



Issue Brief

Matching Policy and Strategy with Resources

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From the late 1940s through the end of the Cold War, the resource allocation system for national security consisted largely of formulation and review of the defense and intelligence budgets. This was arguably appropriate for the times. Most national security funding, including intelligence funding, was in the Department of Defense (DoD) budget. There was broad consensus on the primacy of the Soviet threat, the containment doctrine, extended nuclear deterrence, and forward defense. Whatever its imperfections, the Cold War system functioned well enough.

Starting in the early 1990s, and especially since 2001, the rising complexity of potential threats and the importance of interagency cooperation in accomplishing national security missions have revealed systemic weaknesses. Some of the more serious such problems are related to national strategy development and aligning resources with strategy, which implies cross-agency resource allocation.

Resource reform is critical if we want our national security system to address complex security threats and major emergencies effectively. National security priorities and the budget should be linked so that policymakers can make decisions across the whole of the national security system. Ultimately, relevant portions of individual agency budget requests should be integrated into a national security budget display that is based on high-level strategy and missions.

Current Problems

While most national security funding still falls under DoD, other agencies are joining “whole of government” national security planning and execution. To date, there has not been a serious effort to match resources with expanding non-DoD roles. To wit:

- Security agency programs and budgets are generally shaped by narrow, parochial concerns and mandates, despite well-intentioned attempts to include external perspectives (e.g., by DoD in its 2005 and 2009 Quadrennial Defense Reviews) and successive broad national strategy statements from Presidents.
- There is no established process for moving resources between agencies with national security responsibilities; such trades are *ad hoc* and rare.

- There is no agreement on which parts of each agency budget should be included in an overall national security budget, and no current process for making this determination.
- There are significant discrepancies across national security agencies in terms of program/budget calendars, resource displays/formats, and planning horizons (e.g., 5-6 years for DoD, the Intelligence Community, and DHS; typically 1-2 years for others).
- The Congressional committee structure is not attuned to a comprehensive, cross-agency review of national security strategy, programs and budgets.

PNSR's Proposed Improvements

Strategy should drive national security resource allocation. PNSR recommends that a strategic planning office (with embedded Office of Management and Budget – OMB – liaison) be added to the NSC staff to develop high-level strategy and guide its implementation across the interagency system. On behalf of the President, this new office would lead an interagency National Security Review (NSR) in the first year of each Presidential term which would, in turn, inform the departmental quadrennial reviews. It would combine this review and associated Presidential decisions on policy/strategy into a National Security Strategy (NSS) document due by the second year; and provide additional, more detailed budget guidance to agencies annually in a National Security Planning and Resources Guidance (NSPRG) document.

Budget considerations are a key element in formulating strategy, which must include determining ways to achieve policy goals with available resources. The NSR and NSS will dictate changes in resource allocation among agencies and provide (via the NSPRG) multi-year projections of resources that agencies are to apply to national security missions within their respective areas of responsibility.

Assuming that the PNSR's basic structure for strategy development and implementation outlined above is established, there are two "resourcing" activities that should be started promptly:

- First, OMB should lead an interagency dialogue to determine how much of each agency's program to include in the overall national security enterprise. A reasonable approach would be to include for each agency the portions of its program that are applicable to one or more national security mission areas. This would encompass all of DoD's military forces, for example, but exclude its management headquarters, central communications and logistics, training base, and other cross-cutting functions. For the State Department, the Coordinator for Reconstruction and Stabilization office would clearly be included, while many routine diplomatic functions might not.

This will be complex and potentially controversial work. It will require participation by agency personnel who 1) know their agency's structure, missions, programs and information systems very well; and 2) are willing to consider themselves part of the larger national security enterprise for this purpose. In addition to providing strong leadership, OMB will have to ensure that workable guidelines are developed and applied consistently across all agencies.

- Second, OMB should lead another interagency exercise to reconcile program/budget calendars, formats/displays and time horizons. (This harmonization would apply only the national security-designated parts of each agency's program.) Most important in this context is development of a simple but comprehensive set of resource displays. These displays should be multi-year (FY2010-15 initially) and provide for presentation of each agency's programs, funding, manpower, and other necessary information associated with national security missions. In addition to leading this effort, OMB would need to assist agencies that currently do not have multi-year programs in generating their out-year data entries.

Both of these near-term efforts are prerequisites for achieving the PNSR's recommendations concerning strategy formulation and linking strategy to resources. Results of this near-term work will enable a National Security Review that addresses national security mission prioritization and re-allocates resources among agencies accordingly. The NSR will then lead to the quadrennial National Security Strategy and the annual National Security Planning and Resource Guidance, which includes multi-year resource projections supporting national security missions across all agencies. The NSPRG would also comprise the baseline for reviews of agency compliance by the NSC staff. Collectively these efforts would allow preparation of a unified national security program/budget for presentation to the Congress.

It is possible that establishment of the PNSR's strategy development and resource linkage system described here will convince Congress that it should review U.S. national security programs and budgets in a more comprehensive way, which would likely require changes in its committee structure. But whether Congress responds positively or not, implementation of this approach by the Executive Branch should proceed without delay.

Conclusion

The existing national security strategy development and resource allocation system—largely a relic of the Cold War—is clearly inadequate for meeting today's complex and fast-breaking security challenges. The PNSR has proposed reforms to both strategy formulation and resourcing, which if done properly are inextricably linked. On the resources side, critical first steps are:

- Definition of each national security agency's contributions to the overall national security program; and
- Harmonization of agency program/budget calendars, resource displays, and planning horizons.

Prompt completion of this work will enable establishment of a National Security Review that in turn produces a National Security Strategy and associated annual National Security Planning and Resource Guidance to agencies. In combination, these reforms should greatly enhance U.S. national security in the future.

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