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Defense Department Briefing on Progress of Reconstruction Work in Iraq; Plans For Reconstruction in Fallujah

MODERATOR: BRYAN WHITMAN

WHITMAN: Good morning, gentlemen. This is Bryan Whitman from the Pentagon. Can you hear us?

HESS: Yes, we can.

WHITMAN: Good morning. As many of you here in the Pentagon know, the Project and Contracting Office is responsible for implementing nearly two-thirds of the \$18.4 billion Iraqi Relief and Reconstruction Fund that was approved by Congress, and so they're a key organization to the success of our mission in Iraq.

And today we are welcoming Charles Hess, who is the director of the Iraq Project and Contracting Office, and Ambassador Bill Taylor, who is the director of the Iraq Reconstruction Management Office, for what is going to be one in a series of briefings that we hope to bring you over time periodically. Thanks to Amy Burns for arranging for this one and for subsequent ones that we'll have as we go into the future.

They're also prepared today to discuss a little bit about the reconstruction plans for Fallujah.

They can hear you but they can't see your smiling faces today, so when we get to the questions, if you'd just identify yourself and your organization, that would be helpful for them. They do have a presentation that they're going to make before we get into the questions. And so with that, gentlemen, I'd like to turn it over to you.

HESS: Thank you very much.

This is Charlie Hess. And on behalf of the Army's Project and Contracting Office of the Department of Defense, we're happy to be here this evening to brief the Pentagon press corps from Baghdad.

We're also very pleased, as was indicated, to have Ambassador Bill Taylor of the State Department's Iraq Reconstruction Management Office joining with us tonight.

And again, while our group, PCO, is responsible for the contracting and program project management

aspects of the Iraqi Reconstruction and Relief Fund, Ambassador Taylor's group has broad responsibility for identifying the requirements and the priorities as we discussed the last time we briefed, on the 7th of October. Together I think we can give you sort of a comprehensive understanding of where we are today with respect to reconstruction activities.

I know that you all have been actively engaged in covering the events in Fallujah. Many of your colleagues actually have been embedded in the action. We would also like to brief you today on that related subject and to include what's projected to happen in Fallujah as well as give you a broader sense of what's happening with reconstruction efforts in general.

Again, we'd like to give you some indication of what's happened in about the six weeks since we talked the last time, and so I will do that and then I'm going to turn it over to Ambassador Taylor to give you some thoughts and focus on what's happening with respect to Fallujah.

First of all, let me give you some insight into the metrics that we talked about last time, and again, which was briefed to you on the 7th of October. With respect to the money that's been committed of the \$18.4 billion, that amount that we talked about last time was about \$10.66 billion, that has grown to \$12.77 billion today, which is an increase of almost 20 percent, or roughly \$2 billion.

Obligations. The amount of money that we're contractually bound, obligated to pay firms is up by over a billion dollars, from \$7.7 billion to \$8.9 billion, or approximately 15.6 percent.

Additionally, as a point of information, many of those contracts, which were awarded in open -- full and open competition -- many of those have been awarded to Iraqi firms, approximately 4,500 of which are under the management and stewardship of Iraqi-owned firms.

Amount of money that's been disbursed with respect to the program has gone from 1.3 billion (dollars) to approximately 1.77 billion (dollars), which is an increase of nearly half a billion dollars, or 34 percent, since the 7th of October.

And while those financial numbers are, I think, good news, perhaps the more compelling story is the number of construction starts. Right now, since the 7th of October, when we had 703 construction projects under way, we've now increased that number to 873, which is an increase of approximately 24 percent. And we are on target to surpass our goal of having a thousand construction starts by year end, which was outlined to you in our last briefing.

As we've talked previously, security is still a serious challenge. But as we indicated in these metrics, we are still moving forward, and we are still working to achieve our three main goals, which we talked about also at that briefing: one, which was to improve the infrastructure of Iraq; second, to improve Iraqi employment through the use of local Iraqi firms and subcontracting to the maximum extent we can to Iraqi firms; and then, finally, to build capacity within the ministries and within the interim Iraqi government, so that they can in fact do much of this work in the future themselves.

With that as a backdrop, let me turn it over to Ambassador Taylor, who can update you as well and give you some specifics on the situation in Fallujah. Thank you.

TAYLOR: Thank you, Charlie.

On Fallujah, as you know, the successful military operation needs to be followed by an equally successful reconstruction operation. The Marines, who have been doing most of the work along with Army and working very closely with the Iraqi forces, have done a lot of preparation for the reconstruction in Fallujah. They

have focused their attention on preparing for humanitarian work. They've pre-positioned a lot of stocks of food and water and medicine. They have been preparing to start up on small reconstruction projects, in particular those that will restore essential services. So people are taking a look and assessing what the problems are with electricity distribution lines, for example, and sewer lines, water treatment in order to get clean water to people. We will then be able to move into the smaller projects of schools and clinics, and then eventually get to the larger projects that will -- that have been planned for some time but have not been able to move forward during the past several months.

This, as I said, is a carefully coordinated program. We are working very closely with the Iraqi government. The Iraqi government has designated a Cabinet minister, Minister Hassani, who is the Minister of Industry and Minerals, to be the lead for the Iraqi government in this reconstruction effort. So he and I have met now two times. Our staffs have gotten together. The ministries of electricity and health and water resources, municipalities have gotten together with our folks in terms of the Marines and the Army, who are going to undertake these efforts, to coordinate that work. They've put up a good amount of money. We have some funds identified that will allow us to move forward on this reconstruction. As I say, this will be as important as the military operation in order to consolidate the victory.

With that, I think we're ready to take your questions.

WHITMAN: All right. Thank you, gentlemen, for that overview.

Let's go ahead and start right here.

Q: This is Will Dunham with Reuters. Gentlemen, can you say how much money is being devoted to Fallujah? When do you think the earliest that some of the projects can begin in earnest?

TAYLOR: We have identified tens of millions of dollars. The government of Iraq has identified tens of millions of dollars. These -- we're still working -- as I indicated earlier, we are working together with them to figure out which projects we should do and which they should do. This could get into the order of a hundred million dollars or so, into Fallujah.

In terms of when, of course, the first thing that has to happen is the final military action needs to be completed. As you know -- as you've seen, there are still some problems there. It's not totally done. I think we are in full control, but there are still pockets of resistance. And there's a lot of booby traps and of other explosives that are around that will inhibit our work.

Some work, however, has already begun. As I say, the Marines have begun some clean-up work themselves. I would imagine within a week or two our projects will be able to be assessed and begun in terms of contracts with local construction firms, that is with Iraqi construction firms there in Fallujah. So within a week or two, again, depending on when the city is cleared of people opposing what we're trying to do, we ought to be able to get the first of these small projects going, as I mentioned earlier.

HESS: (Off mike) -- with Bill's assessment there. Again, our experience in Najaf and Samarra has indicated to us that it takes approximately a week to two weeks. Many of these projects that will be started are in fact projects that were curtailed as a result of the hostilities. We have existing contracts, and it's a matter of just getting those contract entities back in position and getting them started up again. But clearly, we are waiting for our cue from the maneuver commanders to do that.

As an example of some of the projects that will be undertaken in Fallujah, we have a significant amount of money, approximately \$8 million, identified for water-supply improvements. We've identified four new schools that will be constructed for a total of about \$4 million. We'll be buying new solid-waste equipment, garbage

trucks, so that they have some continuing means of debris and trash removal, along with many other projects. So those are the kinds of things that are in the portfolio.

Q: Briefly, the \$100 million figure that you mentioned, that is a combination of U.S. money and Iraqi money?

HESS: That's correct.

WHITMAN: Pam, go ahead.

Q: Gentlemen, this is Pam Hess with UPI. Mr. Hess, I don't think we're related. (Laughter.) I have two questions for you. The first one is on that \$100 million. That's money that was allocated before this battle. How much more do you think Fallujah is going to take to reconstruct, because that money was already on the books before at least 250 buildings were destroyed.

My second question is longer term. One of the problems that you have had throughout Iraq, but especially in Fallujah, is that there's not really a strong local economy. And it is our understanding from what you all have told us that the insurgency was a large part of that economy -- people were getting paid to take potshots at U.S. forces; paid to lay bombs. What are you going to do long-term for the economy there to make sure that Fallujans have actual jobs even after the initial money is spent from reconstruction, because obviously there will be an uptick in local employment for a while?

HESS: Let me start with the first question. And again, I think that addresses the issue of what needs to be done and how do we address those needs.

The reality is, we have teams of people, along with the civil/military operations folks, in Fallujah. They've been there for probably the last week to 10 days, assessing what needs to be done. And those -- frankly, those assessments will continue as more and more of the city becomes available for us to evaluate. So consequently, our estimates and our evaluation of what needs to be done will change, very likely, across the upcoming days.

Again, many of the projects that we've -- we have in our original portfolio are the kinds of things that you would need in any event -- again, improvements to the water system, power lines to certain neighborhoods, water pumping stations and so forth.

But in addition to that, we'll be certainly looking at damage. And again, one of the elements of this sort of portfolio that we're pulling together -- it's not just what's in the existing IRRF program, but it's also monies that had been allocated to the maneuver commanders and the Commanders' Emergency Response Program. So between that, the money that the Iraqi -- interim Iraqi government is going to be allocating for Fallujah, again, we will try and make the best match of projects and fill in the gaps with the money that's also coming in from other sources.

TAYLOR: Exactly right. That hundred million, as we said before, is both U.S. and Iraqi funds. And so none of the Iraqi funds were scheduled to go in there before the fighting. So those -- all of those are new.

As Charlie indicates, some of the more mobile programs, such as the CERP, the Commanders' Emergency Relief Program funds that the maneuver commanders have, but also USAID has similarly mobile funds under a program run by the Office of Transition Initiatives, OTI, in USAID -- and those you can move, and those have been increased. Both the CERP and the OTI funds have been increased, along with the Iraqi funds. They're a significant amount of new money going in, in addition to the current plans.

On the longer-term question, you're of course exactly right. In the long term, the economy needs to

grow. People need to go back to work in jobs there -- Fallujah was known, has been known for some time as the center or a center of construction jobs and construction firms. So it has a base, it has an economic base that needs to be rebuilt because there is damage to the city, but that's the kind of program -- the kinds of projects we need to move into; that is, restoring the electricity, restoring the water, restoring basic services so people can move back in, begin to repair and resume their lives, hopefully better lives without the extremists there. And that will generate the jobs that is the answer. The jobs are the answer for the long term.

WHITMAN: Donna, I think you were next if you --

Q: No, actually --

WHITMAN: You didn't? Okay. I'm sorry.

Q: Thank you. (Laughs.)

WHITMAN: Let's go ahead over here.

Q: Mr. Hess, is it? I'm Joe Tabet from Al Hurra TV. Could you tell us if there is any construction projects on the Iraqi border to protect Iraq from illegal entry? And if yes, what kind of -- what type of project are --?

HESS: I'm sorry; I didn't catch the full extent of the question. I think you asked about Iraqi construction firms involved in projects?

WHITMAN: I think the question, if I may paraphrase, has to do with any projects that might help with border security and what those might be.

HESS: Yes. In fact, there are many projects. We have a substantial number of border forts under way, which are a part of the portfolio for the MNSTC-I program, and General Petraeus. Those projects are scattered throughout the bordering provinces to many countries, including Syria, Iran and others. And so those are under way and in construction, and many of those have been completed.

WHITMAN: Martha, go ahead.

Q: Just a couple of questions, sir. It's Martha Raddatz from ABC. I'm looking at your figures that you passed out on -- in these papers or your PowerPoint presentation here and you have -- say that you prepositioned humanitarian assistance, to include 14 days' supply of food and water, 2,000 health and comfort packages, 90-day supply of first aid. That seems low. How many people do you think are in the city that need assistance, and could you give some more specifics about what else is prepositioned in terms of sewage trucks, in terms of electrical workers that you've coordinated with the Marine Corps?

TAYLOR: In terms -- to your question about how many people are in the city, most people left. Most people left the city before the fighting. The people who remained did the fighting with our forces. We are now in the process of going out to the surrounding villages, where many of the people who left Fallujah are now staying. And they're staying with friends and relatives, in hotels and schools. So they are gradually going to come back into Fallujah, at which time we will, together with the Iraqi government, be able to provide for their needs.

The Iraqi government is making their plans, their very specific plans, to move food through the normal food-rationing system into Fallujah. The medical supplies that we've got there -- actually, it may not be fully evident -- medical supplies are adequate for probably three months in the clinics and in the hospitals there.

Right now, when people drive through the city they don't see civilians; the civilians are not there. There may be some people in houses, but they haven't come out in any kind of numbers yet. There are not very many people in the hospitals at this point. So we are prepared and ready for them when they come back; the government is prepared and ready for them when they come back, and additional supplies are coming from Baghdad and from the surrounding areas into Fallujah to be prepared.

Q: If I could just follow up, too, if you could go into the specifics. And also, one of the things you said in one of the questions, I guess, was we haven't decided on some of the projects who will do them, the Iraqis or the Americans -- if I'm correct about that. It seems that that would have been something you would want decided before this happened. Are you concerned that working this out also loses time?

TAYLOR: As I mentioned, the Iraqi government has recently decided how much -- in some general terms, how much money they're going to put into Fallujah. We have been meeting for the past two weeks with the Iraqi government and their ministries to talk about the specific projects and their priorities and our priorities. We have described to them our existing plans, that Charlie has described; we have described to them our ability to make changes, and particularly in the smaller, more immediate projects of cleaning and repairing with the two more mobile programs that I mentioned earlier, both the CERP and OTI.

So yes, we've been doing some planning well in advance on the Marine side. They've been doing some thinking about that. We are now comparing. We've got a week or two to continue these preparations, to bring supplies in, to identify contractors, and to be able to get started when the military commander on the Marine side, together with the governor, the acting governor that the Iraqi government has appointed, when they say it's time to go in and this part of the city is clean and ready to move, and this part of the city is clear of military problems, then we'll be able to move in. And I believe we will have a well-coordinated program. We have the makings of it right now. In the next week, we'll continue to work on that.

HESS: And I would add I think we also have contractual mechanisms in place that would allow us to rapidly get additional contracts placed if there are particular needs. For example, in terms of debris removal and things of that nature, where you don't necessarily have a full understanding of the quantity of materials to be removed, clearly we have indefinite delivery, indefinite quantity type contracts that can be used to adjust, based upon what we find when we get there and have more understanding of what the needs really are.

WHITMAN: Tony?

Q: This is Tony Capaccio with Bloomberg News. One question, one narrow question. Can you give us a sense of the extent of damage in Fallujah, in terms of how many homes, buildings, and what that represents from the whole city standpoint? It's hard to get a feel from Washington.

TAYLOR: Both Charlie and I will be down there shortly to take a look for ourselves. The reports that we've gotten in the last couple of days are that there are many buildings that are damaged. A limited number of buildings have been destroyed, but a large number of buildings have been damaged. So we understand there's a lot of work to be done.

The electricity distribution -- transmission and distribution lines are down. They need to be repaired. There is the need for rebuilding of some houses, probably many houses, at least repair of these houses.

So I'm expecting that we will see the extent of the damage when we go down there shortly.

HESS: Right. And I guess if -- I think we'll probably expect to see more damage, obviously, than we saw in Najaf and Samarra. So again, if you have some sensing of what that was like, I think this will be certainly

more significant.

Q: To what extent are you getting the sense from Iraqis that this is going to be considered a major test of both the interim government and the U.S.'s ability to not only defeat the insurgency but to restore stability? Are you worried about heightened expectations that you need to dampen?

TAYLOR: We have a commitment to the people of Fallujah -- indeed, to the people of Iraq -- to help them reconstruct their city and their country. We take that commitment very seriously.

There is no doubt that there is damage to that city, and we've seen over the past year and a half damage to this country, and that's what Charlie and his colleagues and others that are working on this thing are committed to help repair. So yes, we have a commitment; we are confident that we will meet that commitment.

WHITMAN: Bob Burns.

Q: Ambassador Taylor, this is Bob Burns from Associated Press. Last time we talked to you, in early October, you discussed the extent to which security was a limitation on carrying out the construction projects. And I'm wondering, beyond Fallujah and the rest of the Sunni Triangle in particular, would you say now at this point that security is more or less of an obstacle than it was six weeks ago?

TAYLOR: I would say it's different. In some places it's more; in some places it's less. It is less of a problem in many of the provinces. There are only three or four provinces where security is a big problem. There are incidents in other provinces, but in particular in the northeast and in the south, we are able to operate projects without much difficulty.

As you indicate, in the center, the center -- Baghdad, Fallujah, Ramadi, up to Samarra, then up in Mosul -- so the Sunni areas and then up in Mosul, it is worse today than it was, and we are having greater difficulties from security at that time.

We are at this kind of one by one. Charlie indicated -- he reminds us that we did this in Najaf, we did this in Samarra, we did this in Sadr City. We're now doing it in Fallujah. We are moving through the areas, the cities where the insurgents have given us a hard time and have kept us from doing reconstruction. And indeed, we're worried that in some areas -- again, not all, in some areas it would now be difficult to have elections. And it's that kind of work that we need to do between now and January so that we can have elections in the entire country.

HESS: And I would agree with Bill in that assessment. Again, we're seeing, I think, a change in terms of what's happening in the security environment. Again, one of our mechanisms to deal with that, frankly, is to start as many projects as we can, given the fact that we know the insurgents can't be everywhere. And so consequently, the more projects we start, we certainly are moving Iraqis out, we're getting them employed, they are doing meaningful labor, they're restoring their country. And in and of itself, that is a very positive and powerful thing that we want to accomplish here between now and the elections in January.

WHITMAN: Lisa?

Q: Lisa Meyer from Associated Press Radio. Following up on what Bob was talking about, gentlemen, I'm wondering what are you going to do specifically to protect projects against sabotage? And what security arrangements, in broad terms, do you have in place to protect the people that are working on the projects?

HESS: Let me start with that one. In regard to sabotage, that is still a challenge. Clearly, we've seen instances of that occurring in various places, particularly in the oil sector, where the insurgents have a

propensity for damaging and destroying the source of revenue and income for the government. And that is a problem.

Given that, again part of the solution is to make sure that we've got systems and mechanisms in place to deal with the security, by either hiring firms; by looking at mechanisms to track and maintain visibility over the commodities that we move into the country, which we're doing; by more closely aligning ourselves with the maneuver commanders who are out there in the battle space so we know where we should operate and where we shouldn't operate; and by, again, using many more Iraqi firms to help support the effort, given the fact that there's a lower profile and they can fit in and have less of a footprint in terms of security problems. And so we're using all of those things in various ways and in various places, I think, to try and mitigate the security situation.

TAYLOR: Charlie mentioned the problems with oil and oil supplies. The product deliveries into Baghdad have been receiving an inordinate amount of attention from the insurgents. And the Minister of Oil is very concerned about this exact question, about the security of people repairing oil lines, and intimidating truck drivers. He has come to us, and we've been working, as Charlie indicates, with the maneuver commanders in the area to provide specific protection and convoy protection on the way between supply points.

But in addition, he also has been in touch, of course, with his Prime Minister and his Minister of Defense, who has agreed to provide two battalions that the oil minister needs to be deployed on specific areas. So in addition to the measures that Charlie described, the Iraqis themselves are taking measures to help deal with the security problems.

WHITMAN: Gentlemen, we'll make this the last one.

How about somebody that hasn't one. Go ahead.

Q: Thank you. Rebecca Christie from Dow Jones Newswires. I wanted to ask about contracting relationships, particularly by the U.S. U.S. contractors have said that there are more auditors on the ground in Iraq than there are project managers, and that they have sort of run into trouble with contracting regulations because they don't have the on-the-ground oversight to help them navigate these U.S. rules, and then auditors are trying to apply rules that maybe don't work as well in an unstable environment.

HESS: Let me provide some comment on that. Clearly there are a lot of auditors here. You're dealing with an exceptional amount of money, and we need to protect the public and the Congress' interest in the amount of money that they put into the Iraqi Relief and Reconstruction Program. And so, consequently, you will see auditors.

My belief, in talking to the prime contractors and the sector contractors who are working with us on this program, is that where there have been issues in terms of providing information to the auditors, we've done that. Again, I think it's important that we have appropriate oversight. This is an extremely large amount of money and it's moving in very many different places to try and accomplish many things at the same time. And so, consequently, we want to make sure that, when all is said and done, we've gotten the best value for the taxpayer's dollar in terms of the investments we've made throughout the country. And so, again, my sense is if there are issues we're working through those, and I'm personally not aware of any at this particular instant, which are truly an impediment to us making progress.

Having said that, we certainly are embracing the use of Iraqi firms. Clearly they play a very large part of this equation, and it's very much as if this were a U.S. disaster where local firms need to be engaged in the solution, and those local firms come from all over Iraq, not just from here in Baghdad.

Q: (Off mike) -- contractors are penalized by auditors for hiring local firms because they can't provide the

same documentation or the same types of accounting that a Western contractor might be able to provide?

HESS: I'm not aware of any issues at this particular point in time with local firms being precluded from bidding on a project as a result of accounting requirements. In fact, just recently, most of the work that's being done on the village roads -- we've got five governorates awarded now, approximately 217 kilometers of roadway under way. All of that work is being done by local Iraqi firms.

WHITMAN: Well, gentlemen, again, thank you very much for your time this evening. We hope to have you back in a couple of weeks to continue to give us updates on how things are going in the reconstruction business in Iraq. Thank you.

HESS: Thank you very much.

TAYLOR: Thank you.

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