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Presenter: Director of the Iraq Reconstruction Management Office Ambassador Joseph Saloom and Commander of the Gulf Region Division , Army Corps of Engineers, and Director of the Baghdad Project Contracting Office Brig. Gen. Michael Walsh

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2007**

DoD News Briefing with Ambassador Joseph Saloom and Brig. Gen. Michael Walsh

(Note: Ambassador. Saloom and General Walsh appear via videoteleconference from Iraq.)

COL. GARY KECK (director of the Press Office, Department of Defense): Good morning, everyone. Good to see you here at the Pentagon today.

MR. SALOOM: Good morning. Good morning.

GEN. WALSH: Good morning.

COL. KECK: Gentlemen, obviously you can hear me. That's good.

As you all know, I'm Colonel Gary Keck, the director of the Press Office. And today we have with us two individuals who are making a huge impact on the lives of Iraqis:

Ambassador Joseph Saloom, who is the director of Iraq Reconstruction Management Office. And he has been in this position since last year, and he's responsible for coordinating overall U.S. government efforts to promote reconstruction and economic growth in Iraq. He also manages the funds appropriated by Congress for supporting economic and democratic development and reconstruction in the country.

He is joined by Brigadier General Michael Walsh, the commander of the Army Corps of Engineers, Gulf Region Division. And General Walsh and his team are also working on numerous projects to help rebuild the Iraq infrastructure.

They have opening comments, and I believe General Walsh is going to begin. And after that time, we'll turn it over for Q&A. So with that, General Walsh, I'll turn it over to you.

GEN. WALSH: Good morning, everyone. I certainly appreciate this opportunity to talk to you today about the ongoing construction mission, construction efforts here in Iraq.

As I stated earlier -- yesterday, actually, in Admiral Fox's round table -- the reconstruction effort in Iraq is

extremely challenging. But as an Army engineer, I can think of no better experience than being able to help a nation rebuild its infrastructure.

To date, the United States has contributed almost \$22 billion of Iraq's -- to Iraq's rebuilding effort, an effort that was estimated by the World Bank to take an overall total of between \$60 (billion) and \$80 billion, and that estimate was made in 2004.

While our efforts to date have been successful, we should remember the U.S. contribution was intended only to jump-start the rebuilding efforts, to help the Iraqi government lay a foundation upon which they can continue to rebuild their country.

Every day in Iraq we see successes of the United States -- the U.S. government's construction program -- better essential services where in many places there were none before, and 75 percent of the country has twice as much power as it had before the war. Many of the services are things Americans take for granted -- access to medical facilities, a fire station, a school in your neighborhood, paved road, clean water -- these are the things that we're working on.

At the end of fiscal year 2006, the Department of Defense had obligated all of its \$13.4 billion Iraq Reconstruction and Relief Funds on a broad range of projects throughout the country. We have set our goals, and we're keeping track to meet those.

A few examples: of the 1,045 school projects that are planned, we've completed 976; we've completed 154 border forts; we've finished 92 of the 97 fire stations that we have planned; and we've completed 93 of the 102 railroad station renovation projects that we've been working on.

On any given day, the Gulf Region Division is working on approximately 1,100 projects across the country. The vast majority of these projects are on track, with a good, solid construction and meeting the deadlines that we have set.

SIGIR set it themselves in their quarterly report and in congressional testimony that we are constructing quality projects. In their last quarterly report, 90 percent of the projects SIGIR inspected met standards. And the SIGIR himself said in testimony, he said the number of projects is probably understated, since some of the projects are selected due to known or suspected problems.

Realize this -- if just 1 percent of the 1,100 projects that we're working on had problems, that's just 11; those are the 11 projects that get spotlighted.

But there are 1,089 projects, good projects, that are advancing and enhancing the lives of Iraqi citizens every day, and the U.S. taxpayers don't hear about that. Those are the projects that I'm here to talk to you about today.

I'm talking about the projects that enable Iraqi children to be educated in clean, safe environments or play in newly built youth centers, that enable the Iraqi infants to be cared in modern medical facilities that previously did not exist, or generate power to operate these facilities.

One thing we hear continuously is of the electrical situation in this country. The reality is the country never had 24 hours of power. Before March 2003, much of Iraq received only four to eight hours of power per day, with Baghdad receiving 16 to 22 hours of power daily. Today the electrical distribution is much more equitable throughout Iraq, with most of the country receiving an average of 10 to 12 hours daily. As I stated earlier, 75 percent of Iraq now receives twice as much power than they did before the war. And that's a good thing. However, Baghdad is now receiving only six to seven hours of power daily, and that is something that we're focusing on to improve.

But you have to understand electricity. We must first understand the whole picture. After the war in 2003, the demand from the Iraqi people rose 20 -- 32 percent right after the kinetic operations, and that has risen 10 percent every year thereafter. At present it is estimated that demand for power has increased more than 70 percent since 2003, and that is a good sign. It means that people are able to buy more luxury items -- washing machines, televisions, air conditioners, things of that sort. However, it means that we must add capacity to the Iraqi system as we're continuing to chase that increasing demand.

Contrary to many who report on this effort, our goal was never to provide 24 hours of power, but rather to jump-start the process by helping to update and stabilize the national grid. Our goal was to provide Iraqis with enough power for essential services such as hospitals, water treatment plants, police stations, sewer lift stations, as well as additional power for homes and businesses.

Or course, with more than 17,000 kilometers of transmission lines to protect, there is frequent interdiction of the towers and the lines, which severely hampers our effort to provide megawatts to the grid.

But we are not swayed, we are continuing to work on that and are making progress.

Another area in which we are making progress is in health care. The Basra Children's Hospital project will be the first newly built hospital in Iraq since 1986. This 94-bed facility is being built on 13 acres and will focus on acute care and pediatric oncology. Currently, Iraq's ability to provide adequate medical care for the country's most seriously ill and injured children is virtually non-existent. The Basra Children's Hospital is expected to be complete in late 2008.

Another project is the Erbil water treatment plant. It's another example of a successful reconstruction project. This \$191 million facility was completed in July and the operations were turned over to the Kurdish regional government. The facility is one of the largest infrastructure projects in Iraq, which provides water for the population of more than 950,000 people, and required the coordination with Erbil Ministry of Electricity to build an electrical substation to support the additional water pumps. So you can see it has been a success story. It shows how everyone is coming together for the greater good of Iraq.

However, we cannot forget that we are in a war zone and the cost of doing construction in a war zone is high. We have lost good people and have had setbacks through the insurgency, and the security is difficult. But we still have completed more than 3,000 projects to help the country of Iraq jump-start its economy and solidify its infrastructure. We count the thousands of projects being completed by individual commanders that are also in the field, using CERP funds, there's about 11,000 projects, large and small, that the United States has put together to help the people of Iraq.

And as I pointed out, we're not doing this alone. By teaming with our Iraqi partners, the Gulf Region Division -- actually we hire about 30,000 Iraqis to work on the construction projects that we're doing here. We are working on building the foundation for the continued success.

Certainly the work in Iraq is challenging and difficult, but the reconstruction efforts are a vital component to Iraq's progress towards democracy. Ultimately, it's up to the Iraqi people to rebuild and secure their country. We are giving them the assistance they need to help ensure that success.

Thank you for your interest in this important part of Iraq's future.

I would like to turn over the podium to Ambassador Joe Saloom, Iraq Reconstruction Management Office, and my partner. Then we'd be happy to answer any questions.

Sir?

AMB. SALOOM: Thank you very much, Mike. It is indeed a pleasure for me to join with our friends in Washington and with my friend and partner Mike Walsh. We work in similar fields, but we have different roles.

Mike is the guy that actually builds things. I'm the coordinator not only for construction assistance, but for other forms of project assistance. This -- I do provincial outreach through the provincial reconstruction teams, capacity building, agriculture, economic development and so forth.

And I think the message I want to start with is that when you look at the broad sweep of U.S. assistance, there is a real shift. And it is a shift away from us building large things, from us -- from this jump-starting phase, as Mike put it, to our more working to build their capacity to do things for themselves. If you look at -- the large projects were largely funded, as Mike mentioned, from the Iraq Relief and Reconstruction Fund. Well, we've expended all but 15 percent of that, and we expect to be well under five percent by the end of the year.

Looking beyond the completion of these projects under the what we call "IRRF" fund, where we will be working with the Corps of Engineers will be increasingly in smaller high-impact projects that the local provincial governments have selected in cooperation with the provincial reconstruction teams. In operations and maintenance and in technical-capacity building -- Mike runs a very interesting program where we have people sitting in the most important generating plant, in a sense looking over their shoulder and training Iraqis to take over the appropriate operations and maintenance of projects that he has built.

The real focus of our capacity-building is in what has come to be called around here "budget execution." One of the weaknesses that we have observed in the last couple years is that Iraq has voted large budgets for projects -- basically, again, water, sewer, electricity and so forth -- but over the years has not been able to implement fully those budgets.

For example, last year they only implemented 40 percent of their capital budget.

This is a problem, as I say, more for investment in capital projects. They seem to be able to spend money on salaries and so forth, but when it comes to actually channeling their considerable resources to actually build things for the population, that is an area where they need our help and where we are concentrating our assistance. We're assisting them both in immediate technical assistance but also in longer-term training.

The government of Iraq recognizes that this is a very serious priority, and they are setting up special units. And we are helping them set up special units that can help both the ministries and the provinces to put together projects to do budgeting and project management so that they can actually implement more of these things themselves.

On the positive note, they have passed the 2007 budget and already have sent 10 percent of those investment funds for 2007 out to the provinces.

In the longer run, Iraq is a large country well endowed in natural resources and should be very attractive to private investment to help really spur its development. I'm sure you saw recently that the cabinet just approved the hydrocarbon law; several months ago, they also passed the investment law, and we are hoping that those are things that will be very important in improving the investment climate.

I think I'll end right there and turn it over to Colonel Keck to moderate. Thank you.

COL. KECK: Okay. Thank you, ambassador, and thank you, General Walsh.

I would remind you that they cannot see you, and please let them know what news organization you're from and who you'd like to answer the question.

Let's begin with Kristin.

Q General, this is Kristin Roberts from Reuters. The last time we saw you -- well, some of us in this room saw you -- was in December in Baghdad traveling with the secretary. At that point, you told us that about 11 percent of your projects were delayed by security problems. Can you tell me what that figure is today?

GEN. WALSH: Right. The figure now that I've reported to General Petraeus is about 12 percent of the projects are delayed for security reasons.

Q As a follow-up, can you tell me the extent of those delays? Are we talking about a few weeks, a few months? Or are these things been put on permanent hold?

GEN. WALSH: It really depends on where the particular project is. There are some that are on hold until the security is better, and there's others that are delayed because the contractor can't get to the project site for a week until operations are cleared to an area.

COL. KECK: Go ahead, Courtney.

Q Hi, general. This is Courtney Kube with NBC News. You mentioned that there is about six to seven hours of power per day in Baghdad right now.

It seems as if there hasn't been any progress in providing additional power to people in Baghdad. You have millions of residents there. What's the holdup? What's keeping them from getting up to the level of the rest of the country?

GEN. WALSH: Well, it is extraordinarily complex. As I mentioned, we're chasing a rising demand as Iraqi folks buy more things to put on the grid. But the other thing, especially during this time of year, we take a lot of megawatts off the grid and put those systems into a maintenance cycle in preparation for the summer cycle. So we'll be bringing a few hundred megawatts back on line as we get closer to the summer.

Q General, this is Joe Tabet with Al Hurra. Just to follow up on the power question, do you have any timetable, or when do you expect that you can provide Iraqis 24 hours a day, full power?

GEN. WALSH: You're coming in static. I couldn't hear that.

Q My question is, when do you expect you can provide the Iraqis full power, 24 hours a day.

GEN. WALSH: I'm sorry, I couldn't get that.

COL. KECK: Joe Tabet from Al Hurra wanted to know, is there an expected date that there will be 24-hour power capability in Iraq?

GEN. WALSH: Got it. Yes, I was talking with the minister of electricity -- and again, as I mentioned, we're chasing the rising demand -- but he was mentioning that he thinks we can catch up with that demand somewhere about 2013. Now, we weren't talking specifically about 24 hours, but I think somewhere in around that area, about 2013.

We got to remember how long it takes to put a generator into place: a turbine generator is typically a year and a half, and a thermal generator is anywhere from three to five years. And if we compare the amount of time it takes to put a generator in place here to doing it back in the United States, we can do it here a lot faster because of the requirements on going through many of the permitting procedures that we have back in the United

States. So it's difficult to do either in the United States or here to put generators in place, but we're able to do them here a little bit faster.

COL. KECK: Joe, did you have a follow-up?

Q Okay. I have another question. This is Joe Tabet again. You said in your opening statement that 154 border forts are completed. Okay. I'm going to ask the question and Colonel Keck can -- okay.

COL. KECK: I'll repeat it.

Q The question is, you said in your opening statement that 154 border forts are completed. Could you give us more details about locations? Are they enough to provide security on the borders?

GEN. WALSH: (Off mike) -- engineers built 154 border forts, and MNSTC-I, working with our Air Force partners, built another, I believe, 90. And so across the country at the borders, I believe that I hadn't heard of any more requirements for border forts.

COL. KECK: Dave?

Q Gentlemen, this Dave Wood from the Baltimore Sun. As you know, the most critical part of this new approach in Baghdad is providing jobs, employment for the vast numbers of unemployed kids there. Could you talk about what you're doing as a critical emergency step to provide short-term employment for folks in Baghdad?

GEN. WALSH: We're working -- in regards to jobs in the areas, we're working with certainly USAID from the State Department, is working very closely with the BCTs in trying to get short-term jobs going. From where I work, as I mentioned earlier, we employ about 30,000 Iraqis across the nation in the reconstruction effort. In my office in and of itself, I have about 500 Iraqi engineers working for me. But there's a lot of efforts to jump-start getting jobs for Iraqis, but mostly in the State Department arena.

AMB. SALOOM: We're funding a program called the Community Stabilization Program, which is done by AID through contractors. And it is linked up very closely with the combat maneuver units. It comes in after an area has been cleared, and has been very active at creating jobs, specifically in the Baghdad area.

Q I'm Carl Osgood with Executive Intelligence Review.

General, you mentioned the Basra Children's Hospital. I seem to recall hearing last summer that this was a project that was way behind schedule, it was over cost, it was -- there were a lot of problems with the contractor, and that it wasn't being built in consultation with Iraqis. Can you sort of provide some details as to where -- what has actually been happening with this particular project?

GEN. WALSH: Yes, certainly. It's one of the projects that we're working very closely with the State Department. It was being run by a different part of the State Department and had a Western contractor trying to accomplish that work. It was decided to take that work and pass that over to the U.S. Army Corps of Engineers for us to put together.

Since that time frame, we've had about 600 Iraqis employed in that job working and putting -- placing the concrete, get the rebar in place and working -- it's on the third story now. So the work is moving along very well. There's an exterior wall around the hospital that we painted with bright colors and cartoon characters on it, just so that people in the neighborhood know that we are building a children's hospital. And we've been working with the mayor and the local community, bringing them in, so that they can see how the work is proceeding.

Q General, Jeff -- oh --

AMB. SALOOM: Well, and hiring people in the neighborhood -- I'm sorry.

Q Tell him we didn't --

Q Sir, Ambassador Saloom, we did not hear that.

GEN. WALSH: Go ahead and repeat that.

AMB. SALOOM: Hm? No. I just wanted to say that I've been down there. I visited the site, and one of the things that Mike didn't mention and I think is very important is how many people from the local neighborhood have actually been employed, working on the job site.

Q Thank you.

Q General, Jeff Amey with BNA's Federal Contracts Report. There have been some recent reports and criticism on the Hill about the military's ability to manage and oversee contractors in the battlefield. And I understand that with most of the IRRF obligated -- that there's been a shift from these large construction contracts going to U.S. contractors. But has there been any recent policy or guidance issued to improve how the military manages contractors in the battlefield, specifically with regard to private security contractors?

GEN. WALSH: Well, certainly we -- as you know, being part of the military, we constantly go through after-action reviews. And certainly, as we finish up our project or are actually even working through it, we try and figure out how we can do it -- how we can do that particular job better.

Some of the things that we have done were shifted from large Western contractors with a design-build cost-plus to a fixed-price type of contract working with local Iraqi firms.

To help with that, we've also hired a number of Iraqis to work with them doing quality control and quality assurance, which is what we normally do from a Corps of Engineers' perspective. So we'll have a lot our civilian volunteers from the United States come and oversee a project office, hire some Iraqi quality assurance folks and oversee particular projects.

In regards to security on a particular project, that's part of the contract in and of itself. If we're building a primary health clinic, the contractor is required to provide site security.

Q General, this is Kristin Roberts again with Reuters. Can you tell us what progress, if any, the Iraqi government is making in its ability to manage these reconstruction projects?

GEN. WALSH: Well, I think the -- you know, I can't give you the full context of what it's like, as I haven't met with all of the mayors. But I did meet with the mayor of Baghdad today, and we were laying out some of the projects that he's been ongoing -- or has been ongoing with the Amanat's office, with his department of public works, and they've got a tremendous amount of work that's going on that we didn't quite have full visibility of until we started meeting together with the provincial reconstruction teams, as the ambassador has already talked about.

And so I don't think we have the full grasp of what has been going on in each of the cities and towns that have been ongoing. And I think I'll leave that there.

AMB. SALOOM: (Off mike) -- team the other day on that, and they have done just shy of \$100 million worth of sewer contracts from their FY 2006 budget. So they're, you know, getting substantial money out there and signing contracts.

Q General, this is Dave Wood again from The Baltimore Sun. I'm not sure this is in your lane, but do you know how much of the facilities that the U.S. forces are using in Iraq are designed to be turn-key and provided -- turned over to the Iraqis?

GEN. WALSH: I'm sorry, that came in broken again. I think I heard turn-key?

COL. KECK: Yes, sir. Sir, he asked if there are specific facilities that have been built to be turn-key facilities that can be immediately turned over to the Iraqis to use.

GEN. WALSH: Roger. And certainly that's what we're doing with a lot of our new projects, like the primary health clinics.

It's not just the structure in and of itself, but it's also a lot of the medical equipment: the x-rays, the dental chairs and the things that need to run the primary health clinic.

And in addition to that, we also have a capacity development part of that contract, where we train the operation maintenance staff on how to maintain the facilities, the medical staff on how to maintain the x-ray and the dental equipment. And then the ministry of health comes in and brings in consumables as well as the doctors and the nurses, and then it's opened up for the public. So yes, that's a turnkey plus, I would think.

Q Can I just follow up?

That's interesting, but what I was really referring to is the facilities that you've built that are currently being used by U.S. forces. What percent of those was designed to be turnkey?

GEN. WALSH: I'm sorry, that came in scrambled.

COL. KECK: He asked if specifically, facilities being used by U.S. forces this time have been prepared for turnkey turnover in a complete fashion once we vacate them.

GEN. WALSH: Not that -- I mean, we're building them with U.S. funds for the military. There has not been any discussion that I'm aware of in putting them in shape to turn over to the Iraqi government. Certainly, there's a lot of restrictions on using military construction funds and OMA funds for other than support of the U.S. military.

COL. KECK: Thanks, sir, appreciate that.

And our time has come to an end. Gentlemen, I want to thank you for taking time to give us an update on reconstruction efforts. Do you have any closing comments?

GEN. WALSH: Sir.

AMB. SALOOM: Just that we'd -- I'd love to do it again sometime soon.

GEN. WALSH: This is certainly the place for an engineer to be. I've been an Army engineer for 29 years, and this is the most complex environment that I've ever worked with in trying to rebuild a nation. But I certainly thank all of you and all of the American people who support our operations.

Certainly -- many of our soldiers and civilians that come through the airports just tell me how they're being embraced as they move through and talk with the American population, and I'm very pleased. And actually, as I hear some of those stories, there's a lot of tears that go along with that, as well. And so just thank you for your support.

COL. KECK: We hope to hear from you again real soon on how things are going. Thank you all.

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