



**Calhoun: The NPS Institutional Archive**  
**DSpace Repository**

---

Faculty and Researchers

Faculty and Researchers' Publications

---

2007-09

**Reconstruction, the long tail and  
decentralization: an application to Iraq and Afghanistan**

McNab, Robert M.; Mason, Edward

Routledge/Taylor & Francis

---

Small Wars and Insurgencies, v. 18, no.3 September 2007, pp.363-379

<http://hdl.handle.net/10945/47726>

*Downloaded from NPS Archive: Calhoun*



Calhoun is a project of the Dudley Knox Library at NPS, furthering the precepts and goals of open government and government transparency. All information contained herein has been approved for release by the NPS Public Affairs Officer.

**Dudley Knox Library / Naval Postgraduate School**  
**411 Dyer Road / 1 University Circle**  
**Monterey, California USA 93943**

<http://www.nps.edu/library>

*Small Wars and Insurgencies*  
Vol. 18, No. 3, 363–379, September 2007



# Reconstruction, the Long Tail and Decentralisation: An Application to Iraq and Afghanistan

ROBERT M. McNAB\* & EDWARD MASON\*\*

\*Defense Resources Management Institute and Naval Postgraduate School, California

\*\*Naval Postgraduate School, California

**ABSTRACT** In this paper, we examine the current state of knowledge in the economics literature on the conduct of reconstruction activities in Iraq and Afghanistan. As stabilisation and reconstruction missions grow in importance for units deployed to these regions, it becomes more important to understand what activities can promote economic growth at the local level. While military operations focus on interdicting the insurgency, successful counter-insurgency campaigns have typically addressed the conditions conducive to the insurgency. Mitigating the incentives for individuals to participate in an insurgency is imperative. Well-crafted and timed reconstruction activities can, we argue, attenuate these incentives.

## Introduction

Given the continued engagement of United States Armed Forces in Afghanistan and Iraq, an ongoing question is what impact these forces can have on the reconstruction and economic development of these countries. Stabilisation and reconstruction operations are imperative to increase employment, income, public revenues and to attract investment in deteriorated and destroyed infrastructure. More importantly, from a security perspective, reconstruction and economic development mitigate the flow of personnel and resources to the ongoing insurgencies in these countries. It is important, therefore, to ask not only how reconstruction assistance promotes economic growth, but also *how* reconstruction should proceed in the post-conflict environment.

In this paper, we examine the current state of knowledge in the economics literature on the conduct of reconstruction activities in Iraq and Afghanistan. As stabilisation and reconstruction missions grow in importance for units deployed to these regions, it becomes more

---

*Correspondence Address:* Robert M. McNab, Defense Resources Management Institute and Naval Postgraduate School, 699 Dyer Road, Bldg 234, Monterey, CA 93943, USA.  
Email: rmmcnab@nps.navy.mil

important to understand what activities can promote economic growth at the local level. While military operations focus on interdicting the insurgency, successful counter-insurgency campaigns have typically addressed the conditions conducive to the insurgency.<sup>1</sup> Mitigating the incentives for individuals to participate in an insurgency is an important component of stabilisation operations. Well-crafted and timed reconstruction activities can, we argue, attenuate these incentives.

The remainder of this paper is structured as follows. In the following section, we attempt to establish a common definition of stabilisation and reconstruction operations. In the third section, we examine the timing and measurement of stabilisation and reconstruction operations. We then present our theory of the long tail of stabilisation and reconstruction operations. In the fifth section, we discuss the role of economics in counter-insurgency operations. The last section concludes and offers policy advice.

### What Are Stabilisation and Reconstruction Operations?

How should stabilisation and reconstruction operations proceed and how should we measure progress? US Army doctrine states that *stability operations* promote and protect US national interests by influencing the operational environment through a combination of peacetime developmental, cooperative activities and coercive actions in response to crisis.<sup>2</sup> Stability operations include peace operations, foreign internal defence, security assistance, humanitarian and civic assistance, combating terrorism, shows of force and counter-insurgency operations. *Support operations* prevent or mitigate the effects of natural or man-made disasters and encompass improving human services, civil administration, communications and information, transportation and distribution, energy and commerce. *Stabilisation and reconstruction operations* (SARO) are the complementary application of stability and support operations in support of US national interests in external states.

SAROs are broader in scope than peacekeeping or peace enforcement operations. The term ‘peacekeeping’ originated in the 1950s to describe operations limited to the separation of former combatants.<sup>3</sup> Peacekeeping operations grew in scope to include a swath of activities, ranging from electoral monitoring to monitoring and enforcing ceasefires. In the early 1990s, ‘peace enforcement’ entered usage to describe operations in unstable environments with more robust rules of engagement (ROEs). Sovereign and non-state actors undertook peacekeeping and peace enforcement operations, often with vague and conflicting mandates. More recently, with the explicit displeasure voiced for peacekeeping and ‘nation-building’ operations in the United States, these activities are now encompassed by terms including ‘stability and support operations’ and ‘stabilisation and reconstruction operations’.<sup>4</sup>

For the purposes of this paper we must clearly delineate between stability and support operations (SASO), stabilisation and reconstruction operations (SARO) and peacekeeping and peace enforcement operations (PKO and PEO). PKOs typically occur when there is a negotiated agreement between former belligerents and focus on maintaining and fostering stability in a post-conflict environment.<sup>5</sup> PEOs, as with PKOs, also occur in the presence of a negotiated agreement, though force may be applied to separate combatants and enforce the terms of the agreement.<sup>6</sup> Actions may include the application of force upon one of the combatants to compel them to accept the provisions of a negotiated agreement, or in the case of Kosovo, to negotiate an agreement. SASO focuses on providing essential supplies to designated groups and applying military force to influence the political and civil environment and may encompass PKOs and PEOs.<sup>7</sup>

Unlike PKOs, PEOs, and SASOs, SAROs (sometimes referred to as 'nation building' or 'stability operations') include activities conducted by military and other governmental institutions to establish and support a foreign government's ability to assure the rule of law, internal security, basic public services and border security.<sup>8</sup> Stabilisation and reconstruction efforts are typically broader in scope, effort, duration and cost. As opposed to the operations discussed above, SAROs focus on the development of institutional capacity to foster cooperation and legitimacy of the emerging government. In Afghanistan, for example, the Sector Security Reform employed five pillars: Afghan National Army (US), counter-narcotics (United Kingdom), disarmament, demobilisation and reintegration (Japan), judiciary (Italy) and law enforcement (Germany).<sup>9</sup> These actions mirror the four pillars of reconstruction: security; justice and reconciliation; social and economic development; and governance and participation.<sup>10</sup>

## **The Timing and Measurement of Stabilisation and Reconstruction Operations**

### *The Timing of Reconstruction*

Whether reconstruction should take place during military operations or only after the cessation of hostilities remains a matter of debate in the literature. The interdependency of the four pillars of reconstruction suggests to some that reconstruction should address each area simultaneously.<sup>11</sup> If reconstruction fails to simultaneously address political and institutional instability, ensure internal security and address economic and social conditions, then, as this argument goes, the likelihood of failure is significant.<sup>12</sup> Whether these strategies can be carried out simultaneously in an environment characterised by

insecurity is of concern. Operationally, tasking military units primarily concerned with security to instil democratic institutions and rehabilitate infrastructure may result in a dilution of combat power. Financially, resource limitations may limit the breadth and depth of reconstruction, resulting in the appearance of operating institutions rather than the emergence of capable institutions.

If operational or financial conditions inhibit simultaneous action on the four pillars of reconstruction, what should come first? Again, experience and the literature fail to yield a consensus. Some argue that socio-economic reconstruction must be an integral part of immediate post-conflict operations.<sup>13</sup> Investment at the community level (rather than large, national-scale reconstruction projects) may improve the likelihood of success and sustainability by fostering a sense of local ownership. Smaller, and consequently more numerous, projects at the local level may present tangible results to communities that would be otherwise ignored by more traditional resource-intensive reconstruction projects. Operational units may be ideally placed to deliver these smaller-scale projects that may also provide positive externalities in terms of developing local institutions and providing actionable intelligence. Yet such delegation of responsibility would appear to run counter to the centralised nature of reconstruction efforts in Iraq and Afghanistan.

While immediate investment may be appealing in the post-conflict environment, it may not be the most efficient and effective means of facilitating reconstruction. Post-conflict states typically lack the ability to absorb reconstruction aid due to a lack of institutional capacity and endemic corruption. Only after three years, on average, does the ability to absorb aid increase.<sup>14</sup> The large influx of reconstruction aid in the immediate aftermath of conflict may also negatively impact the development of local markets. Financial and physical aid can complement or substitute for local institutions; thus commanders need to be aware of the need to coordinate their activities with the emergence of local institutions. Large inflows of international aid, however, can distort local labour markets in the post-conflict environment, leading to an outflow of already scarce labour from the public sector to international governmental (IGO) and non-governmental (NGO) organisations. The introduction of peacekeepers to the UN Transitional Authority in Cambodia (UNTAC), for example, led to an increase in the price of rice, fish, meat and housing and the devaluation of the local currency by 70 per cent.<sup>15</sup> In Afghanistan, a key pillar of public sector reform is to provide central government departments with the ability to appoint key personnel at higher than normal pay scales for a fixed term due to the distortions created by IGOs and NGOs.<sup>16</sup> These arguments suggest that in the aftermath of conflict, social rehabilitation may yield higher returns than economic reconstruction.

Given that conflict invariably creates myopia and distrust of public institutions, reconstruction efforts, in the short-term, should focus on improving local governance. From this argument, one could conclude that insecurity, per se, is the symptom and that reconstruction should focus on the root causes of violence.<sup>17</sup> Yet even if military commanders are predisposed to engage rebuilding social capital and public institutions (a significant assumption), one must question whether such nebulous actions are sufficiently incentivised in current practice. Unlike reconstruction efforts that develop and rehabilitate existing physical capital, efforts to promote social capital are notoriously hard to measure.

#### *The Measurement of Stabilisation and Reconstruction*

The development of performance metrics that identify the influence of stabilisation and reconstruction efforts on outcomes would not necessarily guarantee the adoption of these metrics. As noted in the literature, organisations may take action to improve their performance in terms of familiar metrics, even when such actions may have been detrimental to those outcomes that are of interest to their stakeholders.<sup>18</sup> Agents may produce excessive quantities of goods and services whose characteristics are quantifiable and easily monitored to exploit principals who lack the knowledge on the true demand for public goods and services and the costs of producing them. These behaviours favour programmes for which metrics are readily available over those whose outcomes are more difficult to quantify. The military and other agencies responsible for stabilisation and reconstruction have, in fact, used metrics (insurgents killed/captured/wounded, electricity and oil production, number of children attending school) that are readily quantifiable.

While military operations to clear insurgent strongholds in Iraq provide tangible results in terms of individuals detained and arms caches interdicted, these operations may also undermine the development of a civil society by increasing animosity towards US forces. Such a strategy of attrition may be counterproductive in that the killing of insurgents without destroying their infrastructure or their ability to coerce resources from the population is a waste of effort.<sup>19</sup> Military operations in the Malay counter-insurgency campaign were limited in scope and undertaken with specific, narrow objectives and not employed to intimidate insurgents or their potential supporters.<sup>20</sup> The shift in strategy from search-and-destroy to clear-and-hold operations in Vietnam under General Creighton Abrams is argued to have improved security by focusing on the logistical 'nose' of these forces and degrading their ability to sustain combat operations.<sup>21</sup> Unlike relatively symmetric conflict between sovereign (or quasi-sovereign) actors, asymmetric

conflict may render the use of offensive action ineffective but, more importantly, counterproductive.<sup>22</sup>

Even if metrics are focused on outcomes, we argue that capture may bias performance measurement. Capture occurs when interest groups seize the benefits of public goods and, in turn, ultimately control government policies. The likelihood of capture may increase as the scale of a reconstruction project increases. Capture creates a series of problems, including overstatement of the cost of provision of local public goods, corruption and diversion of local public goods to non-intended groups. Capture may also have the reverse effect; interest groups may wish to understate the demand for public goods so as to lower revenue requirements and taxes. The literature is replete with examples from countries in Latin America, sub-Saharan Africa and some Asian countries (the Philippines and Indonesia) where public consumption and transfers have often been misdirected, have not reduced income inequality, and have largely supported special interests.<sup>23</sup> Competition for control of national-level investment projects, for example, appears to increase corruption and bureaucratic inefficiency as national elites attempt to capture the public sector. Competition among national elites may spur sectarian or ethnic violence, undermining security and increasing the likelihood of future conflict. Capture may thus misstate the actual demand for public services in an unknown direction, rendering performance management techniques unusable.

We argue that the attempt to use performance management techniques to gauge the success of reconstruction in Afghanistan and Iraq created (and continues to create) incentives to engage in actions that may have been detrimental to the objective of improving security. Using the metric, for example, of individuals detained to proxy for interdicting the insurgency created the perverse incentive to detain Iraqis, regardless of actual threat. Using the metric of resources committed to reconstruction projects, for example, created the incentive to obligate funds for larger scale projects, regardless of the capacity of the Iraqi government to sustain these projects over time.<sup>24</sup> We can only conclude that the focus on inputs (obligations, activities started and completed) instead of outputs (service provision) and, more importantly, outcomes (security and sustainability) continues to distort decision-making and inhibits the counter-insurgency campaign.

As counter-insurgency campaigns typically last years, it can be difficult to identify performance measures that provide information on annual progress towards achieving results. This effort is complicated by the presence of multiple parties with disparate goals (the US, Kurds, Shi'a and Sunni in Iraq, for example). While performance management techniques may improve the efficiency of government operations (and a recent GAO report notes that this is an imperfect and incomplete



process<sup>25</sup>), gauging progress in wartime is a much more difficult task. We note that the Special Inspector General for Iraq Reconstruction attempts to link inputs, outputs and outcomes in his continued reports to Congress.<sup>26</sup> Whether these recommendations are incorporated in the day-to-day operations of the Department of Defense (DoD), Multi-National Forces-Iraq and Combined Forces Command (Afghanistan) remains to be seen.

### The Long Tail of Stabilisation and Reconstruction Operations

If reconstruction is to promote security and economic growth, an unsettled question is the scope and complexity of the reconstruction process. Should reconstruction focus on the rehabilitation of the national infrastructure or local infrastructure? Given the inherent weakness of public institutions in post-conflict countries, the inability to process investment in the immediate aftermath of conflict and, in many cases, the prevalence of a culture of corruption, this is an important policy question. In this section, we develop a new theory on the long tail of stabilisation and reconstruction operations. We then employ our theory of the long tail to examine efforts currently under way in Afghanistan and Iraq.

The theory of the long tail argues that as the costs of production and distribution fall, especially on the Internet, there is less need to lump products and consumers into 'one size fits all' categories.<sup>27</sup> Globalisation promotes the *democratisation* of production techniques through the distribution of human capital. Industries that were once the province of the richest nations are now the foundation of the emerging economies of China, India and others. Global markets also produce strong incentives for the *minimisation* of transactions costs. Retailers that can secure and transport goods to market more efficiently than others enjoy a significant advantage. Wal-mart's success, for example, is widely attributed to its supply chain management techniques.<sup>28</sup> Finally, the ease of global communications has resulted in the *amplification* of the 'word of mouth' effect. We observe this phenomenon when a heavily trafficked website links to a little known website (often referred to as the 'slashdot' effect after a popular technology website), resulting in a several-magnitudes increase in traffic to the relatively unknown site for several days. As technological change lowers the cost of production, information and acquisition of goods, services and knowledge, we observe the development of customised products. The depth of songs available through online music services, for example, dwarfs that available through traditional retailers.

While the theory of the long tail describes the development and distribution of niche consumer products, we argue that the underlying concepts of democratisation, minimisation and amplification can be



applied to stabilisation and reconstruction operations. Reconstruction spans a spectrum from highly complex (and relatively high cost per unit) national-level projects (rehabilitation of an electrical grid, for example) to relatively simple and lower cost per unit subnational level projects (the development of a trunk road serving a village). Correspondingly, while national-level projects result in a significant level of publicity and performance measurement (electricity and oil production, hospitals and schools rehabilitated), lower-level projects are less visible and often provide results that do not lend themselves to quantification. On the other hand, operational units may be better suited to facilitate smaller projects that yield positive externalities in terms of building relationships that yield actionable intelligence. Smaller projects may also reduce the transaction costs associated with reconstruction operations, a counterintuitive argument that we discuss below.

Given these concerns, we argue that the principles of democratisation, minimisation and amplification can be applied to current reconstruction efforts. As illustrated in Figure 1, our theory of the long tail of stabilisation and reconstruction operations suggests a relationship exists between the complexity of a project and the government level at which the project should be implemented. Democratising reconstruction would entail smaller (and thus more numerous) reconstruction projects that

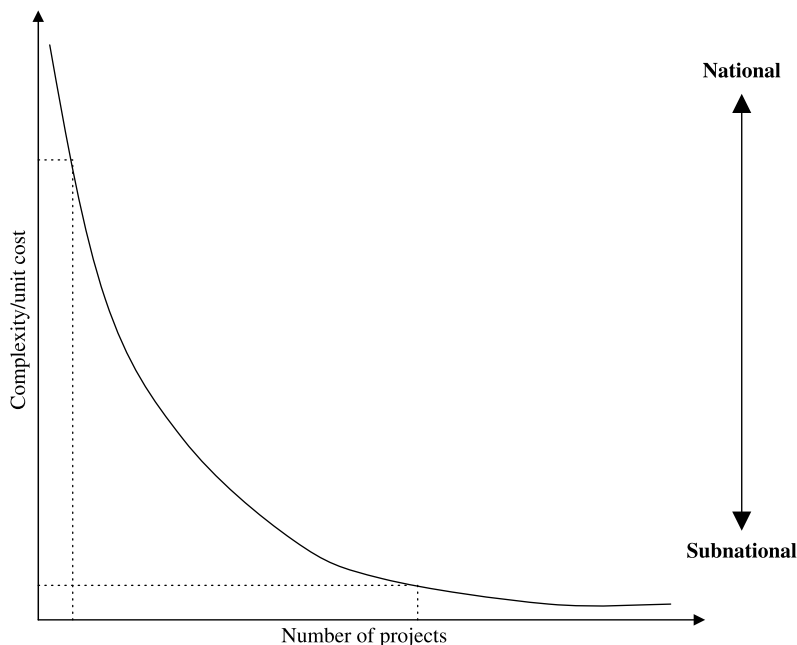


Figure 1. The Long Tail of Reconstruction

employ local businesses. Infrastructure rehabilitation would entail the hiring and oversight of a greater number of local contractors to avoid the potential of rent-seeking when only a small number of large contracts are let. Operational units could thus contract with local firms to provide reconstruction services, increasing employment of the local populace and attenuating the economic incentives for insurgent employment. This would, of course, entail a significant shift in current doctrine that has tended to centralise and micro-manage reconstruction efforts since 2003.

An example of this approach bearing fruit is the construction of a landfill in the Al-Rasheed district in Baghdad in 2004.<sup>29</sup> Rather than employing a capital-intensive approach, approximately 4,000 local labourers were hired at rates ranging from \$5 to \$7 per day, using hand-held tools. Given estimates of one worker supporting a familial network of ten to 15 people, this suggests that approximately 40,000 to 60,000 people were directly supported by this effort. While the wage rate of these workers was lower than that offered at the time by the insurgency (estimated at approximately \$300 per month), the risk-adjusted wage rate for the construction work was likely higher than that of the insurgency as attacks apparently declined during the construction period.

While it would appear that letting a large number of smaller contracts would exacerbate transaction costs, we argue that the anecdotal evidence from current efforts suggests that we could do no worse. Large contracts have multiple layers of subcontractors with multiple levels of mark-ups. Audits of reconstruction efforts in Iraq and the US (after Hurricane Katrina) illustrate mark-ups approaching 1700 per cent of the actual cost of service provision.<sup>30</sup> Larger contracts are likely to be the subject of intense competition for the capture of rents, suggesting that malfeasance may become an issue. Whether or not national-level reconstruction projects are sustainable, given the weak revenue capacity of the public sector in post-conflict countries, is also of concern. Smaller (and more local projects) are more likely to have stronger connections with the local populace, increasing the likelihood that they will pay for the provision of these services. We suggest that, at a minimum, a more decentralised approach to reconstruction will result in the same, if not lower transactions costs.

Finally, our theory suggests that a larger number of smaller reconstruction projects may amplify the impact of reconstruction. If the goal of reconstruction is to 'win hearts and minds', then increasing the breadth of reconstruction may facilitate efforts to achieve this goal. In the Philippines from 1899 to 1902, for example, the US Army employed over 500 small garrisons to live with local communities, enforce law and order and fight the insurgency.<sup>31</sup> In South Vietnam, unified civil-military teams were deployed in each of the 250 districts and 44 provinces.<sup>32</sup> In Afghanistan, it is widely acknowledged that reconstruction assistance is

372 *Robert M. McNab & Edward Mason*

primarily concentrated around Kabul.<sup>33</sup> Historical experience would suggest an expansion of the relatively small existing Provincial Reconstruction Team (PRT) programme.<sup>34</sup> Operationally, decentralised reconstruction projects may allow unit-level commanders to reap positive externalities in terms of awareness and intelligence. The above arguments, of course, open a debate on whether stabilisation and reconstruction efforts should occur in a centralised or decentralised manner.

### **Applying the Theory of the Long Tail to Reconstruction**

A potential counter-insurgency strategy is to convince the population that the government is both capable and is winning against the insurgents. One method to accomplish this task is to provide the population with services to improve the standard of living; there are, however, two potential approaches to accomplish this task. Centralised coordination and provision may be necessary to address problems of weak institutional capacity at the sub-national level. On the other hand, decentralised provision may better suit the preferences and needs of heterogeneous sub-national jurisdictions. As noted above, decentralised provision may address the long tail of reconstruction, yielding positive externalities in terms of improved security and sustainability. Yet there is a distinct lack of discussion in the decentralisation literature as to its application to post-conflict environments.

To discuss whether decentralisation should be applied to reconstruction operations in Afghanistan and Iraq, we must first explicitly define the difference between the deconcentration, delegation and decentralisation of public expenditures. What some governments call fiscal decentralisation is actually nothing more than the geographical deconcentration of central government bureaucracy and service delivery. Deconcentration can be described as a process geared to increasing the effectiveness and flexibility of the provision of government services by providing previously centralised services through regional and local offices but, other than geographic similarities, deconcentration has little to do with fiscal decentralisation. Although there are several ways to describe the process of fiscal decentralisation, its essence is captured by the two related processes of either delegation or devolution of fiscal authority. In either case, decision-making power on the composition of expenditures and often on the composition and level of revenues is shifted to separately elected sub-national governments.<sup>35</sup>

When done well, decentralised governments can be more efficient, more sensitive to local needs, provide services to a larger number of people, and increase political representation. At the macroeconomic level, decentralisation may promote allocative efficiency, macroeconomic stability and economic development.<sup>36</sup> Decentralisation may be

particularly important in post-conflict countries in that it may strengthen democratic governance at the sub-national level and provides a political mechanism for curbing the powers of the central government.<sup>37</sup> Appropriately structured decentralisation not only improves governance by improving incentives but also may enhance and preserve markets, crucial for post-conflict development.<sup>38</sup> Decentralisation, especially when conducted through unit-level commanders and organisations, suggests that reconstruction may be relatively more responsive and nimble to local conditions than centralised provision. This would encourage innovation in reconstruction policies, reinforcing successful policies and discouraging policies that fail.<sup>39</sup> Moreover, decentralisation can increase political stability and national unity by allowing citizens to better control public programmes at the local level.<sup>40</sup> For countries that are ethnically and geographically diverse, decentralised reconstruction may improve security by damping ethnic and regional tensions.

When done poorly, decentralisation can exacerbate macroeconomic instability and degrade service provision. Decentralisation can increase horizontal disparities, especially if revenues are apportioned on a derivation basis.<sup>41</sup> In the case of Iraq, for example, the question of whether oil revenues should accrue to the central or sub-national governments is a cause of political and sectarian tension. If oil revenues accrue to the Kurdish and Shi'a autonomous regions, the central, predominately Sunni, region of Iraq may lack sufficient revenue capacity to provide public goods and services. Decentralisation may also limit the ability of the central government to capture externalities associated with the provision of national public goods. Sub-national governments may engage in policies counter to those of the central government, wreaking havoc with economic and monetary policies. Furthermore, the case for decentralisation rests upon a series of assumptions that may be exceedingly stringent for developing countries, let alone countries emerging (or grappling with) armed conflict.<sup>42</sup> Democratic governance, a necessary condition for the gains of decentralisation to be fully realised, may require a minimum level of literacy, basic institutional capabilities and a measure of gender equality.<sup>43</sup> The potential virtues of fiscal decentralisation may also be, in part, dependent upon political accountability. But even political accountability alone may be insufficient for benefits of decentralisation to occur. Local officials must also have the authority to determine and implement revenue and expenditure policies.<sup>44</sup> Given the absence of democratic institutions, the culture of corruption and the lack of sub-national capacity, one might conclude that centralised reconstruction is more appropriate.

Yet we must recognise that the choice in Iraq and Afghanistan is not whether fiscal decentralisation should take place; it is a fact on the

ground. In Afghanistan, the central government's authority is centred on Kabul and is weak due to the legacy of the Soviet invasion and years of succeeding civil war. In Iraq, the lack of an effective post-conflict plan and actions by the occupying authority essentially decentralised the country, regardless of actual intent. Some degree of centralisation of public authority must occur, as most scholars would argue that weak central governments (without correspondingly strong sub-national governments) invariably produce weak states.

Given the decentralised nature of post-conflict states, the question that remains is whether reconstruction should be decentralised or centralised in nature. Centralised reconstruction could increase the legitimacy of the nascent central government. Decentralised provision, on the other hand, may result in stronger local governments and a closer match with the preferences of local populations. We argue that, given the security objectives of US forces in Iraq and Afghanistan, reconstruction should be decentralised and extend beyond a 'Baghdad-first' or 'Kabul-first' strategy. Although sub-national governments are quite weak, decentralised reconstruction can assist them in building capacity. Soliciting citizen inputs on when and what projects should occur is likely to promote the development of a civil society. Large-scale national-level reconstruction projects fail to address this long tail and may actually foster a culture of dependence.

We must recognise that in many post-conflict states there is not an economic 'centre of gravity' that, if invigorated, would induce economic growth in the remainder of the state. Post-conflict states, by their very nature, are fractured entities, lacking sufficient institutions or infrastructure for national-level projects. If we accept the argument that building institutional capacity increases in complexity, risk and effort as the level of government increases, then it may be more prudent to build the capacity of local institutions first. These are the levels of government that are in close contact with military units, thereby fostering relationships that assist in the Counter-insurgency Operations (COIN) fight.

One method of implementing decentralisation reconstruction is community-driven reconstruction (CDR). CDR has two main objectives: fast and cost-effective reconstruction assistance with an emphasis on local choice and accountability.<sup>45</sup> CDR can assist unit-level commanders in security and reconstruction activities by building linkages between nascent local governments and commanders through the conduit of reconstruction assistance. First, commanders support the democratic selection of local councils, thus enhancing the stature and long-term viability of these councils. Second, commanders can provide local councils with block grants that are tied to measurable outcomes. The provision of block grants allows the councils and other institutions

of local governments to develop capacity under the auspices of the local commander, without the local commander being the primary point of contact for the conduct of the work. Third, commanders should emphasise that use of grant funds will be audited and that further assistance is dependent upon appropriate, transparent and equitable use of funds. The mechanism for this approach exists and has been vetted by experience; the question is whether decision-makers can 'loosen the reins' to reap the potential benefits of decentralised reconstruction.

### Conclusions

Most unit-level commanders do not operate in the capital or regional capitals. The 3rd and 4th Brigade Combat Teams of the 10th Mountain Division, each comprised of approximately 3,000 soldiers, were responsible for 14 of the 21 provinces of Afghanistan in 2006.<sup>46</sup> In some instances, a company-level commander and senior non-commissioned officer (NCO) were the senior representatives of the United States in a province (Afghanistan) or town (Iraq). While there are provincial reconstruction teams (PRTs) engaged in reconstruction activities in Afghanistan, these are relatively small in number (50–100 soldiers and civilians in regional capitals) compared to the operational units. Technical assistance remains concentrated in the capital, and regional and local governments have yet to receive substantial attention from NGOs and IGOs, especially in the case of Afghanistan.

Further complicating the role of the operational commander is the lack of integration between military operations and the financial resources to facilitate reconstruction and economic development in their area of responsibility. Initially, in Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF), commanders had significant flexibility and resources in the form of commanders' emergency response funds (CERF). Over time, however, CERF resources have dwindled and become bureaucratized and micromanaged.

Operationally, these arguments suggest that commanders are invariably torn between disparate missions. Commanders must provide security but are also tasked with training local security organisations and promoting local governance and economic reconstruction. Invariably, these roles come into conflict and may also create a culture of dependency. Commanders, responding to incentives, may focus on readily quantifiable actions, even though such actions may degrade long-term stability.

To assist these commanders, we argue that reconstruction assistance should be decentralised to, at a minimum, the battalion level. If possible, platoon and company-level commanders should have some discretion in the employment of reconstruction assistance. We note that this would entail a substantial modification of the existing reconstruction system



376 Robert M. McNab & Edward Mason

but question why centralisation is necessary, especially when those making decisions are removed from the battlefield. The operational-unit commander, by interacting with local governments, can solicit preferences and audit results. While this is a shift away from traditional military operations, post-conflict operations are not traditional military operations. If we can take advantage of the long tail of reconstruction operations, we can generate positive externalities that bolster combat power and counter-insurgency operations.

January 2007

### Acknowledgements

Jomana Amara and Kathleen Bailey provided invaluable assistance during the editing of the paper. The usual disclaimers apply.

### NOTES

1. See, among others, John Nagl, *Learning to Eat Soup with a Knife* (Chicago: University of Chicago Press, 2005) and Timothy Deady, 'Lessons from a Successful Counterinsurgency: The Philippines: 1899–1902', *Parameters* 35 (Spring 2005), p.57.
2. US Department of the Army, *Stability and Support Operations* (Field Manual 3-07) (Washington, DC: Department of the Army, 2003), available at: [www.dtic.mil/doctrine/jel/service\\_pubs/fm3\\_07.pdf](http://www.dtic.mil/doctrine/jel/service_pubs/fm3_07.pdf), accessed 12 October 2007.
3. For a survey of peacekeeping operations, see A.B. Fetherston, *Towards a Theory of United Nations Peacekeeping* (Canberra: Peace Research Center, Australia National University, 1994).
4. Congressional Research Service, 'Peacekeeping and Related Stability Operations: Issues of US Military Involvement' (CRS Report IB 94040, 2005).
5. See *Operations* (Army Field Manual 100-5) (Washington, DC: Headquarters Department of the Army, June 1993, [http://www.dtic.mil/doctrine/jel/service\\_pubs/fm100\\_5.pdf](http://www.dtic.mil/doctrine/jel/service_pubs/fm100_5.pdf), accessed 12 October 2007); and Peace Keeping Best Practices Unit, *Handbook on United Nations Multidimensional Peacekeeping Operations* (New York: United Nations, December 2003), [http://pbpu.unlb.org/pbpu/library/ Handbook%20on%20UN%20PKOs.pdf](http://pbpu.unlb.org/pbpu/library/Handbook%20on%20UN%20PKOs.pdf), accessed 12 October 2007.
6. Andrei Demurenko and Alexander Nikitin, *Basic Terminology and Concepts in International Peacekeeping Operations: An Analytical Review* (Fort Leavenworth, KS: Foreign Military Studies Office, 1997), <http://fmso.leavenworth.army.mil/documents/pkterms.htm>, accessed 12 October 2007.
7. United States Army, *Operations*. (US Army Field Manual 3-0) (Washington, DC, 2001), [www.dtic.mil/doctrine/jel/service\\_pubs/fm3\\_0a.pdf](http://www.dtic.mil/doctrine/jel/service_pubs/fm3_0a.pdf), accessed 12 October 2007.
8. Phil Kearly, 'Stability Operations Concepts and Capabilities Emerging From JFCOM/Joint Experimentation' (2004), available at [www.act.nato.int/organization/transformation/cde04-presentations/4novstabilityopsbo/kearly.pdf](http://www.act.nato.int/organization/transformation/cde04-presentations/4novstabilityopsbo/kearly.pdf), accessed 12 October 2007.
9. Steven Metz and Raymond Millen, 'Intervention, Stabilization, and Transformation Operations: The Role of Landpower in the New Strategic Environment', available at: <http://carlisle-www.army.mil/USAWC/Parameters/05spring/metz.pdf>, accessed 12 October 2007.
10. World Bank, *Post-Conflict Reconstruction: The Role of the World Bank* (Washington, DC: World Bank, 1998); and Bush, 'National Strategy for Victory in Iraq', Available at: [http://www.whitehouse.gov/infocus/iraq/iraq\\_strategy\\_nov2005.html](http://www.whitehouse.gov/infocus/iraq/iraq_strategy_nov2005.html), accessed 10 October 2007. Also see Scott Feil, 'Building Better Foundations: Security in Postconflict Reconstruction', *The Washington Quarterly* 25, no.4 (2002); John J. Hamre and Gordon R. Sullivan, 'Toward Postconflict Reconstruction', *The Washington Quarterly* 25, no.4 (2002).



## Reconstruction and Decentralisation 377

11. See Feil, 'Building Better Foundations'; Hamre and Sullivan, 'Toward Postconflict Reconstruction'; Gareth Evans, 'Rebuilding Societies in Crisis: Before and After War', International Crisis Group, 8 Oct. 2003, available at <http://www.crisisgroup.org/home/index.cfm?id = 2314&l = 1>, accessed 12 October 2007); as well as Nat J. Colletta, 'Conflict Prevention and Post-Conflict Reconstruction: Perspectives and Prospects', *World Bank Post-Conflict Unit* (Paris, Aug. 1998), at <http://www-unix.oit.umass.edu/%7Eeduc870/PostConflict/resources/Colleta-PostConflict-Rcnstrctn-98.pdf>, accessed 12 October 2007. Also see Michael E. O'Hanlon and Nina Kamp, Iraq Index, Brookings Institution, Updated 21 Nov 2005, <http://www.brookings.edu/iraqindex>, accessed 10 October 2007, who note that the World Bank approved its first loan in Iraq in over 30 years in November 2005, more than two-and-a-half years after combat operations began.
12. Anthony H. Cordesman, *The War After the War* (Washington, DC: Center for Strategic and International Studies, 2004).
13. Johanna M. Forman, 'Achieving Socioeconomic Well-Being in Postconflict Settings', *The Washington Quarterly* 25, no.4 (Washington D.C.: 2002).
14. Paul Collier and Anke Hoeffler, 'Aid, Policy, and Growth in Post-Conflict Societies', *The World Bank* (Oct. 2002). Also see Robert P. Beschel Jr., 'Rebuilding the Civil Service in a Post-Conflict Setting: Key Issues and Lessons of Experience', *World Bank Conflict Prevention and Reconstruction Unit* (March 2002, available at <http://siteresources.worldbank.org/INTTIM-ORLESTE/Resources/Rebuilding%2BCivil%2BService.pdf>, accessed 12 October 2007).
15. Michael Bhatia, 'Postconflict Profit: The Political Economy of Intervention', *Global Governance* 11 (2005).
16. Asian Development Bank, 'Country Strategy and Program Update 2006–2008: Afghanistan' (2005), available at <http://www.adb.org/Documents/CSPs/AFG/2005/csp0100.asp>, accessed 12 October 2007.
17. Jan Oberg, 'Conflict-Management as if Human Beings Mattered: Can We Learn To Do Better Than We Did In Kosovo?', *Transnational Foundation for Peace and Future Research*, August 1999, available at <http://www.transnational.org/forum/meet/2000/janWorldBank.html>, accessed 12 October 2007.
18. D. Osborne and T. Gaebler, *Reinventing Government* (Reading, MA: Addison Wesley, 1992).
19. Sir Robert Thompson, *Defeating Communist Insurgency: Experiences from Malaya and Vietnam* (London: Chatto and Windus, 1966), 116.
20. Steven Metz, 'Insurgency and Counterinsurgency in Iraq', *The Washington Quarterly* 27, no.1 (2003), pp.25–36.
21. Lewis Sorley, *A Better Way: The Unexamined Victories and Final Tragedy of America's Last Years in Vietnam* (New York: Harcourt Brace & Company).
22. Andrew Mack, 'Why Big Nations Lose Small Wars: The Politics of Asymmetric Conflict', *World Politics* 27, no.2 (January 1975), pp.175–200.
23. Alberto Alesina, 'Too Large and Too Small Governments', in *Economic Policy and Equity*, edited by Vito Tanzi, Ke-Young Chu and S. Gupta. (Washington, DC: International Monetary Fund, 1999), pp.216–34.
24. Examples of the focus on obligations can be found at: <http://www.usaid.gov/iraq/contracts/>, accessed 12 October 2007. As noted by the Special Inspector General for Iraq Reconstruction, 'To date, the US reconstruction effort has been managed primarily through the use of activity metrics, including the number of project starts and completions, and the total dollars obligated and expended': available at <http://www.sigir.mil/sectors/Default.aspx>, accessed 12 October 2007.
25. Government Accountability Office, *Performance Budgeting: PART Focuses Attention on Program Performance but More Can Be Done to Engage Congress* (Washington DC: GAO, 2006), available at <http://www.gao.gov/new.items/d0628.pdf>, accessed 12 October 2007.
26. Special Inspector General for Iraq Reconstruction, *Iraq Reconstruction Progress Report*, Section 2 (Washington DC: SIGIR, 2006), available at [http://www.sigir.mil/reports/QuarterlyReports/Jan06/pdf/sections/Jan06\\_Sect2\\_Complete.pdf](http://www.sigir.mil/reports/QuarterlyReports/Jan06/pdf/sections/Jan06_Sect2_Complete.pdf), accessed 12 October 2007.
27. Chris Anderson, *The Long Tail. Why the Future of Business is Selling Less of More* (New York: Hyperion Publishers, 2006).
28. See, for example, Penny Gil and Jules Abend, 'Wal-mart: The Supply Chain Heavyweight Champ', *Supply Chain Management Review* 12 (1997).

## 378 Robert M. McNab &amp; Edward Mason

29. Peter Chiarelli and Peter Michaelis, 'Winning the Peace: The Requirement for Full-Spectrum Operations', *Military Review* (July–Aug. 2005), pp.4–26.
30. See, for example, 'Multiple Layers Of Contractors Drive Up Cost of Katrina Cleanup', *Washington Post*, 20 March 2006, <http://www.washingtonpost.com/wp-dyn/content/article/2006/03/19/AR2006031901078.html>, accessed 12 October 2007; Government Accountability Office, 'Agency Management of Contractors Responding to Hurricanes Katrina and Rita' (2006), available at <http://www.gao.gov/new.items/d06461r.pdf>, accessed 12 October 2007; and the Special Inspector General for Iraq Reconstruction, *Iraq Reconstruction Progress Report*, Section 2.
31. Deady, 'Lessons from a Successful Counterinsurgency'.
32. R.W. Komer, 'Bureaucracy Does Its Thing: Institutional Constraints on US-GVN Performance in Vietnam', Report R-967-ARPA (Santa Monica, CA: RAND Corporation, 1972), pp.vi, 114–17.
33. Asian Development Bank, 'Country Strategy and Program Update'.
34. In 2006, there were 22 PRTs in Afghanistan, 16 of which were from the United States (see [http://www.usaid.gov/locations/asia\\_near\\_east/afghanistan/prt.html](http://www.usaid.gov/locations/asia_near_east/afghanistan/prt.html)). The PRT programme in Iraq has continued to lag behind that of Afghanistan and faces significant problems in terms of security and personnel according to the Special Inspector General for Iraq Reconstruction (SIGIR) in reports dated 29 October 2006 and 29 July 2007.
35. See Richard Bird, 'Threading the Fiscal Labyrinth: Some Issues in Fiscal Decentralisation', *National Tax Journal* 46 (1993), pp.207–27; Richard Bird and Francois Vaillancourt, 'Fiscal Decentralisation in Developing Countries: An Overview and Perspective', paper presented at the International Seminar in Public Economics, Tokyo, 1997; Robert Ebel and Silmar Yilmaz, 'Fiscal Decentralisation: Is It Happening? How Do We Know?', paper presented at 'Public Finance in Developing and Transition Countries: A Conference in Honor of Richard Bird', Andrew Young School of Policy Studies, Georgia State University, Atlanta, GA (2001). For a discussion of the difference between delegation, devolution and deconcentration of fiscal authority.
36. For a discussion of the possible linkages between fiscal decentralisation and economic growth see Robert M. McNab and Jorge Martinez-Vasquez, 'Fiscal Decentralization and Economic Growth', *World Development* 31, no.9 (Sept. 2003), pp.1597–1616.
37. Jorge Martinez-Vazquez and Robert M. McNab, 'Fiscal Decentralization, Economic Growth, and Democratic Governance', International Studies Program Working Paper 01 (Atlanta, GA, Andrew Young School of Policy Studies, Georgia State University, 1998).
38. See, for example, Barry Weingast, 'The Economic Role of Political Institutions: Market-preserving Federalism and Economic Development', *Journal of Law and Economic Organization* 11, no.1 (1995), pp.1–31; G. Montinola, Y. Qian and B. Weingast, 'Federalism, Chinese Style', *World Politics* 48, no.1 (1995), pp.50–81; Barry Weingast, 'The Comparative Theory of Federalism', Working Paper, Hoover Institute (Palo Alto, CA: Stanford University, 2000), among others.
39. For a discussion of decentralisation and sub-national experimentation, see M. Wasylenko, 'Fiscal Decentralization and Economic Development', *Public Budgeting and Finance* 7, no.4 (1987), pp.57–71; and E. Gramlich, 'Subnational Fiscal Policy', in *Perspectives on Local Public Finance and Public Policy*, edited by J. Quigley (Greenwich, CT: JAI Press, 1987), pp.3–27.
40. See for example W. Oates, *Fiscal Federalism* (New York: Harcourt Brace Jovanovich, 1972); W. Oates, 'Fiscal Federalism: Overview', in *Public Finance with Several Levels of Government: Proceedings of the 46th Congress of the International Institute of Public Finance*, edited by R. Prud'homme (The Hague: Foundation Journal Public Finance, 1991), pp.1–18; R. Broadway and D. Wildasin, *Public Sector Economics*, 2nd edn. (Boston, MA: Little Brown, 1984); and 'Decentralization and Subnational Regional Economics', *The World Bank Group*, 23 Feb. 2005, <http://www1.worldbank.org/publicsector/decentralization/what.htm>, accessed 12 October 2007.
41. McNab and Martinez-Vasquez, 'Fiscal Decentralization and Economic Growth'.
42. R. Bahl and S. Nath, 'Public Expenditure Decentralization in Developing Economies', *Government and Policy* 4 (1986), pp.405–18; R. Prud'homme, *Public Finance with Several Levels of Government*; R. Prud'homme, 'On the Dangers of Decentralization', *World Bank Economic Review* 10, no.2 (1995), pp.201–20; and V. Tanzi, 'Fiscal Federalism and

*Reconstruction and Decentralisation* 379

Decentralization: A Review of Some Efficiency and Macroeconomic Aspects', in *Annual World Bank Conference on Development Economics*, edited by Michael Bruno and Boris Pleskovic (Washington DC: World Bank, 1996), pp. 295–316, among others.

43. J. Dethier, 'Governance, Decentralization, and Public Goods: Evidence from China, India, and Russia', paper presented at the Global Development Network (GDN) Conference, Bonn, Germany, 5–8 Dec. 1999.
44. S. Burki, G. Perry and W. Dillinger, 'Beyond the Center: Decentralizing the State', Latin American and Caribbean Studies Series Working Paper (Washington, DC: World Bank, 1999).
45. Sarah Cliffe, Scott Guggenheim and Markus Kostner, 'Community-Driven Reconstruction as an Instrument in War-to-Peace Transitions', Conflict Prevention and Reconstruction (CPT) Unit Paper 7 (New York: World Bank, 2003).
46. Along with these units are the division headquarters elements of the 10th Mountain Division and the headquarters of the 53rd Infantry Brigade, Florida National Guard, United States Department of Defense (2004). News Release 1289-04 (Washington, DC: Office of the Assistant Secretary of Defense (Public Affairs), 2004), available at <http://www.defenselink.mil/releases/2004/nr20041214-1823.html>, accessed 12 October 2007.