

Eritrea – European Community

**Country Strategy Paper
And
National Indicative Programme**

For the period 2009-2013

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The Government of State of Eritrea and the European Commission hereby agree as follows:


- (1) The Government of State of Eritrea, represented by Mr Yemane Ghebremeskel, Deputy National Authorising Officer and the European Commission, represented by Ms Paola Amadei, Head of Delegation, hereinafter referred to as the Parties, held discussions in Asmara from 2007 to 2009 with a view to determining the general orientations for cooperation for the period 2009–2013.
During these discussions, the Country Strategy Paper including an Indicative Programme of Community Aid in favour of State of Eritrea was drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 as revised in Luxemburg on 25 June 2005. These discussions complete the programming process in State of Eritrea.
The Country Strategy Paper and the Indicative Programme are attached to the present document.
- (2) The indicative programmable financial resources which the Community intends to make available to State of Eritrea, for the period 2009 -2013, amount to €122 000 000 for the allocation referred to in Article 3.2 (a) of Annex IV to the ACP-EC Partnership Agreement (A-allocation) and € 7.26 million for the allocation referred to in Article 3.2 (b) (B-allocation). This amount includes the initial B envelope allocation of €2.4 million adopted by Commission Decision (2007) 5223 of 30 October 2007 and an additional allocation of €4.86 million adopted by Commission Decision C (2008) 6493 of 12 November 2008 in response to an assessment of the special needs of Eritrea resulting from the macro-economic and social effects of soaring international food prices. These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of Annex IV to the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community assistance. The Indicative Programme under Part 2 concerns the resources of the A-allocation. It also takes into consideration financing from which State of Eritrea benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and therefore does not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of the present Country Strategy Paper and Indicative Programme. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of State of Eritrea within the limits of the A- and B-allocations referred to in this document. Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article 4(1)(d) of Annex IV to the APC-EC Partnership Agreement for support to non-State actors or on the basis of Article 72(6) of the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocation. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the Council regulations on the implementation of the 10th EDF and on the financial regulation applicable to the 10th EDF, and in Annex IV to the ACP-EC Partnership Agreement.

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2(c) and 3 of Annex Ib to the ACP-EC Partnership Agreement regarding the 10th EDF multi-annual financial framework for the period 2008-2013 contained in annex Ib to the ACP-EC Partnership Agreement
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of current needs and performance.
The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of each of these reviews, the Community may revise the resource allocation in the light of current needs and performance.
Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased pursuant to Article 3(5) of Annex IV in order to take account of new needs or exceptional performance.
- (8) The agreement of the Parties on this Country Strategy Paper and the National Indicative Programme, will be regarded as definitive within six weeks of the date of signature, unless either Party communicates the contrary before the end of this period.

Signatures

For the Government of State of Eritrea

For the European Commission



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2/9/09

SUMMARY

Relations between the European Commission and Eritrea date back to Eritrean independence (1993). Past cooperation has focused on addressing the pressing issues of reconstruction following the devastation of the war of independence and the border conflict with Ethiopia (1998-2000).

The political landscape in Eritrea is still blighted by the lack of progress towards border demarcation with Ethiopia, in spite of the final and binding decision of the Ethiopia-Eritrea Boundary Commission (EEBC) in 2002. The Popular Front for Democracy and Justice (PFDJ), as the only political entity in Eritrea, has been in power since independence in 1993. The Constitution of Eritrea was ratified by the Constituent Assembly in 1997 but, owing to the special circumstances stemming from the above-mentioned border issue, has not been fully implemented.

Eritrea's GDP per capita is currently estimated at US\$200. Income inequality in Eritrea remains low. Private-sector activity, mainly of a merchant and service delivery nature, remains constrained and weak. The Government of the State of Eritrea (GSE) does not publish an annual budget.

While approximately two thirds of the population live under the national poverty line, Eritrea is projected to achieve eight of the ten MDG targets by 2015.

This Country Strategy Paper (CSP), which covers the period 2009-2013, is the result of the country analysis and the assessment of past cooperation and lessons learned, and has taken into consideration the role of other donors. The CSP follows the rationale of moving increasingly away from post-conflict rehabilitation towards a more development-oriented approach. It reflects the priorities set by the GSE in the '*Eritrea – EU ties: broad outline of medium term cooperation programme*', and is consistent with the commitment to poverty reduction enshrined in the Interim PRSP.

The CSP is based on the GSE's own response strategy to the key challenges identified:

- Low level of food production and productivity;
- Weak transport system with high operating costs and poor safety standards;
- Weak justice system and poor capacity across the public administration.

As a result, the main areas of cooperation identified are:

Focal sectors

- Food security / rural development
- Infrastructure rehabilitation

Non-focal sectors

- Governance
- Restoration of national heritage

Implementation shall be through a traditional project approach with decentralised management. As with the 9th EDF, current conditions in Eritrea limit the possibility of recurring to programme approach and budget support as implementation modalities. Cross-cutting issues such as gender and environment will be mainstreamed into the focal and non-focal sectors.

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PART 1: STRATEGY PAPER

CHAPTER I: THE FRAMEWORK OF RELATIONS BETWEEN THE EC AND ERITREA

– I.1.1. General objectives of the EC's external policy

In accordance with Article 177 of the Treaty establishing the European Community, the purpose of Community policy in the sphere of development cooperation is to foster:

- The sustainable economic and social development of developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of developing countries into the world economy;
- The campaign against poverty in developing countries.

Europe should project a coherent role as a global partner, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security

The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc).

EU external action including the Common Foreign and Security Policy, a common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for developing gradually a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has placed upon the EU even greater responsibilities, as a regional leader and as a global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies, which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

– I.1.2. Strategic objectives of cooperation with the partner country

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and State of Eritrea shall pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental element as defined in Articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and with particular reference to the Millennium Development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

Better aid effectiveness is crucial to achieving poverty eradication. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries' strategies and processes, common implementation mechanisms, joint donor-wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas, with a view to ensuring that all EU non-aid policies make a positive contribution to developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community country and regional programming. This means selecting a limited number of priority areas of action, through the dialogue with partner countries, rather than spreading efforts over too many sectors. In this context the Community will be primarily active in the following nine areas, keeping in mind its comparative advantage in a number of them: trade and regional integration; the environment and sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

In December 2005, the European Council agreed an EU Strategy for Africa. The Strategy provides a long-term, strategic framework for interaction between Europe and Africa at all levels: with pan-African institutions such as the African Union, regional organisations and national authorities. It defines how the EU can best support Africa's own efforts to promote sustainable development and reach the Millennium Development Goals (MDGs). The Strategy rests on three pillars: (i) promoting peace, security and good governance as central prerequisites for sustainable development, (ii) supporting regional integration, trade and interconnectivity to promote economic development, and (iii) improving access to basic social services (health, education) and protecting the environment to reach MDGs 1-6 faster.

I.1.3 Main bilateral agreements

The Cotonou Agreement is the only bilateral agreement between the EU and Eritrea.

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CHAPTER II: COUNTRY DIAGNOSIS

II.1. Analysis of the political, economic, social and environmental situation in the recipient country (Eritrea)

II.1.1 Political and institutional situation

Eritrea formally achieved independence in 1993, following a 30-year war of liberation. In the post-liberation period Eritrea enjoyed a period of stability and economic progress, which was interrupted in 1998 when a border war between Eritrea and Ethiopia broke out. It claimed tens of thousands of lives and also disrupted the momentum for development that had been gained. The political landscape in Eritrea is blighted by the lack of progress towards border demarcation with Ethiopia, in spite of the final and binding decision of the Ethiopia-Eritrea Boundary Commission (EEBC) in 2002 and the subsequent confirmation of demarcation by coordinates of June 2008. As a result, tensions between the two countries are high.

Eritrea's Head of State and Government is President Isaias Afwerki. The Popular Front for Democracy and Justice (PFDJ) – the successor of the Eritrean People's Liberation Front – is the only political entity in Eritrea and has been in power since 1993. Eritrea is administratively and fiscally centralised. It is divided into six administrative regions (Zobas) headed by Governors. A proclamation that was promulgated in 1996 allows for significant decentralisation though its full implementation will take time. Eritrea comprises nine language groups.

The Constitution of Eritrea was ratified by the Constituent Assembly in 1997, but has not been fully implemented. General elections were scheduled for 1998, but have been postponed, owing to the special circumstances surrounding the border issue. Since independence a Transitional National Assembly has been formed; it has not met since 2002.

As required by the Constitution, the court system is three-tiered, with local courts, regional courts and a Supreme Court. The courts address cases before them according to the transitional legal codes in force prior to independence. The civil, penal and commercial codes are currently under review. In 1996, the Government of the State of Eritrea (GSE) established an ad hoc Special Court to address among other matters cases of corruption and embezzlement.

The GSE has a stated policy of and commitment to promoting gender equality. There are three female ministers currently in the Government and two of the six Zoba Governors are women. Three out of the 19 members of the Executive Committee of the PFDJ and 12 out of 75 Central Council members are women.

Civil society organisations as well as associations of workers, women, students and youth are affiliated to the PFDJ.

The lack of progress towards implementation of the EEBC decision five years after its announcement and the consequent tension between Eritrea and Ethiopia is a source of regional instability. Recently there have been significant improvements in Eritrea's relations with Sudan and Yemen. The civil wars in Sudan and Somalia continue to impact on relations between other states in the region, further increasing regional instability.

Eritrea is a member of three regional bodies: IGAD, COMESA and CEN-SAD. However, during 2007, Eritrea suspended its membership of IGAD as a result of disagreements on regional issues.

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II.1.2 Economic and commercial situation

Eritrea's GDP per capita is estimated at US\$200¹. The major contributors to GDP are services (61%), agriculture (24%) and industry (15%).

According to GSE figures the economy of Eritrea grew by an estimated 2% in 2006, a drop from the growth rate of 4.2% achieved in 2005. The population growth rate in 2006 was estimated at 3%. Inflation remains in double figures (see Table II for further data on the Eritrean economy).

The GSE has not yet commenced publishing its annual budget. However, according to GSE figures, Government expenditure rose from 49.3% of GDP in 2005 to 50.1% in 2006.

The budget deficit was reduced from 22% of GDP in 2005 to 21.2% in 2006 (excluding grants). The consistent budget deficit run in recent years can be assumed to be one of the main sources of inflationary pressure in Eritrea.

The persistently large trade deficit stood at 42.9% in 2006. Although this is a reduction from 2005, the trade deficit constitutes one of the major challenges to the Eritrean economy. With the current account balance standing at -1.1% of the value of GDP in 2006, Eritrea has suffered a depletion in foreign exchange reserves which in 2006 stood at the equivalent of just 0.48 months of imports. In response, the GSE has imposed strict limitations on imports. The private importer restrictions introduced in 2005 continue to apply. During 2006 the possession of foreign currency without formal permission was made illegal for Eritrean citizens.

Private-sector activity, mainly of a merchant and service delivery nature, remains weak. Difficulties in accessing hard currency are a major constraint. Mineral resources (mainly gold, zinc and copper) remain a promising prospect. Exploration by a number of international companies is continuing and extraction is expected to commence in the near future, offering possible relief to the balance of trade situation.

Eritrea's foreign debt stands at 110.5% of GDP, the bulk of which was borrowed from multilateral creditors (WB, ADB). The servicing of this debt in 2006 amounted to 38.1% of export earnings. The IMF and the World Bank conducted a debt sustainability study in Eritrea in 2006, which showed that Eritrea fulfils the criteria to benefit from debt relief under the Highly Indebted Poor Countries (HIPC) initiative. Indicatively the IMF/WB estimate that Eritrea's total public debt stands at 180% of GDP, and the net present value of that debt is equivalent to 641% of Eritrea's export earnings. For Eritrea to become fully eligible for debt relief under the initiative it must fulfil certain policy criteria, such as embarking on an IMF Staff Monitored Programme. To date no plans to embark on such a programme have been announced. Transparency of public finance management remains limited in Eritrea. The fact that the GSE does not publish an annual budget means that it is not possible to assess the quality of public finance management or any improvements made in this area.

Regional Cooperation and EPAs

Eritrea actively participates in regional integration initiatives and is a member of COMESA and the Community of the Sahel-Saharan States (CEN-SAD). Eritrea has harmonised its import duty regulations to COMESA standards. Both Ethiopia and Sudan are members of COMESA. However, as a consequence of the fact that the border between Ethiopia and Eritrea remains closed and the border between Eritrea and Sudan has only recently reopened,

¹ Source: IMF Article IV Consultations 2005, Staff Report.

Handwritten initials: PA

Eritrea's participation in regional integration initiatives has yet to translate into practice as regards trade with its COMESA member neighbours.

Eritrea continues to participate actively in the Eastern and Southern Africa (ESA) Economic Partnership Agreement (EPA) negotiations at the Regional Negotiating Forum (RNF), following the establishment of its National Development and Trade Policy Forum (NDTPF) early in 2004. Members of the NDTPF come from the Eritrean National Chamber of Commerce, representing the private sector, and some key economic and policy ministries including National Development, Agriculture, Fisheries, Tourism, Trade and Industry, Transport and Communications, and Energy and Mines.

At the RNF and other senior-level meetings, Eritrea has consistently maintained its position that the EPA should be an instrument of development. Consequently, it was one of the six ESA member States that prepared their development matrices early in the EPA negotiations process. The development matrix focused on the removal of supply constraints through investment in the productive sectors, capacity building and regional integration. Peace and security as a precondition for development and issues of food security, economic vulnerability of small states and the principles of asymmetry and differential treatment were also of interest to Eritrea throughout the negotiations. Eritrea has opted to remain included in the Everything But Arms (EBA) regime with the EU, on the grounds that it does not consider the degree of market openness required under the proposed EPA agreements as relevant to a LDC. On these grounds it also intends to proceed with a clarification request to the WTO on the level of required market openness which is expected to apply to LDCs. Contingent on the response, it may opt to sign an EPA in the future. Eritrea meanwhile does remain actively engaged with COMESA. Given the previous compliance with COMESA requirements, no further actions have been necessary during the reporting period.

Eritrea also enjoys trade and investment cooperation with countries in the Middle East, including Saudi Arabia, Yemen, the United Arab Emirates and Israel.

II.1.3 Social situation, including decent work and employment

Income inequality in Eritrea remains low, with a GINI coefficient below 0.40. Approximately two thirds of the population live under the national poverty line. The incidence and depth of poverty are higher in rural areas, where an estimated 68% of the population live, and especially in the pastoralist eastern and western lowlands. Almost 50% of the economically active population is female and women-led households represent 47% of all households (2002 EDHS).

In education, the Net Enrolment Ratio (NER) was 51.5%, 18.9% and 14.1% at the elementary, middle and secondary levels respectively in 2003/2004. There have been marked improvements in the educational situation of girls since independence, but further improvements are needed. Internal efficiency indicators in Education are low. In 2005 the Government developed a \$240 million five-year Education Sector Development Programme (ESDP). The EC contributed €53 million to this programme from the 9th EDF.

In the health sector, the Government has in the past 15 years intervened in the areas of health infrastructure, human resources for health, provision of essential drugs and medical equipment, etc. It is currently focusing on reproductive health care, treatment and control of infectious diseases such as upper respiratory infections, diarrhoea, tuberculosis, malaria and HIV/AIDS. The health situation has improved since independence, but Eritrea still has some way to go to achieve the related MDGs. Both the infant mortality and under-5 mortality rates

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are below average for sub-Saharan Africa. Maternal mortality remains high but has decreased to 630 per 100,000 live births as compared to 998 per 100,000 live births in 1995. Eritrea has an estimated general population HIV sero-prevalence rate of 2.46 %. Recent Ministry of Health figures show the prevalence as being contained to 1.73 %.

Despite the formal adoption of equality between the sexes since independence, considerable efforts need to be made in this area, especially in rural societies. One area of distinct infringement of women's rights, stemming from traditional perceptions, has been the widespread practice of female circumcision, which was applied to approximately 89% of the female population according to the latest study (EDHS 2003). In 2007, after thorough consultations with community and religious leaders, the GSE outlawed female circumcision.

MDGs performance

Eritrea ranks 157th out of 177 countries according to the Human Development Report 2006 and is projected to achieve six of the eight social-sector-related MDG targets by 2015 (i.e. not on track to eradicate extreme poverty or achieve universal primary education)²:

MDG 1 – Eradicating extreme poverty and hunger: The main constraints on eradication of extreme poverty and hunger are the adverse impact of the border conflict, recurring droughts, low agricultural productivity, poor infrastructure, weak private sector and declining aid assistance.

MDG 2 – Universal primary education: Factors contributing to low enrolment and under-achievement are lack of access to schools, insufficient learning materials, poorly qualified teachers, poor learning environment and internal inefficiencies reflected by high repetition and drop-out rates.

MDG 3 – Promote gender equality: The main obstacles to gender equality include traditional attitudes, low family income, girls' domestic responsibilities, long distance to school, female teacher shortage and early marriage.

MDG 4 – Reduce child mortality: The decline in child mortality can be attributed to increased immunisation coverage, the decreased prevalence of vaccine-preventable diseases (maternal and neo-natal tetanus eliminated, no polio or measles deaths registered in the last few years) and the decrease in malaria morbidity.

MDG 5 – Improve maternal health: Poor results in maternal health are mainly related to shortage of trained birth attendants, cultural preference for home delivery, poor antenatal, delivery and postnatal care and limited emergency obstetric facilities.

MDG 6 – Combat HIV/AIDS, malaria and other diseases: The major constraints on further progress in regard to HIV/AIDS are slow behaviour change, widespread stigma and limited scope for care and treatment. For malaria, sexually transmitted diseases and tuberculosis, the main impediments are the inadequate access to mosquito nets and the limited institutional capacity, respectively.

² The road map to 2015 is based on crucial assumptions: a) resolution of the border conflict, b) favourable climatic conditions, c) robust and sustainable economic growth and development, and d) successful mobilisation of resources (both domestic and international).

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II.1.4 Environmental situation

A Country Environmental Profile (CEP) for Eritrea was finalised in early 2007 (Annex 3).

The major identified environmental threat is land degradation, which is attributable to intertwined causes, both natural (recurrent drought, torrential rains) and man-made (unsustainable land management, such as deforestation and overgrazing). The GSE has taken commendable steps to reverse this negative trend, mainly by engaging the population in massive soil and water conservation works, but a lot remains to be done. For instance, long-term land tenure rights would foster more environment-friendly farming practices.

Terrestrial and agricultural biodiversity has suffered from war, droughts and increasing human pressure. Supply of safe drinking water is insufficient by any standard, which explains the continuing prevalence of waterborne diseases. Improving the quality and quantity of water supply has been rightly identified as a priority by the GSE.

Energy consumption is amongst the lowest in the world. Biomass accounts for two thirds of it.

A National Environmental Management Plan was prepared in 1995 and National Environmental Impact Assessment Guidelines were developed in 1999. However, some gaps and weaknesses have been highlighted by the Country Environmental Profile in national and sectoral policies as well as in the institutional set-up and the capacity to appropriately address the environmental challenges.

Climate change is already having a significant and serious impact in the Horn of Africa. The resultant effects will increase over years and decades to come and are projected to include an increase in droughts and floods further threatening soils, biodiversity and fisheries resources which are already under stress in countries such as Eritrea. Projected sea-level rise will affect coastal areas where economic activities take place. Climate change is a threat to development and diminishes the chances of achieving the Millennium Development Goals. In this context, adaptation to climate change becomes a precondition for Eritrea's sustainable development.

As for the environmental MDG targets:

MDG 7 – Ensure environmental sustainability

(Target 9) Integrate the principles of sustainable development into the country's policies and programmes and reverse the loss of environmental resources: A Ministry of Land, Water and Environment was established in 1997. According to different sources, forest cover is anywhere between 2% and 14% of the national territory.

(Target 10) Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation: Proportion of households without access to safe drinking water declined from 83.6% to 32.5% between 1993-95 and 2001-03, with higher prevalence in rural areas. These figures should be treated with caution, in particular due to the respondents' definition of safe drinking water. Non-access to basic sanitation (flush toilets or VIP latrines) declined from 87.2% to 74.4% over the same period. The 2015 target is deemed attainable for safe drinking water.

(Target 11) Achieve by 2020 a significant improvement in the lives of urban slum dwellers: Overcrowding is still a serious problem, with 40% of households having more than five persons per sleeping room (2002 DHS).

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II.1.5 The country in the international context

The GSE subscribes to multilateralism and peaceful coexistence of all States, principles it considers vital for promoting peace and stability and ensuring sustainable national economic growth through regional economic cooperation, as well as for enhancing trade and foreign direct investment. In spite of these policy precepts, however, the overall security climate in the Horn of Africa region remains highly precarious. Relations with Ethiopia are still strained because of the failure to implement the EEBC decision. The civil wars in Sudan and Somalia continue to affect relations between other states in the region, increasing regional instability. Relations with Sudan have, however, improved considerably over the last few years, with the border between the two countries reopening in 2006.

Eritrea successfully hosted the peace talks between the Government of Sudan and the Eastern Front. In June 2006 the two sides signed two preliminary agreements in Asmara and a peace agreement was concluded in October 2006. Eritrea is actively participating in the efforts to solve the Darfur crisis.

The GSE has acceded to various continental and international associations for economic and trade cooperation, the main ones being COMESA and CENSAD³ in Africa. Eritrea suspended its membership of IGAD during 2007 as a result of disagreements over regional issues, primarily related to developments in Somalia.

In addition to the EU-ACP partnership, Eritrea also benefits from the TICAD III Economic Cooperation Framework with Japan and the Sino-Africa Forum for enhancing preferential financial, investment and trade ties between China and Africa.

Eritrea is an active member of the International Labour Organisation (ILO) and has ratified most key ILO Treaties. Eritrea has signed but not ratified the Rome Statute. Eritrea has ratified the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW), and has reported to the Committee on the Rights of the Child. In 2005 Eritrea acceded to the Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict.

The GSE has an extensive record of ratification of international conventions, including key human rights treaties (see Annex 7), although further steps could be taken to incorporate the provisions of such treaties into national legislation.

Eritrea is not yet a member of the WTO.

II.2. Poverty reduction analysis

A poverty survey was conducted nationally in 2004. The results of the survey are summarised in the interim PRSP (April 2004) but the survey data have not yet been made public. Consequently the i-PRSP remains a valuable yet limited tool for analysis. It does not represent the GSE's main development strategy document and does not constitute in itself the defining framework of cooperation between donors and the GSE.

Prolonged conflict, frequent drought and internal displacement had in the past resulted in both the loss of capital and the depletion of traditional coping mechanisms. The persistent low level of productivity in the agricultural sector (which employs 60% of the population⁴) is due

³ Community of Sahel Saharan States

⁴ IMF and World Bank PER



primarily to the low technology employed, the lack of irrigation systems and limited market access mechanisms. Economic activity beyond agriculture and livestock raising is extremely limited in rural areas, although various small credit schemes to encourage poultry production, beehive keeping etc. are being introduced on a wide scale to provide supplementary income. The high levels of rural poverty are in part a direct consequence of these problems, and must be dealt with as a matter of urgency.

Employment opportunities in urban areas remain limited. The increasing difficulties faced by small industries and services in obtaining basic inputs have resulted in a reduction of economic activity in these sectors. A large proportion of manpower is engaged in the mandatory national service activities.

Background on food security

Eritrea has a long history of food insecurity, at both national and household levels. The majority of the population relies almost exclusively on rain-fed agriculture and pastoral activities, and national food availability is chronically insufficient. Even in good years the country produces only about 60-70% of the total food needs, while in poor years this figure falls to about 25% of requirements. As a consequence and since import capacity is limited, sufficient national food availability is a recurrent problem.

The dominant production system is traditional subsistence agriculture, characterised by the use of local varieties of crops and livestock, manual labour and animal traction. With a predominance of agricultural practices based on rain-fed production, erratic rainfall is a major impediment towards achieving food security. The lack of adequate water harvesting infrastructure compounds the problems caused by the climatic conditions. Other factors that contribute to high levels of food insecurity at national level are: limited access to productive assets such as land, labour, credit and inputs (in particular, seeds, irrigation facilities and labour-saving tools); soil degradation resulting from the inadequate management of natural resources, and limited import capacity. This low productivity explains why agriculture's contribution to GDP is only 23%, while it employs 60% of the population⁵.

As a consequence, Eritrea has until recently relied heavily on food imports to cover nearly 50% of its food requirements, which have been partly commercial and partly food assistance.

At household level, inadequate access to food is both a source and a consequence of poverty and addressing it is a main target and challenge for the GSE. Food-insecure populations in Eritrea suffer from limited market outlets for their produce and limited access to income-generating opportunities in non-agricultural sectors.

At individual level, nutritional surveys indicate that Eritrean women and children are particularly vulnerable to food insecurity, and show malnutrition rates well above WHO standards.

The GSE is working towards poverty reduction through its current Agricultural Development Plan (2008-2010) and other measures.

Food security is a top national priority and is perceived by the GSE as a cornerstone of sustainable economic growth and poverty reduction. With this in mind, the GSE has drafted a number of policy documents. A comprehensive National Food Security Strategy was developed by the GSE in 2004. It envisages two interrelated sub-strategies, i.e. at National level and at Household level.

⁵ IMF and World Bank PER

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At national level, the food security strategy comprises three pillars: boosting domestic production, developing commercial imports and limiting food assistance. The GSE gives priority to ensuring that food production will meet the domestic requirements in the short term. To this end, the GSE's strategy is to focus on irrigated crops, while expanding the cultivated area in the lowlands and intensifying and diversifying production in the highlands. This approach is further detailed in the "Agriculture Development Program 2008-2010" (MoA, draft, July 2007).

Food assistance in Eritrea has undergone drastic changes. In September 2005, the GSE suspended a nationwide free distribution programme of food aid, which had been running for years, following the armed conflict with Ethiopia in 1998-2000. In April 2006, the GSE launched a national Cash-for-work (CfW) programme, aiming at creating and restoring community productive assets and initially financed by the monetisation of the in-country food aid stocks. The policy document "Cash-for-Work: From the perspectives of relief aid and sustainable food security" (MoLHW, April 2006) describes the rationale of these policies.

In 2005, with EC funding, the GSE drafted an "Eritrean National Agricultural Development Strategy and Policy" which is yet to be published.

During the past three years (2005-2007) the rains have been adequate in most regions and domestic food production has steadily increased. This is also a result of Government endeavours to increase cultivation areas as well as irrigated areas and to ensure the provision of improved seeds, and is consistent with their "Agriculture Development Program". Despite these actions and those aimed at improving the sustainability of natural resources management and development, in particular aimed at soil and water conservation, which constitute a priority of the GSE also in response to climate change, food production is still far from sufficient compared to the needs, especially in view of possible future drought periods. Moreover, even in good years there is a gap in cereal production which has to be covered by imports, as structural and permanent food aid donations are no longer acceptable as per Government policy.

The limited availability of data makes it difficult to assess properly the current situation as regards food security and the impact of soaring food prices and high fuel costs on the population. However, it can be estimated that the food situation will be exacerbated not only by soaring prices but also by the low harvests expected this year as a result of the erratic rainfall in the Horn of Africa. Retail prices of staple food items, which have already doubled this year, are therefore expected to increase further. .

The sustainability of natural resources management and development with emphasis on soil and water conservation is an important element in the GSE's agricultural programme, together with provision of support to smallholder farmers, thus reaching a poor segment of the population.

Background on infrastructure rehabilitation

The general condition of infrastructure in Eritrea is relatively poor following three decades of civil war and insufficient investment since independence. In spite of recent improvements, this situation is hindering economic development as well as access to social services.

At independence in 1993, the GSE embarked on the ambitious task of improving infrastructure devastated by three decades of civil war. The initial improvements were implemented by the public sector on an emergency basis. In the few years of independence,

the country has progressed considerably, although a wide gap still persists between existing conditions and what should be an acceptable standard.

The Government highlights the importance of regional economic cooperation and integration based on improved economic ties in the document entitled "Eritrea-EU Ties – Broad outline of the medium-term cooperation programme". In this context, the Government is embarking on major infrastructure-related investments in the areas of roads, tourism, water & sanitation, mining, Free Trade Zones and communications to rehabilitate and upgrade basic infrastructure in order to reactivate the productive sectors and to improve the delivery of social services.

In the context of focusing European Commission support on selected priority areas with established comparative advantages, the Government has indicated a wish to channel EC funds towards an Infrastructure Rehabilitation Programme with particular emphasis on roads.

In terms of road infrastructure, the Government has conducted three sectoral studies since 1998, namely: Eritrean Transport Sector Study (ETSS), Road Sector Development Programme (RSDP) and Road Sector Strategy Study (RSSS). The main recommendations of the various studies to date have included:

- The creation of a phased, prioritised, fifteen-year RSDP that takes full and proper account of environmental considerations.
- Improvement of the institutional arrangements to enhance the management and financing of the sector.
- The creation of a practicable road safety action plan (covering, for example, road improvements, driver behaviour, overloading, etc.).
- A funding scheme to finance the sector through sustainable road user charges.

The RSDP has been confirmed by the Government as an accurate assessment of the sector situation. Institutional reforms proposed in the RSDP require formal approval by Cabinet. Priority measures designed to translate these commitments into action are under preparation. The Government has introduced a limited Road User Charge (RUC) and has expressed a desire to create a transparent Road Fund. Owing to the post-conflict situation and other related constraints – and lacking an adequate source of domestic income – Eritrea fails to spend sufficiently on maintenance. It is considered that continued EC funding of the sector will have a considerable effect in that the deterioration of the network (valued at USD 670M) will be slowed. Additionally, the 10th EDF funding is intended to continue efforts under the 9th EDF Road Maintenance and Safety Programme (RMSP) to improve the institutional arrangements of the road sector through the implementation of the Action Plan defined in the RSDP.

The mid-term review of the 9th EDF RMSP – scheduled for mid-2009 – will, to the extent possible, be taken into account for the preparation of the programme under the 10th EDF.

The RSDP policy highlights the role of Government, allocation and prioritisation of resources, maintenance, capacity-building of local construction industry, road user charges, commercialisation and participation of the private sector, administration of the public road network, quality, safety, environmental impact, network planning, axle loading, programming and coordination.

RSDP strategies cover investment priority setting, timing, donor community partnership, institutional arrangements, Road Maintenance Fund, etc.

With reference to institutional change, the RSDP proposes the creation of a Roads Division that will become the lead road sector agency and will thus be responsible for a financial portfolio of donor funds, central government budget contributions and road user charges (through the proposed Road Fund). Road maintenance will eventually be fully covered by road user charges (RUC) administered through a Road Fund primarily by means of a fuel levy on petrol and diesel fuels. There should thus be a shift away from dependency on donor funding towards RUC while keeping the budget contribution constant for maintenance.

II.3. The recipient country's development strategy

In terms of overall strategy, an interim PRSP was prepared in 2004, but has not been utilised in planning terms. Ad hoc policy papers produced by the GSE to date on specific sector policy planning are more commonly used to define the framework of cooperation in specific sectors of donor activity. In the case of the EU/EC, the cooperation framework with the GSE is defined in the 'Eritrea-EU ties, Broad Outline of the Medium-Term Cooperation Programme' document (April 2007). This document reflects the priorities of the GSE for EC cooperation, namely food security/rural development, infrastructure and capacity-building.

Eritrea's development strategy has to a great extent been dictated by the country's recent history. Initial recovery from the 30-year struggle for independence was successfully and rapidly followed by the promotion of investment and trade as the twin pillars of sustainable growth. In the aftermath of the 1998-2000 war with Ethiopia, emphasis in the early part of the decade was on the rehabilitation of the social and physical capital of the country. Efforts are currently being made to tackle some of the long-term bottlenecks such as food security issues, transport infrastructure and capacity constraints within the public sector. The GSE aims in tandem to increase trade performance and investment based on the country's potential comparative advantage in areas such as mining, fisheries, agriculture, tourism and services (Free Trade Zone, the Ports, etc.) as well as manufacturing, to create synergies which will lead to long-term sustainable development. The GSE has a stated long-term agenda of self-reliance. In this context, development and humanitarian assistance must be leveraged and should not constitute permanent features of the country's development strategy that would nurture structural and chronic dependency.

The main sectoral development strategies currently being implemented by the GSE are:

- Food security strategy (2004)
- Road Sector Development Programme (2006)
- National Water Supply and Sanitation Emergency Action Plan 2004-2007 (2004)
- Agricultural Development Plan 2008-2010 (2007)
- Free Trade Zone Development (2006)

The Ministry of National Development has been tasked to coordinate long-term development planning in the various economic sectors.

II.4. Analysis of the viability of current policies and the medium-term challenges

The success of the GSE's development efforts is dependent not only on a number of external factors, such as regional peace and stability, but also on the successful drive to overcome

fundamental development bottlenecks, such as food security, physical infrastructure limitations and public sector capacity constraints. For the medium term, the food security development agenda coupled with import-substitution and export-oriented agro-industrial investment aims at stimulating national economic growth and increasing income for the rural population, thus not only tackling welfare issues, but also stimulating demand in the economy. It is indicative that currently, the agricultural sector employs 60% of the population, whilst contributing just 24% to GDP. This is directly related to the low productivity of the agricultural sector, a feature shared by most, if not all, agriculture-based countries like Eritrea.

However, there are significant challenges, particularly in the short to medium term. The limited resources, both financial and organisational, restrict the choices available to the GSE. Military expenditure diverts considerable resources away from development activities, due to uncertainty in the overall regional security environment, and the continued lack of progress towards the demarcation of the border with Ethiopia. Consequently, the challenges of achieving the twin objectives of securing national sovereignty and maintaining the momentum of development are considerable. Indeed the Eritrean economy has achieved limited growth since 2000. The relatively good growth performance registered in 2005 (and 2006) was due in part to the good rainfall, following a period of prolonged drought.

The growing public debt and the balance of payments deficit also pose considerable challenges, a situation which may be relieved in part by progress in the mining sector. Mining is the only sector in which major international private investment is taking place (with only minor foreign investment in tourism). The potential of the private sector to contribute to the generation of income and economic growth is not yet fully exploited. Developing synergies between the private and public sectors could greatly benefit development prospects, both directly and through generation of greater government revenues.

CHAPTER III: OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY

Overview of past and present EC cooperation (lessons learned)

Overall cooperation between the EC and Eritrea has been defined by the priorities set by the GSE and the limited choice of implementation modalities owing to the specific conditions in Eritrea. In the initial stages of cooperation between the EC and Eritrea, the most urgent needs were defined by the prolonged period of conflict from which Eritrea was emerging. Cooperation in the early years of independence concentrated on post-conflict rehabilitation to assist in recovery from the 30-year struggle for independence. The 8th EDF plan for Eritrea focused on restoring macroeconomic stability and viability. The war with Ethiopia (1998-2000) and the resulting destruction of physical and social capital led to new needs in terms of post-conflict rehabilitation, which became the focal area of the 9th EDF CSP, with emphasis placed on both the reconstruction of physical infrastructure and the demobilisation of combatants. The Mid-Term Review (MTR) of the 9th EDF pointed to a shift away from post-conflict rehabilitation, towards more development-oriented activities, with the introduction of a large-scale programme of support to Education (school construction and capacity-building), and an increased focus on road maintenance in the infrastructure component.

Absorption of EC funds in Eritrea has historically been low across the board, with absorption levels of budget lines higher than those of EDF funds. However, following the Proclamation to Regulate NGOs (2005), fewer NGOs have qualified to operate than previously, reducing the number of potential implementing partners for EC-funded projects, which may have an

impact on the absorption capacity of EC Budget Lines funds. The low level of disbursements for EDF projects led to a reallocation of funds from Eritrea's NIP towards the long-term Development reserve. Following the mid-term review an amount of approximately €39 million was reduced from the A envelope and €3 780 000 from the B envelope. In the light of the end-of-term review, funds have been returned to the A envelope in order to cover a Road Maintenance and Safety Programme and a project providing 'Support to the Office of the Auditor General' for a total amount of €36.4 million. As a result, a total allocation of €108 950 000 was made available for the Post-Conflict Rehabilitation focal sector (this includes the ongoing "Education project"; an increase of €5 000 000 for the ongoing "Post-Conflict Rehabilitation" project; and the "Road Maintenance and Safety Programme Phase II" for an amount of €34 450 000); and an allocation of €4 300 000 for the Transport focal sector for the "Road Maintenance and Safety Programme Phase I" project. The project providing "Support to the Office of Auditor General" (€1 950 000) and the "Technical Cooperation Facility Second Phase" (€1 500 000) are financed under the budget for non-focal sectors.

Some lessons can be drawn from the implementation of past cooperation. Moreover, due account has been taken of the country-level evaluation of past EC cooperation conducted in 2006.

While implementation of the 9th EDF only started in 2004 – explaining the delays in commitments – the pace of implementation thereafter has been slow. An improvement in the common understanding of Commission procedures, and enhanced dialogue between the parties leading to a streamlined and joint planning process, would certainly help in avoiding delays and in choosing the best implementation modalities for each context under the 10th EDF. Direct budget support to the GSE's current development programmes lies outside the scope of implementation modalities available to the EC, due in part to the fact that the GSE does not yet publish an annual budget. Consequently implementation modalities for EC funds are restricted in the short/medium term to a project approach. This has been the case under previous EDFs and will be the case for the 10th EDF.

EC cooperation, in particular through the 9th EDF, has supported a sectoral approach in addressing structural reforms (i.e. in the road sector). This approach has proved to be efficient in creating the conditions for improving the existing institutional framework. A similar approach will be encouraged under the 10th EDF to provide a more effective framework of cooperation.

Along the same lines, since achieving food security has gradually become a prominent development concern for the GSE, a switch from the thematic budget lines to the geographic instrument (EDF) has been decided, as this allows for a more strategic approach. This will help to enhance the impact of interventions.

Discussions held with the GSE to formulate a relevant programme for the EC to extend its support of the Office of the Auditor General of Eritrea have been very positive. Implementation of this programme would constitute a positive step in improving the quality of public finance management in Eritrea. This will in turn have positive spill over effects on the accountability aspects of our development cooperation.

A table providing an overview of past cooperation is attached in Annex 10.

Y
PA

III. 1.1 Focal sectors

The focal sectors of the 9th EDF¹ (included in the A envelope) are: Post-Conflict Rehabilitation (€108.95m, of which €53m is for education and €34.45m for road maintenance); and Road Transport (€4.3m). The focal sector of the 8th EDF¹ (included in the NIP) was: Support for enhanced economic production (€56m, of which €53m was subsequently transferred to the 9th EDF A envelope).

The focal sector of the 7th EDF (included in the NIP) was: Reconstruction and Recovery (€55m).

Reconstruction, rehabilitation and recovery, mainly of infrastructure damaged during the liberation struggle and the more recent war with Ethiopia, had been a constant feature of the EDF activity in Eritrea from its inception until the mid term of the 9th EDF. The same was true of all other major partners, most notably the World Bank. Following the MTR of the 9th EDF CSP in 2005, the focus has shifted increasingly to more development-oriented activities, namely in education and the transport sector.

In general, coordination amongst donors has always been good. The EC has successfully collaborated over the years with other donors and implementing agencies, notably with the World Bank (jointly financed projects in the field of reconstruction and education); with WFP (food aid); and with GTZ (joint financing of water projects).

The role of non-state actors in Eritrea is limited. This very young State has not yet developed structured civil society organisations comparable to those in many other countries.

As for the integration of cross-cutting themes (children, gender equality, environment, HIV/AIDS, culture, institutional development and capacity-building), these are usually considered at the stage of project identification and mainstreamed/promoted during the project implementation stage, mainly at the 'grassroots level'.

III. 1.2 Projects and programmes outside focal sectors

The projects financed under non-focal sectors of the 9th EDF, as revised by addendum no. 3 are: Support to the Office of the Auditor General (€1.95m); Senafe Hospital (€0.3m); Massawa electrification (€0.4m); and Technical Cooperation Facility (€4.6m).

For the 7th and 8th EDFs, activity in non-focal sectors was concentrated on emergency aid (Art. 254 of Lomé) and aid to refugees (Art. 255 of Lomé). Under the 7th EDF, some €5.5m was committed, while commitments under the 8th EDF shot up to more than €19m.

Overall, the channelling of emergency aid has been successful in Eritrea. Problems have arisen in the context of non-focal sectors, notably in the field of governance and civil society. This has led to a revision of the related 9th EDF allocation (€7m for governance and €1m for civil society in the context of the ETR).

Non-state actors' involvement in programming is limited to the few mostly international NGOs still present in the country.

⁶ New allocation following end-of-term review as per addendum 3.

⁷ €20m to be added from the 8th EDF RIP

⁸ New allocation following end-of-term review as per addendum 3.

III.1.3 Utilisation of Envelope B

See Table I for 9th EDF. The B envelope has been reduced to the already existing commitment (ECHO- €0.6m), and the remaining funds transferred to the long-term development reserve to be used within the region of Eastern and Southern Africa and Indian Ocean for humanitarian and emergency assistance.

III.1.4 Other instruments

Since 1993 the EC has committed in excess of €230 million in terms of budget lines, of which approximately €205 million has been disbursed (89%), with the largest share going towards food aid/food security, accounting together for some €210 million; the rest is being shared amongst budget lines DDH (Democracy and Human Rights), MAP (Anti-Personnel Mines), ONG-PVD (NGO Co-financing) and REH (Rehabilitation).

No other EDF instruments have been utilised in the case of Eritrea (i.e. Stabex, Sysmin, Sugar or Bananas), in part because Eritrea does not produce the sort of goods covered by these specific budget lines. (Sugar and banana production commenced this year and are expected to expand as part of the import-substitution and export-promotion agro-industrial investments).

The ACP Water Facility has been greeted with great interest in Eritrea. Two proposals (Oxfam + IFRC) were selected for funding for a total of some €3 million. Similarly, the ACP Energy Facility created a number of proposals, two of which are expected to receive funding shortly.

ECHO has been particularly active in Eritrea over the years. It has been providing emergency assistance for various regions of the country, as well as support for refugees and IDPs following the recent war with Ethiopia. The reduction in the number of registered NGOs in Eritrea following the 'NGO proclamation' has limited the choice of implementing partners with which ECHO can work.

The EIB's involvement in Eritrea has so far been quite limited. Only one intervention is worthy of note, in the telecommunications sector, for €8 million under 7th EDF funding.

III.2 Information on the programmes of the Member States and other donors

Of the five MS present in Eritrea, only Italy, the Netherlands and Germany have had sizeable development programmes. Italy was providing balance of payment support, although this programme has now ceased. Italy currently provides support in the health and water sectors. The Netherlands has closed the bilateral development cooperation programme by end 2008 and will channel humanitarian assistance through multilateral channels. Germany financed a GTZ-implemented water and sanitation programme in both urban and rural areas (but this was suspended in 2007) as well as schools construction. Furthermore, France provides ad-hoc emergency aid and financing to small-scale programmes with NGOs while the UK has a programme of support to address humanitarian needs, implemented through UN, ICRC and NGOs. The bulk of this is currently rural water and sanitation projects. Other donors are Norway, the World Bank and the UN agencies, with whom the EC Delegation coordinates.

In 2005, the GSE also received support from the African Development Bank in the Education sector and from the Kuwait Fund for Arab Economic Development (\$2.5 million for the Asmara sewage system). Japan is active in the fields of water and health. China has also extended concessionary loans to Eritrea for the funding of Infrastructure projects (for example in the field of telecommunications). A loan for approximately \$20 million was received from

Saudi Arabia and a \$0.9million grant from the African Capacity Building Foundation for projects coordinated by the NAO's Office. These efforts are not coordinated with other donors. An overview can be found in the donors' matrix in Annex 2.

As of 2006 a concerted effort has been mounted by donors to re-establish a donor coordination mechanism. Currently a Development Partners Forum meets on a regular basis and sectoral donor coordination groups have been established. To date the GSE has not participated in these fora.

III.3 Other EC policies

Environmental factors and gender issues are generally taken into consideration by the GSE and will be included in the 10th EDF Programming.

The Horn of Africa Regional Initiative and the EU Strategy for Africa provide for a broader policy framework for the EC cooperation strategy in Eritrea. Eritrea has actively engaged in the Initiative to date, focusing primarily on the trade-fostering elements of the Initiative.

Eritrea is also actively engaged in the EPA process and in the EPA negotiations. As a COMESA member, Eritrea has adjusted its import duties regime in line with COMESA requirements.

III.4 Description of the political dialogue with the partner country

Political dialogue was limited during 2006 and 2007. However, in July 2008 the first meeting in the framework of the political dialogue after May 2006 took place and covered relations between the EU and Eritrea generally. Regular meetings are now planned until the end of 2008, when an overall joint assessment will be conducted to plan the way forward. As for the substance of the discussions, the Government of Eritrea is anxious that the EU take more effective action to bring about implementation of the EEBC decision. The EC is concerned about adherence to fundamental and essential elements of the Cotonou Agreement, such as human rights and democracy (Article 9).

III.5 Description of the state of the partnership with the recipient country and progress towards harmonisation

From 2001 to 2003, there was a slowdown in EU-Eritrea development cooperation, and the Political Dialogue process witnessed the emergence of substantially divergent views on developments in Eritrea and in the Region. Improved cooperation since then has brought about an overall improvement in relations between the two partners. Diverging views do still emerge at times, as is attested by the fact that it was not possible to reach an agreement on a Joint Annual Report (JAR) for 2005. An agreement was, however, reached on the 2006 JAR.

Eritrea is not a signatory to the Paris Declaration.

CHAPTER IV: RESPONSE STRATEGY

Beyond the immediate needs of post-conflict rehabilitation faced by Eritrea in recent years, addressed through the 9th EDF interventions, the country faces a number of development bottlenecks which need to be tackled. Food security issues and the lack of rural infrastructure hinder development in the areas in which poverty is most prevalent in Eritrea. Food imports drain Eritrea's limited importing capacity. Development in rural areas is also limited by the

lack of market access for agricultural products, resulting in part from the limited transport infrastructure in the country.

In order to address these pressing issues and facilitate long-term economic development in Eritrea, the GSE and the EC have identified food security/rural development and transport infrastructure as areas of activity where synergies between government policy and EC cooperation can be developed. This choice is consistent with the Government's priorities, ensures continuity with previous interventions in these sectors and allows the added value of Commission experience acquired in these fields to be fully exploited. Moreover, support to the social sectors is deemed inappropriate at this stage, considering that the Commission has already provided a substantial contribution to the education sector under the 9th EDF, for which the implementation is still ongoing and in relative terms substantial contributions are provided to the health sector by the few donors still active in the country (UNICEF, WHO, Italian cooperation). The issue of governance capacity, which impacts on development in all sectors, has also been identified as an area where EC support would be welcome. This horizontal intervention could potentially impact on all sectors of the Eritrean public administration, and in this sense is also complementary to the sector-specific support provided. As for the justice sector, the EC support can be fundamental to the improvement of access to justice, which can be an important catalyst for the development of the rule of law in the country. As for the cultural heritage component, the envisaged intervention is aimed at contributing to the preservation of the Eritrean national heritage, and in turn contributing to poverty reduction through the employment of skilled manual labour and, indirectly, through the development of the tourism industry potential of the country (a priority of the Government). Finally, some support to the NSAs is envisaged to contribute to the strengthening of civil society in Eritrea as an important element in the partnership defined by the Cotonou Agreement.

Current conditions in Eritrea, outlined in previous sections, limit the available implementation modalities. Subsequently all support is likely to take place on a project basis, rather than using broader sectoral support or budget support modalities.

IV.1 Rationale for the Choice of Food Security as a Focal Sector

EC support for Food Security:

Given that Eritrea is a chronically food-insecure country, it is of paramount importance to adopt a strategy that will boost domestic food production to better meet the national food requirements and to improve access to food for the vulnerable population.

The overall objective of the EC intervention is, within Eritrea's food security strategy framework, to contribute to poverty reduction through sustainable socio-economic growth in rural areas and enhanced sustainability of rural livelihoods.

The specific objective is:

- Enhanced food security, through increased domestic production and improved food access at household level

In view of the current needs and priorities of the country, the intervention will focus on:

- Sustainable capital investment, with emphasis on the development of water harvesting and irrigation systems and Natural Resources Management (NRM). This priority is justified by the fact that the predominant rain-fed agriculture is a high-risk activity and the trend of soil degradation and declining soil fertility must be reversed. Other areas of intervention would

include the development and maintenance of rural roads and marketing and processing facilities.

- Improved sector governance that will include support for research and extension, capacity-building (MoA, local government bodies, producers' and water users' groups), risk management (information systems), strengthening of the policy and regulatory framework (inter alia on marketing, land tenure, water and formal recognition of grass-roots associations).

- The provision of safety nets, livestock restoration, and actions to increase rural incomes including non-farm incomes for rural populations.

To foster ownership and ultimately sustainability, it is vital from the design stage onwards to adopt a genuinely participative approach with the beneficiary communities, so that they are effectively involved in the preparation, implementation and management.

Since the core of the intervention will be agricultural development, it is not planned to directly target food use at individual level (nutrition).

Environmental sustainability is the main cross-cutting issue that will be targeted by this focal sector. Environmental Impact Assessments (EIAs) might be needed for certain activities which could entail negative environmental impacts, such as large-scale irrigation schemes. The guidelines of the EC Environment Integration Handbook will be followed. Since about 30% of the rural households are reported to be women-headed, the proposed interventions are expected to have a positive gender bias towards women and women-headed households.

The MoA's "Agriculture Development Program 2008-2010" (draft, July 2007) will form the basis of the EC intervention. Since the three-year plan has a budget of nearly \$ 150 million, there will be a need to prioritise interventions, which will be of two types: i) area-based interventions that will directly target beneficiary communities, and ii) national capacity-building interventions (such as support for research and extension, adoption and enforcement of legal instruments, or food safety). The scope of the EC support will be more precisely defined during the identification phase.

IV. 2 Rationale for the Choice of Infrastructure Rehabilitation as a Focal Sector

EC support for Infrastructure Rehabilitation

The overall objective of the EC support will be to contribute to increased regional economic cooperation and integration based on improved economic ties through better road transport infrastructure.

The lack of an efficient transport system within Eritrea is considered to be one of several major hurdles to development. Consequently, the road transport sector has been identified as one of the main elements of the Infrastructure Rehabilitation focal sector for intervention under the 10th EDF.

The purpose of the EC support will be to increase access to economic and social services, thereby boosting income and employment. In continuation of achievements made under the 9th EDF, with the implementation of the €38.75 million Road Maintenance and Safety Programme, EC support in particular will aim at strengthening road maintenance systems, including the removal of the backlog of periodic maintenance, and securing sufficient funding for maintenance, including rehabilitation of the strategic network of roads to a maintainable

condition based on the economic selection criteria as articulated in the Road Sector Development Programme. In addition, the support will aim at establishing the feasibility of improved road connections from a regional perspective and at generating employment by using a labour intensive road maintenance approach.

Road maintenance activities will support national programmes and be consistent with road sector policies and strategies as set out in the RSDP, especially in addressing some of the major constraints noted in the RSDP, i.e. road user problems (by reducing excessive vehicle operating costs (VOCs); improving road safety; construction problems (promoting better quality workmanship, greater use of local materials and techniques, expanding the limited capacity of the local construction industry; institutional problems (greater emphasis placed upon protecting existing assets, better planning and management); and funding problems (provision of funding for maintenance). Specific road sections to be maintained will be defined according to Government priorities as set out in the RSDP.

Rationale for the Choice of Governance as a Non-Focal Sector

Background

Under the Governance non-focal sector, the GSE has identified capacity-building of its human resources as a prerequisite for successful poverty reduction and sustainable economic development. Since independence, human resource development has remained a cornerstone of the GSE's efforts to trigger socio-economic development. Within the framework of the CSP, the activities under this non-focal sector will seek to enhance the efficiency, effectiveness and accountability of the public administration and increase access to justice with the ultimate aim of reducing poverty. In order to achieve the above-mentioned goal of building the human resource capacity of the public administration and the justice sector, the GSE has identified the following programmes for support.

EC Support for the Justice sector

With Proclamation No. 2003/132 issued by the Government of Eritrea in September 2003, community courts were established throughout Eritrea. This has led to increased and expeditious access to justice at the grassroots level. The success of the community courts has been achieved through their incorporation of customary law, where appropriate, and through the application of alternative dispute resolution to reach amicable settlements, when possible. There are at present some 683 community courts throughout Eritrea with three elected judges each. Their jurisdiction is limited to civil cases involving damages of less than 100 000 ERN (approximately €4 500) and minor offences defined by four articles of the Eritrean Transitional Criminal Code. Following their first three years of existence, the Ministry of Justice is in the process of assessing achievements and weaknesses of the community courts in order to build upon the experience gained. In 2007 the community courts heard 23 853 cases, of which 52.5% were amicably resolved, 28% were decided and 19.5% are still pending. Support to the justice sector will focus on strengthening the achievements of the community courts and redressing the weaknesses in line with shared values, primarily through increasing the courts' human resource capacity. This will be done through the training of judges, expert assessment of how to increase the jurisdiction of the community courts (thereby increasing access to justice and expediting the resolution of disputes), computerisation, and other material support to the Ministry of Justice as necessary for the

proper functioning of the community courts. Additional support to the justice sector may also be considered, on the basis of additional needs assessments.

EC support for Capacity-Building for the Public Administration

Support will be given to the public administration to improve administrative practices and thus enhance the efficiency, effectiveness and accountability of service provision to the public. With this in mind, the Government has set up a training institute and initiated a training programme targeting high-level civil servants across the Eritrean public administration. The EDF support will complement and expand the efforts undertaken so far and will focus on i) capacity-building and organisational development of the institute responsible for civil servant training, and ii) the provision of relevant training to selected civil servants. The capacity-building and organisational development component will aim to improve and expand the services of the training institute. The training component will focus on provision of training to civil servants in areas such as management of administrative processes, public financial management and human resource management as well as computer literacy and languages. Attention will be paid to capacity-building for internal audit units across the government budgetary centres in order to enable performance audit and thus enhance financial efficiency and transparency.

Rationale for the Choice of Restoration of national heritage as a Non-Focal Sector

Background

The Government of Eritrea has supported initiatives aimed at preserving the cultural heritage of the nation (e.g. the Cultural Assets Rehabilitation Project - CARP). Under the auspices of CARP the Eritrean Conservation Fund (ECF) has been legally established to allow conservation activities to be undertaken in accordance with internationally recognised conservation standards.

Since very little conservation works have actually been carried out in Eritrea for almost half a century, many valuable cultural assets within the country and in Asmara in particular are in urgent need of restoration.

Within the framework of the CSP, the overall objective of this non-focal sector will be to assist in the Government's ongoing efforts to restore important architectural assets and to develop archaeological sites throughout the country. The activities will contribute to the preservation of the national heritage, and thus the cultural identity of Eritrea, while also contributing to poverty reduction through the employment of skilled manual labour. To a lesser degree and more indirectly, the activities will contribute to the development of the tourism industry potential of the country.

Project for the Restoration of national heritage

In Asmara alone there are in excess of four hundred buildings that are considered to be of architectural and historical significance. EC support will focus on the restoration of public buildings and, where such buildings are privately owned, will assist in the conservation of the built environment of Eritrea more generally through the ECF. The final choice of buildings to be restored will be made with ECF input from among those of significant architectural importance and social value.

The EC support will also aim to improve the legal and regulatory framework for built heritage conservation in line with international best practice through the provision of appropriate technical assistance.

Given the labour intensive nature of the implementation modalities, it is expected that the foreseen restoration works will create substantial employment opportunities, in particular for the large unemployed population of the urban area of Asmara.

Furthermore, with the aim of increasing the specialist skills required for this type of restoration work and to increase the capacity of the local work force to carry out similar projects in future, the support will include an important capacity building component. This will target both the relevant national and municipal bodies involved in the field of restoration and the contractors and skilled manual labour carrying out the actual restoration works. The training will therefore in turn also improve the employment opportunities of manual labour, belonging to the most vulnerable sections of the population.

Implementation

The National Heritage project will preferably be implemented through a traditional project approach with decentralised management, in the areas of capacity development and restoration projects (services and works contracts).

Support to NSAs

Support will be provided to Non-State Actors. A very prominent player in this context is the National Confederation of Eritrean Workers (NCEW), which might benefit under this programme. The NCEW is the body which represents the diverse trade unions in Eritrea and was instrumental in the ratification by Eritrea of seven of the eight main International Labour Organisation (ILO) conventions following independence. On the basis of this achievement and their efforts to implement the Conventions, activities in support of the NCEW will seek to strengthen participatory activities (including involvement in international fora) and build upon the experience acquired through EC-funded projects involving collaboration with European partners. This experience includes the successful delivery of services to workers in areas such as information, legal assistance and training. In the area of information, EC funding has contributed to increased news circulation and communication among workers in areas of direct concern to them, including international developments on the subject of workers' rights. With regard to legal assistance and training, EC-funded projects have begun to build the organisation's capacity to independently provide services to its constituencies.

Technical Cooperation Facility

The Technical Cooperation Facility is the cornerstone of successful planning and implementation under the current country strategy. Government capacity has been identified as a central weakness in all sectors. Through the guarantee of technical assistance at key stages of cooperation, the effectiveness and efficiency of interventions can be secured. Additionally, through close cooperation with the line ministries or organisations when technical assistance is provided, the facility can have the added benefit of transferring knowledge on EDF procedures to the line ministries, thereby increasing their capacity.

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PART 2 NATIONAL INDICATIVE PROGRAMME

1 Indicative Programme

1.1 Introduction

On the basis of the cooperation strategy presented in Part One and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework for each sector, the financial programming timetable and a detailed chronogram of activities for all listed programmes over a rolling three-year period.

Amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sector(s) and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

1.2 Financial instruments

The implementation of the EC's cooperation strategy with Eritrea will be financed from several financial instruments. The following is an indication of their mobilisation as currently envisaged.

1.2.1 10th EDF, A envelope, € 122 million (provisional figure): this envelope will cover long-term programmable development operations under the strategy, and in particular the following provisional allocations:

<u>Sector</u>	<u>Amount in € million</u>	<u>(%)</u>	<u>Financial Instrument</u>
Focal Sector 1:			
Food security	70	(c.57%)	Project Support
Focal Sector 2:			
Infrastructure	34	(c.28%)	Project Support
Non focal areas:	18	(c.15%)	
Governance	10		Project Support
National Heritage	5		Project Support
Technical Cooperation Facility	2		
Non-State Actors	1		Project Support
<u>Total A Envelope</u>	<u>122</u>		

1.2.2 10th EDF, B envelope, € 7.26 million: this envelope will cover unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings.

In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

1.2.3 Investment Facility: in addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility, which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP.

Some specific activities may be supported by the **Centre for the Development of Enterprise (CDE)** and the **Centre for the Development of Agriculture (CTA)**.

1.2.4 Regional Indicative Programme

The 10th EDF East and Southern Africa Regional Indicative Programme allocation will cover long term programmable development operations under the regional strategy for the Horn of Africa. The allocation is not part of the Indicative Programme but may have repercussions at national level depending on the participation of Eritrea in the programmes proposed under the regional framework.

1.2.5. Other financial instruments:

Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes "investing in people", "non state actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security", as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance or the Food Facility if it becomes available. The Commission will ensure the coordination and complementarity of the funding from the different instruments in order to avoid overlapping with EDF funding.

1.2.6. Monitoring and evaluation:

Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community's cooperation with Eritrea implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external

evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibility also with other donor agencies.

1.3 Focal sectors

1.3.1 Focal Sector 1: Food Security

The indicative allocation for this sector will be **€ 70 million** (c. 57% of the total A-envelop). This allocation will contribute to the overall Agriculture Development Programme which the Government has drawn up for the period 2008-2010 as a response to the food security strategy for Eritrea to meet the country's national and household food security objectives. The major target group will be small-holder farmers but the programme is also expected to have a positive impact on rural non-farm populations, and indirectly on urban dwellers through increased food availability.

The overall objective for this sector is:

- To contribute to poverty reduction through sustainable socio-economic growth in rural areas and enhanced sustainability of rural livelihoods.

Followed by the specific objective:

- Enhanced food security, through increased domestic production and improved food access at household level

The following actions are foreseen to meet these objectives:

1) Capital investment in agriculture

- Sustainable water management: water harvesting and irrigation development.
- Natural resources management (soil and water conservation activities),
- Improved food marketing and processing
- Improved rural roads

2) Actions to increase access to food

- Safety net programme
- Restoration of livestock
- Actions to increase rural incomes including non-farm incomes for rural populations

3) Sector governance

- Capacity building and strengthening of MOA, local government bodies and producers' and water users' group
- Strengthening of research and extension activities.
- Risk management (information systems)
- Strengthening of the policy and regulatory framework.

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Environmental sustainability will be targeted through improved management of natural resources, essentially through integrated and sustainable watershed management schemes, afforestation and hazardous waste management (e.g. agro-chemicals).

In view of the fact that about 30% of the rural households are reported to be women-headed, the above activities are expected to have a positive impact on women and women headed households.

The main sectoral policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this field are the adoption and implementation of an agricultural sector policy and enactment of legal instruments on land, water, producers associations.

The main commitments by the Government to ensure mainstreaming of the crosscutting issues are the adoption and implementation of an environmental legislation.

When needed, the appropriate type of environmental assessment (SEA or EIA) will be carried out.

Implementation modality will be project approach; no sectoral budget support is envisaged.

1.3.2. Focal Sector 2: Infrastructure

As an indicative amount, approximately **€34 million** (c.28% of the total A-envelope) will be allocated for this field.

The following overall objective will be pursued:

Contribute to increased regional economic cooperation and integration based on improved economic ties in the region through improved basic infrastructure.

The following specific objectives will be pursued:

The purpose of the EC support will be to increase access to economic and social services thereby increasing income and employment.

The main actions proposed are:

- Supporting Government efforts in transforming the Roads Department into a viable Roads Agency and the establishment of a road fund
- Rehabilitating, maintaining and supporting efforts in the continued development of the infrastructure networks, mainly the roads network
- Improving roads safety
- Improving axle load enforcement and reducing overloading
- Using a labour intensive road maintenance approach

The main sectoral policy measure to be taken by the Government as a contribution to the implementation of the response strategy in this field is the implementation of the action plan

of the Road Sector Development Programme (RSDP). As outlined in the RSDP, environmental effects of road infrastructure will be addressed by taking measures to ensure conformity of design standards with environmental protection requirements. Similarly, road transport is generally considered one of the most HIV/AIDS vulnerable sectors in developing countries and characterised by highly mobile workforces. Therefore, these issues will be addressed through the RSDP by preparing a Road Sectoral Policy also including aspects on HIV/AIDS. Hence, the main commitments by the Government to ensure mainstreaming of the crosscutting issues are the implementation of the action plan of the RSDP.

In connection with the project activities, when needed, the appropriate type of environmental assessment (SEA or EIA) will be carried out.

Implementation modality will be project approach; no sectoral budget support is envisaged. .

1.4. General budget support

The indicative programme does not provide for general budget support. However, in the light of changing needs, it may be decided to reallocate funds from other application points in the NIP to this type of support. Such a decision can be taken in the form of a specific agreement between the Chief Authorising Officer and the National Authorising Officer or within the context of an operational, mid-term, final or ad hoc review.

1.5. Other programmes

An indicative amount of **€ 18 million** (c.15% of the total A envelope) will be allocated for the following actions:

- **Governance capacity building:** The specific objective of support to governance capacity building is to increase the efficiency, effectiveness and accountability of the public sector in order to enhance the provision of services to the public. The main interventions will concern capacity building of the justice sector focusing on community courts and capacity building of the public administration through support to the training of civil servants, the Government budgetary centres, and computerisation of the public central administration.
- **National Heritage Project:** EC support will focus on the restoration of national heritage assets while aiming to improve also the legal and regulatory framework for built heritage conservation in line with international best practice through the provision of appropriate technical assistance.
- **Support for Non State Actors** covers Non State Actors eligible for funding as defined in Article 6 of the Cotonou Agreement and Article 4(1)(d) of Annex IV to the revised Agreement. Depending on their mandate, support to Non State Actors may cover activities including, inter alia, capacity building, advocacy, research, awareness raising, monitoring and delivery of services to the population. In supporting Non State actors, the EC may make use of article 15(4) which allows it to be the Contracting Authority. An amount of € 1 million shall be made available for this purpose.
- **The Technical Cooperation Facility.**

1.6 Intervention Framework & Performance Indicators

1.6.1 First Focal Sector - Food Security

	INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	ASSUMPTIONS
OVERALL OBJECTIVE	To contribute to poverty reduction through sustainable socio-economic growth in rural areas and enhanced sustainability of rural livelihoods	- % reduction in population living below the minimum level of dietary energy consumption (MDG indicator no 5)	MoH (nutrition surveys)	
PROGRAMME PURPOSE	Enhanced food security, through increased domestic production and improved food access at household level	- Ratio domestic food production / domestic food requirements (for staple food commodities) - Increase of rural income - Consumer to producer price ratio reduced	Ministry of Agriculture (MoA) National Statistics and Evaluations Office (NSEO)	Regional stability
RESULTS	Increased domestic food production through the introduction of new technology, supply of tools, improved seeds, and fertilisers;	- Total yearly production (MT) - Total area (ha) under production - Total area (ha) under irrigation - Technology adopted by farmers - Use of improved seeds (MT) - Use of fertilisers (kg/ha) - Area under integrated pest management (ha)	MoA	No drought No conflict Good cooperation between Ministries and regional administrations
	Sustainable water harvesting, soil conservation and irrigation development	- New water harvesting structures (m3, by type and sub-regions) - Area (Ha) and crop production (MT) under irrigation	MoA annual statistical reports	

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		- National water use management guidelines developed and enforced		
	Enhanced integrated crop and livestock development	<ul style="list-style-type: none"> - Yield and area increase of rain-fed crops - Population benefiting from support to livestock sector (HH) - Grazing plans developed and enforced - No. of community dairy development projects completed - Production increase of poultry products in semi-industrial units 	MoA annual statistical reports	
	Increased food access, through income generation opportunities for food insecure populations in rural areas, and improved marketing systems	<ul style="list-style-type: none"> - Safety net programme: caseload, financial transfer / beneficiary - Increase in rural incomes - Increase in non-farm income for rural populations - New or maintained rural roads (km), - New marketing / processing facilities - Legal framework enacted (marketing) 	GOE	
	Capacity building of MOA, local government bodies and producers' and users' association	<ul style="list-style-type: none"> - No of people trained - Legal framework enacted for grass-root associations. 	MoA, zoba and sub-zoba administrations	
	Strengthening of research activities	<ul style="list-style-type: none"> - Use of improved seeds and livestock breeds - Adoption of innovative farming 	National Agriculture Research Institute (NARI)	

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		approaches		
	Establishment of farm support and farm advisory services	<ul style="list-style-type: none"> - Number of sub-zobas with active FAS system in place - Monitoring system for EIA in place - Quality control system for agro-chemicals in place - Types of analyses routinely performed by government laboratories - Planning and M&E system in place at the MoA - Comprehensive national food & marketing information system in place 	MoA, zoba and sub-zoba administrations	
	Improved management of the natural resources, essentially through integrated and sustainable watershed management schemes, afforestation and protection programmes, and hazardous waste management	<ul style="list-style-type: none"> - Management plans developed and implemented - Area of watershed treated - Area under agro-forestry - Soil fertility: organic content and structure - Pasture cover - Inventory of forest resources - No of trees planted - Safe treatment of agro-chemicals 	MoA, MoLWE, zoba and sub-zoba administrations	

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1.6.2. Second focal sector – Infrastructure

	INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	ASSUMPTIONS
OVERALL OBJECTIVE	Contribute to increased regional economic cooperation and integration based on improved economic ties in the region through improved basic infrastructure.	<ul style="list-style-type: none"> • Improved economic growth • Increased trade with neighbouring countries 	<ul style="list-style-type: none"> • Government statistics 	
PROGRAMME PURPOSES	The purpose of the EC support will be to increase access to economic and social services thereby increasing income and employment.	<ul style="list-style-type: none"> • % of road network in good or fair condition • volume of freight per day • cost of daily passenger transport • freight haulage rates • number of road users per day • Vehicle Operating Costs • accident rates • road serviceability • improved construction quality • reduced routine maintenance needs • Number of cultural assets restored. 	<ul style="list-style-type: none"> • Annual reports of road network condition • Road safety reports • Traffic counts • Technical and quality audits • Interviews with beneficiaries, hauliers, public transport operators • Mid-term review • Final evaluation • Surveys 	<ul style="list-style-type: none"> • Coordination between cooperating organisations. • Adequate financial resources are available.
RESULTS	A1. Roads Department transformed into a viable Roads Agency and the establishment of a road fund	<ul style="list-style-type: none"> • Roads Agency and road fund established 	<ul style="list-style-type: none"> • Government Gazette • Independent audits 	<ul style="list-style-type: none"> • GSE continued commitment to institutional reforms
	A2. Roads network rehabilitated/ maintained	<ul style="list-style-type: none"> • Number of km maintained and rehabilitated 	<ul style="list-style-type: none"> • Assessment reports • Annual budget 	<ul style="list-style-type: none"> •
	A3. Development plans prepared	<ul style="list-style-type: none"> • Studies prepared 	<ul style="list-style-type: none"> • Studies produced 	<ul style="list-style-type: none"> •
	A4. Roads safety improved	<ul style="list-style-type: none"> • Number of accidents reduced 	<ul style="list-style-type: none"> • Road accident statistics 	<ul style="list-style-type: none"> •

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	A5. Improved axle load enforcement and overloading progressively stabilized	• Monitoring results	• Surveys	•
	A6. Employment generated by labour intensive road maintenance approach	• Number of people employed in annual road maintenance operations	• Surveys	•

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1.7 Indicative timetable for commitments and disbursements

1.7.1 Indicative timetable of global commitments

	Indicative allocation (€ million)	2008		2009		2010→	
		1	2	1	2	1	2
1st FOCAL SECTOR –Food Security /Rural Development	70						
Agriculture Development Programme (Phase I)					35		
Agriculture Development Programme (Phase II)							
2nd FOCAL SECTOR – Infrastructure Rehabilitation	34						
Infrastructure Rehabilitation	34					34	
NON FOCAL SECTORS	18						
- Governance	9.7				9.7		
- National Heritage Project	5				5		
- Technical cooperation facility	2				2		
- Support to Non-State Actors	1.3				1.3		
Total Cumulative Commitments :	122						

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1.7.2 Indicative timetable of disbursements

	Indicative allocation (€ million)	2008		2009		2010→	
		1	2	1	2	1	2
1ST FOCAL SECTOR –Food security / Rural Development	70						
Agriculture Development Programme (Phase I)					7		10
Agriculture Development Programme (Phase II)							
2nd FOCAL SECTOR – Infrastructure	34						
Infrastructure Rehabilitation	34						34
NON FOCAL SECTORS							
- Governance	9.7				2		6
- National Heritage Project	5					2.1	
- Technical cooperation facility	2				0.3	0.3	0.3
- Support to Non-State Actors	1.3				0.4	0.25	0.25
TOTAL CUMULATIVE DISBURSEMENTS							

1.8 Chronogram of activities

€ million

1 st FOCAL Sector (€ 70 million)	70	2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Rur Dev / Food Sec													
Agriculture Development Programme (Phase I)	35		FS				FP		FD	☒	☒	☒	☒
Agriculture Development Programme (Phase II)	35												
2nd FOCAL Sector (€ 34 million)	34	2008				2009				2010→			
Infrastructure		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Infrastructure Rehabilitation	34									FP	FD	⌘	⌘
Others Programmes (€ 18 million)	18	2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Governance	9.7	FS					FP		FD	⌘	⌘	⌘	⌘
- National Heritage Project	5						FP		FD	⌘	⌘	⌘	⌘
- Technical cooperation facility	2						FP		FD	⌘	⌘	⌘	⌘
- Non state actors	1.3						FP		FD	⌘	⌘	⌘	⌘

FS: Feasibility Study

FP: Financing proposal

FD: Financing decision

⌘ : Project implementation

ANNEXES

1. "Country at a glance" table
2. Donor matrix
3. Executive summary of the Country Environmental Profile
4. Country migration profile
5. CSP drafting process: particular attention to involvement of NSA and local authorities – Not available
6. The harmonisation road map – Not available
7. Table including partner country positions in relation to key international conventions
8. Debt Sustainability Analysis – Not available
9. List of Government's commitments – Not available
10. Past cooperation

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ANNEXE 1. Table of macroeconomic indicators

		2000	2001	2002	2003	2004	2005	2006	2007
Basic data									
1	Population (in millions)	3.5	3.7	4.0	4.0	4.1	4.2	4.3	4.4
	- annual change in %	2.0	2.3	2.4	2.5	2.6	2.8	3.0	3.1
2a	Nominal GDP (in millions of Nakfa)	6,098	7,593	8,862	10,455	13,018	15,048	18,060	21,672
2b	Nominal GDP per capita (in US\$)	140	147	150	160	170	209	216	218
2c	- annual change in %	3.7	5	2.0	6.7	6.3	22.9	3.3	0.9
3	Real GDP (annual change in %)	-12.0	9.0	0.7	2.4	2	4.8	2	2.5
4	Gross fixed capital formation (in % of GDP)	19	20	18	22	22.6	24	25	25
International transactions									
5	Exports of goods and services (in % of GDP)	5.7	2.8	8.0	4.7	9.4	2.8	1.9	2
6	Trade balance (in % of GDP)	-61.5	-54.8	-56.2	76.3	-62.0	-47.7	-42.9	-39.7
7	Current account balance (in % of GDP)	1.5	4.2	3.6	5.2	5.8	0	-1.1	-1.2
8	External debt (in % of GDP)	54.1	76.6	78.6	105.2	99.4	110	110.5	111.3
9	External debt service (in % of exports of goods)	6.2	7.6	15.1	29.7	30.3	32.7	38.1	39.4
10	Foreign exchange reserves (in months of imports)	0.9	1.1	0.73	0.35	0.49	0.59	0.48	0.50
Government									
11	Revenues (in % of GDP)	34.6	26.2	38.1	55.7	44.8	36.9	33.5	34.6
	- of which: grants (in % of GDP)	18.9	17.5	10.3	19.2	17.3	10.1	7.9	8.2
12	Expenditure (in % of GDP)	66.7	58.5	57.3	53.3	53.7	49.3	50.1	51.7
	- of which: capital expenditure (in % of GDP)	14.7	17.9	20.5	16.5	20.5	14.5	13.9	15.2
13a	Deficit (in % of GDP) including grants	-32.1	-34.8	-30.2	2.5	-8.2	-11.7	-13.3	-13.8
13b	Deficit (in % of GDP) excluding grants	-51.5	-52.5	-42.5	-17.4	-25.8	-22.0	-21.2	-22.7
Other									
14	Consumer price inflation (annual average change in %)	19.9	14.6	16.9	22.7	25.1	12.4	10.9	10.5
15	Interest rate (Deposit annual rate)	---	---	5	5	5	5	5	5
16	Exchange rate (annual average of national currency per 1 US\$)	9.6	11.3	14	17.9	20.5	15	15	15

Source: Government of Eritrea

Selected Indicators related to the MDGs

Goals and Targets	Starting value (1993-95)	Ending value (2001-03)	Eritrea target value (2015)	MDG target value (2015)
1. Proportion of population below poverty line	53	66	48	33
2. Prevalence of underweight children	44	40	24	24
3. Net primary school enrollment	30	44	82	100
4. Ratio of girls to boys in primary, secondary and tertiary education	80 65 17	81 57 15	100 86 34	100 100 100
5. Under-five mortality rate (per 1,000 live births)	136	93	30	45
6. Maternal mortality ratio	985	581	246	246
7. Prevalence of HIV/AIDS	N/A	2.4	< 2	< 2
8. Malaria cases per 1,000	N/A	36	< 36	< 36
9. Environmental resources: forest cover, of land area	13.9	32	> 32	> 32
10. Proportion without access to safe drinking water	84	33	25	20

Source: MDG report, Eritrea, July 2005

DONOR MATRIX

Programming of external aid is limited for the period 2006-2013, considering that a number of donors have closed or have scaled down their level of operations. Most donors active in Eritrea plan mainly on an annual basis. Out of the interventions listed in the table below, only the WB programmes are substantial in financial terms.

		Humanitarian Assistance	Social sectors	Food security/rural development	Infrastructure	Governance
EU	France		Community development: "Fonds de Solidarité Sociale" (FSD) € 100,000.00 ⁹			
	Germany		Schools construction		Water and sanitation ¹⁰	
	Italy		Public Health through WHO (PHARPE), Human Resource Development (Gash Barka Project), Capacity Building (Roll Back Malaria) € 2.97M	Food security through NGO € 695,909.00 (suspended)	IDPs' resettlement Program through UNDP € .7M	

⁹ Funds are not programmed over the long term but are

¹⁰ Most development cooperation has been suspended with the departure of GTZ in 2007.



Netherlands¹¹	Humanitarian aid through multilateral channels 2008-2009 Appr. € 4.5 M	2006 € 500,000.- NUEW 2009 € 100,000.-	2006-2008 € 1,784,000.- M Mainly through INGOs		2006-2008 € 100,000.- Support to UNICEF 2009 € 300,000.- (esp. human rights)
Sweden	€ 1.5 M. (UNICEF) and FGM abolition through UN.				
UK	1.08 M€ (1M£)	6.5 M€ (6 M£) 2009 through UNICEF (rural Watsan)			
EC¹²			€70 M Overall Agriculture Development Programme 2009-2013	€34 M 2009-2013 Infrastructure rehabilitation €5M National Heritage Programme	€13 M .Support to the Justice Sector .Support for Capacity Building for the Public Administration . Support to Non State Actors .Technical cooperation Facility

¹¹ The Netherlands closed all bilateral development cooperation by end 2008 and will channel humanitarian assistance through multilateral channels. None of the running projects had been closed prematurely and by the end of 2008 all projects could be closed in line with original objectives and schedule of activities.

¹² This covers the 10th EDF allocation. Additional funds will be available through Budget Lines and Energy and Water Facilities – which can not be forecasted. Moreover, additional € 12.8 M on food security through the food facility are foreseen until 2012.

Non EU	Norway			Rural development including re-forestation	IDPs' resettlement Program through UNDP	
	Japan		Water and Sanitation € 2.24 M Health € .72M			
	Kuwait			2.5M USD for the Asmara sewage system ¹³		
	China			Telecommunications € 25M		
Multilateral	WB		Education € 45M Health US\$ 24M ¹⁴		Port rehabilitation Energy € 45M ¹⁵	
	African Development Bank		Education US\$27.05M ¹⁶			
	UNDP					Capacity building €1.8 M ¹⁷

¹³ This was a singular allocation which has subsequently been suspended.

¹⁴ This is for the HAMSET II project over a period of 5 years starting approximately in 2007.

¹⁵ These funds were allocation in 1997 and have been continually extended, although the rehabilitations should have been completed .

¹⁶ These funds are a combination of Loans USD 19.74 and grants which commenced in 2005 and is expected to run until 2009.

¹⁷ UNDP Capacity Building Activities run from 2004 to 2007/08.

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FAO			Food security ¹⁸		
UNICEF¹⁹		Nutrition and Health USD\$5M Education US\$1.75M Child Protection US\$1.8M	Water, Sanitation and Hygiene (WASH) US\$10M		
WHO		Public health			

¹⁸ The funding for Eritrea cannot be disaggregated from the funding in for the region.

¹⁹ Figures are based on the UNICEF funding sought for 2007.

ANNEXE 3:

Country Environmental Profile of Eritrea

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Executive Summary

Eritrea emerged as a nation after three decades of war in 1991. It covers an area of 125,000 km². The population is estimated at 3.6 - 4.0 million consisting of nine ethnic groups equally divided between Christians and Moslems. Eighty percent of the population live in rural areas and are mainly agro-pastoralists. The working languages are Tigrigna and Arabic.

The country is strategically located along a very long coast line right on the major Red Sea at the heart of a major international trading routes. This situation offers a good opportunity for Eritrea's future development.

The economy is mainly based on agriculture. Light industries such as salt, cement, glass and dimension stones, tanneries and cottage factories are present. Eritrea possesses natural rich resources potential including gold, copper, and non-metallic resources. Fish is a well-known resource in the country and important investments in infrastructure and human development programmes are being implemented in order to make the most of the resource effectively. Tourism, as a sector, has high potential for development as the country is endowed with naturally attractive coastal areas, archaeological and historical sites, coral reefs and rare wildlife species.

The natural vegetation of Eritrea contains many useful trees and shrubs and these species are integral part of the rural household economy and contribute significantly to food security in providing wood and non-wood forest products.

The agricultural sector is where the large majority is engaged in and is the provider of employment opportunities. The present farming system is characterized by subsistence agriculture, which totally relies on the environment for production. Therefore, the proper conservation and sustainable use of environmental resources is of paramount importance to achieve food security and poverty reduction and ultimately eradication.

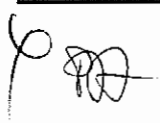
Land degradation and loss of biodiversity, including habitat loss and deforestation are the most serious environmental concerns that threaten long-term sustainability of production in the agricultural sector. To mitigate the negative environmental impacts, the government has taken steps to protect and reverse the adverse effects on the environment. However, these measures are activity driven put-up to satisfy certain constraints. The enforcement of these protective measures hence needs to be supported by environmental proclamations.

State of the environment

Factors that contributed to environmental degradation

Due to severe recurrent drought and war of independence, environmental deterioration in Eritrea reached an alarming stage. Other factors that aggravated the degradation of the environment are: population growth, poverty, traditional land tenure system and negative past government polices in regard to the environment. After independence, the Government gave due attention to the proper conservation and use of the environment and this has been reflected in its Macro-policy document, which was made public in 1994. Policies/legislation for the different environmental issues is in a process of being legalized as preparation of programs and action plans at national and regional levels have been put in place.

In Eritrea, the impact of climate change, soil erosion, deforestation, depletion of water resources, ecosystem degradation and loss of biodiversity are critical issues. Sustainable development in Eritrea can only be achieved if proper measures are taken to protect vegetation, wildlife and marine resources, and the land is protected by means of proper land use planning and management.



Key Environmental Concerns

Land: Land is almost the sole source of income for more than 80% of the Eritrean population and land degradation is a serious problem. The main forms of land use in Eritrea are agriculture and pastoralism. The poor shallow soils and torrential rains exacerbate soil erosion. The annual net rate of soil loss from croplands is estimated at 15-35 tons/ha/year and this is attributed to two main factors namely inadequate land management practices and drought. The consequence of land degradation, coupled with inadequate and erratic rainfall, is reflected in the decline of crop yields, which is occurring at the rate of 0.5 % per annum.

Agriculture: Agriculture is the mainstay of the Eritrean economy and the principal occupation for 80% of the population, yet it accounts for only 24.3 percent of GDP, suggesting both its underdeveloped nature and its low productivity. Poverty is concentrated in the rural areas threatening the livelihoods of the subsistence farmers and pastoralists. Eritrea is only able to raise less than half of the annual cereals requirement. Productivity per hectare is less than 0.7 tons. In the agricultural sector, the ultimate goal is to improve agriculture productivity and increase in production by increasing acreage under cultivation without compromising the environment.

Water Quality and Supply: Clean fresh water is essential for human health and welfare. The increasing health and economic costs associated with declining water quality and availability have the greatest impact on the poor. One key issue that requires due attention is the management of rural water supply points (RWSP). At present, it is estimated that about 20 percent of RWSPs are non-functioning, largely due to lack of maintenance and poor management. 59.7% of the rural Population (WRD, 2006) has access to safe drinking water.

Urbanization and industrialization: Rapid urbanization is aggravating the environmental and health problems (particularly for the poor). Indoor air pollution including exposure to pollution arising from the use of biomass fuel for cooking is growing steadily. As a result, the occurrence of respiratory infections and chronic obstructive pulmonary diseases is common.

Health: Providing adequate health care to meet the basic needs for its citizens are an important aspect of Eritrea's strategy to reduce poverty. Since 1991, the Government has focused on bringing quality primary health care services to all the people at affordable costs. Despite these achievements, much needs to be done. The major driving force of environmental health measures is the establishment of favourable environmental conditions for a good quality of life and normal growth. Environmental sanitation is the principal tool that the Government of Eritrea is using in addressing health related problems.

Energy: Currently, annual per capita energy consumption in Eritrea is estimated at 0.2 tons of oil equivalents. This is amongst the lowest in the world and is lower than most sub-Saharan African countries. Biomass (such as firewood, charcoal, animal dung, and crop residues) and imported petroleum products are by far the most important energy sources in Eritrea. Biomass resources account for about 66 percent, of which 57 percent is sourced from firewood alone. Imported petroleum is accounted for 33 percent and used primarily as fuel for transportation, electricity generation, industrial production and household cooking. About 96 percent of energy consumed by households is biomass.

Marine Environment: One of the major hindrances to proper exploitation of marine resources is the limited database available relating to both the potential and actual harvest. Estimates of maximum sustainable yield (MSY), for instance, range from 62,000 to 80,000 tons per year, while the total catch (commercial, artisan, and illegal catches) is poorly known. Indeed due to inadequate policing of the coastal areas, illegal fishing is believed to be substantial. Another problem is the use of small nets by many fishermen either due to inadequate control or due to lack of technological options.



Climate: The Department of Environment (DoE) has gathered considerable amount of data on weather, mainly rainfall and temperatures. The data will be analysed to study the trends of weather changes and to determine the implications of such changes to the environment.

The DoE has started studying the impact of climate change on selected sectors, namely Agriculture, Forestry, Water Resources, Coastal Zone and Human Health and has prepared an inventory of major greenhouse gases. The final aim of carrying out impact assessment studies of climate change is to prepare a national action plan on climate change as well as the preparation of a National Communications Report to the United Nations Framework Convention on Climate Change (UNFCCC), since Eritrea is Party to the UNFCCC.

Biodiversity: Eritrea's contribution to global biodiversity can primarily be categorized under the three core areas namely terrestrial biodiversity; agricultural biodiversity; and coastal zone and marine resources biodiversity. The status of biodiversity across these three core areas is not known accurately. Nonetheless, throughout the 20th century, mounting human pressure, amplified by war and droughts, has placed increasing pressure on the natural terrestrial biodiversity. Likewise, the agro-biodiversity associated with indigenous, traditional farming systems has been disrupted severely. By contrast, the marine ecosystems of the Eritrean Red Sea region have been much less affected by these pressures and are relatively intact ecologically.

Environmental policy, institutions and legislative framework

A major objective in the field of environment is to ensure the proper conservation and use of environmental resources by promoting coordination of efforts among various Government and Non-Government agencies. The Government of Eritrea is also developing environmental regulatory frameworks, gathering and analysis of data and availing it to users.

The main tenet of Eritrea's environmental policy is to harmonize the sustainable economic growth and development of the country with proper environmental protection and use. The Government of Eritrea, in its Macro Policy document, has clearly stated the issues to be considered in environmental policy, which can be summarized as the following:

- a) Environmental consequences will be taken into account in any investment opportunity.
- b) Efforts will be made to increase agricultural production without compromising land degradation and biotic losses.
- c) Since water, both marine and fresh water is strategic resource for Eritrea every effort will be made to protect it from all sorts of pollution and contamination.
- d) Efforts will be made to preserve the coastal and marine environment.
- e) Measures will be taken to ensure the co-operation of various institutions to prevent land pollution, which may be caused because of poor management of solid and liquid waste disposal.
- f) Although air pollution is not currently a major problem, efforts will be made to monitor the build up of anthropogenic greenhouse gas emissions.

Moreover, the Government of Eritrea (GoE) has formulated several policies and strategies to combat poverty and attain sustainable development in general and safeguarding and wise use of the environment in particular such as:

- Environmental management plan
- National action program to combat desertification and to mitigate the effects of drought
- National bio-diversity strategy and action plan
- Initial National Communication on Climate Change
- Country Assessment Report on Sustainable Development
- Interim Poverty Reduction Strategy Paper
- Fishery's Legislation
- National Environmental Assessment Procedures and Guidelines



At international level, the GoE made its commitment by signing environmental conventions that aim at conservation and sustainable use of the environment. In this regards Eritrea is party to:

- Convention on Biological Diversity (CBD)
- United Nations Framework Convention on Climate Change (UNFCCC)
- Convention to Combat Desertification (CCD)
- Convention on International Trade of Endangered Species (CITES)
- Rotterdam Convention on Prior Informed Consent (PIC)
- Vienna Convention for the Protection of the Ozone Layer
- Montreal Protocol on Substances that Deplete the Ozone Layer
- Stockholm Convention on Persistent Pollutants (POPs)
- The Basel Convention
- Cartagena Protocol on Bio-safety
- Kyoto Protocol and
- Convention on Migratory Species

The Government of Eritrea gives high priority to proper conservation and use of the environment; this has been reflected in its Macro-Policy in 1994, and in the Constitution of 1997. The DoE, of the Ministry of Land, Water and Environment (MLWE) is responsible for implementation of the national environmental policies and programs as set out in the Macro-policy and the Constitution of Eritrea, in collaboration with other relevant institutions.

To implement the national environmental policy, the DoE is working to ensure the proper protection and judicious use of the environment through effective harmonization of activities aimed at achieving sustainable socio-economic development of the country. In this connection, Eritrea has undertaken a number of initiatives to conserve and ensure sustainable use of natural resources in particular, and the environment in general.

The National Environmental Management Plan for Eritrea-NEMP-E was prepared, in 1995, after an intensive consultation process among the Eritrean population. In March 1999, National Environmental Impact Assessment Guidelines and Procedures were completed and are now under implementation. During the last five years, the country has also implemented GEF-funded enabling activities, in biodiversity and climate change. Under the biodiversity enabling activity project, the DoE compiled all available biodiversity information currently existing in the country in a document entitled "*Biodiversity Stocktaking Assessment Report*" and prepared the "*National Biodiversity Strategy and Action Plan*" (NBSAP). Besides, the DoE has executed the climate change enabling activities. A national inventory of greenhouse gases (GHG) has been completed, and vulnerability and assessment studies on Agriculture, Forestry, Coastal Zones, Water Resources and Human Health have been carried out.

The findings of the current climate change studies area are expected to be major source of input for the formulation of a national action plan for climate change-related issues in Eritrea. The DoE is in the process of finalizing its First National Communication under the United Nations Framework Convention on Climate Change (UNFCCC). In parallel, after concluding UNCCD preparatory activities, the Ministry of Agriculture prepared, in May 1999, a national report on the implementation for the UNCCD.

To transfer information and create awareness on desertification, several workshops and seminars have been conducted over the past few years. Recently, a National Action Plan (NAP) has been prepared, which identifies national priorities in combating desertification. Weaknesses of socio-economic and environmental knowledge; lack of sufficient acquaintance with the convention's concepts, lack of human, institutional and infrastructural resources and lack of awareness concerning land degradation are some of the constraints identified in the NAP.

Biodiversity, land degradation and climate change issues are very much interrelated and hence they require synergy and harmony among them. It was for this reason, that concerned institutions namely the Ministry of Land, Water and Environment, Ministry of Agriculture, Ministry of Local

Government, Ministry of Fisheries and civil societies have made a coordinated effort in the preparation of programs and action plans for biodiversity, desertification and climate change issues.

In all of the above areas, human, institutional and infrastructural capacities were identified as a problem, which needs to be improved, if Eritrea's contribution towards global environmental challenges is to be met. Moreover, all of them reflect national priorities, which will help Eritrea in poverty alleviation, economic growth and in the protection of its environment.

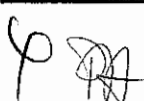
Conclusions and Recommendations

Based on the assessment of:

- a) environmental issues (degradation of land, water resources, etc) both in quantity and quality terms;
- b) gaps/weaknesses in the national and sector policies related to environment (i.e. are policies clear and focussed enough to address key environment concerns; are environmental issues addressed as an integral part of policy and project investments; and
- c) strength/weaknesses in the institution and regulatory set up to deal with environmental issues at the national, zoba and sector levels, the following conclusions and recommendation are forwarded.

Conclusions

- One of the major bottlenecks to the Environment in Eritrea is the widespread land degradation. In spite of the Government's efforts to rehabilitate and restore the landscape the process is continuing. This is mainly because the proclaimed land law, which is expected to guarantee 'usufruct' and safeguard land from destruction, is not fully implemented. Entry points for the rehabilitation of degraded lands should be identified and implemented based on community-holistic watershed management practices.
- Even though Eritrea is not yet an industrialized country, the issues related with air pollution and climate change should not be overlooked. The oil producing countries across the Red Sea as well as the recent discovery and exploitation of oil in the Sudan might have unfavourable effects on the surrounding atmosphere. As this is a very clear cross-boundary issue affecting Eritrea, regional programs should be designed and developed to mitigate the adverse effects of such events.
- The increasing population pressure is aggravating deforestation, overgrazing and cultivation of crops on steep slope. Population should not be seen as a problem, educated and well-informed population is a useful resource to a country's development. For sustainable development and protection of the environment, promoting science and technology-based environmentally friendly agricultural production systems have to be introduced and implemented through out the country.
- Eritrea being part of the Sub-Saharan region of Africa, suffering from water scarcity due to its erratic and low rainfall regime or high runoff, efficient water harvesting and water management strategies need to be introduced and implemented. As natural phenomenon, droughts will remain there for the foreseeable future and the people of Eritrea have to be aware of the situation and adapt themselves to managing their scarce water resource.
- Eritrea's biodiversity is under threat from human induced and biophysical factors leading to the extinction and decline of landraces. Hence, there is a dire need for the implementation of biodiversity reserve areas as well as national parks. These reserve areas should be institutionalised in target areas in consultation and collaboration with the local communities. Local communities should be able to see their own benefits guaranteed within these reserve areas.
- A number of environment related policies have been drafted, yet they have to be supported with relevant and coherent laws and regulations. Each village area within a given administrative unit of the country should be supported to have an environmental law and enforcement unit, which operate within the jurisdiction national environmental laws.



- As environmental issues have local, regional and global dimensions, it is of paramount importance to set up networks for the exchange of relevant environmental information among member countries. The introduction of information technology networking as well as organizing regional workshops with clearly delineated activities and timelines would facilitate the process greatly.
- Capacity building, in terms of human institutional and infrastructure as well as financial support, is a prerequisite for implementing environment related matters. Hence, this aspect should be given due importance and necessary measures should be put in place to translate in to actions.
- There is lack of clarity on the scope of the mandate for environmental regulation in the country. Even though, the Department of Environment has the mandate for environmental regulation and coordination, other stakeholders have also sector specific mandates. Consequently, there are cases of overlapping and duplication of efforts between stakeholders and as a result waste of scarce resources. Hence, there should be a good harmony and defined responsibilities among all stakeholders.
- Despite the aforementioned bottlenecks, the government is undertaking creditable efforts to arrest the adverse effects of environmental problems so as to rehabilitate and restore the environment through different campaigns including the *Warsay-Yekalo*, students' summer programme, and community-based environment related activities.
- With regards to the energy related issues, the Ministry of Energy and Mines is undertaking persistent efforts to improve the efficiency of traditional stoves and introducing environment-friendly technologies with the aim of not only improving the livelihoods of the population but also reducing the emission of green houses gases.
- Sizable mineral deposits such as gold, zinc, copper etc. have been located, but the viability of extraction is not yet known.

Recommendations

Priority policy areas of intervention are identified as: a). Support the government in capacity building in the area of environment; b). Undertake studies to update data and generate new knowledge; c). Support the government in its efforts to mobilize and sensitise local population; d). Introduce integrated natural resources management using holistic approach; and e). Establish and strengthen local and international networking to share and disseminate environmental related information.

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ANNEXE 4:

A BRIEF PROFILE OF MIGRATION OF ERITREA

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INTRODUCTION

Eritrean Demography as related to Migration (Brief summary).

Surface area	123,838 sq km
Official languages	Aramaic and Tigrinya
Population	4,963,675 (2005 est.)
Age structure	0-14 years: 40% 15-64 years: 52.7% 65 years and over: 6.3% (2004 est.)
Median age	Total: 17.3 years Male: 17.3 years Female: 16 years (2004 est.)
Population growth rate	2.47% (2006 est.)
Birth rate	34.33 births/1,000 population (2006 est.)
Death rate	9.6 deaths/1,000 population (2006 est.)
Net migration rate	7.25 migrators/1,000 population (2001 est.) Notes: According to the UNHCR, about 100,000 Eritrean refugees in Sudan have completed the country's repatriation following the restoration of diplomatic relations between Eritrea and Sudan in January 2002.
Sex ratio	At birth: 1.07 male/female Under 15 years: 1.11 male/female 15-64 years: 1.08 male/female 65 years and over: 1.01 male/female Total population: 1.07 male/female (2004 est.)
Infant mortality rate	Total: 67.2 deaths/1,000 live births Male: 65.2 deaths/1,000 live births Female: 69.2 deaths/1,000 live births (2004 est.)
Life expectancy at birth	Total population: 53.07 years Male: 52.46 years Female: 53.68 years (2004 est.)
Distributing mortality	<ul style="list-style-type: none"> • 23.6% on the coast • 14.6% on the post-horn of Africa • 23.6% on the highlands • 38.2% on the lowlands
Total fertility rate	5.08 children born/woman (2006 est.)

Source : CIA Fact book.

National Population in Eritrea (1931-2001 est).

Year	1931	1941	1994	1999	2000	2001	2002	2003	2004	2005
Pop.	612,540	850,000	3,500,000	4,157,000	4,281,710	4,410,161	4,542,466	4,678,740	4,819,102	4,963,675

Source: MOLG, Asmara, Eritrea.2001.

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Brief Historical Background.

Creative policy thinking about migration in Eritrea has been hampered by the country's colonial migration history. Before 1991, migration policy was a naked instrument of Ethiopian colonial regime: first by Haile Sellasie and later by the Derge government. Until 1991, the official definition of a migrant was that he/she had to be able to be assimilated into the Ethiopian population. By definition, therefore, Eritreans were not considered as international migrants. Rather, they went to Ethiopia as temporary workers.

Cross-border migration between Eritrea and its neighbors dates back to over one hundreds years. Following the occupation of Eritrea by Italy, the country moved towards a modern industrial economy. As a result a substantial proportion of the population from neighboring states migrated to Eritrea, many of them to work. These included Northern Ethiopians, mainly from Tigray region, Yemeni, Italians and Sudanese.

Traditional patterns of movement are changing. Many aspects of contemporary patterns of migration between Eritrea and neighboring countries reflect the long history of regional cross-border movement. An Eritrean migrant going to Sudan today may be taking the same routs as his father, and even grandfather, but for different reasons and to different destinations.

The Eritrean migration patterns have been very much based on historical, geographic and cultural ties. For example in the case of Italy historical colonial ties attracted a number of migrants from Eritrea. In Sudan shared boundaries, common ethnic affiliations and cultural affinities including language served as a basis for migration from Eritrea.

After liberation, 1991 the Eritrean government started to formulate an appropriate migration policy that is responsive to the country's new role in a changing regional, continental, and global migration situation. Within these context the government of Eritrea has responded to Eritrea's changing role in the labor market, by redirecting migration patterns to the countrys manpower needs. Realizing the economic importance of the diaspora, the Eritrean government has been able to maintain contacts with its citizens abroad. In 1993, the Eritrean Dual Citizenship Regulation Act was passed, which, for the first time, made it possible for all Eritreans to keep their Eritrean citizenship after obtaining the citizenship of another country.

The Nature and Scale of Recent Eritrean Migrations.

Although the exact figure of the migrants is unavailable, it is clamed that currently there are about 250,000 to 300,000 Eritreans residing abroad. Perhaps the most popular migratory destinations in Europe are Italy, UK, Sweden and Germany. In Italy due to colonial ties, geographical proximities Eritreans represent a large and long standing community. Most of these migrants reached their destinations between late 1980s and the early 1990s, a period when those countries had relatively liberal asylum and work authorization procedures.

By and large Eritreans migrate to reduce economic insecurity and to earn a better livelihood both for themselves and the families they leave behind. They send money home from their host and adopted countries. The prime motive is still economic, although war and political insecurity are increasingly compelling reasons. Most go through neighboring countries via Sudan, but some also leave direct to their respective destinations. The following are essential features of Eritrean migration trends.

- a) Eritrea has become important source of out- migration
- b) It has converted itself after Haile Sellasie and Derg government from Immigrant to Emigrant country.
- c) Volume of migration is grossly underestimated; figures don't account for illegal or temporary migrants
- d) More Eritreans move to Middle East and Africa than to Europe and North America.

As a matter of fact, migration has changed its pace and type. In the Eritrean case migration has changed the: Traditional make- up of families (female headed households; children raised by relatives), Age ratios of communities, Gender roles and relations, flow of cultural values; ideas, knowledge, etc.

Eritreans usually migrate to countries where they have strong cultural ties and where they could find jobs. Recent studies on migration (Berhane ,2005) and official statistics show that 99% of those who migrate to Africa live in Sudan, 91% of those who migrate to the Middle East live in Saudi Arabia and Yemen, 77% of those who migrate to Europe live in Germany (26%), Italy (19%), Great Britain (13%), and in Scandinavian countries (19%). At the regional level, 64% of the migrants live in Africa, 16% in the Middle East, 15% in Europe, 4% in USA, 0.2% in Australia and the remaining 0.3% in other part of the world.

Reasons for Migration in Eritrea

The question "Why do Eritreans migrate?" is frequently asked but least understood. The prime motive is still economic, although war, famine and political insecurity have become increasingly compelling reasons. The reasons of Eritrean migration can be attributed to favorable and unfavorable economic conditions in the receiving and sending areas. These include the following.

- if economic factors are not present it is unlikely that migration will occur.
- some individuals in the population are more likely to migrate than others:
- the educated, the young and the single will have a greater propensity to move than the old, the uneducated and the married.
- It can be said that for every 'push' factor mentioned above there is a complementary 'pull' factor, equal in intensity, at one or more points of the potential destination.
- If the push factors support the decision to leave the community of origin, it is the pull factors which determine where to go.
- migration factors are paramount in pushing and pulling the migrants. Work opportunities and higher income are cited by most migrants.

Where economic opportunities are perceived by potential migrants, it acts as a pull factor and migration takes place. In the final analysis, migration occurs when the forces of increasing population and decreasing food supply are not in equilibrium. These realities are reinforced in these study.

Socioeconomic Consequences of Migration in Eritrea

The main socio-economic consequences of migration are varied and their impact is both advantageous and disadvantageous. Some of the negative consequences include: labour shortage in the sending areas and labour surplus in the receiving areas, inflationary pressures in the receiving area, unemployment and brain-drain in the sending areas. At the same time on the social side the main consequences include social problems for example separation from families etc. The positive side of migration include economic benefits generated from remittances and exposure of migrant communities to developments in the outside world.

Extent of remittances in Eritrea.

The movement of people away from home is of crucial significance for the economic development of the country. As indicated above migration has socio-economic gains through remittances. Migrant remittances are improving the quality of life of families and relatives in Eritrea. Approximately an annual total of 200-250 million USD flows to the country although the amount may fluctuate from year to year. This could represent between 10 and 15 percent of the GDP. It has increased household income and improves standard of living. The findings of this study indicated that on average one in three household is beneficiary from the flow of remittances. It has also raised the level of national

saving. However, there are certain set backs with regard to the extent of remittances. Had it not been for the following reasons the remittances should have been greater.

- 1). A number of Eritreans are living in the neighboring countries hence the money has to be diverted towards those in the neighboring countries
- 2) The number of Eritreans who are migrated are only mostly 90% in the neighboring countries in which unlike remitters. They do live with a poor condition and work under sever circumstances, hence they don't send money to Eritrea.
- 3) Most of the migrants are very much unskilled semiskilled and manuals therefore they are aid low income. Hence the money they sent is relative to the payment they receive.
- 4) Many of them are either asylum seekers, illegal migrants or domestic workers with no viable work permit, therefore they are vulnerable and exposed to work for cheap labour which pays lowest of the low.
- 5) The governments policy in increasing remittances is not as it should.

Although remittances have generally improved the standards of living of many Eritreans their impact on local work habits cannot be ignored. A recent study (Berhane,2006) has shown that additional income derived from remittances tends to reduces women's labor supply and diminishes collective hours of work.

Related Issues to Eritrean Migration.

Eritrean Women migrants: Women make up an increasing proportion of international migration in the Eritrean context. The proportion of females in foreign countries is now typically between 45% and 50% of all migrants. In some cases, as in Italy, 70% of the migrants are women. The main reasons for female migration tend to be: family reunification, increasing demand of female labour, (such as domestic house help and working in services), and the need for greater freedom and personal fulfillment.

Brain Drain: As the Eritreans in Diaspora continues to grow across the Middle east Europe, USA and Africa, many observers have expressed their concern that migration has depleted the country's much needed human capital. While skilled professionals have been leaving Eritrea before and after independence, the numbers have continued to increase. At the same time, demand for skilled professionals such as medical doctors, engineers, lawyers and business-people has increased as the country cannot produce enough of its own professionals.

While these factors increase the difficulty of stemming brain drain, the Eritrean government has taken some action. For example to address its effects, since 2000, the government has attempted to provide incentives to university instructors and health care professionals to be retained so that they can remain in their jobs. As interim measure the government has been recruiting desperately needed professionals from foreign countries.

Human Trafficking: Illegal human trafficking occurs in Eritrea. Every year many men and women are being trafficked to the Middle East, Europe and Africa. The Eritrean governments law prohibits trafficking for all women, infants, and young persons.

Refugee Status: Since 1975 many Eritreans have fled to new destinations. They have fled to neighboring countries, Europe and Middle East and sought asylum according their cases. See table below.

Number of Eritrean Asylum applicants. (2000-2004)

Country	Total
Germany	1937
UK	4724
Italy	2763
Sweden	1580

Holland	896
Switzerland	768
USA	1107

Source MPI, UNHCR , population data unit, 2005.

Many of them have applied for asylum abroad and where granted refugee status. However, a lot of cases have had their claims rejected. Under the Refugee Act, asylum seekers are not allowed to work, study, or be self-employed until they are granted refugee status. For further information let's see the above table.

Conclusion:

Migration is not a phenomenon that happens only in Eritrea. It is a global issue that needs global collaboration for a viable solution acceptable to all parties involved. Eritrea is a poor country and therefore this circumstances serves as a main factor for migration. To make migration a positive contributing force to development, Eritrean migration policy needs to be more flexible and up-to-date. The benefits of migration accrue in terms of transfer of money (remittances), technology and know how. Important as they are, remittances don't require the physical movement of the migrants to the country.

To achieve all these, there is a need for planned and dynamic handling of the benefits of migration. This has to be done without compromising the rights and economic status of citizens by promoting openness and freedom of movement but at the same time not compromising the national interest. Therefore, the policy has to aim to address the manpower needs of the country emphasizing creation of jobs (following Labour intensive technology in production) and In-country Human Resource Development Schemes as well as encouraging remittance and technology transfer.

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Ratification of International Human Rights Treaties by Eritrea

International Bill of Human Rights	Signature	Ratification/ Accession
International Covenant on Economic, Social and Cultural Rights		17 Apr 2001
International Covenant on Civil and Political Rights		22 Jan 2002
Optional Protocol to the International Covenant on Civil and Political Rights	Not signed	
Second Optional Protocol to the International Covenant on Civil and Political Rights, aiming at the abolition of the death penalty	Not signed	
Prevention of Discrimination on the Basis of Race, Religion, or Belief; and Protection of Minorities		
International Convention on the Elimination of All Forms of Racial Discrimination		31 Jul 2001
Women's Human Rights		
Convention on the Elimination of All Forms of Discrimination against Women		5 Sep 1995
Optional Protocol to the Convention on the Elimination of Discrimination against Women	Not signed	
United Nations Convention against Transnational Organized Crime	Not signed	
Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime Preamble, supplementing the United Nations Convention against Transnational Organized Crime	Not signed	
Protocol against the Smuggling of Migrants by Land, Sea and Air, supplementing the United Nations Convention against Transnational Organized Crime	Not signed	
Slavery and Slavery-Like Practices		
Slavery Convention	Not signed	
Protocol amending the Slavery Convention	Not signed	
Supplementary Convention on the Abolition of Slavery, the Slave Trade, and Institutions and Practices Similar to Slavery	Not signed	
Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others	Not signed	
Protection from Torture, Ill-Treatment and Disappearance	Signature	
Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment	Not signed	

Rights of the Child	Signature	Ratification/ Accession
Convention on the Rights of the Child	20 Dec 1993	3 Aug 1994
Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflicts		16 Feb 2005
Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour	Not signed	
Freedom of Association		
Freedom of Association and Protection of the Right to Organise Convention		22 Feb 2000
Right to Organise and Collective Bargaining Convention		22 Feb 2000
Employment and Forced Labour		
Convention concerning Forced or Compulsory Labour		22 Feb 2000
Equal Remuneration Convention		22 Feb 2000
Abolition of Forced Labour Convention		22 Feb 2000
Discrimination (Employment and Occupation) Convention		22 Feb 2000
Employment Policy Convention	Not signed	
Convention concerning Occupational Safety and Health and the Working Environment	Not signed	
Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families	Not signed	
Education		
Convention against Discrimination In Education	Not signed	
Refugees and Asylum		
Convention relating to the Status of Refugees	Not signed	
Protocol Relating to the Status of Refugees	Not signed	
Nationality, Statelessness, and the Rights of Aliens		
Convention on the Reduction of Statelessness	Not signed	
Convention relating to the Status of Stateless Persons	Not signed	
War Crimes and Crimes Against Humanity, Genocide, and Terrorism		
Convention on the Non-Applicability of Statutory Limitations to War Crimes and Crimes Against Humanity	Not signed	
Convention on the Prevention and Punishment of the Crime of Genocide	Not signed	
Rome Statute of the International Criminal Court	7 Oct 1998	

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Law of Armed Conflict		
Geneva Convention for the Amelioration of the Condition of the Wounded and Sick in Armed Forces in the Field		14 Aug 2000
Geneva Convention for the Amelioration of the Condition of Wounded, Sick and Shipwrecked Members of Armed Forces at Sea		14 Aug 2000
Geneva Convention relative to the Treatment of Prisoners of War		14 Aug 2000
Geneva Convention relative to the Protection of Civilian Persons in Time of War		14 Aug 2000
Protocol Additional to the Geneva Conventions of 12 August 1949, and Relating to the Protection of Victims of International Armed Conflicts (Protocol I)	Not signed	
Protocol Additional to the Geneva Conventions of 12 August 1949, and Relating to the Protection of Victims on Non-International Armed Conflicts (Protocol II)	Not signed	
Terrorism and Human Rights		
International Convention Against the Taking of Hostages		14 Jan 1999
International Convention for the Suppression of Terrorist Bombing	Not signed	
International Convention for the Suppression of the Financing of Terrorism	Not signed	
International Convention for the Suppression of Unlawful Seizure of Aircraft	Not signed	
International Convention on the Prevention and Punishment of Crimes Against International Protected Persons		22 Dec 1999
U.N. Activities and Employees		
Convention on the Privileges and Immunities of the United Nations	Not signed	
Convention on the Safety of United Nations and Associated Personnel	Not signed	
African Regional Conventions		
African [Banjul] Charter on Human and Peoples' Rights		14 Jan 1999
Convention Governing the Specific Aspects of Refugee Problems in Africa	Not signed	
Protocol to the African Charter on Human and Peoples' Rights on the Rights of Women in Africa	Not signed	
Protocol to the African Charter on Human and Peoples' Rights on the Establishment of an African Court on Human and Peoples' Rights	Not signed	
African Charter on the Rights and Welfare of the Child		22 Dec 1999

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Annex 10

9EDF	Envelope					
Nature	Glob Comm I	% I/NIP	Ind Comm II	%II/I	Disbursed III	%III/II
NIP (ENVELOPE A)	117,293,775.83					
	117,293,775.83	100	58,267,697.36	49.68	23,754,295.02	40.77
ENVELOPE B	455,521.30					
	455,521.30	100	455,521	100.00	455,521	100
TOTAL (A+B)	117,749,297		58,723,219		24,209,816	
BALANCE			59,026,078.47		34,513,402.34	

8EDF	Envelope					
Nature	Glob Comm I	% I/NIP	Ind Comm II	%II/I	Disbursed III	%III/II
NIP	2,250,000.00					
	2,250,000.00	100	2,250,000.00	100.00	2,250,000.00	100.00
EMERGENCY AID	9,609,903.98		9,599,154.05	99.89	9,599,154.05	100.00
REFUGEES AID	8,983,188.99		8,465,327.97	94.24	7,776,261.57	91.86
OUTSIDE NIP	18,593,092.97					
	18,593,092.97	100	18,064,482.02	97.16	17,375,415.62	96.19
TOTAL (NIP+OUTSIDE NIP)	20,843,092.97		20,314,482.02		19,625,415.62	
BALANCE			528,610.95		689,066.40	

7EDF	Envelope					
Nature	Glob Comm I	% I/NIP	Ind Comm II	%II/I	Disbursed III	%III/II
NIP	45,885,279.51					
	45,885,279.51	100	45,885,279.51	100.00	45,885,279.51	100.00
EIB	8,000,000.00		8,000,000.00	100.00	8,000,000.00	100.00
EMERGENCY AID	1,748,218.39		1,748,218.39	100.00	1,748,218.39	100.00
REFUGEES AID	3,728,383.64		3,728,383.64	100.00	3,728,383.64	100.00
OUTSIDE NIP	13,476,602.03					
	13,476,602.03	100	13,476,602.03	100.00	13,476,602.03	100.00
TOTAL (NIP+OUTSIDE NIP)	59,361,881.54		59,361,881.54		59,361,881.54	
BALANCE			0		0	

* data withdrawn from OLAS on 12/03/2008 (including closures)

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