Postinvasion Iraq and Afghanistan have compelled the United States to expand its focus on and capacity for conflict resolution and postwar reconstruction. Our strategic objective in both countries has become the transformation of dysfunctional and war-affected societies into stable, viable, and sustainable states. To this end, economic development and security are regarded as mutually reinforcing elements: without security, development cannot progress far, yet development is essential to attaining security. With civilian aid agencies impaired by prohibitive security conditions and burdensome
bureaucratic requirements, the Department of Defense (DOD) has, for the first time in 60 years, become a dominant player in creating the conditions for economic growth in conflict areas.

Problematically, standard economic theory is not instructive on how to foster growth amid persistent violence and political instability, so while the United States spent $29 billion on various reconstruction programs in Iraq from March 2003 through December 2007, the money had little obvious impact. In many Iraqi districts, greater spending on reconstruction correlated with greater violence. Large-scale projects, in particular, made easy targets for insurgents and were often plagued by allegations of corruption and graft.

The emerging field of expeditionary economics, advanced by Carl Schramm of the Ewing Marion Kauffman Foundation, is premised on the idea that one of the most effective ways to establish a trajectory toward economic growth in areas of conflict is to focus on the formation of indigenous companies. New, locally based firms create new jobs, goods, services, and tax revenue—all vital to sustainable stability. Expeditionary economics further suggests that the military is uniquely positioned to play a leading role in bringing economic growth to devastated countries because it has an active presence in areas where such growth is so desperately needed, has an interest in seeing conditions there improve, has the resources to effect change, and has the ability to operate in a security environment impervious to any other actor. This does not suggest that civilian capabilities should be displaced by the military, but rather augmented by it.

**The Commander’s Emergency Response Program**

With this in mind, how might the military use the resources it has been given to foster economic development? The practice of using “money as a weapons system” to advance military objectives is currently most fully realized in the Commander’s Emergency Response Program (CERP), which began as a discretionary pool of money from which commanders could fund projects they believed would improve the security conditions in their areas of operation. Although CERP continues to be valued primarily as a tool for securing short-term security gains, there is reason to believe the program has untapped potential for promoting long-term economic growth and stability as well—if the two goals can be reconciled. While most would agree that security and economic growth are mutually reinforcing, the decision of where, when, why, and how to fund a project will yield different results if a commander is thinking about short-term security or long-term growth. Are the security and development missions truly at odds when commanders make funding decisions, and are there some important changes we can suggest to help commanders better satisfy short- and long-term imperatives? These are the questions this article addresses.

**What is CERP and how is it used?**

During the invasion of Iraq, U.S. forces seized approximately $900 million from various locations across Iraq. In a brilliant military innovation in the aftermath of the invasion, many of the U.S. military’s first reconstruction...
Reconstruction includes repair or reconstruction of hospitals, clinics, power transmission and distribution networks, water or sewer systems, police and fire stations, schools, telecommunications systems or infrastructure, roads, bridges, and civic or cultural buildings/facilities. Death benefits/battle damage payments include condolence payments as a means of expressing sympathy and repair of damage resulting from military operations that cannot be compensated under the Foreign Claims Act. Economic development includes protective measures for critical infrastructure sites, microgrants to disadvantaged small businesses and entrepreneurs, job promotion, and civil cleanup activities.

The diversity of projects forces great variation in the effectiveness of the spending: In cases where CERP project managers do not have sufficient expertise in a project (particularly as projects have become increasingly complex), there are problems in implementation. This has led to some criticism of the program’s effectiveness and scalability.

At first, CERP projects were generally not chosen to foster long-term economic growth, but rather to allow the military to operate with greater local cooperation in the short term. CERP was designed to fund programs that immediately assisted the local population, can be locally sustained, and cost less than $500,000 per project. Most important, the projects had to either meet urgent humanitarian needs or ongoing COIN objectives.5

---

**CERP has come to play an important and high-profile role in U.S. counterinsurgency efforts in both Iraq and Afghanistan**
Over time, however, CERP has evolved beyond meeting only emergency and security needs and has grown to include spending on water and sanitation infrastructure, food production and distribution, agriculture, electrical power generation and distribution, health care, education, telecommunications infrastructure, transportation infrastructure, rule of law and governance improvements, irrigation, civic cleanup activities, repair and construction of civic and cultural facilities, as well as incentivizing entrepreneurship and small businesses formation. The expansion of CERP as a tool for economic development has not been a centrally managed process—it is the result of field-expedient measures taken by many commanders in different areas of operation—and it flies in the face of strict limitations detailed in even the most recent version of the CERP standard operating procedure.

What makes CERP ineffective as a development tool? The stability and security mission has a short-term time horizon inconsistent with typical development initiatives, which require long-lead planning and a much longer timeline for measuring success. To exemplify this, we can consider a common focus of development energies: the construction of a local school. When local Afghan tribal chiefs ally with a U.S. commander on a school proposal, the U.S. military moves quickly through the planning and construction process, motivated by a security mindset that the rapid completion of the project would reinforce security gains of kinetic operations by rewarding local allies and renting their allegiance. While sensible from a short-term stability perspective, this behavior stands in contrast to a development approach, which would see the following as vital planning considerations: vetting school-building proposals with community groups; consulting coalition anthropologists, sociologists, or human terrain teams; obtaining national education ministry approval on the location of schools; and building ministry capacity to staff, equip, and meet the recurrent costs of the education system. To a commander, each of these steps represents a potential chokepoint with the capacity to deprive him of momentum in a golden hour; to buy allegiance from local leaders, CERP project managers need to build the school as quickly as possible, and they fear that the due diligence required of conventional long-lead development projects may negate the short-term security goal. By skipping these steps, however, the project may result in a school without local student attendance, unstaffed by ministry of education teachers, and worse still, an unprotected, high-profile target for the insurgency.

What makes CERP effective? As the local school example demonstrates, successful aid programs must be designed around unique local conditions, circumstances, culture, and leadership, which require a highly decentralized approach—development scholarship is universally in agreement on this point. It should not be counterintuitive to say that the military is, in many ways, well positioned to provide such an approach, given its constant interaction with the local populace; CERP spending, at its most effective, can be highly responsive to the needs of communities, providing them...
with an immediate, tangible benefit. Arguably CERP successes can be attributed in large part to the military commanders who committed the funding with a true appreciation for the needs of the community and for the predicted impact of the proposed project. Furthermore, commanders have the means to supervise its completion. While sometimes lacking technical or sociological expertise, their continued security presence improved the likelihood of the project’s completion. This stands in sharp contrast to many civilian organizations for which the security environment in a target area prohibits free movement.

With practice, the military also got better at disbursing CERP funds. As U.S. COIN strategy in Iraq evolved in 2007, there was a notable improvement in CERP outcomes: U.S. forces moved out of the large forward operating bases removed from the population to smaller outposts connected to communities and were given a mandate to focus on the needs of the populace through quality-of-life improvements.6 In making CERP spending decisions, commanders began measuring progress not by the number of projects started or completed but by the relative success or failure of outcomes. A similar shift in U.S. strategy occurred in Afghanistan in 2009.

What do we now know about CERP? In the 8 years since the program began, the military has developed some fundamental truths about the impact of CERP and the behavior of the commanders who use it:

❖ There is evidence that CERP is effective at accomplishing short-term security goals. Recent research suggests that government spending on public works—and CERP money specifically—reduces violence: “A 10% increase in the fraction of labor-intensive projects reduces violence by about 5% . . . this decrease comes largely from a reduction in labor-intensive forms of violence, such as gunfire, kidnappings, and torture and execution.”7 This is likely because, in the short term, the newly created job opportunities serve as a substitute for employment with the insurgency.

❖ CERP funds are allocated in small amounts without the layers of subcontractors that make the relationship between dollars spent and work done tenuous for most American reconstruction spending. Although military commanders are provided great flexibility in spending CERP money within their sector, there are caps on how much funding a particular project can receive so as to ensure the greatest benefit for the largest number of people.

❖ CERP spending is typically concentrated where violence is predictably high, and there is a natural proclivity for commanders to direct funds to areas with which their soldiers are most familiar—the more violent zones that they frequently patrol.

❖ Deploying CERP funds in support of large projects such as a power generation plant and its corresponding distribution system presents insurgent spoilers with an easy target. When a large project is disrupted by an insurgent attack, the government looks incompetent and the insurgent can inflame public dissatisfaction. But distributing CERP funds more broadly throughout the population by undertaking many smaller projects mitigates this risk and presents the insurgent with a targeting dilemma. In choosing to target a small economic development project, the insurgent risks alienating a community with a vested interest in the
project's completion because an insurgency cannot maintain support of the local community if it hinders economic development. (This strategy of many smaller projects has an added benefit for commanders: the consequences of one disrupted project can be contained at a much lower financial cost.)

The Importance of Entrepreneurship

Although the literature on economic development in developing economies provides few concrete truths, we do know a great deal about what has made successful economies grow. The United States, India, and China, for example, have taken different routes to growth and their economies are not identical, but the common element they share is the importance of entrepreneurship. As we think about how best to foster long-term economic growth in emerging markets, even and especially those in postconflict areas, we would be wise to focus on the success of entrepreneurs in continuously reinvigorating economies. The fledgling expeditionary economics doctrine holds that, even and especially in postconflict and insecure emerging economies, new firms, which will typically be small and medium sized, are the engines of growth, creating jobs, a middle class, and a substantial tax base. Growing firms, besides creating wealth and jobs, introduce new services and business methods that help the entire economy become more productive.

The potential of entrepreneurship to transform economies is not limited to the developed world. If our intent in spending CERP money is to improve the security situation, job creation is the heart of sustainable stability and is best accomplished through the establishment and expansion of new small- and medium-sized businesses with a vested stake in the security and prosperity of their country—wherever possible, that is where commanders should be committing their resources.

Providing prescriptions to enhance CERP effectiveness is challenging for several reasons, not the least of which is that the initial purpose of the program was as a stop-gap measure to fund rapid solutions to humanitarian emergencies in the aftermath of the Iraq invasion. Its transformation in purpose and implementation has been in large part a result of the ever-changing environments on the ground in Iraq and Afghanistan since 2003 and 2004, respectively. Commanders’ intent for CERP today, which often flies in the face of the current CERP standard operating procedure, has moved beyond emergencies, far into the realm of economic development. There is still cause to consider how CERP, or some version of economic development money allocated to the military, might be made more effective to that end. It is important to note that while CERP has been, to date, a product of our wars in Iraq and Afghanistan, we should endeavor to detach the deployment of money as a weapons system from the context of these wars exclusively, thinking of CERP instead as a dynamic and flexible capability inherently essential to the prosecution of unnamed and as-yet-unknown future conflicts.

Recommendations

**Improve transparency at the local level.** One of the greatest causes of Afghan
dissatisfaction is the perception that the Government of the Islamic Republic of Afghanistan and the Provincial Reconstruction Teams (PRTs) are colluding in elite empowerment and corruption. Donor conferences, local media, and the consistent presence of foreigners give the local population unrealistic expectations about how much money is being spent in their country and to what end. Although many of these factors are beyond the control of the military, it should be mindful when supervising a contract or spending CERP money to be as transparent as possible.

**Provide the community with a comprehensive accounting of what money is being spent, by whom, and for what purpose.** Projects disapproved for CERP funding should also be included in this list. Traditional psychological operations—flyers, military broadcasts, media outreach, and community briefings—are effective means of informing the local population.

**Consult local leaders before committing money—the people must own the economy.** Including citizens and community leaders in CERP spending decisions increases the chances of a project’s successful completion and local integration. Despite the requirement, according to the CERP manual, of coordinating among many actors to gain the greatest effect, local opinion and expertise are frequently excluded from the decisionmaking process, which is still weighted in favor of approval by the battlespace owner and the PRT, the only two signatures required for funding approval. This means that citizens and local leaders are still frequently left out. This may lengthen the planning and project completion timeline, but securing local buy-in will provide short-term local support as well as, most important, long-term effectiveness for the project.

**Invest where risk is low, and incentivize stability, not violence.** Although aid may be a destabilizing factor in places of insecurity, in provinces of greater security international military presence is not seen as a destabilizing force. Moreover, when long-term economic growth is the goal, any successful investor will advise going to areas where human capital is strong and political and security risk is low. CERP has traditionally been disbursed in provinces of greatest insecurity because these are the areas with which the military has the greatest familiarity, but also the areas perceived as being in greatest need. Consequently, the more stable areas are comparatively underfunded. Spending where risk of violence is highest is counterintuitive from a conventional investor’s perspective, and even with security objectives in mind should be viewed as potentially rewarding bad behavior. Different sets of potential returns must be weighed against each other—understandably, concentrating CERP projects in high-violence areas carries the prospect of reducing violence and increasing stability, a valuable return on investment.

At the same time, CERP spending in areas of established stability may have a comparably valuable though different return: the social and economic return may be higher, and success in stable areas might offer a buffer against unstable areas as well as models for successful development. If residents of a violence-ridden region flee, they may seek
refuge in an area of stability and low violence; in such an instance, CERP spending in the already stable area will have paid off in terms of offering residents a chance to vote with their feet and building up goodwill among the population.

**Focus on outcomes, not inputs.** With cash-on-delivery aid—an innovative approach to development assistance—commanders could pay a predetermined amount for every predetermined unit of progress but leave the recipients to pursue their own strategy. In one example, the community needs a road to connect two villages. Rather than fund construction of the road with CERP, the commander could pay the local government or community leaders for maintaining and guaranteeing a shorter journey time between the two villages, rather than for the presumed means. This would give the communities involved the flexibility to decide the best means to implement the project, and incentivize the maintenance and security of the road because the journey time is the outcome that is being rewarded.

**Ask hard questions; money is not always the solution.** In a postconflict setting, money can create as many problems as it solves. It can fuel corruption, enrich elites, invoke resentment among those who do not benefit from its largesse, create perverse incentives to maintain a state of insecurity, and create unrealistic expectations. Grants in particular should be used as a last resort. Starting a business begins with an idea, which is advanced through research in the market, pricing, brand, and logistics. Only then does an entrepreneur consider funding. When deploying CERP funds, commanders should think like investors:

- What am I achieving by providing funding?
- Is there a market for the goods or a demand for the service?
What gains will my investment bring to the community?

What other resources—such as security or business advice—can the commander provide in lieu of money?

Has the entrepreneur completed all the other necessary steps to start or expand his or her business?

Will this funding create a sustainable situation or is it a stop-gap measure? And if merely a stop-gap measure, will it create enough value to offset the potential of failure?

It is not just about where we spend the money but where we commit our security assets. Commanders use CERP with the intent of buying more security, but they should pay closer attention to using security to make CERP more effective. Commanders could have a game-changing impact on economic growth if they focused their efforts on ensuring the security of marketplaces and trade routes. Business owners who want guaranteed transportation routes in Afghanistan often must pay security dues to the Taliban. The additional transportation cost creates substantial overhead that prevents business owners from exporting goods at a competitive price. By providing improved area security along transportation routes or providing military escorts for goods to move from production to market through contested areas, the military can give a crucial security guarantee and encourage firm growth.

Make grants more efficient. CERP standard operating procedure prohibits loans, hence the military’s use of grants. There are a few possibilities to improve the effectiveness, sustainability, and reach of CERP grants for the purpose of economic development. Grants could be awarded conditionally, with a requirement to match the grant with an equal sum of capital raised by the grant requestor. Alternatively, a commander could purchase the needed construction materials and require the grantee to match the CERP expenditure with a corresponding labor purchase.

Prioritize the funding of Agribusiness Development Teams. In underdeveloped countries, agriculture is usually the dominant industry. In Afghanistan, for example, agriculture accounts for 45 percent of gross domestic product and over 80 percent of the population is involved in farming, herding, or both.11 There is thus a huge scope for improving agricultural productivity. Army National Guard Agribusiness Development Teams (ADTs) help local farmers with some of the more complicated agriculture problems. ADTs partner with U.S. and Afghan government officials and nongovernmental organizations to offer counsel and to avoid conflict with other projects. CERP money is currently the only funding source for ADT projects. Commanders would do well to rely on the ADTs to identify agriculture projects with high payoff potential.

Prioritize funding for entrepreneurship centers. Small- and medium-sized enterprises (SMEs) are powerful engines of economic growth: They create jobs, wealth, a stabilizing middle class, and markets for microentrepreneurs. Even more important to local...
and national governments, they are a leading source of tax revenue. According to a 2007 study commissioned by USAID and Britain’s Department for International Development, one SME—through its purchase of inputs—supports an average of 331 other local businesses: 18 manufacturers, 10 distributors, 20 service providers, 3 equipment suppliers, and 280 microsuppliers. Developing SMEs is a critical part of a holistic approach to economic development that includes improving physical infrastructure, legal and regulatory reform, and development of microfinance programs. Unfortunately, support for SME entrepreneurship has not enjoyed the same support in conflict or unstable environments as these other priorities. Founded in 2005, the Centers for Entrepreneurship and Executive Development is one example of a network of “business accelerators,” serving the entrepreneurs and senior managers who lead growth-oriented SMEs by developing communities of entrepreneurs and a culture of entrepreneurship in the countries it operates in, linking budding entrepreneurs with experienced mentors and providing business-to-business matchmaking within the country and the region. Entrepreneurship centers have the potential to achieve results at the tactical, operational, and strategic levels and have already proven extraordinarily effective in places such as Kosovo and Macedonia. Relevant to CERP spending, establishing a brick and mortar entrepreneurship center falls within the established guidelines for CERP spending with a price tag under $500,000.

Focus a portion of CERP spending on electricity production. Access to electricity is a consistent problem hindering businesses in developing economies, particularly in conflict areas such as Iraq and Afghanistan. Although nation- or province-wide electrical infrastructure development takes years to create and presents a high-profile and impactful target to insurgents, smaller generators are a viable small business opportunity with a great multiplier effect on surrounding entrepreneurs. Commanders can deploy CERP funds to purchase generators, rewire surrounding businesses, and provide an initial supply of fuel to a local entrepreneur who could run the generator as a small business, charging local businesses for electricity to sustain the fuel and maintenance requirements, and other entrepreneurs can keep businesses open longer and more consistently, while households gain better access to electricity.

Know how to identify entrepreneurs. Entrepreneurs are tenacious, resourceful, creative, curious, determined, and hard-working. Second only to security, these traits are even more important to a successful business than access to funding. To be successful, entrepreneurs must have the endorsement of their family. They must have intuitive business sense and understand the basics of pricing and making a profit. Commanders must not underestimate the importance of being able to know true entrepreneurial potential when they see it.

Conclusion

The value of CERP is indisputable. While imperfect and problematic in its implementation, the ability of military commanders to determine where money will be most effective and to oversee the disbursement of funds and development of necessary projects is beyond question. Several studies have illustrated its...
effectiveness in securing security gains, and we see great potential for CERP as an enabler for long-term development. That said, the twin goals of security and development are in many ways in competition and cannot be totally reconciled. It is our hope, however, that by implementing some cultural and procedural changes to how commanders deploy CERP resources as well as the security assets to support them, the military will, at the very least, do no harm with respect to setting the conditions for long-term economic development, and hopefully make progress to that end. We hope that commanders will, in time, be better equipped to think like investors. Incorporating expeditionary economics at various levels of professional military education is an important means to that end. By considering the lessons of the grand tradition of American entrepreneurship and the tenets of expeditionary economics doctrine, and by making these suggested modifications to CERP, perhaps the two seemingly opposed missions can move a little closer together. We do acknowledge, though, that CERP is always going to be first and foremost a security tool.

The military is still lacking a holistic picture of what types of CERP projects have been effective and under which circumstances. Although the Center for Army Lessons Learned assembles a list of CERP do’s and don’ts, we are still lacking a detailed catalog of CERP case studies that captures real world successes from the field and demonstrates sustainable economic growth or security gains. Such an effort would undoubtedly yield great dividends of understanding and would be a valuable next step in furthering our understanding—and better execution—of money as a weapons system. PRISM

Notes


11 Center for Army Lessons Learned (CALL), Handbook: Agribusiness Development Teams in Afghanistan (Fort Leavenworth, KS: CALL, 2009).


13 Authors’ discussion with James Sosnicky of the Small Enterprise Assistance Fund.