The Association for Diplomatic Studies and Training
Foreign Affairs Oral History Program
Foreign Assistance Series

JAMES "SPIKE" STEPHENSON

Interviewed by: Mark Tauber
Initial interview date: November 27, 2017
Copyright 2026 ADST

This oral history transcription was made possible through support provided by the U.S. Agency for International Development, under terms of Cooperative Agreement No. AID-OAA-F-16-00101. The opinions expressed herein are those of the interviewee and do not necessarily reflect the views of the U.S. Agency for International Development or the Association for Diplomatic Studies and Training.

TABLE OF CONTENTS

Private sector development support
Agriculture support in the Eastern Caribbean
Tourism support and promotion
Social and political stabilization and reconstruction

El Salvador—Private Sector Program Officer 1988–1994
Budget support to the government
Dr. Harberger's economic reforms
Post-war restoration and stabilization
Gang crime and violence
Presidential elections 1989: Freddie Cristiani
Working with the new government and FUSADES
Business culture in El Salvador
FMNL offensive in November, 1989
Peace negotiations
Training for FMNL: training for and financing micro-entrepreneurs
AID personnel change in 1992
New U.S. Administration and challenges for USAID
Reflections on the time in El Salvador

Washington D.C.—Desk Officer for Egypt 1994–1996
USAID RIF (reduction in force)
Almost retiring

Beirut, Lebanon—Mission Director 1997–2000
RCDC: community development in rural areas
Hezbollah: maintaining threat and cooperation
Trips to the Hill

Philippines—Mission Director 2000–2000

Serbia—Mission Director 2001–2004
Approaching community development projects
Community Revitalization through Democratic Action
Relationship with the local governments
Working with Ambassador Montgomery

Iraq—Mission Director 2004–2005
The Coalition Provisional Authority
The Transition: consolidating and strengthening the program
Post-CPA
The Realignment: fighting with IRMO
Elections in January 2005 and the aftermath
Day-to-day life: the Green and Red Zones

Retired 2005

Postretirement activities

Afghanistan—Joined Forces Command, State and AID	2005
Washington D.C.—Creative Associates	~2006–present

INTERVIEW

Q: It is November 27th and we are beginning our interview with Spike Stephenson. Spike, how did you get that nickname?

STEPHENSON: Well, I actually have a given Christian name. It's James, but before my older sister was born in World War II, my father was about to ship over to the Philippines in the Navy and my mother was pregnant. He had a Navy friend by the name of Woody Woodside to whom they were very close and he was convinced that the child was going to be a boy. He bought a bunch of boy toys and among them was a football helmet that had "Spike" written across the front of it because they joked about the fetus (my unborn sister) being named Spike. I always say my sister didn't look good in a football helmet and I inherited all the boy toys. I wore it all the time when I was a toddler. So, it is a good thing that they didn't write "Bozo the Clown" across the front of it. So that is how I got my name.

Q: Where and when were you born?

STEPHENSON: I was born in 1946 at Emory University in Atlanta, Georgia. My dad was working in Atlanta, but not at Emory University. I think Emory Hospital is actually open to the general public.

Q: What did your father do?

STEPHENSON: After the war he came back, and like most of the greatest generation, went to work, as an engineer. During the war, he was first assigned to train the original Seabee's, the Navy Construction Battalions, and then he went overseas building airfields in the Philippines. After he came back, he got a job as a civil engineer with one of the major railroads on the East Coast and for a few years we lived in some small towns. Then he joined the Army Corps of Engineers in Savannah, and was on the design team for the Savannah River Dam System.

Q: Now where had he done his education? Was he trained as an engineer?

STEPHENSON: Yes. He worked his way, really starting in the Depression, through Georgia Tech. He had first gone to community college in Mt. Vernon, Georgia, and then worked straight through Georgia Tech; and then they accelerated all of his class because of the war, but he graduated with a degree in civil engineering and for all intents and purposes was already in the Navy.

Q: How about your mother, was she working while you were a kid?

STEPHENSON: Not really. She was actually quite a good writer and she had gotten a degree in journalism, but it was a day when moms stayed home and dads worked. But she was very active in various groups that put out periodicals, particularly when my dad was in the Foreign Service. She did quite a lot of writing and she actually wrote a manuscript about her experience in India. Scribner's wanted to publish it, but they wanted more controversial stuff in it and she just didn't want to do it.

Q: That's very interesting so it sounds like your parents had a bit of an active life before they married. How did they meet?

STEPHENSON: I think they met when they were very young. My mother had been born in a small town, Mt. Vernon, Georgia, but was raised by her family in Winter Haven, Florida. She used to come back to Mount Vernon, as her clan had farms there. I think she met my father when she was about eighteen and they married pretty young, in their early twenties in 1943.

Q: Have you taken a look back in your ancestry?

STEPHENSON: On my mother's side, one of the doctors at Jamestown was a Frazier who was killed by Indians, and then the next group came over in 1621, a Sir John Daley and family, and settled at Isle of Wight, in Virginia. I was very fortunate one of my cousins on my maternal side made a fortune in building black boxes and programming when computers were very, very new, back in the 1960s. He got into this when he was in the Air Force; and he started researching the family tree in the 1970s and came out with a small book which traces the family history on that side, back to Charlemagne. I visited his grave last year in Cologne. It's interesting reading, at least for the family.

Q: Interesting. Now besides you and your sister were there any other siblings?

STEPHENSON: I have a sister that is seven years younger than I who had lived here in Virginia, but just migrated to Texas where her son and daughter live.

Q: Now to go back to your childhood eventually your father joins the Army Corps of Engineers in Savannah, Georgia.

STEPHENSON: Correct.

Q: Is that basically where you grew up?

STEPHENSON: From age three until ten.

Q: And then what happened?

STEPHENSON: My father got a call and I assume other communications from Washington, one of the U.S. overseas development agencies that would later be consolidated into USAID. Because of his expertise on dam design and construction, they asked him if he was interested in joining and going to India. He was hired specifically to go to India and he accepted. So we packed up the family in 1957 and headed for New Delhi and then shortly after we arrived at a dam construction site, Rihand, in southern Uttar Pradesh, which is in north-central India in the absolute middle of nowhere. The nearest town was a hundred miles away. We lived in a concrete, unpainted house with large gaps under the doors and leopards walking around at night, along with monkeys, snakes and scorpions. I loved it and thought it was great.

Q: Okay, your father, your mother and the three kids are there. How do you get educated?

STEPHENSON: Well, first of all my oldest sister almost immediately went off to Woodstock, which is a boarding school in the Himalayas, in Mussoorie. The school was started by the British in 1857 after the Sepoy Rebellion, basically to keep their kids safe, to get them off the plains, away from threat. Then, after partition, the school was taken over by a consortium of Anglican and American religious organizations and it was mainly for missionaries. There were missionary kids, government kids, royal families, and children of international businessmen. At the time, it was the only accredited high school between Beirut and Manila, I think, so it was quite eclectic. So, she went off immediately and we only lived at Rihand for about seven months. The reason for that was the job that Dad had been hired for was essentially over, because he was more on the design side, not the construction side--but it was fun watching the dam go up. Anyway, they wanted him back in New Delhi. In New Delhi, there was an American school I attended for two years. My parents basically weren't, I think, happy with the quality of the school and they sent me off to Woodstock to join my sister. I was twelve years old.

Q: What was Woodstock like?

STEPHENSON: When I went there, I think I cried for the first two weeks. I was homesick and cried mostly in front of my sister, and she kept saying it would get better. Going back and looking at the letters I wrote to my parents the first two weeks, I was miserable. After that I loved it. It was not a very religious school--we had vespers and mandatory church attendance on Sundays, but it was pretty non-denominational--but as I said, the student body was so eclectic and diverse that it did not feel like a religious school. It was high in the mountains at seven thousand feet. We could roam pathways in the mountains, there were all sorts of social activities, we certainly developed good muscles in our legs walking up the mountain, because I think it was about a thousand foot climb up to the classrooms and then back down to the dorms. There is a tendency to think that the teachers, professors and administrative staff run a boarding school. Well, they do until six o'clock or seven o'clock in the evening, and then after that the kids run—or kid tribes do. I think it teaches you tremendous confidence; it teaches you how to get along with people and a great deal of independence. In a sense, even though I was only there two years and went back to the American school in New Delhi, which had improved considerably, I never really went home, because there was a different relationship with

my parents. I was much more independent and they had the good sense to recognize that. We had wonderful relationships with our parents. In fact, I think I went through the adolescence stuff when I was at boarding school, as opposed to torturing them. I was pretty mature by the time I got back. My parents were in India for seven years, I was there for six.

Q: So, the dam project was over but he was contracted with USAID and they found other things for him to do?

STEPHENSON: He was a Foreign Service Reserve officer, working directly for the US Government, but it was not called USAID at the time. That wasn't until 1961. They had red passports and you were an FSR. The FSR system was abolished shortly after I joined AID, with the Foreign Service Act.

Q: Right exactly that was one of the reforms because when I joined the Foreign Service in '84 no one had even heard of it anymore; yeah, interesting.

STEPHENSON: I joined in 1979 and before I went overseas they were already issuing USAID personnel diplomatic passports as a result of the ongoing hostage crisis with Iran. It was initially a security precaution. I had a good State Department friend who I carpooled with or rode the bus in from Reston and he said, "Jesus, we are just losing everything. Now you guys get diplomatic passports, it's just not fair." He got over it.

Q: Right, but before we get quite that far so you finished your education in the American school in New Delhi?

STEPHENSON: No. My parents sent me back to the US, because they were coming back later in the year. I actually started my senior year in high school back in Savannah, Georgia, staying with friends. I was there a month and my parents came back in the fall of 1963. In October, I transferred to; I don't remember the name of the high school, but in Beltsville, Maryland. We had an apartment until they could find a house. So I had this bifurcated senior year before I went off to college.

Q: Wow, so a very diverse high school education.

STEPHENSON: Yeah, rather peripatetic.

Q: Was anything consistent throughout your high school education, in other words interests, foreign languages or extracurricular activities?

STEPHENSON: If there was anything consistent, I think I had a good social life, girlfriends, a stellar education, both in school and out, when we were overseas. Being a dependent in the Foreign Service you had a diverse group of people within your school, not all of them were Foreign Service either, there were children from newspaper organizations, contractors and all kinds of people. Most of the social activities were parties, dance parties. But we didn't talk about cars, we didn't talk about things that kids

we were talking about back in the United States. We talked politics and current affairs. John F. Kennedy was elected in 1960 and the years from 1961 until I came back in 1963, six months before he was assassinated, were heady times. The Peace Corps had been created; our house in New Delhi was sort of a way station for Peace Corps 1 people coming in, who stayed with us before they went up to their villages and then came and recuperated when they got sick. I knew what was going on in the world. I was not a geek, but I developed an interest in politics and international affairs and it always stayed with me wherever I went. The other thing, though, it put me completely out of touch with kids when I came back to Washington; but that was okay, it really was. I had a small circle of friends, but clearly that school was so alien I just wanted to get all of it over with and get off to college.

The other thing was I developed quite early I think about the seventh grade, a really keen interest in literature, in reading and writing. I had some really good teachers, some of them Indian nationals, and writing was something very special to me, and it was also something my mother nurtured. Actually, my father, the engineer, was a very good writer, one of the reasons he was such a good engineer. He was really articulate and well read and when he was working on a team they didn't have to have somebody else write the reports. Later this was a great advantage when he was consulting. So I always had an interest in writing and reading and there were thousands of books in the house and I ended up reading every one of them before I left home; we didn't have TV, we didn't have radio. At night that is what you did, you read.

Q: Yeah, I understand. Now they must have been talking to you about college. Did they have any expectations about what kind of college or where or anything like that?

STEPHENSON: No. My parents took the attitude that they were going to do their best to instill in their children a certain set of values, but what they did with their lives was going to be up to them. There was never any conversation about we want you to do this, we want you to do that. Frankly, I was great at literature, but I was a rather diffident student overall. My GPA, grade point average, from high school would probably have been either close to a B average or just over a B average. I mean, Harvard was not courting me. The other thing is we never even talked about Ivy League schools or any of that or even private schools, so I applied to a handful of State schools, and a lot of it had to do with geography. I knew my parents were going back overseas, and we had friends in the south that could give me support in their absence. In any case, I ended up going to the University of South Carolina.

Q: Okay, sure. It is in Columbia?

STEPHENSON: Yes.

Q: Were you thinking of any particular subject at the time or was it just liberal arts?

STEPHENSON: I had high SAT scores, low on the math part of it, and this is going to get funny later on, but very high on the liberal arts part or whatever it's called. I would have

probably majored in history. I ended up having more credits in history than I had in English, but I was immediately accepted into the English honors program and basically got credit for more than a normal first year. I started the second-year sophomore courses immediately in English literature; I loved it, it was great.

Q: It appears you begin thinking about an English major at least initially. Having had such a nomadic high school life, what was it like to be in one single place with students and that whole scene especially as the counterculture begins.

STEPHENSON: Yeah, it was interesting. I started college in August of 1964. I was still seventeen at the time and it was kind of a shock in a way. I had obviously been away from home for a while, but the same thing as in high school my senior year, I had virtually nothing in common with most of the people around me and it took a while to find soul mates. I tried a fraternity; I didn't like it very much and didn't stay with it very long. I developed a set of friends and I think by my second year I was living off campus. I liked the intellectual challenge of college, but I must say I don't think I ever really got into the social scene very much and certainly as an undergraduate I didn't. As I said, I had a circle of friends, girlfriends and such. I met my first wife there. But you know what? By the time I graduated, my history and my English professors were really trying to persuade me to go straight into graduate school. I said, "I'm just tired of studying. I want to do something different for a while; I may end up going to graduate school, but not now."

The other thing is I had a student deferment from the draft and it was not easy to get one to go to graduate school. To give you an idea, by 1968 I enlisted in the Army, under a deferred program where you could get the summer off before you reported for duty. I enlisted to go to Officer Candidate School (OCS). I already had a military history in my family; it was something people then just did. I mean going back on my mother's side there were two generals in the Revolutionary War, my father's side had officers in the Confederacy, his grandfather. That was just something you did. I never really thought about not doing it. Anyway, I enlisted for OCS, graduated the next day and received my draft notice the next. The deferred entry program gave me a chance to spend some time with my girlfriend over the summer before I reported for duty. I was looking forward to doing something different and if you had asked me at that time if I was going to come back to graduate school I probably would have said "no" and I would have been wrong.

Q: Okay but you mentioned that you got a deferment.

STEPHENSON: Yeah, you got deferments that had to be renewed and so that deferment was expiring when I graduated so basically my draft board in Fairfax County was taking a look at this and saying, "This guy is coming up and graduating--send off that notice."

Q: Do you go to Officer Training School?

STEPHENSON: Well first of all it is interesting because I was in Columbia, South Carolina and Fort Jackson is there and I said, "Great." Before you went to Officer

Candidate School at that time you had to go through basic and then after that, at the time they called it advanced infantry training, but now they call it advanced individual training, so that is a total of about 10 months. I reported for duty at Fort Jackson and the same night they sent me to Fort Dicks, New Jersey. As it turned out they did that because they were collecting the people who were going into language, the people who were going to be mortar men and the people who were going to OCS. These are mostly better-educated recruits who had high aptitude on their IQ tests when they had their physicals. So, they bunched us all together, but all of us still had to do Basic and AIT.

Q: You did your basic training. Did you go on to Officer Candidate School?

STEPHENSON: Well once again this shows you the way the Army works. All of us when we were in AIT, advanced infantry training, all of us assumed we were going to Fort Benning and we used to joke about it because that was where the infantry OCS was. Quite frankly, I didn't know there were any other OCSs at the time. We are drawing to the end of our advanced infantry training and they call us all into the day room to get our orders and the adjutant comes in and says, "Is this A Company or is this B Company?" We said it was A Company. "Ah crap, I've got all the orders for B Company. Well, it doesn't matter. You are all going to Fort Belvoir anyway." I knew where Fort Belvoir was because my parents had lived in the area. I knew where it was, but I didn't know what they did, and everybody says "what is going on with Fort Belvoir?" So one guy who was smarter than the rest of us said, "That's engineers, that's Engineer OCS; and the room just broke out in pandemonium and cheering because we thought erroneously, as it turned out, that A) we weren't going to Fort Benning, that part was true; and B) we weren't immediately thereafter going to Vietnam and all going to die. So everyone was very happy. I finished up AIT and virtually that entire bunch of us shipped off to Virginia and we were spread among different companies for OCS at Fort Belvoir.

Q: What was OCS like back then. What skills did they try to imbue?

STEPHENSON: A) it was brutal. I mean because they do essentially everything, they can try to break you, to force you to drop out. The tactical officers, who are usually lieutenants, they are your leaders, were called Black Hats. They wear black hats, at least they did at the time and, yeah, it is pretty rigid. I would also add at the time I thought it was actually cruel. I'm not talking about the study part of it, but the way that they worked you, ran you, abused you, I thought it was extraordinarily abusive and unnecessary; I learned later on why they did it. I learned in Vietnam why they did it and we can talk about that a little bit later. Yeah, it's not a pleasant experience and it's one of those places when you get those bars and that commission you are really happy to be out of it, and I was.

Q: The reason I ask is because many students go into college and participate in ROTC and hope the training for officers is easier than it is for raw recruits.

STEPHENSON: Oh no, that's just not true. I actually joined Naval ROTC when I was in college my first year and I liked it. The problem was that when they were doing physicals

the Navy discovered an anomaly in my left eye with the optic nerve. The doctors thought it might be macular degeneration and failed me. (Actually, I have a scar on the optic nerve from an injury that happened when I was thirteen, and my eye doctor is still suspicious of it.) No more Naval ROTC. The Army had no problem with it. The only problem with physicals when I was in the Army was after I got out of OCS, I wanted to go to flight school, and I'm colorblind. The flight surgeon told me, "You know Lieutenant, you are so marginal that I could pass you, but you are going to get somebody down the road who is not going to do it and it would be so much worse for you to wash out of flight school because you have trouble telling red from green on the test for color blindness."

Q: I get it so back to your completion of OCS. Were you trained in OCS for a specialty, how did that work?

STEPHENSON: Yeah, that was kind of interesting. Remember I told you I wasn't very good at math? I didn't even take math when I was in college because I was in liberal arts and I could substitute philosophy for it, but I did take some science courses that I had to take. I just thought I really wasn't very good at math and I can remember my dad coaching me when I was in high school and I said, "Look, it's easy for you, it's just not easy for me. I'm not like you." Look, geometry and algebra were just not something that I knew and basically what they were doing in OCS is they were teaching us how to grade roads, they were teaching us how to build bridges, they were teaching us how to build structures, they were teaching us how to design them. Combat engineers do a lot of construction, demolition as well. Basically, I had to invent my own math because I just didn't know how to do it the easy way, and in the process of that I actually understood it. I think the problem was the way I was taught math and I've heard this from other people since. The way they taught math was you'd never think what practical application is there for it. When you are actually building bridges and taking them apart, you begin to understand how the math works and I did okay; it was actually a kind of struggle at first, but I did fine academically and otherwise. I had no problem getting through OCS. It is probably a good thing when I got to Vietnam what they put me into had more to do with destroying things than it had to do with building things. I met combat engineers who were real engineers and it was probably better that they were building the roads and bridges than having me do it.

Q: But demolition has its own expertise.

STEPHENSON: They teach you how to work with explosives, how to blow things up.

Q: So when you complete officer training school you go immediately to Vietnam?

STEPHENSON: No, I didn't. Okay, they had a program and most people didn't go immediately to Vietnam anyway; it would have been a matter of a few months or whatever, generally speaking. My girlfriend had transferred from South Carolina up to Maryland to be closer to me. We were having a few problems at the time, due to having been apart for, let's see, about ten months and had seen very little of each other. The

Army had a program, once you were commissioned where you could volunteer to serve for at least three years of active duty. In return for that commitment, you got your choice of assignment for two years and probable assignment to Vietnam for the third year. It was called VOLINDEF. I liked the military and I thought that's a pretty good deal so I got my assignment at Fort Belvoir and I was in a specialized unit where I commanded a squad of highly specialized enlisted men. We were the specialized groups that were taught to use tactical nuclear weapons; they were called ADM Units, Atomic Demolition Munitions. We trained for instant deployment and had enlisted men who were highly technical, who knew how to arm and deploy these weapons. It was kind of exciting and I liked it.

Q: A quick question is how large is a squad or at least back then?

STEPHENSON: I won't give you the exact number because I don't know what is classified any longer, but let's say you are talking about less than a dozen people --very small, and very much a team effort. So anyway, I'm doing well at Fort Belvoir and my wife was at the University of Maryland.

Q: You do eventually marry your girlfriend?

STEPHENSON: Not yet. So, I'm there. I was commissioned in July 1969 and so now it is early 1970, let's say maybe March. Suddenly I get orders for Vietnam; and remember I said that I wanted time to spend with my fiancé. I get orders for Vietnam and I go back to the personnel people, called OPO, Office of Personnel Operations, I think, in Washington. I go back to OPO and I say, "Hey, folks I've just gotten these orders for Vietnam, but I volunteered indefinitely and I wasn't supposed to get orders for another year and a half. Pause on the other end of the phone--I'm sure none of that stuff was computerized at the time--sound of paper shuffling. They said, "Lieutenant, we have no record of your VOLINDEF but," they said, "there's no problem. You've got your assignment and you can finish your assignment; we will cancel your current Vietnam orders." I said, "Well, what if I decide that I don't mind going to Vietnam and I'll take the orders, if you have no record. You're telling me that I have to VOLINDEF again, for the records, but I could take the orders?" They said, "We have no record of that, if you want the orders, take the orders, but there is then no record of your VOLINDEF and you are going to Vietnam in June." I said, "I will take the orders." So, Debbie and I decide to get married in June and, let's see, that was June 6th and June 25th I shipped out for Vietnam.

Q: Wow, that's a big commitment because you are getting married and then going literally right off to a hot conflict.

STEPHENSON: Yeah, I look back at it now and I think young and stupid.

Q: Okay, but were the orders for Vietnam in the area of expertise you'd already been trained in?

STEPHENSON: The orders for Vietnam were just for going to Vietnam. At that time, you were not assigned to a unit. You arrived in Vietnam and went into the 90th

replacement center, which was located at Long Binh. You landed at the airport outside Saigon, were transported by buses to the replacement center and within days were sent to your unit. To answer your question, yes and no. I was originally assigned to a maintenance unit in a place called Zian. By the way, I arrived in 1971 just as units were coming out of Cambodia, and this Zian was the home of the First Division and a number of different helicopter units and Republic of Korea units. It was being denuded while I was there; units were demobilizing back to the US. Although I liked the people I worked for, that wasn't how I had planned to spend the war and so I found out about a unit, the 62nd Battalion of the 20th Brigade, which was the Combat Engineer Brigade. The 62nd consisted of two really active line companies, but the 60th land clearing company was the one I joined and it was an all-volunteer unit. What the 60th did was use these large armored bulldozers, Ds and Ds--we had 35 Ds and 4 Ds--and you cut down jungle, for several tactical and strategic purposes. By that time, anybody who flew over Vietnam would see the road network, but where it passed through the jungle you would see that the trees had been cut back 400 meters on either side to guard against ambushes. Then you look at other areas you would fly over and it's just a crazy quilt of areas that had been cleared just like a firebreak that you would see if you flew over the Blue Ridge. Those were called tactical cuts, and that was because intelligence told us there were main force North Vietnamese battalions or units that were operating in that area. We would go in and cut those areas, using a map provided by Intel, broken into squares and rectangles by battalion operations. The squares and rectangles roughly correspond to the amount of jungle the company could bite off in a day. If it was a double canopy, we could cut 500 acres a day. Triple canopy it dropped down to as little as 50 or 60. Not very environmentally sound, but that was what I did.

Basically, what we did was deploy out to our area of operations (AO). Our AO was usually in areas where there were no civilians, such as the central highlands and the areas to the north, west and east of Saigon. I never really saw any civilians when we were out operating. You go in and you start cutting these rectangles on the operations map and we called it a racetrack. The bulldozers cut in echelon. The lead dozer goes in and then the rest behind in echelon. It is like cutting a lawn. Then beside them we always had a troop of cavalry, usually the 11th Armored Cavalry Regiment, 11th ACR, and once you get the racetrack going they stayed beside you. Well, as that racetrack area gets smaller and smaller everything is being driven inside, because you've cut down everything that is outside of it, everything is being driven to the inside of it, animals, enemy. Animals break out as we are not shooting those, but they will wait until the last minute to break out, and then so do the enemy; and that is when you get the firefights, because they will look for the weakest point in that cordon that you are putting around them and break out. I spent most of my days on the ground riding on the back of a tank with a radio or sitting on the front of it which probably wasn't very smart but once again you are young and stupid.

The other interesting thing about working is that there are three lieutenants in a company; you have a captain; you have an executive officer and then you have three platoons. So one of those lieutenants on one day runs the maintenance in your night defensive position I'm sorry which is a berm, which is like circling the wagons, its 150-200 yards across and you've got all the mechanized equipment and all of your security area inside of it

pointing out and that is where you are doing the maintenance. One lieutenant stays and does the maintenance, one lieutenant runs the operation from the ground and then one supports the ground operation from a Cut Bird, which is a small observation helicopter, usually an OH6, which is these little birds that you see with a little bubble on the front and you are flying around at treetop level talking to people on the ground and directing things. I enjoyed it and I think even though we lost people, and that part is painful, what I enjoyed was being 23 years old and having that kind of responsibility because our operation was spending $3 million a day just to keep us out there, and that was in 1970-'71 dollars. It was heady stuff and it taught me a lot and I think of it as kind of a continuum. You know we were talking about boarding school, my experience in college and then that was something else. I would often say it changed my life, and it changed my life in the sense I was pretty undisciplined when I came out of college and I was kind of a slob. The military taught me discipline, it taught me the value of organization, it taught me a lot of logic and I think it taught me how to lead men, we didn't have any women in combat at the time, but it taught me how to lead.

Q: How long did you spend there? Is that your entire tour?

STEPHENSON: Well yes, it was my entire tour in that company, and I didn't have the same job the entire time, but was pulled back from the field. We had a convoy unit that took the line companies to the areas of operation. The convoy unit had a lot of problems with drugs, discipline and low morale and was not made up of volunteers. It had a bunch of deadheads in it, and I was pulled out to run it. That was the last two months I was there. In the meantime, right after I left the 60th, in one day, our CO and my best friend, another first lieutenant, were both killed, and eleven of my old platoons were wounded. I was in there the next day with a resupply convoy. I said that we always had supporting armored security, but not on this operation. This was during the last days of Vietnamization, and the powers that be tried to support us with ARVN infantry. They were not bad, but we were operating in the Hobo Woods, which was extraordinarily dangerous, and hitting sixty mines a day, and the ARVN just couldn't do it. The company was getting hit every night and taking casualties. After losing the CO, and others, the ARVN were replaced with a troop of the 11th ACR to finish the operation. After the 11th ACR took significant casualties, the operation was ended early. So yeah, I did the convoy duty for two months and absolutely hated it, but learned a lot about dealing with drug addicts, ne'er-do-wells and making the best of the worst.

Q: In fact, I was about to ask you how much drug, alcohol and so on problems you ran into because obviously you are in a very high stress, high danger environment.

STEPHENSON: I learned a lot about ethics when it was really difficult. I had one situation the day after the CO and others were killed in action. We went out on a resupply mission to the 60th. When I got there, the unit had been put on stand down and my convoy guys could talk to the people in the night defensive position about what had happened, and there was a lot of anger and grief. Anyway, we started back, some trucks had flat tires and we were pulled off on the side of the highway. A clique of my problem cases that started stopping people who were coming by on mopeds and cars and stuff and waving

guns at them. It was a situation that was about to get out of hand and I had this one dead-head that was a real problem; I'm not going to give you his name, but he was a real problem and he was out pointing his rifle at people and you could tell it was something that could get out of hand very, very quickly. I told him to back off and got the usual smart mouth from him and he had the clique around him. I put a 45 pistol to his head and said, "This ends right now or I will blow your expletive head off. Back off." Fortunately, he did, but not the kind of situation you like.

When the whole story broke about Lt. William Calley at My Lai, most officers in the military thought that he was anathema, because it is our job and duty to keep that sort of thing from happening. You know when you live in an atmosphere where you have very young men, many of whom are not well educated and are away from home, and they begin to dehumanize the people they are there to protect, it can get out of hand. It's our job to keep that from happening. As an officer or an NCO, it is your job to make sure it doesn't happen and it is something that I've never forgotten.

Q: So, you were two months of combat duty and at the end of those two months you are now in 1971? What happens next?

STEPHENSON: I was in combat for 10 months. Well my tour ended but some months before that while I was still in the field with the 60th I received a letter from my wife. I was walking across a very muddy night defensive position with all this equipment around and I opened up the letter and two little blue booties fell out of the envelope and into the mud. I picked them up and it was quite a moment.

Q: I can imagine.

STEPHENSON: Well, she had gotten pregnant when we took R&R in Hawaii in February, I think. This was literally less than a month after she got back that I received the letter. By that time, I was beginning to wind down anyway and so I thought what am I going to do. I'm going to go back and get out of the Army; I've got a degree in English and I didn't even have a teaching certificate. By that time, they were doing reductions in force, Army officers who wanted to stay in had to get out. So, I thought, well I'm going to try to VOLINDEF again so I can get another year in the military until I can decide what I want to do. Rather miraculously it came through. I was stunned. By the time my tour wound down I knew, which was in late June of 1971, I was headed back to Fort Belvoir, which was where the engineer basic course was given. The Engineer Basic Course was for officers and part of their professional training. It is the first one in a series of career trainings. So I taught part of that course for a year.

Q: Interesting. And you were teaching enlisted then?

STEPHENSON: No, I was teaching officers.

Q: Oh, you were, okay.

STEPHENSON: There are different parts of the basic course. I was teaching something really boring--maintenance and maintenance records. Well, its logistics. Napoleon said an army marches on its belly. If you can't feed the troops, or you can't service the vehicles, you don't know how to do the mundane stuff that keeps the enterprise going, you're doomed. Again, that was another important lesson, later on in USAID. There are parts of it that are really boring, but on the other hand, if you don't know how to do those things and you only rely on other people to do it for you, you can't supervise or lead them. You don't know what they are doing and you don't understand it. It was good training in terms of getting into the trenches and figuring out how to do the stuff that isn't very much fun to do, but vital.

Q: There is a military way that all of this is done.

STEPHENSON: There is a way under the Federal Acquisition Regulations that everything is done in USAID or the State Department or any other part of the government.

Q: So maintenance is not just maintenance it is also…

STEPHENSON: It is records, its procurement, it's keeping a record of the logs on the vehicles and making sure that people actually do the logs. It's tedious and often people think why do I have to do this, but there is a good reason for it.

Q: Now I see it and, of course, it is a skill set that will come in handy later in development work.

STEPHENSON: Exactly.

Q: Now when you are doing this you are in Fort Belvoir, you are reunited with your wife and you have your first child.

STEPHENSON: In October. I am back at the end of June and Christian was born in October; things were moving quickly and I had taken the LSATs and applied for law school.

Q: Okay, now the VOLINDEF was the teaching. Was there any other part?

STEPHENSON: Even with a unit of a bunch of captains, I had been promoted to captain, a bunch of captains who are instructors, we still had to go out and do field exercises so it wasn't just completely academic. But it was a good interregnum, for me no question about that. I honestly thought I came back from Vietnam pretty intact. We didn't use the term Post Traumatic Stress Disorder, PTSD, and I thought I was pretty much okay, and I think it was probably years later before I realized maybe I was a little squirrely and I mean many years later, decades. But I think my reaction to it was okay. It is time to move on. At one point I thought I would stay in the military, it was certainly an idea, but at that particular time the Army was falling apart. I mean it had problems with race, it had

problems with discipline, it was downsizing and I just thought I don't want to spend the next twenty years on barracks duty dealing with this kind of stuff and I wasn't high enough ranking like Collin Powell and others that I could have been at the vanguard of making changes; I hadn't gone to West Point. So I decided to get out and move on.

Q: So, you took the LSATs and you were thinking about law. Were you thinking about it because you were really interested or because it just presented itself as an English major and it was the next actual thing?

STEPHENSON: I think probably the latter. It was the next natural thing and certainly I thought I would like litigating. It was an odd thing at that time and once I got to law school it seemed that half of my class were veterans who had decided to go to law school and most of these people had not gone to West Point, they had gone to OCS or ROTC or whatever. My entire study group except for one guy, a study group is something you put together yourself, they were all Vietnam veterans. Law school was hot at the time and so I decided that is what I was going to do and actually I was accepted to American University and I was going to go to school there.

Q: In what year?

STEPHENSON: This would have been the start of 1972. I realized that there was absolutely no way that once my salary as a captain ended that the GI Bill, which was $360 a month, was going to pay for a wife and child and me. I couldn't afford to live in D.C. or to go to American University. This dawned on me rather late and I actually drove down to Columbia, SC and got an interview even though it was too late to be accepted for law school. I got an interview with their admissions personnel and the dean. But in any case, I was lucky and they accepted me.

Q: But not in law.

STEPHENSON: Law, they accepted me and at that time the law school at the University of South Carolina had just been upgraded tremendously to a brand new facility. Their starting classes had been pretty small, but my starting class was 2,000 people and they moved from the gorgeous old facilities they had into these much more modern facilities with theaters and theatre classrooms. We took our young son, drove down to Columbia, got an apartment and started law school.

Q: And you could afford it pretty much on what the GI Bill gave you or did you have other sources of income?

STEPHENSON: I worked two to three jobs the entire time I was there. At one point in law school, I took out a $1,500 loan for tuition and paid it back six months later-- just wrote a check. I worked three jobs and my wife worked several.

Q: How did you manage the baby care or was she just able to do part time care?

STEPHENSON: Private day care center.

Q: Ah okay.

STEPHENSON: Not ideal.

Q: But it worked and it got you through. Now as you are going through law school are you thinking about practicing and in what kind of specialty?

STEPHENSON: First of all I loved law school. I mean the first year of law school is enlightening, it is exhilarating. Law school doesn't teach you how to practice law, it teaches you how to think and its linear logic. To do B you have to do A first, to do C you have to do A and B first. It was also very much like engineering and critical path. Having learned how to do critical path at OCS, it helped me in terms of case analysis. I loved reading cases. I loved presenting arguments. I was pretty sure I didn't want to do criminal law. I really wasn't interested in dealing with criminals. I did do some criminal law later but it wasn't something that I wanted to do. I was much more interested in contracts, corporate law and I didn't want to do tax law and I didn't want to do insurance law, but I was interested in corporate law, which should be termed business law more than anything else. To preempt your next questions, I did well in law school. I had the option of going with a firm, but everybody was going with a firm. Because so many were graduating from law school, there was suddenly a lot of supply, and demand was not so great. The other thing was that most of the people that I knew in college, people of my age who had gotten out of going into the military, were already practicing law by the time I started. I started law school when I was almost 26, so I was 29 when I passed the Bar. Once again, young and stupid-- it seemed like an enormous gap to me. Four years in the military had been wasted, which was not true, but I sort of felt that way. I started my own law firm with a partner. I had already been clerking, I said two or three jobs. I was clerking for two different lawyers. One group I had clerked with for about 2 ½ years did a lot of criminal law. I had spent a lot of time sitting in courtrooms, so I had a pretty good idea of what I was doing, but I didn't have any money, so it was kind of a bold move.

Q: And you opened the practice in Columbia?

STEPHENSON: Right, my first office was actually upstairs from where I had been clerking. There was another guy named Furman Brody who had also been in my class. We didn't know each other very well but he was interested in doing the same. He was a local from Florence, South Carolina, and so we started off together.

Q: And that can be helpful because maybe he has some contacts and is known locally perhaps.

STEPHENSON: It turned out that Furman didn't stay very long, because he got married and his father-in-law was the head of a big firm in Florence and his daughter wanted to be close to mom and dad and he was offered a partnership in his father-in-law's firm. So, he left and then over the next year or so I moved out of there and acquired two other

partners. Basically what I was doing and this is interesting, well to me anyway, because you take the Army experience and then what I am going to tell you about and you start to see the framework of non-development experience that is applicable later on. One partner did tax law and the other did commercial mostly and some property. I had a major client who developed apartment complexes, condominiums and commercial retail space. Basically, the other partners participated, but it was mainly my client and he would say, "I want to do this development". We would go find the financing and put together limited partnerships. Whether it was a condominium or shopping center, we worked through the entire process and even down to the point of closing out the individual units when they were finished. This could take years and it involved organization, it involved negotiation, and you were dealing with property issues, negotiating with other lawyers, dealing with finance, dealing with banks and individual investors. Later on, when I was doing projects in AID, I thought it's not a whole lot different than what I had been doing in terms of the skill set that it takes. The professional skills I learned as a lawyer, how to think and how to write, were very, very useful to me. Even though I only practiced for four years I never regretted going to law school. Now, I often mentor people and when they ask about it I tell them it's a skill set you can use. It's hard and you have to remember there are probably a lot more lawyers that are not practicing law than there are practicing, but law school and practicing law can teach you much that has nothing to do with the practice of law. I never regretted it.

Q: And you made a go of it so you were able to make an income?

STEPHENSON: Yeah, we were doing fine. I liked it and the little bit of litigating that I did I really liked, but I was living in Columbia, South Carolina. Most of the people I socialized with were walking around in pink pants with ducks on them and were the country club set. Columbia, though a great town, was rather provincial. My wife was born in Japan. Her father, an Army officer, and mother both worked for McArthur in the occupation, so she had a peripatetic growing up period and I had too. She worked about a mile away and we had bought a house that was right between our two offices and we used to meet at home for lunch. I came home for lunch one day, after sitting in my office looking at a stack of papers and files on my desk and said, "I can't do this anymore." She said, "What?" I said, "This, I cannot do this anymore. This isn't enough for me." She looked at me and said, "I kind of wondered how long it was going to take you to figure it out." I said, "What are we going to do?" She said, "Let's try to go back overseas." I'll stop there and let you ask more questions.

Q: So your wife clearly had a little bit of emotional or psychological intelligence watching you and realizing something that it took you a little bit longer to realize than she did but you hadn't talked about it.

STEPHENSON: Never discussed it at all.

Q: Okay, now dams broke, you decided to move out of law, what then is the conversation. How did the two of you identify what it is you are going to do next?

STEPHENSON: I wasn't planning on stopping work as a lawyer, I was thinking about stopping the practice of law. Don't forget we didn't have Google at the time you didn't have Monster or whatever. My parents were living near D.C.; my father had retired from AID in 1975, so we are talking about late '78 early '79. I made some appointments in Washington with banks, not with law firms, and I remember I brought my young son up with me because he could stay with his grandparents; I was staying with them. In the interview process my father looked at me and said, "Have you thought about applying to AID?" I said, "Dad, I don't know anything about AID." He said, "That's nonsense." I said, "Well okay fine but I don't have the skill set to work for AID." He said, "That is even more nonsense. He had been very senior in AID as what at the time they called capital development officers. These were the guys who did big infrastructure, but not all of them were engineers. They were finance people and lawyers and others. He said, "Nonsense AID is about doing projects and that is what you have been doing most of your adult life whether you were in the Army or a civilian. I think you ought to apply." Well, my brother-in-law was with AID and he called the GCs office and made an appointment for me. I went in for an interview and while listening to the lawyer describe the work of AID lawyers I thought geeze, I don't want to do this, this is worse than what I had been doing. I have no desire to be a lawyer in AID. I thanked him and as we were leaving, my brother-in-law said, "I would like for you to meet somebody," because we were walking just past his office anyway. His name was Bob Blakely. He was legendary and had worked, full disclosure, with my father. He was legendary because he was a risk taker, he cut corners, he was profane, but he got things done. Blakely was in his office and I was introduced. Bakely asked, "What are you doing here?" I said, "Well I was actually interviewing for a job or at least talking about one." He said, "Who did you interview with?" I said, "With the GCs office, I'm a lawyer by profession." Blakely looked at me and said, "(expletive) "You don't want to be in the GC in USAID, what you want to be is a project officer and what you really want to be is a capital development officer." I said, "I have no idea of what you are talking about." I literally said, "What is a project officer?" He said, "How much longer are you going to be here?" I said, "I live in South Carolina, I was planning to go back on the weekend." He said, "Can you give me a few days?" I had no idea what he was talking about. He said, "I would like you to talk to some people." I said, "Sure." So, what he did was make appointments for me in each of the capital development shops in each one of the geographic bureaus. These guys were like a mafia-- lawyers, MBAs and engineers—who did big infrastructure. I had 22 interviews over a three-day period and honestly I was so ignorant about it I had no idea to whom I was really talking to, but I was talking to the top and midlevel people in each one of these capital development shops. On Friday I stopped by to thank Blakely and say that I was heading back over the weekend and he said, "You know, could you give me until Tuesday?" I said, "Bob, I've already talked to I don't know how many people." He said, "I really want you to talk to a couple other people and I would like you to stay until Tuesday." So I had a couple more interviews on Monday and I thought I don't have any idea why I am doing this at this point. Tuesday afternoon he called me and said, "You are hired. You have to go through a security clearance and you are going to have to negotiate your salary with our HR people but you are hired." What they had done, and obviously it doesn't work this way any longer, was put my name forward at the Tuesday afternoon meeting of all the chiefs of the capital development sections. I don't think at that point I

had even filled out a Form 178. I honestly don't recall filling it out. I'd been talking to all those people because Bob wanted to pitch them and say that I want this guy. I was hired, I had to negotiate a salary, less than I was making, went through the security process and started at AID in July in 1979. I remember a conversation with my dad after Blakely called me and said, "I'm honestly not comfortable with the way this was done. I know you had nothing to do with it, but obviously Bob was a protégé and colleague of yours. I'm just not comfortable with it." He said, "Do you honestly think any of those guys would have hired you if you weren't competent, if they didn't think that you could do the job?" I said, "Yeah, I guess you are right." He said, "Son, that's the way the world works. Just take it, leave it alone and move on." That was it.

Q: Now you entered in '79, just before the Foreign Service Act of 1980 regularizes and reorganizes many aspects of the Service. Do you get training when you arrived?

STEPHENSON: Good question. Okay, I came in in July and we started learning the process, that's why you started in Washington. No, there was no course like the State Department people had, it was on the job training and you have all these forms and methods at the time that you don't have anymore; it's been completely changed. I got there in July and my bosses started getting calls from Cairo in August or September that they wanted me out there, immediately. There were other people that were going to other places, doing the same thing; it was the field that needed bodies, not Washington. We arrived to Cairo in early January 1980. My wife was pregnant with our second child, but no I didn't spend a long time in Washington. Certainly, one had to question the lack of training. The real training came from guys who smoked cigars, who had their personal files, and you'd go in to them and say, "Mark, I don't know how to write a PIO/T. Tom wants me to do a PIO/T, how do I do a PIO/T?" "Here you go kid--here are five of them. You write one up, bring it back to me and I will tell you how well you did or you screwed it up." And that was the way you learned and it was good training, particularly in Egypt. We had 136 AID Foreign Service officers in Egypt, as I recall, which was a huge mission at the time, and these guys were all pros. Most of them were World War II veterans, a lot of them had been with the OSS, and they were real characters. They were never going to be mission directors but they were the brains and the institutional memory of AID and it was a great learning experience.

Q: Your first tour is Egypt?

STEPHENSON: Right.

Q: All right and you go out as a capital development officer?

STEPHENSON: I did and I actually started off working in the private sector office, because that is where they needed help but, yes, a capital development officer.

Q: Once you were in the field, what did a capital development officer do?

STEPHENSON: Interesting question because at that time we were doing a lot of big infrastructure programs with loans and that's one of the reasons why you had finance people and lawyers, and we were working with host-country contracts. Host country contracts were not done by a contracting officer at that time, we did the contracts. I ultimately ran about $1 and a half billion in projects. We would decide if it needed a $20 million amendment, and we would do the amendment to the contract. We worked with the ministries and the government so technically it was the government signing the contract and we were just there advising them, because technically they supervised the contractors, but that's not the way it really worked and we can talk about that later. I moved quickly from working in the private sector office to working on large infrastructure projects such as the Alexandria Waste Water Project and Provincial Cities Project.

Q: Did these large infrastructure projects come out the way they were expected to?

STEPHENSON: Largely, yes. Once again, I think our teams were very professional. Richard Dangler ran the infrastructure section, and he too was a legend. The way it worked was on each project you had an engineer and a non-engineer. So, I am a lawyer, Walt McAleer was the engineer, and Walt had served in Vietnam in AID. At the time I was 34, Walt was probably in his mid-forties. Again, Walt was someone who was not going to be a mission director, didn't aspire to be a mission director, and he was, it's fair to say, socially kind of awkward. Management's theory was to throw people into the same pit who have the same responsibility and let their personalities and drive decide who was going to take the lead and who was going to be slightly subordinate. Walt was a super guy to work with because he really knew his stuff and he knew stuff that I didn't know. He had been with AID long enough that I could learn from him the things that I needed to learn and he was absolutely comfortable with my taking the lead because he wanted to focus on the engineering aspects of our collaboration. So we made a great team and I gained enormous respect for him. In terms of leadership, something I could look back on is learning to not be too overwhelmed by first impressions or to judge a book by its cover. People who don't dazzle you can still be enormously valuable and it's a lot better to hold back your first impressions and respect them.

Q: In this first job did you have a lot of interaction with the government and did you have to learn how to interact with them?

STEPHENSON: Absolutely, and we had interaction at a very high level, a ministerial level. I often would go to meetings with my superiors or with the mission or deputy director. It was interesting going to these high-level meetings with somebody who had not become culturally adapted—not mission staff--but let's say a visitor from Washington. You'd go in and come out and he'd say, "Well that went well." I'd say, "No, it didn't. It didn't go well at all." He'd say, "They were so polite." I would say, "First of all, when you asked him to do X, he did not say he would do it himself. He said his subordinate would take care of it and he might have many subordinates. "I also noticed there were three other groups in the room at the time that we were meeting with him and we were number two and he kept taking phone calls in the middle of the conversation. So

basically, what he was signaling to you is don't expect anything to happen soon on this, it will take more meetings for us to do that." That's the advantage of being in one place for a long period of time. I had learned enough Arabic that I could carry on a conversation, but generally when I was meeting with counterparts I didn't tell them that I could understand what they were saying. I've had ministers look at me, stunned, and say, "You understand what we're saying!"

Q: How did you learn Arabic? Did you just pick it up or did you take a course?

STEPHENSON: I wanted to go to FSI, Foreign Service Institute, but that was just not possible. It is often the case that workload and the nature of the work militate against time off for language training. The mission did give both my wife and me six weeks at the British Language Institute in Cairo, which was invaluable. That and then just practice made both us fairly proficient.

Q: In six weeks could you at least learn the alphabet?

STEPHENSON: Not really. In six weeks, they were not teaching me to read Arabic, they were teaching me to speak Arabic. My wife had memorized the alphabet and knew it, but I think the more important thing was the way they teach is that all Arabic words have a basis in three consonants, and words that share those three consonants all have a relationship to each other. Now it may come out of antiquity, but for instance a word, and I'm not going to embarrass myself because a lot of this I've lost, but the words for swimming pool, bath, pigeon and penis all have the same three consonants. If you go back and study the history of it you can see why there is a relationship between those words, which is kind of fascinating. Later on when I was taking Spanish, I learned that Arabic and Spanish are much alike in many, many ways. About a third of the words in Spanish have an Arabic derivation. In addition to that, the idioms and the way they speak are very similar.

Q: Interesting. But over five years you can learn this but also over five years you have the Alexandria Waste Water and then the Provincial Cities I guess what were the outcomes of the projects?

STEPHENSON: Alexandria Wastewater when it was designed I think that there was a population of about 800 thousand users in Alexandria. The system we were building started off designed for 800 thousand and by the time we were a couple years into the project the population had swelled to something like four million because of migration. The project was amended to account for that population and expected growth. When I left, we were completing the collection system and the design work for the conveyance system to treatment facilities in the desert being designed. Provincial Cities was in each one of the cities we were building roads, we were doing sewer and water and in some cases electricity. The three cities were Faiyum, Beni Suef and Mena.

Q: Interesting. It all more or less came off as expected?

STEPHENSON: Yeah, pretty much. I mean these are capital projects that take a long time. Neither one of them was finished by the time I left but they were finished and they came off pretty much like they were supposed to.

Q: Interesting. What were the major challenges, if any, that you had to overcome?

STEPHENSON: Before I left, I was asked to do a swan song, a memo, for the mission director and other people. I actually recommended that we move immediately away from the host country contracting. I said first of all it's not really host country contracting--you are getting them involved in it but we are running the projects. You're always going to have a level where you have to deal with the government because the government authorities are ultimately going to have to approve and receive the finished product, as well as operate and maintain the systems. You are going to have to deal with these people. But working with them exposes us to corruption and the project to corruption. It slows everything down, there is absolutely no reason to do it and the preference at the time, it was in handbooks, was host country contracts. I said we should change that to direct contracting and direct contracting for construction was forbidden, we were not allowed to do it. I basically said we should go to direct contracting, bring the contracting officer into it with more account ability and you'll still have capital development officers or whatever they are going to be called in the future, but we have much more control if we are doing it ourselves. There is much less exposure to corruption and I think it will just work better. I have no idea if anybody in Washington ever saw that memo but I think by the end of 1985 or '86 we switched over to direct contracting as the preferred method and host country contracting virtually disappeared.

Q: Now, when you do direct contracting, you put out the request for bids but are they requests for bids for Egyptian companies or American companies?

STEPHENSON: Generally speaking, they are to U.S. companies and you use the U.S. company to subcontract the local companies and there is a good reason for that that we will get into when we talk about Iraq.

Q: Okay, so that's the understanding of what direct contracting is?

STEPHENSON: Correct.

Q: So you are not going through the ministry anymore but the ministry still has some kind of ...

STEPHENSON: You have to coordinate with the ministry; there is no question about that. The classic thing, let's say, if you are building a school. But you might have 230 schools you want to renovate and are using a U.S. contractor to do that. Well, before you build a school you better be dealing with the ministry of education because they are going to have to be putting the desks in there and the teachers and so forth. So you have to work with them and it is even more intense if you are talking about infrastructure like water and sewers; so you have to work closely with them. You may sign the contract but they

sign the memorandum of understanding with you and the contractor so you are not doing this in a vacuum.

Q: To what extent did you consider sustainability?

STEPHENSON: Constantly. I've never done an unsustainable project, with one exception, which I will be happy to go into about Serbia. This became a huge issue later on in Iraq not with us with USAID but with the people in the CPA. But in all these contracts that we did, even the host country contracts you had money that was set aside for operations, money that was set aside for maintenance, money that was set aside for capital replacement and in many cases what you were doing the other side of sustainability—policy reform—such as metering to earn income to sustain the systems. People have to pay for water and then they get a surcharge on their bill for their sewage, and this is something the Egyptians did not want to do. I'm glad you brought this up because this is still an issue. Just to give you an example, are you familiar with Power Africa? Well, when this came up I thought this is going to be a nightmare because you can get the money to build it but if you are in an environment where both the population and the government think that water is a God-given right and doesn't have to be paid for how are you going to sustain these things?

Q: Exactly the belief that whatever the basic supply is whether it is electricity, water and so on I shouldn't have to pay for this. How do you change that understanding?

STEPHENSON: It's very difficult and as I said it was extraordinarily difficult in Egypt, where they simply did not want to do it or said they would do it and then didn't do it. One of the ways I don't think we do enough in terms and let's face it AID doesn't do that much infrastructure anymore but if you are doing infrastructure you have to use tools like polling. What are your attitudes about this and then you have to do focus groups and you have to ask a question. You say okay if you have a choice between dirty water and dysentery and your children's health, you don't have to pay for the dirty water, or you have a choice with clean water, have an ample supply that comes to your house and it is safe for your children to drink, it is safe for you to drink but you have to pay for it. Now it's not a lot of money you pay for it but how much are you willing to pay. You need to go through those kinds of things and then I think you need to pull together promotional campaigns based on the polling results. So, it's not all about bricks and mortar; it's all about changing attitudes.

Q: Okay, okay, yes that was precisely what I wanted to hear just a little bit more about how USAID went about it or ideally would go about it. The other thing is you are flexing your development muscles here in this first assignment learning all about the requirements, learning how to deal with the local contractors and the ministry and so on to what extent are you thinking about where you are going to go next or what other specialties are you willing to take on?

STEPHENSON: First of all, I had no problem staying in Egypt for an extra year. It was an exciting time to be there. I got there about a year after Camp David was signed, Sadat

went to Israel during that period of time, and Sadat was assassinated during that period of time. There was a tremendous amount of change, Ronald Reagan was elected, the hostage crisis went on until the day he was inaugurated but the Iran hostages were taken in 1979 just before I went overseas. It was an exciting time to be there. It was a big mission in the sense there was a lot of stuff, fun stuff to do but also the work I really, really enjoyed; I also got hepatitis and I almost died but I got over that. I honestly didn't start thinking about it very much until it was getting close and I had gotten a call asking if I would be interested in going to Barbados.

Q: That's very interesting.

STEPHENSON: RDO/C was a regional development office there, and that was the mission. I thought if you've ever been to Cairo, okay, Cairo is massive, it's sort of a dung color, it doesn't rain very much there, it's not very green. But I thought after living in a desert environment for five years, Barbados would be really cool and I didn't honestly think that much about the job. The job was actually in the project development office, the deputy in the private sector office. I thought this would be pretty cool and once again I thought it would be good for the family and my wife wanted to do it, so off we went to Barbados.

Q: Now before we actually follow you to Barbados are there any last reflections on Egypt?

STEPHENSON: I liked Egypt, we had a wonderful, very professional staff in the mission and I had good relations with other agencies there, including the military. We had a very large military mission of 700 people that came in to train people to fly the F4s and other aircraft that we sent them. We rode horses, took up scuba diving, and in terms of social life it ticked all the boxes. I was professionally happy and then the other thing was I came in as the old FSR-4 and then when the Foreign Service Act came into effect in 1980 I got an almost 50 percent raise. The amount of money sounds ridiculous now but my salary went from $28,000 to $45,000 overnight, and my grade under the new system went from FSO-4 to an FSO-2. I had arrived there in 1980, it was now 1984, and I was at a point where I had been with the agency for five years. I was promoted to a FSO-1 along with several other people in my office. It was a huge surprise and I certainly thought at that point, "Damn, I'm on my way." I had the feeling I'm going to be successful at this. I'm not just an accident. So, we were off to Barbados.

Q: All right.

Okay, it's November 28th and we are resuming our interview with Spike Stephenson as he goes to Barbados. When did you and your family go to Barbados?

STEPHENSON: We arrived there December 31, 1984.

Q: Wow, so New Year's Eve.

STEPHENSON: New Year's Eve in a beach hotel, it was not fun. I had been contacted and asked if I would be interested in going to RDO/C as Deputy Project Development Officer. The capital development officer backstop had been abolished and merged to project development officer; so I was the deputy in the office there. RDOC was based in Barbados but had no programs in Barbados, it was a regional mission that served essentially the eastern Caribbean including Grenada, which we had either invaded or rescued, depending on your point of view, the year before.

Q: As a regional officer how much time did you spend on the road among your various regional locations?

STEPHENSON: As a project development officer I really didn't spend that much. We had a leased aircraft that we used to travel to the projects, which were spread hundreds of miles in the chain of islands, the Leeward Islands primarily. The project development office was in the business of developing projects, as opposed to implementing them, and as a deputy I was supervising other officers, so I didn't get to travel as much as I'd like. I certainly took as many opportunities as possible and I spent a lot of time in Grenada. Grenada was fully staffed, unlike the other islands, but was having some serious staffing problems. Clearly, Grenada was the biggest thing that we had going at the time since the reconstruction of it had become a major priority for the Reagan administration and USAID. I think the amount of money that we had at the time for Grenada was something in the neighborhood of $90 million, which doesn't sound like very much, but it's a very, very small island of about 90 thousand people including Carriacou; there are actually two islands in the country. After living in desert countries, I think I told you in the last session, I was really looking forward to getting to a place that was green and had rainfall and sunshine and a much more pleasant climate than Egypt. I quickly grew to hate it.

Q: Was it because you got island fever?

STEPHENSON: No, it wasn't that at all. RDO/C had no program in Barbados, so we really had very little contact in a professional sense with the locals OR with the Bajan government. Although we did have contact with other officials in the islands, interaction with them was not really my job so much as the staff implementing projects. It was very much a job of pushing paper other than when we were working on strategies for the whole mission, so it wasn't the most rewarding of jobs. We were very fortunate to have Terry Brown as the deputy director, a super star who was really good. I think Terry was, I could be wrong about the age, but Terry was 36 when he was promoted into the Senior Foreign Service at the FEOC level. We've since remained close over many years. After I had been there about six to seven months I went to Terry and said, "I'm not going to curtail, now, but I'm going to start looking. This is just not what I want to be doing, and not particularly fulfilling." He said, "Yeah, I know. I've got other plans for you. I haven't discussed this with you but we are basically going to pretty much flip the staff in Grenada. We are getting a new AID rep coming in." (This turned out to be Bill Erdahl.) "There are other people that we are going to ask to move on. Others will be staying. I would like for you to go down as, technically, the private sector officer, but de facto you

are going to be the number two. We are keeping the program officer there and we have an AG officer and I think you will be a good fit with Bill." I said, "Great."

So I went to Grenada and really enjoyed it. It was a great experience to be right in the thick of things, because Washington was breathing down our necks all the time over things like the mental hospital, which had basically been a dungeon we had mistakenly bombed during the invasion. Promises had been made that we were going to build a state of the art hospital to replace it, which honestly didn't make a great deal of sense but we were dealing with a lot of issues. We had a POTUS visit in 1986 while I was there which was interesting. It's a diverse, interesting country and we could get out and do other things; we could get off the island. I enjoyed it very much.

Q: You enjoyed being in Barbados?

STEPHENSON: I didn't enjoy being in Barbados. Oh you mean-- look here is the thing about Barbados. If you are not working there, you go there on vacation. Beaches and beach bars are great fun for a week, but if you are living there, there is really not a lot to do outside of that. I don't mean to trash Barbados, it is a lovely country but eight months there was enough.

Q: I understand. What were the major development goals for the mission for Eastern Caribbean?

STEPHENSON: They varied for different countries, because the islands are all different and had different colonial histories. I think clearly because the Organization of Eastern Caribbean States and, in particular Prime Minister Eugenia Charles of Dominica, had been really strong supporters of the Grenada invasion-- she pulled people together--one goal was to hold that together and to strengthen it. Another major goal was to support private sector development and growth, in keeping with the Reagan administration's tilt away from support to host-government initiatives. Of course, this trend was going to continue through the Reagan administration and was also adopted by the IMF and the World Bank and others; and this gets into what we talked about earlier about supporting non-governmental organizations as opposed to governmental organizations, even when you have good government. I think it was a mix of things, but clearly we supported tourism in some islands because they had only that and at the same time we supported some degree of efficiency in agriculture. Bananas were a big thing and we were supporting better banana production so they could compete with Central America. One problem is the total population of the Eastern Caribbean is so small. If one farmer decides to grow tomatoes and he grows five acres that can supply all of the Eastern Caribbean, all of the hotels and all of the inhabitants. He makes a killing at it, because you're otherwise importing tomatoes from Mexico or wherever. The next year everybody grows tomatoes and it all goes bust from oversupply. So, trying to get efficiency in something that is sustainable for supplying the hotel industries, supermarkets was a challenge. There were some interesting programs and clearly the islands themselves are interesting. It's just my job was not particularly interesting in Barbados; that's what it came down to.

Q: So what happens? You've made your views known to the director of the program.

STEPHENSON: I didn't advertise it to the mission director at that time. He had departed under less-than-ideal circumstances, so Terry was the acting mission director. I conveyed my angst to Terry and not to anyone else. Terry said, "Just don't say anything about this for now. But that is what I am planning to do and I will inform your boss and others when I am going to move you." So that is what he did.

I arrived in Grenada in the fall, 1985. Bill Erdahl proved great to work for, lots of experience and one of the AID officers who had been in Vietnam for a number of years, a real pro. We had a great staff there. (Previous staff had departed before I arrived.) It was fun and I just enjoyed it. We were giving budget support to the government, but we had a number of different initiatives that we had undertaken in terms of agriculture, tourism support, tourism promotion, and we were doing some work in trying to get some modest manufacturing investment and employment. However, you are at the end of the world in Grenada and that kind of investment is very difficult to attract. It's just such a tiny economy that the major focus really needed to be on tourism, because they have extraordinary resources there, and to get more cruise boats and direct flights from Europe and the US. We were modestly successful during the period I was there.

The other goal was to establish a good government. They had just had a mini-civil war, a Marxist government and fratricide, followed by an invasion. It was also interesting to see the aftermath in Grenada because there was a great deal of criticism of the invasion in the US and foreign press and even our European allies. Why did we need to do this, right after the Marines had been killed in Beirut? However, in Grenada folks would come up and hug you on the street, and that lasted during the period of time we were there--it certainly was something very popular with Grenadians.

I pitied the U.S. administration spokesmen who had to justify the invasion even two-years on. One justification was the rescue of students at the medical university in Grenada. As it turned out, by and large the medical students were pretty safe during and after the coup. Another justification was to restore the legitimate government of Grenada, which we were saying because the legitimate leftist ruler who we did not like had been murdered; and we liked his Marxist murderer and successor even less; but we were restoring legitimate government to Grenada, which was an interesting take. Another justification was that the Cubans with Russian advisers were there in force and were building a seven-thousand-foot airstrip at Point Saline, and a seven-thousand-foot airstrip can handle virtually any military jet. (It can also handle commercial aircraft.) Of course, this was being done ostensibly for tourism, but at that time Cuba had troops fighting in Angola that needed to be resupplied and rotated, and the airport could be used for that purpose or other nefarious purposes in South and Central America.

We finished the airport, the strip was already there, but we mainly had to do the concrete pads for parking aircraft. When you walked into that airport your reception or ticketing area was about twice the size of this room.

Q: Wow, so very small indeed.

STEPHENSON: But then you went through the door to the kitchen and the dining facilities could feed--I think the number we had was six thousand people an hour.

Q: Wow. That's a military base.

STEPHENSON: It was massive. That's exactly what it was, so in that case the intelligence was accurate. Grenada was a stopping off point for easily moving on to Africa, South America or other places. There was some justification for the "rescue."

Q: Now together all of these islands all of the Leeward Islands didn't even have a million people. These are very small populations like Grenada had 150 thousand?

STEPHENSON: I guess 90 thousand was the number when I was there. They are even sparsely populated and most of the population is on the coast and Grenada is quite mountainous, with cloud forest in the center of the country--it is incredibly beautiful.

Q: That's a tourist attraction for sure. So, with establishing a new government and then trying to build all of these small private enterprises, free markets and otherwise did you see results, did you begin seeing results.

STEPHENSON: Yeah, we saw results. It was *sui generis*, and I think this is important for our conversations later on. We didn't have to do counter insurgency. Even though we had something like 7 Black Hawk helicopters shot down and the operation from a military point of view was really botched in the sense that they could have done a much better job--they were using tourist maps. The anti-aircraft fire when they came in over Port Saline to drop paratroopers was so intense, they dropped them from 250 feet. I talked to some of the paratroopers and they said they just barely had time for the chute to open before they hit the ground, but they quickly took the base, moved into the town, and secured targets. The fighting only lasted a few days. So there wasn't a lot of infrastructure damage to the country, there was no heavy bombing of it, we weren't dealing with populations where we needed to win their hearts and minds. What we were dealing with, although we didn't call it that at the time, was stabilization and reconstruction; and I think throughout this interview that is going to be important because it is going to come up again and again. In talking to me you will find I have mostly worked in conflict and post conflict. We will get into definitions of stabilization and reconstruction, but in Grenada we didn't have to do that much long-term reconstruction of institutions and infrastructure. We wanted to stabilize it socially, led by a transparent, legitimate government with minimal corruption, rule of law and security for its citizens; and at that we succeeded. Did we turn Grenada into an economic powerhouse? No. Could we have? Probably not.

Q: Once again the remake for this group of islands only extended to all of the small islands; it didn't even include Trinidad; it didn't include Jamaica and so on.

STEPHENSON: There was an aid program in Jamaica, a separate program, but basically it went from Grenada, the southernmost island, all the way up to Anguilla, where we had some very small programs, it was mostly to the south of Anguilla.

Q: Did we have a Peace Corps there as well? Do you recall?

STEPHENSON: Yes, we did and my recollection was there was an effort to get Peace Corps into Grenada, doing small activities, but also to some extent winning hearts and minds. But as I said, we were so popular when we went in and we had gotten rid of that regime, winning support wasn't really even necessary. We did some interesting things there and one thing that I forgot was we started working on a cadaster—establishing property lines. Property lines were not well delineated in Grenada. We did some revolutionary work in terms of using satellite photographs and establishing property lines on a certain scale so that the width of a pencil line would legally delineate the boundary. Everybody thought they knew what they owned, but it had never been demarcated.

Q: That is important because it relieves the potential for lots of small _____.

STEPHENSON: The other thing is if they get title to property then they have capital and they can borrow against that, which is a major thing. We were doing quite a bit of work in small enterprise development and support. Grenada is one of the world's largest exporters of nutmeg and a major one of cocoa, but they had trouble competing with West Africa and even Central America. So there were efforts in agriculture because those are high value crops. Actually it is nutmeg and mace. Mace is the fibrous wrapper around the nutmeg seed.

Q: Fascinating. The only question I have about that is often in the entire Caribbean Basin a direction of USAID efforts is moving the farming communities to higher value crops.

STEPHENSON: Correct.

Q: And that is one of the things it sounds like you are doing in Grenada at the time and also simply taking a crop like cocoa and having a different variable or something like that.

STEPHENSON: A different variable but better processing of it, too. I mean getting it more vertically integrated or even horizontally integrated, whatever works best, but yeah.

Q: Was that also part of the things you were doing?

STEPHENSON: As I said, I was a private sector officer, that was my official position there and if you recall when I was in Cairo for a short period I was a private sector officer there. Honestly, I probably spent more of my time being de facto number two. When Bill was not there I was acting AID Rep. I would say it was working the mission more than it

was working the country. I was not out in the field very much and we had other people who did that.

Q: And your family moved with you to Grenada or?

STEPHENSON: Yes, when we were in Barbados we had to put my oldest son into boarding school in the States. We tried him there in day school there but it didn't work out very well. My youngest was only five years old when we moved to Grenada and it was a nice place to live. There are countries such as Barbados where there is a degree of racism that is almost inherited into society with a degree of separation. Grenada was polyglot and everybody knew everyone else. There was no plantation class holdover from colonial times. I have some funny stories in terms of trying to deal with the culture. Just to give you an example, somebody came up to us when I was having lunch at a restaurant next to our office in this open place right on the harbor quay. Somebody I did not know came up to me and said, "Hey Mon." I said, "Hey, how you doing? Do I know you?" He said, "No Mon but I know you." I said, "How's that?" He said, "You live in Prickly Point next to that rich white guy." I said, "Well I live in Prickly Point but I don't live next to a rich white guy." He said, "No, no Mon, I know your house." And he described my house. I said, "Okay, well that's my house but my neighbor is not white." He said, "I know his house." And he describes the house. I said, "Okay, that's his house but he isn't white, he's black." He said, "Mon, he be rich therefore he be white." It wasn't said with any animus. It was kind of funny and it was a nice atmosphere. I enjoyed the conversation. That was Grenada.

Q: Okay, how long did you end up staying there?

STEPHENSON: I stayed there until 1987. I was going to have to bid on jobs in any case, but I got a call from Washington asking if I would be interested in going to El Salvador for my next assignment. I would have to learn Spanish at the Foreign Service Institute (FSI) and that would take six months. The mission wanted me to run the infrastructure program, which at the time was run by Chuck Brady, who planned to depart. Of course, I had worked in big infrastructure in Cairo and so I said I was interested. I had some trepidation of what it was like; this was in the days of death squads. By this time I had gotten a taste of what I liked to do and the challenge was there and I think that had a lot to do with it. So we left in May 1987 and I came back here and enrolled immediately in FSI. I'm not sure where language is done now, but then it was in Rosslyn. We lived in Ballston and we were there until December; (I seem to always take on all my new assignments in December). I earned my 3-3 in Spanish and off we went to El Salvador.

Q: At pretty much the height of its civil unrest whether you want to call it civil war with the FARC or the death squads and the FMLN.

STEPHENSON: I wouldn't say it was the height, honestly, but let me first say I was in the last few weeks of Spanish and Hank Bassford called me; he was the mission director. He said, "Look, we recruited you for infrastructure because Chuck was leaving and Chuck has decided to stay for another year or two. But we have this huge private sector

program. You've done it before and my big problems are there--a combination of personnel and various things. Would you be willing to take that on instead?" If the mission director asks you, you say sure, that's fine.

Back to your point, I arrived there with a degree of naiveté, expecting to see corpses hanging from every lamp post on the way from the airport, and it was nothing like that. Honestly it was nothing like that, although one of the things that struck me over the seven years that I remained there; five years during the war and two years afterward, was the degree to which the US press tended to inflate the body count, because we just didn't see it. I mean I'm not saying it was completely inaccurate, but when you looked at the analysis it was probably accurate during the early parts of the war, but the press seemed to just add 10,000 deaths a year, no matter what was actually happening. One didn't see that kind of carnage, and I traveled all over El Salvador. The death squad activity had really tapered off after 1984, because Vice President George H.W. Bush flew into El Salvador and met at Ilopango military airport with the generals and purportedly said, "This stops right now, or we cut you off." So it had changed considerably.

It was an exciting program. I've written about this and others have as well, but Salvador is actually a pretty good model for how to do counter insurgency. I mean you have to recall that in the first instance, and I lecture on this and the way I put it is, "It took twelve years, $4 billion and about 20 American lives, but it worked." It worked in spite of powerful opposition from elements in Congress and civil society opposed to any support for the government of El Salvador and particularly any military support. Every time there was a union demonstration or a riot, opponents of administration policy would be on the phone to us immediately. Significantly, the US civilian and military effort was under the radar. It wasn't very expensive in blood or treasure. The other thing was Congress had mandated that the military could not have more than 55 advisors in the country, and they could not take part in fighting. They could have only 55 advisors in country at any time. There was also an unwritten agreement between the president and Congress that limited USAID to, I recall, 36 Foreign Service Officers. (We probably had an equal number of personal services contractors and about 300 excellent local staff.)

The embassy was even smaller and operating initially out of the remains of what was habitable after the earthquake of '86. So it was even smaller than we were, but very tightly integrated into the whole program. We had great intelligence people there and we all worked very closely together. The other thing was that everybody wanted to be there; everybody was a volunteer. I was the newbie. There were people, particularly personal services contractors, who stayed there over a decade. Everybody spoke Spanish and I think in that regard and understanding the culture, I was a low man on the totem pole, at least initially. We interacted very closely with the government on parallel tracks. We were providing budget support to the government and were working to improve its governance, not so much from my office, but I did get involved and I'll get to that. Hank Bassford who was a superb mission director, and maintained close working relationships with President Duarte and his successor, President Cristiani.

My job there was a dream job-- I mean it was fantastic. I started work in January 1988, when the country was still mired in an eight-year economic growth flat-line. Then president Duarte was a Christian Democrat and something of a socialist. He presided over a command economy that prioritized import substitution and protectionism. He was in poor health and was facing National elections in 1989. We were approached by some of our leading counterparts to support and fund what proved to be a bold initiative. Economist Arnold Harberger of the University of Chicago had been the architect of the successful economic reformation in Chile, and had replicated those reforms in other Latin American countries. The initiative was to contract with Dr. Harberger and his team, known as the Chicago Boys, to study the Salvadoran economy, interact with private sector organizations, and make recommendations for reforms that would restore economic growth without tearing the fabric of the social safety net. Our major counterpart, FUSADES, (the Spanish acronym for the Salvadoran Foundation for Economic and Social Development) took the lead in contracting Dr. Harberger and his team, and reaching out to a panoply of NGOs and associations, as well as the government, to ensure broad participation in the effort. Although we at USAID consulted with the Harberger team and our counterparts, we strived to stay in the background and *enable* the process. The process proved to be as important as the eventual recommendations for reform. Without a transparent and inclusive process, any recommendations for major reform stood little chance of being converted into policy.

Q: Now let me pause here with you for one second because you are describing the private sector program. I would like to get a little bit of the global context of the program before we go on to any of the details. So first of all, one of the things that made it work was the mission itself was highly integrated among all of its elements, so regardless of whether it was State Department, USAID, I imagine there were people there from Defense Department and Agriculture and so on.

STEPHENSON: Sure. Let's start with the DOD advisory element. Congress was very wary of U.S. military forces post-Vietnam getting involved in a civil war in El Salvador, even though the insurgent side was being supported and supplied by the Soviet Union and Cuba. Accordingly, as I said earlier, an agreement was struck with successive U.S. administrations that limited the DOD advisory mission to 55 advisors in the country at any one time, who were not permitted to engage in field operations of the Salvadoran military. While this limitation at first blush seemed to limit the effectiveness of the effort, it actually proved to be salutary. If one can only have 55 advisors in a country of four million citizens, one chooses those advisors very carefully. They have to have vast experience in counter insurgency; working with indigenous forces; speak the language (Spanish); and be culturally aware and adept. With those prerequisites, most of the advisors are going to be drawn from Special Forces. Their small footprint meant that the advisors had to *enable* the Salvadoran military effort, which was difficult, complex and by default a long game.

The U.S. government civilian side of the effort was also limited by agreement between Congress and successive administrations. These limitations necessitated recruiting highly qualified, experienced staff with unique skills, language proficiency and cultural

awareness. It also necessitated dependence on highly qualified Foreign Service National employees. Even then, the effort demanded a large network of NGO implementing partners. By default, we had to be *enablers,* which resulted in the effort being a *Salvadoran* effort and not *ours*.

Finally, to your query about integration of the overall mission; yes, it was highly integrated and successfully so. I credit this to a relatively flat organization and the superb leadership we had across the board during the war years.

I have an axiom that applies to working in conflict and post-conflict arenas that I learned in El Salvador and honed in other arenas. It is in three parts. First, "You can't want it more than they do." Second, "You can't do it for them." And third, "Even if you successfully navigate the first and second, be prepared for it to take a generation or more to know whether you succeeded or failed."

El Salvador is a classic example of that because we succeeded well in terms of ending the war and bringing the warring parties to the peace table; incorporating the FMLN insurgents into the government through elections; turning the economy around; and bolstering the social fabric through reforms. We failed in our response to a key condition of the FLMN that the three different police forces, particularly the treasury police, be disbanded and that there be one national police force. The idea was one third of the new national police force would come from former FMLN fighters; one third would come from former military and one-third would be new recruits. So there were a couple lessons learned from what happened. First, if you abolish the police force, you better have something trained and ready to replace it immediately because the very people who have been fighting each other will realize that there is no one guarding the store. Second, it takes a long time to recruit and train people, to train them in police ethics and not just handling weapons and arresting people, but in procedure, investigations and forensics; it is very, very difficult. Former enemies got together and immediately went into business kidnapping, robbing and worse. The other thing was the state of California started taking imprisoned Salvadoran gang members who were eligible for parole and sending them back to El Salvador, from the day the peace agreement was signed in 1992. They would escort them onto the plane in handcuffs, take them off, tell the flight attendants they are all yours, and these violent criminals started arriving. During the war, surprisingly, it was pretty safe in most parts of El Salvador, except during the offensive of 1989. By the time I left in 1994, there were 4,000 murders that year. So, things really changed. The gangs spread to Honduras and Guatemala and have crippled life in the entire region, triggering waves of migration to the U.S.

Q: So the violence really changed from the politically motivated to the gang motivated.

STEPHENSON: Exactly, and it proliferated and it is still a major, major problem.

Q: Also, a question about the economy in general. To what extent throughout this period did remittances from either legal or illegal Salvadorans in the U.S. play a role in stabilizing the economy?

STEPHENSON: It played a huge role and certainly there was a period of time I think during the mid-eighties I would say remittances were probably the most important part of the economy. El Salvador was the most industrialized country in Central America and most of that industry survived, but it had been grievously hurt. With the right inducements, which our economic reform program gave them, it bounced back rather quickly. Coffee of course has always been a major product, but coffee workers are not paid much.

Q: So, the remittances helped to some extent to stabilize and I imagine provide another source of income for the relatively poor.

STEPHENSON: Yes, and there was another salient fact about remittances. During the peace negotiations led by the UN, but with our assistance, some of us were going into FMLN controlled areas to assess local needs. Many of these areas had been effectively off limits to the Salvadoran military and government, as well as to us. In many villages and towns, we were surprised to see satellite dishes and Western Union outlets. Some villages looked fairly prosperous. At one point, during the riots in the Hay Adams area of Washington, we were in a small town that had been under the control of the FMLN for years. Residents came up to ask us if we had any new information. They were getting the news by satellite dish, and were concerned about relatives working in Washington and sending remittances. Remittances were not just important for Salvadorans who were in government-controlled areas but also…

Q: To your knowledge has that continued?

STEPHENSON: Yes.

Q: Because typically with remittances they are relatively strong initially during the first wave of out migration but they get to weaken as the wave of immigrants become rooted in their new country and think less and less about the old country.

STEPHENSON: We would have to check the data but I'm sure it's still extremely strong. Salvadorans are *uber* family oriented and they maintain their family ties. I would imagine the remittances are still pretty, pretty strong.

Q: Now to turn back for one more minute to the private sector program that you led there, what were the major drivers that caused the high level of economic growth?

STEPHENSON: Okay, I would say the major driver was simply unleashing the economy. What we were doing was removing the high tariffs on imported goods; we were removing regulations that were unnecessary; we were putting in place a regime to attract foreign investment; and a legal regime in which all players had confidence. But it was also that after the elections of 1989 governance improved dramatically. In 1989, Freddie Cristiani was elected to the presidency. To us, his reputation was that he had been the national handball champion and considered a playboy from a wealthy family. He turned

out to be a brilliant president. *But*, Cristiani's party was Arena and Arena had been the party of D'Aubuisson.

Q: Right, please take one second to say what D'Aubuisson was.

STEPHENSON: Roberto D'Aubuisson was reputed to be the Godfather of the death squads and he was extremely right wing. He was a cashiered military officer from the Salvadorian army and not somebody with whom we associated, or with his party ARENA. ARENA won the elections, which were fair elections. We sent election observers, but the war was still raging and you couldn't get into all parts of El Salvador. The day after Cristiani was elected, we were asking ourselves what do we do now and where is this program going. The mere fact that ARENA had been elected, had the majorities and had won the presidential election, was causing a great deal of angst back in the US, particularly among Democrats who questioned the whole venture in El Salvador.

Days after the election, the putative cabinet of Freddie Cristiani walked into our offices and major conference room to meet with mission director Hank Bassford and his senior staff. Leading the group at that point, my recollection, was Bobby Oriana. Bobby Oriana was a board member of FUSADES and extremely well known to us. He said, "I am going to be the president of the central bank." He went around the delegation and said, "This is going to be the minister of planning," she worked for FUSADES. We worked with her almost every day, Myrna Lievano. Most of the people who had worked on the Harberger reform effort were now sitting in the room across the table saying we are the new government. We were floored. They and Cristiani had quietly and totally taken over ARENA. The open question was had they reformed and purged it.

Q: The tricky thing that I recall during this election because I was working in the embassy in Costa Rica at the time was that you had these very capable people in Arena and there was no question that a lot of the top echelons were very talented and very bright but they were associated with the D'Aubuisson name and the suspicion that behind them are death squads.

STEPHENSON: I do not believe they were associated, certainly not at that time. In fact I think if I am biased it's because I knew all of these people and Hank did too. I knew them; I knew their wives and their children. We had been to their homes and their beach homes, which is a big thing in El Salvador. We knew them extremely well, and I think that is really important for what I am going to tell you in just a minute, because they came in and they had the policy reform program report and recommendations we had worked on together. Remember this had not started yet, but was something we had been prepared to pitch to the next government when we didn't know whom the next government was going to be.

They put the reform plan on the table and said, "We want to do this and we want to do it right now." Hank looked across the table and said, "Bobby, that is just great, but we are going to hold your feet to the fire. The fact that you are my friend, the fact that I know you, and I know you Roberto and you Arturo, is not going to make any difference. This is

business and if you are going to take this on, we will support you, but we are going to hold your feet to the fire come what may." I thought at the time, "Damn, Hank, these guys are coming to you with open arms and you are almost dissing them." I told him this after the meeting and he said, "It was a marker I had to put down and I meant it." The thing I always loved about Hank Bassford was he did not dissemble, knew what he wanted and how to get it. He was also pretty intuitive.

Hank was not the most cerebral mission director I ever had, but he was the best because he was savvy and had superb leadership skills. He delegated extremely well and had this innate understanding of what he needed to know and what he did not. If you think of knowledge as a vessel, Hank had figured out that he really only needed to be familiar with the top inch of that glass. Somebody else could handle the rest, all the way down to the bottom.

What he would do is he would invite appropriate staff to a meeting, say with Bobby Oriana, President of the Central Bank. We met with him constantly on monetary policy, but always had a planned agenda. Hank would start with chitchat and then state the subject of the requested meeting, "Okay Bobby it is time to get down to what we really came here to talk to you about--this and this." He would then turn to me, for example, and say, "I'm going to have Spike take over. You know Spike is in charge of the private sector office, and you know Ana of course. Spike?" I'd say, "Thanks for having us Bobby." I'd take a few minutes and I'd turn to Ana and she would present. It was teamwork and Hank was superb at that.

Q: One very quick thing about this is you recognized him as a good leader and you see what the leadership skills are that he had learned from him. That is a vital aspect of training in the Foreign Service whether it is USAID or State or another element. Unfortunately, that began to go away over time ambassadors and mission director, I think, less and less polled their lower echelons in with them to observe how they dealt at top levels and as a result it is one of the way the service ended up being harmed but I mention that just as an aside after a 30 year career and listening to the description of you benefiting from this mentoring.

STEPHENSON: Look; I've been retired for twelve years now. I never stopped doing that—mentoring others--and in fact I think all of us who rose to high positions did it on the shoulders of others. I mean I learned both good and bad and I teach leadership now, and it behooves anyone to observe and learn what not to do and not to do from others. I sometimes use the term 'born leader', but no one is a born leader. You get it from all kinds of sources, but you are kind of a blank slate when you start out from birth and there are all kinds of influences that are going to mold you. I have seen people who are poor leaders who have gone through leadership programs and have had an epiphany and have changed. I had already been a mission director for three and a half years when I went to FEI, but it was an eye opener for me. It ratified some things that did well, though I didn't really know why I did them, except that they worked, and it pointed out some things I could improve on or even change. I think I did change and it made me better. From teaching leadership and managing leadership courses, one of the things I also learned is

some people are not going to change no matter what. They are simply not going to change and you can spot them immediately. On the other hand, you pick out the ones willing to change, and you try to nurture them and give them opportunities to learn and grow.

Anyway, going back to FUSADES, the delegation facing us was now in power.

Essentially, the government was made of technocrats. Freddie Cristiani turned out to be a very able individual. The stain of ARENA and D'Aubuisson would linger, but he was on his deathbed and died soon after. But what had already happened was that these men and women of FUSADES and other organizations that we had enabled had pulled together and they had quietly taken over ARENA. They were center right, but they were business men and women who believed in good government; were well educated; and understood and believed in concepts such as justice, rule of law and transparency. I'm not saying they were all angels, in terms of their businesses.

Once a month I used to give a briefing at our offices to foreign investors. Other agencies would send their officers over to listen to the briefing because it was on the history, society and culture of El Salvador. One of the things I told them was when you negotiate with a businessman in El Salvador, "First of all, they are very good. They arrive at work early, they leave late, they dress in a suit, they are articulate and they are good managers. Salvadorans throughout society are known for their hard work. In negotiating, your idea of a good outcome is probably my idea, and that is you walk away from the table thinking that you've gotten a good deal. They walk away from the table thinking they've gotten a good deal and everybody is happy. It doesn't work that way here. Basically, they've gotten a good deal when they've taken everything you've got and then gnawed on the bones. That is the way they look at a good deal and you have to keep that in mind when you walk in. Don't be fooled by the fact that he or she has an American accent, went to Georgetown and he is 'your type' and has been doing business with America--don't be fooled."

So these were the people asking for our help—at least from a cultural perspective--but they all had to work together to accomplish big things. You and I were discussing a bit earlier that they were forced to do very, very difficult things.

They started with rapid implementation of the policy reform program, but they had already had the town hall meetings and had already been selling the product to civil society. They just suddenly had the opportunity to do it.

The team who designed and led the economic reform program in New Zealand in the 1970s wrote a pamphlet of rules for would-be reformers. First, you have to have a good leader. Second, you have to have a cabinet of technocrats. Third, you have to have a good strategy. Fourth, you have to start immediately. Fifth and you have to stay with it no matter what. Sixth, you need to be transparent. The seventh rule was essentially, if you don't see reforms beginning to take root within nine to eighteen months you will lose

your constituency for reform, because you've told them things are going to get better, but they are only so patient.

So, they started in 1989; we were giving them support, but they did most of it. Policy reforms were in effect and passed into law and it took off immediately. And then the FMLN launched the devastating offensive on November 11, 1989.

I was actually the duty officer the weekend before the offensive started. As duty officer, one has to read every communication that comes in and prepare a folder for the ambassador to inform him and other people that he wants to inform of anything that is going to happen or has happened. Suffice it to say I had to look at everything that came in—mostly cables. All I am going to say is we knew in excruciating detail exactly when the offensive was going to start and where it was going to start and had an idea of the intensity of it. The Marine Ball, which is normally November 10, was the night before the offensive was supposed to start. I remember the ambassador giving his speech and at the end of it he alluded to it without telling people. He basically said, "Okay, I want to make sure you don't drink too much tonight and I want you to get home safely. Don't stay out too late; go home. The next night in my neighborhood all hell broke loose. Of course, we didn't know it at the time, but that was the last gap of the FMLN; although in less than a month they inflicted $360 million worth of damage to infrastructure; and 2,600 people were killed. The FMLN came into our neighborhoods, which were also the neighborhoods of the elites... Ambassador Bill Walker was superb. It had been so quiet, few had learned to use their secure radios, but we learned to use our radios very quickly. The ambassador came on the net every evening, because we were locked down most of the time and much of the time couldn't get to work. There was fighting in the streets between the army and the FMLN, mostly at night; intensive bombing by the Salvadoran Air Force of FMLN columns up on the volcano—we could see the columns and the planes hitting them. Then at night, one could hear the columns going past one's house, so it was pretty scary.

Eventually, the decision was made to move all expatriate USAID staff and families into our offices, which was not long sustainable. There was heavy fighting in the western part of the city, *our* part. I was one of a group who volunteered to go and exfil families from their homes, as they had been completely locked down and some had had FMLN on their roofs and balconies, with fighting ongoing around them. Others and I drove alone up into Escalon, with rubble all over the roads, bodies that hadn't been buried, and burned out vehicles. Anyway, we got everybody down with no casualties. That night, it was decided to evacuate all official Americans to the US. The mission director stayed behind and handpicked officers he wanted to remain behind, and there were more people who volunteered to stay than he desired to keep, for security reasons. Everybody else and all families left on chartered buses and planes. Six or seven of us stayed to deal with the impacts of the offensive and the need for humanitarian assistance. We still had some Foreign Service Nationals who bravely came to work, but not that many. Initially, it was deemed too dangerous

I personally thought it never worked so well, because the thing is when you know exactly what you need to do and you know there is urgency to it, decisions are made in minutes. They aren't made over months, and when you presented a problem to Hank he'd ask what you thought should happen and would say, "Do it." That was it; nobody scripted memos or second-guessed. We still followed all the regulations, but nothing slowed us. We were very effective under those kinds of circumstances with just a handful of people, instead of hundreds. It taught me a lesson about flat organizations that we can get to later. Two weeks after the evacuation, maybe three, they started the process of trying to bring people back, as the offensive was basically over. It was the last gasp of the FMLN; they were losing their Cuban support because the Cubans were losing their Russian support. The other big news at the time was what was happening in Eastern Europe--the Wall was coming down in Berlin--but we were focusing on what was going on around us, though on cable TV what was happening outside our bubble.

So then that's '89 and it had been an eye opener for the private sector and particularly the oligarchs, the wealthy businessmen and particularly the government. For the first time there was really this opportunity and they had seen what could happen, four percent growth, before the devastation of the offensive. The kinds of reforms they were doing were not easy. They were hard and there was a price. There were winners and losers. With the death and destruction, the same government that had been in that initial meeting with Hank Bassford and all of us and said, "We want to do this," came back in and Bobby Oriana pleaded with Hank ,"You need to back off and give us a break." We had put together an agreement for their budget support, with conditionality. They had agreed to it, but now wanted temporary relief from it. Hank looked at him and said, "No. This is not going to last that long. You have done a great job, and I know you are hurting. We are here to help, but I am not going to let you back off of this. You are not going to take your foot off the accelerator." Again I thought, damn Hank, that is really rough, but he was right and he didn't back off. The offensive only lasted about a month and I think it strengthened them and strengthened their resolve. I think they respected Hank and all of us even more because of it. It made our relationship tighter and it pulled us closer together. We were all in the same boat.

We were in the same boat, but I want to clarify the relationship. It was not our country, but theirs. Salvadorans I had worked with for years and knew very, very well would introduce me and say, "*Es un Guanaco."* The Salvadorans call themselves *Guanacos*. I don't know why, because the *guanaco* is a llama-like animal that lives in Patagonia; though they are tough. I would always interject that I appreciated the compliment by saying, "I love the country; I like the language; I like the culture; but I am not a Salvadoran. I am an American; I work for the U.S. government and we are here to help you, but don't ever forget that." I didn't do it in a rude way, but it was important they understand the relationship.

After the offensive ended, in my conversations with my clients, FUSADES and other organizations, it was clear that the war coming to their doorsteps had a profound impact, not that it had not been before. Almost all of them had lost family members who had been victims of political kidnappings. They paid ransoms and in some cases, they were

released, but not often. In most cases, they were found dead, even after a ransom had been paid, so there was a great deal of fear and enmity there. But having the FMLN take over neighborhoods where they lived was terrifying, and in our conversations after it was all over, the leaders of these organizations and others in the government said, “This has to end.” There was an understanding on both sides that neither side could win; that this could not go on; they had seen a light in terms of economic growth and social reform that was taking place. In that consensus, there was opportunity.

If there is anything that I’ve learned through six civil wars, it is that they end in two ways. They end by one group absolutely defeating all others, but that kind of peace rarely lasts, because it does not address the causes of the war; the enmity is still there. The other way they end is by negotiation. The only way they end by negotiation, in my observation, is that all sides realize that none of them can win. They cannot win and it will go on and on and on, like the war with the FARC in Colombia. However, most often they also have to reach a point where they are bled out, and recognize they are just killing each other and it's going nowhere; and they are just tired of the dying and the violence and the lost opportunity.

That’s what happened in El Salvador, to a large extent. Of course, the FMLN realized that material support from the Soviet Union and Cuba was likely to dry up, and I think that was the reason for the offensive. They were saying, “We are still here, we are not going to go away and we can still harm you;” and that message came through in spades.

The oligarchs and government were ready to talk; and influential people, members of FUSADES and other NGOs, started very quietly talking to envoys from the FMLN.

At the same time, proxies for the FMLN were talking to members of the US Congress about bringing an end to the conflict. I first became aware of this dynamic when I met Dick McCall, then a Democratic senior staffer for the Senate Foreign Relations Committee. Dick had made a number of visits to El Salvador. He was in tight with people who were sympathetic to the FMLN, but was himself a moderate pragmatist with an open mind. He approached me because he did not know many business people in El Salvador, particularly the elites. I think Dick was kind of wary of me initially, because he knew I worked closely with the private sector, which was not exclusively the elites, but included most of the oligarchs. He said, “We are going to get involved in the peace process and I know you’ve been here for a while. You are my conduit to the private sector and I would like for you to set up some meetings so that I can introduce myself to them. I need to feel the pulse, because we are going to have to have everybody cooperate.” I am paraphrasing, but we started to work together and, in the process, became lifelong friends and we still talk about those days. He would say, “Until I started talking to those guys, I just thought they were all kind of villainous, but then I really began to understand they were the people who were going to make the peace. They were not angels, but they were decent people and that was really the seed of understanding how you get people talking to each other.”

Ours was part of an effort by many on different fronts, but it worked and helped the transition to UN brokered peace talks and UN peacekeepers. As an embassy, we continued to coordinate with the UN, and worked quietly behind the scenes doing the nuts and bolts of what it took to hammer out an end to the conflict and a peace agreement. Counter intuitively, we became the protectors of the FMLN through the negotiations process, so they could come in to talk and not be arrested. DDR, (Disarmament, Demobilization and Reintegration) was a major issue at the peace talks in Mexico and New York, but we fed the discussion behind the scenes by working out the 'who, how and what' was necessary and plausible. This required discussion and agreement between the Government, private sector and FMLN. Much of the discussion involved demobilization of FMLN fighters, specifically how to reintegrate them into the economy, e.g. land grants, vocational training, credit, financial assistance, extension services, education, etc. Our implementing partners and USAID were pivotal to both the solutions and their implementation.

Over many months, we had put together a comprehensive program for the FMLN foot soldiers; the *Commandantes* actually never asked anything for themselves. Then as things were well along and we were getting very close to a peace agreement, somebody from the CIA came to me and said, "The leadership of the FMLN--we have a problem. They are not asking anything for the *Commandantes*; they've taken care of the foot soldiers, but they have about 700 officers who are lieutenant colonels and below. There has been no provision for them, and they are aware of the programs in the FUSADES organization we've talked about." FUSADES had a program whose acronym was PROPEMI, and it was essentially training for micro-entrepreneurs and finance for micro-enterprises. USAID had provided the money for most of it. He continued, "This is a problem and what they want is for PROPEMI to set up a course specifically for them to give them training to become entrepreneurs and then to lend them the money to start businesses." My reaction was, "Whoa." He said, "Look, we both know the history. A lot of these gentlemen we're asking to do this have lost family members to the FMLN and we both know this is going to be hard for them. Can you get them to do it?" My response was, "Look, I can't get them to do anything. It's going to be if they want to do it. I can try to persuade them, but ultimately if this is something just too bitter a pill for them to swallow, then they are not going to swallow it; but I will do my best."

I met with Arturo Hill. His brother, Jaime, had started the process of talking to the FMLN. Arturo was the president of FUSADES at the time and was a very decent and effective interlocutor. We met at his home over drinks and I put the case to him. His response was a gasp, followed by, "*Jesus*, you have no idea how hard this is." I said, "Arturo, I know what happened to your family and I know it is a bitter pill."

He thought about it and walked around the room a little bit and came back with tears in his eyes and said, "We have to do it. We have no choice; we have to. I will sell the board on it. We'll do it."

I think that's a measure of what war does to people, particularly what it does to good people. In spite of everything that has happened to them, they are willing to make the

kinds of sacrifices that, until they get to that point where they have been bled out, they would never have been able to make before. There is an anatomy of trying to end these things. I've talked about it a little bit but the catalyst is having good interlocutors, decent people. Arturo Hill was one. Cristiani was another. We had thought Cristiani was a playboy, a rich dilettante who was going to make a ridiculous president. He's probably the best president El Salvador ever had.

Q: Certainly the U.S. media who covered him initially, that's what they put out.

STEPHENSON: It's interesting that Dick McCall, who later became chief of staff at USAID, was absolutely gob-smacked by Cristiani. He met often with him and thought what a decent man--smart, makes decisions, delegates. He said, "If he gives you his word, you can take it to the bank." But it was ironic having a Democratic staff member who was not all that keen on our whole involvement in El Salvador bond with some members of the ruling class. Dick told me later he learned a lot from it. It also said a lot about Dick McCall.

In summary, many fine people in the U.S. government worked very hard to bring about the peace agreement in 1992. The UN ultimately led the peace process, but I believe our contributions were critical to kick-starting discussions, sustaining the process, and implementing what the parties negotiated.

In 1992, Hank Bassford, who had already been there for four years, was leaving and going to Cairo, where I had already spent five years. He asked me if I would come with him to Cairo as an associate mission director. It would have been a step up career-wise, but I told him, "Hank, I've done Cairo. I left there less than ten years ago. I appreciate the offer, but it's just not something I want to do again." There was also the element of family. We were comfortable. I still felt really committed to the process in El Salvador and wanted to see it through. It was going extremely well, violence had dropped off and the cancer of the gangs had not yet metastasized.

After the peace agreement was signed, many of my colleagues decided it was time to go and were replaced with new faces, many of them part of the old LAC,(Latin America Bureau) 'mafia.' To me, they just weren't the same kind of people that we had during the war. It was when I first began to realize that those of us who had been in El Salvador during the war were different—a cadre, a band of brothers, if you will.

At that time and for years after, there was a cadre of people in AID who did conflict, and all of us were told we were killing our careers-- this is not what AID does; AID does long term development; AID doesn't work with the military, AID doesn't do counterinsurgency. In other words, it was made very clear *you* are *not* doing what AID does--this is temporary. But I think for those of us who did it, the motivation was you could really make a huge difference; it involved risk taking; and it was challenging. It was exciting, but I don't mean the adrenaline rush of being shot at. If that is what pushes your buttons, you have no business being there. I've often said that there is a juice to serving your country, but there is a richer juice to serving your country under difficult

circumstances, particularly when you survive. I think all of us felt that way; so whether it was the American team, other bilaterals, the UN, or multilaterals. You just kept seeing the same people every place you went. There was a cadre.

I was too naïve at the time to realize I was part of that cadre and most of my brothers and sisters were leaving. The mission changed, and it changed radically. In 1992, remember you also had the presidential election in the U.S. After 12 years of Republican administrations, I knew that it was possible that change was coming. I just didn't know it would be a tsunami.

We took home leave that summer and returned in late August, to the first wave. I mentioned earlier, I believe, that my office had initiated, in 1988, a free-zone construction initiative to promote investment, jobs and exports. By 1992, it was going gangbusters. While I was on home leave, my deputy and the project manager met with a group of prospective investors looking at locating in one of the free zones, which was not uncommon. What was uncommon was that the 'investors' were part of a CBS *Sixty Minutes* sting operation using hidden cameras. When the *Sixty Minutes* piece aired in September, the story line was that USAID was promoting the export of US jobs. The hidden camera and audio purported to show my deputy telling the 'investors' that we blackballed unions. We did not, and the audio was so poor one could not decipher the conversation; but a banner of the conversation put the conversation on the screen. My deputy denied that he had ever said what was claimed by CBS, and there was no reason he would have, since that was not our practice or policy. Nevertheless, the Clinton-Gore campaign seized on the issue—USAID exports US jobs--in spite of vigorous denials by AID/Washington. Within weeks, Congress passed legislation forbidding any USG entity from funding anything to do with free zones, without a waiver. We were forced to close down the free-zone project.

That was the first wave. The next was much worse. During the transition to the Clinton administration, the word came down from AID/Washington that the new administration did not want to see the words 'private sector' in any document. It did not want to see the phrase 'neo-liberal economic reform' in any document; and did not want to see 'policy reform' in any document. I was sitting on a $600 million private sector program. The handwriting was on the wall.

By fall 1993, a high-level team came down from Washington and met, late at night, with two leaders from FUSADES, one of them, Arturo Hill, the mission director and me in a windowless room in the new AID building in Santa Elena. The AID/Washington team told FUSADES, with whom we had invested hundreds of millions of dollars, "We are cutting you off completely." Why? Well, it is just not what the new administration wants--and these were USAID career professionals. I remember saying, and I will have to paraphrase because I don't have any notes here, but I was horrified, I said, "Look, I think we all have to be very, very careful about what we say tonight and how we do this. Policies change. I understand, but I think a sudden divorce, an acrimonious divorce, would betray everything that we've all worked for, and I just want us to be very, very careful about what we do and how we speak about what we are going to do."

The new mission director was furious with me--I mean just absolutely furious--and called me in the next day to his office and started to chew me out. I really pushed back and it was not in polite terms. It quickly became clear that we were not just shutting down our programs with FUSADES, but *all* programs—the entire private sector office portfolio.

So, I knew I would be leaving sometime in 1994. I spent most of the last year I was there closing down my office and helping my staff find jobs. There was only one person out of a staff of 16 who remained with USAID. I found myself for the first time having to actually go looking for an assignment, though I had earlier received queries from other missions. Concurrent with the bidding process, I received a query from OFDA.

Q: That's the Office Foreign Disaster Assistance.

STEPHENSON: Yes, Office of Foreign Disaster Assistance. They asked me to come to Washington and interview for the job of head of disaster assistance operations, essentially responding to natural and man-made crises. The interviews went very well and I thought it would be a great job. My prospective boss said, "Go back to Salvador, pack your bags, we'll send you the details in a couple days." My last meeting was with their personnel officer. She asked, "Do you have any skeletons in your closet I need to know about? How is your relationship with the mission?" I said, "I have no skeletons, but I have a fraught relationship with the current deputy mission director. To be perfectly honest we can't stand each other." She named the deputy director and said, "Oh he's one of my best friends." Without going into the details, my problems with him were entirely justified and he eventually was ticked out.

I never got the call back from OFDA, and I landed as the desk officer for Egypt in Washington, and my family stayed in El Salvador. I was turning 48 that year and I was planning to retire at 50. We had built a house in El Salvador. After I left, my wife started a business, and I looked at the job I was going to as temporary.

Q: Okay so as you are approaching the end of the tour in El Salvador do you have a final thought or reflections on the time there?

STEPHENSON: I do. In the context of working in conflict and post conflict environments, there were several takeaways. First, the quality and capabilities of the people we put on the ground are of paramount importance, even more than the amount of money they have to work with. Second, small flat organizations are more suited to that kind of work than large hierarchical ones. There is a premium on being able to act quickly, and small country teams are better at that. Third, we are enablers of local counterparts. We are not there to tell them what to do or do it for them. Fourth, building strong relationships within the country team and with local counterparts and implementing partners is the lubricant that makes the whole enterprise work. And fifth, continuity of the team is a major advantage. The last is very difficult in extremely violent, unaccompanied posts like Iraq and Afghanistan, which were one-year assignments. Some military analysts opine that the U.S. has not fought a 17-year war in Afghanistan, but 17

one-year wars, because of the one-year deployments. I am not sure how we deal with that problem, given the burnout rate I saw and experienced in Iraq, but we need to find a better way.

Q: I would agree with you in particular because as the U.S. gets more and more involved in Afghanistan and Iraq the expression all of government becomes the absolute soup de jour of how to handle these kinds of things and the fact that you were already doing all kinds of government things in El Salvador should have been a lesson that we could have taken more readily for subsequent conflict situations but did not.

STEPHENSON: I think you are correct, and we are probably going to get into this a little bit later, but it is a good segue to make a point. The other successful counterinsurgency that the US has done is Colombia, and for some of the same reasons. It was low key; it was the whole of government; contractors handled much of it; and there were very few deaths, particularly of U.S. military. It's an unfortunate reality, but people view contractors differently than they view soldiers in flag draped coffins. I know that from firsthand experience. But I do think whether we knew it or not we were putting the lessons that were learned in El Salvador to work in Columbia, which has been a great success.

Q: You had mentioned that the kind of people who arrived in the AID mission after the heavy lifting of doing the foundation work for the private sector and completing it through the civil war, what would you say the people who originally worked on this through the conflict era have in common or did they have anything in common?

STEPHENSON: Boy, that's a complicated question to answer. The best answer I can give I learned from working with Special Forces, after I retired. Special Forces are very different soldiers than general-purpose soldiers. When I lecture, I make the point that Special Forces like being shot at, like being cold or hot and like eating snakes. That is a euphemism for a special breed that enjoys challenges—pushing the envelope, taking risks. I follow this by stating that there is in USAID and STATE the same duality. In AID, there are talented, patient people much more comfortable with long-term development and uncomfortable with stabilization, with its short-term goals. Then, there are people who are drawn to the fast pace of stabilization, the risks, the challenge, and the adrenalin rush. I then conclude with the observation that Special Forces and AID stabilization operatives are more like each other than they are to their counterparts in their respective organizations. This is not to demean AID's core mission of long-term development and its practitioners, or general-purpose troops and their mission. They are just different types of people.

Unfortunately, there is no psychological template I am aware of to identify the right "type" in the context of putting civilians on battlefields. Past experience may be a helpful indicator, but it is not dispositive. I do know that suitability or unsuitability is immediately apparent, once one is put there.

Q: All right, so as we are winding down with El Salvador and you know you are now looking ahead to where you are going to be going next what happens?

STEPHENSON: I wound up as desk officer for Egypt, in Washington, which was a large portfolio. I had not had a Washington assignment for 15 years. I was 48 years old and planning to retire at 50. Still, I waded into the job of desk officer and I did pretty well. It was also very beneficial to me because I spent a lot of time escorting people up to the Hill and dealing with staffers. When the Cairo mission director would come in, I was one of the minders. I established relationships on the Hill that were soon to be very useful, and I got a really good lesson--it was the first time that I had been a program officer—in the way some things work, that I had not really been involved in before. It was useful to see things from the Washington perspective and have to work the bureaucracy in Washington, as opposed to being a field guy, which is what I had always been before. I had great relationships, worked on a couple of task forces, and helped implement new systems. I came to know people at the NSC, which was very useful and an eye opener in many ways. At the risk of sounding snide, I finally found out what program officers do, and they are very valuable. Of course, my backstop had changed to Program Officer.

That was a period in Washington that was, I think for everyone, very difficult. Senator Jesse Helms was basically on the warpath to do away with the United States Information Agency (USIA), under the State Department, which of course did all the public diplomacy outreach, which was extraordinarily valuable and had helped win the cold war, but he wanted it dead. His other goal was to kill USAID and fold its people and mission into the State Department. Ultimately, the administration made a tradeoff. USIA was abolished; USAID survived, but only by coming more under the sway of the State Department; and agreeing to downsize through a reduction of force (RIF) of some 200 Foreign Service Officers.

It was extraordinarily painful for USAID Administrator Brian Atwood, but he had no choice. Complicating everything, USAID had just lost approximately $300 million on a new management system that didn't work. I along with Terry Brown and one other person were the first operational officers to see the new management system demonstration. We looked at each other in horror and said, "This won't work."

The RIF list came out in mid-1996, and I was surprised to see my name on it. It certainly surprised the AA and they were very apologetic and said, "We don't understand this." I said, "It's alright, I was planning to retire in September, anyway. I did not want to go this way, but I'm not going to lose a lot of sleep over it." It would literally be months before I retired. I made preparations to retire, and then AID personnel came back to me, and three others, and told us our names should not have been on the list, that they had made a mistake. I submitted my retirement papers, anyway. I was only months away from retirement.

So I did my job. I thought I did a pretty good job and I guess other people did too. Terry Brown was the DAA, and Margaret Carpenter was the AA. I worked closely with both of them, because Egypt was such an important portfolio. I had put in my retirement papers,

this was in September of 1996, my birthday was September 24th, and I was planning to retire on September 30th. Then shortly before that, the on and off war in southern Lebanon, which was occupied by Israel, flared up. The Israelis retaliated against a rocket attack by firing at the source, using their radars, which was right next to one of the UNIFIL (UN Forces in Lebanon) outposts. The artillery barrage hit refugees who were sheltering close to the outpost. About 120 women and children died violently. It was gruesome and sparked an international outcry. USAID had been out of Lebanon since 1989. The embassy, the entire overall mission, had been evacuated. AID left, and when State returned, AID decided not to return any US staff. We maintained a small office presence, staffed by a few FSNs, but there was no US presence there for seven years.

One day Terry walks into the office and says, "Spike, I know you are retiring but would you do me a favor?" I said, "Anything?" "With this mess of the Israeli operation, Grapes of Wrath, we are planning to co-sponsor a donor's conference with the French, for Lebanon. If we host a donor's conference at the State Department, we need to put money into the pot for Lebanon. I want to know if you would build and lead a task force, just for a few months for us to, it's not going to be much money, about $12 million, to figure out how we could use that and what the program should look like." I thought about it and it sounded sort of interesting so I said, "Yeah, I'll do it."

I put the retirement process on hold.

We put together a task force and one of the things we did as part of it was consult with NGOs that were working in Lebanon and asked them what they thought we ought to do. I had some ideas of my own after studying the problem. We even brought people in from Lebanon. We had sessions and we came up with a plan, but Terry wanted the plan ground-truthed, and sent me out to Beirut, leading a team of just three of us. In addition to the programmatic ground-truthing, our task was to determine what it would take to establish a mission there. How much was it going to cost, where would our financial accounting come from? Where would a contracting officer come from? Where would legal officer support come from? Did the mission in Lebanon, the ambassador, support having a presence there? How large would that presence have to be?

I think we were in Lebanon for about two weeks, got to travel around and talk to a lot of people and ground-truth the ideas we had, and it was looking pretty good. To put this in context at the time, US passport holders were not allowed to travel to Lebanon at all, and that USG ban had been in effect for some years. To get into Lebanon, if you were a U.S. government employee on official business, you had to get country clearance, but then you fly into Larnaca, Cyprus and check into a certain hotel and then call a local telephone number you had been given. So, you call this number and the party on the other end of the phone says, "Yes?" The protocol is for you to say, "Is this Jerry?" "Yes." "Are we going to be seeing each other?" "1000 hours tomorrow morning." You don't talk to anybody else you think may also be traveling to Lebanon. It's hilarious because it's like a scene out of a spy novel. You've been briefed on this. So, the next morning you all have your luggage in the lobby, you are all looking at each other and nobody is talking to anybody else. I'm not supposed to say, "Hey, are you going into Beirut?" You can't do

that because he or she is going to say, “Who are you? ” So there is this strange gaggle waiting around with no one speaking. At exactly 1000 hours, this white, nondescript van pulls up, you all pile into it with Jerry, and now you all know who you are and you are looking at each other saying, “Do you believe this?” You drive out to the airport, but to the back of the airport, and a guard opens a gate, and the van takes you to a little mobile home. If it’s winter, you suit up in “Gumby” suits, which are orange cold-water survival suits and you walk around like the Michelin Man. They really are uncomfortable. You have a briefing and then wait for two Blackhawk helicopters to fly in from an undisclosed location. You load up and fly most of the way at about two hundred feet. When you start getting close to Lebanon, if it is not cloudy, you look out the window, and it’s just absolutely gorgeous. There are snowcapped mountains, the green and blue of the ocean, and it really is beautiful. Then, the helicopters drop down to wave height for the final approach. You are flying into a helipad at the embassy, because no one, no U.S. personnel, were allowed to use the Beirut airport. The whole operation was called the BAB, the Beirut Air Bridge, and it existed for thirteen years. It was dangerous work and one entire crew was lost when their helicopter crashed into the sea.

You are flying in and you are about 200 feet and then you drop down to sea level and hug the mountain up to the embassy, about 600 feet above the ocean. The helicopters both flare and drop down on a helipad that barely accommodates both. They plan to stay on the ground for only a few minutes. The helipad is heavily guarded. The first to move are the passengers on the helicopter. You bail out the left door and the crew chief is saying, “Go, go, go, go, and go, go.” You run from the side of the helicopter until clear of its churning rotor blades, and then to the front of and around the edge of the helipad to a small hut where the outgoing passengers are waiting, suited up and ready to go. Then they start unloading and loading the cargo, and the helicopters are hot, the rotors are going. The ground controller starts motioning to bring the departing passengers out, and they run to the helicopters and board. The helicopters then sky up, turn around and drop back down to the ocean and fly away. It’s an eye opener—you are not in Kansas anymore.

Anyway, it is January, our team does its work and I get back to Washington with our report. Terry Brown came to me and said, “While you were gone, I put your name up to Bryan Atwood to be the next mission director in Beirut. I said, “*What*?” He said, “You still want to retire? Brian approved it.” I was stunned. He said, “Actually, Brian was delighted, because what a story. The man was almost riffed just months ago, and now I’m sending him out as a mission director; I love it.”

Q: Right, right. A quick question here about Brian Atwood. It was more or less his idea, if I remember right to try this $300 million new kind of management?

STEPHENSON: Yes it was, but it was Larry Byrne who implemented it.

Q: Oh okay. I don’t know much about it because I’m not a USAID officer but it lives in a mythos of USAID and I hear it from every single retiree what a disaster it was.

STEPHENSON: Larry Byrne brought in outside consultants to do it and he held it all very close to his chest. There was very little consulting done with career folks in Washington. They went out and they did talk to missions, I suppose, but the system wasn't designed to service the field, it was designed to service Washington, and it was the wrong way to go. The other thing that it didn't take into account is that many, in fact most, missions around the world didn't have the bandwidth. I remember specifically hearing of a case with Jordan when the system was being tested; it took eleven hours to input one keystroke. It was an unmitigated disaster.

Q: Okay well I didn't mean to distract too much because you suddenly have been named US Mission to Lebanon at a very difficult moment so let's go back to that story.

STEPHENSON: Obviously it was a reversal of fortune for me. Lebanon was a blank, fresh canvas. We had a little bit of trouble getting my NSDD-38 through, not because of me, but because of reluctance at State to expose more FSOs at risk in Lebanon. It was decided we would put only one American there and I told Terry I was fine with that decision. I like a flat organization, as I stated earlier. So, I was sworn in and went out in April. It was an unaccompanied post and it was supposed to be—

Q: Is your family still in El Salvador?

STEPHENSON: Still in El Salvador. My wife and younger son came to my swearing-in, and it was a nice moment. So, I arrive in Beirut to build a mission and a new program. It could not have been better.

In the first weeks I was there it became very clear that I had to get out into the field, in order to build, implement and evaluate the program we had designed. Most of Lebanon was, if not off limits, highly restricted to most of the country team. To the credit of the chargé, Ron Schlicher, and then Ambassador Dick Jones, both were supportive, even though Lebanon was a dangerous place with very high threat levels. I negotiated with the two of them, but I believe it was Jones who really made the decision for a trial run to a fairly safe place, to see how much support I needed and have the RSO do risk assessments and then an after action report. It worked out. In short order, most of Lebanon was on limits for me, my staff and even official visitors. I was not allowed to go into the occupied zone, which was controlled by a mostly Christian army that was allied with Israel, which was occupying a large portion of southern Lebanon. I couldn't go there, but we could develop projects, and our implementing partners could go there. I couldn't send any of my staff down there. The first time I went out was to Zahle, which is a Christian town just off the Damascus Road, on the other side of the mountains, in the Beqaa Valley. I think they sent about 26 bodyguards with me in addition to the advance group; it went well.

I was very keen on the impact that you can have from community development, particularly in rural areas. This was to be the flagship of the program. I had this idea during the task force days: what if we took about $4 million out of this pot of $12 million that we have and we pick thirty villages, to receive assistance through self-elected

community development councils? We provide the money, we provide the expertise, and we use five implementing partners, each with a cluster of villages. They would work with the councils and show them how to do activities in basic infrastructure, environmental activities, income producing activities and civil society activities. I remember the chief of party for Mercy Corps, Nora Bazzy, a Shiite of south Lebanon heritage, but an American from Dearborn, Michigan, said, "That's almost a good idea, but by picking and working with just thirty villages, you are going to have people killing each other. It's going to be why did you pick those villages, why didn't you do more?" I said, "Well, we only have $4 million, but we can make these show cases." She said, "Yeah, Potemkin villages." I said, "What's a better idea?" She said, "Let's do 300 villages." Others advising the task force agreed. I said, "Yeah, but we still have just $4 million. I would be open to committing $4 million a year. I think we can do this over five years but you still are only up to $20 million and that's not a lot of money if you are doing infrastructure and other things." She said, "I think it will be. I think there are ways that we can do things cheaply." Nora was just one of a brilliant talent pool we found in the NGOs we worked with.

We actually started with 330 villages that were selected by five implementers. They had to go out and select the villages and we made it clear that every one of the villages they selected had to have at least one project substantially completed within 90 days of our signing a cooperative agreement; and we hit that and in fact, we exceeded it. It was called the Rural Community Development Clusters (RCDC) and proved to be extremely popular, and it wasn't with municipal government (we had a separate program for that). It was just ordinary people who were self-selected through a town hall process, who committed to work together and to work with us; and it was an exciting program. Once the councils were performing well, and had a list of priorities, that is where the clustering came into its own. If we had ten communities in a cluster and seven of them prioritized building a clinic, we would encourage them to pool their resources and build one or two clinics and save resources for additional activities. The clustering was very, very effective; they had to put up 25 percent of the money, the communities. They could do this in kind, it could be land, it could be labor but most of them put up money and in some places, particularly in the northern Beqaa, they ended up putting in twice as much money as we were putting in because the program was so valuable to them.

Q: A brief question on the historical context. That lower portion of Lebanon is controlled by that particular Christian Army, who was—

STEPHENSON: Colonel Haddad.

Q: —Colonel Haddad, Israel was aligned with him, went up to the Litani River and after the Israeli withdrawal and the withdrawal of whatever sources Haddad wanted to leave. That territory slowly but surely became controlled by Hezbollah.

STEPHENSON: It was controlled instantly by Hezbollah. (pointing to map) First of all to control the southern part, and you've got it right, but it was not really the Litani River; but you see this line that goes down right there? That's about the area they didn't control,

in other words Nakura, right down here across the border with Israel, where the UN headquarters was. All this area in here they controlled. Again, I was not allowed to go down there. I knew what was going on, we had villages down there that were part of the RCDC, and that's how I learned to do cross border management of activities, with operational and fiduciary accountability.

But before I get to Israel pulling out, it was the greatest job I ever had at that point, because even though it was a pittance in terms of money, as I said, it was a blank canvas. If you don't have much money, you improvise and you start working with other donors, with the UN, with the World Bank, with the Canadians. That was an eye opener; we could not just go our own way, as we have done elsewhere, at times. By the time I left Lebanon, the overall program was up to $50 million.

Since you asked about Hezbollah, it is relevant to explain the complicated "relationship" we had with them. In terms of our security, Hezbollah was our major threat. I think I gained quite an undeserved reputation, but a succession of ambassadors' security officers and I made a calculus that it was not in Hezbollah's interest to do us harm at that time. They had done so in the past and they may do it again and there were some risks, but what we counted on our robust counter-intelligence protocols to have advance notice before they tried to do anything. I know firsthand they knew every move that I made and we were followed every place that we went, so they knew what we were doing. Though here is the interesting thing. Lebanon had not had any municipal elections in three decades, but held them in 1998, nine months after we started working with the villages. A number of the villages were in Hezbollah areas of the Beqaa and south of Beirut. A number of these villages elected Hezbollah dominated municipal councils. I brought this information to the ambassador and he said, "You know we weren't supposed to work with Hezbollah. Well, what do you want to do?" I said, "I want to stay in these villages." He said, "Why do you want to do that?" I said, "Because we can eat their lunch. Hezbollah knows how to do social services; they know how to hand money out; they don't know how to do development. If you let us go head-to-head with them, we will clean their clocks (mixed metaphors). I ask only one thing, and that is we go back to Washington with a cable, that we explain the situation, gain permission to do this and we alert them to the fact that in the event either you or I visit those villages, it is entirely possible that three bearded guys are going to come out and give us a big hug and there will be pictures of it. When that occurs, it can't be a surprise to them. I mean it is something that back in Washington they could say 'We were aware that this could happen, we were warned, but this is the decision we made and we stand by it." He said, "I agree," and so we did that. Within weeks Hezbollah came to us, not to me personally, but to our implementing partners, because they saw them all the time and they knew exactly who we were, and said, "Our constituents really like your program." "They really like your programs, we know who is funding the programs. We want those programs to continue. So you talk to Mr. Stephenson and ask what he wants us to do. We can stay out of the way, we can cooperate with you, but we don't want to do anything to jeopardize the programs." We said, "Okay, the best thing you can do is just stay out of the way." They agreed and we never had a problem. About six months after that Hezbollah came back to our implementers saying, "We actually have been watching you guys and you are

pretty good at this. We have social services programs, we have money, but we don't really know how to do development. Would you teach us?" The implementing partners came back to me and said, "What do you think?" I said, "No. That is a bridge too far, and we are not going to cross it." There is no way we could have done it, but if we could have, I honestly think it probably would have been a good confidence builder, as you say when you are trying to get into very difficult negotiations. We could have had a start in lessening the tensions between Iran and the US, but that is all surmise or hindsight.

Hezbollah was actually the least of our issues. Lebanon has two universities with American boards of directors: American University of Beirut (AUB) and Lebanese American University (LAU). In the past, both had received significant funding from USAID, and both wanted and expected a significant share of our annual budget, appropriated by congress. While we were willing to provide some funding, I balked at providing them with what amounted to over half of our budget. Both universities had powerful lobbies in the US that pressed very hard against us. It was a painful distraction, but an existential threat to our strategy for Lebanon. Accordingly, with the support of Washington, I made multiple trips to the Hill—over fifty appointments with congressmen and staffers—to make our case. In the end, the appropriators decided the universities were entitled to more than we wanted to give them, but solved our problem by doubling our budget. It was a win—win.

The engagement with the Hill also raised the profile of our program and Lebanon with key congressional staffers and their principals, which would prove invaluable in growing our program. Moreover, though I did not know it at the time, it taught me some valuable lessons about bureaucratic combat that I would need in future assignments. Nor did I know that the relationships we built on the Hill would play such an important role in my fortunes in the future.

My original tour was supposed to be for 18 months, but I loved and was invested in the work we were doing in Lebanon. I extended, and went on home leave in 1999. The day before I was supposed to go back to Beirut, I received a call from Gloria Steele, the AMS for the Europe and Eurasia Bureau. After introducing herself, she said, "I want to welcome you to the E&E bureau." I said, "That's very kind of you but I have no idea what you are talking about." She said, "Oh, nobody has told you yet?" I said, "No, I have no idea what you are talking about." She said, "Well, it was decided you are going to go to the Balkans as deputy director."

Q: This is 1998?

STEPHENSON: I believe 1999. I said, "First of all, no one has talked to me about this and second of all why would I want to be a deputy director when I am a mission director here and I like my job?" She said, "Oh, this is really awkward and maybe we ought to talk again."

So I went back to Beirut, but before I continue, I want to go back for a moment and say another thing about those trips to the Hill that I made. When I was the Egypt desk officer

I escorted many people to the Hill, and I used to advise and share with them what I had learned about those visits. First of all, I said, "Don't go up there unless you have something to say. Do not take up their time unless there is a reason for you to go and it is not to just brief people on what you are doing. You have to want something or you have to be willing to give them something." Number two, is know absolutely what you are talking about. They are very smart, they are very well informed and they are adversarial. Number three, don't ever prevaricate or obfuscate. If you don't know, tell them you don't know but you will find out. You simply have to be absolutely truthful, because they will absolutely nail you if you are not." I practiced that when I went up to the Hill and even with people who were not great supporters of the program I established a rapport. Those relationships were invaluable at the time, but they were to play out in the future in ways I could never have imagined.

So, after the brief conversation with Gloria Steele, I went back to Lebanon. A few weeks later I was out on a boat that belonged to another agency, when my cell phone rang.

Q: And it was safe?

STEPHENSON: Oh yeah absolutely. Obviously, the boat was for professional purposes that you can guess at, but we were allowed to use it. Anyway, I'm out there and I got a call from let's just say the person who is going to be the new mission director to replace Craig Buck in Bosnia, because Craig Buck is being sent to Kosovo.

Q: Wait and Craig was the mission director in West Bank—

STEPHENSON: In Bosnia. So, he is mission director in Bosnia and USAID was sending him to Kosovo. Craig was the icon, the great troubleshooter who would go anywhere, started up numerous missions, was a legend and still is. The caller, whom I did not know, had been approved to replace Craig in Bosnia, but had little experience in counties at war or post-conflict environments, like Bosnia. He said, "I'm calling you because I understand you are being assigned as my deputy in Bosnia?" I said, "It's not official yet, as nobody has notified me." He said, "Oh, that's interesting because they are really pushing you on me. They really want you there as my deputy." This was a cordial conversation. "I've heard of you but I don't know you." I said, "I've heard of *you* but I don't know you." He continued, "I don't understand why you would want the job if you are already mission director in a place like Lebanon, why would you want to be deputy director in Bosnia?" I said, "I don't." He said, "Oh." We didn't get into why not and he said, "Well, what would you advise that I should be looking for in a deputy director?" The fact that he had to ask me that question was surprising. I said, "I think you should be looking for somebody who has never been a deputy director." I suggested he might want to look for somebody who was already in Bosnia that could move up and knew the operation there and had worked with Craig Buck, but it ought to be somebody who thinks this is the greatest thing since sliced bread, that it's a real opportunity for he or she, instead of a step backwards. He said, "I actually agree with you." I said, "Good." We both understood it was not our decision, so I went back to work in Beirut on our program, which is going like gangbusters. David Satterfield has come in as ambassador; he was

fantastic and great to work with. We had a super team in AID, a super country team. It was a lot of fun being there and I looked forward to being there longer.

So, we are now into 1999 and I get a call from John Wilkinson, the DAA for Near East Asia Bureau, a political appointee. I worked with him when he was a special assistant to the deputy administrator when I was in Grenada, so we knew each other well and he had been very supportive of me in Lebanon and had come out there a couple of times. We knew and liked each other. Jon basically says, "Spike, you are in deep kimchi." I asked, "How is that?" Well, they now call the senior assignments deciders the senior leadership group, but at the time it was basically all the DAAs who meet on assignments. "He said, "They have decided that you and this presumptive mission director going to Bosnia colluded for him to get the person he wanted as deputy director and for you to get out of taking the job." I said, "There wasn't any collusion, I talked to him but he called me." I explained it just as I did to you and I told him what I said. He said, "Well, they are really unhappy with you and have decided that they are going to send you to the Philippines to be the deputy director there." I said, "Oh great. When does this have to happen?" He said, "Well it is going to be about a year from now."

I had grave concerns about it because the mission director I would be working with was one of the people in Grenada, years earlier that had been replaced. I didn't know if she thought I had anything to do with it, but she was one of the people I replaced. So I said, "Well okay fine. That's basically my tour; I would like to stay here longer but if that is what they want to do that is fine, I'll do it."

Later on as I was passing through Washington, in 2000, Wilkinson said, "Look, we know you don't want this, but I don't want to lose you. I'm losing you from Beirut already." It was still the same bureau and he said, "I don't want to lose you, and we're just going to park you there. I know that something will come up but just keep your head down. Let the dust settle or whatever and we will park you there. I can't make you any promises but that's the idea."

Okay, so now we are into 2000 and based on my contacts, observations and other intelligence I spoke to Ambassador Satterfield regarding Israeli Prime Minister Ehud Barack's public statements that he intended to withdraw Israeli troops from southern Lebanon, in June. Ambassador Satterfield and I talked about it and I said, "I think he is going to do it and here are the reasons and I think he is going to do it when he said he is going to do it." Ambassador Satterfield agreed with me, or a better way to put it, is we agreed with each other. He also had other sources on the country team. So, we sent a cable back saying that this is what we believe is going to happen and we have to be ready for it. We have to be ready to move in there, because the Lebanese Army will likely not be deployed and Hezbollah is going to move in immediately. I recall that many in Washington were skeptical of our analysis, but we nevertheless started working on finding other funding to add a couple hundred southern villages to RCDC. The implementing partners quickly came up with a list of about 200. Sure enough, the Israelis pulled out in June, and their Lebanese militia went with them. It was kind of messy, but not as violent as expected. The ambassador called me that night and said, "I want you and

Peter Vrooman, a political officer, to go down tomorrow into what was the occupied zone and do a windshield tour, but just stay in the car." We left at six o'clock in the morning and by the time we got down south and moved into the zone the Israelis had blown up every facility that they had occupied except for the Crusader castle above the Litani river. There was a Hezbollah flag flying over every single one of them and Hezbollah flags in all the villages. I mean they were acting like they were liberators, with some justification. That was kind of interesting and we went ahead and implemented a program, but this was the end of June and I left in early September.

I came back to the leadership course at FEI that I had been invited to and again, another really good experience. Then went on to see my family briefly in Norfolk and that was it.

Q: Just a very quick question. You mentioned leadership training at FEI?

STEPHENSON: Yes, Federal Executive Institute in Charlottesville.

Q: Was it of any length or was this one of those two week—

STEPHENSON: Two weeks and it was immersion. You had to stay there on the campus. You had a happy hour every night, there was a social and you were expected to mix, we ate together in their restaurant, which was excellent and then you had homework and usually meetings at night. It is usually very intense for two solid weeks. I was in the second or third course; they had just started and later on when I was retired and did a two to three year course that I had put together for creative associates, it was based on the FEI model and using exactly the same people. Rossi Carnes who ran that course for AID for many years was just legendary, and we just scarfed it up. Then I went on to the Philippines.

Q: Which earlier in your career you did not want to do and this time you also had some trepidation?

STEPHENSON: As it turned out Pattie Buckles, the mission director in the Philippines was one of the people who had been removed from Grenada. I had had interaction with her and I was concerned there may have been some blame or angst on her part that I had been involved and it clearly had been a temporary setback for her. I arrived in the Philippines and Pattie was very gracious. She assigned me a generous portfolio that included supervising the administrative, financial and legal offices, as well as coordinating with OTI (Office of Transition Initiatives) on its program in Mindanao to quell the *Moro* insurgency. I moved into the Pacifica Hotel and I had been there for about four weeks when HR informed me I had to immediately take home leave. Apparently, I had not taken any home leave in years, and Washington had ordered that I had to do so *immediately*. My wife had just had some surgery and it was a propitious time to go back. I had been there for five weeks and as it turns out it would be my shortest assignment. I departed the evening of the November 2000 US national elections.

I went back to Norfolk and spent time there until the near end of my home leave. I went up to Washington for consultations, and was staying with my parents in Falls Church, VA. Between meetings, I had lunch with a congressional staffer, with whom I had often met on Lebanon, just to keep in touch. That evening my parents and I were sitting at the dinner table when the phone rang. I answered the way my father always answered the phone, and the caller says, "Is this the right number? Could I please speak with Spike Stephenson?" I said, "This is he." She said, "Spike, this is Robin Cleveland. I said, "Robin, how on earth did you get this number?" She said, "I have my sources." I said, "What's up?" She said, "I was asking you. So, what are you doing in Washington?" I said, "I'm back on home leave and up to see my parents, going in and talking to the people in AID and colleagues." She said, "Well, you can go back overseas again?" I answered, "But, of course." "But I'd heard there was a medical problem." I said, "Not with me. My wife had some surgery, but it was nothing life threatening." She said, "So you can go back overseas?" I said, "Yes, I can." She said, "Good, I want you to go to Serbia." I said, "Uh, to do what?" She said, "I want you to be mission director there." "First of all Robin they have a mission director and the other thing I don't think you get to make that call." We had that kind of relationship. Robin was a prickly sort and if she pushed at you she wanted you to push back, as long as you were respectful in doing it. I said, "I don't think you get to make that call." She said, "I'll get to make this one." She then unloaded on the current mission director who she felt did not "get" the significance of the color revolution occurring in Serbia and its importance to US policy. She repeated, "I get to make this one and Don Pressley will call you tomorrow." Don Pressley was the AA (Assistant Administrator) for the Europe and Eurasia Bureau (E&E). Don and I had known each other a long time, though I had not seen him in 15 years. Robin repeated, "Don Pressley will call you tomorrow." I said, "Oh boy."

The next morning Don called me and said, "Hi, Spike." I said to Don, "First of all I have no dog in this hunt. I know what this is about only because she called me last night. I have no idea how she got my number and am not seeking anything; honestly that's the truth." He said, "I know, I know Spike. I can't have Hill staffers deciding who my mission directors are going to be. Frankly I think you probably would make a good choice, but I just don't like being told and she is right we need somebody experienced out there, but I just don't like it." Don's DAA Linda Morse was also in on the call. "Okay, I'm going to talk to Robin again and I will check back with you if I want you to come in."

He did call me back, and repeated the concerns he had expressed the night before. I said, "Don, I have no dog in this, I really don't." Don said, "I'm going to put your name forward and my reason is that you have the right skill set and we have a very difficult ambassador out there who is also telling me who he wants for mission director, the same person when he was ambassador in another country. That is just not the right individual, so I am going to put your name forward, and I think it is going to be approved."

I got the assignment to Serbia. It was useful I had the Hill contacts from my time in Lebanon. Once Legislative and Public Affairs (LPA) and the bureau gave me the nod, I started going up to the Hill to listen and begin to formulate my ideas about what kind of

program we should implement in Serbia. It helped that the LCDC program that we had built in Lebanon was incredibly popular with Congress. They loved it, which was going to reap future benefits, but not just in Serbia. In studying what I wanted to do I did a lot of reading, studying what had worked and not worked in Eastern Europe with regard to US assistance efforts.

Subsequently, I met with Ambassador Larry Napper, the Coordinator for SEED, South Eastern Economic Development, the conduit of funding for Serbia. Napper proved to be knowledgeable, welcoming and a straight shooter. I liked him very much. I had worked with the Bureau to map out what we wanted to do with the program, but any plans had to have the support of Ambassador Napper. He came straight to the point, "So Spike, welcome aboard. I've heard about you, nice to meet you. What do you have in mind, what do you want to do?" I said, "Well Sir, we have $100 million for this year, Congress has already appropriated it. We need $100 million a year for five years, a total of $500 million. With that $100 million a year, we want to put $45 million a year into a nationwide community development program that is going to build confidence and resiliency. I want people to see that reform is working with this dream team of Prime Minister Djindjic, but the community development program will not be with the government; it is going to be with community development councils that we form. Then we want to do kind of a standard program for democracy, administration of justice, rule of law and working with NGOs, for about $15 million a year. Lastly, we want a $30 million program for economic policy reform, private sector and free market development. That leaves $10 million for stuff the State Department wants to do." He looked at me and said, "I like it. I will support it in the Deputies Committee. You go out and sell it to the ambassador." He asked me, "Have you heard of Bill Montgomery?" I said, "I've heard of him." US Ambassador to Serbia, William Montgomery, also known as 'Wild Bill of the Balkans,' had a formidable reputation. I said, "I've heard of his reputation." He said, "Good luck, I will support you."

And that was that. I arrived in Serbia with this brand new program the last day of February 2001.

Q: Let me just ask you a quick question. You did a lot of reading. About what, what did you feel you needed to inform yourself about?

STEPHENSON: I needed to inform myself about what had worked in Europe and what had not. We had had programs in Europe for some time and one of the, I thought one of the salient factors that fit precisely with my thinking and experience was that we had done too much that was top down from an economic and political sense and not enough that was bottom up, and I knew well having worked in El Salvador and Lebanon, that in conflict or post conflict or post traumatic situations, if you're going to do reforms and particularly where you've got a new reform minded government that has been elected or is about to be elected, you have to see results within a period of nine to 18 months. It's what I call the golden hour of development. If you don't see results, if people do not have a sense of hope that the change they wanted is occurring, you're going to lose that

constituency; and that's much of that happened in Europe in some programs. It may not be a permanent state of affairs, but it's extremely important to build from the bottom up. And that was exactly my experience and in some of the papers that had been prepared by AID. It was the conclusion that it was fine to do administration of courts, it's fine to do economic reforms, it's fine to do private sector reforms, it's fine to go to a free market economy, but if you're not giving people hope at the local level, if they don't see changes being made, then you have less chance of succeeding.

Q: So just take one second to say, what are the basic kinds of things they want to see at the local level...

STEPHENSON: The main thing is for *you* not to tell them what *they* want to see. That comes in a form of community development that we pioneered in Beirut, and actually at the same time in the mid-90s, OTI (Office of Transition Initiatives) was pioneering--very similar models. However, in all those cases, we, the development experts, are not deciding for what I often refer to as the little people because they decide on the basis of a town hall meeting or similar convocation who their community development council members are going to be. These are often people who have never fulfilled this kind of civic responsibility at all. They're not government employees. These are citizen groups. Then you give the council a menu of items that they might want to look at, whether it's basic infrastructure, agricultural feeder roads, schools, clinics, etc. In almost all cases, my experience has been that you can pretty much tell what they're going to choose first. I mean, in almost every... Number one is going to be school or clinic. Number two... I'm sorry, let me go back. If they don't have it, water is going to be number one almost always. I mean, as close to their house or in their house as they can get. Number two is going to be school or clinic or both. And number three is going to be economic opportunities for their children and themselves. And that covers a large spectrum of small projects. It is imperative that you get in and work with them--*fast*. We don't do the projects, ourselves. We teach them how to hire contractors, have well supervised projects and financial accountability. At the end of the day, the most important thing is not the infrastructure; it's the resilience that you create in the community. The real bonus, and this was the experience in Serbia and Lebanon, is that those little councils become the seed bed of future local and even national political leadership, because people become engaged in civic activities and it lights them up to the possibility that perhaps there's a role in politics for them.

Q: Okay. So, then you go with that mindset now having read in and understood the nature of the approach.

STEPHENSON: Right.

Q: And so, then the only other question I have before we go on is when you work with the local councils, how do you know you're working with the right people? In other words, this is after a war, there are still apparatchiks running around trying to get their hands on whatever productive assets there are. If they do that, they will simply cause resentment. How do you address that problem?

STEPHENSON: Well, first of all we had in the mission when I arrived two people with a lot of experience--two US personal services contractors, as well as several talented local nationals. We designed the project, ground-truthed it internally and in the field and fast-tracked issuing bid documents, to bring on five implementing partners. Once on board, the five partners each chose a geographic area in which to work, in aggregate covering most of Serbia.

Each implementing partner selected at least 60 communities, initially; and each had to have their first projects done in each community within 90 days. That means they had to go through the process of town hall meetings; set up elected development councils; set priorities; design activities; and start implementation. People usually populate the councils who have never done anything like this before. A lot of them are women, and eventually what you're going to find in almost all cases is that the core of the council consists of five or six very hard-working women who get things done.

Our implementing partners do their homework as well, and they not only make sure that the apparatchiks are not involved in the councils, but discourage having elites in communities involved with the councils. They're not prohibited, but there is a risk that is there. If you put the elites in charge, then they're going to build monuments to themselves. So, that's how you do it, and you monitor it.

Q: Okay. All right. You've now basically gotten agreement from all the stakeholders, the key stakeholders. What's next?

STEPHENSON: Well, the first thing, at least on the community development activity... The first thing to do, I told them that they had to have a completed project in every single one of their communities within 90 days. The reason for that was that very often people in these communities had been promised deliverables by government, by donors, by contractors and NGOs. The promises had not been fulfilled. As I rather indelicately put it to the implementing partners, they had to reach out and grab the council members by the shirt collar and shake them--and show this was real. It was vital to establish a level of enthusiasm and for them to trust us--to trust the implementing partners and to trust USAID and the U.S. government, the donor.

Q: Okay. Did this process then of assigning the sectors and everything go relatively smoothly, or did you have to intervene?

STEPHENSON: I never had to intervene, and I never got involved in choosing what projects were going to be done. The only thing we wanted to make clear was that the goal was for these people in these communities to feel that it was their project and not so much our project. We did have signs that were put up. We had a website that... a very advanced project implementation information system, but it was open to the public so that they could see on a computer screen or smart phone what was being done. We also had a logo in Serbo-Croatian, which sounded like the English acronym of the program, CRDA (Community Revitalization through Democratic Action). It looked like graffiti, in red with a big exclamation point on it, and meant 'NOW!' It was very successful. We ended up doing over 5,000 projects.

Q: Wow. That's pretty remarkable.

STEPHENSON: Yeah. It was a good vehicle.

Q: Within the 5,000 roughly what were the major areas that the people ended up choosing?

STEPHENSON: It depended on where they were. I mean, not all of these were poor villages. In some of the more advanced areas we ended up renovating sewerage systems, and water treatment plants. These were sometimes larger systems that simply had fallen in disrepair and needed to be renovated or expanded. In other cases we had innovative systems where we built small towns that the community could maintain themselves at low costs, which is sort of a trick with sewage treatment plants, but there are systems out there. But in some of the poorest areas the first interest was water. I mean clean potable water. What followed were clinics, schools, agriculture, light industry, civic action activities, and environmental improvements. There were all kinds of activities, but after they take care of the basic needs or they feel that the basic needs are taken care of, not according to what we think, but according to what they think, then its economic activities more than anything--job creation and income producing activities.

Q: Okay. Did the $100 million come each year as planned and as you required?

STEPHENSON: Yes. Unfortunately, I was only there for three years. And the reason for that was 9/11/2001. When I started out in Serbia, it was just Serbia, but within months we were given responsibility for Montenegro. It was one of the largest AID programs outside of Egypt. It was the place to be. It was dynamic. It was cutting edge. It was just a whole

new frontier with the new reformist government; but after 9/11 the whole emphasis in US policy shifted to Afghanistan and Iraq.

The Friday before Labor Day in 2003, I was sitting in a dentist chair having my teeth cleaned and my cell phone rang, and I could tell it was an overseas call and I answered. A voice on the other end said, "This is the Ops Center (Operations Center) Ambassador Chamberlin will speak to you." So, I told the dentist, "I've got to get up and please excuse me for a moment." Ambassador Chamberlin, who was the assistant administrator for ANE (Asia Near East Bureau) said, "Is this Spike Stephenson?" And I said, "Yes, Madam." And she said, "This is Wendy Chamberlin." And I said, "Yes, Madam Ambassador." And she said, "I don't know you, but I know your reputation and I want to ask you to do something very difficult and I hope you'll say yes."

She said, "I want you to take over the mission in Iraq." And I said, "When would that be? When do you want me?" She said, "May." This was in September, so next May, and I said, "Okay." Well, I didn't say, okay. I said, "This is Labor Day weekend. Let me have the weekend, talk to my family, and I'll be in contact with you by opening of business on Tuesday." So I talked to family and some colleagues, and just sent her an email on Monday saying I would do it.

Unfortunately, that schedule was expedited. In November, I got a call from Gordon West, who was the DAA in ANE bureau, saying that USAID Administrator Andrew Natsios "wants you to go now."

Q: Wow.

STEPHENSON: 'Now' turned out to be February, but....

Q: Still very soon after the end of major military operations.

STEPHENSON: Yeah, I got there February 20, 2004. But you know, Serbia was…well I think all of my experiences were good training for Iraq. Serbia was such a delight, because I was able to recruit good people who wanted to be there, wanted to work with me. We had a very, very tight team and we just did stellar things, and we were recognized for it as well. In fact, when I talked to Andrew Natsios, the USAID Administrator, just before I went to Iraq, he said, "I chose you because you have a reputation of being able to get great results with very few people, with flat organizations. We don't actually know how you do it, but we know that you do."

Andrew also said I was chosen because of my military experience, "I need people who understand the military and can talk their language." He basically gave me three areas

that he wanted to emphasize. We had to be a good partner for the State Department and assist them in the transition from the CPA (Coalition Provisional Authority) to State Department control, which was to happen in June 2004; that he wanted good results in terms of working with the military and the CPA; and he wanted someone who would be able to protect AID's equities in a situation where you had a number of different government agencies that were all vying for part of the 18.4-billion-dollar program, recently approved by congress. It went without saying he wanted a well-run and effective USAID role in the largest US assistance effort since the Marshall Plan.

Q: The AID, the USAID $18 billion dollar program?

STEPHENSON: No, no, the $18.4 billion was appropriated during the time of the Coalition Provisional Authority and AID eventually ended up with about, with a total program of $5.1 billion--$3.1 billion of that was out of the $18.4 billion. We already had $2 billion we were working with in Iraq, before the 18.4 billion was appropriated.

Q: Okay. Not to put too fine a point on it, but of all the money that you had for USAID in Iraq, how much of it was actually for program? Because obviously a certain amount went to security for, and so on—

STEPHENSON: The $5.1 billion was all for programs. Our operating budget was separate.

Q: Okay.

STEPHENSON: We had the largest OE (Operational Expense) budget I've ever heard of. Just our security contract was $22 million a year, until we were forced to buy into the global security program the State Department had with DynCorp. Then, I recall it jumped to over $30 million with I might add poorer service. But, yeah, it was separate. The $5.1 billion was all for programs.

Q: Before we go to Iraq, just sort of one last thing about Serbia, was it a relatively permissive environment for USAID or did you have trouble also with the government?

STEPHENSON: That's a very interesting question. It had say, two parts, one; we had great relationships with the government there, by and large. With the community development program, local governments initially disliked it. Serbia had a long tradition of local government and local planning staff, and they complained to the central government that our funding should go directly to them; but we stuck to our guns. As it turned out--in these community development programs, 25 percent of all projects had to be provided by the community. We didn’t care where it came from. It can be land, it can

be sweat equity, it could be any number of things. It can be money that comes from another donor or it could be money that comes from the local government. Local government became the largest contributor of that 25 percent and in many cases they were making contributions of one to one so that more projects could be done. And the local government ended up liking the project. This was particularly the case in Lebanon, for instance, but it was also the case in Serbia because the procurements are extremely transparent. We had very little corruption. We've had no, I've never had a bad audit on any of these and in Iraq we had over 5,000 projects going at one time and got a clean bill of health on the audits. It puts honest mayors in a great position, because… you as my brother Fred comes to me as the mayor and says, "You know, I really do want that contract on the bridge or paving or whatever." And he can say, "No, I've already provided the money to the community to the community development council, and I have nothing to do with that any longer." So, it's popular, in the end, but it doesn't start out popular with local governments.

Q: Okay, interesting. All right. Then, you described that the experience in Serbia was helpful in some ways in going to Iraq. Did you want to expand a little on that or?

STEPHENSON: Yeah, I do actually. When I first got to Serbia, Ambassador Bill Montgomery didn't want me there. And it wasn't so much me--he didn't even know me--he had wanted someone else, someone who had served with him in another country as mission director. Don Pressley refused. He told him, "You know Bill we are not going to give you a pliant mission director." And, so he didn't. Montgomery was less than pleased when I got there, and he showed it from the very beginning.

The biggest thing at the time was we had a hot war going on in the Preševo Valley, which borders Macedonia and Kosovo. And that was a priority. And one of the things that had happened before I got there was that Ambassador Montgomery, who had virtually taken over the OTI (Office of Transition Initiatives) operation, wanted to approve all the grants, he wanted a signing ceremony for every grant. There was a task force that was a combination of agencies. It was operating out of Vranje, down in the Preševo Valley. It was on everybody's mind that this was something that could easily get out of hand because the UÇPMB, ethnic Albanian insurgents, had taken over swathes of territory. They were using the demilitarized zone between Kosovo and Serbia as a sanctuary, and there was some heavy fighting, with whole villages under their sway.

Well, one of the ways that we were combating that was doing this community development type of activity. I quickly put extra resources under two separate contractors down there. Ambassador Montgomery was operating very closely with Deputy Prime Minister Čović, who was deputy prime minister for southern Serbia. It became clear to us early on the people in the communities weren't choosing what activities they wanted. Let

me say, not us, it was me. It was also very clear that “projects” were building military feeder roads using our funds. That, and...

Q: Very quick question, what separates the notion of a military feeder road from just a feeder road to a village or a feeder road... Oh, because it's going to military sites?

STEPHENSON: It may be going to military sites; it may just be a road that goes into an area where they know insurgents are active. In other words, not even coming anywhere close to a village. It goes from a village, it's under specific military control and there's a base there and then it goes winding up into the mountains. It was pretty obvious, and the ambassador and I really went at it, hammer and tong for seven months, one of the most unpleasant periods in my life. It came to a head at a dinner with the new AA (Assistant Administrator for E&E (Europe and Eurasia Bureau), the DAA (Deputy Assistant Administrator), Čović, the deputy prime minister, Ambassador Montgomery and me. When the AA and the DAA decided to take the invitation from the ambassador to visit Serbia, I told them, "You guys are throwing me under the bus." I said, "I know exactly what's going to happen at that meeting." I knew we were going to visit Vranje. I knew exactly where we were going to have dinner. I knew which hotel it was going to be in, and I knew the private dining room, without being told.

So, the long and short of it was that we sat there for three hours and Čović and I went at it for three hours and, uncharacteristically, Bill Montgomery did not say a word. Kent Hill, the AA did not say a word. Linda Morse, the DAA did not say a word other than some pleasantries at the beginning. There came a point after about three hours of Čović pounding the table saying, these are stupid people. I know what they need, they don't know what they need and my saying that's not the way it works, and they are not stupid people, and we don't build military roads and so forth. After three hours of that, Montgomery put his hand on the table, not pounding, just quietly. He said, "Stop. You know, something…" he looked at Čović and said, "You're wrong and he's right, but you are this close," his fingers an inch apart. He continued, "You are this close to both being on the same page and being able to work together and I want you to lock arms and drink a toast to working together." And so we locked arms and toasted each other, and I never had another problem with Ambassador Montgomery. He wrote two of the best personal evaluations I've ever had. We became close colleagues, if not friends. I've seen him since, he's out of State Department now and retired, and he's always said very nice things to me and about me. It became a partnership and I credit him with that. It's hard to admit that you're wrong about something, particularly when you have... He had a rather pugnacious disposition. I admired him for making it work.

Q: Okay. And with your counterpart in the Serbian government, it eventually smoothed itself over because obviously the money went to the council, so it must have worked in the end.

STEPHENSON: We won the war. And we did it quickly. He did his part, they killed the leader of the UÇPMB and that sort of broke it up. But, our programs in Preševo were good, and I think that was something Bill Montgomery appreciated as well. He could see that what we were doing was good stuff and we didn't have, he didn't have to approve, I didn't approve the grants. That's not the way it works. He didn't have to approve them, and he didn't have to do signing ceremonies.

Q: So, to sort of come all the way back now to the beginning of the question, which was, how did your experience in Serbia then serve you in Iraq…

STEPHENSON: Dealing with Montgomery was very difficult. Dealing with Bremer, excuse me, Jerry Bremer, the head of the CPA was extremely difficult. I was very fortunate in terms of the relationships I had with the military, which were just stellar. Some of them are still good friends and we worked well together, particularly General Pete Chiarelli, major general at the time, later a four star. But Bremer was difficult to deal with, as were the people under Bremer who had very little experience at development or stabilization and reconstruction. It was just one more lesson, in terms of managing a program and keeping it on track and trying to manage relationships that were not always copacetic. It was good training.

Q: Okay. You said you arrived to Iraq in February 2004. Let's continue.

STEPHENSON: I alluded earlier to my book *Losing the Golden Hour*, which covers the 13 months I spent in Iraq. I encourage anyone interested in doing a deep dive into what that period was like to read it. My tenure in Iraq was too complex and nuanced to cover adequately in this forum. I will try here to give the reader a 10,000-foot perspective by breaking it down into four phases: the Coalition Provisional Authority (CPA); the Transition; Post-CPA and the Realignment. Overarching everything was the issue of security; for our staff, our facilities and our implementing partners.

The CPA was created under the Department of Defense (DOD) in May 2003. In a confused succession it subsumed the Office of Reconstruction and Humanitarian Assistance (ORHA) led by Lt. General (Ret.) Jay Garner, which planned and implemented post-conflict assistance to Iraq. Paul Bremer III, also known as "Jerry", led the CPA.

In my initial February consultations with USAID/Washington, I was led to believe our relationship with the CPA was collegial. In subsequent meetings with State, OMB, NSC, CIA and DOD it became clear that characterization of the relationship was wide of the mark. The first was a meeting with Robin Cleveland, who was then a senior official with

OMB. Robin was clearly frustrated with the CPA and queried why USAID could not take over the design and implementation of the recently appropriated $18.4 billion for Iraq reconstruction. I demurred because that was above my pay grade and I did not want to antagonize Bremer, DOD and other agencies before I even set foot in Iraq. Robin suggested and arranged for me to meet Deputy Secretary of State Richard Armitage and Deputy Secretary of Defense Paul Wolfowitz.

Armitage was supportive, professional and continued to be through the transition and beyond. Wolfowitz listened and was well informed, but in a private meeting attended by Iraqi dissidents I was alarmed at his apparent reliance upon those sources for intelligence. The most alarming meeting was requested by USAID with Admiral (Ret.) David Nash at DOD. Nash was the architect of the CPA request and plans for the $18.4 billion and through the CPA Program Management Office (PMO) was to be the gatekeeper of allocating funds and the PMO the principal user of the same funds.

State, USAID and other agencies had already succeeded in sequestering $4 billion of the $18.4 billion, subject to future determination, and Nash was clearly piqued and consequently wary of my role and position. I sensed that he resented USAID participation in the CPA.

Bremer had announced in December 2003 that Iraqi sovereignty would be returned June 30, 2004. Diplomatically, this meant that the State Department would succeed the CPA's political role, but it was unclear who or what would assume the responsibility for implementing the reconstruction program. Ambassador Frank Riccardone and Lt. General (Ret.) Mick Kicklighter were designated to lead the Transition—the passing of control from the CPA to State. I met with Riccardone at State. The first thing he said as he strode toward me, hand outstretched was, "I have just returned from Baghdad and the CPA is the most dysfunctional organization I have ever seen. I've never seen so many well-meaning people doing the wrong thing."

Upon my arrival to Iraq it was soon evident that the relationship with Bremer and the CPA was a minefield that required careful management; the USAID mission was still a work in progress that required much attention; and the transition was of paramount importance for the future of Iraq reconstruction. I was fortunate to have the counsel, expertise and experience of talented staff that was soon augmented by new arrivals I recruited. We set about together to complete standing up the mission.

For the remaining four months of the CPA, my responsibility for leading and managing the USAID program overlapped with those of assisting the transition and, as Andrew Natsios had directed, protecting the equities of USAID. It was clear that the leadership of the CPA was heavily invested in the massive infrastructure program Admiral Nash and the PMO had designed, and at best ambivalent about our programs in agriculture, economic growth, democracy, civil society, education, rule of law, and community development. To wit, most of our bureaucratic battles were with the PMO and Admiral Nash and centered on his unwillingness to allocate work to Bechtel, with which we had a $1.8 billion construction contract the CPA had promoted as a bridge until the PMO could

bid, award and mobilize its own contractors, which would take many months. In early March I clashed with Nash; took the Bechtel issue to Bremer; and was rebuffed. Within a few months, it was clear the PMO could not deliver construction—"moving dirt"—in sync with its promised schedule; work orders started to trickle to Bechtel, but not at the pace envisioned.

Our cooperation with the State transition team went quite well and we were almost always on the same page in preparing for the transition to an embassy in a sovereign Iraq. State assigned to the task highly qualified senior officers. The difficulty of the task lay in the determination of senior CPA staff that after the handover the CPA would live on in another persona, the Iraq Reconstruction Management Office (IRMO), which DOD and the CPA fiercely advocated. IRMO survived, but not as a doppelganger of the CPA or PMO. In my book I characterized the transition negotiations as 'mud wrestling,' and that was charitable.

Throughout this period, we were consolidating and strengthening our program and ground presence, even though the security situation exploded in April as a complex insurgency metastasized. We successfully moved all of Green Zone staff into hardened buildings in a single fortified compound and revamped our security protocols. We replaced some staff with others more appropriate to the tasks at hand. In spite of the pounding we took from rockets and mortars, morale improved and our work accelerated.

June 28, two days before the scheduled demise of the CPA, Bremer announced the end of the CPA and the return of sovereignty to Iraq. The acceleration was for operational security. Many CPA senior staff departed with Bremer, but it took weeks for the vast majority to depart. A small number of CPA personnel remained temporarily by agreement with the State transition team. US Ambassador to Iraq John Negroponte arrived the evening of June 28 and immediately went to work, convening hours after his arrival with senior State, USAID and other agency staff. That same evening he convened the country team and made it absolutely clear that we were a diplomatic mission to a sovereign nation and would conduct ourselves as such. He was a breath of fresh air.

We had known for months that the handover to State would trigger a realignment of programs and funding allocations, beginning with the $4 billion sequestered from the $18.4 billion appropriated by congress the previous December. For months we had positioned ourselves on the premise that the ability to immediately obligate funding and commence work would weigh heavily in the decisions on allocation of funding. IRMO was put in charge of the process of preparing a presentation for Ambassador Negroponte and General George Casey. IRMO, temporarily headed by Admiral Nash, had succeeded the PMO, but all that had really changed was the name. Nash was to be replaced in September by Ambassador William B. Taylor, with whom I had worked in the Balkans. When he made a short visit to Baghdad in July, I expressed my concern that while it was natural that IRMO should lead the realignment exercise, that was an inherent conflict of interest that Admiral Nash was heading both IRMO, the allocator of funding, and the PCO (Project Contracting Office) the largest recipient of funding. Bill Taylor assured me

that senior Management was aware of our concerns and would ensure the process would be aboveboard.

The realignment fight, which I later referred to as "trench warfare," was fought in July. Chris Milligan and Allyson Stroschein led the process on our behalf, but the entire mission was involved in answering the endless requests from IRMO for data and other information. This went on for weeks, with meetings with IRMO often ending at midnight with taskers due at 0800 hours the next morning. It became clear that IRMO/PCO was trying to maintain the status quo, while State and USAID were advocating shifting funding to more transformational programs that totaled $1.2 billion.

The military's request was initially modest, but late in the process Lt. General David Petraeus made a compelling case for several billion dollars urgently needed to train Iraqi security forces. We knew that request would be approved and cut into all other requests.

IRMO tried very hard to ensure that it alone would make the presentation to Ambassador Negroponte, General George Casey and senior advisors on the anointed day. I pushed back very firmly that we would make our own presentation. On the day, IRMO presented with almost 60 slides, defending the status quo; we presented with seven, entitled "Comprehensive Development." I began:

> *If we do not improve the capacity of the Iraqi Government to govern justly and provide services to its citizens, if we do not create the enabling environment for economic growth and political pluralism, I fear that at the end of the day we will leave Iraq—albeit with the best-trained security forces and infrastructure in the region—with another authoritarian government, and we will have failed. We will have failed because that is not the liberal democracy with a free-market economy that Secretary Colin Powell promised the Iraqi people. We will have failed the Iraqis, the American taxpayers, and ourselves—and all the blood and money will have been for nothing.*

In all, we received $755 million in new funding, and there would be more to come. By the end of the year the USAID program had swelled to $5.1 billion. Our team—the whole mission—had made it happen.

Before we conclude this session, I want to say a few words about General Pete Chiarelli (1st Cavalry Division Commander), Kirk Day (OTI Country Director) and our collaboration. General Chiarelli first approached us in March, before his full complement was fully deployed. He had an ambitious agenda to address the violence in Baghdad by undertaking basic infrastructure activities identified by local councils, and employing thousands of laborers from the respective communities. Kirk immediately saw the value of such a program and had the means to deliver it. I agreed, and within days Kirk had pivoted the OTI program to an employment machine that supported the 1st CAV with thousands of jobs a day. Chiarelli's staff would tell Kirk how many workers they needed at a site, and OTI's excellent implementing partners would hire the workers and have them on site on time. It was an excellent collaboration that formed an enduring bond

between all of us. It also got the attention of leadership in the CPA, the country team, DOD and the NSC. I also believe it gained credibility for USAID during the transition and beyond, which contributed to our success in the realignment. At peak, OTI was employing over 50,000 laborers a day.

I returned to Baghdad in early September, after a short leave and consultations. I felt we finally had the right staff, the right programs, the funding and a mutually supportive relationship with the country team. The war raged on, but the chaos and dysfunction of the CPA were behind us. Our programs were surging. I was guardedly optimistic.

The elections, scheduled for January 31, had become the defining moment for us. USAID had obligated an enormous amount of money to support the elections—it was the major donor for the U.S. government. We by agreement stayed in the background; the UN had a special team out there and they led the process of elections support, but we were flying planeloads in with ballots and voting machines, plus we were training people. We were working with NGOs to educate people on the democratic process and so forth.

We did not get involved in selecting candidates, though without going into detail I was approached by an individual from Washington (not USAID--another agency) who I had known well in a previous post, "So, Spike – tell me, how do we get the people we want to win elected?"

My response was "Don't even try it." One, it doesn't work – it often backfires; you don't necessarily get what you think you're getting. The other thing is, you always get found out and that's even worse. There was a fairly benign response, but I'm fairly confident there was no covert attempt to elect the people "we" wanted to be elected.

When the day of the election came, it was an amazing thing. The rockets and mortars started before daylight. We didn't know if people were going to turn out. The military had security cameras set up in various places. They had set up a cordon system to allow people to pass through several cordons, but American troops were not visible at polling places. Because of all of the hype from resistance forces that people would be killed going to the polls, we really feared that no one would show up. It looked to start that way. We started getting reports at 6:00 in the morning that some polls were closed, but people had showed up. Others were open, but people were not showing up.

Then, from the 1st Cavalry Division (we were in close contact with General Chiarelli and his staff), which was filming from helicopters, we began hearing that in Baghdad there was an almost universal act of defiance. Iraqis came out onto the street and just by force of numbers defied insurgents who wanted to keep them away from the polls. The election turned out to be a great success. In our own case, staff working directly for us inside the Green Zone came to us in the middle of all this (we were monitoring it, getting reports from our people) and said, "We didn't register to vote because we thought it would be a farce. But we see what is happening on the street; all our relatives are calling us. Is there any way we can now register to vote?"

Jennifer Link, our democracy officer – my deputy Chris Milligan and I had basically turned the whole process of bringing about these elections over to Jennifer because we trusted her. I asked Chris at one point, "Do you actually know what she's doing?"

He said, "Not really."

I said, "Are you worried about it?"

He said, "No."

As I said, our success had come to be defined on whether the elections came off all right. That wasn't just from AID, that was the State Department, the military, everybody.

So, these employees came and asked how they could get registered. Jennifer said, "There is a polling station here in the Green Zone, polling station #1. I can get them registered."

And they did go off to register and vote, and came back with the inked fingers and the tea and the makings of an impromptu feast. I remember a conversation I had with one of our employees, who didn't vote. He was one of our best; educated, thoughtful and articulate. I believe he's a U.S. citizen now. He was at the celebration, but not celebrating. I asked him (he was looking very sad), "Why didn't you vote?"

He said, "I can't." Those guys are all Shiite. I don't have a problem with that, but I do have a problem with having a Shiite government, and that's what we're going to get." He was right.

Q: Is the problem with the Shi'a government that they are now in power for the first time and want payback for all those years of oppression, or are there other issues as well?

STEPHENSON: That was the fear – and as it turned out, he was justified. All of the sectarian killings started after that and it was done by both sides, no question about it. But I think more than anything, to paraphrase, he was saying you want a democratic government; what you're going to get is an elected sectarian government. I think it would be going too far to say now the payback begins, but it was certainly that "I as a Sunni am going to be disenfranchised."

Following the election what we immediately saw was the bickering and jockeying for power. They couldn't form a government; they couldn't elect a prime minister. That didn't happen until after I left Iraq.

The first question, you said when did you leave Iraq? The election was January 31st; I was supposed to leave February 20th. When I went to Iraq, we had practically no Foreign Service officers there in February of 2004. The mission was still being formed – we had to staff up in terms of local nationals. We had great difficulty in getting Foreign Service officers to bid on Iraq, until the Administrator Andrew Natsios decreed, "Nobody goes anywhere until I get bidders for Iraq." We did get some, but it had to be bid three times.

Though we got some good people in, we got some people who for medical reasons or others really had to leave immediately. So, before I even left Serbia I recruited people I had worked with in other posts.

Q: Let me take a second here. Aside from the day-to-day work, in 2005 what was it like on an average day for a USAID officer in terms of being able to get around, have a relatively secure place to sleep and eat – the rock-bottom basics?

STEPHENSON: AID officers probably had it better than just about anybody in the Green Zone. That's because my predecessor (Lew Lucke) started construction of our own compound, which was adjacent to what became the consulate. Technically that was the embassy; the Republican Palace was the Annex. We shared this – I think it was called area C-135. It turned out it was on the bad end of the Green Zone for indirect fire; it was close to Assassin's Gate and the UN (which was unoccupied). We had built these small houses, 88 of them altogether--cinder block essentially, stucco on the outside.

Q: They were built locally?

STEPHENSON: Yeah, we used local contractors.

Q: The reason I ask is because obviously in the U.S. there are prefab houses and you can bring those in, but instead it was decided to build with local materials?

STEPHENSON: There are two reasons. One is that a trailer doesn't do much to stop a rocket. The other reason was they were cheaper, and we could give a boost to the local economy by giving it to a local contractor.

So we built these. We discussed this I think earlier. Early on in 2004 when State was planning to build a new embassy, we got a visit from the head of STATE/OBO Overseas Buildings Operations), he came in and looked at our compound. I discussed with him my experience with the impact of living conditions on morale. He decided right there STATE would go with trailers and double them up.

So most AID housing was clustered in groups of four. You had a verandah – this all sounds terribly optimistic when you consider what eventually happened, but you had a verandah, a living room/kitchen combination, a bathroom and a bedroom big enough for a queen-sized bed. A hallway and the bathroom was your safe area. Very quickly, before they even finished, we had to put up blast walls in front of the windows, and most of us never slept in a bed, but on the couch. The reason you slept on the couch was you were below the level of the windowsill, and we started taking indirect fire right after the massacre of the 1st Cavalry brigade in Sadr City on April 4th. It continued pretty much on a daily basis from April 4th to December 6th. We didn't always get hit and a lot were duds. We didn't lose anybody; we had damaged buildings, equipment and vehicles. We still had some trailers we were using for offices. Sometimes the incoming came at night, but generally it came early in the morning, in the evening, or late at night when those weren't occupied. The shrapnel went through those things like sardine cans. We had Mylar on the

windows and we had designed the structures to be pretty resistant to anything but a direct hit on the roof. The rockets and mortar rounds did some superficial damage to the outside of the buildings, but basically they did pretty well. One of the reasons the structures improved morale was we computerized all of them. They had cable TV, a little kitchenette – and when it got bad, you didn't have to leave your hooch. You could work from there. It didn't matter whether it was bad; anybody who wanted to work from home, we let them. They didn't have to come into the offices, which at that time were more exposed, until we completed an Inman-compliant building. For that construction, we won permission from OBO; we could do it much cheaper than OBO. We didn't even have to ask for more money; we had money in the budget we could use. That was nearing completion by the time I left, but it wasn't finished.

The Red Zone remained extremely dangerous. Going to and from the airport remained dangerous. We lost contractors. We didn't lose any people working in the AID compound, but during my tenure we lost 15 expatriate contractors who were killed. We had two kidnapped (we got both of them back). The number of Iraqis was hard to estimate, but we knew of at least 65 who were killed, simply because they were working for us. I think one of the things that made a huge difference – I don't want to call it my tenure because it was really the senior management team we had there--Chris Milligan and particularly Fernando Cossich, who was the EXO and a true hero. What made the difference is we made it very clear early on that our priority was to keep people as safe as we could. People sometimes bridled. They were dedicated; "I need to go to the ministry of education every day!"

Well, you can't because you're setting up patterns and you can't do it. We made it clear, if you can do something over the phone rather than face-to-face, then don't go out because you're endangering yourself. By that time we were using at least three-car packs and sometimes four – so you're endangering security people, as well. That was a real emphasis.

We also had our own intelligence fusion cell, which was considered the best by virtually everybody in the overall mission. They put out a daily briefing. We also relied very heavily on our relationship with the 1st Cavalry Division, with General Pete Chiarelli and his staff. They sometimes couldn't tell us why, but would say don't go out today. Because they had the counter IDF radars, when rockets were fired from Sadr City we'd get a call saying "Take cover, now!"

So, we got a lot of good intelligence from them and that helped us to protect people, because for a while it felt like we were flying blind. We didn't have enough information sometimes to warn our contractors, and some were killed on the way to work or to the airport. It's impossible not to feel responsibility and regret for that.

Q: This is day-to-day life. To the extent you can think back and analyze what happened as a result of the elections, obviously 2005 is a snapshot of the continuing tumultuous roiled political situation in Iraq. But as you finished the election and the initial analysis, what was the feeling about the outcome?

STEPHENSON: As I said, there was great satisfaction. I think among the Iraqis, they thought they had turned a page. Even though the elections were boycotted in some Sunni areas like Fallujah, it was felt this was a milestone. The political parties and the people who'd been elected immediately squandered that goodwill and hope. They were all jockeying for power. That's not unusual, but depressing.

Q: In that case did power mean control over oil revenue or were they also talking about power over security forces such as they were?

STEPHENSON: Everything. But you've hit the big ones. Energy – it's not only a source of power it's a source of income, legitimate and otherwise. The legitimate income allows you to wield more power and the illegitimate income allows you to enrich yourself and your followers. It was squandered. You could see what was happening very quickly. As I said, I was supposed to leave on February 20th. I decided to wait until everyone who had come in with me or because of me could leave with me, and that date was March 10th. So I stayed almost a month extra for that purpose.

Q: You stayed until just about the beginning of the trial of Saddam Hussein?

STEPHENSON: No, that came much later. Obviously, they were preparing for the trial the entire time I was there, but my recollection is it hadn't started by the time I left and the denouement was something I watched on television in the US; pretty horrific. When he was hanged and his jailers, the multiple hangmen, were chanting "Sadr! Sadr! Sadr!" Once again, it was the sum of all fears, the culmination of something.

But we knew it. Before we left, Chris Milligan and I had a conversation – Chris was leaving at the same time as I, he'd been there two years. In spite of the fact that we had done a tremendous amount of good work – the day we left we had 9000 projects going in Iraq. Much to the satisfaction of the State Department, we for many months since December of 2004, had been spending $200,000,000 a week. Of course, the NSC viewed that as success. They didn't look behind what the money was buying, but they could clearly tell we were engaged, so they were happy. Chris and I weren't. I don't know if Chris or I made the comment, "If we could just get out of here without getting anybody else killed..."

The irony of all of this is if you silo it and look at what we did, it was enormously successful. If you look at it as a team of surgeons operating on a patient, our part of it went well. Unfortunately, the patient was still dying. That's pretty much how I felt. It wasn't a good way to leave.

When I left Vietnam in 1971, I felt the same way. I felt pretty good when I left El Salvador. I'd been in a number of civil wars since then and I think the kind of victory that people expect with a capital V is always going to be elusive when in civil wars, particularly in civil wars with a great deal of ethnic identity like South Sudan today. In spite of all the good intentions and money, this stuff is really difficult. To do it – and I

hope it's one of the benefits of having these oral histories – if you're going to do this stuff you have to have a pretty thick skin, and you're going to have to recognize some unpleasant realities. You're going to see consequences of what you do that are totally unintended and create all sorts of other problems. Unfortunately, the politicians and the press are pretty unforgiving. IGs (inspectors general) are too. There's an expectation – they look at it as buying a product. If you put $1,000,000 into something you're supposed to get X number of widgets back, but it just doesn't work that way, it's not that simple.

Q: After you left, how did USAID headquarters regard your completed work? How did they evaluate it? Were you satisfied with the evaluation you got?

STEPHENSON: I retired about six months after I got back. When I got back, I requested that I work over at the State Department. Honestly, there wasn't anything in AID that I really wanted to do after that. I knew Carlos Pascual who was the S/CRS (Office of the Coordinator for Reconstruction and Stabilization), the new office that had been created. It was eventually rolled into a new Bureau for Conflict and Stabilization. It was an interagency group; Carlos needed help. So I went over as a senior advisor and made it clear I was going to retire. I remember USAID asked me if I wanted an evaluation for the previous year. One of the people in charge at HR asked, "Do you really want an evaluation, if you're leaving?"

I said, "Yeah, why not?" After I retired, the promotion list came out and I was number one on it and actually got a large bonus. It was gratifying.

Even in my out-briefings with the National Security Council and State, there were people who'd been with the CPA and I remember one senior person in that category asked me to come over. They had this idea she wanted to discuss that emerged from an assessment for SEC/STATE in the early months of 2005, before the election; they had a lot of ideas. The whole question was "how can we move money faster?"

The idea she wanted to discuss was, "Let's just give every governor in every province $1,000,000, no strings attached, and let's see what they do with it." No strings attached is probably going too far, but let them decide, which is not a bad idea but in the circumstances wasn't a very good one. So I went over to NSC and she said, "How do we do this? Can you tell me how we can do this legally?"

I said, "Sure. But I'm not going to. It's just a really, really bad idea."

She said, "Spike, thank you for your service." That was the end of the conversation.

Looking at my career after I left, I've worked on panels and spoken frequently and written a bit for FSJ (Foreign Service Journal) and other publications. I didn't leave AID with a bad taste in my mouth. Nine days after I retired (this was set up while I was in S/CRS), I was in Afghanistan doing a joint assessment with representatives from Joint Forces Command, State, and AID. I had been supposed to lead this before I retired. I told Carlos, "I can't do it after I retire; you can't have a contractor as team leader." So I went

as part of the team and a gentleman from S/CRS led it. It was an assessment of the provincial reconstruction teams. That was the only job I did for AID after retirement. I worked for a private company; that company worked for AID and I had some contact with AID, but I never actually worked again for AID.

Q: With all the background you had with USAID, where did you go with your talent and skills and what objectives did you have for yourself?

STEPHENSON: I was Senior Foreign Service and I came over for what we euphemistically call the retirement seminar here at FSI. It's a pretty good course. They put you in seminars, small groups of people. Ours was a very good group and it was interesting to watch the dynamic and what everybody was worried about. Ambassador Prudence Bushnell was there and we hit it off immediately. Everybody has this fear that they were not going to be able to earn as much when they left their State or AID job as they were. It's a natural financial concern. Honestly, I hadn't given it a whole lot of thought other than I knew if I went with a company that did development work – I didn't want to be a chief of party overseas after being a mission director supervising chiefs of party. I knew I'd end up somewhere. I went through the pain of putting together a resume.

In the midst of the retirement seminar I got a call from Creative Associates, which is a company that does international development work, particularly with the Office of Transition Initiatives (OTI). Creative also worked in other areas and for clients beside USAID. The caller asked if I would come over for a half-day workshop they were hosting on stabilization and reconstruction, so I said "Sure." I went over. I knew a lot of people in the room. Some worked for Creative. One was Dick McCall, who you may recall had been chief of staff for AID and had also been a senior staffer for the Senate Foreign Relations Committee. I'd worked closely with him when he was in that capacity when we were both working behind the scenes in El Salvador to help facilitate negotiations and the peace process. I had introduced him to the power structure there, the oligarchs, and enabled some contacts that ended up being beneficial in getting the leaders of the people we were supporting and the leaders of the FMLN, the guerrillas, to the table and actually talking to each other. There was some history there.

As the workshop was breaking up, the CEO and founder of the company, Charito Kruvant walked in and saw me and asked what I was doing, and I told her "You guys invited me over."

She said, "No, what are you doing right now?

I replied, "I'm in the retirement seminar."

She said, "I didn't know you were retiring." I said it was about time. She said, "What are your plans? Where are you going?"

I said, "I have no idea."

She said, “Who have you sent a resume to?”

“No one, as yet.”

She said, “Great, come work for me.”

That led to some other conversations. I was pretty clear, not in a hard-nosed way, that I didn’t want to be a chief of party or write proposals. I did like what I had been doing with AID, but wanted to do something different.

She said, “Perfect, because none of that is what I want you for.” So much of our way of carrying out policy, our methodologies, is often determined and influenced by people who are academics, who have no experience on the ground. She said, “What I would like for you to be able to do is to write, sit on panels, be an influencer. What that helps with is when we get something from USAID or the State Department the imperative often is ‘We’re going to do this,’ and that’s too late for us to say ‘That’s not a good idea’ or ‘we can’t make that work.” She said, “We need to be in the process earlier. For that to happen, we have to have the credentials so they call us and ask us to send over somebody to talk to them, before they start down the wrong path?”

That’s difficult because if you’re a contractor and involved at the strategic stage, very often it can disqualify you from being able to bid on the active stage. I often said (lovingly) in her case, “She can’t decide whether she wants Creative to be a think-tank or an implementing partner.” She wanted both, and I thought it was brilliant.

So I ended up doing exactly what she and I wanted. I had an annual gig at the Command and General Staff College at Fort Leavenworth for five or six years, an annual gig at the Naval War College and lectured or sat on panels at various institutions. My book about the 13 months I spent in Iraq, *Losing the Golden Hour*, Potomac Books, 2007, was published, and I spoke extensively on the book tour.

In 2007 Creative partnered with another contractor to do training for U.S. Army brigades deploying to Afghanistan and/or Iraq at the CTCs, combat training centers (there are four of them). The main one is at Fort Irwin. In two years, we trained about a dozen brigades during their MRX, the last exercise before they deployed overseas. The military has amazing facilities. I did give some lectures, but it was mostly hands-on training. For instance at Fort Irwin, if it’s a brigade deploying to Iraq they have 500 Iraqis they draw on, Iraqi-Americans or green card holders; for Afghanistan, they have Afghans. The villages they’ve constructed can look like any village in the Middle East or South Asia.

So we helped write the scripts for meetings that took place between soldiers and actors playing the roles of village elders, angry mobs and street encounters. For example, a Captain and his team in a meeting with villagers encountered the belligerent village elder, the accommodating one, the corrupt one, and the good one. The script could change depending on reactions. We also worked with the brigade commanders. Some were sharp

as a tack, some not so much. By and large, the young captains and lieutenants who'd already done tours in Iraq or Afghanistan asked, "Where were you when we needed you?"

They meant in terms of "we need this stuff, to tell us how to engage." A lot of that comes from experience. There was an exercise I used to use at the Command and General Staff College, where there is a seminar setting – four hours, back and forth. But I also used it one-on-one with say a young captain or lieutenant.

I'd say, "OK let's say you roll into a village in Al Anbar province in Iraq, and major fighting has already taken place. You're mopping up, doing civil affairs. You've got moderate to severe damage to buildings, sewage and garbage in the streets, a lot of people yelling at you that want help. So what do you do?"

The most frequent answer is, "Let's first get the sewage and garbage off the streets; we can hire people to do that and get it done immediately." Okay – we give them $10 a day and shovels and work them hard enough that they are too tired to get the AK-47 out of the closet at night. Get the place cleaned up, and then we'll go on to the next step.

Then I'd say okay, "What you're talking about is an end result that has to do with a physical change. Getting garbage, sewage off the streets, or building a clinic or putting in a well. Physical things are good and they're needed and they're demonstrable – particularly to your superiors. But what you really want to create is a result where they do it themselves. And it's what they identify as their priorities, within their traditional systems. You made several mistakes. First, you became the village elders – *you* decided you were going to clean up the sewers and *you* decided who was going to do it. What you ignored completely is any kind of tribal dynamics and non-tribal dynamics that have to do with clan and allegiance. What you should have done is find the elders, find the power centers."

Those power centers are often surprising. I've seen power centers comprising a poet, or a gas-station owner, a factory owner, a revered tribal leader. "You need to identify those and work with those people, and ask them 'what is your priority?'"

I repeat that over and over: "Ask them, don't decide for them. Your priority is not necessarily their priority, and you have to let them go about it in their own way."

"The second mistake you made is you just alienated every shop keeper in town. The average Iraqi in this town is only making a dollar or two a day; you just paid him five to 10 times what he would be paid otherwise if he had a job. You've got people leaving shops to go work for you because you're offering what is a fortune to them. If you deal with the elders, they'll get a cut back, but that's not your problem, at this phase. These are the kinds of things you have to think about before you do anything. Then, when you get into the second phase, you have to go in with eyes wide open and know what you're dealing with and whom you're dealing with. Relationships-- but you always have to be cautious, it's a difficult environment."

The reason I tell that story is that's where experience comes in. It goes back to the question of how my career's been since I left—pretty rewarding. I enjoyed all of that.

Q: In the example you gave, are tribal elders going to feel more comfortable talking to the guys with the guns, or the accompanying USAID or State officer?

STEPHENSON: Good question. The guy with the gun has the power. But that power comes from the gun. Once again, it depends – and you have to understand if you're an accompanying AID officer, for instance if you're in an embedded PRT, you have to know your place. More than anything I think, and even in an embedded PRT, you will be working with some captains but basically the person you're working with most is the brigade commander and his staff, those iron majors as they're called. You have to earn their respect, and you do that through experience. In working with the military one of the things I always did unashamedly was casually drop "Yeah, I'm a combat veteran from Vietnam, ex-Army officer." That gives you enormous credibility to start with; you know the secret handshake, you're a member of the tribe. But that doesn't do it by itself. It helps, but you by your actions and experience and advice and a certain degree of humility but not so much that you're going to be pushed around – you have to establish all that. If you establish that kind of rapport, people listen to you.

The other thing is when you're in that meeting with elders and sitting there, the fact that you don't have a gun means you're one of several things – you're there to help them, or you're there to spy on them. You have to establish those credentials.

Another element often forgotten is it is impossible to engage effectively with anyone who perceives you as threatening. Yes, in a combat area, your armed security team is vital, but they and you have to balance security and the mission. That may mean toning down the presence of security, taking off personal protection equipment, and making weapons less obvious. You are there to win hearts and minds. We can't have you go in and push people around. It cannot be ostentatious. You have to balance it out, and that is not easy and may differ from culture to culture.

When I was in Beirut, I made the case to I think Ambassador Satterfield, that since Hezbollah knew exactly where I was every place I went from as soon as I left the compound gate, why do I have to have a four-car package and 14 bodyguards everywhere I go? I said first of all the armored car was not going to protect me from an IED (improvised explosive device) or RPG (rocket-propelled grenade). I said, "They know where I am anyway." Every place I go I arrive with an entourage with assault weapons. I said it affects my ability to do my job. By then I'd been there almost three years.

The CIA station chief supported me; "Yeah, he's right. They're doing exactly what he says they're doing. Yeah, put him in a non-U.S. vehicle, give him a driver that's armed; we would support that." Our RSO said a flat no; that is not going to happen.

I understood the reasons for it, and this was obviously well before Benghazi, but I lamented this to my staff. They said, "We agree with the RSO."

I asked why. They said, "It may not save your life if they really want to attack you, but it is a kind of deterrent. And the other thing is, "You don't seem to have figured out the dynamics of how respect works in Lebanon. When you pull up in a village to meet with a mayor, that's the most important day of his year – nothing is going to top that. When you pull in with the four-car package and your bodyguards jump out of the car and form the diamond around you and you go in and they've already done an advance on the place and you have other counter-terrorism units out there, that makes you look really important. That makes you look like you're the ambassador and that's a big deal because it makes the mayor look important. If you just pull up in a Land Rover and hop out in your cargo pants, Oxford shirt and blazer…"

I said, "That's it?" It was a lesson in culture.

Q: Interesting. I would not have thought of it in those terms.

STEPHENSON: I should have, but I didn't.

Q: Did you give advice to USAID as time went by with the surge and the counter-insurgency, change in working counter-insurgency and so on?

STEPHENSON: I didn't give advice to USAID. There were USAID people on groups – for instance, when I was on panels at CNA (Center for Naval Analysis), there were USAID people there. I was basically identified as a panelist, working for Creative Associates; my background was well known and I knew all the people who were there for AID, had great relations with them. But no, I never got a call.

It is kind of curious in a way, because after the Obama administration came in and when Rajiv Shah came on board as the administrator, he and Secretary of State Hillary Clinton started off really early bashing contractors and saying they didn't need so many contractors. The NGOs thought it didn't mean them, but found out later that it did. There was a certain degree of enmity and bad blood that led to the forming of the Coalition of International Development Contractors, to counter what they were doing. I was at a swearing-in ceremony for Chris Milligan; Chris did a very nice thing. I think he had four of us individually stand up, people like Peter Kimm, who had really influenced his early career, and a few others. Chris addressed me last. USAID Administrator Rajiv Shah was sitting right in front of me. I stood up and Chris said what he wanted to say about me, and I sat down again. Rajiv Shah just kind of turned around and said, "You're Spike Stephenson?"

I said, "Yes sir, I am."

Shah said, "I hear your name all the time."

It was a compliment, but I thought, "Then why didn't you call?" There were so many things he was doing – my wife was with AID, deputy director in Afghanistan at the time. I knew people at HQ; I knew what they were going through in terms of feeling they had been sidelined; that the Shah team (even after it became a well-entrenched team) simply didn't listen to people who had 20-30 years of experience.

I was asked by AID – different parts of AID – to participate in some things. Most of this came in the two years I was in the penalty box after I retired, because I couldn't represent anyone before my former agency on anything for two years. There's one thing I was able to do in the two-year period, but the IG (inspector-general) still came after me for it. Fortunately, I had protected myself and had a record of it. I gave the IG investigator the name of the general counsel (GC) to call and said there's a chain of 13 emails, because before I accepted doing this for AID, I said you must get the GC's opinion and formal permission for me to do it, even though it wasn't working directly for AID, just something AID was involved with at the Army War College. I told the IG investigator, who I had known for years and admired, "I have the 13 emails but I figure you can find them on your own." It was embarrassing for her.

Q: I have one more question at this point, which is if you were giving advice to USAID now for its approach, a 10,000-foot strategy approach, having had the benefit of working at USAID and then being a spouse and seeing how it developed and changed programs subsequently, what kind of advice would you give to the agency and how it handles development assistance these days?

STEPHENSON: First of all, I don't feel qualified to advise AID on the long-term development part of their portfolio, which is the major part of it. I have not advised AID directly, but six years after I retired, and before Gadhafi was killed in Libya (this would have been the summer of 2011), the State Department asked CCO (Center for Complex Operations) at NDU (National Defense University) called and asked If I would be interested in participating in a workshop with about 30 others. The State Department was trying to figure out what to do in Libya and how to do it. The group was senior AID people, some currently with AID and some retired, think-tank people, current and retired senior state department people, senior military officers, the current US ambassador to Libya, people from INR (Bureau of Intelligence and R), Andrew Natsios (at that time, he was with Georgetown), and others. Virtually everyone had Iraq and Afghanistan experience

In the morning session, someone senior from State introduced everybody and said, "Here's our problem and we'd like to hear from you what you think." In the afternoon, it was the State Department people refining what we had advised and asking questions.

Andrew Natsios was the first to lead off, not by acclamation, but he can often be the tallest poppy in the field. Andrew is much more enjoyable since he's now unfettered. He said something very profound: all of us should remember how difficult this task is. He said, "Because we're the beneficiaries of 200 years of democracy, there's a tendency for us to forget what a radical concept it is, and that it is something that developed in

northern Europe and spread to the New World. But for millennia most of the world's form of government has been patronage and power centers based on patronage. Governments or societies that depend on patronage very often are zero-sum games." In other words, if you're doing well, I'm doing worse and vice-versa. There's only so much largesse to go around. He said, "The Western form of democracy doesn't work well in zero-sum environments."

I thought it was pretty profound. I brought up my axioms, developed through experience but particularly in El Salvador, Lebanon, Iraq Afghanistan: You can't want it more than they do; you can't do it for them; and even if you safely navigate axiom one and two, be prepared for it to take a generation or more before you know if you succeeded or failed. The codicil is that we are *enablers.*

But to go back to 'did you give them advice?' A white paper was done by CCO for the state department, and some of the recommendations made arguably contributed to Chris Stevens being killed. We advised to not go in with a big security presence--go in with a small organization. Do not try to do everything at once. Let's not repeat Iraq and Afghanistan. Enable, as opposed to doing it for them, and recognize what the culture of the country is. Libya was three separate provinces under the Ottoman Empire; there are tribal dimensions and so forth. I think we gave good advice; State seemed to adopt some of the things we suggested. But once again, I think that there was as good a chance – a better chance that Libya was going to go the way it has than there was that one could push it in another direction. Sometimes there are too many tribal interests and old grudges and in spite of your best efforts, sometimes you look like a novice in these places.

Given Libya's history, regionalism and tribalism, what happened there was thoroughly predictable. Was it preventable? I think the jury's still out on that. Even now, I have not given up on Libya. It is not always going to be the way it is today.

End of interview