

PRESS CONFERENCE:

Rear Admiral Gregory Smith, Director of Communications, Deputy Spokesman, Multi-National Corps – Iraq

Miss Denise Herbol, Deputy Director, USAID

DATE:

January 13, 2008

TRANSCRIBED BY:

SOS INTERNATIONAL, LTD.

PARTICIPANTS:

**Rear Admiral Smith
Miss Denise Herbol**

REPORTERS:

Ahmed Jassem from Al-Arabiya Newspaper

Unnamed reporters from Al-Saria TV, The Iraqi Media, Al-Sharq Newspaper, and Al-Huriya TV

Other reporters not identified by name or media outlet

REPORTERS 1-11

***REP1 = REPORTER 1**

***INT = INTERPRETER**

RDML SMITH: Good afternoon. A'Salaam AlayQum. How are you? I am joined today by Miss Denise Herbol, the Deputy Director of the United States Agency for International Development, or USAID, here in Baghdad. Denise will update you on some of the economic and infrastructure support USAID is providing. And I will talk briefly about continuing coalition efforts to help Iraqis rebuild their lives. First off, I want to inform you that the majority of Iraq north of Bayji are experiencing a severe loss of electrical power due to the interdiction of critical electric power transmission lines over the past week. The Government of Iraq and coalition are reviewing the cause of the outages, but all reports point to terrorists who have purposely destroyed several transmission lines and towers in recent days. The reduction in electric power provided to the Iraqi people negatively impacts potable water service, wastewater disposal, schools, hospitals, and other critical services to the people living in the affected areas, not to mention its obvious impact this time of year as temperatures in the region drop below freezing. With the help of concerned citizens, investigators working closely with Iraqi security forces hope to determine the cause of this interdiction. Investigators have asked that anyone having information about the cause of the outages or those responsible to report that to local security forces. We have provided extensive briefings throughout

the past week on Operation Phantom Phoenix, so I don't plan on updating you this afternoon. But I did want to stress that our operations will continue to target and pursue terrorists and criminals—rooting them out of their safe havens and bases of operation—so that stable security can be realized for all of Iraq and that destruction of economic infrastructure, such as the power generation system in the north, is free from terrorism. As security has improved, we have shifted our emphasis towards reconstruction and development of Iraq's economy and infrastructure. While we have worked to accomplish this in the past, improved security is facilitating a heightened focus on improving Iraq's economy. This includes repairing facilities that have fallen into disrepair or that have been destroyed by terrorists, building new facilities and other critical infrastructure, and assisting Iraqis in gaining self-sufficiency. Last July in Anbar Province, a suicide bomber targeted the Ramana Municipal Government Building, killing innocent civilians, and effectively destroying the building itself, as you can see here on the screen. This was the only building in Ramana that supported government functions: housing the Mayor's office, the city council, and the departments of water and electricity. Recognizing the need to repair the building quickly, coalition forces partnered with local Iraqi contractors to renovate the building so that the local government could return to work. Renovations were

completed in five months, and its reopening was a significant event for the community as the Ramana government once again had a place to conduct its daily business and support the local people. Northwest of Fallujah, a water treatment facility had fallen into disrepair due to the unstable security situation. As security improved, the local city council put forward an initiative for the coalition to fund repairing the facility. Funding was approved. The facility was repaired. And the treatment facility now provides clean water for approximately 6,000 residents in the area. In Yusifiyah, one of its major markets has undergone a resurgence. Before coalition and Iraqi forces secured the area last October, the market was essentially deserted. As the Iraqi Army established itself and local citizens manned checkpoints, the marketplace was cleaned up of debris, shops were repaired, and the market came back to life. Shoppers from outside Yusifiyah now come to market daily, new shops have reopened, and the market gets approximately 18 to 20 hours of electricity each day. In Fira Shira, west of Taji, local residents had no way of delivering their products to the market since there was no bridge across the canal that ran between Abu Ghraib and the Sheha market. Tribal and local leaders and coalition forces combined resources and built a new bridge. The bridge now provides residents of Abu Ghraib access to the Sheha market across the canal and has facilitated the important local market's economic

growth. On 13 October, 1987, an Iranian surface-to-surface missile struck a school in Baghdad, killing 43 children. Since then, October 13th has been known as the “Day of Iraqi Children.” Japanese and German companies were hired to build a memorial and a school in the neighborhood to honor the fallen children. The Memorial School is now famous nationwide as the largest elementary school in Baghdad. Unfortunately, the site had been neglected in recent years. As security improved, Iraqi and coalition forces began restoring the school. Renovations to the Children’s Memorial School are now 80% complete. The rebuilding process has been painstaking, but soon the children in this neighborhood will be able to return to school. This is a symbol of the national pride, and reopening the school will be a significant milestone for the people of Baghdad. In August last year, a 2000-pound vehicle bomb destroyed two critical bridges along Highway 1 and killed eight civilians. Located near Taji, the two destroyed bridges spanned the Grand Canal. Due to the limited road network in Iraq, the destruction of these two bridges effectively split the nation in half. Coalition forces quickly created a suitable bypass for military traffic a few hundred meters upstream. However, many of the Iraqi civilians who relied on the destroyed bridges were initially forced to make an additional two-mile journey to the next available crossing site. As a result, coalition and Iraqi engineers quickly developed a

plan and, in the course of five days, built a temporary bridge span restoring a vital economic and transportation route. These are but a few examples of the many projects ongoing across Iraq by coalition forces in conjunction with local and national government leaders. On a smaller scale, grant programs have benefited several entrepreneurs who are using their initiatives to revitalize their local economies. In the Mansour district of Baghdad, a small businessman named Ahmed was awarded a \$2,500 micro-grant after presenting his business plan to open a market next to his father's home. Ahmed used the money to buy a chest freezer, build shelves for the store, and put up an awning over the entrance to his store. Ahmed's store is now self-sufficient, supporting Ahmed and his family financially, and providing the local economy and local people a place to buy essential goods. Also in Mansour, a young Iraqi man named Adnan approached local coalition forces about a plan he had for an automobile air conditioning repair facility. He applied for a micro-grant. With the first half of the \$2,500 he was granted, Adnan bought refrigerant, air conditioning gauges, and a few hand tools. After verifying that he had spent his money well, the second half of that grant was awarded to Adnan. He used it to create signs for his shop and build shelves and workbenches. He's off to a great start and the business plan has already seen a steady growth of business for this young entrepreneur. Stories such as

Ahmed and Adnan's are occurring daily across Iraq, and are a testament to the resolve and desire of these individuals to succeed, knowing as they succeed, so does Iraq. I will now turn to my colleague, Denise, who will talk about USAID's economic initiatives in Iraq. Following her remarks, we'll be happy to take your questions. Denise.

MISS HERBOL: Thank you. A'Salaam AlayQum. USAID is a major partner in the U.S. government's reconstruction and development effort in Iraq. We work closely with coalition forces, the Department of State, the Department of Defense, international, and Iraqi partners. Our efforts directly support Iraq's transition to a stable, democratic, and prosperous state through the promotion of democracy, rule of law, and sustainable economic and social development in order to respond to Iraqi citizens' needs. Today, I'd like to focus on USAID's economic growth program, which is a central part of the U.S. strategy to stabilize Iraq. I want to provide you with some specific examples to illustrate the positive, life-changing impacts which have been achieved through these programs by Iraqi citizens. One of the things I am most touched by during my time here in Iraq with ambitious Iraqi entrepreneurs stationed throughout the country who recognize the potential for growth in their individual communities. These individuals have taken advantage of the

opportunity that our programs can provide to improve the lives of the families and others in their community. In Anbar Province, we have seen brave communities turn away from violence and take responsibility for their sustainability and growth. Working in conjunction with Provincial Reconstruction Teams, USAID is coordinating microfinance loans to Iraqi entrepreneurs. USAID and Multi-National Forces are cooperating in al Anbar to support the creation of locally owned and operated microfinance organizations. Our work with local religious leaders to design a lending program that is consistent with Islamic principals has resulted in nearly \$530,000 in loans in support of the people of al Anbar. In al-Qaim, 139 loans worth \$334,000 have been distributed. In Ramadi, 18 loans worth nearly \$47,000 have been provided. And in Fallujah, we have distributed 72 loans worth \$148,000. On December 12th, the grand opening of the Fallujah Business Center was held. Iraqi officials, local leaders, and USG representatives together celebrated what is becoming the focal point for the city's business community and civil society members to come together to work, exchange ideas, and advance economic growth which continues in Fallujah. The Fallujah Business Center houses the Fallujah Chamber of Commerce and Fallujah's new public radio station, as well as USAID partners including our Izdihar microfinance program. But what impact does this have for our Iraqi people in Iraq

and in Fallujah? One shining example of an Iraqi business created through our Izdihar program is a bus-driving service. When one Fallujah resident recognized that many local children did not have appropriate transportation to school, he decided to respond to this urgent need and applied and received one of our microfinance loans so he could purchase a minivan. Now he transports school children to school every day on his way to work and he charges a small fee to repay his loan. Another example is Ahmed, who had several years of experience in the juice industry and saw an opportunity to leverage his knowledge as an entrepreneur. Ahmed applied for a microfinance grant through our community stabilization program in order to open a juice factory. The CSP grant provided him with all the necessary equipment to renovate and maintain the factory. He received equipment, including an air compressor and raw materials to pack and label his products. He opened his business last summer in Baghdad and has created 24 full-time jobs for other Iraqis in his community. His factory produces a variety of flavored juices that he sells in the local market. Then there is Salima, a woman who was left alone to support her five children after her husband was taken prisoner in the Iraq-Iran War. She decided to turn her exceptional skills as a seamstress and a cook into a business. With one of our \$500 Izdihar loans, she purchased a new sewing machine, some fabric, and a refrigerator for her dairy products. Over several

months, Salima grew her home-based businesses into a mini market that sells clothing and baked goods. After she paid back the first loan, Salima applied for a second loan of \$1,000 and helped her son establish a shop to sell more of the clothing and baked goods. Her husband returned home after the war to find his wife's business thriving. Salima represents the optimism and diligence of many Iraqis who are rising above the obstacles and investing in a better future for themselves and their families. One final example is the story of Shahla who started working as a hair dresser in a beauty salon after graduating high school. Ten years later, when her husband lost his job and her family had to move out of their apartment, Shahla's entrepreneurial spirit led her to open her own beauty salon. She pooled her family's savings in order to rent a small store front. After four years of hard work, she was ready to expand but lacked the required funds. When a client advised her about the USAID's Izdihar loan program, she applied for a \$2,500 loan. She upgraded and expanded her shop, nearly doubling her clientele. Her monthly income grew from \$1,200 a month to \$3,500 a month. And she was able to pay off her loan three months in advance of the due date. Shahla applied for a second loan to expand her business even further. She added modern hair-washing stations and hired two new assistants, providing additional opportunities for employment for other Iraqis within her own community. Shahla's

family now lives in a new house and she is the owner of a top beauty salon. These are just a few examples of how USAID's Izdihar microfinance loan program is helping promote economic growth in Iraq. Izdihar and our other programs are examples of how USAID is increasing investments in Iraq to consolidate security gains and provide economic opportunities for a peaceful future. On January 19th we will host a media day in Fallujah, where media representatives will have the opportunity to interact with some of our Izdihar microfinance loan recipients. I have no doubt you will be as inspired by their stories as I have been. I feel privileged to work alongside the dedicated, intelligent, and brave Iraqis, Americans, and members of the global community in the pursuit of a peaceful and democratic future for Iraq. That future is here today. And it is our hope that USAID's development and assistance programs will continue to assist in building the foundation vital to Iraq's stability and long-term prosperity and growth. Thank you.

RDML SMITH: With that we'll take your questions. Yes, sir.

REP1: Asks question in Arabic.

INT: Question from Al-Saria TV. In Baghdad, there are so many Iraqi families that have been displaced and they need these projects so that they can take care of their families. How do you deal with this

problem? How does the USAID deal with this problem? How can families get these micro-grants so that they can open some projects?

MISS HERBOL: We have materials that we're planning on handing out at the end which explains about our micro-credit and microfinance programs. Both the Community Stabilization Program, as well as Izdihar and Inma, all have grant or loan programs, and we hope that the material provided will help clarify this.

RDML SMITH: Question, please. There.

REP2: Asks question in Arabic.

INT: Question from The Iraqi Media Union. You've talked about prosperity and what you're doing in Iraq to support. Do you have any approval from the Iraqi Government for what you're doing? That's the first question. The second question. What...the...is the hard...? So who's supporting these agencies and these programs like Izdihar program for instance?

RDML SMITH: I think Denise can answer it. Just in a general sense, of course, all of our efforts are cooperative with the Government of Iraq. They are cooperative at the local level with local tribal sheiks, local leaders. And the projects I described during my presentation were clearly

joint efforts with the Iraqi leadership to bring about—in small ways—stability and security. And I know with USAID a similar partnership exists. Denise.

MISS HERBOL: Yes. Our projects are all done in coordination with the Government of Iraq. Additionally, through our partners and through Iraqis as yourselves, who are out there everyday helping to move forward these programs for the Iraqi people.

[comment by unknown party off microphone]

RDML SMITH: We'll come back. We'll come back to it.
All right. We'll come back to you, then.

REP2: Asks question in Arabic.

INT: I had another question. Who's supporting these agencies? The financial support.

RDML SMITH: The support to USAID? Denise can answer that. That's obviously a U.S. program. But the programs that I described, again, are done through U.S. tax dollars. They're being used by the coalition forces to fund those small projects. Obviously, putting a bridge work together in the case of a bridge expansion project would be U.S.

dollars using U.S. facilities, equipment, and personnel to make that happen. In the case of our micro-grant programs and micro-loans, those are programs that are available to the local commanders to issue to Iraqis in the areas where they have security responsibilities.

MISS HERBOL: And our programs are also funded through U.S. government tax dollars to support these micro-loan and micro-grant programs.

RDML SMITH: Yes, sir.

REP4: My question was, could you give us some idea of the...how big these programs are? The micro-grant loans, for instance. How big [unintelligible] total in dollar-wise?

MISS HERBOL: The individual grants are between \$2,500 and \$3,500. The individual programs? Our U.S. government assistance program to Iraq last year, in 2007, was \$1.1 billion, which encompasses all our programs.

RDML SMITH: Yes, sir.

REP5: Ahmed Jassem. Asks question in Arabic.

INT: Question from Al-Arabiya Newspaper. I have a question to Admiral

Smith. The Iraqi Government says that year 2008 will be a year of reconstruction and prosperity and a year that we will fight corruption. And, as you know, that the administrative and financial corruption is a key thing to fight against terrorism. What is your stance from this resolution from the Iraqi Government? And the other question to Miss Denise, we've covered so many of your stances and projects towards the Iraqi citizens through the micro-grants and the small factories that you work on that the number that you gave in accordance with the unemployment that we have now or compared with unemployment, could you...do you think that could increase the number of projects? Or...because.... Yes, we know that there were some projects in 2007, but we wish there will be more projects in 2008. Thank you.

RDML SMITH: To your first question, yes; the Government of Iraq has indicated that 2008 will be a year of reconstruction, a year of services. And aside from that, a year of working against corruption wherever it resides. And clearly, we have embraced that pledge by the Iraqi Government to really continue the partnership that has already existed in terms of reconstruction and building of services. In 2007, a significant amount of work has already been accomplished in terms of electrical power generation and in terms of water and sewer distribution lines in the City of Baghdad, as an example, and

elsewhere. And those are all partnerships with the Government of Iraq. I think what the Government of Iraq is pointing to is that now that the level of security affords a greater emphasis in the area of reconstruction services, you'll see more work in 2008 and a more dedicated effort across the country to support the Iraqi people. As to corruption, again we share in the concern of all Iraqis of the waste that occurs when corruption is a part of any bureaucracy. And I know that the Government of Iraq is pledging to determine where that corruption lies and to deal with it. And we support that very strongly.

MISS HERBOL: As far as funding is concerned, we are currently funding our programs through U.S. taxpayer dollars, and those funds are currently obligated in our contract instruments through the end of 2008. We are awaiting additional tax allocations this year to fund new programs or expand those existing programs. We certainly support that. We also support a partnership with the GOI in their efforts as they expend their tax dollars on these same types of efforts to increase employment in Iraq.

RDML SMITH: Yes, sir.

REP6: Asks question in Arabic.

INT: Question from Al-Sharq Newspaper. Question to Admiral Smith. The American forces are conduct...are spending now money on...disbursing money on the Awakening groups, and the Iraqi government also allocated a budget for those Awakening groups. Will the American troops restore the money that it disburse on the Awakening troops later?

RDML SMITH: The current program for the Concerned Local Citizens had been paid for by the coalition, that's correct. The Government of Iraq has indicated that in 2008 it intends to fund security elements associated with the Concerned Local Citizens. That will occur sometime in 2008. So, we'll continue to fund the program until such time as the Government of Iraq completely takes over that responsibility. Aside from the security elements of the Concerned Local Citizens, you've also heard the Government of Iraq pledge, as well as the coalition, additional dollars to begin transition of individuals through job training and skills training programs into other employment beyond security. And again, those will be efforts that will be addressed here in 2008. Yes, sir.

REP7: This might be a question for Denise. Just curious. Do you...are you guys addressing the security aspects of the micro-grant project at all in terms of has there been any problems for the people who accept

these grants as seen that they may be colluding with the coalition? For instance, the beauty salons—that project that you mentioned—they are often targeted by insurgents. There have been a lot of beauty parlors that have been bombed out. And I'm just curious if that's taken into consideration at all.

MISS HERBOL: Well, I actually think I'll defer on this one.

RDML SMITH: I think, again, you've...we've all heard reports of individuals who have attempted to be entrepreneurial in their area and perhaps viewed by the insurgents as beyond the norms that they were trying to establish for those neighborhoods and those areas. And those are brave individuals. I think in this case, we're talking about individuals who now recognize that really the future of Iraq is going to be built upon the economy. And the lifeblood of many of their abilities and talents requires them to take those steps now; to step up and begin opening up businesses again. And I think that security will always be an issue for these individuals—all individuals—as they try to make the investments and making certain that they're protected against random bombing, random acts of violence, let alone targeted violence. So, yes; those are brave steps they're taking. But those are individual choices and I believe they're making them for the right reasons.

REP7: So there's no...I mean that there's no security component of the...?

RDML SMITH: There's not a direct relationship between taking a loan and providing additional security for a business if that's your question. Yes, ma'am.

REP8: Asks question in Arabic.

INT: Question from Al-Huriya TV. There are some factories that have been closed due to the bad economy in Iraq. Why don't you reopen those factories and also bring back the displaced families? Because the families are actually suffering from it. So why don't you reopen those factories so they can hire more people?

RDML SMITH: We've had Mr. Brinkley here on several occasions. He is the Deputy Undersecretary of Defense for Economic Development. And part of his work is to identify some of the former state-owned industries—many of the factories you are referring to—that perhaps with some economic stimulus could become a viable project that investors would be interested in investing in for long-term employment of individuals in those areas. There have been several small projects and medium-sized projects of reopening factories. Iskandariyah Development Area, for instance, has a number of

facilities that are operating that are again beginning to build back up to what they were once in terms of strength. A lot of this has to do with the marketplace. You've got to have a market for your goods and services. To find those markets and making them economically viable is going to be the key to that. And Mr. Brinkley and others are working very hard with the Government of Iraq to identify state-owned industries that are candidates for that program. I think, in fact, later this week there will be a press conference with Mr. Brinkley and some of the ministries here to discuss some of the very issues you bring up in terms of a particular marketplace, and we'll talk about that later in the week. Sir.

REP9: Asks question in Arabic.

INT: Admiral Smith, you've said 2000 [sic] year will be a year of reconstruction. But a few days ago there's been an air strike—one of the biggest air strike ever since...in Arab Jabour. So why don't you use the tribe leaders and the people in that place to take to eliminate the terrorists instead of using the air strike? And this is an important thing that happened in Anbar Province and in the other places...in northern Baghdad. And also, when you use the tribe leaders and their sons, you will eliminate unemployment. So how would you comment about this?

RDML SMITH: Well, first of all, I think you've seen—the briefing on Friday indicated that and the video we showed you—that the area that was bombed in Arab Jabour was a rural area. It was not the destruction of so much facilities, as it was going after deeply buried improvised explosive devices and other buried stores of caches. And so the open areas that were targeted and the roads in that area were targeted specifically because al-Qaeda had buried these explosive devices in the ground and had stored large stockpiles of weapons. That was the purpose of that raid—a very targeted mission that was very successful. Another question, please. Yes, ma'am.

REP10: I think this question is for Denise. The...some Iraqi citizens and American officials have expressed some concern that the Iraqi Government hasn't taken enough advantage of the relative security improvements in terms of providing basic services for the Iraqi people such as improved electricity supply, water, etc. I was just wondering from the USAID perspective if that's having an effect on reconstruction efforts in terms of projects that you have going, especially in rural areas where perhaps basic services are also still lacking?

MISS HERBOL: The Provincial Reconstruction Teams work very closely in the provinces with the local governments to work on that very thing: to

improve services. And we believe that there has been an improvement in many areas in this. Certainly, there are things that can and should be addressed. But we believe that things are moving forward and we have been working closely with the GOI on this issue to seek to improve services.

RDML SMITH: There are some parts of Iraq, clearly where—as we talked about factories and so forth—some of the basic infrastructure is not there yet to support it; for instance electricity. And while it would be hopeful to open up a factory or restart a factory, power generation will be a critical part of that phasing of employment and other opportunities that would exist there as a result of that. And so, it's basic services you put in place as building blocks that eventually will allow for this other investment. Yes, ma'am.

REP11: Asks question in Arabic.

INT: Question to Miss Denise. Would you...can we consider that the...?
I'm sorry. I couldn't hear the question.

RDML SMITH: Could you repeat your question, please?

REP11: Repeats question in Arabic.

INT: Can we regard that the prosperity of the civilian...I mean the

financial...is it coming from...the work that you...? Oh, is the work that you're doing is like the Journalist without Limits or Doctors without Limits, and does the World Bank fund have any role in this? Thank you.

RDML SMITH: I'm not sure I understand your question but... Would you repeat that again for us? Just summarize what she said.

INT: Sir, she's saying that is your work kind of like the Journalists without Limits or Doctors without Limits? Is it associated with those agencies?

MISS HERBOL: We do not work directly with Doctors Without Borders here; no. I do believe that there has been some work with journalists. But no, not Doctors Without Borders.

INT: Is it similar to the process there used or policy?

RDML SMITH: I think what you're asking is do we use volunteer individuals that form for a common purpose, say Doctors Without Borders. This is a U.S.-funded program involving U.S. agency employees, U.S. tax dollars providing assistance to, in this case, Iraqis with micro-grants and micro-loans, as opposed to what we call a nongovernment

organization that would come together for a purpose like rendering medical assistance. Any other questions? Well if not, I think you for your time. I appreciate it. Bye-bye.