



RAND-INITIATED RESEARCH

CHILD POLICY
CIVIL JUSTICE
EDUCATION
ENERGY AND ENVIRONMENT
HEALTH AND HEALTH CARE
INTERNATIONAL AFFAIRS
NATIONAL SECURITY
POPULATION AND AGING
PUBLIC SAFETY
SCIENCE AND TECHNOLOGY
SUBSTANCE ABUSE
TERRORISM AND
HOMELAND SECURITY
TRANSPORTATION AND
INFRASTRUCTURE

This PDF document was made available from www.rand.org as a public service of the RAND Corporation.

[Jump down to document](#) ▼

The RAND Corporation is a nonprofit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world.

Support RAND

[Purchase this document](#)

[Browse Books & Publications](#)

[Make a charitable contribution](#)

For More Information

Visit RAND at www.rand.org

Explore [RAND-Initiated Research](#)

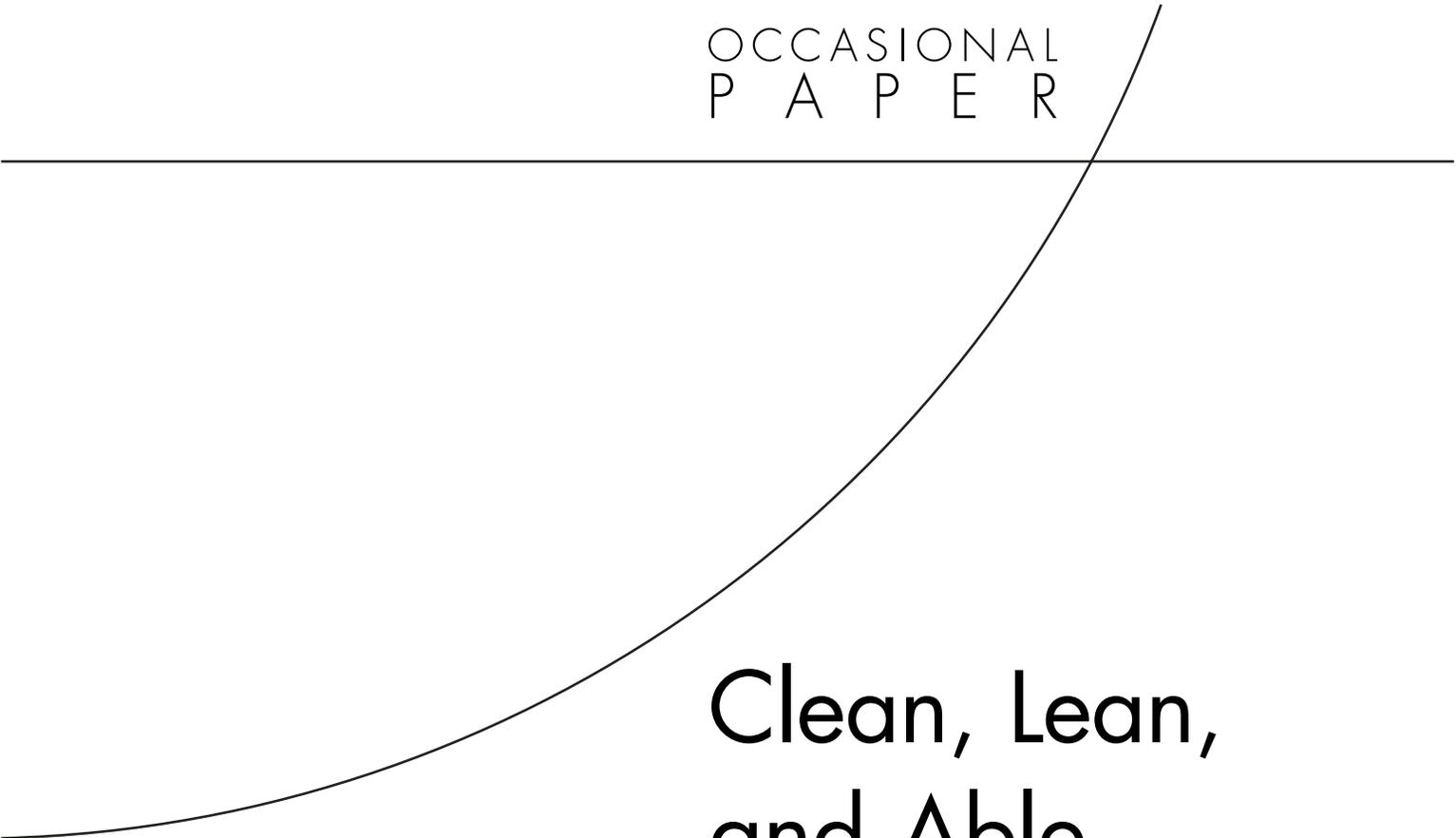
View [document details](#)

Limited Electronic Distribution Rights

This document and trademark(s) contained herein are protected by law as indicated in a notice appearing later in this work. This electronic representation of RAND intellectual property is provided for non-commercial use only. Permission is required from RAND to reproduce, or reuse in another form, any of our research documents for commercial use.

This product is part of the RAND Corporation occasional paper series. RAND occasional papers may include an informed perspective on a timely policy issue, a discussion of new research methodologies, essays, a paper presented at a conference, a conference summary, or a summary of work in progress. All RAND occasional papers undergo rigorous peer review to ensure that they meet high standards for research quality and objectivity.

OCCASIONAL
P A P E R



Clean, Lean, and Able

A Strategy for Defense
Development

DAVID C. GOMPERT, OLGA OLIKER,
ANGA TIMILSINA

OP-101-RC

January 2004



This research in the public interest was supported by RAND, using discretionary funds made possible by the generosity of RAND's donors, the fees earned on client-funded research, and independent research and development (IR&D) funds provided by the Department of Defense.

The RAND Corporation is a nonprofit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors.

RAND® is a registered trademark.

© Copyright 2004 RAND Corporation

All rights reserved. No part of this paper may be reproduced in any form by any electronic or mechanical means (including photocopying, recording, or information storage and retrieval) without permission in writing from RAND.

Published 2004 by the RAND Corporation
1700 Main Street, P.O. Box 2138, Santa Monica, CA 90407-2138
1200 South Hayes Street, Arlington, VA 22202-5050
201 North Craig Street, Suite 202, Pittsburgh, PA 15213-1516
RAND URL: <http://www.rand.org/>
To order RAND documents or to obtain additional information, contact
Distribution Services: Telephone: (310) 451-7002;
Fax: (310) 451-6915; Email: order@rand.org

Preface

In the decade following the fall of Soviet communism, the RAND Corporation worked intensively, along with other institutions, to help new Central and East European democracies develop plans to improve the professionalism, competence, and democratic control of their defense establishments. Transforming overweight, politicized, and secretive Moscow-controlled organizations into lean, professional, transparent, and independent ones, fit to work with and within the North Atlantic Treaty Organization (NATO), proved to be a more formidable challenge than anyone—with the possible exception of the Central and East Europeans themselves—expected. While some progress was made, three key lessons were learned. First, defense establishments, including military services, are not easy to change; indeed, those most in need of change will use their current positions to avoid it. Second, unreformed defense establishments can be a major drag on wider transformation, perhaps even stalling essential political transition. Third, there is no substitute for confronting the defense establishment of a transition country with clear choices and accountability by developing a coherent national defense plan.

The experience of the West, including RAND, in defense transformation in Eastern Europe is highly relevant to the growing challenge of insecurity throughout the developing world and those parts of the former communist world that have yet to undergo major reform. As terrorism has assumed strategic importance, a consensus is forming that concerted efforts must be made to develop countries that could otherwise become victims, havens, or even supporters of the likes of al Qaeda. One element of the emerging strategy must be to induce and help the militaries of such countries to change so that they can improve rather than degrade political, economic, and security conditions.

Against this backdrop, RAND decided to support the authors of this paper in a fresh examination of what it would take to effect deep and lasting “defense development.” This examination was undertaken from fall 2002 through fall 2003, and this paper is the result of this work. It is meant to be both a contribution to and a step beyond a growing body of literature on the issues at hand. It will be of interest to policymakers seeking to advance national security interests in a changing environment, to the broader security and development communities, and to scholars with an awareness of these issues and their intersection.

This paper results from RAND’s continuing program of self-sponsored independent research. Support for such research is provided, in part, by donors and by the independent research and development provisions of RAND’s contracts for the operation of its U.S. Department of Defense federally funded research and development centers. This research was overseen by the RAND National Security Research Division (NSRD). NSRD conducts research and analysis for the Office of the Secretary of Defense, the Joint Staff, the unified

commands, the defense agencies, the Department of the Navy, the U.S. intelligence community, allied foreign governments, and foundations.

Contents

Preface	iii
Figure	vii
Tables	ix
Acknowledgments	xi
Introduction	1
The Strategic Context	3
The Need for Defense Development	5
Results to Date	9
Three Countries in Need of Defense Development	13
Diagnoses	14
Country Strategies	15
What Can We Generalize from These Cases?	18
General Findings	20
Conclusion	30

Figure

Security Needs and Military Political Power	20
---	----

Tables

1. Conditions and Challenges	19
2. Notional Application of Preliminary DDI Metrics	22

Acknowledgments

The authors would like to express thanks to RAND for making available the time and resources to conduct this research and to write this document. While the authors alone are responsible for the analysis and the findings reported here, they thank Robert Klitgaard, Stephan de Spiegeleire, and William P. Butz for their informed and incisive comments, which contributed importantly to the quality of the final product. Rachel Swanger was also consistently helpful with substantive suggestions and support throughout the research and writing process. Finally, the authors would especially like to thank Richard Nephew, Sonia Nagda, Miriam Schafer, and Sarah Harting for their diligent research, creative analysis, meticulous editing, and assembly. This document was much improved by their efforts.

Clean, Lean, and Able: A Strategy for Defense Development

David C. Gompert, Olga Oliker, and Anga Timilsina

Introduction

Just a decade ago, dramatic developments—the soaring performance of emerging economies, apartheid’s defeat, communism’s implosion, the end of East-West rivalry—held out the promise of a secure, free, prosperous, fair, and inclusive world. There was hope that the East would democratize, the South would develop, and both would join the West in a global commonwealth of political and economic freedom. Stability, it was thought, would spread inexorably into region after region. Yet, despite some notable successes—Europe’s democratic unification, above all—today’s reality falls well short of that vision.

Generally speaking, political, economic, and security progress in the developing world, or South, has been discouraging since the Cold War ended. In that period, the gap in annual per capita income between rich and poor countries has grown from about \$17,000 to \$24,000.¹ With significant exceptions, such as parts of East Asia and Latin America, human conditions have not improved appreciably. Vast populations in Africa, the Middle East, Central Asia, and South Asia exist in destitution and desperation. Authoritarian rule, economic mismanagement, ethnic feuding, and international disputes persist, especially in undeveloped regions. Add the proliferation of dangerous weapons, the rise of religious fanaticism, and the predation of terrorist groups, and these regions are becoming not less but more hazardous to themselves and to the rest of the world, including the advanced democracies of the West and their global interests.

Locally, regionally, and globally, development—democratization, the rule of law, market creation, human capital growth, infrastructure improvement, and integration into global markets—fosters security as surely as security fosters development. Hard as it is under propitious conditions, politico-economic transition is nigh impossible for countries at war. Of the world’s twenty poorest countries, nineteen are experiencing or are just emerging from armed conflict.² As for cause and effect, underdevelopment is to insecurity what chicken is to egg.

While there are many reasons why the heady expectations of a decade ago have not been realized, the one this paper confronts is the ineffective, wasteful, unaccountable, and often kleptocratic character of the defense institutions, including military services, of many developing countries. These institutions sit at the nexus of security and development, and

¹ *World Development Indicators*, Washington, D.C.: The World Bank, 2002.

² Jane Chanaa, *Security Sector Reform: Issues, Challenges and Prospects*, Adelphi Paper 344, London, UK: International Institute for Strategic Studies, 2002.

they are capable of hurting both. The pages that follow diagnose what is wrong with the defense sectors of all too many developing countries and prescribe a holistic remedy.³

Too often, “underdeveloped” defense sectors—incapable, bloated, corrupt, opaque—endanger neighboring states, contaminate domestic politics and markets, engage in transnational crime, and even fail in their assigned mission: to provide adequate national security. Countries with militaries that detract from security, squander scarce resources, and cannot be trusted by their own leaders or citizens are countries with three strikes against them. Such consequences cannot be ignored: With the globalization of economics, interests, and threats, damage to development and to security in the South can harm the West.

This, then, is the challenge of *defense development*—otherwise known as defense-sector reform or, more broadly, security-sector reform—for countries that are, or ought to be, going through political and economic transition. Even where patient Western help has been available, such as throughout the formerly communist East for a decade now, defense institutions often remain resistant to change.⁴ The analysis that follows may seem uncharitable toward the well-intentioned policies and programs that have been aimed at overhauling dysfunctional military establishments. But there is no escaping the reality that, with some exceptions, past ideas and efforts have yielded insufficient improvement in the functioning and governance of defense establishments in transition countries, East or South.

So the authors’ premise is that a better approach is needed, conceptually and in practical policies. Others may argue that defense transformation simply takes time and patience—after all, Western countries had one or two hundred years to get it right, and some ran badly amok along the way. Maybe so. But this paper will argue that approaches to defense development to date have lacked strategic commitment, clear institutional responsibility, objective metrics, and leverage. Moreover, the conceptual basis has not been critically rethought despite unimpressive progress. In any case, the security situation in much of the developing world is bad enough to warrant more *impatience* in shaping up and cleaning up defense establishments. This paper is meant to provoke a critical and urgent look at this problem and how it should be tackled.

The term “defense development” has been chosen to convey sharply that the objects of such an undertaking are the defense establishments of countries that are on—or off—the path of economic and political development. The term implies as well that the perspectives and methods of development may be usefully applied, with an obvious need for tailoring, to the task of bringing defense sectors up to par. It also makes clear that the aim is cumulative and permanent progress, gaining strength and irreversibility as structures, economics, and politics change not only for the good but also for good.

Admittedly, post-colonial economic development has hardly been an unqualified success: The capitalist West did better in competing with the communist East than in assisting the underdeveloped South in the last half-century. (Who would have thought that defeating poverty would prove to be so much harder than defeating the Soviet Union?) Consequently, there are heated debates within the economic development world about what works, quite apart from whether or not to address the security sector. Then why entrust to

³ “Defense sector” can be said to include the national defense ministry, the armed forces, and the infrastructure, institutions, and industry that support them.

⁴ Since 1990, roughly \$726.5 million has been devoted to this end in various military assistance projects by the U.S. government, including international military education and training, and foreign military financing.

the underachieving and unsettled domain of international development the high-stakes task of helping defense sectors function better? This paper attempts to answer that question.

The Strategic Context

In the immediate aftermath of the Cold War, democratizing and integrating the states of the former Soviet bloc were top priorities of the Atlantic democracies. Because the consequences for security were clear and vital, the United States and its West European partners attacked the unprecedented, unanticipated challenge of socialism's collapse with focus, verve, and money. Their strategy of transformation called for extirpating the root-system of Soviet communism, converting Eastern societies to Western ways, and opening doors to Western markets and Western-run institutions. This effort proceeded at high speed with respect to political governance and more deliberately, but no less purposefully, where economic policy and structures were concerned. Given that the East had been functioning within a fraudulent economic system, an illegitimate political system and, for many, a foreign occupation, all of which were suddenly discarded, the transformation has gone reasonably if unevenly well.

Western strategy to convert the former communist states has included dedicated efforts to reform Warsaw Pact defense establishments, out of recognition that these were pillars of conservative power in the old regime, fundamentally incompatible with democracy, economic deadweight, and inimical to transformation in general. Admission to Western security, economic, and political groupings, above all the North Atlantic Treaty Organization (NATO) and the European Union (EU), was made contingent on transformation of Central and East European national security policies and institutions, as well as on peaceful settlement of outstanding international disputes and other norms. The provisional offer of membership provided tempting bait, which the Atlantic democracies used with skill. Thus, the West has had an intense recent experience in defense transformation, albeit in the specific, and indeed unique, context of rehabilitating quasi-developed European countries that jettisoned imposed communism and its military apparatus.

In the course of these same post-Cold War years, it became obvious that the end of East-West confrontation did not mean that peace and stability would bloom throughout the developing world, which had provided battlefields, cold and hot, for the superpower struggle. From Korea, Southeast Asia, and the Indian Subcontinent to Southwest Asia, the Middle East, and Africa, insecurity has persisted and in some cases gotten worse. The end of the superpower standoff released instabilities, bottled up during the Cold War, with deep and complex roots: colonialism (and the way it ended), tribalism, border disputes, weak or illegitimate governments, opportunistic and unscrupulous leaders, feudalism, and religious fanaticism.

Generally speaking, where free markets and free politics have taken hold—in parts of Latin America and East Asia, for example—improved stability and security has followed.⁵ Elsewhere, however, the lack of political and economic development has aggravated and perpetuated internal, international, and transnational strife. Even where progress had been

⁵ A notable exception is Southeast Asia, where several states at one or another stage of transition (e.g., Indonesia and the Philippines) are still experiencing instability, mainly because of separatism, religious strife, and, lately, terrorist inroads.

made, reversals have occurred, with the Ivory Coast, Kenya, and Venezuela being current examples.

Yet the West has not mounted the same sort of strategic campaign to develop and transform the South as it had the East. Ironically, attention to the underdeveloped world even ebbed when the Cold War ended, as the motivation of blocking Soviet inroads vanished.⁶ The combination of a compelling need to transform the East and a lower strategic priority on the South put, or left, development on a back burner. Thus, in the years following the end of the Cold War, the West effectively shifted roughly five billion dollars per year of foreign assistance from developing to former Soviet bloc countries.⁷

Nor has the West confronted head-on the glaring problem of corrupt, incompetent, yet often menacing military establishments in the developing world, even in the face of growing evidence that they can damage both development and security.⁸ In the 1960s, it was theorized that military establishments could be vanguards in building modern nations.⁹ This belief spurred the growth and use of security assistance as a form of development cooperation. But the effort ended badly: Most such assistance went into military training and equipment, not structural reform; programs were skewed by U.S.-Soviet competition for influence rather than development; and the defense recipients proved to be hindrances to good governance and real transformation—if anything, bolstered by the largely unconditional military aid they were getting.¹⁰ The involvement of development agencies with armed forces was curtailed and kept to a minimum thereafter. It has taken repeated eruptions of instability and violence across the world, and especially in the South, since the end of the Cold War combined with the lack of progress toward overcoming poverty to awaken interest in the defense-development link.

Western strategists were slow to appreciate that conditions in the undeveloped world are important in the new international security environment, although for a very different reason than as fodder for great-power rivalry. The World Bank has classified forty-eight nations, mainly in Africa, Central Asia, and the Middle East, as “Low Income Countries Under Stress” (LICUS)—a euphemism for not meeting the preconditions for development or even moving in the wrong direction.¹¹ The belief that the advanced democracies can bask in security while parts of the world deteriorate is wishful and dangerous. It is hard to imagine a clearer mandate than the LICUS report for reinvigoration of development efforts of every sort, including defense development.

⁶ One blatant example was in Africa, where the end of East-West competition in Ethiopia, Somalia, Angola, and Zaire, among others, precipitated a loss of Western (not to mention Soviet) interest and resources.

⁷ According to Development Assistance Committee (DAC) data, official assistance to the South has declined from an average of about \$40 billion per year to about \$35 billion per year, starting around 1991. This is roughly the average annual level of assistance to the former communist East starting then. The total of about \$40 billion was roughly stable until it began to decline in recent years as aid to the East declined.

⁸ This contrast is evident in the respective objectives of the Department of Defense (DoD) regional centers. The Marshall Center, dealing with former Eastern countries, has a clear focus on democratic transition and defense reform, whereas those dealing with Latin America, Africa, and Asia approach the subject of internal transformation much more gingerly if at all.

⁹ Samuel Huntington, *Political Order in Changing Societies*, New Haven, Conn.: Yale University Press, 1968.

¹⁰ Chanaa, 2002.

¹¹ *World Bank Group Work in Low-Income Countries Under Stress: A Task Force Report*, The World Bank Group, LICUS Initiative, September 2002 (available at <http://www1.worldbank.org/operations/licus>).

The perils of the new era were shockingly revealed by the attack on the United States on 9/11/2001. The ensuing U.S.-led efforts to combat terrorism and rogue states armed with weapons of mass destruction (WMD) have awakened Western interest in the unstable condition of much of the developing world, especially in the arc from Northeast Asia through Southwest Asia into Africa. It is becoming more and more apparent that terrorism, WMD, and underdevelopment are a dangerous mix. In the words of the latest *U.S. National Security Strategy*, “[P]overty, weak institutions, and corruption can make weak states vulnerable to terrorist networks. . . .”¹²

Global poverty and injustice did not bring down the World Trade Center; but they have contributed to hatred, instability, and violence.¹³ Underdevelopment can result in state failure, as in Somalia, Afghanistan, and several West African states, and present tempting targets for terrorists in search of haven or prey. Festering deprivation can breed political sympathy and logistical support for terrorists. There are already signs that terrorism has begun feasting on the poverty and despair of barely governable parts of Islamic sub-Saharan Africa, e.g., parts of Nigeria and Kenya. In addition, frontline states in the war on terrorism—Indonesia, Pakistan, Egypt, Yemen, Saudi Arabia, Uzbekistan, and others—lack legitimate government and balanced development.

Across the Middle East, economic marginalization and indifference toward human capital development contribute to regional and global insecurity.¹⁴ Conversely, Middle East countries engulfed in insecurity, of their own making or not, are poor candidates for political or economic progress. Some may contend—wrongly, in the authors’ view—that underdevelopment in Africa matters not to Western strategic interests, but there is no question that underdevelopment in the Middle East adds to present danger.

The Need for Defense Development

Although hardly the sole cause, underdeveloped military establishments can be at the root of these security-development difficulties, owing to their failure effectively to manage national defense, their domestic political machinations, their involvement in the abuse of human rights (invariably under the banner of national security), and their siphoning-off of scarce resources, among other faults. Military establishments that do not follow a democratic model (defined later) can undermine security directly by being threatening or being unprofessional and weak, and indirectly by dashing prospects for development, which fosters security.

A strong case can be and has been made that a cure for the security-development problem must reach beyond military establishments and encompass intelligence, militias, police, presidential guards, sundry internal security and paramilitary groups, and even criminal justice systems.¹⁵ Those responsible for internal security are often up to their waists in corruption, oppression, and politics, whereas a nation’s armed forces may be above the

¹² The *U.S. National Security Strategy* of September 2002 devotes an entire section to the need to improve assistance to developing countries as part of the effort to combat terrorism and other sources of insecurity.

¹³ A rigorous analysis can be found in Kim Cragin and Peter Chalk, *Terrorism and Development: Using Social and Economic Development to Inhibit a Resurgence of Terrorism*, Santa Monica, Calif.: RAND Corporation, MR-1630-RC, 2003.

¹⁴ The U.S. government appears to recognize this, as evidenced by its recent Middle East free-trade initiative.

¹⁵ Chanaa, 2002.

fray—there to defend the country and the constitution against enemies foreign and domestic. Moreover, the boundary between military services and internal security apparatus is often unmarked and porous; cleaning up only one side of the boundary may cause the problem to migrate to the other. Consequently, most recent analysis and policy attention has, fairly enough, cast the net widely to capture “*security sector reform*.”¹⁶

Yet, there are advantages in isolating defense sectors for diagnosis and policy action, while understanding the links to and the need for reform of the rest of the security sector. Typically, the military has the strongest sheer capabilities and is thus the ultimate power arbiter, able to set the conditions, limits, and direction of domestic politics. If the police or intelligence services are often instruments of a regime, the military may represent an alternative or veiled threat to it. Generals can defy or dictate to politicians the way police chiefs often cannot. Regimes that fear coups d’état at the hands of disgruntled military officer corps may try to shower them with funds and freedoms. In most cases, more resources are tied up in, or wasted by, the military than other security services.

In addition, problems with neighboring countries can be caused, aggravated, or neglected if a military establishment acts irresponsibly or incompetently. Arms purchases and sales provide the military with opportunities for wrong choices—and for choice businesses. It is often entrusted with internal responsibilities (e.g., organized in territorial military departments) or intertwined with domestic security services. On the positive side, defense development could provide a model or magnet for wider security sector reform. Genuinely transformed armed forces may be intolerant of untransformed police and intelligence services, not to mention militias. In sum, focused efforts to effect defense development can often help, and can hardly hurt, broader security sector reform, provided it is understood that the need for change is indeed broader and should be coordinated.

What precisely do we mean by “defense development”? Think of it as fostering a transparent national defense establishment, under democratic control, that can assemble and maintain appropriate military capabilities to respond proportionately and competently to legitimate national defense needs in ways that support national development, while minimizing waste and keeping out of, and out of the way of, business and government. More simply: becoming able to meet real defense needs in a clean, lean, and able way that is open to public scrutiny and political will.

Generally speaking, successful and permanent defense development requires international attention—more bluntly, intervention—in the form of standards, help, accountability, and incentives. Defense and military establishments that divert resources or pervert politics

¹⁶ For example, Nicole Ball defines security sector development as the broadening of the security agenda from protecting the state or individual regimes to a peace-building agenda. The definition of security is broad and it includes conditions such as that individual citizens live in freedom, peace, and safety and participate fully in the process of governance; that they enjoy the protection of fundamental rights and have access to resources and the basic necessities of life; and that they inhabit an environment that is not detrimental to their health. See Nicole Ball, “Towards a Conceptual Framework for Security Sector Reform,” paper prepared for the Roundtable on Security Sector Reform, Clementsport, Nova Scotia: Pearson Peacekeeping Centre, November 30–December 1, 2000.

“Security sector” generally covers those institutions that are responsible, or should be responsible, for protecting the state and communities within the state. This may include the military, paramilitary, or police forces; intelligence services; and civilian structures directly responsible for oversight and administration (Nicole Ball, *Spreading Good Practices in Security Sector Reform: Policy Options for the British Government*, London, UK: Saferworld, 1998; United Kingdom, Department for International Development, “Policy Statement on Security Sector Reform,” 1999, available at <http://www.DFiD.gov.uk>; and Michael Brzoska, “The Concept of Security Sector Reform,” in Herbert Wulf, ed., *Security Sector Reform Brief 15*, Bonn, Germany: Bonn International Center for Conversion, June 2000.

are typically led by officers and politicians with a big stake in the status quo. To them—especially the incorrigible ones—sweeping change threatens a most agreeable way of life, and they will use their resources, clout, and cloud-cover to elude or defeat it. In many cases, political authorities within the country are too weak or too dependent on military backing to impose defense development. Sometimes there are no political authorities at all: The military rules, at least *de facto*. Often, political leaders are complicit in shady defense management.

For the reasons stated above, international involvement and inducements are necessary. This will certainly raise alarms about foreign interference in sovereign matters; after all, developing-country elites have complained about the invasiveness of international development institutions in sectors less sensitive than national security.¹⁷ But an intrusive approach is warranted, since defense underdevelopment is potentially more harmful to international interests than any other aspect of underdevelopment.

If interested outside parties—bilateral aid providers, investors, multilateral institutions—lack confidence that a country's defense sector is clean, lean, able, and transparent, resources needed for development may not and perhaps should not be made available. Given the security interests of the West and the ways defense mismanagement can defeat the purposes of economic development and thus international security, there is a case for linking foreign assistance—at least security assistance and possibly some economic assistance—to motivate serious defense development—just as development aid providers often impose economic and political conditionality, lest their help be in vain.

Recognizing the importance of economic and political development for global security, the U.S. government recently increased foreign assistance and set up a Millennium Challenge Account that links support to broad-based reform.¹⁸ The approach taken is essentially to provide assistance only to countries that qualify by having crossed a threshold of sound governance and policy. This strategy should strengthen both the incentive to reform and the effectiveness of aid. An obvious extension of the U.S. strategy, which could be emulated by the EU and others, would be to insist specifically that key defense development standards be met to be eligible for the Millennium Challenge Account. The logic is clear: Corrupt and incompetent military establishments can harm not only the general development of the receiving state but also the interests of the giving states, whose funds could end up under some general's mattress or, worse, end up supporting some destabilizing or corrupt activity.

It is also useful to think of defense development as functionally comparable to development of other public sectors—at least not so different in kind that it should be divorced from the rest of the development agenda. As with development of other sectors, defense development involves large resource flows and budgetary effects, macroeconomic implications, the need for financial stringency and confidence, public administration and accountability, the utility of external expertise and support, and clear delineation of authority. Moreover, creating targets and incentives for making, tracking, and sustaining needed change is as im-

¹⁷ There has been something of a political and intellectual backlash against tendencies by international financial institutions to place conditions for lending not only on fulfillment of specific financial targets but also on better governance, without which, say proponents, financial aid cannot be genuinely effective.

¹⁸ The EU's *Europaid* program has similar qualities, which suggests the possibility of a more effective joint U.S.-EU development strategy.

portant with defense institutions as it is in other sectors undergoing development, perhaps more so given the ability of the military to resist change and political guidance. Defense development should include both *assisting with* and *insisting on* reasoned and transparent policymaking, requirements-setting, planning-programming-budgeting, expenditures, and management in defense, based on such principles and methods as those used in developing other sectors.

Finally, development is, as the term suggests, about locking in and building on progress and making change organic. The history of traditional defense cooperation, even when directed toward reform, is littered with examples of backsliding. Defense reform has tended to rely on the good intentions of this general or the fortitude of that politician, whereas development, for all its shortcomings, is geared to produce new permanent structural, economic, and behavioral conditions.

Lack of staff capabilities, of a formal mandate, and of the will to change policy has kept the World Bank and other multilateral development institutions from taking up the challenge of defense development. At the same time, the development establishment has been seized by the importance of improving governance in general if aid is to work and genuine development is to occur. In defining their principles and purposes, the international financial institutions are stressing four “commandments” of good governance: accountability, transparency, the rule of law, and participation. These would be just fine applied to defense, in that defense and military establishments in many underdeveloped countries violate all four. It is unrealistic to expect good governance by political leaders, however legitimate, if they are up against interference and malfeasance on the part of militaries that they cannot fully control. Thus, the development community may fail to effect good governance, which it increasingly sees as the foundation of development, if defense and security are left free to defy and undermine the broader effort.

One might think that defense transformation can better be viewed as an aspect of traditional security cooperation between advanced and developing countries than as development.¹⁹ We think otherwise. This is not to say that some instruments of security cooperation cannot advance the cause of defense development, such as through instilling better defense management, professionalism, and greater respect for civilian government. However, security cooperation has had and will continue to have a number of goals—strategic alignment, political influence, base rights, enhanced combat capabilities, arms sales, interoperability, intelligence—that may not in and of themselves foster defense development as defined here. Indeed, these other goals may compete with the goal of effecting fundamental change.

To illustrate, a defense establishment of a developing country that is willing to furnish military overflight rights, provide host-country support for U.S. forces, or increase its capacity for self-defense may not be one that the United States—more to the point, the U.S. Department of Defense—will wish to see changed, let alone muscle into changing. These are not inappropriate or unimportant objectives, and security assistance is a respectable way of trying to achieve them (if not historically a particularly effective one²⁰). In the short term, unreformed militaries can be convenient, their cooperation can be important, and influenc-

¹⁹ By security cooperation we mean technical assistance, training, financing arms procurement, joint planning, host-country support for bases, visits, military-to-military exchanges, and the like.

²⁰ See Stephen Walt, *The Origins of Alliances*, Ithaca, N.Y., and London, UK: Cornell University Press, 1987.

ing them can take precedence over replacing them. This is the case today in the way the United States is working, and perhaps must work, with military establishments for the sake of its ongoing war on terrorism in such countries as Pakistan, Indonesia, and Yemen—hardly paragons of open and able defense.

Eventually, however, the damage done by such military organizations to the process of economic and political development can come back to haunt the patron in the security assistance relationship. By extension, it could be argued that security assistance should be tightly linked to a recipient's real commitment to and progress in defense development, not only to advance the larger transformation and development goals but also to ensure that the security assistance itself is effective. Everything else being equal, a country with a clean, lean, and able defense sector is more likely to be an efficient aid recipient and a trustworthy security partner.

In any case, the goal of defense development should be clear: to shape the military establishments of developing countries in accordance with the standards to which our own defense is held. Confusing that long-term goal with the immediate aims of security cooperation will ensure that the former always takes a back seat or that the developing country's military establishment thinks its current conduct is condoned. This is yet another reason to ask whether chief responsibility for defense development might better lie with development organizations than with defense ministries.

Results to Date

From 1990 on, the United States and the West European countries have worked assiduously to support defense sector reform throughout the former communist bloc. Their aim has been to help these countries infuse their armed forces with competence, professional pride, and allegiance to democratic principles and elected leadership; their methods have included rhetorical encouragement, advice, professional military educational exchanges, special Defense Department regional centers, and other programs designed to build capacity for able and accountable defense. The results are decidedly mixed.²¹

Overall, defense establishments of most of the former Warsaw Pact countries remain stragglers in what has otherwise been a broad post-communist transition. Central-East European defense transformation has gone further and better than that of the former Soviet Union and cannot easily be undone. Although this may be because transformation in general has been more sweeping in Eastern Europe, it is noteworthy that the East Europeans have had as an incentive a realistic but conditional chance of joining NATO and the EU, which the countries farther east have not.

Even where sluggish defense reform has not stopped the tide of wider transformation—in Poland, the Czech Republic, and Hungary, for example—civilian leadership has

²¹ The George Marshall Center in Garmisch has exposed hundreds of senior and junior officers and officials from Eastern Europe and Eurasia to Western defense principles and methods. Its programs are well designed and delivered. The Geneva Center for Security Policy has comparable programs and numbers, and the Geneva Center for Democratic Control of the Armed Forces has provided valuable advice on security-sector institutional reform. Yet, after ten years and a throughput of thousands of students and fellows, Eastern defense establishments, especially in the former Soviet Union, are far from developed. This is not a reflection on the quality of these programs but on the enormity of the challenge and consequences of not having leverage.

been frustrated in trying to break the senior military's tight grip on determining its own requirements, command slots, senior assignments, and the like. Attempts to build up civilian expertise in defense ministries and parliaments have shown little progress. In less advanced cases, as this paper's look at Ukraine will show, change has been minimal. As with Ukraine, most of the states of the former Soviet Union, including those of the Caucasus and Central Asia, have made little headway in defense sector reform—and, not coincidentally, in broader democratization—despite major efforts by the United States and its European partners.

A vicious circle is noticeable among many of the former Soviet republics: Failure to build democracy largely precludes defense development, and undeveloped defense sectors remain pillars on which the rear guards of authoritarianism rely to maintain their grip. After some success in the early post-Cold War years, it appears that political transition, economic liberalization, and defense reform may be petering out except in Central-Eastern Europe, where integration into Western institutions helps sustain and lock in progress.

The problem in ex-communist defense transformation is not that encouragement, advice, schools, and capacity-building are unhelpful but that, except in Central-Eastern Europe, these techniques have lacked enough leverage to overcome resistance. The fine values and practices imparted to officers and officials who participate in defense reform programs have little traction back home at the ministry, barracks, or officers' club as long as “the system” and “the culture” still wink at incompetence, reward malfeasance, oppose reform, and co-opt or sidetrack reformers. Life in an underdeveloped defense establishment can be comfortable and lucrative for senior officers and their minions, what with an abundance of commands, job security, perks, money streams, and opportunities to dabble in business and politics. Because defense reform so far has provided neither sticks nor carrots—apart from NATO and EU membership for a dozen or so European countries—it has had limited effect.

In defense and in general, institutional inertia, mindset, and structural rigidity can frustrate changed attitudes of individuals. As the development community knows, it takes institutional change to enable development, and it takes powerful incentives to effect institutional change. With some exceptions, defense institutions in need of development have had less incentive to make change than to resist it, especially if they know it is to expand and be permanent.

Progress with defense sectors has been even less impressive in the South than in the East, partly because there has been less Western effort and partly because there has been nothing like the tantalizing offer of NATO membership that was dangled in front of the East Europeans. As noted, traditional security assistance of the sort offered by the West to developing countries is intended not to overhaul the recipients' military establishments so much as to obtain their help, beef them up, sell them equipment, or simply win their friendship. Moreover, although the Western countries and the international development institutions they run work to modernize transportation, telecommunications, health, education, agriculture, and other systems and sectors in the South, they have not been seized with a similar sense of imperative to transform lagging defense sectors, which can hinder all other development.

The expanding literature on “security sector reform” is replete with convincing diagnoses of the ills of unreformed security establishments, the effects of these ills on security and development, and desired end-states (i.e., clean, lean, and able). Although the negative consequences for Western interests are understood in this literature, however, we find not enough about how to impel or motivate military establishments to shape up, little about

standards and measures, and only faint recognition that developing the defense sector is similar in important respects to developing other sectors. Much of the literature is aimed at explaining to defense institutions how to act responsibly, persuading governments to get constitutional control of their militaries, and coaching on organizational reform and political oversight, all of which is sound and necessary.²²

A good example is a recently published prescription for circumscribing the role of the military in a democratic society:²³

- Clearly defined executive and legislative responsibilities, checks, and balances
- Civilian primacy within the ministry of defense
- Informed parliamentarians, with expert staff, able to provide substantive oversight
- Independent defense and security expertise in the public domain (i.e., think tanks)
- Budgetary transparency and statutory audit
- Training of the military in democratic control
- An open and fair military justice system
- De-politicization of the military role in politics and politicians' interference in professional military matters.

We can readily subscribe in detail to these points as desiderata in any defense development effort. However, it would be naïve to think that such a code is warmly received in the countries and institutions where the need for defense transformation is greatest. Indeed, in re-reading the list from the standpoint of an imaginary senior officer in a military badly in need of reform, one can see that every one of these conditions could be menacing. To be fair, there are many officers, including senior ones, who favor better professionalism, accountability, and democratic oversight. But there are many who do not. It is unrealistic to count on reformers to gain and hold the upper hand, especially within inherently traditional and conservative military institutions. A core premise of defense development, then, must be that the objects of it will feel threatened and therefore resist. The image of a recovering addict volunteering for a twelve-step program is less apt than that of drug kingpin poisoning and extorting his neighborhood for money and power. The former welcomes intervention; the latter dreads it.

In an important critique of fifty years of international economic development efforts, William Easterly makes the case for concentrating on *incentives* (as opposed to filling financial gaps and other technical methods).²⁴ As that book posits, military institutions with a stake in the status quo and the means to guard that stake will change for any of three basic reasons: (1) They want to do what is right or in their own enlightened long-term best interest, (2) they are directed to do so by political leaders with the ability and will to back up their directives, (3) there is more pain than gain for the institutions and their stewards in resisting change. The first two motivations might be in play, but do not count on it. We believe that

²² Chanaa (2002) provides a good, recent critique of the “security sector reform” literature and practice. Her emphasis is on the need to operationalize the theories and principles, which is where failure occurs. Although the authors agree with that, we favor bolder prescriptions, including strong inducements and an expanded role for the development establishment.

²³ Wim van Eekelen, *Democratic Control of Armed Forces: The National and International Parliamentary Dimension*, Occasional Paper #2, Geneva: DCAF, October 2002.

²⁴ William Easterly, *The Elusive Quest for Growth: Economists Adventures and Misadventures in the Tropics*, Cambridge, Mass.: MIT Press, 2002.

the special character of military establishments means that the case for using leverage for defense development is especially strong.

What are development institutions themselves doing? As suggested above, not enough. Until recently, and even now to a large degree, development organizations have steered clear of defense sectors. Their stakeholders, donor-dominated governing boards, and donor governments, have wanted them to steer clear of defense out of concern—outdated and mistaken, in the authors' view—that development aid could be diverted to arm militaries and security forces. Developing countries themselves assert that defense is a purely sovereign matter. This last argument for keeping defense off-limits for development is especially flimsy, since it is more likely that a state's military capabilities and conduct than its transportation or agriculture sector will have international ramifications.

Multilateral and national development officials are increasingly aware that defense cannot be excluded from efforts to create good governance.²⁵ One “hook” that the development community has used has been to scrutinize the level of aggregate defense spending as part of overall national budget integrity and effect. The World Bank, for example, favors keeping defense spending in check or at least under a spotlight.

At the same time, treating only aggregate defense spending (whether per gross national product [GNP] or per capita) as a development issue is inadequate, can be misleading, and could have unwanted effects. As the cases examined below show, the fraction of GNP that *ought to be* devoted to defense varies considerably from country to country, depending on security circumstances. Either too much or too little military capability can be harmful to security and, indirectly, to development. Defense may indeed divert from development; or it may require more resources to improve the climate for development. Moreover, actual spending is very hard to measure and determine through the dark glass of many underdeveloped defense sectors; the problem is both sloppy accounting and outright concealment. There may be *more* money available for defense than a budget indicates because the military is involved in business; or there could be *less* because money is being embezzled or grossly wasted.

Most important, what the military spends money for can be more important than how much it spends: The level could be reasonable but the content could range from wasteful (e.g., too many troops or bases) to destabilizing (attack systems) to illicit (chemical weapons). Only by understanding the threat environment and alternative ways of coping with it can it be determined whether a given amount of defense funding is being used for good, for ill, or for naught. In sum, this narrow focus on defense spending is a policy begging to be rethought or, better yet, expanded to be more meaningful.

At the same time, there are stirrings of activism in some corners of the development community. The most energetic and creative organization in that community has been the United Kingdom's Department for International Development (DFiD). DFiD has launched initiatives to clean up defense sectors in some countries receiving British economic and security assistance. The DFiD endeavor constitutes a sort of proof of principle of an integrated defense-development strategy, and other national and international development organizations would do well to contemplate if not emulate it. DFiD's defense-development efforts are

²⁵ Interviews at the World Bank, United States Agency for International Development (USAID), and the Treasury Department, 2003.

supported by other UK ministries, particularly the Foreign and Commonwealth Office and the Ministry of Defence.²⁶

Three Countries in Need of Defense Development

At this point, it would help to get more concrete. The ideas in this paper make use of three cases: Rwanda, Indonesia, and Ukraine—countries chosen because of their dissimilarities, the obstacles they present, and the importance of making progress in each.

- **Rwanda:** African, small, poor, at war, important regionally but not strategically. Rwanda was the scene of horrifying genocide in 1994. It lies at the heart of a violent region, has been at war in neighboring Congo, and is ruled by a strong military with scant interest in reform.
- **Indonesia:** Asian, populous, sprawling, resource-rich, economically and strategically critical. Indonesia is a fledgling, far-from-perfect democracy and weak state trying to control a far-flung archipelago in the face of separatist movements and flaring Islamist terrorist trouble. Its military has been more adept in making profits and abusing human rights than in providing effective national security.
- **Ukraine:** European, middle-sized, unthreatened, quasi-developed, unreformed despite Western efforts, geo-strategically significant. Ukraine is the poster child of independence gone awry in Eastern Europe. Its defense establishment is both a constituent and a tool of a deformed political regime. While U.S. and EU efforts have fostered some reform, it has been insufficient. The lack of civilian expertise in defense matters and the involvement of the military in arms trafficking remain major impediments.

In all three cases, although to different degrees, Western interests and values hang in the balance. Strategically situated and oil-rich, Indonesia could face an epidemic of civil wars or could fly apart. An unreconstructed Ukraine could become a source of instability at the crossroads of Europe and Russia and a sinkhole for Western aid and patience. Rwanda could aggravate turmoil in Central Africa, with spiraling misery, economic costs, and pressures for Western humanitarian intervention, as the British have undertaken in Sierra Leone, the French in Ivory Coast and Congo, and the Americans (perhaps) in Liberia. (So much for the assertion that what happens in Africa does not matter!) Alternatively, any of our three countries could emerge as a democratic, secure country with a promising economic future and favorable consequences for Western interests. The nature and behavior of the defense establishment of each may well affect which path it will take.

The pages that follow explore diagnostic differences and similarities in the three countries and offer bird's-eye country defense-development strategies. Following that, we will suggest some preliminary generalizations for defense development from the cases, which inform the paper's overall findings. Each case warrants more detailed discussion than is suitable for a preliminary policy paper. Moreover, a sample of three can hardly be assumed to capture the richness of the comprehensive challenges of defense development. Still, the three are suf-

²⁶ Interviews with UK officials and independent British analysts, 2003.

ficiently representative of different classes of countries in transition and in need of defense development to help frame a new general approach.

Diagnoses

Rwanda is faced with continuing threats to its security and burdened with a military that controls the state and wages war to support itself politically and financially. Ukraine faces no substantial threats—at least none that military forces are suitable to meet—and has a political leadership that is corrupt and unwilling to undertake the military reform that is necessary for long-term economic growth and political acceptability. Indonesia is unlike either of these, with a military that is deeply involved in private-sector enterprises, wields strong political influence, and lacks the ability to respond to growing national security problems, except by abusing human rights.

The specific goals of defense development among these disparate cases are correspondingly varied. Rwanda must transition to a military that is capable of maintaining the country's security without threatening its neighbors, while being limited in its role in politics, business, and society. Ukraine must reduce its force structure to a size appropriate to its modest defense needs despite the appalling lack of top political commitment to reform of any kind. Indonesia must simultaneously increase military effectiveness to respond appropriately to threats and reduce the military's role in politics and business.

Defense development is critical to both economic and political development in all three states. Although Rwanda has experienced steady economic growth in recent years, its large military's foreign exploits are increasingly difficult to justify on security grounds and impose an undue burden on an economy that remains fragile. Ukraine's limping economy is the casualty of a political leadership beholden to private interests that oppose economic reform; the failure to implement more comprehensive military reform is a symptom of this problem, as well as a contributor to Ukraine's economic weakness. The Indonesian military's business activities harm transparency and distort markets; its political role undercuts civil society and is an alternative to democratic institution-building. In all three cases, governance is weakened, economic policymaking and development assistance are made more difficult, efforts to fight corruption are undermined, and foreign investment is repelled.

These three situations present a range of challenges. Although some of Rwanda's officers understand the need eventually to reform, its military leadership collectively has very little interest in change. (Again, retrogressive institutions can frustrate progressive individuals.) Because all political leaders are beholden to the military leadership, there is no authority in Rwanda prepared to force change that the armed forces do not want. The generals are the ones who must be somehow induced to reform—and thus to forfeit their power and lucre. Yet, the international community has been loath to push Rwanda's leadership too hard, fearing that rapid change in this state, which endured a brutal genocide just ten years ago, would lead to a resumption of instability and conflict within its borders.

In Ukraine, the military itself has been comparatively open to transformation, and some progress has been made in the past decade. Two problems hamper these efforts, however. One is the unwillingness of the political leadership to bear the adjustment costs of comprehensive defense reform. These costs are economic and political, in that military downsizing will create unemployment, housing shortages, and possible dislocation of thou-

sands of personnel and their families, all of which could feed popular discontent. The other problem, ironically, is the absence of effective political control over Ukraine's military forces, despite the otherwise heavy-handed nature of the civilian regime. The military is not particularly powerful, but it does enjoy significant latitude and is not really accountable for its own activities. As a result, what reforms have occurred fall well short of bringing Ukraine's military forces and resources in line with the country's modest national defense needs. Ukraine's military remains too large for its needs, its military strategy is divorced from reality, and the political leadership is content with business as usual, literally as well as figuratively.

As with Rwanda's military establishment, Indonesia's military establishment is institutionally resistant to reform, although some officers believe it is a long-term imperative. The elected and nationalistic political leadership, while paying lip service to the need for defense reform, has been unwilling to risk losing the support of the military, particularly at a time of growing instability in the country and the region. In fact, the current leadership has been advancing the notion of the military as a vehicle for national unity—hardly a sign of commitment to sweeping reform. This political sympathy toward the military is echoed among the Indonesian people—except for oppressed groups—who see the omnipresent armed forces as a reliable, or at least familiar, fixture in a country whose civil administration is too weak to assure order and services.

A few things are common to all three states. The opaque nature of military and defense planning and budgeting, as well as the absence of significant civilian defense sector expertise, hampers effective oversight by national or international institutions. This, in turn, makes the implementation of any reform all the more difficult. The militaries of Rwanda, Indonesia, and, to a lesser extent, Ukraine all receive some of their funds through private-sector activities of varying shades of illegality, and the officer corps in all three states profits from such activities.

Although the challenges in each of our cases are unique, they all point to a need to motivate those with the authority to make changes to do so. As already discussed, it is unlikely that this can be accomplished with traditional forms of security cooperation, especially if provided bilaterally by donor states that primarily seek friendlier relations and greater influence with the recipients rather than true defense transformation.²⁷ Nor is deep and lasting reform likely to result from advisory assistance, military training and exchange programs, and good personal ties when entire institutions need to be moved, and moved far.

Country Strategies

Rwanda

For the Rwandan military not to have dealt effectively with some very real threats (notably, revanchist Hutu militia camped in the Democratic Republic of Congo [DRC]) would endanger not only security but also development. Yet it could meet these threats in a more transparent and potentially—it is hard to know without transparency—more cost-effective

²⁷ Interviews suggest that the Rwandan military has begun to infer, correctly, that there are limits to the patience of their main assistance provider, the United Kingdom.

way. Moreover, the existence of real threats makes even more egregious the involvement of the Rwandan military in business and corruption. But it will not be easy to effect defense development, since the military is obsessed with national security, uninterested in reform, and in charge of the country.

It might be possible at least to convince the Rwandan military that cost-effectiveness can and should be improved through defense development, if only for the sake of better security. Otherwise, the application of leverage may be essential and would have to make use of both security assistance and relevant economic assistance. The drawbacks of aid conditionality are quite apparent in the case of such a poor country with a bloody recent past and real threats to face. But these have to be weighed against the drawbacks of letting the Rwandan military run the country, pillage its neighbor, and supervise itself—of even unwittingly enabling it to do so by providing aid.

Taking a more purposeful, incentive-based approach to Rwanda yields a strategy that, although not guaranteeing success, may stand a better chance than previous efforts. The immediate obstacle to defense reform in Rwanda is the conflict in the DRC. The war is used to justify a variety of excesses and inefficiencies, but it also addresses some legitimate Rwandan security needs. Thus, a critical priority of the international community—for this and other reasons—must be to find a way to end that war, such that both DRC and Rwanda (and other Central African states) can feel more secure.

As the war ends, the challenge is to reform Rwanda's armed forces into a structure that provides security but does not threaten neighbors. This will be difficult given the incentives Rwanda's military leadership has to retain a large, profit-making force that keeps the regime in power. However, the end of the war will bring on new challenges concerning resettlement of returning refugees, including some former combatants. Such new demands could create perverse incentives to continue corrupt practices and to institute greater oppression to deal with dissent. Rwanda will need assistance with post-war adjustment, lest it risk losing the gains of its nascent economic recovery, the advantages of peace, and the opportunity for political rejuvenation. This assistance must be part of the overall effort to distribute widely and fairly the economic gains of peace.

The need for assistance with post-war restructuring could serve as the lever to convince Rwanda's leadership to make some changes, particularly if that assistance is conditional on those changes. If plans for restructuring could be documented in a public and credible national defense plan, the Rwandan military would then have a goal toward which to work and by which to be held to account. However, such a transition will require significant demobilization, which, if done poorly, could have severe economic and security repercussions. This provides yet another point of leverage in the form of economic assistance with demobilization, which should also be conditioned on defense reform. Thus, the strategy would have both a direct technical military assistance component (restructuring) and an economic development component (resettlement). Both parts would support defense and economic development, provided both are contingent on the military abiding by a national defense plan and other transformation measures.

It is unrealistic, of course, to expect Rwanda's military abruptly to cede power to a civilian government, stop its private-sector activities, and downsize to a rational force. For one thing, there is no civilian government ready to take the reins of power, so the regime in power is the one with which donors must work. Even within that constraint, however, the required transparency of a national defense plan would foster the building of civilian defense

awareness, expose the true costs of defense, deter corrupt and wasteful activity, and make the intentions of the military a matter of public record. This would, in turn, open the way for more substantial but conditional assistance, eventually helping Rwanda transition to an economically, militarily, and, with good fortune, democratically sustainable state.

Indonesia

The Indonesian military itself is unlikely to be open to change, since the status quo suits it fine. However, the civilian leadership, although dependent on the military, might be induced to insist on defense development for both security and development reasons. If not, economic or security assistance conditionality would be needed.

Precisely because Indonesia faces real threats and lacks the military capacity to respond to them without trampling on human rights, it desperately needs a serious national defense plan to outline real priorities for force size, structure, training, equipment, and infrastructure. Although Indonesia requires better defense, it is hard to say whether that would imply more or less defense spending: The requirements are unclear, the strategy is vague, the military establishment cannot manage resources to meet requirements, and in any case the bookkeeping is footloose.

Removing the Indonesian military from politics and everyday life will be hard. Post-Suharto reforms reduced office-holding and other formal military participation in politics. What remains undiminished is the pervasive involvement of the military in public life, made possible by a territorial structure that parallels and casts a shadow over weak civilian administration at every level. It is unclear whether competent civilian government could fill a vacated military role in helping society function and remain orderly. At the same time, until the military withdraws to its proper place there is little space into which democratic governance can spread and improve. This will be a slow process, but Indonesia's political and economic development will be retarded until it begins.

It is critical to both Indonesia's defense development and its economic development to limit the private-sector activities of Indonesia's military. The development community could help "civilianize" the industries and businesses that the military now runs by providing a range of assistance toward that goal. This assistance should be conditioned not only on progress in such demilitarization but also on compliance with an Indonesian national defense plan and curtailment of proscribed activities. In addition, traditional security assistance should be conditioned on these same factors. Such assistance could help Indonesia develop the defense capabilities it needs, even as the military gives up its business revenues.

In this way, Indonesian political leaders' incentives will actually change, and it will be in their interest to champion and oversee defense reform for their own good and the good of the country. At the same time, by ensuring that the military is properly funded and develops needed capabilities, security will also be strengthened, not for Indonesia alone but for the region. Think of the difference in Southeast Asian security if the biggest country (save China) were to have a clean and effective military instead of an ineffective profit-making one.

The transparency inherent in this process would reinforce the fight against proscribed activities and broader corruption, just as it would in Rwanda and Ukraine. The auditing processes required for foreign assistance would help make Indonesia's military more accountable to its government, its people, and its foreign supporters.

Ukraine

Because Ukraine does not face any major external threats, an operationally ineffective military, although hardly desirable, is at least not exposing the country to outside danger. However, one that wastes resources, helps maintain an anti-reform regime in power, and peddles illicit arms does weaken and could endanger the nation in the long term. Short on funds itself, Ukraine's outsized defense sector detracts from efforts needed to respond to the nation's real threats—transnational crime, economic depression, and bad governance. Yet, the corrupt Ukrainian political leadership relies to varying extents on the military and paramilitary organizations, and it fears the socio-political effects of downsizing defense. As a consequence, the regime will not easily be convinced to force reform on the military, absent the use of strong leverage.

What Ukrainian defense reform has already been undertaken has been grossly insufficient and easily undone. A believable national defense plan could be critical to defining the force size, structure, and capabilities that Ukraine really needs. A plan would also promote transparency and civilian defense competence to enable control by responsible political leaders, when that day comes.

Again, the main challenge with Ukraine is convincing the political leadership to support the effort. Conditional assistance can be the solution here, as well. Providing demobilization assistance could (a) help Ukraine to downsize its force, (b) provide broader economic stimulus, (c) improve human capital by retraining soldiers, and (d) contribute to the building of better housing and infrastructure in the country as a whole. Such assistance can help defray some of the political and economic costs of downsizing that have been a strong disincentive to reform for political leaders in the past.

Obviously, such support must be conditioned on progress at moving toward the force and associated infrastructure specified in a national defense plan, progress that must be transparent, tracked, and sustained. Ukraine's poor record—little reform to show for billions of Western dollars sunk—suggests that clear and strict conditionality is imperative. Whether it is sufficient cannot be known until it is tried.

What Can We Generalize from These Cases?

Rwanda, Indonesia, and Ukraine reveal several key common themes:

- Defense, whether it is strong or weak, is a heavy burden on a struggling developing economy.
- The size of that burden is unclear and unclearly related to security needs.
- The military wields political influence and is politicized.
- The military is involved in business, legitimate and not.
- Western efforts to effect lasting defense reform have been uneven, toothless, and largely unsuccessful.

There are also important differences among the three cases, which underscore the need to tailor defense development to fit the circumstances. Table 1 compares these conditions. Using simple yes-no-maybe judgments as best apply, it provides a profile of the conditions for which strategy should be tailored in each case.

Table 1
Conditions and Challenges

	Rwanda	Indonesia	Ukraine
Does the country face serious military threats?	Yes	Yes	No
Is the military effective toward these threats?	Yes	No	N/A
Does national security depend on defense development?	No	Yes	No
Does the military have internal security duties?	Yes	Yes	Yes
Does the military control the state?	Yes	No	No
Does the military have political influence?	Yes	Yes	Yes
Is the regime committed to political reform?	No	Yes	No
Is the regime committed to economic reform?	Yes	Yes	No
Can the regime be induced to support defense development?	Maybe	Yes	Maybe
Can the military be induced to accept defense development?	Maybe	Maybe	Yes

This comparison reminds us that developing countries may or may not have serious security problems that justify sizable defense spending and capable forces. The right answer is not necessarily to reduce forces and spending but rather to ensure, in a transparent way, that the level and content of defense capabilities are responsive to legitimate needs and that capabilities are procured and managed economically. One of the advantages of successful defense development is that it would improve the ability of countries to deal with real threats by forcing a realistic view of needs, tying forces and resources to those needs, and increasing efficiency.

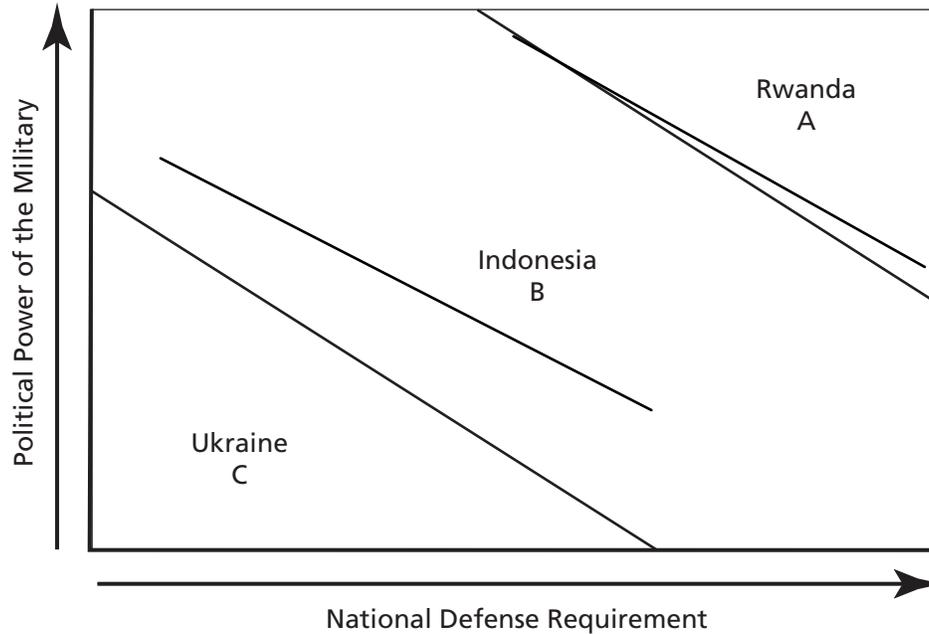
Of course, there are cases, Ukraine for one, in which large military forces and defense spending cannot be related to present or foreseeable threats at all. Rather, they may reflect an inability or unwillingness of government to help find gainful employment and provide social safety nets for surplus soldiers. Although military spending is a poor surrogate for employment, the discharge of tens of thousands of soldiers (often armed) is more than many governments can manage; thus the utility of military drawdown assistance is linked to restructuring and reform.

It is also apparent from these cases that domestic political conditions will vary from a generally upstanding if fragile elected leadership that is at the political mercy of the military (e.g., Indonesia) to a civilian regime that is even less reform-minded than the military (e.g., Ukraine) to military control (Rwanda). The feasibility of defense development, as well as the nature and target of leverage needed to produce it, will vary across this range.

The following figure shows where Rwanda, Indonesia, and Ukraine fit along two axes: the severity of the security problems being faced along the horizontal, and the degree to which the military wields political power along the vertical.²⁸ In Rwanda, the danger is great, and the military is in control. In Indonesia, the political leadership is disinclined to question the military given the insecurity the country faces. In Ukraine, the military is subordinate to a political leadership with its own reasons, independent of any security needs, for allowing the military to remain bloated in the absence of threat.

²⁸ Among these three particular countries, the greater the threat facing the country the greater is the political strength of the military. However, this is not an inevitable correlation. For example, there are developing countries that face little threat yet are military-dominated (e.g., Myanmar) and others that are democratic even though they have security problems (e.g., the Philippines).

Figure
Security Needs and Military Political Power



RAND OP101

The point of this figure is not that all developing countries fall along a specific curve connecting our three cases but instead that where they fall in the box can help clarify the military's role and what general strategy is needed. This perspective can be useful in indicating possible Western strategies for applying leverage to secure a commitment to reform and creating incentives to fulfill such a commitment. The northeast area (A) requires targeting the military while recognizing its legitimate national defense challenges; the southwest (C) suggests targeting the political regime, which tolerates an unreformed military for reasons that have little to do with national security requirements; the center (B) implies mixed civil-military control, with national security needs that cannot be ignored. This observation is consistent with the country strategies offered above: Leverage the military in area A (e.g., Rwanda), the politicians in area C (e.g., Ukraine), and both in area B (e.g., Indonesia). In each case, vested interests and entrenched institutions may resist defense reform, making outside intervention to alter incentives crucial for success.

General Findings

Our analysis suggests several *global* tenets of defense development:

- The economic burden of defense must be made apparent and set at a level that balances real security needs and affordability.
- The military must keep out of politics so that it does not undermine democracy or use its strength to forestall its own transformation.
- Those responsible for managing defense must keep out of business, whether defense-related or not.

- Defense development requires determined external support and incentives linked to commitments and performance.
- Defense development is permanent development, not temporary security cooperation, and should be motivated, managed, and measured as such.
- Given the international stakes, whether or not to undertake serious defense development should not be left solely to the countries in need of it.

At the *country* level, defense development will typically require a multipronged approach involving a determination of need; published defense policy goals and plans, standards, and monitoring of performance and cumulative progress; fair warning of what constitutes “misconduct”; incentives to secure commitments that are fulfilled; assignment of institutional responsibilities; and international donor coordination globally and at the country level.

The pages that follow offer ideas about how these principles and policies could be operationalized and fit into a coherent strategy.

Building a Global Defense Development Index (DDI)

Some sort of independent, impartial index, with national scorecards, would help in many ways: by establishing which countries require attention; by legitimizing international involvement; by indicating remedial and resource priorities within specific countries; by providing an objective basis for incentivization; by enabling progress to be tracked; by clarifying what and how external security and economic assistance would advance or detract from defense development; by giving internal reformers an instrument for political use; and, where warranted, by focusing international censure.

One can imagine many useful indicators, of which the following are only a few:

- Transparency and integrity of plans, programs, and budgets
- Capabilities that correspond to legitimate needs
- Accounting for expenditures
- Levels of training, readiness, and proficiency
- Infrastructure and support that is proportionate to military need
- Objectivity and incorruptibility in assignments and promotions
- Non-involvement in business
- Non-involvement in politics
- Civilian control and competence
- Compliance with international norms governing arms, military activities, and personnel
- Implementation and institutionalization of reform measures to date
- Productive use of external assistance.

Purely for the sake of illustration, Table 2 shows how the authors would score (on a scale of 1 to 10—10 being most favorable) the three countries analyzed in this paper according to several of the factors just listed, with the unweighted average shown as an index score for each.

Table 2
Notional Application of Preliminary DDI Metrics

	Rwanda	Indonesia	Ukraine
Transparency and accountability of plans, programs, budgets, and expenditures	1	2	3
Level of training and readiness	3	2	2
Objective process for senior assignments and promotions	1	2	4
Non-involvement in business	1	1	4
Non-involvement in politics	1	2	6
Implementation of reforms to date	1	1	2
Defense Development Index	1.4	1.6	3.5

The results are not surprising: The higher Ukraine index reflects, among other things, ten years of strenuous effort by the United States and Western Europe to effect defense reform; the lower Rwanda index reflects the neglect of defense development in a country that has serious threats and a powerful military. As important as comparing these particular countries is the value of such an index in indicating country priorities. For example, Rwanda's military is relatively proficient, but it answers only to itself. In Ukraine, military forces do not correspond to needs and, not coincidentally, professionalism is poor. In Indonesia, beware of reforms that do not stick.

Requiring a National Defense Plan

As much as any other public sector, defense depends on knowledge: data, intelligence, analysis, estimates, forecasts, plans, and measurable results. Who controls—gathers (or fabricates), interprets (or manipulates), disseminates (or hoards)—knowledge controls defense. If a military monopoly over defense knowledge is not broken, progress in defense development is hard to track and reforms can be subverted. Merely appealing for defense knowledge to be accurate and available is not enough: We suggest a specific, internationally recognized instrument of minimum essential, reliable defense knowledge.

It is logical and reasonable to expect countries receiving external security assistance and other development assistance to produce and publish an objective national defense plan (NDP), tying forces to requirements and requirements to capabilities, and then to manage defense according to that plan (until a new one is produced). Such a plan should not and need not reveal defense information that could be exploited by those who would threaten the country; but it should be specific enough to build regional and wider confidence that defense preparations are legitimate. It could also be of enormous benefit to internal reformers and civilian authorities.

The NDP can also help mitigate some of the problems traditionally associated with conditionality. One consistent concern is that conditionality can fail if the target government does not fully accept the need for the program or project, if it does not have “ownership” of this program or project. However, if conditionality is coupled with measures that the government recognizes reflect its own goals, its effectiveness is considerably bolstered.²⁹ As discussed above, the NDP must be developed by the country itself, to reflect its own security needs. It therefore effectively addresses this concern.

²⁹ See Shantayananar Devarajan, David Dollar, and Torgny Holgren, eds., *Aid and Reform in Africa: Lessons from Ten Case Studies*, Washington, D.C.: World Bank, 2001.

An NDP should have at least the following elements:

- A statement of security interests and dangers to those interests (and international security responsibilities as appropriate)
- An assessment of the operational capabilities required to protect the declared interests from the specified threats
- Description of the forces—structure, troop strength, equipment—needed to field the requisite capabilities
- Description of the infrastructure, training, personnel systems, command structures, and other support needed to prepare the forces for operations
- Analysis of the funding needed to maintain both the forces and the support structure
- A modernization investment program to meet future needs
- A budget to fund current forces and investments
- A working system to relate budgets to programs to plans to needs
- Information and procedures to ensure transparency
- A provision for revision periodically and as needed.

An NDP along these lines could help greatly in purging inconsistencies, off-line funds, bloated (or inadequate or inappropriate) capabilities, and incompetent management. It could clarify for the military establishment itself the purposes of a country's defense capabilities and strategy, set standards for cost-effectiveness in equipping and supporting forces, and establish concrete goals for improved readiness and operational proficiency. Implementation would help ensure better management, instill good habits, and build international confidence. In other words, beyond its direct purposes, an NDP could help produce a cleaner, leaner, and more able military.

Critics will question the goal of making a developing country's military more able, i.e., stronger. It is one thing to support the improvement of, say, better roads and sanitation and quite another to support military improvements. Indeed, this goes to the heart of traditional objections about the involvement of development in defense. But if the threat environment and defense needs are laid out clearly, if current and planned capabilities are linked to needs, if all defense moneys are accounted for, and if actual expenditures and performance are true to the plan, three critical questions will be answered: (1) Would a more-able military increase or diminish international security? (2) Should military spending be reduced, increased, or redirected? (3) Is the military establishment acting and using resources in ways that will not hurt economic development and governance? Answers to these questions would be much more meaningful to those concerned with general development than what the nominal level of defense spending is. An NDP can thus be indispensable in reconciling a country's defense efforts with its economic and political development—a huge advance over a simplistic policy of discouraging defense spending.

Responsibility to prepare an NDP should be placed on the country itself, perhaps with international donors relying on the DDI we have proposed to indicate which countries should do so—another advantage of having a DDI. For a country in need of an NDP, to decline or fail to produce a credible one would be a strong signal to donor countries and institutions. As Berg et al. argue, one role of conditional assistance is signaling, that is provid-

ing information regarding expectations and requirements.³⁰ Both the objective defense plan and the DDI can function as such signals, thus avoiding the dangers of information asymmetry between the donors and recipient countries. Moreover, the DDI can be used both for performance measurement (the effectiveness of security or development aid to developing countries) as well as for the allocation of foreign aid (rewarding the good performer). This could be a very useful tool for both security and development actors because both the NDP and the DDI can provide policy leverage. According to Killick et al. (p. 38), the key determinants of the extent of leverage (from conditionality) that emerge from empirical studies are the simplicity of the policy instrument in question, the ease with which it can be monitored, and its amenability to treatment as a precondition (or prior action). The NDP and DDI both are simple, easy, and amenable to treatment as a precondition.³¹ Moreover, according to Mosley et al., resistance to reform can come both from vested interests that expect to lose from reform and from those who represent them within the recipient government.³² The NDP can also serve as a mechanism to preempt that resistance by being a clear statement of national needs. Moreover, donors can even consider providing non-distortive compensation payments to potential “losers” (compensate for training, budgetary losses, etc.).

Production of an NDP could require bilateral or multilateral help, perhaps initially cooperation in defense planning and implementation, scaled back over time to advisory support. At the end of the day, some multilateral body would have to determine whether the NDP meets standards of objectivity, disclosure, and soundness.

A helpful addition to, or an addendum of, an NDP could be a national defense development plan (NDDP), placing on the public record the commitments of the government and armed forces to take measures to create a clean, lean, and able defense sector. An NDDP would provide a baseline for measuring progress, facilitate the release of conditional security and other assistance, and help ensure lasting results.

Impermissible Activities

A defense establishment could prepare and gain international acceptance of an NDP and yet still harm development and security. For example, the military might manage its own affairs correctly but cause damage through extracurricular activities or flawed political accountability. It might abide by its NDP but ignore its civilian leaders. Therefore, it is important to set forth key internationally accepted “don’ts,” such as:

- Categorical exclusion of the military from business—defense and non-defense, legal and illegal. Among other purposes, this should be a precondition of international assistance. Arguments that business activities can help generate resources for defense either are specious or, if they are true, should be remedied through creation of and compliance with a proper NDP relating resources to needs. If the national budget has to allocate more resources to defense to make up for lost business revenue in meeting justified requirements, so be it. It is of fundamental importance that the amount of

³⁰ Elliot Berg and Associates, *Adjustment Postponed: Economic Policy Reform in Senegal in the 1980s*, Washington, D.C.: Development Alternatives Inc., 1990.

³¹ Tony Killick et al., *Aid and the Political Economy of Policy Change*, London, UK: ODI, 1998.

³² Paul Mosley et al., *Aid and Power: The World Bank and Policy-Based Lending*, 2nd ed., London: Routledge, 1995.

- funding available to the military, whether for arms or for perks, be controlled absolutely by civilian authority.
- Military involvement in politics is more complicated and less easy to stop abruptly. It may require constitutional change, as it has in Indonesia. Moreover, it may have to await sufficient improvement in civilian administrative capacity to maintain basic functions, provided this is not used as an excuse to delay indefinitely. Reducing and eventually eliminating military involvement in politics ought to be mandated, scheduled, and monitored. Meanwhile, it is vital to end conflicts of interest involving the military in politics, e.g., officers, officials, or ministers overseeing themselves or the use of military forces or resources to serve partisan political ends.
 - Anything less than accurate and complete accounting by the military for resources under its control should be considered unsatisfactory and should disqualify it from at least security and perhaps also economic assistance.

“Impermissible activities” are strong words. Who decides what is impermissible? And who has the authority to impose such codes on sovereign countries? Is this yet another case of the holier-than-thou developed world dictating to the developing world? A strategy to spur and spread defense development through international intervention and pressure must have legitimacy, which usually means an inclusive institutional basis. International institutions have or should be given the authority to promote norms, set standards, and take action when a state’s behavior affects others and when international resources are made available to that state. Other nations have some degree of responsibility to back up institutionalized norms. In practice, embedding such norms in an independent, respected DDI would help blunt criticism that the West is ordering the South how to behave, which underscores the need to have a DDI that is globally recognized.

Establishing and Managing Conditionality

In principle, security assistance, including financing, training, and sales of defense articles and services, should be linked to a proper NDP and NDDP and to progress relative to an independent DDI, including avoidance of impermissible activities. Obviously, the greater the conditional assistance, consistent with legitimate needs, the greater the incentive to meet the conditions. Although security assistance can be used to try to pry open cooperation on the part of the military itself, leveraging of other development assistance might have to be targeted on political leaders who can and must insist on defense development.

Treating defense development as one component of the overall development agenda enables a broader and potentially more effective sort of conditionality for assistance. In fact, conditionality, proportionality, and benchmarking are traditional tools of development agencies and could be well applied to defense development, as they have not been in the past. It is not fair or logical to condition all assistance on defense development, but it does make sense to condition assistance that depends on defense reforms for its effectiveness. Because it is clear that ineffective and corrupt militaries can damage development, it follows that the effectiveness of at least some development aid could be affected and so should be linked to defense development. Broader conditionality also facilitates motivating the right groups within government or society—the ones that may have been blocking reform, but could be convinced to support it if faced with a combination of sticks and carrots. As seen in the Ukrain-

ian and Indonesian cases, these groups are not limited to the military alone, which is another reason why conditionality of assistance cannot be limited to the military.

In the United States, Congress and the Executive branch have tried with varying levels of success to tie at least security assistance to political conditions, especially to “human rights” and “democracy.” Such a rationale for conditionality of assistance may have its pros and cons, but it is different from the idea advanced here. We have in mind linking security to progress in transforming the defense and military establishments of developing countries where these establishments represent obstacles to broader development, durable security, and good governance. Possibly some other forms of assistance could also be included, if their success is hampered by lack of progress. In this way, the recipient regime or military establishment is given strong incentives to make fundamental and, one would hope, irreversible institutional changes. This would produce progress, and it would make sure that such progress would last.

A debate over conditionality has been raging within the development policy and research communities.³³ The authors can comment on this debate only as it applies to defense development. Arguments in favor of conditionality are that it clarifies expectations, benchmarks performance, protects stakeholders’ stakes, and strengthens reformers. The strongest argument against conditionality is that it does not encourage or even undercuts local commitment to reform, which could make it unsustainable.³⁴ This legitimate concern has to be weighed against the lack of self-motivation for defense development. It also needs to be factored into strategies for inducing defense development. Although the requirement for an NDP may be imposed by donors and not warmly embraced, the fact that the recipient country prepares and takes ownership of that NDP and then uses it to guide its own, better defense efforts should provide growing self-motivation over time.

A related criticism of conditionality is that international financial institutions have overstepped their mandates in linking aid to fundamental political change, as opposed to getting through financial crises. The original purpose of conditionality was to protect the financial integrity of the Bretton Woods institutions and their donors, not to exert influence over recipient-country policies, let alone politics.³⁵ However, Bretton Woods or no Bretton Woods, it may take fundamental political change to end those defense practices that harm development and security the most. Moreover, tolerance of underdeveloped defense could block wider progress toward good governance, perhaps more than any other sector, suggesting that the argument for conditionality linked to governance is nowhere stronger than in defense, and never stronger than today.

³³ See, among others, Devesh Kapur and Richard Webb, *Governance-Related Conditionalities of the International Financial Institutions*, UNCTAD, G-24 Discussion Paper, 2002; Paul Collier and Jan Willem Gunning, “The IMF’s Role in Structural Adjustment,” *The Economic Journal*, No. 109, November 1999, pp. F634–F651; Ann Hudock, *Foreword to Can the World Bank Enforce Its Own Conditions?* Washington, D.C.: World Learning, 2002; Morris Goldstein, *IMF Structural Conditionality: How Much Is Too Much?* Washington, D.C.: Institute for International Economics, 2000; and Thilak Ranaweera, “Foreign Aid, Conditionality and Ghost of the Financing Gap: A Forgotten Aspect of the Aid Debate,” *Policy Research Working Paper 3019*, Washington, D.C.: World Bank, 2003.

³⁴ One of the weakest arguments against conditionality is, in essence, that it imposes a conflict of interest on staff in multilateral development institutions, between providing aid and withholding aid in the interest of economic or even political reform. With regard to defense development, the authors believe that assistance in the absence of reform is at best wasteful and at worst enabling and reinforcing.

³⁵ Kapur and Webb, 2002.

Still, conditionality can be tricky. A strategy that requires multilateral or bilateral assistance providers to threaten or actually to cut off needed development assistance for non-compliance with certain standards—say, an inadequate NDP—could be counterproductive in some circumstances, neither yielding the desired result nor delivering needed help. With these pitfalls in mind, defense-development conditionality could follow several principles:

- First, the only assistance that should be tied to defense sector performance should be that which would be made ineffective or wasted in the absence of that performance. For instance, the purposes of security assistance can be largely defeated by poor or corrupt defense management. Or, general budgetary support can be diverted into excessive or untraceable defense (or pseudo-defense) activities. On the other hand, it is unlikely that the effectiveness of assistance for, say, education or health would be seriously undermined by defense mismanagement, or that making such assistance conditional would be efficacious, much less fair and humane.
- Second, conditionality should be proportionate to the problem. A national defense sector whose only sin is slight ambiguity about actual defense spending should not face a complete cutoff of all security and economic support. Less draconian means should be found to persuade or help it accurately to reveal spending.
- Third, carrots are as useful as sticks. A defense establishment that shows a determination to develop could be offered support ranging from modest know-how sharing in preparation and implementation of an NDP to large-scale help with modernization, restructuring, or adjustment costs. Thus, adherence to practices that would in themselves benefit the country and its legitimate defense interests could also yield substantial force improvement, demobilization, or other aid.
- Fourth, standards to be met should be based on broadly agreed norms, not just those favored by donors, international bureaucracies, or other direct stakeholders. They should be applied firmly, predictably, and consistently.
- Finally, the form of conditionality should fit the circumstances. In economic development, conditionality takes several forms. One is to offer assistance but to link its delivery to the achievement of specific financial targets to help ensure its efficacy. A second is to use conditional assistance as leverage to obtain recipient agreement to reforms in governance that will advance development broadly. A third, akin to the second, is to qualify countries as recipients, or not, depending on whether they meet certain criteria of good governance and policy. Defense development should blend these approaches: Countries with military establishments involved in “impermissible” activities would not be entitled to receive at least some types of support. Conditional assistance should be aimed at motivating institutional and policy change. And specific injections of assistance should be linked to specific targets and results.

Institutional Responsibilities

Because defense development is so interdependent with economic development, the development community is the preferred setting for setting norms and goals, recognizing performance, and coordinating defense development with larger development strategies. As already noted, countries and their defense organizations have many priorities in providing security assistance, and developing the defense establishment of the recipient state may not

be a high one. At the same time, there are many obstacles to involving the development community in defense development.

At the national (bilateral) and international (multilateral) levels, there are three institutional options for mounting and managing defense development as defined above:

- *Lodging the responsibility within defense ministries but with improved coordination between security cooperation policies and development policies.* The advantage of this option is that Western defense ministries have substantial assets—financial resources, expertise, contacts, and leverage—should they be inclined or directed to use them to motivate and support defense development. Moreover, Western defense establishments will remain responsible for providing security assistance for a variety of reasons of which defense development is one. So this is a pragmatic option. On the other hand, one wonders whether it could achieve the purposes of defense development. Those who know the limitations of “coordination” in government policymaking and administration will share the authors’ doubt about this path.
- *Expanding development responsibilities to include defense development.* The advantage of this option is that development is the right paradigm, with many of the right tools, skills, and techniques, for turning bad defense establishments into good ones and keeping them that way. This option would also help to bring about coherence in overall development strategy, as our three cases suggest. The disadvantages are that development organizations lack defense expertise; that they are sure to encounter resistance from both stakeholders and recipients; and that they do not control direct security assistance, which can be an important tool of defense development.
- *Standing up new institutions for this specific purpose.* The principal doubt about this approach—other than practical questions about funding, authority, capabilities, and accountability—is that it would be grounded in neither the security nor development realms, putting defense development in a bureaucratic never-never land. Since leverage will be important and must come from security assistance or development assistance, an institution that controls neither will lack the means to induce developing countries to fix their defense sectors.

In the final analysis, it is important to recognize defense development as *development* and to manage it accordingly. Moreover, development assistance provides considerable leverage to induce essential defense reform, assuming that Western stakeholders are prepared to use it. Finally, to the extent that both economic and defense development affect and are affected by the quality of governance, there is a strong advantage in having these two horses pulling together.

At the same time, the lack of expertise and credibility in defense development must be addressed at both multilateral and bilateral levels. These shortcomings will not be easily or quickly overcome. But the task of defense development should not be deferred. Therefore, we suggest as an interim step in as many countries as possible something like the UK’s interministerial—DFiD, Defense, and Foreign Office—body and budget to develop, resource, and implement policies.³⁶

³⁶ It is worth noting that the British interministerial committee responsible for “security sector reform” has been chaired by DFiD.

Multilateral

The World Bank is showing a growing awareness of the defense-development problem, although as noted it has *not* gone much further than tracking, and discouraging, aggregate defense spending. Without affecting the way the Bank is tackling or planning to tackle its current development agenda, it should be possible to establish a new arm that can acquire or make good use of available independent expertise to monitor DDI, help develop and track NDPs, and monitor defense activities for their effect on governance and development. In addition to this function, the Bank would be the institution to advise or determine when conditionality makes sense and to coordinate country strategies with and among its donor members.

We are not proposing a shift in priorities for the Bank but the addition of a crucial new one. We recognize the obstacles and the time it would take to line up all relevant ducks. But we would rather be clear about the end-state to which our analysis points. Were the World Bank to move toward this responsibility, regional development banks would likely follow. They too could have useful roles to play as part of a network of multilateral and bilateral providers.

Of course, the World Bank, the regional development banks, and their stakeholders would themselves need to have a strong incentive to accept this responsibility and to discharge it effectively. At the end of the day, we cannot do better than these two points: First, consider how economic development can be affected by a military establishment that is exemplary, a guarantor of democratic governance, and able to provide security cost-effectively, versus one that siphons off national and international resources, defies or intimidates civilian authorities, poisons politics and governance, creates regional insecurity, and cannot even defend the nation. Second, think of how the problems of defense underdevelopment can be remedied by many of the same concepts, methods, and skills that are being used in the wider struggle with underdevelopment. Ask the Bank's resident representatives if defense and security sectors can be walled off from effective development strategy at the country level, and we think the answers would be telling.

Bilateral-Multilateral Coordination and Responsibilities

Unless nations respect and reinforce multilateral norms, standards, policies, and country efforts in defense development, they will not work. The foreign policy and security cooperation programs of one country, which are perhaps aimed at gaining political influence and military access, could undercut the good work of others aimed at defense development. Therefore, international accountability should apply to both assistance providers and assistance receivers.

Once an NDP is produced and accepted, nations should be obliged to be consistent with it and encouraged to support it. This means, for example, that a nation that fails to produce a credible NDP or has produced one but then ignores it should be subject to the same conditionality bilaterally as it is multilaterally. It means that nations are expected not to provide arms or security assistance that is not consistent with a recipient's NDP. It means that nations should insist that proscribed conduct be ended if such assistance is to be forthcoming. And it means open sharing of information that bears on defense development.

In sum, individual Western countries would be expected to accept a multilateral defense-development strategy along the lines presented here. Beyond that, they should be called on to find ways to help without diverting from other crucial development assistance.

Within their own governments, they should ensure that security assistance and development assistance are at least closely coordinated if not unified with the goal of defense development in mind.

Conclusion

The West, having mounted a major effort to transform military establishments in the East and a minimal effort in the South, now finds itself with uneven results in the former and a glaring problem in the latter. The consequences of failing to effect defense reform are not to be taken lightly: waste, criminality, conflict, transnational dangers, oppression, coups, and stalled development, with all of their nasty consequences in turn. This suggests the need for a more strategic approach, such as that just outlined.

This approach might be criticized as patronizing, domineering, interventionist, and, because it is driven more from abroad than home, not sustainable. To such anticipated criticisms, the authors can only reiterate that military institutions in need of change will have strong reasons and means to resist it, that democratic governance is not effective enough in most such countries to expect elected leaders to mandate defense development, and that the consequences of defense underdevelopment can be felt well beyond the country in question and well beyond defense. After all, the West did not wait for the former communist countries to devise plans for their transformation: It played a very assertive part, including the use of conditional assistance, because the stakes were high and time could not be wasted.

The authors believe that corrupt, swollen, and incompetent defense and military establishments deserve a share of the blame for the conflicts, oppression, and poverty that still plague many countries and that can create insecurity far from their borders—and closer to ours. So the stakes are high, time cannot be wasted, and the international community has a legitimate role and heavy responsibility.