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SPECIAL REPORT

1200 17th Street NW • Washington, DC 20036 • 202.457.1700 • fax 202.429.6063

ABOUT THE REPORT

In January 2008, the U.S. Departments of State and Defense requested that the United States Institute of Peace conduct an independent assessment of the process by which projects funded under Section 1207 of the National Defense Authorization Acts of FY 2006 and FY 2007 were developed, reviewed, and approved for funding. They asked that the study include recommendations for changes in the application and approval procedures to ensure that project proposals were reviewed through an efficient, transparent, and well-understood interagency process. The Institute agreed to conduct the study because the 1207 program is an example of the U.S. military's growing involvement in integrated "whole-of-government" approaches to U.S. security assistance programs. The study is based on interviews with staff members of the Senate and House Armed Services and Foreign Affairs Committees and representatives from the Office of Secretary of Defense, the Joint Chiefs of Staff, the Department of State, and the U.S. Agency for International Development.

Robert M. Perito is a Senior Program Officer with the Center for Post-Conflict Peace and Stability Operations at the United States Institute of Peace.

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Robert M. Perito

Integrated Security Assistance

The 1207 Program

Summary

- Section 1207 of the National Defense Authorization Act (NDAA) of FY 2006 and FY 2007 authorized the Defense Department (DOD) to provide up to \$200 million over two years in funds, services, and defense articles to the State Department (DOS) for security, reconstruction, and stabilization.
- The DOD transferred over \$99 million in Section 1207 assistance to the DOS to fund projects in Haiti (\$20m), Somalia (\$25m), Nepal (\$10m), Colombia (\$4m), trans-Saharan Africa (\$15m), Yemen (\$8.8m), and Southeast Asia (\$16.9m).
- Congress's intent in authorizing this program was to jump start the new State Department Office of the Coordinator for Reconstruction and Stabilization. It was also to promote a "whole of government" approach to security-assistance programs.
- After two years' experience, publication of principles and guidelines for 1207 project applications should solve problems resulting from a lack of awareness of the program and confusion over leadership and application procedures.
- Adding USAID to the decision-making Technical Advisory Committee should remove the largest source of interagency tension that has troubled the program.
- Greater clarity is needed concerning the relative weight of the program's priorities, which include security, counterterrorism, stabilization, and reconstruction and avoiding the need to deploy U.S. military forces.
- There is a need for the DOD and DOS to provide additional resources to embassies that are expected to complete a relatively complicated application form. There is also a need for the DOD to streamline the provision of funds so the money arrives in real time before circumstances change and projects cannot be implemented.
- Ultimately, the DOS and DOD need to honor the intent of Congress and request that Congress appropriate funds directly to the DOS for these projects.

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Introduction

Section 1207 of the National Defense Authorization Act (NDAA) of FY 2006 and FY 2007 authorized the Defense Department (DOD) to provide up to \$200 million over two years in funds, services, and defense articles to the State Department (DOS) for security, reconstruction, and stabilization. The State Department Office of the Coordinator for Reconstruction and Stabilization (S/CRS) assumed leadership of an interagency process to develop proposals and request funding for projects that would carry out the intent of the NDAA. In FY 2006, the DOD transferred \$10 million in Section 1207 assistance to the DOS for a program to support the internal security forces in Lebanon following Israel’s war against Hezbollah. In FY 2007, the DOD transferred over \$99 million in Section 1207 assistance to the DOS to fund projects in Haiti (\$20m), Somalia (\$25m), Nepal (\$10m), Colombia (\$4m), trans-Sahara Africa (\$15m), Yemen (\$8.8m), and Southeast Asia (\$16.9m). Section 1210 of the National Defense Authorization Act of FY 2008 provides a one-year extension of Section 1207 authority and provides an additional \$100 million (see appendix 1).

The Congressional Mandate and History of the Legislation

The Senate version of the NDAA for FY 2006 contained a provision (Section 1207) to provide the secretary of defense with the authority to transfer funds, services, and articles to the secretary of state to provide immediate assistance to crisis states to maintain or restore peace and security. There was no similar provision in the House version of the NDAA, whose conferees accepted the Senate version but added an amendment clarifying that funding would be limited to \$100 million annually for FY 2006 and FY 2007. The legislation stipulated that once the funds are transferred to the DOS, they would be subject to restrictions and requirements of the Foreign Assistance Act, the Arms Export Control Act, and other laws governing civilian foreign assistance programs. The Senate version of the NDAA for FY 2008 (Section 1210) provided for the extension of the 1207 authority for an additional year but increased the funding to \$200 million. Again, the House version did not have a similar provision. House conferees receded with an amendment that reduced the funding to \$100 million during FY 2008.

In their FY 2006 joint report, the conferees commended the DOS and DOD for improving U.S. capacity and interagency coordination to plan, support, and conduct post-conflict stability operations. They expressed support for the DOS’s Office of the Coordinator for Reconstruction and Stabilization. They also commended the DOD for its support of S/CRS and urged it to deepen its cooperation with the DOS in planning and participating in post-conflict operations. The conferees indicated that 1207 was a temporary measure to provide resources to the DOS until S/CRS was “stood up” and adequately resourced. They made clear that it was not appropriate for the DOS to receive funds via the DOD over the long term. The conferees urged the administration to request the necessary resources for S/CRS in its future budget submissions for the DOS.

According to congressional staff, the Senate Armed Services Committee (SASC) introduced Section 1207 of the FY 2006 NDAA in response to requests from Defense Secretary Donald Rumsfeld and Secretary of State Condoleezza Rice to help jump start the S/CRS by providing authorization and funding for projects that would involve interagency coordination. This action was taken in recognition of the fact that Congress was unable to pass a State Department authorization bill that would authorize S/CRS to conduct a comparable program. According to congressional staff, Congress regarded 1207 as a temporary measure that should be used for short-term programs in response to emergencies and unforeseen contingencies.

The money available under 1207 was not “earmarked” but would be taken from the DOD’s operating budget, which otherwise would be used to purchase equipment for troops in Iraq, sailing days for navy ships, or flight hours for air force pilots. Congress’s intention

was to ensure that 1207 projects had the necessary priority to justify the diversion of DOD funds from such important purposes. At the same time, Congress wanted DOS involvement to ensure that these projects—which must have a national security focus—would include more than a military perspective and involve the use of political and economic means to resolve problems.

Overall, Congress wanted to indicate its clear support for the DOS assuming long-term responsibility for foreign assistance programs and to urge the administration to request future funding for such projects in the DOS budget. Congressional staff noted that recent administrations had “pumped up” the foreign assistance component of the DOD budget because of the perception that it was easier to obtain funding from Congress. In response, congressional staff expressed the hope that the relative difficulty of obtaining these funds via the DOD would encourage the DOS and the Office of Management and Budget to request the money through the regular foreign assistance budget.

These staff members viewed 1207 as a complement to Section 1206 of the FY 2006 NDAA, which provided up to \$300 million to the DOD for nontraditional security assistance to train and equip foreign military forces in counterterrorism, capacity building, stabilization, reconstruction, and humanitarian relief. The provision was intended to enable combatant commanders to assist countries threatened with terrorist infiltration without reprogramming already allocated funds or waiting until Foreign Military Financing (FMF) became available. The provision required the DOD to jointly formulate proposals and to coordinate program implementation with the DOS. Historically, FMF programs were conducted under the authority of the DOS. The 1206 program was designed as a two-year test of whether this authority should be transferred to the DOD.

The Current Guidelines Governing the Application Process

The DOS and the DOD published formal guidelines for the 1207 application process for 2008. On February 28, the DOS sent a telegram to all diplomatic and consular posts from the Coordinator for Reconstruction and Stabilization containing “Guidance for FY 08 Section 1210 Proposal Submissions.” The telegram directed recipients to the S/CRS Web site for instructions on how to submit a 1210 proposal and for a template for preparing project proposals. According to the guidelines, applications must include five highly detailed elements: (1) a summary of the project; (2) a project plan; (3) contextual background; (3) a description of project monitoring and evaluation; (4) a discussion of management and coordination; and (5) a budget document covering the cost of personnel, material, administrative support, logistics, security, and other inputs. The telegram set May 1 as the deadline for submission of the first tranche of applications and June 1 as the deadline for the second tranche. Proposals received in the first tranche were to be reviewed in May and June; proposals received in June were to be evaluated in June and July.

The telegram contained a set of seven principles established by S/CRS and DOD’s Office of Partnership Strategies to guide the development of project proposals (see appendix 2). According to the principles, programs should focus on security, stabilization, or reconstruction objectives. They should advance U.S. national security interests by promoting regional stability and/or building the governance capacity of partner countries to address conflict, instability, and sources of terrorism. Programs should address urgent or emergent threats or opportunities and should involve countries where a failure to act could lead to the deployment of U.S. military forces.

Programs funded by 1207 should address situations that could not be dealt with by conventional forms of foreign assistance. These short-term programs should be coordinated with longer-term development efforts that are expected to be assumed by host governments or other donors. They should also be coordinated with other U.S. security-building programs, such as 1206-funded programs. Programs should involve a “whole-of-government” approach by integrating initiatives across multiple sectors. Proposals may

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originate from embassies, DOS bureaus, USAID, or combatant commands, but they must be developed by embassy country teams and be submitted by the ambassador to the relevant DOS regional bureau.

After consideration by regional bureaus, proposals are transmitted to S/CRS, which will convene the Technical Advisory Committee (TAC) to decide on whether proposals will receive funding. The five-member TAC is cochaired by S/CRS and the DOD/OSD Office of Partnership Strategies and includes the Office of the Director of Foreign Assistance (F) and the Joint Chiefs of Staff (J5). USAID is a new member. Representatives from DOS bureaus and other government agencies are invited to attend when their expertise is required. Approved proposals are recommended to the S/CRS coordinator, who then sends them to the secretary of state for approval and submission to the DOD with a request for 1207 funds. Proposals are transmitted to the DOD under cover of a memorandum from the DOS's executive secretary to his or her DOD counterpart. At DOD, proposals are transmitted by the executive secretary to the comptroller for funding.

Summary of Findings

The findings of this study fall into three general areas: (1) problems that impeded implementation of the 1207 application process in 2006–07; (2) problems involved with the disbursement of funds by the DOD; and (3) aspects of the application process that require additional clarification.

New Guidelines Should Overcome Previous Problems

Transmission of the February 28, 2008, telegram providing the principles and guidelines for 1207 project proposals should remove the most frequently cited difficulties with the 1207 application process over the past two years.

Finding 1. There was initial confusion about the ownership of the program. Everyone interviewed agreed that the first year of the program (FY 2006) was lost to a lack of awareness of the program, confusion about how to apply for the funds, and internal conflicts between USAID and the DOS and among the DOS's various offices and bureaus over control of the process and utilization of the money. The creation of the Office of the Director of U.S. Foreign Assistance (F) in January 2006 and reorganization of the entire U.S. foreign assistance process added to the confusion. The new office was given authority over all DOS and USAID foreign assistance funding and programs and charged with developing a coordinated, multiyear U.S. government foreign assistance strategy and annual country plans. The director was given the rank of deputy secretary of state and served concurrently as USAID administrator. Subsequently, the head of S/CRS was given an additional title as the director's deputy. There was tension between F and S/CRS over leadership of the 1207 program because both offices reported directly to the secretary of state. This was resolved to everyone's satisfaction in 2007 with the decision to allow S/CRS to take the lead because of its expertise in dealing with crisis countries.

Finding 2. The 1207 program exposed differences in organizational culture. Throughout 2006, a clash of organizational cultures and a learning experience occurred between the DOS and DOD. From the DOD's perspective, the 1207 application process should have mirrored the well-organized, detailed, and multilevel application procedures used to apply for military assistance under Section 1206. Defense officials were not amused, therefore, when they received a two-page project application from the DOS for a 1207 project, or when a memorandum from a senior DOS official arrived requesting the DOD comptroller to send over a check for \$100 million. No applications were processed until the Lebanon War in July 2006 when Secretary Rice directed that 1207 funds be utilized to assist the Lebanese government in dealing with the crisis. At the end of the 2006 fiscal year, a proposal to assist Lebanon was accepted by the DOD, which provided

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\$5 million for training and equipping the Lebanese Internal Security Force (police) and \$5 million for removal of unexploded ordnance. This was the only project accepted. As a result, \$90 million of the funds authorized for FY 2006 were not utilized. At that time, there was a general recognition at the DOS and DOD that an opportunity had been missed and that a more coherent effort was needed for the next fiscal year.

Finding 3. Frequent changes in procedures frustrated the FY 2007 process.

In November 2006, S/CRS distributed draft guidelines for 1207 applications and bureaus and embassies were encouraged to submit applications. The four-member TAC was created to decide on applications. Considerable confusion remained, however, and applicants were frustrated by repeated changes in application requirements. This frustration was particularly acute in USAID. On at least five occasions during calendar 2007 USAID officials said S/CRS issued new guidance or required changes in the format and budgets for 1207 proposals. This required USAID to withdraw and rewrite proposals that had gone forward to DOS regional bureaus or to the TAC for approval. During the year, S/CRS convened meetings with USAID to discuss application procedures. These meetings were occasionally heated. On at least one occasion, USAID appealed over the head of the TAC to a senior DOS official to reverse a decision by S/CRS to reject a proposal.

Finding 4. The primary tension generated by 1207 was between USAID and S/CRS.

After nearly two years of disagreements, tensions between USAID and S/CRS culminated in January/February 2008 in a dispute over whether USAID should become a member of the TAC. After heated discussions, a compromise was reached under which USAID was added to the TAC as a nonvoting member. Previously, USAID's formal role in the application process had been restricted to USAID field missions assisting with the preparation of proposals as members of an embassy country team. Once proposals were sent to the regional bureaus in the DOS, USAID Washington could only be involved if the TAC requested information. Once proposals were funded, however, USAID was the primary implementing agency along with the DOS's Bureau of International Narcotics and Law Enforcement Affairs, which handled police assistance programs.

S/CRS and the DOD argued that USAID should not be part of the TAC decision process because its role in implementing projects might give the impression of a conflict of interest. The DOD also believed that USAID's organizational culture did not demand enough rigor in planning and project development. Congressional staff believed that USAID should not be involved with making decisions concerning programs that focused on security assistance and counterterrorism. USAID countered that its expertise was required at all stages of the process to ensure that projects were developed in a manner that facilitated successful implementation. USAID felt that members of the TAC lacked the geographic, technical, and administrative expertise needed to adequately evaluate project proposals and made ill-informed decisions. USAID noted that S/CRS was the implementing agency for at least two projects: Lebanon and Haiti.

Although the Director of U.S. Foreign Assistance is concurrently the USAID administrator, F did not see itself as representing USAID in the TAC. Instead, F saw its role as the guardian of the secretary of state's equities in the allocation of U.S. foreign assistance. In the TAC, F was concerned with ensuring that 1207 projects conformed to the overall goals and objectives of the global U.S. foreign assistance program. It was also interested in determining whether 1207 projects were appropriate in relation to other programs for a particular region and country.

Finding 5. State's regional bureaus were confused about the application process.

USAID's misgivings about S/CRS's leadership and about the application process were shared by the DOS's regional bureaus, which described the 1207 application process as confused, opaque, and little understood by those required to prepare proposals. Given the absence of clear guidelines for identifying projects and for preparing applications, it was difficult for regional bureaus to provide guidance to embassy country teams. Frequent changes in application procedures added to the confusion, created additional work, and delayed program proposals. The complexity of the application format, the need to provide

Congressional staff believed that USAID should not be involved with making decisions concerning programs that focused on security assistance and counterterrorism.

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highly detailed information, the necessity for interagency coordination, and the importance of frequent exchanges with Washington were beyond the capacity of small country teams in crisis countries.

Finding 6. Lack of embassy capacity was a problem. Along with USAID, regional bureaus sent staff members to the field to assist with and in some cases to take over the preparation of applications. Combatant commands also contributed manpower and expertise to help embassies with the application process. In the case of the proposal for Nepal and a new proposal for Sri Lanka that will be submitted in 2008, S/CRS took the lead in preparing the application. At the request of the regional bureau, S/CRS helped conduct the initial assessment, provided subject-matter experts to develop individual project proposals and helped draft the project application. Because the level and scope of expertise required was not available in the field, the assistance provided by S/CRS made the submission of the application possible. Both the relevant embassies and the regional bureaus were delighted to receive the help.

Finding 7. The 1207 program was welcomed overall. Despite the consternation in Washington and the amount of effort expended in the field, regional bureaus expressed satisfaction and even enthusiasm for the 1207 program. All seven of the proposals that were formally submitted to the TAC in FY 2007 were approved, although with some modifications. The process of preparing 1207 proposals encouraged a “whole-of-government” approach that was welcomed by the regional bureaus and championed by embassy country teams. In the field, the idea of integrated projects was strongly supported by agency representatives who were working together under difficult conditions to deal with common problems. Regional bureaus viewed these integrated proposals as “imaginative, responsive, and relevant.” The 1207 funds enabled the regional bureaus to provide targeted assistance to meet critical needs and to take advantage of key opportunities when they otherwise would have been unable to act. In some cases even the small dollar value of these projects provided a significant increase in the U.S foreign assistance budget for the country concerned.

The process of preparing 1207 proposals encouraged a “whole-of-government” approach that was welcomed by the regional bureaus and championed by embassy country teams.

A Slow Response to Urgent Priorities, but Faster Than the Alternatives

Among the difficulties with the 1207 program has been the delay between approval of projects by the TAC and the disbursement of the funds by the DOD. There are several reasons for this, however, and the process of obtaining funds under 1207 is faster than the alternatives.

Finding 8. Funds are “authorized” but not “reserved.” Section 1207 of the NDAA authorizes the DOD to make available up to \$100 million from its \$150 billion account for operations and management. There is no corresponding appropriation to set aside funding for this purpose. The DOD must make a decision that 1207 proposals take priority over other uses for the money. In FY 2007, DOD held approved 1207 applications until the end of the fiscal year to ensure that more urgent demands would not arise. Once the DOD decides to fund the project, money is transferred through the Office of Management and Budget to either the DOS or USAID, where it is held until the implementing offices can demonstrate that they are prepared to obligate the funds and implement the project. In April 2008, funds had not yet been disbursed for some aspects of the Southeast Asia Tri-border Initiative, which was funded by the DOD in September 2007. There are numerous examples in other projects where money has yet to be obligated.

Finding 9. Disbursement delays mean missed opportunities. Proposals for projects that were designed to respond to urgent threats or emergent opportunities were delayed because funding did not become available for up to a year after their submission. In Somalia, the defeat of the Islamic Courts Movement and the return of the Transitional Federal Government to Mogadishu created an opportunity for the United States to assist Somalia to restore stability, counterterrorism, and alleviate human suffering. An integrated proposal was prepared by the USAID regional office in the U.S. embassy in Nairobi and

submitted by the ambassador to the Africa Bureau (AF) at the DOS in February 2007. The proposal was approved by the TAC but was not funded by the DOD until the end of the fiscal year in September 2007. Funds for implementing the project were transferred to the DOS during the first quarter of FY 2008 but did not reach the AF until February 2008, a year after the proposal was submitted. By then conditions on the ground in Somalia had changed dramatically. Money could not be obligated and parts of the proposal could not be implemented because of a deteriorating security situation. Implementation of the Nepal project has also been delayed because of a worsening security situation and new differences with the Nepalese government.

Finding 10. The 1207 program is quicker than the alternatives. A year might seem like an exceptional delay except when compared to conventional U.S. foreign assistance programs. In the normal congressional budget cycle, the administration begins planning for the allocation of U.S. foreign and military assistance two years in advance of the fiscal year in which the funds will be utilized. Congressional earmarks, report language, and legal restrictions then determine how all but a tiny fraction of the money will be utilized during the fiscal year and thereafter. In the case of FMF, funding to deal with emergencies may not be available for up to four years in the future. Of the \$4.6 billion FMF account, only \$80 million was available for discretionary use by the DOD, an amount less than the 1207 authorization.

The same is true for the DOS/USAID foreign assistance budget, which is all but completely controlled by earmarks and other legislative limitations. Supplemental appropriations can provide funds for emergencies, but this type of legislation is often controversial and may take up to a year from preparation to congressional approval. DOS and DOD officials view the 1207 program—the proposals for which are prepared, approved, and funded within twelve to fourteen months—as operating at “light speed.” In the view of these officials, 1207 creates a “virtual contingency fund” to deal with emergencies in something approaching bureaucratic “real time.”

Progress Has Been Achieved, but Potential Problems Remain

The formal publication of application guidelines, the resolution of USAID’s status, and increasing familiarity should resolve most of the problems that troubled the 1207 program last year. There are, however, a number of anomalies and potential difficulties that remain that would benefit from clarification. These include the following:

Finding 11. The frame of reference may be too broad. According to the guiding principles for the 1207 application process, proposals should focus on security, stabilization, or reconstruction. They should address conflict, instability, and sources of terrorism. They should deal with areas where failure to act could lead to the deployment of U.S. military forces. Such an extensive list provides maximum scope for proposals, but it could also limit applications if all factors must be present in a proposal. Of these criteria, two are particularly open to interpretation: terrorism and military intervention.

- **Eliminating sources of terrorism.** Proposals should address “sources of terrorism,” but the State Department’s Office of Counter Terrorism (S/CT) was only tangentially involved in the 1207 process. This was true for the terrorism-related programs approved last year: the Trans-Sahara Counter-Terrorism Program, the Yemen Stability Initiative, and the Southeast Asia Tri-border Initiative. S/CT was not among the DOS offices that were asked to approve two of the projects and it did not participate when these projects were considered by the TAC. The proposals originated with either USAID or the U.S. military. They aim to dissuade populations “at risk of terrorist’s influences” from joining extremist groups. Proposals contained a menu of projects aimed at providing employment and educational opportunities, health care, community policing, and improved governance. The same type of generic projects would be implemented in any turbulent area with weak government institutions. This suggests that the refer-

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ence to counterterrorism in some proposals may be mostly rhetorical and that the real target is general instability.

- **Preventing boots on the ground.** Proposals submitted for 1207 funding must have a national-security focus, but it is not clear how literally the requirement to prevent the deployment of U.S. military forces actually applies. The requirement does not exist in the relevant legislation and has been invoked in some cases and broadly interpreted or ignored in others. In 2006, the DOD initially objected to the Lebanon proposal on the grounds that U.S. forces were not going to participate in the expanded UN peacekeeping force in southern Lebanon. Eventually, the project was accepted, but the value was reduced from \$80 million to \$10 million. In contrast, the Nepal project was funded despite the fact that it is unlikely U.S. forces will ever be deployed to fight Maoist guerillas in the Himalayas.

Finding 12. Worldwide scope may prove counterproductive. Under the 1207 program, proposals are supposed to “bubble up” from the field in response to urgent threats or emergent opportunities. This is one of the fundamental strengths of the program, but a scattershot approach can have potential downsides given the complex application process. There is a risk that embassies will not apply or that country teams and regional bureaus may squander time and scarce resources producing proposals that will not be accepted. An alternative would be for Washington to provide strategic direction and invite embassies to submit proposals with the presumption that they will be approved. Additionally, the worldwide request for proposals and the limited amount of funding available create the risk that proposals will be pared down to spread the available funding as far as possible. This is what happened in 2007. The Haiti Strategic Initiative was reduced from three cities to one. The Trans-Sahara Counter Terrorism Proposal was reduced from five countries to three. The Nepal program was limited to a four-county pilot project.

Finding 13. Help is required to complete the application form. The complex and detailed application template for 1207 projects is beyond the capacity of small embassy country teams in crisis countries without extensive assistance from Washington-based experts and combatant command personnel. The application form is modeled on the DOD 1206 application and reflects the DOD’s bureaucratic culture, which includes large staffs of strategic planners and administrative personnel. This capacity does not exist in the DOS, USAID, or other civilian government agencies, which are understaffed and incapable of detailed, strategic planning. One exasperated USAID employee noted that during consideration of one 1207 application, the DOD representative wanted to know the daily fuel consumption of each vehicle used in the project. Highly detailed and complex application forms seem inconsistent with Congress’s intention that projects should respond to emergency requirements and the DOS’s view that applications should originate from country teams that are directly engaged in dealing with a crisis.

Despite Differences Congress Likely Will Extend the Program

In his opening statement at an April 15, 2008, hearing on building global partnership authorities, House Armed Services Committee (HARC) Chairman Ike Skelton reminded Secretary of Defense Robert Gates and Secretary of State Rice that Congress had provided the 1206/1207 authorities in 2006 as a “temporary fix” to give the administration time to develop a more integrated approach to building partnership capacity and to rectify the situation in which the DOD was emerging as the “de facto lead agency in what used to be the State Department’s realm.” That the two secretaries had returned to argue for increased authority for the DOD, Skelton said, indicated that the administration “had not taken the hint.”

The HARC’s ranking minority member, Duncan Hunter, described 1206/1207 as “stop-gap” programs designed to give the administration time to decide how stabilization assistance could be provided under the DOS’s traditional foreign assistance programs.

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Hunter expressed concern about reliance upon the military for training and stabilization programs when it was engaged in combat operations and needed “every penny” in the DOD appropriation. In this regard, Hunter wanted to know which DOD programs had been cut in order to provide the \$10 million in 1207 aid for governance and infrastructure in Nepal. Hunter said the committee was looking for an integrated approach to U.S. foreign assistance and not simply a shift of responsibilities to the U.S. military.

In response, Secretary Gates described the DOS controlled FMF program as outdated and strongly defended DOD’s new role in training and equipping partner military forces. Gates called for the continuation of the 1206 program and its expansion to include the training and equipping of nonmilitary security personnel such as coast guard and border-patrol forces. Gates said the DOD “would no more outsource this substantial and costly security requirement to a civilian agency than it would any other key military mission.” As for 1207, Gates said a touchstone for the DOD is that “1207 should be for civilian support to the military, either by bringing civilians to serve with our military forces or in lieu of them.” Gates called for the extension of the 1207 authority for five years and an increase in annual funding to \$200 million. Secretary Rice endorsed the extension of 1207 and the other foreign assistance authorities within the committee’s jurisdiction. A similar request was made to the Senate. The Bush administration clearly favors the current approach with the DOD in the lead on building partnership security capacity and making the ultimate determination on whether projects are undertaken.

Despite the tone of this exchange, it appears likely that Congress will continue the 1207 program in the future. The Senate version of the FY 2009 National Defense Authorization Bill extends the 1207 program for an additional three years and increases the annual funding level to \$200 million. The HASC will likely approve an extension but seek to keep the funding level at \$100 million and reduce the time limit to two years. Even if 1207 funding were increased to \$200 million in FY 2009, the amount would still fall far short of 1206 funding—the administration requested \$700 million for this train-and-equip military program. It would also remain minuscule when compared to the \$26 billion requested by the administration for the FY 2009 foreign assistance budget. One official referred to the level of 1207 funding as “pencil dust.”

Conclusions and Recommendations

The administration and Congress are increasingly aware that military force alone will not overcome the diverse and largely nonmilitary challenges that the United States faces from extremism, terrorism, and political instability. The 1207 program began as a small but important effort by Congress to encourage the DOS and DOD to develop joint approaches to these emergent challenges. The initial response to this congressional initiative was a period of bureaucratic turf wars, confusion, and general indecision in FY 2006 that resulted in a missed opportunity to take advantage of the first year’s authorization. In FY 2007, most of these inhibiting conflicts were resolved, although not without some difficulty in accommodating various bureaucratic cultures. The outlines of an application process also emerged through trial and error as much as through efforts at design. The entire \$100 million authorization was utilized. A set of seven proposals were developed and approved. Nearly everyone involved expressed satisfaction with the results, if not with all aspects of the process.

DOS regional bureaus and their constituent embassies were particularly grateful for the opportunity to develop creative and integrated programs in response to urgent needs with the prospect that funding could be received and implementation begun within months and not years. Even the very limited amount of financial resources available was not a deterrent to making the considerable effort required to complete the application, develop the budget, and push the proposal from the field through various levels of approval at the DOS and to wait until the DOD determined whether it would make the money available.

The administration and Congress are increasingly aware that military force alone will not overcome the diverse and largely nonmilitary challenges that the United States faces from extremism, terrorism, and political instability.

This year the application process should benefit greatly from recent experience and the publication of guidelines, the setting of deadlines, and the resolution of interagency conflicts.

This year the application process should benefit greatly from recent experience and the publication of guidelines, the setting of deadlines, and the resolution of interagency conflicts. Although some questions about the application process remain and should be addressed, there is a sense of confidence among members of the TAC that the evaluation process will be handled efficiently and that the 1207 program is on track. There are, however, a few actions that should be taken to make the application process more effective. To improve the current 1207 application process, it is suggested that the DOS and DOD adopt the following recommendations:

- **Utilize the published guidelines.** It is imperative that the TAC utilizes the guidelines sent to embassies on February 28 for this year's application process. Creating confidence in the process and handling applications efficiently is more important than making adjustments at this late date. By announcing the program, publishing clear guidelines, and handling applications in an orderly and transparent manner, S/CRS and the other members of the TAC should avoid most of the complaints about the application process made last year.
- **New roles for USAID and S/CRS.** Inclusion of USAID as a member of the TAC should help eliminate tensions and expedite the process. S/CRS should make clear that it would no longer implement proposals to avoid the appearance of a conflict of interest.
- **Set aside DOD funds.** Since the secretaries of state and defense have publicly endorsed the 1207 program, the DOD should set aside \$100 million as a virtual contingency fund so that proposals receive funding as soon as they are approved. This will remove the current tension over whether the DOD will actually make the money available and should speed implementation of projects. This would help avoid the inability to implement projects because a crisis has worsened or an opportunity has disappeared.
- **Adopt a two-tiered approach.** In the future, a two-tiered application process could resolve most of the problems arising from a lack of strategic direction and the need for detailed applications. The TAC should develop a "short form" and invite submissions of proposals that could be quickly evaluated. Proposals that survive this initial screening can be completed in full with a high degree of certainty that they will be accepted. Assistance with the preparation of these applications can be provided with the assurance that efforts will not be wasted.
- **The DOS and DOD should provide strategic direction.** In the future, the DOS and DOD should provide strategic direction by encouraging specific countries to submit proposals and by providing the administrative support required to prepare applications, much as S/CRS did this year with Sri Lanka. Other countries can apply and be considered on an equal basis, but this would ensure that critical countries would not be left out or fail for lack of capacity to prepare the applications. The DOS and DOD should also clarify how the requirements to deal with terrorism and to avoid the commitment of U.S. military forces will be interpreted.
- **S/CRS should surge staff.** S/CRS should act on plans to utilize funds from its FY 2009 budget to provide specialists to small embassies to assist with the 1207 application process. Experience has shown that the best applications come from embassies with large staffs. Embassies in crisis countries most often are small and fully consumed in dealing with day-to-day challenges. Providing additional help would make the application process more equitable and improve the quality of applications received by the TAC.
- **Implementation of 1207 projects should be evaluated.** S/CRS should use the 1.5 percent of project funds that it will set aside this year for monitoring and evaluation to determine whether the eight original 1207 projects were effectively implemented and achieved their goals. Such a study would complement this report and assist the TAC to further improve the application process in the future.

The DOS and DOD should provide strategic direction by encouraging specific countries to submit proposals and providing the administrative support required to prepare applications.

- **Funding should be transferred to the DOS.** In the future, the DOS should request that Congress act on its stated intention toward the 1207 program and appropriate the funding to the DOS. The DOD could still participate in deciding on project proposals, but the money would be guaranteed and could be made available more quickly. This would require coordinating the efforts of various congressional committees, but it would streamline the application process and restore the traditional role of the DOS in funding U.S. foreign assistance.

The DOS should request that Congress act on its stated intention toward the 1207 program and appropriate the funding to the DOS.

Appendix 1: Legislation

Provision Sec. 1207 in the FY 2006 National Defense Authorization Act (P.L. 109-163)

Sec. 1207. Security and Stabilization Assistance.

(a) Authority—The Secretary of Defense may provide services to, and transfer defense articles and funds to, the Secretary of State for the purposes of facilitating the provision by the Secretary of State of reconstruction, security, or stabilization assistance to a foreign country.

(b) Limitation—The aggregate value of all services, defense articles, and funds provided or transferred to the Secretary of State under this section in any fiscal year may not exceed \$100,000,000.

(c) Availability of Funds—Any funds transferred to the Secretary of State under this section may remain available until expended.

(d) Congressional Notification.

(1) Requirement for notice—Whenever the Secretary of Defense exercises the authority under subsection (a), the Secretary shall, at the time the authority is exercised, notify the congressional committees specified in paragraph (3) of the exercise of that authority. Any such notification shall be prepared in coordination with the Secretary of State.

(2) Content of notification—Any notification under paragraph (1) shall include a description of:

(A) the services, defense articles, or funds provided or transferred to the Secretary of State; and

(B) the purpose for which such services, defense articles, and funds will be used.

(3) Specified congressional committees—The congressional committees specified in this paragraph are the following:

(A) The Committee on Armed Services, the Committee on Foreign Relations, and the Committee on Appropriations of the Senate.

(B) The Committee on Armed Services, the Committee on International Relations, and the Committee on Appropriations of the House of Representatives.

(e) Applicable Law—Any services, defense articles, or funds provided or transferred to the Secretary of State under the authority of this section that the Secretary of State uses to provide reconstruction, security, or stabilization assistance to a foreign country shall be subject to the authorities and limitations in the Foreign Assistance Act of 1961, the Arms Export Control Act, or any law making appropriations to carry out such Acts.

(f) Expiration—The authority provided under subsection (a) may not be exercised after September 30, 2007.

Joint Explanation of Conferees (H.Rpt. 109-360) to Sec. 1207 contained in the FY 2006 National Defense Authorization Act

Security and stabilization assistance (sec. 1207)

The Senate amendment contained a provision (sec. 1207) that would provide the Secretary of Defense authority to use or transfer defense articles, services, training or other support, including support acquired by contract or otherwise, to provide immediate reconstruction, security or stabilization assistance to a foreign country for the purpose of restoring or maintaining peace and security in that country. The provision would permit the Secretary of Defense to transfer funds to the Department of State or any other federal agency for this purpose. The aggregate value of assistance provided or funds transferred under this authority could not exceed \$200.0 million in a fiscal year. The House bill contained no similar provision.

The House recedes with an amendment that would clarify that the Secretary of Defense may provide to the Secretary of State services, defense articles, and funding up to the amount of \$100.0 million in a fiscal year to facilitate the provision by the Secretary of State of reconstruction, security, or stabilization assistance to a foreign country. The amendment would limit this authority to fiscal years 2006 and 2007. The amendment would require the Secretary of Defense, in coordination with the Secretary of State, to notify specified congressional committees of the use of this authority. Any services, defense articles, and funding transferred to the Secretary of State under this authority shall be subject to the Foreign Assistance Act, the Arms Export Control Act, and other laws under which the Secretary of State is authorized to provide such assistance.

The conferees commend the administration for the steps it is taking to improve U.S. capacity and interagency coordination in planning for, supporting, and conducting stability operations in post-conflict situations. The conferees support the steps the Secretary of Defense is taking to place greater emphasis on the stability operations mission in Department of Defense planning and guidance so that the mission is fully integrated across all Department activities.

In authorizing this provision, the conferees also express their support for the Department of State Office of the Coordinator for Reconstruction and Stabilization (S/CRS). The mission of S/CRS is to lead, coordinate, and institutionalize U.S. government civilian capacity to prevent or prepare for post-conflict situations, and to help stabilize and reconstruct societies in transition from conflict or civil strife. The conferees commend the Department of Defense's active support of and cooperation with S/CRS, and urge the Department of Defense to continue to deepen its coordination with the Department of State on planning for and participating in post-conflict stability operations and reconstruction efforts.

The conferees view this provision as a temporary authority to provide additional resources, if needed, to the Department of State until S/CRS is fully stood up and adequately resourced. The conferees do not believe it is appropriate, and are not inclined, to provide long-term funding from the Department of Defense to the Department of State so that the Department of State can fulfill its statutory authorities. The conferees urge the administration to request the necessary resources for S/CRS in fiscal year 2007 and future years budget submissions for the Department of State.

Sec. 1210 FY 2008 National Defense Authorization Act

Sec. 1210. Extension and Enhancement of Authority for Security and Stabilization Assistance.

(a) Program for Assistance—Section 1207 of the National Defense Authorization Act for Fiscal Year 2006 (Public Law 109-163; 119 Stat. 3458) is amended—

(1) by redesignating subsections (d), (e), and (f) as subsections (e), (f), and (g), respectively; and

(2) by inserting after subsection (c) the following:

(d) Formulation and Implementation of Program for Assistance—The Secretary of State shall coordinate with the Secretary of Defense in the formulation and implementation of a program of reconstruction, security, or stabilization assistance to a foreign country that involves the provision of services or transfer of defense articles or funds under subsection (a).

(b) One-Year Extension—Subsection (g) of such section, as redesignated by subsection (a) of this section, is amended by striking 'September 30, 2007' and inserting September 30, 2008.

Joint Explanation of Conferees to the FY 2008 National Defense Authorization Act

Extension and enhancement of authority for security and stabilization assistance (sec. 1210)

The Senate amendment contained a provision (sec. 1202) that would extend until September 30, 2008, the authority provided under section 1207 of the National Defense Authorization Act of Fiscal Year 2006 (Public Law 109-163) for the Secretary of Defense to provide the Secretary of State services, defense articles, or funding to support Department of State programs for reconstruction, security, or stabilization assistance. The provision would also increase the total amount of all services, defense articles, and funding that may be provided under section 1207 from \$100.0 million to \$200.0 million. The provision would require the Department of State (DOS) to coordinate with the Department of Defense (DOD) in the formulation and implementation of any program of reconstruction, security, or stabilization assistance that involves the provision of services, defense articles, or funds by the DOD to the DOS under this section.

The House bill contained no similar provision.

The House recedes with an amendment that would delete the increase under the Senate provision in the aggregate value of all services, defense articles, and funding that may be provided under this section, thereby keeping the funding limitation under section 1207 at \$100.0 million during fiscal year 2008.

Appendix 2: Guiding Principles

Section 1210 (previously 1207) FY 2008 National Defense Authorization Act

1. Programs should clearly advance U.S. security interests by promoting regional stability and/or building governance capacity of foreign partners to address conflict, instability, and sources of terrorism.
2. Programs should focus on security, stabilization, or reconstruction objectives in regions and countries where a failure to act could lead to the deployment of U.S. forces.
3. Programs should be distinct from other U.S. government foreign assistance activities and address urgent or emergent threats or opportunities that conventional foreign assistance activities cannot address in the required time frame.
4. Programs should seek to achieve short term security, stabilization, or reconstruction objectives that are coordinated with longer-term development efforts and that are expected to be sustained by the host government, international organizations, or other forms of U.S. foreign assistance.
5. Programs should address stability, security, and development goals from a holistic perspective, integrating initiatives across multiple sectors.
6. While proposals may originate at Embassies, State regional bureaus, USAID, or Combatant Commands, all proposals must be closely coordinated with the affected Embassy and submitted by the Ambassador. All proposals must be cleared with the relevant Combatant Command. Those submitting proposals should consult broadly and draw in other U.S. Government components that have relevant expertise.
7. Programs should be coordinated with any U.S. security capacity building programs (e.g. NDAA Section 1206 activities) that are ongoing within the same geographical area.

An online edition of this and related reports can be found on our Web site (www.usip.org), together with additional information on the subject.



**United States
Institute of Peace**

1200 17th Street NW
Washington, DC 20036

www.usip.org