

On the Record Briefing by Administrator Andrew Natsios

on Reconstruction Progress in Iraq

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MR. ERELI: Good morning, everybody. We are very pleased today to welcome Director of the U.S. Agency for International Development Andrew Natsios, who is going to be speaking about progress on Iraq reconstruction. It's been some time, I think, since we've come out and talked to you on the record about what we've been doing in Iraq. There are some, I think, notable achievements that Mr. Natsios will be pointing to and looking ahead at plans for moving forward in meeting Iraqis' infrastructure and development needs, a lot of good things to talk about.

So to go into the detail of that is Mr. Natsios and he has with him a cohort of experts in the fields of health and infrastructure development, and other areas, in case the questions get really technical. So welcome, Andrew. Great to have you. The podium is yours.

ADMINISTRATOR NATSIOS: Thank you very much, Adam. Thank you for being here today. As you may know, our work in Iraq, for my agency at least, is the largest reconstruction effort we've undertaken since the Marshall Plan. A Kennedy School of Government professor wrote an article in the Financial Times some time ago to look at the amount of money we're spending per capita, and it is actually higher than the amount spent during the Marshall Plan per capita. This is an analysis that she did, not that we did. So this is, in a historical sense, quite unusual for us as a nation.

We are implementing a large-scale program both in infrastructure but also in economic reform, democratization, healthcare, education, agriculture and in the restoration of the marshes down in the southeast area of the country. Unfortunately, a lot of the media attention is on the more visible events, which tend to be military in nature and the conflict, the insurgency that's going on, while the more mundane work that we do in reconstruction is not covered as well or as much, or at all in some cases.

We are working in a very integrated fashion with other donors. I talked regularly with my counterparts in other countries. The Japanese are particularly active, the UK, the World Bank and the UN agencies – we are the principal funder of many of the UN agencies in Iraq now – and with other coalition partners as well. And I'd like to go through now a number of our objectives in some detail and how we've worked in those areas.

The first area that we worked in, of course, was in the area of disaster assistance for those who were displaced prior to the conflict who had never been resettled. There were a number of Kurds, for example, who were displaced from their villages who were living in displaced camps from even the 1990s. And some people have been displaced, of course, during the fighting in Fallujah.

We are providing – continuing to provide – humanitarian assistance to those populations who are old displacement and who are new displacement. We're providing transition support to a number of activities in order to stabilize recent returnees in order to create public service jobs so people have some income early on.

We continue to work very closely with the World Food Program and the Iraqi ministers to ensure that the public distribution system continues to be functional; the contracts are written on time; the food deliveries are made. You haven't read anything about food riots from the beginning of this or major food shortages and I think that's a testament to how well the system has worked.

We did find in some cities and in some villages that over 20 percent of the population was not on the public distribution list. And according to the reports we're receiving from the field that was because they were politically suspect by the old regime. They were simply withdrawn from the ration system. Everybody's been put back on the

rations system. No one has been penalized. Everybody is being fed. And so that has an effect on social equity in the country.

Our reconstruction effort are focused on four major objectives: One is the rebuilding and rehabilitation of the central public services; secondly, the renewal and reform of the Iraqi economy to produce jobs; third is health and education; and fourth is in the area of governance, both at the national level, at the provincial level, and particularly at the local level, which we believe is building the new Iraqi democracy. And I'll talk about that a little later.

The first objective in terms of infrastructure, we focused on three areas: electricity, water, and sanitation. We also did work, to a lesser degree, in transportation. The road system is actually in pretty good shape. There are a few bridges that were blown up that we've rebuilt. We have rebuilt the Port of Umm Qasr, which was essentially closed for many years, since the Iran-Iraq war; 50 ships offload a month there now. We also reconstructed a lot of the electronic infrastructure at the Baghdad airport and rebuilt parts of that airport.

There are decades of limited or no repair of the electrical grid, and that's why we had early problems with the electrical system. It was not simply that the distribution system and the transmission system was being looted, which, by the way has stopped. We've repaired almost all of that now. It is also because the condition of the generating plants – and I told them myself last year when I was there – were in horrendous condition. The Iraqi engineers were geniuses at using bubblegum and scotch tape to keep these things together but they were just barely functional. And they would break down quite frequently, and you'd see power outages around the country prior to the conflict on a regular basis.

Now, one of the problems with the view of electricity is that most people who are viewing this from the outside are looking at it from Baghdad. Most of you and most of the international staff are from Baghdad. Baghdad always had 24 hours of power, while frequently many other areas of the country, like Basra, had three hours of power a day prior to the conflict. And so, there is a huge inequity in this society.

Saddam ensured that the capital city had power around the clock for political reasons. What we have done is even out power distribution across the country, and right now, at this point, we've produced – we're up to about 5,000 megawatts of power produced on a regular basis. The amount produced prior to the intervention was about 4,400. We expect by April or May of next year to be between 5,500 and 6,000 megawatts. And so that has been going along very well.

And these are not quick fixes. These are substantial overhauls of these plants for the longer term. Right now, we have between 11 and 15 hours of electricity in almost all areas of the country that are electrified, and by the end of 2005 our expectation is we will be at 18 to 20 hours of electricity available around the country per day.

One of the major reasons for the high death rates among children prior to the intervention, the data in the late '90s, early 2000 period was about 130 kids died per 1,000 per year. That's a 13 percent child mortality rate, which is very high for a mid-level income country. Jordan, for example, has child mortality rates of 30 per 1,000. So it's 30 in Jordan, it's 130 in Iraq.

And that was for two reasons. One, the health clinic system had almost completely collapsed. The health budget prior to the intervention was about \$15 million a year for a country of 25 or 26 million people. The immunizations were not being done systematically. Oral rehydration salts were not being used regularly. Vitamin A was not being passed out regularly to children under five. Vitamin A will reduce child mortality rates alone by 22 to 25 percent if they are distributed twice a year, children will take it twice a year. Immunizations were not regular across the country.

We have been engaged in an effort to rebuild the water and sewer systems. Right now, raw waste from Baghdad's 3.8 million residents float untreated directly into the Tigris River, and that was a major cause of childhood deaths is dirty water and the effects of that on children. It is not uncommon to have seen raw sewage flowing through the streets in many Iraqi cities and towns.

We are now working on rehabilitating nine sewer treatment plants. Some of them have already opened. We will increase treated waste water by 250 million gallons per day by the first quarter of 2005. That's an increase. And then by the end of 2005, there will be an increase of 420 million gallons per day. That's about – for sewage treatment, will improve sewage treatment for about 4.7 million people and in the water sector for about 6.4 million people, which is about a quarter of the population of the country, and these in the areas of the worst condition in sewer and water.

We know that infrastructure is very important for a modern economy, for investment, for the movement of goods and services around. I mentioned earlier that we rebuilt the parts of the Baghdad International Airport in terms of tarmac, lights, the control tower, the electric system, the fuel system and the electronic systems which guide planes in and out. We've done the same thing now in the Basra International Airport. I had mentioned earlier the Umm Qasr Seaport where we dredged. We provided – we rebuilt the power system, the customs office and refurbished the wheat silos. We've also rebuilt the railroad system from the port into the main trunk lines.

In the area of health and education, in the health sector we have now immunized over 3 million children under the age of five, 7,000 – 100,000 pregnant women have been educated in neonatal care and included in monthly immunization days. We've begun to integrate the vaccination campaigns by retraining the Ministry of Health, re-equipping healthcare clinics, training doctors and nurses. I signed myself the nurse training program in June of last year when I was there. And providing daily supplements to women who are pregnant. One of the reasons for the high maternal mortality rates is a very high rate of iron deficiency in women, which is a major cause of death during delivery. And we are providing, now, supplements that will make up for that.

1.3 million children under five have been screened for malnutrition. We've distributed high-protein biscuits and fortified milk to more than 450,000 children and 200,000 pregnant and nursing mothers. We've provided skills training to, as I said earlier, our primary health care workers and we're working with some of the universities and professional associations in the area of an ongoing training of health care workers.

In the area of education, 25 years ago, Iraq had one of the best education systems in the Middle East. That steadily declined during the 1990s. As we entered the country, in terms of our troops, schools were poorly maintained. Particularly in the Shia areas in the south, the child attendance rate in schools was very low, especially among girls. We tried to open as many schools as we could in October 2003. By that time, 1500 schools had been rehabilitated. And some of these schools were in such terrible condition, you could not teach in them. They were – some of them were partially collapsed; and so parents wouldn't send their kids. In some cases, there were no girls' latrines, and particularly in the Shia areas in the south, parents would not send their girls to school unless there were separate latrines for boys and girls.

We've now repaired, as of March of this year, some 2500 schools. We've trained about 32,000 teachers, and we've reprinted – working with UNICEF and UNESCO – 8.7 million textbooks and reprinted, or printed new textbooks, particularly in the math and sciences areas.

We have awarded five grants in one of the most innovative programs we're doing, which has got almost no visibility at all, which I think is quite a wonderful program, five American universities won competitive bids with five European universities they have partnered with, with five Iraqi universities, and we're hoping to expand this program next year sometime. And what that does is delegations of university professors from Iraq – I met with some of them, and they said they hadn't been out of the country in 25 years, not even to a neighboring country. And so they were locked in Iraq, literally, for a couple of decades.

And so, and there was almost very limited or no access to the internet. Some of them didn't even know what it was except by rumor, and we've opened internet cafes in many of the universities now and so people have access to the outside world. But professors are now visiting Europe from these universities to these exchanges, and the United States, and we're doing counter-trips by our professors there.

We're also holding training sessions, bringing different technical disciplines up to international standards in terms of what the research has shown and done in their fields in the last decade and a half. And these are in the areas of the rule of law, health, education, the environment, agriculture and their cultural heritage.

We're working now on expanding economic opportunities, and ultimately, even though we're doing a large amount of work working with and through the interim government to provide economic – what we call economic infrastructure, uniform commercial code, reform of the banking system, some of these systems had no rules, no laws at all, were highly politicized and were dysfunctional. And having this infrastructure will also contribute to the ability of Iraq to eventually enter the World Trade Organization and have WTO accession, which is an important factor in their entrance into international markets. And we're working on all of these things now and have been for the last year and a half.

We're working in the areas of private sector trade development. We're running a \$100 million agriculture program, which I'm very proud of, and we're focusing on training a new workforce with vocational educational centers around the country. In addition to these regulatory reforms, we're also working in what was a very vibrant agricultural

economy. They have probably the best soils in the entire Arab world because of the flooding, periodic flooding, over the years, and the problem has been it has been neglected. Even the irrigation systems, the equipment has not been repaired in a very long time and we're doing that now.

We're also introducing new seed varieties, improved seed varieties. The seed stock is among the worst I've ever seen in the world, only comparable probably to North Korea's. Their yields were the worst next to North Korea's I have ever seen in the world. African agriculture in the rural areas that has no science applied to it had higher production rates per hectare.

And so we're also working with small- and medium-size agro-enterprises to produce and process and market agricultural goods. There are like 170, 180 varieties of palm trees. Many of them are close to extinction because they had not been maintained properly. And so we've planted tree nurseries, palm tree nurseries around the country, of about 8,000 palm trees to make sure none of these varieties are lost.

It's really interesting, in the marsh areas in the south, we did a survey. We asked the Marsh Arabs what they wanted because it's interesting how many people internationally just wanted to flood the marshes and we said, "No, it's their home. We need to ask them what they want." So we did a random survey of 1,200 of them, and they told us they don't want them all reflooded. They want their buffalo herds back, their water buffalo herds, so they need the marshes for that. They want the fishing industry restarted, which was completely destroyed in the marshes, but they do want to still grow wheat and they want the palm trees back.

So we've done exactly what they asked us to. We have 76 Iraqi scientists from universities who are experts in this, working with us. We are now raising 7 million fishlings from major fish varieties around the country. We've collected the eggs. We're raising them in tanks. We will restock all of the marshes that have been reflooded in the south to revive the fishing industry, which had an effect on the protein content of diets in the south, because that was a major part of the diet. And the water – the milk from the water buffalo herds was a major source of protein. Those herds were almost destroyed.

We've also introduced alfalfa, which if water buffalos eat and regular cows eat, increases milk production by 50 to 60 percent. And the first two years of this has been very successful, so we may extend these pilot programs across the country.

I could talk endlessly about this, but let me just finish by saying one of the things I'm most proud of is the work we have been doing with the 12,000 locally appointed and elected town and city councilors. They are the new democratic elite of Iraq. I would suggest that if you see the election lists for the election – parliamentary elections in January, that a very large number of those people are people who were elected at the local level.

This is the case in almost all new democracies. This is also true in Europe and the United States. Many of our national figures are former local officials. It used to be – I don't know what it is now – when I was a state legislator, that two-thirds of the Congress were former state legislators and two-thirds of the state legislature in Massachusetts, where I'm from, where I served for 12 years, are former local officials. So there is a system, a system of recruiting people at a local level, having them serve and then moving up in the system.

That is, in fact, what is functioning. If you look at the new government under the current prime minister and president, a large number of the new ministers and their deputies are former town and city council members who were elected since the intervention last year.

We've done a training program with almost 2,000 people working on this training program, and a small grants program. We're training them in public hearings, how you have a vote, how you take notes at a public hearing and post them so people can see what happens at these meetings; what democracy in terms of political parties are. We've trained them in how you write a capital budget, how you write an operating budget, how you do a procurement that's honest and transparent. These are skills which we think will improve public administration over the longer term.

And so we're working now, and, I have to tell you, despite the insurgency in some areas of the country, our program is moving forward. There are 500 – 4-500 expatriates working through the contractors and grantees that we are providing money to who are working across the country. And there are thousands and thousands of Iraqis working for these companies and these NGOs and universities that we are working with to make – to build the new Iraq.

I'd be glad to answer questions.

George.

QUESTION: Picking up on that last point, you referred to employment. This has been one of the Achilles' heels of post-war: too many unemployed Iraqis, too many Iraqis with nothing to do. What trends do you see in that regard?

ADMINISTRATOR NATSIOS: Well, that's certainly a concern. In any conflict area, we don't want a lot of surplus labor among young men because it does exactly what you mention. So we've been running some very large-scale employment programs. I think the figure we had latest was 90,000 of these jobs. And these are in rebuilding, for example, in Sadr City, the water and sewer pipings. Because even if you fix all the water and sewer treatment plants, if you don't fix the pipes, which are in very bad shape in many cities, the benefit of the clean water will be lost once the water gets to the house because the pipe's in such bad shape. So there are large numbers of young men being used to rebuild the sewer and water pipes in Sadr City.

We actually have had young men come in and say, "Here's the gun. Give me the job. I don't want to fight in the militias anymore." We've actually had that phenomenon take place. The other phenomenon we've had take place is, we've seen people coming in from the countryside because the rural economy was in such bad shape. The agricultural programs, we believe, maybe not – people will leave the cities and go back to the rural areas, but they will not migrate to the cities if we get the rural economy moving again. And that's one of our major focuses in this agricultural development program, to increase rural prosperity enough that the people will not want to leave for the cities.

Now, in terms of employment, Jim, do you have any other comments you want to make? Jim Kunder is the Assistant Administrator for the Asia, Near East Bureau, and he is in charge of both the reconstruction of Iraq and Afghanistan, although he's only dealing with Iraq today. Jim, why don't you come up?

MR. KUNDER: Well, I think I would just supplement what Andrew said. We're focused in the short term on these immediate job-creation programs; and the number, Andrew is correct, around 90,000 such jobs created. We recognize that those numbers are relatively small, and to get at the persistent structural unemployment that George's question addresses, we need to unleash the private sector.

Now, as Andrew said earlier, there's a whole bunch of constraints. We don't have the investment code. We don't have the telecommunication systems. So we're looking at the long-term transformational change that's going to be required to get large numbers of private sector jobs up.

What we've been waiting for there, though, is to make sure that the Iraqi Government weighs in. I mean, it's one thing for us to create short-term jobs, but now if you're talking about investment codes, if you're talking about privatizing state-owned enterprises, those are going to be policy decisions that the Iraqi Government is going to have to make itself. So what we've done is put in place the mechanisms, the partnerships, where we can now talk to the Iraqis to try to get those policy changes that will really address the structural unemployment.

ADMINISTRATOR NATSIOS: Yes.

QUESTION: Yes, last week you told your staff that you were having a hard time filling some of the jobs in Iraq, that there were 18 unfulfilled priority positions. I wonder why you think it's been so hard to get people to volunteer and whether or not you think you're going to get the volunteers before you have to make forced placements?

ADMINISTRATOR NATSIOS: Well, I'm glad you asked the question because the talk I gave to the Foreign Service and the civil servants in AID apparently has had a success. We have all but two positions now filled as of yesterday, and they are among our most able and senior officers. People did step up. People stopped me in the hall and said, whether I agree with the war or not, I think we need to make this a success and I want to be part of it. It's a historical event. And so some of our best and most senior officers have now volunteered and I'm very pleased. We've got two more positions to fill, but they look like they'll be easy to fill.

I think the reason was, to be very frank, they've been reading the newspapers and I've been telling them, if you talk to the AID staff in our four offices – we have offices in four cities – talk to them directly and ask them whether they feel that they are physically at risk and whether they can't do their work. Because many of them said, I'll be at risk. Because, I mean, we're in war zones all over the world. This is not the first war zone. AID has been in – two-thirds of the countries that AID has offices have had civil wars in them in the last five years. Two-thirds. So this is not new.

What they said is, what we want to do is get work done. And if we can't get work done, we don't want to go even if there's a conflict going on. If you talk to our staff directly, one to one, without anybody else listening, they will tell you they are getting their work done. The money is being disbursed, the work is getting done. We have 7,000 projects that are either completed or ongoing in Iraq – 7,000. So it is getting done. And so as we had people who had just come back from Iraq stand up and talk to people, say, yes, we are and we're very proud of the work we've done in all of the areas that I just mentioned.

Yes.

QUESTION: If I could just follow up really quickly, though. I mean, there is word today that even the route from the airport to the Green Zone – are the two jobs that are unfulfilled in Baghdad? Is that one of the problem areas? I mean, this is –

ADMINISTRATOR NATSIOS: (Laughter.) No, they're actually in specific sectors, and they're in sectors that we have a lot of people working in other countries in. We're doing a lot of infrastructure work in Afghanistan right now and a lot of our offices were sent there in – who are engineers.

The Iraq – the road that you mentioned to the airport is just in the last week, I think. Prior to that it was okay, and I'm sure it'll open up again.

QUESTION: As a follow-up –

ADMINISTRATOR NATSIOS: Yes.

QUESTION: As a follow-up, can you just tell us, overall, how many people you've got in Iraq, or how many are –

ADMINISTRATOR NATSIOS: Yeah, our mission in Iraq is about 200 people, 100 of which, 75 or 100, are Americans, and the rest are Iraqis, which is the typical percentages you see in staffs around the world. Two-thirds of the AID staff worldwide are not Americans, they are Foreign Service Nationals.

QUESTION: What was that number again?

ADMINISTRATOR NATSIOS: About 200 people in the AID mission. This does not include the 500 expatriates who work for AID contractors and grantees, which is a separate statistic.

Yes, sir.

QUESTION: Can I ask you, how do you square your very upbeat assessment with a recent report – I think it was a UN report – that showed an upsurge in childhood malnutrition in Iraq, reports out of Capitol Hill and CSIS that are saying that as little as 25 percent of the money going to these AID projects are actually getting to the projects between security costs, corruption, other issues. There are just – it just doesn't really –

ADMINISTRATOR NATSIOS: Well, I want to just mention the CSIS statistic. You'll not see it on their website right now. Go back and look at it. They took it off. Because I asked them where they got the statistic about – they made it up. It was actually from a newspaper report. We asked where the newspaper report came from, and they said, well, we don't know. I said, you're suggesting there's corruption in a program based on – no offense to any of you, but, I mean, you're not auditors. We have had the Inspector General in there since June of last year. There have been seven audits, for example, of Bechtel. We are not seeing much corruption at all in our programming, despite the reports to the contrary.

QUESTION: Well, what about the malnutrition issue?

ADMINISTRATOR NATSIOS: Let me just finish. The malnutrition rates were based on raw data from a UNICEF study that has not been completed yet. We hope to see it early next year. Dr. Jansen is our medical officer in charge in the Office of Reconstruction of Iraq. Dr. Jansen, would you like to come up and talk about this child mortality issue, or child malnutrition issue, please?

DR. JANSEN: Sure. The UNICEF study that we're waiting for and expect to see sometime in January, actually, is tracking nutritional status of children among other things in the survey. And we've been watching the information that's available on nutritional status emerge. And the comparison that is made in that study, the benchmark, was 2002.

And actually, the information coming from other studies indicated an increase in childhood malnutrition occurring between 2002 and 2003, and so there was an upward trend. And malnutrition, as you may know, is a statistic or a condition that is susceptible to many different factors in a population in any country. For example, if poverty level increases or unemployment increases in countries, the malnutrition rate tends to increase as well. It's susceptible to many different – I mean, as a condition, many different socioeconomic factors can drive that phenomenon.

One of the things that is also interesting is that preliminary information from the same UNICEF study – usually there is three factors that are tracked in a malnutrition-status survey: stunting, wasting and underweight. And the report – or the one statistic that was reported was the wasting one. And typically it's looked – malnutrition is looked at in a composite of all three.

But some of the locality numbers, which were tracked in surveys in specific localities in 2003 by UNICEF itself, indicated wasting levels in 2003 the same – at the same level that was reported in the preliminary information coming out from the UNICEF FAFO's survey from 2004. So it's possible that although there is reason to be concerned about malnutrition levels, that the malnutrition level hasn't changed too much from 2003 to 2004.

But one of the problems in tracking health statistics or health conditions in any country, including Iraq, is that everyone needs to have the latest information. And so we're really looking forward to seeing the complete report from UNICEF in 2004 – or, excuse me – 2005.

ADMINISTRATOR NATSIOS: Let me just add that the two things that we're doing that will have an effect on child – three things. One, we stood up the PDS; there's been no break, and we extended the services to everyone. So everybody is getting a ration. That's number one.

Number two, the water and sewer systems are being rebuilt. A major factor in Iraqi malnutrition from – and you know, UNICEF studies in the 1980s, was bad water. We are working on that on a massive scale. Literally, \$2 billion are being spent on that area.

The third thing that has an effect is the healthcare clinic system, as opposed to hospitals. And we've invested a lot in Vitamin A therapy, in oral rehydration salts, which treat diarrheal disease, which is what leads to child death rates and high malnutrition rates and wasting; and third, immunization.

So all of the things we would do in any country in the world to get the maternal and child mortality rates through, we started in June of last year. We're continuing. It will take another year before everything is in place to build this system up. But we believe we can drive the rates down. It will take a little bit longer to do it, but we want to see the rest of the data because the data is not quite as definitive as it appeared in that article.

Yes.

QUESTION: Can you talk a little bit about the sanitation and the water? I mean, I remember – I don't know what your numbers that you've improved are comparing to the water and sanitation in the whole country. But I remember when the Administration announced that it was diverting some of the aid from water and sanitation projects to security, we heard from a lot of Iraqis that they were very upset because that was one of the main things that they needed was, like, clean water, clean sanitation. And could you address that, please?

ADMINISTRATOR NATSIOS: Well, the water projects that were taken out were way off into the distant future. I mean, these projects are not projects you – you don't get the whole system rebuilt in a year or two. And so what they did was take the projects that are 2007 projects, and they said we're going to take some of that money and put it into immediate security because the security situation also affects the desire or the willingness of businesspeople to invest money for commerce to take place. That affects job creation, which affects malnutrition rates. There is an effect by economic – between economic growth and malnutrition rates, as Dr. Jansen just mentioned.

So we're trying to balance these equities. All of them are important, but we need to balance one against the other.

Yes, sir.

QUESTION: Well, can I follow up to the follow-up?

ADMINISTRATOR NATSIOS: Sure, sure.

QUESTION: Just as you talked about the security situation, it's two things, actually. When you said that those water projects were out into the future, are you saying that just the immediate needs of clean sanitation and potable water were not included in those projects? These are long-term infrastructure changes?

ADMINISTRATOR NATSIOS: Those are long-term infrastructure projects that would have been started later.

QUESTION: Okay. Okay.

ADMINISTRATOR NATSIOS: The projects we're starting now are untouched by those changes.

QUESTION: Okay. And then –

ADMINISTRATOR NATSIOS: I think that's accurate to say, Jim, isn't it?

MR. KUNDER: Yeah, if I just – I mean, I understand the question you're asking, but the way you ask the question, I mean, there was a reassessment of the early decisions made by the CPA on allocation of resources. If we hadn't done that, then you would have had every right to ask us why on earth haven't you looked at the numbers for two years?

I mean, so – but to say that it was changed to security, I mean, there were reallocations made. Some of those reallocations were into the – there were some of the long-term projects that it was thought could wait until Iraqi oil revenues came online and the Iraqi – the newly constituted Iraqi Government made a conscious policy choice to build or not to build, to invest Iraqi dollars or not in those projects. And some of the reallocations were made to the agriculture projects that Andrew was talking about, to the private sector job creation activities that George was asking about, and some to the security.

So I just mean, what the reallocation –

QUESTION: I'm just talking about potable water, like that was – the money that was diverted wasn't about providing potable water.

MR. KUNDER: No, absolutely nothing to do with what Andrew was talking about.

QUESTION: Okay.

MR. KUNDER: It was long-term sewage.

QUESTION: Okay. And then my other question is, you touched upon the security situation and how it affects job creation and things like that. Could you talk a little bit more about how it's hampering your efforts?

MR. KUNDER: There is insecurity, indisputably, in the central part of the country, in what is called the Sunni Triangle, I mean, to be blunt about it. In the Shia areas and in the Kurdish areas, which is 80 percent of the country, there is relative stability. In some areas we're in, there has been no fighting or no insecurity at all since June of last year. And if you ask people in the villages in those areas, they'll tell you, our projects have not been touched in those areas at all.

And sometimes you have, you'll have an incident one month, and then for six months everything will be fine. So you just make adjustments and you're flexible in terms of timing; you withdraw for a week and then you come back the next week if things calm down.

Yes, sir.

QUESTION: I want to follow on the earlier question about the perception versus what you're reporting to us today. Does USAID have a policy of not releasing RFP contractor and RFA documents publicly?

ADMINISTRATOR NATSIOS: All the RFP documents are on our website. You can just look them up.

QUESTION: In terms of –

ADMINISTRATOR NATSIOS: We've had a policy for making them public from the time we started –

QUESTION: Successful – not RF – not request for proposals –

ADMINISTRATOR NATSIOS: Yes.

QUESTION: – but the successful proposals, the quarterly reports, the implementation reports, the baseline studies that they do.

ADMINISTRATOR NATSIOS: Right, the – right.

QUESTION: None of that has been available, to the best of my knowledge, and that would help us with the 7,000 projects, maybe find out what's actually going on, what problems people are having.

ADMINISTRATOR NATSIOS: Sure. Well, all you have to do is – your people talk to our contractors. Why they never report – I have to tell you something. Sometimes I get the impression –

QUESTION: Is there a policy of not making these documents posted?

ADMINISTRATOR NATSIOS: No, there's not. But some of the – there's proprietary information in some of the document – not all of the documentation, when people respond to a bid, and it is standard federal policy, not just AID policy, not to release that information –

QUESTION: RFPs are excluded from that, are excluded from that.

ADMINISTRATOR NATSIOS: Right.

QUESTION: A successful RFP does not contain propriety information –

ADMINISTRATOR NATSIOS: Oh yes, it does.

QUESTION: – and is supposed to be public.

ADMINISTRATOR NATSIOS: No, no, no. Parts of it are released.

QUESTION: Okay.

ADMINISTRATOR NATSIOS: And they are released. Parts of it have proprietary information about the financial information of the company, and it is never released by any federal agency.

QUESTION: I've had great difficulty getting some documents that do not include proprietary information or even getting returned calls. Will you start to make some of these documents available to us?

ADMINISTRATOR NATSIOS: We have a report that comes out that's released. I mean, we –

QUESTION: But those aren't the reports from the contractors, Andrew. Those are reports from you guys citing numbers like –

ADMINISTRATOR NATSIOS: No, they are from the contractors, as a matter of fact. And I think some of them are on websites now. They are. We sent them out to Congress. All Congress gets it electronically. There's so much volume of stuff, I have to say, I think people don't read it all, but it is there, and it's on our website.

A PARTICIPANT: We have redacted some of the information at the request of the security offices of both the State Department and AID.

ADMINISTRATOR NATSIOS: Yeah, there has been a reluctance to show some of the photo – which are good photographs, but I – because we're afraid they could be targeted. We are afraid of that. But in terms of the data, I mean, we have been releasing data. I'll look into it when I get back and see why. I was not aware that there was a problem in getting some of this information. But the redacted information has been released on a lot of the – OR most of the contracts, as far as I know. But I'll look into it.

QUESTION: Great.

ADMINISTRATOR NATSIOS: Yes, sir.

QUESTION: Sort of another perception problem. Although attacks may be relatively few, there is a perception that a large proportion of what you're spending in Iraq is going to security, and I was wondering if you could give us any kind of proportion about that. And also, the very large budget, the \$18 billion, could you give us an idea how much has been committed, spent, that sort of thing?

ADMINISTRATOR NATSIOS: Sure, sure. And that's another thing. I mean, we're getting hit in the media on it. I have to say this: You can be incomplete about what you report and it creates a different impression than the reality. The fact is, these are primarily two-year contracts. If we spent all \$18 billion in the first month, there'd be something seriously wrong with the system. They're supposed to be spending the money over two years. So the question is whether the disbursements monthly are still being made. Are those going to drop? And we've been noticing, I've been looking at them, because I get worried. I mean, the disbursements rates will actually tell you whether or not their work's getting done, because disbursements means you're actually spending the money.

There are three basic indicators we use. One is what the commitment rate is, which is, have you programmed and designed a project? And I think of the money that we've been given, \$13 billion has been programmed. Of that, 11.8 has been obligated. What is an obligation? It means that a contractor or grantee or a cooperating sponsor has got a signed contract or grant or agreement with us, and that they have mobilized and are beginning to work. That's what obligation means.

So that's 11.8 billion. That means they're functional and they've got money in their account to spend.

We've actually spent, disbursed, the money's in the account because the work's been completed, and there is sometimes a three to four month delay between the time the work gets done and the money is disbursed, because we do not disburse until our inspectors go out and check each facility. Each school had to be checked before we will release money to any contractor for the 2,500 schools that we rebuilt, because sometimes they weren't done, you know, and we're not paying for something that wasn't done. So there is a delay.

But right now, we've spent \$3.6 billion, and the spending rates are holding up. They're between \$200 - or \$300 million a month right now. And I don't have complete figures for the last six months. I was trying to get them this morning because I knew you were going to ask me the question, but the spending rates are holding up. We're not seeing drops.

QUESTION: And this has been spent since when?

ADMINISTRATOR NATSIOS: Since the summer of last year. And it did take – it took us until August, September to really mobilize the organizations or contractors primarily that we were dealing with. I mean, they went in early on but they didn't have the full complement of employees, they didn't have their infrastructure in place, they didn't have housing for their staff. They do now. Everybody is fully mobilized, at least in the projects that we're working on.

QUESTION: Andrew?

ADMINISTRATOR NATSIOS: Yes, sir?

QUESTION: Excuse me. Have any of the Iraqis that work with you been killed and/or abducted? And many, if not most of the NGOs working in Iraq, have pulled their foreign nationals out –

ADMINISTRATOR NATSIOS: Say that again.

QUESTION: Many of the NGOs working in Iraq have pulled their foreign nationals out to Amman. Do you think, in light of the very optimistic, rosy scenario that you've painted, that they should be sending them back because it's really not dangerous at all?

ADMINISTRATOR NATSIOS: I think it's the area that they're working in that counts, one. And two, I asked for a report on that because I had not been aware that they had. And that's simply not true. The eight major NGOs we are working with, I think one of them has withdrawn from the country, and the second one has withdrawn foreign expatriate staff. The rest of them, the expatriate staff and the FSNs, the foreign nationals, are still working. They have not left.

Now, I cannot speak about European or other funded NGOs. All I know is our NGOs. But these are very large grants. I mean, those NGOs have grants of \$20 million each, which is the largest I think we've ever given an individual NGO, and they are still functioning. One has withdrawn because of threats and fear, and another took its foreign nationals out, but the rest of them all have their expatriates in the country.

QUESTION: My first question about any of your Iraqi employees?

ADMINISTRATOR NATSIOS: What was your first question? We had one staff person, a Christian Palestinian, who was kidnapped – I think it was late last year – and he was released, unharmed. He was a little shaken up, but he was released. I think some – you know, the lady from CARE, CARE is not one of our – is not a grantee of ours right now, I don't believe, and so she was not working for us. We are very saddened by that. CARE is a major grantee of ours in some areas of the world but not in Iraq.

We have been taking great – a series of steps to ensure there is security for our contractors, our grantees, and for anybody we're working with, including local NGOs, and those measures have been successful so far.

This lady here.

QUESTION: Oh, I actually just wanted to clarify. When you said the \$3.6 billion have been spent, I'm sorry, was it since December or summer?

ADMINISTRATOR NATSIOS: I would say it was summer of last year, Jim.

MR. KUNDER: Yeah.

QUESTION: Thanks.

ADMINISTRATOR NATSIOS: Yes, sir.

QUESTION: Of the \$3.6 billion, how much of it has actually gone to actual projects, and how much of it has gone to security costs related to the projects?

ADMINISTRATOR NATSIOS: The security costs are widely variant in terms of the percentage of their budget. The Bechtel security costs are 6 percent, for example. And that's by far our largest contractor. Some of the grantees and contractors, they're as high as 20 percent, but it depends which one, under what circumstances.

Some of the contract – for example, Bechtel spends a lot of its money importing, generating – you know, generators, huge generators. The contract that was doing the Basra International Airport, we brought in the new – what's the landing system? What do they call that, when you land a plane, the electronic equipment?

A PARTICIPANT: Air traffic control.

ADMINISTRATOR NATSIOS: Air traffic control system. It is manufactured in three different countries because no one country produces it. That costs a lot of money. We imported that. We installed it. The security costs, there weren't any security costs. We just flew it in, and we put it in the airport, and it's functional now. So the point I'm trying to make is it depends on the contract. But the biggest contractor is Bechtel and they're – I believe it's 6 percent at this point.

QUESTION: Is that a flat rate, meaning that dating back from last year, summer of 2003, has it been a flat rate percentage-wise per month in terms of security costs? Have they increased over time as the insurgency has increased?

ADMINISTRATOR NATSIOS: Jim, do you have a sense of that?

MR. KUNDER: Security costs are generally trending upward, yes. I find this sort of almost unexceptional. I mean, this is the way we operate. As Andrew said, two-thirds of our folks are working in countries with some sorts of security problems. I mean, we build such security costs and delivery costs and liability costs into the system. It is – I don't want to say it's unremarkable. I mean, look, there are people out there disemboweling people like Margaret Hassan. Are there security costs in those kind of environments? Damn right there are.

So, I mean, it's unclear to me what point we make when CSIS slaps up something that shows money is not getting to the Iraqi people. If it takes an extra 20 percent to keep Iraqi children alive – pardon me for getting emotional – because some butchers are willing to kill the people delivering the health care services, I fail to see why that's considered an inappropriate use of the taxpayers' dollars.

ADMINISTRATOR NATSIOS: Yes, sir.

QUESTION: Just a question beyond the number that CSIS reported. I want to get your response to something that Tony Cordesman said a few months ago in a report. He said that, "Reporting by USAID set particularly low standards, bordering on pure propaganda claims of success." He said your report, 'A Year in Iraq Restoring Services,' is little more than 25 pages of glossy self-congratulatory rubbish."

Can you respond to that?

ADMINISTRATOR NATSIOS: With all due respect to Mr. Cordesman, he knows virtually nothing about our program. He is a defense analyst. His scholarship has all been written about the Defense Department. Our people know him. He knows almost nothing about AID's programs anywhere in the world, including Iraq. He got a brochure we published which is an attempt to simply a lot of complex data. It is not an analytical report.

And, you know, if we published the raw data, which we do do, people would say it's too complicated. We can't understand what this means. So we've simplified it and put it in a report for general public and we have photographs in it and charts in it. The material is all accurate. We actually have done reports on whether or not we're meeting the chronological sequence of program dates, and we have been.

I mean, I have to say I'm somewhat astonished that we've been able to do it, given the massive size of this project. I mean, we've never done anything like this. I mean, AID country programs are 50, 60 million dollars. The largest program in the world prior to Iraq and Afghanistan was in Egypt, and that was \$900 million. This is staggering.

QUESTION: When was that?

ADMINISTRATOR NATSIOS: Egypt program, until the last five years, was about \$900 million a year. It's now – it's been dropping down by 5 percent every year. It's about \$600 million now. I mean, we spent – we obligated a billion dollars in Afghanistan last year, and we've obligated, of the 5.3 billion AID has been given, we've obligated 4.3 billion. We've never obligated 4.3 billion in any country in 18 months in history. So this is a massive – the fact that we've got all this done is amazing to me.

So I think, with all do respect, he doesn't really know much about us, and he never talked to us so we could provide the detailed reporting data to make a judgment like that.

Yes, sir.

QUESTION: Could you tell me, of the 7,000 projects that you've spoken of, how many of them are in the Sunni Triangle, how many of them are in Kurdish areas, and how many are in the southern Shiite areas?

ADMINISTRATOR NATSIOS: I don't have the statistics, but we certainly can get them for you. There's a large number of them actually that were in the Sunni area. A lot of the schools that we rebuilt were in the Shia areas of Baghdad, in Sadr city, for example. We did a lot of work in Sadr city.

We had a sign war last summer of 2003. I probably shouldn't be telling this story, but Sadr's militias would come and take the U.S. flag and the logo off of the buildings and put his on, because he was getting very upset because people in the neighborhoods were saying, well, look what the Americans are doing for us. I mean, no one ever helped us before, and there's a lot of rhetoric but no one's doing it. We put them back up again. There was no violence, but it was very interesting that the destabilizing militias were very threatened by the volume of work actually being done in the neighborhood, to the extent they were trying to replace the signs of who did the work.

QUESTION: Have you had to pull back or stop projects in the Sunni Triangle in the last –

ADMINISTRATOR NATSIOS: Oh, we had to stop them in Fallujah, absolutely. We pulled our people out. But our people were working in Fallujah until two weeks before the offensive, and there are – we will go back in very shortly, and we are providing humanitarian assistance to those people displaced by the conflict.

George.

QUESTION: Given the importance of public opinion, do you think it's possible to get a fair shake, given the media's focus on the violence in Iraq?

ADMINISTRATOR NATSIOS: You mean here or in Iraq?

QUESTION: No, particularly from Iraq.

ADMINISTRATOR NATSIOS: In Iraq?

QUESTION: Yeah.

ADMINISTRATOR NATSIOS: I have to say, I have not studied the Iraqi media to tell you – I mean, I know we do a lot of interviews and talk, and we're very visible, very visible.

QUESTION: I'm talking about public opinion in the U.S.

ADMINISTRATOR NATSIOS: Oh, in the U.S. You don't actually think I'm going to answer that question, George, do you?

QUESTION: Yeah, there's nobody here. (Laughter.)

ADMINISTRATOR NATSIOS: We're trying to be. I get angry sometimes, I have to say, and our staff does. I mean, some of our staff did not support the war, and they get emotionally upset when they see the coverage, because they say we know what we're doing. These are people who were out in the field for a year, and they come back and they say, how come nothing we're doing is being reported anywhere?

And it's not as though we're not providing – we've have a daily report – I think I may have one of them here – on what we've done. This comes out every single day. I mean, you can say – it's not really rhetorical. It says, you know, we've had local governments training program, we had which – what the courses are, how many people attended, in which provinces. There's page after page every single day. This is the 426th of these, and this is on our website and it's sent out to all the media outlets. We actually – we had Al Jazeera quote from this when they did the report from the UNICEF study. They listed – and then they took out of this, they said, but USAID is reporting, and they took the stuff out of it. We actually have had better reporting – well, I shouldn't say it, I don't want to – (laughter.) That's very

provocative. I won't say it.

QUESTION: I was hoping you'd finish that sentence.

ADMINISTRATOR NATSIOS: I'm not going to finish it.

Yes.

QUESTION: Do you provide any direct assistance that – related to the coming election in January?

ADMINISTRATOR NATSIOS: Yes, we are. We have a D&G, Democracy and Governance officer here. Adam, would you like to talk about the help to the elections?

MR. SCHMIDT: We, in fact, are supporting the independent commission's work, in coordination with the UN election assistance team. We have a number of grants. One grant of particular note is directly to the Independent Election Commission, working to build up its internal capacity to meet the timeframe of elections, not simply focused on January 30th, but through the full period of transitional elections.

That is something that is quite focused on the operational aspects of the election, so we have technical experts working to build the – with the Iraqi partners, the interim voter list, voter correction period, and have that process up and underway, as it currently is in Iraq.

Also, we have an element within that grant that deals with elections commodities and procurements so that we can step in at the request of the Independent Election Commission, working with the UN, to meet certain emergency procurements, bringing in election commodities when necessary.

ADMINISTRATOR NATSIOS: Why don't you mention what the commodity – what does election commodity mean?

MR. SCHMIDT: Election commodities – thank you. I mean, across the board, we would look at a public information campaign and, in fact, USAID has supported public information for the voter registration period, so we have stepped in to support that. We have also looked at voter registration kits. So the full range of support mechanisms, polling station kits, things like this that are essential for the commission to perform its operation as we proceed to January 30th.

So there's that very nuts and bolts grant that we have currently underway that is implemented through IFES. We also have another electoral processes grant which is dealing with a couple of different areas, one specifically through NDI to build up a domestic observation capacity, a very important integrity feature within the electoral process; also, on a voter education program through IRI which is outreaching to local civil society, other groups to have a grassroots network of voter education materials; and also, to work with the Commission in the distribution of materials. So it's across-the-board, operational and other intangible, important integrity aspects to support the process.

QUESTION: Do you have a number of how much you put in to all this?

ADMINISTRATOR NATSIOS: What's the budget for the elections?

MR. SCHMIDT: The two grants are through our CEPPS mechanism, Consortium for Electoral Political Process and Strengthening, 40 million for the Independent Election Commission, which has been fully obligated, 50 million for the electoral processes, which, currently, approximately 23 million has been obligated.

QUESTION: I'd like just to follow on that.

QUESTION: Andrew, these –

ADMINISTRATOR NATSIOS: This gentleman hasn't asked a question. Go ahead.

QUESTION: Mention was made earlier about some kind of investment code being developed. A lot of work was

done before the war here on that and related issues: rule of law, banking, et cetera. Will those things which the Pentagon largely ignored be dusted off, or will the Iraqis be starting from scratch?

ADMINISTRATOR NATSIOS: No, they'll not be starting from scratch. We've been working with the ministry technical people who are still there. I mean, they are career civil servants and they were not Baathist Party members. We've been working with them from June of last year, when we brought in our experts in these areas. And that work continues, and eventually they will formalize this. There have been votes, I think, or orders, executive orders, done by the Interim Government, but I think some of it will wait till the new parliament is elected.

MR. ERELI: Let's have just one more question.

ADMINISTRATOR NATSIOS: Yeah. Someone who hasn't asked a question.

Yes, sir. Go ahead.

QUESTION: I would just like to – documents related to the last grant that were spoken of are ones I requested specifically and didn't get a response on, including just the implementation plan, so if you could –

MR. GRIECO: If you contact us in the Press Office, Jeff Grieco, we'll get you the document that is appropriate.

QUESTION: Great. Thank you.

ADMINISTRATOR NATSIOS: Yes.

QUESTION: Could we get your colleagues to identify themselves or call their names or something.

ADMINISTRATOR NATSIOS: Sure. Jim, why don't you stand up.

MR. KUNDER: Jim Kunder, K-u-n-d-e-r. I'm Assistant Administrator for Asia and the Near East. And I – could I just add – could I get 20 more seconds on the –

MR. ERELI: Sure.

MR. KUNDER: I just want to make one comment on this question of the obligations that Andrew went into in great depth and quite accurately.

I would invite you to take a look at the Springfield Bypass obligation schedule and track it against the obligation rates in Iraq. The single largest variable is not the conflict. And, please, I do not, you know, because my staff works out there, I'm not trying to minimize the nature of the conflict. It's difficult to do work there. Naturally, security incidents slow things down.

But the single largest variable affecting the obligation rates and the outlay rates is the nature of the project, which is heavily infrastructure-laden. I mean, simply, it's like painting your living room, right? I mean, the last thing you do is roll on the paint; it's all the preparatory work ahead of time. So it's the fact that if you're going to build a power plant or a water treatment plant, there is an assessment phase, there is a design phase. The engineers are at the blueprints for a while. Then the machinery is ordered, and it takes a while for Siemens sometimes to, you know, construct a large generator.

Now, in the long term, it's going to have enormous impact, but the glide path looks something like this. And so I just think that, you know, there is clearly a security element to the obligation schedule, but the single largest variable has to do with the nature of engineering and infrastructure work. And I just think in your analyses, that's something that should be cranked into the –

QUESTION: Can I follow, Jim, can I just follow up on that?

MR. KUNDER: Sure, of course.

QUESTION: I mean, you hit it, I think, on the nail. And a lot of Iraqis have said that that's not what we need right now, these, like, long-term, pie-in-the-sky, big projects that we're not going to see the impact of for so long. We need quick-impact projects that are going to have a dramatic effect on the ground. So can you respond to the balance between the two?

MR. KUNDER: Well, that's a very complex question. I mean, you say, "lots of Iraqis." I mean, you know, it's our responsibility to, you know, first, when the Coalition Provisional Authority was there, to make the best possible assessment of what we thought the long-term needs of the Iraqis were, and then, once sovereignty was transferred back to the Iraqi Government, to meet with the Iraqi officials and to see what their priorities were.

And naturally, that dialogue, like in Bangladesh or Peru or anywhere, there's an ongoing dialogue between the donor nations and the recipient nations. But certainly what we're doing now is consistent with the priorities of the Iraqi authorities.

But we have –

QUESTION: I mean, the Iraqi Ambassador just said, you know, maybe two, three weeks ago –

ADMINISTRATOR NATSIOS: But let me just say that in terms of people in the villages, we have three kinds of projects: humanitarian relief, which is immediate, which we've been doing since summer of last year for displaced people; we have transition initiative projects; we've already rebuilt 2,500 schools. Tell me a state in the – well, I shouldn't say that. (Laughter.) We've rebuilt 2,500 schools in six months. That's an immediate impact. You know how many people worked on that? Seventy-seven thousand Iraqis worked on those construction projects.

We have thousands of smaller projects of fixing wells, of fixing small dams, of irrigation ditches, of rebuilding a health clinic or a hospital. These are all being done now. They are immediate impact. But we have to do the longer term stuff, too. We don't want to just leave something that lasts for a few months or a couple of years. The purpose of this is to rebuild the infrastructure of the country for the long term, but we are not ignoring immediate impact projects.

Adam, why don't you give your name?

MR. SCHMIDT: Adam Schmidt, S-c-h-m-i-d-t, Office of Iraq Reconstruction, part of the A&E Bureau.

DR. JANSEN: Dr. William Jansen, J-a-n-s-e-n, Technical Advisor for Health in the Office of Iraq Reconstruction.

A PARTICIPANT: Could you do that on mike for me?

DR. JANSEN: Sorry. Dr. William Jansen, J-a-n-s-e-n, Technical Advisor for Health in the Office of Iraq Reconstruction.

ADMINSTRATOR NATSIOS: Thank you very much.

QUESTION: Thank you.

MR. ERELI: And thanks to the AID team, really.