

**USAID/Eritrea**

**Annual Report**

**FY 2004**

June 14, 2004

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## Eritrea

### Performance:

Background: In FY 2003, Eritrea faced the worst drought in its ten-year history as it continued to face considerable post-conflict and development challenges. Eritrea remains one of the poorest countries, ranked 157 of 173 countries in the UN Development Program's Human Development Index. International Monetary Fund (IMF) data show a gross domestic product (GDP) per capita of \$153 in 2002. Macroeconomic indicators show GDP declining by 1.2 percent in 2002 and consumption in current local currency (nakfa) falling since 2002 to below the 1997 level, and the budget deficit (excluding grants) at 42.5 percent of GDP in 2002. The external sector is highly imbalanced with exports in 2002 at only \$51.8 million, against \$533.4 million in imports that year, and a current account deficit (excluding official transfers) of 27.8% of GDP. The reasons for this poor economic performance include four years of continued drought, which limited food production and decimated livestock; low foreign investment; delays in the demarcation of the Eritrea-Ethiopia border; delays in demobilization, causing labor shortages; and poor economic policy in such areas as exchange rate policy and business licensing. Overall, Eritrea remains highly dependent on emergency food assistance, official transfers from donors, and remittances from the Eritrean Diaspora.

Weak economic performance and drought have undermined household coping mechanisms and safety nets; according to a recent assessment of Eritrean rural livelihoods, some 66% of households live below the poverty line. Illiteracy rates are high at 42 percent of the population. Life expectancy is only 51 years. The HIV/AIDS prevalence is moderate at around 3 percent, but the disease already strains Eritrea's limited trained human resource base and fledgling institutional capacity. Without vigorous preventive programs, demobilization could spread HIV/AIDS very rapidly.

The ruling People's Front for Democracy and Justice (PFDJ) is the only legal political party and also dominates a number of commercial activities. In addition, since 1991, the PFDJ has controlled domestic media outlets and the constitution remains unimplemented.

Key United States interests in Eritrea are fostering regional stability, combating terrorism, promoting the establishment of a democratic system of governance where human rights and religious freedom are respected, providing humanitarian relief and encouraging economic development. USAID/Eritrea's program supports the joint State-USAID goals and objectives.

Donor relations: In FY 2003, the Ministry of National Development was created to coordinate donor assistance. Donor coordination is informal and limited to sector level activities. The monthly sector meetings provide fora for sharing information on lessons-learned and for coordinating with other donors on complementary activities. The largest donor, the World Bank, supports activities in health, education, and demobilization. The European Union support programs in health, education, agricultural production, emergency humanitarian needs, and energy. USAID coordinates programs with other donors including UNICEF, WHO, UNAIDS, UNDP, the World Bank, and Italian Cooperation.

Challenges: Despite the gains made by development programs in Eritrea after the war, Eritrea faces enormous challenges. Among the most important are rising poverty, poor macro economic and agricultural policy environments, failure to implement the constitution, lack of investment in the private sector, lack of access to potable water for a great majority of the population, chronic malnutrition in children and women of reproductive age, and the potential spread of HIV/AIDS. The border demarcation process is stalled and, as a result, progress is not being made on demobilization and demining. Progress in these areas is critical in order to return much needed labor to the agriculture sector and public and private institutions, and to allow displaced persons to return to their homes and farms.

Key Achievements: FY 2003 was a year of good progress for the USAID program in Eritrea. Using lessons-learned from the previous strategic plan, the Mission has streamlined its program and improved coordination with the host government and other donors. The former strategy helped Eritrea achieve dramatic improvements in child health, generate employment and income for rural enterprises and vulnerable groups, provide access to water and sanitation to rural communities, and develop the capacity of key Eritrean institutions, including the University of Asmara and the Ministry of Education.

1. Improving Access to Primary Health Care: The old health strategic objective (SO 1, Increased use of sustainable, integrated primary health care by Eritreans) will end in September 2004, and the new health strategic objective (SO 4, Use of priority primary health and HIV/AIDS services increased and practices improved) obligated its first tranche of funding at the end of FY 2003. This support has helped Eritrea achieve dramatic improvements in child health. The Eritrea Demographic and Health Surveys (DHSs) show that infant mortality fell from 72 per 1,000 live births in 1995 to 48 per 1,000 in 2002. Under-five mortality was reduced from 136 per 1,000 live births in 1995 to 93 per 1,000 in 2002. This is an extraordinary accomplishment in sub-Saharan Africa, where infant and under-five mortality have increased on average during this period. In fact, this is one of the fastest rates of improvement experienced by any developing country worldwide. The 2002 DHS showed high rates of chronic malnutrition, but some improvement between 1995 and 2002. These results, achieved despite war and a complex humanitarian emergency during 1998-2000, clearly demonstrate that Eritrea is a good partner and a sound investment for USAID's child survival and health funding.

Despite these achievements, many challenges remain in the health sector. Eritrea's dramatic gains in child survival will be difficult to sustain, particularly with an expected post-demobilization baby boom. Maternal health has improved more slowly than child health, and there was no progress in meeting unmet demand for family planning services. Without vigorous preventive measures, demobilization will accelerate the spread of HIV/AIDS. Therefore, the new health strategic objective will expand active demand for primary health care, especially at the community level, continue to improve the quality of priority primary health and HIV/AIDS prevention services, improve institutional capacity for sound resource allocation decisions in order to sustain health care improvement, and improve health and knowledge and behavior. The "A-B-C" approach to HIV/AIDS prevention, emphasizing (1) abstinence, (2) being faithful, and (3) responsible use of condoms will continue to be the foundation for USAID HIV support in Eritrea.

2. Rural Enterprise and Food Security Program: The overarching goal of SO 2 is to improve rural livelihoods and reduce chronic food insecurity in rural areas through stimulating small, medium, and micro-enterprises, increasing access to safe water, and rebuilding key infrastructure in border areas. In 2003, USAID's rural enterprise development program achieved a number of important results. Small and medium rural enterprises that borrowed under the loan program had domestic sales of such products as field crops, horticulture, dairy, fish, poultry, beef, mutton, and plastic sandals worth over \$1.75 million, enabling those enterprises to hire 383 new employees (180 of them women); twenty-three community-level microfinance associations were created, benefiting 738 households (80% woman-headed), and mobilizing over \$32,000 in savings; ten water/sanitation committees were formed at the community level and 45,675 persons gained access to safe water. The program also provided training and technical assistance in poultry production, horticulture production and marketing, and banana production and marketing to 400 individuals (68 of them women).

Eritrea receives substantial P.L. 480 Title II resources, amounting to \$65 million in FY 2003. In addition to direct distribution programs through the World Food Programme and two U.S. NGOs, FFP emergency programs supported supplementary feeding for children under five and pregnant and lactating mothers in high risk communities, nutritional surveillance, and provision of equipment to community health centers. Title II development resources are being used to implement a five-year (2003-2007) spate irrigation and household food security project. All programs in Eritrea funded with Title II resources contribute to achieving the goals of the Mission's integrated strategic plan by improving living conditions for vulnerable populations and rehabilitating infrastructure in rural areas.

3. Human and Institutional Capacity Building: This SO focuses on building the capacity of Eritreans to participate in political and economic activities and to strengthen Eritrean institutions to address development challenges. The activities supported under this SO cut across various sectors. In FY 2003, as a result of USAID's assistance, the GSE took a first step toward privatizing the state-controlled telecommunications service by restructuring the company to make it more attractive to potential investors. The company plans to build-out a cellular telephone network in 2004 with investment from an international mobile service operator. The GSE, with USAID assistance, has made progress in improving Eritrea's education system. In response to a request from the Office of the President, USAID provided experts to the Ministry of Education to help in curriculum reform efforts. In addition, USAID continues to support two university linkage activities to strengthen the capacity of the University of Asmara (UoA), Eritrea's only institute for higher education. In FY 2003, with USAID assistance, UoA developed postgraduate curricula in the fields of statistics, demography, English, and geography, and will provide postgraduate courses during the 2004/2005 academic year. USAID's Education for Development and Democracy Initiative (EDDI) supported a girls' scholarship pilot project in two zones of Eritrea in FY 2003. Under this activity, 80 female middle school students received scholarships and tutoring services. Community seminars were also conducted to educate community members on the importance of girls staying in school.

Gender: Attention to gender issues has increased in USAID/Eritrea's programs as a result of incorporating gender as a cross-cutting issue in the new integrated strategic plan (ISP). USAID addresses gender by: providing capacity building programs for elected women officials; targeting microfinance programs at female-headed households; stimulating the hiring of women by rural small and medium enterprises (SME); improving HIV/AIDS, family planning, and child survival programs; and focusing education efforts at ensuring girls remain in school. Health activities focus on maternal and child's health and thereby include gender concerns across the board.

**Country Close and Graduation:**

N/A

## Results Framework

### **661-001 Increased use of Primary Health Care Services by Eritreans**

### **661-002 Increased income of enterprises, primarily rural, with emphasis on exports**

#### **SO Level Indicator(s):**

- Number of full-time equivalent female SME employees
- Number of full-time equivalent total male SME employees
- Number of full-time equivalent total SME employees
- Number of people in target areas with improved access to safe water
- Percentage increase in total value of domestic SME sales (baseline sales=\$900,000)

#### **2.1 Rural SMEs Developed**

#### **2.2 Economic Opportunities for Vulnerable Groups Enhanced**

#### **2.3 Capacity Strengthened in the Public and Private Sectors for Rehabilitation and Reconstruction**

### **661-003 Increased capacity for accountable governance at local and national levels**

### **661-004 Use of Priority Primary Health and HIV/AIDS Services Increased and Practices Improved**

#### **SO Level Indicator(s):**

Condom use at last sex among commercial sex workers (CSWs) in target communities who had sex during last six months

Contraceptive prevalence rate for in-union women of reproductive age

Percentage of births attended by medically trained personnel

Percentage of children 12-23 months who received DPT-3 by their first birthday

Percentage of children 6-59 months with diarrhea receiving ORT

Percentage of households in Gash Barka, Southern (Dehub) and Anseba Zones owning two or more insecticide treated nets

#### **4.1 Active demand for primary health care expanded**

#### **4.2 Quality of priority primary health services improved**

#### **4.3 Institutional capacity for resource allocation decisions improved**

#### **4.4 Quality and demand for HIV/AIDS prevention services increased**

### **661-005 Economic Growth for Rural Areas Improved**

### **661-006 Participation in Growth and Development Enhanced**

#### **SO Level Indicator(s):**

Increase in number of people with improved basic and advanced skills

Number of community members participating in decision-making processes of local development activities

Number of people with improved access to information

#### **IR6.1 Human Resource Capacity Improved**

#### **IR6.2 CBO/Local Administration Partnerships Strengthened**

#### **IR6.3 Community Access to Information Enhanced**