

TESTIMONY OF JAMES KUNDER
ASSISTANT ADMINISTRATOR FOR
ASIA AND THE NEAR EAST
U. S. AGENCY FOR INTERNATIONAL DEVELOPMENT
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Mr. Chairman, members of the Committee, it is an honor to appear before you again today. I especially welcome the opportunity to testify on the new Office of the Coordinator for Reconstruction and Stabilization in the State Department (S/CRS) and its role as part of our national security architecture. We at USAID appreciate the Committee's strong interest in and support for improving the U.S. Government's crisis response capability, and the sustained leadership shown by the Chairman, Senator Biden and other members of the Committee.

Clearly, one of the central lessons of 9/11 is the critical importance of weak and failing states. The pathologies that emerge from fragile and failed states readily spread across porous boundaries and potentially affect entire regions with crime, drugs, disease, trafficking, and environmental degradation, as well as economic deterioration and political instability. These states may also be the scenes of large-scale refugee or internal displacement, and can spawn widespread human rights abuses.

As the *National Security Strategy* states, we need to bring to bear the whole range of tools that are at our disposal – in the domains of defense, diplomacy, and development – and apply them in a much more consistent, coherent, and coordinated fashion. The President meant this in a general sense and as a fundamental prerequisite to a more effective foreign policy in a period of instability. But the coordination imperative also applies specifically in the case of failing and failed states where military, diplomatic, and development endeavors must be brought to bear synergistically.

Failed and failing states are both the incubators of terrorism and the sanctuary for terrorists. It was no mere coincidence that the Sudan, Somalia, and Afghanistan served as Al Qaeda's training and staging redoubts. As the *National Security Strategy* document succinctly puts it: "America is now threatened less by conquering states than by failing ones." Regions far away, we now know by painful experience, are not immune from the

consequences that arise from state failure on other continents. This became all too obvious to this country the morning of September 11th, 2001.

Over the last 15 years, USAID has been involved in six major post-conflict and stabilization projects, including Somalia, Bosnia, Kosovo, Liberia, Afghanistan, and Iraq. We have also been significantly involved in a variety of others, including Cambodia, Mozambique, El Salvador, Nicaragua, Guatemala, Rwanda, Sierra Leone, Colombia, and East Timor. As these lists indicate, the problem is not limited to any one region of the world, nor is state failure a transient phenomenon. USAID brings unique strengths that it has gathered from over 50 years of humanitarian and post-conflict interventions. In a 2001 study, our Bureau of Policy and Program Coordination found, incredibly, that two-thirds of the 80 countries where we were present had experienced violent conflict over the previous five years.

As this Committee has noted in previous deliberations, the USG's approach to dealing with failing and failed states has, historically, been *ad hoc* and reactive. All too often, senior policy makers have become seriously engaged only at the point when the situation has deteriorated to such a point that continued inaction has become unacceptable as a matter of national security or morality. Stated differently, we have historically tended to engage ourselves at the point where our interventions are most urgent, and least promising. Because failed and failing states feature prominently in the Global War on Terror, we must be more proactive and strategic in our response.

The President's initiative in establishing the Office of Reconstruction and Stabilization (S/CRS) is an important component in addressing this most important national security problem. USAID believes S/CRS can play a significant role as part of the new foreign policy apparatus required to meet the challenges we now face. S/CRS can help "fill the gap" in meeting some of the shortcomings we have experienced in dealing with failed and failing states over the past decade and a half, and in better coordinating the civilian response to crisis, as well as the civil-military strategies, plans and responses essential to successful stabilization operations.

As a standing office, S/CRS can help monitor states that are prone to fragility and bring high level attention to problems as they develop. This can help us take steps necessary to shore up weak states. In the event of failures we cannot prevent, S/CRS can also help us design strategies that ensure a timely, effective USG response. In other words, the existence of S/CRS will allow for timelier interventions that can either prevent or mitigate a crisis. This will help avoid situations, as in Somalia, where matters degenerated to such an extent that our only effective alternative was the application of force. In brief, S/CRS will enable us to act in a more proactive manner and with a greater array of tools.

S/CRS can play an important role in coordinating with partners in other countries and international organizations to pool the necessary resources to deal more effectively with states in crisis. It can play the same indispensable coordinating role among a range of departments and offices in the USG, ensuring that the particular expertise and value-

added of each USG agency is reinforcing the overall USG effort. For these reasons, USAID is a strong supporter of the S/CRS architecture and has been providing staff and resources to assist the office in getting up and running. USAID has seconded 7 senior staff from the Agency to further CRS's work, and we intend to continue providing staff support to bolster its capacity in key leadership areas.

We also believe Ambassador Pascual to be an inspired choice to lead S/CRS. We are proud that, among the many contributions he has made to our nation, he initially came from the ranks of USAID. His extraordinary breadth of experience and perspective, and his analytical and leadership qualities, make him an ideal person for the unifying and innovating role in which the President and Secretary of State have asked him to serve.

USAID's work in fragile and failing states will be guided by its new *Fragile States Strategy*. With assistance to weak states now at the center of the national security agenda, USAID has undertaken an extensive reassessment of how to improve the effectiveness of its response to the unique challenges posed by fragile states. The strategy identifies three central goals: improving the analysis and monitoring of fragile states, focusing programs on the causes of fragility, and improving internal business practices to facilitate a rapid and effective response. The strategy is based on the understanding that close coordination among the range of USG agencies is essential, which is why we believe S/CRS has such a crucial role to play.

It should be noted that the efforts to improve stabilization and reconstruction capacity in the United States have parallels internationally, as well. USAID's sister agency in Great Britain, the Department for International Development (DFID), has also put forward a fragile states strategy that closely parallels our own. Fragile and failing states were also on the agenda of a Development Assistance Committee (DAC) meeting of the OECD in February. This gathering brought together some 100 heads of donor organizations, Western development officials, and representatives from developing countries and afforded both DFID and USAID the opportunity to unveil their respective strategies.

Recognizing that USAID must adapt its structures and functions to the current challenges our nation faces, Administrator Natsios has made a number of innovative internal changes, both preceding the establishment of S/CRS and in sync with the new office. For example, upon assuming office, the Administrator established the new Bureau for Democracy, Conflict and Humanitarian Assistance, structurally linking the Agency's response to the disparate elements often encountered in failed or failing states: humanitarian needs; conflict within society; and democracy and governance issues. Within this new bureau, Mr. Natsios created the Office of Conflict Management and Mitigation, with the specific mission of tracking failing states and impelling responses to prevent full-scale state failure.

As we implement our *Fragile States Strategy* we are now pursuing further organizational changes within USAID so that we can meet the Agency's new mandate under the President's National Security Strategy. This includes organizing to interface effectively with S/CRS, across the range of USAID's response capabilities. We are concurrently

perfecting an Agency-wide response platform that links rapid post-conflict humanitarian and stabilization activities with immediate planning for longer-term recovery. We view this linkage as the real value-added USAID brings to the USG's reconstruction and stabilization arsenal. USAID management recognizes that we need to stop the instability when states fail – to “staunch the bleeding,” if you will – but we also need, simultaneously, to sow the seeds for long-term reconstruction and development. In military terms, we need to take the steps that will allow our troops to come home as soon as possible, but we also need to initiate the long-term development that will help ensure they will not be called back to the same country several years later. We are developing a standard structure and system for standing up and operating a complex emergency task force that can become operational as quickly as USAID's Response Management Teams (RMTs) for natural disasters, then transition rapidly to a reconstruction and development platform. Our initial efforts at such a task force configuration in Afghanistan, Iraq and the Asian tsunami have taught us useful lessons, on which we are building.

The President and Secretary Rice have emphasized the centrality of democracy and freedom both to our national security, and to development in general. Democracy and human freedom contribute to stability, and prevent state collapse, and further, when states are rebuilding, democratic, inclusive governance must be incorporated into the reconstruction process. Without strong democratic systems in place, reconstruction efforts are left in jeopardy. Democracy, rule of law, and good governance are the key elements of USAID's democracy strategy that are needed to ensure the success of reconstruction efforts in fragile states.

The spread of democracy is central to our national security. As the President has said, new challenges arise from “terror networks” that are aided by “outlaw regimes” or live at the intersection of failed states, poverty, chaos and despair. It should now be clear that the advance of democracy leads to peace, because governments that respect the rights of their people also respect the rights of their neighbors and because “in the long run, stability cannot be purchased at the expense of liberty.”

Good governance, founded on democratic principles, is our best hope of meeting those challenges before they become threats. A core USAID goal is to promote the transition to, and consolidation of, democracy and good governance throughout the world. To reach that goal, we focus on: expanding political freedom and competition; promoting justice and human rights through rule of law; developing civil society; and strengthening democratic and accountable governance. USAID programs are implemented by a democracy corps of over 400 democracy and governance officers who serve in over 80 country and regional missions, and who are managing \$1.2 billion in program resources in 2005 in support of the President's democracy agenda.

USAID is dedicated to ensuring that its resources carry out the vision of the President, and ultimately the American people, by supporting the development of prosperous democratic partners for the United States around the world. Two recent examples of USAID's efforts in post conflict democracy building include:

Iraq: USAID played a key role in supporting the Iraqi election process as well as helping to build democratic institutions in a country that was misruled with an iron fist for generations. USAID helped mobilize thousands of Iraqi election staff, many hundred Iraqi civil society organizations, and helped Iraqi and international organizations to field domestic election observers, deliver voter education and implement conflict mitigation programs. With USAID support, over 220 core election monitors were trained, and with additional European Union support, in turn trained as many as 12,000 domestic monitors. One indicator of election success was the higher than anticipated voter turnout. But most importantly, the 275-member Iraqi National Assembly (INA) – with 25% female representation -- was elected to govern the country, draft a new constitution, and provide for a national referendum on the Constitution and subsequently a constitutional government.

Afghanistan: USAID has helped Afghanistan move toward the promise of democracy, stability and peace. The staging of the Loya Jirga national assembly in summer 2002, only months after the fall of the Taliban regime, owes much to logistical support provided by USAID. The USG was the largest and earliest donor. USAID provided \$151.2 million, including logistical support for the Afghan Transitional Authority to convene the delegates responsible for ratifying the new Afghan Constitution. USAID also supported the October 2004 presidential elections, when Afghans elected Hamid Karzai. USAID today is deeply involved in helping to prepare for Parliamentary elections currently scheduled for September 2005 – helping Afghans build a legitimate state with institutions that promote good governance and the rule of law.

An important element of our restructuring for stabilization and reconstruction efforts is a more formal linkage with the U.S. Department of Defense at the operational level. Although we have traditionally maintained a military liaison unit in USAID's Office of Foreign Disaster Assistance (OFDA), and while we work closely with military units in Afghanistan, Iraq, in the tsunami response, and in many other locales, Administrator Natsios has directed that we establish improved planning and liaison structures. In response to his directive, USAID has now created a Military Policy Board, and a new Office of Military Affairs. The Military Policy Board oversees the policy interface with DOD, including personnel and training actions. The new Office of Military Affairs will manage and facilitate USAID's day-to-day work with DOD, prioritizing and managing training, conferences and exercises, planning, communications and operations with the military when crises arise.

The USAID links with S/CRS, our strengthened crisis response platform, and new Office of Military Affairs will significantly increase USAID's stabilization and reconstruction capabilities. We believe these changes will make us a more useful partner to Ambassador Pascual and his team, as he takes on the challenges he faces, including the need for a coordinated USG plan and response, the imperative for additional, flexible resources, and the requirement for filling in the gaps that still exist within the USG response system.

In closing, I would like to bring to the Committee's attention two areas of policy and operational research in which USAID is active, and which we hope will contribute to the topic we are discussing today: building peace in hostile environments. As part of the development of USAID's *Fragile States Strategy* mentioned earlier, we are pursuing ongoing work to examine fragile states – failing, failed or recovering states – and what steps the USG can take to assist them. Our work attempts to disaggregate the causal factors for fragility, broadly arrayed as issues of effectiveness and issues of legitimacy. We then align resources against these factors. The attached chart reviews our approach to fragile states.

A second area of operational research, shared with S/CRS, is in the area of refining the post-conflict task framework, and carefully delineating and sequencing the required tasks, when a nation does slip into crisis. The second attached chart, prepared for our Iraq program, serves as a brief indicator of how a “menu” of task options is transformed into a reconstruction strategy. By carefully examining the task framework, we believe we can contribute to the USG's efforts to identify programmatic and organizational gaps in the overall stabilization and reconstruction system.

USAID applauds the Committee's staunch support for S/CRS and the stabilization and reconstruction response systems needed to meet our national security objectives. I am prepared to answer any questions the Committee may have.