

Reconfiguring USAID for State-Building

Policy Innovation Memorandum No. 57

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Nation-building abroad has become a neuralgic term in American politics. Opposition to nation-building abroad is one of the few things that President Barack Obama and Donald Trump can agree on. And yet, at the same time that U.S. leaders proclaim their opposition to nation-building, they acknowledge that failing states pose a serious threat to American interests. As Obama said in his 2016 State of the Union address, "Even without ISIL ... instability will continue for decades in many parts of the world—in the Middle East, in Afghanistan, parts of Pakistan, in parts of Central America, in Africa, and Asia. Some of these places may become safe havens for new terrorist networks. Others will just fall victim to ethnic conflict, or famine, feeding the next wave of refugees. The world will look to us to help solve these problems."

But the United States cannot adequately respond to global instability with military force alone. The U.S. public will not support more large-scale interventions like the ones in Iraq and Afghanistan, while lesser military measures—such as drone strikes and Special Operations raids—are unlikely to prove adequate. Although "kinetic" strikes can kill terrorist leaders, they cannot eliminate terrorist organizations, and they definitely cannot create indigenous institutions capable of maintaining law and order on their own. The United States needs a civilian capacity to foster better-functioning institutions in chaotic countries: what should be called state-building but is more popularly known as nation-building. The U.S. Agency for International Development (USAID) should lead that effort. To embrace a state-building mission, however, USAID will have to be transformed. The agency will need to do less but do it better, to limit its efforts to strategically important states while enhancing its

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focus on building core state functions.

Drop Inessential Objectives

The proposed 2016 budget for USAID is \$22.3 billion, of which \$10.7 billion is in core accounts directly managed by USAID. Of this, only \$2.4 billion is to be spent on what might be considered state-building. The rest is dedicated to poverty alleviation, global health, biodiversity, women's empowerment, education, sanitation, and economic and agriculture development. These are admirable goals, but USAID has demonstrated no particular advantage in any of these fields compared to international organizations, such as the World Bank, and numerous nongovernmental organizations, such as Oxfam and Africare. Accordingly, USAID should leave these areas either to multinational or private-sector organizations. USAID and its defenders will argue that everything it does contributes to state-building because the public goods it supports—such as health care, electricity, and environmental protections—are commonly found in successful states. That is true, but successful states are not successful because they provide public goods; they provide public goods because they are successful.

Even "democracy" can be a luxury good in the developing world. Yet the USAID program for state-building is billed as Democracy, Human Rights, and Governance. The most important issue—governance—is put in last place. Yet the United States can live with undemocratic states as long as they behave responsibly; indeed, some autocratic states such as Jordan are close American allies. Many become democracies in time, as did South Korea, Chile, and Indonesia. The United States *cannot* live with ungoverned space, which inevitably becomes a breeding ground for, and exporter of, terrorism, criminal networks, disease, refugees, and other problems. This is not a call for USAID to create or strengthen dictatorships or for the United States to abandon democracy promotion. Nurturing representative institutions is a legitimate job for the National Endowment for Democracy. But USAID should prioritize effective governance over democratic governance.

Instead of trying to promote welcome but inessential services—from electricity to free elections—USAID should focus on the bare necessities of stable states. These include security forces that can exercise a monopoly on the legitimate use of force, courts that can dispense a semblance of justice, a professional civil service that is not compromised by rampant corruption, and a financial mechanism that can allow the state to raise and spend revenue with a degree of honesty and efficiency. USAID does not, at the moment, have the necessary competency in any of these fields; it needs to buttress its capabilities accordingly while shedding less important functions. USAID should tailor programs to fit individual countries; there is no "one size fits all" solution, but effective governance is always essential.

Focus on Strategically Important Countries

USAID currently operates in more than one hundred countries. USAID cannot be effective in more than thirty or forty countries with its current staffing and funding levels, and it should not be necessary to increase USAID's budget; it can do more in a smaller number of countries with the money already appropriated. The Millennium Challenge Corporation, USAID's stepchild, works only in forty-five countries "that show they are committed to good governance, economic freedom, and investing in their citizens." Although USAID should not replicate what the Millennium Challenge Corporation does, it should be similarly focused in its approach.

USAID should limit its efforts to countries of strategic importance to the United States where it can make a difference. Given the threat of Islamist terrorism to the United States, one priority should be countries with significant Muslim populations (over 40 percent) that are located in the arc of instability stretching from West Africa to Southeast Asia. USAID should work closely with the U.S. military's Central, Africa, and Pacific Commands; they have and will maintain the lead role for military advising, while USAID should take the lead role for police assistance and other governance.

USAID should target, first of all, countries with no effective governance, a list that currently includes, at a minimum, Libya, Somalia, Syria, and Yemen. (Some of these states might be too unsafe to allow USAID to work; in other cases, USAID should augment its security and accept higher risk.) A second tier of urgency should be assigned to countries with a significant U.S. military presence, namely Iraq and Afghanistan. A third tier should include countries with functioning but weak governments, a category that can include most of the states in the greater Middle East. Relatively wealthy nations such as Turkey and the Gulf monarchies can be excluded, along with states such as Sudan or Iran that are hostile to the United States. Some hard judgment calls will have to be made as to whether services can be effectively delivered in nominally allied states such as Pakistan and the Palestinian Authority, where the governments have been implicated in supporting terrorism. If USAID cannot be effective, it should not commit.

Beyond the focus on stopping the spread of Islamist extremism, USAID should focus its state-building initiative on supporting a few other strategically important countries at risk of subversion, whether from internal or external threats. USAID should help nations such as Ukraine and Georgia, which are vulnerable to Russian encroachment; nations such as Mongolia and Myanmar, which are vulnerable to Chinese encroachment; and nations in Latin America—particularly Columbia, El Salvador, Guatemala, Honduras, and Mexico—that are vulnerable to a significant narco-trafficking threat.

This is still a substantial undertaking, but it would exclude more than half of the countries where USAID currently operates. USAID should not be committing scarce resources in strategically irrelevant countries such as Lesotho and Madagascar, in unfriendly countries such as China, or in rapidly developing countries

such as India. Money and personnel can better be focused elsewhere for maximum geopolitical return.

Revamp the Bureaucracy

In order to be more effective at state-building, USAID needs to change the way it does business. It should emulate the armed forces by assessing "lessons learned" from recent state-building experiences and inviting outside experts to assess its performance. It should be more willing to brand some projects as failures instead of claiming they were successful simply because the budgets were spent. It should streamline its bureaucracy: there is no need for fourteen separate bureaus and ten independent offices. It should give managers greater responsibility to shift resources, human and otherwise, between offices as events warrant. And it should decrease its reliance on contractors whose employees are tasked with promoting corporate self-interest rather than the strategic interests of the United States. This would save a good deal of overhead, because a significant part of USAID grants currently covers the process of awarding those contracts in the first place.

Most importantly, USAID needs to transform its workforce. USAID's staff, while talented, are often not the specialists needed for state-building. USAID employs few if any experienced civil engineers, urban managers, civil service development specialists, security and policing experts, or development economists. Many permanent staff are recent graduates of master's degree programs in international relations with little direct experience managing government agencies or businesses. USAID needs to hire more mid-career professionals with substantial experience in managing large organizations and working in foreign cultures. One fertile source of recruits should be the U.S. Army, which is in the process of laying off thousands of officers and noncommissioned officers with extensive state-building experience.

Conclusion

Any of these changes suggested above, indeed any change at all, will be fiercely resisted by vested interests. Countries that face losing their USAID programs will complain. So will USAID employees and contractors who will lose their jobs and grants. Such a transformation can only be accomplished if the next administration makes it a priority.

Of course there is no guarantee that even a restructured USAID will succeed at state-building in every instance or even in most instances. This is a notoriously difficult undertaking. The United States, however, has had success in contributing to state-building in such disparate countries as Colombia, East Timor, El Salvador, Germany, Italy, Japan, Kosovo, the Philippines, and South Korea. Although there is no way to predict how often USAID will succeed, even a few successes are worth the relatively modest (by government standards) investment. There is simply no good alternative to state-building if the United States wants to

address the problem of failed states while avoiding endless military interventions.

More About This Publication

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