population subgroups have been systematically deprived in the past, or that reconstruction efforts favor some areas or groups to the disadvantage of others. Aside from emergency humanitarian assistance, reconstruction efforts should focus on addressing quantity and quality issues that, if not addressed rapidly, will likely generate hostility toward the government. Caution is necessary to avoid provoking hostility from previously favored groups by addressing services issues only or mainly in areas previously disadvantaged. It can be a delicate balance to seek to redress previous inequities.

Involve host country officials and indigenous skilled personnel in planning decisions and implementation. Though the temptation is great to bring in international expertise to design best-case solutions, set priorities, and implement or oversee implementation because it will be faster and more efficient, it is more likely than not that local personnel will be less able, or even unwilling, to take over operation of externally designed and constructed facilities. Further, external parties may perceive the priorities more from a technical, even engineering, point of view whereas local parties are more likely to understand subtle differences that could give rise to future hostility.

Maximize low resource inputs of diagnostic equipment, repair tools, parts and supplies over large-scale equipment. More immediate restoration to preconflict or predisaster conditions, assuming limited outright or complete destruction of public services facilities, will be achieved by assisting local personnel with better diagnostic tools, repair parts, and supplies so that they can make immediate repairs to existing facilities.

Respond to humanitarian needs for immediate service delivery, but look for early possibilities to build the capacity of sectoral ministries and departments and local governments in planning, budgeting, and management. When the state is a weak or nonexistent partner, no one disagrees that S&R actors should respond to the immediate needs of affected populations, whether directly or through international NGOs and private firms. However, as early as possible in reconstruction activities, host country government actors should be included in setting priorities and allocating resources to services improvements. S&R actions such as quickly establishing interim advisory councils, at the neighborhood level first and working toward some kind of interim municipal or town council, help stability operations personnel to get local input early when there are no existing legitimate public authorities. Particularly at the local government level where actions are readily visible to the population, some local authority has to be supported, or created if nonexistent, to take responsibility for improved services. Even if it is primarily the external actors involved in stability operations providing the resources and much of the expertise, it is necessary to give as much credit as possible to local authority for improvements. *The aim is not to legitimize the external involvement, but to arrive at a situation where citizens accord legitimacy to the host country authority (be it central government or local governments) for meeting their*

needs. Winning friends and support for personnel is critical in counterinsurgency situations for the protection of military and civilian personnel, but ultimately there should be a shift to citizens' perceiving that it is their government that is improving conditions.

LONG-TERM PLANNING, INFRASTRUCTURE INVESTMENT, BUDGETING, AND FINANCING

The previous section focused on restoring or improving basic services that affect citizens on a day-to-day basis. That discussion excluded long-term planning and major infrastructure investments. This section focuses on the issues involved in long-term development planning for investment, which includes both broad economic and social development goals as well as more detailed annual planning for and financing of major public sector infrastructure. The issues discussed here start at the broadest level of national economic and social development planning and then narrow down to capital investment planning at the municipal or other subnational levels:

- National development planning; and,
- Capital investment (infrastructure) planning, budgeting and financing.

The interventions and actions taken by stability operations personnel are influenced by, but generally do not affect directly, the issues of national development planning and economic management. For the most part, these broader issues are within the purview of the Embassy, guided by overall U.S. policy in the country. Military leadership or other personnel may be engaged in country strategy discussions as part of or with the U.S. country team or a multinational team, but, with a few exceptions, on-the-ground stability operations interventions occur within the context of a country's multiyear national development framework and strategy for overall management of the economy. However, stability operations personnel support the involvement of lower levels of government in regional development planning and encourage the incorporation of civil society groups and citizens on priorities and strategies expressed in the multiyear national development plan. The following discussion of national development planning offers some programming options for stability operations, but mainly provides a context within which stabilization operations take place.

Key Issues.

National Development Planning. Long-term development planning encompasses both macro-level national social and economic development planning and a narrower focus on public sector infrastructure planning and investment. In developing countries, overall national development strategies—both economic and social—are likely to be expressed in a multiyear (5 years is typical) national development plan under the responsibility of a central level planning ministry. This is somewhat unfamiliar territory to many U.S. Government personnel because the United States itself has no Department of Planning and no multiyear national development plan. Many other industrial countries and most less-developed economies rely somewhat to significantly more than the United States on national planning.

In the United States, the national government role in broad economic policy is defined by the Employment Act of 1946, as later amended by the Full Employment and Balanced Growth Act of 1978. These acts limit the federal role in economic policy to promoting:

- full employment,
- price stability, and
- balanced (not too fast, not too slow) economic growth.

The primary tools employed by the U.S. Government to achieve these three goals consist of: (a) managing the money supply including credit—monetary policy—and (b) managing the federal budget either to use expenditures to stimulate growth (deficit spending) or, more rarely, to cool down the economy by running a budget surplus—fiscal policy. But specific long-range development planning is not a U.S. federal function. All countries, of course, use monetary and fiscal policy tools, but with the addition for many of a centrally focused national development plan. One of the key reasons for limited U.S. national government involvement in economic development planning and support is the federal structure of the U.S. system, though as noted in Box 7, some states have federal multiyear national development planning as well.

Box 7. National Planning Is Not Absent in Federal States.

Even the largest federal state in the world—India—focuses the resources of the central government on broad economic and social development through a comprehensive, multi-year national development plan. The plan directs central government spending, regulation of the economy, and many of the decisions that state governments are empowered to undertake.

By contrast to the United States, in most failed and failing states the central government has a more extensive instrumental role in promoting economic growth and social development, using the public sector to allocate significant economic and financial resources, controlling access to and use of natural resources, making public sector investments to meet service delivery needs, and stimulating private sector economic investment. Owning and/or managing much of the country's natural resources is a governmental—often exclusively central—responsibility. Personnel involved in S&R interventions to restore basic services may find that central officials defer to the national development plan for overall sectoral and regional priorities, and may or may not make public sector investments in the same sectors or regions that S&R personnel may feel are necessary to achieve reconstruction or stabilization objectives. The latter stages of stability operations—laying the groundwork for sustainable political, social, and economic development—will take into account the role of central planning and the overall national development framework. Responsibility is at the level of the U.S. country team, but interventions on the ground to assist in infrastructure planning, to strengthen the role of regional and local government institutions in local economic development, and to restart larger enterprises, often failed state-owned enterprises, take place in the context of the country's own overall national strategy.

Characteristic of national development plans for many undeveloped conflict countries is the alleviation of widespread poverty as a primary purpose motivating government's

large role in the economy and society. The international community's expression of broad social and economic goals for the least developed countries is the Millennium Development Goals (see Box 8).

Box 8. Millennium Development Goals.

The eight Millennium Development Goals have been adopted by the international community as a framework for the development activities of over 190 countries in ten regions; they have been articulated into over 20 targets and over 60 indicators.

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, Malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development.

The most common manifestation of these goals is in a Five-Year National Development Plan. The main implication for stability operations of understanding a country's National Development Plan is the realization that not only does the central government play a major role in steering the allocation of public sector resources toward various economic development possibilities, but also that it controls a large share of the national wealth. Examples include oil resources in Indonesia, Iraq, and Nigeria; forests in Brazil and Thailand; precious metals and ores in Ghana and the DRC. Stability operations, even during reconstruction, when involved with restoring or rebuilding major facilities such as an oil refinery, are likely to be focusing on facilities that are in place as a result of a central government long-term development plan and may or may not be in the plan for the type of restoration or investment that external, stability operations personnel think is appropriate. Recognition that specific interventions may support or undermine the national development plan is an important consideration in undertaking stability operations.

Further, most failing and failed states have a tradition of central planning in which there is little or no participation of regional or local actors, and limited or no involvement of the private sector or civil society. In stability operations, national economic and social development policy issues fall within the purview of the U.S. embassy, and in some cases with significant multinational engagement with the World Bank, the UN, the European Union, and other major industrial countries. On the ground, stability operations will engage in issues in which reconstruction activities affect, or are affected by, national development planning and, particularly in the stabilization phase of stability operations, in encouraging greater involvement of the private sector, civil society, and subnational levels of government. Box 9 describes the Afghanistan National Development Strategy.

Box 9. National Development Planning in Afghanistan.

The Afghanistan National Development Strategy (ANDS) outlines the Afghan government's plans for security, governance, economic growth, and poverty reduction during the period 2008-13. It is the product of extensive consultations with over 17,000 people from the national, subnational, international, private sector, civil society, religious, and traditional communities. The international community provided significant assistance in the development and preparation of the ANDS, specifically through the External Advisory Group, which focused on implementing the principles of the Paris Declaration.

The strategy supports and expands the commitments to reach benchmarks proposed in the Afghanistan Compact and the Afghanistan Millennium Development Goals (MDGs), and it lays out these objectives under three pillars:

1. Security: Achieve Nationwide Stabilization, strengthen law enforcement, and improve personal security for every Afghan.

2. Good Governance, Rule of Law, and Human Rights: Strengthen democratic practice and institutions, human rights, the rule of law, delivery of public services, and government accountability.

3. Economic and Social Development: Reduce poverty, ensure sustainable development through a private sector-led market economy, improve human development indicators, and make significant progress toward achieving the MDGs.

The ANDS also addresses cross-cutting issues such as counternarcotics, anti-corruption, capacity development, gender equity, and the environment.

The Afghan government has requested $50.1 billion in financing to achieve the goals set forth in the ANDS. It has also developed a framework for implementation, monitoring, and evaluation to ensure increased aid effectiveness so that these benchmarks may be successfully met.

Capital investment planning, budgeting, and financing. Of greater import for stability operations than national development planning are the issues and options involved in specific public sector infrastructure investment planning and budgeting and capital financing for infrastructure. National development plans shape the policy and strategy, but specific investment plans and strategies are for the most part the responsibility of sectoral ministries such as transportation, energy, public works, health, and education. In addition, the role of subnational levels of government and civil society in setting priorities for investments in public sector infrastructure is likely to be important in stability operations, particularly in activities that lay the groundwork for long-term, sustainable development.

There are two issues with capital investment planning being the sole responsibility of sectoral ministries:

1. The incentives for a central sectoral ministry are to aggrandize their capital investment budget, potentially resulting in overbuilding some infrastructure to the neglect of maintaining existing infrastructure (as noted in the previous section); and,

2. Central sectoral ministries tend to plan capital facilities to preset standards that are applied universally across the country, in many cases not adapted to local conditions, and even if so adapted, not in affordable quantities that take into account the availability of long-term financial support for infrastructure-based services.

The authority to award large-scale construction contracts is a significant temptation to underpaid civil servants. Countries that rank high on international indices of corruption are in that category in part because public sector resources flow to central ministries—such as Ministries of Public Works—that engage in large-scale infrastructure construction. The

incentives for senior officials to promote large scale capital projects are to secure greater power through a larger budget, and in some cases to increase the opportunity for personal gain through control over contract awards for large-scale capital projects.

Even where corruption is not a significant factor, central ministry planners are distant from, and often poorly connected to, priorities as seen at the local level. Among central ministries, the competition is over share of the national budget. Prioritization at the national level is a competition against national estimates of need for water sector investments, or education sector investments, or health sector investments. But the prioritization outcomes reflected in the national budget for annual capital investments is less likely to reflect average citizens' priorities.

Another issue with central management of capital investment strategies is with the most common financing mechanisms. In virtually all lower-income countries, public infrastructure investments that are planned centrally also are financed in the central budget through annual budget allocations to the sectoral ministries. Given the incentives in sectoral ministries for maximizing their budgets, infrastructure investments may not be prioritized in terms of economic objectives—investing in infrastructure that promotes economic development—or social objectives—investing in infrastructure that reduces inequities in access to services. As a result, the infrastructure investments may not generate the economic growth to pay for their long-term maintenance and to provide for periodic rehabilitation so that premature full replacement of infrastructure is avoided. That places an unaffordable burden on future generations to finance replacement well before it should be necessary, and ultimately either increases the need for future higher taxes and higher charges to the users of the services, or retards sustainable economic growth.

While stability operations/interventions have limited roles to play in addressing this issue, there are S&R interventions discussed in the Options section below that promote more economically and socially sustainable decisions on capital investment finance. In the latter stages of stability operations as they transition to long-term development programs, the sources of finance for public infrastructure are arenas for engagement. In the early stages, stability operations use U.S. funds from the Departments of Defense and State, U.S. Agency for International Development (USAID), or other agencies for support to improve public sector facilities and infrastructure, and other partners in a multinational coalition. These are short-term remedies for immediate needs, but, of course, do not address most infrastructure issues that arise in preconflict, conflict, and post-conflict conditions. Stability operations can and should contribute to improving on the country's management of infrastructure financing operations, but mainly through supporting long-term planning, budgeting, and financing strategies that lead to, or at least do not contradict, longer-term policy and management reforms that likely will take place subsequent to stability operations.

Trade-offs.

The key trade-offs involved in long-term planning and capital investments are twofold. The first is between a planning and budgeting process that is top-down versus one that is bottom-up, and includes the participation of the private sector and civil society. The

second trade-off concerns public infrastructure investment finance and is between central versus local government financing. Clearly in many post-conflict situations, government at all levels will lack the resources to make investment and will depend upon S&R actors for financing. What is important, though, is how the provision of external financing lays the groundwork for a sustainable system of public investment finance.

Public finance systems also involve top-down versus bottom-up issues, as well as civil society and private sector engagement issues. The discussion here is separate to facilitate understanding of sequencing and of actions that may be taken in rebuilding government to improve both planning for development and investments and the longer-term development of robust means for financing investments.

Development planning and budgeting: top-down versus bottom-up. One of the key tradeoffs involved both in long-term national development plans and more specific capital investment plans is top-down versus bottom-up planning. As discussed above, countries have a long-term development framework that expresses broad national strategy for economic and social development. The plan, to varying degrees of specificity, commits central government policy to an overall pattern of investments in physical infrastructure and economic and social development programs. Specific capital investment projects typically are not part of the national development plan, but rather are contained within sectoral ministry annual (and sometimes multi-year) plans and in rare cases subnational government investment plans. In some countries with a strong central planning history that emulate Soviet-style or other state planning models, the national plan may determine how central government will allocate resources during the planning period—5- and 10-year development plans are the most common time periods. In countries without a history of detailed central planning, development plans may focus around broad social and economic objectives, but may not determine the plans and budgets of central government ministries in the same way, and may or may not include involvement of subnational levels of government.

National development plans are not only potentially important for revealing expressed or implied priorities for central government resource allocations, but they should be instrumental in shaping external donor assistance flows to the country. Where interventions are major and country-wide, an agreement between the host country and the international community may be expressed in an international compact. Both Iraq and Afghanistan have international compact agreements in which the respective governments commit to long-term development goals with quantitative and qualitative measurable indicators of progress, a timetable for achievement of progress, and specific commitments of the country's resources to objectives. In return, the international community pledges financial and other resources to support the compact. Box 10 briefly notes some of the key features of the international Compact with Iraq. S&R actors need to understand what previous decisions have been made on overall development priorities and government budget commitments, the extent to which the multiyear development plan is really guiding or even determining what central ministries will be budgeting for and executing, and the extent to which there is widespread societal consensus on the priorities as expressed in the development plan.

Box 10. Excerpts from the Compact with Iraq.

The Compact will be implemented and monitored and actions to achieve its goals adjusted where necessary through a Consultative Group Process. This process will both build on and feed into the National Development Strategy [NDS] which will be improved through annual review and update. [including] . . . transforming needs and targets into actionable reform and development programmes . . . [with] coordination among national, regional, governorate, and sectoral levels. Broad participation in the review and annual update of the NDS and development programs . . . [with] inclusiveness from early stages onward involving civil society private sector and international partners in addition to the various levels of Government. . . . The resulting reform and investment plans and costing will feed into the budgetary processes at the various levels within an integrated federal fiscal framework. The integrity of both NDS and the budget will be ensured by only executing projects which have been included in the NDS and the budget.

The international Compact with Iraq, for example, expresses an explicit commitment on the part of the central government to employ a consultative process to reflect priorities at national, regional, governorate, and sectoral levels (see Box 10). In 2007-08, each of Iraq's 18 governorates developed provincial strategies that, for most of the provinces, included input from district and subdistrict leaders as well as representatives of business, professional, religious, and civil society organizations. In March 2008, these individual Provincial Development Strategies were formally presented to the Ministry of Planning and the Prime Minister, and the planning minister committed to reflect these regional and local strategies in the National Development Strategy (NDS).

The initial Compact with Afghanistan, formally presented at the 2006 international conference in Bonn, Germany, expressed the agreement of the international community and the Afghanistan government to a broad NDS, with all references to Afghanistan as a whole, or to central government, with no references to institutions of government below the central level other than a reference to provincial elections. By 2008, the Compact with Afghanistan was modified to affirm the importance of strengthening the role of government below the central level, and to reflect more priorities expressed below the central government level (see Box 11).

The temptation is strong in post-conflict situations to focus on a strong central government capable of a coherent and apparently unified approach to addressing a country's economic and social development problems. The trade-off, however, is that the factions and forces that have been involved in the crisis that prompted international assistance or intervention are often unable to reconcile fully differences within the context of a single, centralized process. International experience in the last decade is still evolving but developing planning processes are more effective when they include extensive and meaningful participation of institutions below the central government, and at that subnational level (regional, municipal, village) of citizens and formal/informal leaders that reflect social, ethnic, sometimes religious, and other differences. There is not a single, best solution. In Iraq, while some provinces are relatively homogenous with respect to major social and religious differences, other provinces are quite heterogeneous. In other cases, relatively strong geographic differentiation of deep population divides—some natural and some achieved by internal migration—determines the form. Box 12 on Kosovo provides an example.

Box 11. Excerpts from the Compact with Afghanistan (Revised 2008).

The Paris Declaration noted, in part: "The Afghan Government has committed itself to pursuing political and economic reform. The international community has agreed to provide increased resources and to use them in a more effective way. . . . This strategy, which was presented to us [the international community] today, will be our roadmap for joint action over the next five years and sets our shared priorities. We will align our efforts behind the financing and implementation of the Afghan National Development Strategy in order to achieve the objectives agreed in the Afghanistan Compact. We have agreed that to be successful the ANDS must have a substantial impact in every district and village throughout Afghanistan. . . . To strengthen Afghan government institutions and improve delivery of services to all Afghans: In order to ensure that the progress achieved during the past six years is sustained, the Afghan Government agreed to take action to increase trust in government by improving public administration, local governance, justice, police and other law enforcement institutions. In this context, it committed itself to ensure that appointments are made on the basis of merit. In support of these efforts, the international community agreed to increase support for strengthening state institutions at the national and sub-national level, including through larger scale civil service capacity-building. . . . The international community also committed itself to providing aid in a way that promotes local procurement and capacity-building. We agreed that the benefits of development must reach all provinces equitably."

Box 12. Geographic and Political Decentralization in Kosovo.

In Kosovo, Muslim and non-Muslim populations have almost completely segregated into separate geographic areas. Planning for economic and social development, resource allocation for services delivery improvements, and the organization of public sector authority reflects this geographic separation. Increasing the authority, importance, and responsibility of municipal governments in planning and executing capital investments as well as improvement in routine services is a key element in the post-conflict strategy for addressing differences by more reliance on local authority.

External financing versus host country finance. It is difficult and artificial to separate development planning from the means for financing development investments. Typically in the least economically developed countries, capital investments in water systems, streets and roads, public schools, and health clinics and hospitals are paid for from the central government budget on an annual basis. By contrast, in most highly developed economies, the infrastructure base for many public services is financed by lower levels of government. For example, in the United States, despite some federal public investment programs in such sectors as transportation and decades ago water and sewer systems, over 75 percent of total U.S. public sector capital investment is by state and local governments. Even of the 25 percent of investment that is federal, 10 percent is direct spending on projects and 15 percent consists of grants to state and local governments.[11] Hence, in the United States, the federal government does not lead the way, either in the sense of a national development plan or in the sense of the federal government having a primary role in public infrastructure investment.

As already discussed in the introductory section, Western industrialized economies typically are more decentralized, both politically and in service provision, than less advanced economies. In countries in which stability operations are most likely, the

U.S. Government can expect that most capital investments will be financed by central government. However, that is not universal, and military personnel should be cautious in not undertaking capital projects, even on a small scale, that are typically the responsibility of regional or local governments. Projects undertaken by and financed by lower-level governments are more likely to involve citizen input into sector/project selection and are more likely to be designed to be affordable in terms of long-term operation and maintenance costs. In addition, lower-level governments are more likely to recover at least the operating costs, if not the capital costs, from charges to service users, which has the effect of tempering demand for unaffordable levels of services.[12]

The temptation during reconstruction is strong to build a facility and/or provide a service at no cost to the beneficiaries, believing that the beneficiaries have been exploited in the past and should not have further costs imposed on them through user charges. However, such fees have been or are being introduced in the host country to provide the maximum level of services possible within economic resources available to the society. Research has regularly documented that the poor in developing countries are willing to pay some level for services, and are much more likely to place higher value on those services, be less likely to abuse them, and more likely to support their long-term maintenance.[13]

A "free" service provided by external donors, aside from emergency relief, can undermine the potential for successful local financing mechanisms to generate funds at least for operation and maintenance. Financing mechanisms should cover a share of capital costs from affordable user charges, charges that the population already has demonstrated willingness to pay. Further, military personnel should ensure that the use of external financial resources, such as Commander's Emergency Response Program (CERP) funds, for a facility do not substitute for and replace funds available locally. For example, as countries assign some degree of responsibility for financing services to the local level, central governments typically also transfer some financial resources collected by central government, such as exploitation of a natural resource or taxation, to local levels. Personnel must ensure that facilities or projects they fund are additive to, not substitutes for, what local authorities would otherwise have done with central transfers.

Options.

In general, stability operations actors have limited opportunities to affect long-term economic and social development planning and long-term capital investment planning and finance. However, actions by S&R personnel are affected by host country policies and actions in these issues, and S&R interventions sometimes can undermine positive directions toward which host countries may be heading.

Encourage and support bottom-up input into national development plans and strategies. As the Iraq and Afghanistan examples of national development strategies indicate, there are varying degrees of commitments on the part of host country governments to take the "longer and messier" route of involving citizens and lower level governments in determining multiyear, national priorities. The initial strategy of the Afghan government and its international partners was to create a strong technocratic central government and to extend its reach into the provinces. Weak support of central government in many of the

provinces and the inability of central government to contribute to improved basic living conditions in many of the provinces were contributing factors to a shift in the international community as well as the Afghan government toward paying more attention to local development planning, as reflected in significant shifts in emphasis in the Compact With Afghanistan from 2006 to 2008.

In Iraq, the national development strategy has incorporated provincial development strategies developed in each of the 18 provinces. This has led to an integration of provincial strategies into a comprehensive national strategy for exploitation of natural resources—oil, arable land, and water—to develop a competitive economy. The comprehensive strategy is still a work in progress, with significant decisions yet to be made on the allocation of proceeds from exploiting the country's oil resources to overall national priorities, and to locally determined priorities at regional and provincial levels. The outcomes of both the Afghan and Iraq cases are still too early to judge. At least in some of Iraq's provinces, a participatory process for including civil society and a variety of interests has served to mitigate conflict and to achieve resource allocation aligned to some degree with local priorities (see Box 13 for an Iraq example). Participatory development planning in Indonesia, even before significant decentralization decisions were made at the central level, resulted in central ministries redirecting at least some resources from Jakarta-based decisions to decisions made at the regional level.

Box 13. Participatory Provincial Planning.

The Chairman of the Tameem (Kirkuk) Provincial Development Strategy (PDS) Committee remarked at the conclusion of the 6-month long planning process: "two events in the past year have done more than anything else to unite Iraqis—the Asian Cup football victory and the provincial development strategy process." Following the completion of the Anbar Province PDS, the Governor and Provincial Council decided to further devolve capital investment funds allocated from the Ministry of Finance to the province to the district and subdistrict levels. Of the funds from MOF to the province, 70 percent are now further allocated for lower level decisions on local priorities.

Use U.S. Government funding to buy into locally determined priorities rather than priorities that stability operations personnel identify. The temptation is great to bring in international expertise to design best-case solutions, set priorities, and implement or oversee implementation because it will be faster and more efficient. However, the risk is that local personnel will be unable, or even unwilling, to take over operation of externally designed and constructed facilities. Further, external parties may perceive the priorities more from a technical or engineering point of view. Local actors are more likely to understand subtle allocation or quality/quantity differences that could give rise to future hostility.

Early U.S. interventions are likely to occur without much knowledge of locally determined priorities. Stability operations resources should certainly be used to address emergency issues and to demonstrate responsiveness, but resources for small-scale capital projects for the most part should be reserved until local participatory consultation and planning processes can be established. This need not incur any delays, as neighborhood meetings to identify priorities can take only a matter of days, building up to more organized and systematic processes for issues that cut across neighborhoods. In the case

of larger-scale investments such as rehabilitation of a pumping station requiring larger resources, if a local government is already in place, or being formed, it is better to reserve the external funds to support an investment that can be credited to the participatory planning process and the local government. A key purpose of S&R operations is to support the development of legitimate political institutions that engage with civil society and are responsive to citizens, as discussed later. S&R support for capital projects is best used when it also supports this purpose.

Avoid becoming an alternative to host country government mechanisms for determining local priorities. Just as with restoring basic routine services, stability resources should not substitute for national and local resources when they are available or can be mobilized for large-scale infrastructure construction. Iraq and Afghanistan are good contrasts. The national resources are not available at the current stage of economic development for large-scale infrastructure construction in Afghanistan. By contrast, in Iraq, once production and distribution of oil resources were restored, significant capital investment funds became available for infrastructure. The primary impediments to using those resources were political and managerial, rather than resource availability. To the extent that U.S. and other reconstruction funds for major projects were available to substitute for use of existing Iraqi resources, there were fewer incentives to solve those political and managerial issues.

But there is no single correct response. With high levels of violence, even in a resource richer country, applying those resources to address basic infrastructure deficiencies is difficult. Military personnel have to balance use of resources to restore infrastructure as a way to reduce high levels of violence versus accepting the lag time for applying resources available within the country to addressing those deficits.

Economically and financially, U.S. Government interventions should also support the development of some local financial participation in public service facilities by the beneficiaries of services, particularly user charges, even if they are only modest ones. In some societies in which citizens have never been called upon to pay for public services—Iraq in the previous regime was an extreme example of this—introducing such reform is likely to take place after stability operations have ended.

During stability operations, however, no actions should be taken that undermine existing user charges, even if they are only token payments for some services. Even a resource wealthy society cannot address all needs simultaneously, and sustainable long-term economic development requires the financial participation of individual citizens and the private sector in paying for public services.

Support technical management improvements in capital investment planning to reduce one-off project financing in favor of multi-year capital improvements. Even systems with a tradition of long-term national development planning do not necessarily have robust systems for multi-year, integrated capital investment planning. As discussed earlier, capital projects are typically generated from budget bargaining between sectoral ministries and the finance and planning ministries. Decisions on capital projects typically are divorced from consideration of the long-term current budget requirements for adequate operation and maintenance costs. Furthermore, such investments are generally financed through the current budget (central government) and rarely anticipate the future cost of periodic rehabilitation required to keep a capital facility in operation for its maximum life span. Box

14 elaborates a standard best practice multiyear capital investment planning and budgeting process, which is an important component of technical management improvements.[14] This process can be introduced in the latter phase of stabilization operations or early in the period after formal stability operations have ceased.

Box 14. Capital Facilities Planning and Budgeting.

1. Identify present service characteristics (inventory facilities and service levels)
   a. Coverage (quantity)
   b. Quality
   c. Cost per unit of service (efficiency)
2. Identify environmental trends
   a. Population growth projections
   b. Changing regulatory environment
   c. Employment and economic development trends
3. Develop service objectives
   a. Extension of service to new population or area (coverage)
   b. Improvement in quality of service
   c. Opportunities to stimulate economic growth
4. Develop preliminary list of capital projects and cost estimates
   a. Rehabilitation of existing facilities
   b. Replacement of existing facilities
   c. Addition of new facilities
5. Identify financial resources
   a. External assistance
   b. Projected growth in present revenue base
   c. Potential for direct cost recovery for individual projects
   d. Use of credit
6. Select subset of projects for inclusion in 5-year capital investment plan (CIP)
7. Identify future recurrent cost impact of CIP on operating budget
8. Include first year of CIP in annual budget estimate.

ECONOMIC GOODS AND SERVICES

This section discusses a relatively narrow range of issues and potential actions in rebuilding government, focusing on government's provision of economic goods and services. The two previous subsections focused on basic, routine service delivery to citizens, and long-term planning and investment for public services provision. The third responsibility of government within the overall category of effective provision of goods and services is government's role in supporting an environment that is conducive to economic growth and in the performance of specific governmental functions focused on economic growth.

Much broader treatments of strategies and actions focusing on economic growth in stability operations, or conflict and post-conflict environments, are readily available.[15] The topical coverage of two of these references is illustrated in Box 15. These and other guides to post-conflict economic growth share a common point of view—that economic growth is primarily a private sector led phenomenon, and the various roles of government are

primarily associated with effective and efficient performance of governmental functions, not the government's direct participation in the economy as an economic actor. Those and other references are more appropriate for strategies to rebuild the economy. Since this guide focuses on rebuilding public services, primarily government's roles, only those issues and possible interventions are discussed that specifically relate to rebuilding government.

Box 15. Rebuilding the Economy to Restore Economic Growth.	
United Nations Development Program (UNDP) Post-Conflict Economic Recovery	USAID Guide to Economic Growth in Post-Conflict Countries
Infrastructure rehabilitation	Macroeconomic foundations • Fiscal policy and institutions • Monetary policy and institutions
Human capital investment	Employment generation
Re-integration of ex-combatants and special groups	Private sector development • Enabling environment • Enterprise development
Job generation and other economic opportunities	Agriculture
Strengthening local (government and civil society) institutions	Banking and finance
Access to financial resources	Trade policy
Macroeconomic policies	Infrastructure

Key Issues.

There are two key issues in rebuilding government to support economic growth: (1) Rebuilding government to support the enabling environment for economic growth, and (2) Rebuilding government for direct interventions in the economy.

In countries where conflict has been isolated within a region, the state institutions that play major roles in the economy are already in place, with the possible exception of the conflict region itself. Even though there may be significant weaknesses in these existing national government institutions and their economic growth policies, S&R interventions in this situation are likely to deal only or primarily with the affected region. Similarly, the state institutions that directly intervene in the economy, such as the central bank, also are typically in place. Stability operations are not likely to be involved with reforming or improving these existing national institutions that have primary impact on the

economy in those situations where the government, or at least the national government, is substantially in place.

Where violent conflict has damaged or destroyed most government capacity, such as Iraq and Afghanistan, stability operations may address some of the state institutions closely involved with or impacting upon economic growth. However, most of the issues will be under the direction of a country team led by the U.S. Ambassador (or in the rare case, the U.S. Administrator). It is beyond the scope of this guide to discuss monetary and fiscal policies or specific strategies for restoring an institution such as the central bank. The discussion of issues, tradeoffs, and options below focuses on issues within the purview of military and civilian personnel engaged in stability operations.

Enabling environment issues. Four arenas in which government, both central and regional/local, needs to intervene to provide an enabling environment for sustainable economic growth are discussed elsewhere in other sections of this guide or in a companion guide, *Restoring Governance*.[16] They are (1) efficient provision of basic routine services; (2) rehabilitation and repair and/or construction of public infrastructure; (3) rule of law as applicable to commercial transactions and protection of property; and, (4) security as it relates to protection of business assets from theft or destruction.

The previous discussion of efficient provision of basic services highlighted how improving individual citizen's/household's access to services has the potential for reducing tension, preventing the restart of conflict, or redressing inequities of the previous regime. Restoration of basic services also contributes to enabling economic activity. Businesses, both micro and large-scale, also require access to services. The cement industry, for example, consumes large quantities of electricity and requires water in the production process. Household farms that generate a surplus beyond household needs for sale to generate monetary income require markets in which to display and sell their goods, as well as transportation routes from rural areas to market towns or urban centers. Tanning, fabric dyeing, and other materials preparation processes require large quantities of water and a means of disposal of hazardous or toxic wastes.

Thus immediate attention to restoration of basic services to households during stability operations, as discussed earlier, also must take into account the quantity and quality requirements of existing or potential economic enterprises. Reliability of service is particularly important to small businesses that are unlikely to be able to afford a private alternative. For example, food distribution and retail food establishments that require refrigeration need a reliable/predictable electricity supply. Erratic electricity or water supply that may be an annoying inconvenience to households could be destructive to small businesses. Larger enterprises may be able to substitute private supply for public service delivery—for example, purchase and use of generators—but that increases the cost of doing business and may discourage enterprises from reopening rapidly after a period of conflict.

The same issues arise if the cause of inadequate quality or quantity of services is not routine operations but is inadequate infrastructure. Decisions by S&R actors about capital investments in infrastructure, or support for the host government's allocation of capital investment resources, must take into account the potential impacts on existing as well as start-up enterprises. Analysis of the potential economic base for a region or town may identify transportation advantages, access to critical natural resources in

the immediate area, or availability of a skilled workforce in particular trades that have been idled by conflict or disaster. Businesses can take advantage of these assets if small-scale infrastructure improvements are made. Thus, stability operations interventions to improve services provision and/or to improve the infrastructure base also can support more rapid startup or restart of enterprises that depend upon public services.

In addition to direct service delivery, the state's ability to establish and ensure the rule of law also has a significant impact on economic growth possibilities. In cases of prolonged conflict, it is highly likely that private capital assets have been converted to financial assets to the maximum extent possible and taken out of the country, or, in the case of smaller quantities of financial assets, hidden away. These private assets may be redeployed rapidly under the right conditions as conflict ends, but if there is considerable uncertainty over whether commercial contracts can be enforced or other legal protections for commercial transactions will be available, then capital will be slow to return to the country or the area of conflict. Hence, restoring some degree of certainty in how commercial transactions and contracts will be protected and enforced is necessary to induce those with capital to restart enterprises or to engage in new economic activities. Where the legal system is in significant disarray, stability operations personnel may work with local officials to take advantage of traditional sources of dispute resolution such as councils of elders or tribal councils to play a role in resolving commercial and property disputes.

One useful tool in identifying the various obstacles and barriers to restarting economic activity and/or stimulating new entrepreneurial activity is an index developed by the World Bank that summarizes the facilitating factors for doing business, based on a large number of indicators grouped into 10 categories. Box 16 is a summary description of the categories in the index and the main individual components.[17] Stability operations, unless they continue over a multiyear timeframe, will not be able to address many of these issues. For example, the minimum paid-in capital required to establish a limited liability company to conduct a business is typically embedded in the commercial code of the

Box 16. World Bank Ease of Doing Business Index.

- Starting a business: Procedures, time, cost and paid-in minimum capital to open a new business .
- Dealing with construction permits: Procedures, time and cost to obtain construction permits, inspections and utility connections .
- Employing workers: Difficulty of hiring index, rigidity of hours of index, difficulty of firing index, firing cost.
- Registering property: Procedures, time and cost to transfer commercial real estate .
- Getting credit: Strength of legal rights index, depth of credit information index.
- Protecting investors: Strength of investor protection index, extent of disclosure index, extent of director liability index, and ease of shareholder suits index.
- Paying taxes: Number of tax payments, time to prepare and file tax returns and to pay taxes, total taxes as share of profit before all taxes borne.
- Trading across borders: Documents, time and cost to export and import .
- Enforcing contracts: Procedures, time and cost to resolve a commercial dispute.
- Closing a business: Recovery rate in bankruptcy.

country's legal system. External actors such as S&R operations personnel are not likely to become engaged with commercial code revisions. But many of the other issues identified in Box 16 are managed (or mismanaged) at the local level. Stability operations may promote activities to speed up commercial requirements such as securing construction permits and conduct of inspections.

Finally, the enabling environment is affected by safety and security issues. Security issues include the obvious—a small- or large-scale insurgency, criminal activity, and lack of order and safety. Security issues for economic enterprises also include the behavior of security personnel themselves. Having to pay bribes for police protection for a business establishment, or to civil servants to obtain permits and licenses, or to pass inspections can be issues for stability operations interventions. In particular, micro and small enterprises that operate on very thin margins cannot afford the extra costs of doing business stemming from lawlessness or from the corrupt behavior of security personnel.

Direct economic interventions issues. Several categories of governmental activity relate directly to the economy and economic growth:

- Employment generation
- Access to capital for small entrepreneurs
- Role and management of state-owned enterprises
- Banking system and transactions
- Macro-economic (fiscal and monetary) policy
- External trade (exports and imports).

It is beyond the scope of this guide to recommend specific economic policies. For example, control of the money supply and exchange rate issues is critical to an economy's ability to enter, or reenter, competition in the global economy. However, strengthening the capacity of the finance ministry and the central bank and advising on major policy issues are well beyond the scope of stability operations to rebuild government. Advisors from the U.S. Department of Treasury, International Monetary Fund, World Bank, USAID, and other bilateral foreign assistance agencies may be involved in policy dialogue and institutional strengthening; and individual military reservists with significant civilian expertise in these areas may very well be engaged in such institutional strengthening and policy dialogue activities. However, the last three bulleted issues listed above are not addressed here except to note that a complete economic reform program would entail support and assistance in all of these areas. This program may operate in parallel with the latter phases of stability operations in some cases, or in parallel from the immediate post-conflict intervention in cases of complete state collapse.

Public institutions, and particularly local governments, and stability operations, however, are regularly involved in specific interventions in the first three areas listed: employment generation, finance for small and micro-entrepreneurs, and state-owned enterprises. Large scale unemployment and underemployment are characteristic of post-conflict settings. Public services and infrastructure facilities are likely to have been disrupted, preventing the restart of business activity. Security will still be an issue in many cases. In this environment, entrepreneurs can be expected to be reluctant to commit capital to buying much inventory for resale, or to rebuilding or constructing new business

facilities or small manufacturing enterprises. Previous combatants that have demobilized will add to the swelling of the un- and underemployed.

Public services rehabilitation and repair projects are one of the most immediate and obvious employment opportunities. Use of stability operations funds to employ workers for a wide range of public improvements from trash collection to drainage clean out to road repair and so forth is commonplace, and a useful strategy. It is important, however, to avoid two common mistakes: (1) use of uniformed military personnel to perform the service when there is plenty of local labor, however badly the service is needed, and (2) working apart from, rather than in concert with, local government or local departments of central government agencies or civil society organizations.

The use of U.S. (or other partner nations') military personnel is tempting because the personnel with the equipment are on the ground and desire to do something constructive to improve citizens' conditions. A U.S. Army division commander during the occupation period in Iraq remarked that he "commanded a division of over 21,000 men and women with all of the equipment that entails, and could do pretty much anything that needed doing to clean up and fix up the area of operations." That division commander recognized, however, that his job was not to restore services, but to restore the ability of the Iraqis to restore services, and acted accordingly.

Similarly, it is tempting to start a direct employment program in which unemployed youth are hired for various public works activities, paid with U.S. Government funds but with no connection to any host government entity. That may well be the only choice very early in stability operations if no functional government institutions exist in the area of operations. However, as rapidly as possible, stability operations personnel need to connect with host government actors and civil society organizations to coordinate such employment programs. Stability operations personnel should credit as much as possible host country actors with the ideas, the supervision, and the choice of priority projects in which the unemployed will be engaged. This approach is more complicated and time-consuming than "doing it yourself," but it pays dividends in starting to restore confidence in, and build the legitimacy of, the state and the new government. It certainly does not imply that one must pass the funds to a host government official who in turn pays the temporary workforce. That may be an unacceptable use of U.S. funds, or—even if legal—it may create opportunities for corruption when initially U.S. funds may be the only source of hard currency around.

Having the only currency available also may mean that the use of S&R funds is the sole ready means to provide small scale loans to local entrepreneurs to rebuild their inventory, or to repair damaged small business facilities, or to purchase minor capital equipment. Typical development programs from USAID or other donor organizations when the environment is reasonably permissive include financial resources to jump start or restart commercial activities. Uniformed personnel already familiar with the area may already have identified individuals who previously had small businesses that cannot reopen for lack of capital. Military and civilian cooperation to bring opportunity and capital together is a win/win strategy for a whole-of-government approach.

Finally, one of the thornier issues in the government's direct role in the economy is how to address the role of state-owned enterprises. In virtually every country where stability operations are likely, there will be more government entities carrying out what Western

industrial countries would consider private sector business activities. For example, in Iraq before 2003, as much as 80 percent of all employment was public sector employment. National petroleum companies, telecommunications companies, and airlines are obvious and visible. But state-owned enterprises also include cement factories, manufacturing plants for hard goods, and agricultural inputs such as seeds and fertilizers. Many of these state-owned enterprises are likely in the pre-conflict period not to have been competitive without significant government subsidies. These enterprises were unlikely to have been able to recover both capital and operating costs, much less return any kind of profit (whether called profit or not) on capital. Without protection against foreign competition in the form of either tariffs to raise the price of foreign products or of input subsidies to lower the apparent cost of production, these enterprises are likely not to have been competitive if the pre-conflict economy was substantially dominated by the state.

The dilemma is that these enterprises likely were major sources of employment, in addition to government civil service in the more traditional governmental institutions involved in regulatory or public service provision roles. If those state-owned enterprises are not restarted, it is highly likely that unemployment will remain high, perhaps for years, before competitive new enterprises can take their place. On the other hand, if the noncompetitive state-owned enterprises are restarted to operate as before, it is likely that they will remain a drag on long-term, sustainable economic growth. Both the USAID and UNDP documents referred to in Box 15 reach somewhat similar conclusions:

- Encourage selling the assets of smaller state-owned enterprises right away;
- Reform the larger state-owned enterprises to achieve competitive position; and,
- Engage in policy dialogue activities to persuade the government of the advantages of getting government out of most economic sectors and businesses that are demonstrably more competitive as privately owned enterprises in neighboring countries within the region.

Trade-offs.

Short-term versus long-term. Restoring or rebuilding government's role in support of economic growth is especially replete with short-term vs. long-term tradeoffs. As noted above, in post-conflict situations, economic activities have in many cases come to a complete halt. Emergency relief and humanitarian assistance services provide a quick, but short-lived jump-start to economic activity. Even modest employment for emergency shelter construction; to assist in emergency food and water distribution; and to assist in organizing temporary health facilities, child care facilities, or temporary schools for children will put some money into circulation.

Somewhat larger-scale activities beyond the immediate emergency relief such as discussed above—trash collection, drainage clearance, etc.—also put money back into circulation. Similarly, paying for informal community watch or community security forces in the absence of government security personnel addresses some security issues and puts money into circulation.

However, all of these are temporary short-term measures; only those jobs created that ultimately are absorbed by private sector growth or by government—the latter especially in the case of informal community police—will be sustainable. In the long term, S&R

operations will have ceased, and even subsequent development programs will not focus on continuing short-term temporary employment activities. In the long-term, the roles of the private sector and government have to be sorted out. The preponderance of evidence shows that private sector-led economic activity has to increase if a country is to develop an economy that is unlikely to be a source or cause of conflict and is likely to provide enough incentives for most of the population to eschew violence. Similarly, where local informal security forces are being paid by U.S. or other donor sources, it is essential that there be agreement with the host country about the long-term absorption of those forces into the regular police or other security forces.

Efficiency versus effectiveness in public infrastructure investment. In the previous discussion on long-term planning and capital investment strategies, the focus was on restoration of services to citizens and to support economic activity. An additional consideration in stability operations is the long-term economic viability of infrastructure investment choices. The issue is not whether or not to invest so as to provide basic services, water supply for example. Rather, the concern is taking into account the economic implications of choice of technology, choice of capital financing mechanisms, and choice of cost recovery mechanisms, including the role of user or beneficiary charges. As noted in the earlier discussion of capital investment financing, the most common way to finance infrastructure in developing countries is for central government to finance both capital and recurring operating costs from the central government annual budget. In some cases where responsibility has been devolved to local governments, the most likely financing mechanisms are capital costs financed from the central government budget and annually recurring costs recovered from the local government budget, which in most cases means through direct charges to water supply users.

Financing from the central government budget without subsequent user or beneficiary charges for ongoing costs is expedient. Central governments often borrow from multilateral institutions such as the World Bank or the Asian Development Bank for major infrastructure construction projects. These large-scale, loan-financed projects are subject to rigorous financial and economic cost analysis to ensure that the economic benefits of the investment—meaning the gain in value in the overall economy—are greater than the cost. However, in implementation numerous problems arise, particularly in conflict-affected countries. As noted in the discussion of provision of basic services, routine maintenance and repair are often neglected. The full life span of the capital investment is never realized because the infrastructure fails well before the end of its designed life cycle. In that case, the economy no longer benefits from the capital facility, but the central government is still repaying interest and capital on the original loan financing.

The alternative involves choosing technology, level of service, and level of quality whose costs can be recovered through charges to the users of the service. This promotes long-term economic efficiency, but the tradeoff is likely to be a level and type of service that citizens may feel is substandard compared with what they may be familiar with in the capital city, in upper income areas, or in higher income economies nearby. Citizens may view the service as less effective than what they would have expected, which affects their perception of the social contract with the state. Stability operations cannot really address this issue, with a major exception. Where stability operations involve financial support for capital investment in infrastructure, the trade-off is often between unsustainable

long-term costs with significant cost to the central government budget, and choices that provide a service that can be afforded by the population.

Options.

Maximize the use of host country institutions, including state and civil society organizations, and traditional structures to facilitate and manage short-term employment programs. Design economic stimulus interventions that are also primarily job generation activities to aid in the task of rebuilding government and identify and use existing social groups and organizations to work with whatever state institutions exist in the conflict/post-conflict setting to select priorities for various public works improvements. Use these institutions to communicate employment opportunities to the un- and underemployed, to mobilize a workforce, and to oversee the conduct of the work. Employment generating activities have several good motivations: taking unemployed youth off the streets for security reasons, giving people an initial sense of hope, putting currency into circulation, and achieving a public good. They also strengthen the credibility and legitimacy of the state, and encourage dialogue between local government officials and citizens.

Favor lower technology solutions and a focus on tools and supplies to repair and rehabilitate existing public infrastructure and facilities over major capital projects. The previously discussed reasons for this recommended option focused on strengthening the capacity of local officials to "do the job themselves," providing tools, materials, and supplies that enable local personnel to diagnose and fix the problems. Here the stress is on limiting the negative impact of higher cost solutions that might be unaffordable if the country had to pay for the solutions themselves. Higher cost technologies that are affordable only because they are paid for by S&R funds generate future cost requirements for maintaining or replacing that technology. These are not likely to be affordable when the external funds are no longer available. In addition, technology solutions selected by external parties may not be fully compatible with existing technology and may result in some new facilities never being put into use, thereby generating hostility in the population for a service not delivered and wasted S&R resources.

Undertake economic and financial analyses of what the long-run capital recovery and operating costs would be, and what users or government budgets would have to pay. The time frame for stability operations is typically too short for significant policy changes to be made in cost recovery systems for public infrastructure. If user charges are not customary, for water, for example, then it is highly unlikely that during the course of stability operations a change to user cost recovery can be implemented. However, prior to making specific decisions involving the use of S&R funds for potential capital investments, there should be a "what if" analysis to consider how high user charges would have to be to recover only recurring costs and how high these charges would have to be to recover both capital costs and recurring costs. In general, S&R capital investment decisions should be taken with a view that the country will shift to cost recovery through user charges during the life cycle of the capital investment. The S&R decision should reflect what is likely to be affordable. This exercise may seem speculative when that shift in the country's approach to financing capital investments might take place, but the discipline of considering the options will result in better uses of S&R funds and a more economically efficient impact

on the economy. Further, full engagement with host country personnel in the disciplined analytic process will enhance their decisionmaking capacity.

Support local government, or local offices of central ministries, to build government capacity to facilitate small business rehabilitation and local economic growth. The World Bank's *Ease of Doing Business* index referenced in Box 16 provides a useful list of the possible obstacles small businesses face in starting up or restarting. A quick assessment of how many steps it takes to register a small business legally (obtain permits for even modest facility improvements, get inspections scheduled and conducted, register for tax payments [if such payments are part of a tax system in the specific country], register with or become part of the social insurance system, which is likely to be a mandatory step, etc.) is likely to reveal that it could take several months to be fully compliant. One-stop business start-up centers established locally with representatives of all of the local government and central government agencies whose permission and/or cooperation is necessary to start and operate a business in one place is a useful way to speed up the process. Employment and job training centers can complement business centers by sharing information on labor supply and demand, and business opportunities. Box 17 provides an example of the creation of such centers in Iraq.[18]

Box 17. Local Government Support for Economic Development: Kirkuk Business and Employment Centers.

USAID supported programs to build local government capacity to create enabling conditions for local economic development in Iraq. These programs combined support to improve the institutional environment for economic development, identify and exploit key economic opportunities, invest in strategic infrastructure, and involve stakeholders in local economic development policy decisions. Local authorities were assisted to work with citizens and local businesses.

In Tameem Province, this program led to the establishment of four centers: the Employment Services Center, which provided a mechanism for registering unemployed workers and placing them into jobs suited to their skills and experience; the Kirkuk Business Center, which promoted private business development and investment throughout the province; the Kirkuk Vocational Training Center, which trained or retrained workers in the skills required in the post-war economy; and the Project Coordination Center, which brought local officials and citizens together for integrated development planning. These four centers functioned in a coordinated and collaborative manner. The results were increased citizen participation, improved conditions that generated 12,000 jobs, and institutionalization of the centers into local government.

CONCLUSIONS

Rebuilding public sector services in stability operations takes place in a wide variety of settings ranging from emergency responses to catastrophic natural and/or manmade disruptions of service, and in societies with no functioning government to a government more or less accepted as the legitimate government. Stability operations as defined in Field Manual (FM) 3-07 are more likely in the extreme cases of severe disruption, either country-wide or an entire region within a country and weakly functioning government, at least in the affected region. Stability operations consist of two types—reconstruction and stabilization.

Reconstruction activities typically address the immediate issues. They involve the process of rebuilding degraded, damaged or destroyed infrastructure—both physical and political or socio-economic. Most measures initially taken in reconstruction are restorative, remedying immediate problems. Stabilization activities are aimed at underlying problems that are often linked to conflict, either the causes or the consequences of conflict. Stabilization operations aim to enhance the preconditions for longer-term development.

Both reconstruction and stabilization activities insofar as possible, once emergency issues have been addressed, should be carried out with a longer-term view of how the activities will affect future development of the system of governance and the economy. Public service restoration is carried out unavoidably in conjunction with the existing public authorities, except in the extreme case of complete collapse of the regime. Public service restoration, while focused on the technical tasks of getting public services delivered, has important implications for the legitimacy of public authorities. It is important as much as possible to credit public authority with successes in public services restoration. The task is not to win acclaim for stability operations personnel in the society, but to contribute to as rapid a restoration of public authority as is possible.

At the same time, as immediate service delivery issues are addressed, stability operations may move into more systemic improvement in the governance system, engaging with existing or new authority just assuming their responsibilities to develop participatory processes to gain the support of citizens. Similarly, introducing improved planning and budgeting processes, focusing on long-term capital budgeting and financing, and skills development of local authority personnel in operation and maintenance may be a focus of stabilization activities once immediate and emergency issues are resolved.

Finally, stability operations are a part of a longer-term spectrum in which in the ideal public order is restored, the conditions that may have given rise to conflict or may in the future are ameliorated, improved practices and skills are introduced to public authorities responsible for services, and the foundations are set for long-term, sustainable development of the society. Specific activities in public services restoration should take into account the impact they may have on the desired outcomes in this longer-term spectrum.

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ENDNOTES

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