

USAID/Eritrea

Annual Report

FY 2005

June 16, 2005

Please Note:

The attached RESULTS INFORMATION is from the FY 2005 Annual Report and was assembled and analyzed by the country or USAID operating unit identified on the cover page.

The Annual Report is a "pre-decisional" USAID document and does not reflect results stemming from formal USAID review(s) of this document.

Related document information can be obtained from:
USAID Development Experience Clearinghouse
8403 Colesville Road, Suite 210
Silver Spring, MD 20910
Telephone: (301) 562-0641
Fax: (301) 588-7787
Email: docorder@dec.cdie.org
Internet: <http://www.dec.org>

Portions released on or after July 1, 2005

Eritrea

Performance:

Eritrea's economic performance in 2004 can be viewed in terms of three overarching realities. First, Eritrea remains one of the most food insecure countries in the world on a per capita basis. In a region that is food insecure even in years of normal rainfall, the country suffered its fourth consecutive year of drought. A preliminary estimate by the Eritrean Ministry of Agriculture projects the upcoming cereal harvests at around 109,000 MT, 58 percent of average production and less than twenty percent of Eritrea's total annual requirement. Second is lack of progress in the demarcation of the border with Ethiopia. Eritrea's armed forces consequently remain mobilized and much of the government's attention is diverted from economically productive activities in favor of conflict preparedness. Third, these difficulties have contributed to large fiscal and foreign sector imbalances -- foreign exchange reserves have declined to less than two months' worth of imports. The GSE has maintained a long-fixed, highly overvalued official exchange rate in the face of rapid inflation (27 percent annually, according to recent figures). Other problems in the policy environment include stringent licensing requirements, the strong government role in major private sector enterprises, and rationing regimes for key staples and production inputs.

Eritrea is one of the poorest and least developed countries in the world, ranking 156 out of 177 countries in the 2004 UN Human Development Index. The IMF projects real GDP growth to continue slowing, from 3% in 2003 to 1.8% in 2004 to 0.7% in 2005. According to the World Bank, gross domestic product per capita at current exchange rates remains considerably less than \$200 and appears to be declining. Eritrea remains highly dependent on emergency food assistance, official transfers from donors, and remittances from the Eritrean Diaspora.

Eritrea also faces a number of daunting social challenges. According to a recent assessment of Eritrean rural livelihoods, some 66% of households live below the poverty line. Adult literacy is estimated to be 56.7% and combined gross school enrollment is 33%, compared to other Least Developed Country (LDC) values of 52.5% and 50.6%, respectively. Life expectancy at birth is 52.7 years. The national HIV/AIDS prevalence is moderate at around 2.4 percent (sex workers are 25 percent), but the disease already strains Eritrea's limited trained human resource base and fledgling institutional capacity.

Citing the threat of renewed hostilities with Ethiopia and the need to enhance security related to the war on terror, the Government of the State of Eritrea (GSE) has since 2001 controlled domestic media outlets and indefinitely postponed implementation of the 1997 constitution. The Popular Front for Democracy and Justice (PDFJ) is the only legal political party.

U.S. Interests and Goals: 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: The establishment in 2003 of the Ministry of National Development has improved the coordination of donor assistance, although it remains informal and limited to sector level activities. Monthly sector meetings (food aid, food security, water, and nutrition) 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, road-building, and energy. 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.

Within this context, USAID/Eritrea has strategic objectives aimed at improving lives in three key areas: rural enterprise development; primary health care and HIV/AIDS prevention and treatment; and capacity building to enhance participation in Eritrea's development.

Key Achievements:

SO2, Increased Income of Enterprises (Primarily Rural), and Improved Livelihoods: The goal of SO2 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. Under an ongoing program of lending, technical assistance, and training for rural small and medium enterprises, the Commercial Bank of Eritrea in FY 2004 approved 106 loans (14 of them to women), worth in total \$1.6 million. In a representative sample of 52 enterprises that borrowed under the program in FY 2003 -- operating in agriculture, manufacturing, trade and commerce, and services -- sales revenue came to \$3.1 million. These loans have enabled the small and medium business recipients to retain or add on 220 employees. 29 new community-level microfinance associations were created, benefiting an additional 585 households (92% of them woman-headed), and mobilizing an additional \$71,700 in savings; 11 water/sanitation committees were formed at the community level and 42,994 persons gained access to safe water. The program also provided training and technical assistance in banana, onion, and potato production and marketing to 97 individuals, and in water sector financial and program management to 83 persons.

Eritrea received substantial P.L. 480 Title II resources in FY04, valued at \$60.9 million. 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. Also in 2004, FFP approved two new Developmental Relief Programs (DRPs) running over 2005-2007 and implemented by U.S. NGOs; these DRPs combine direct distribution of commodities with small-scale development interventions in nutrition/health, water/sanitation, and agriculture (e.g., training para-veterinarians or providing grants to farmers or fishermen). 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.

SO4, Use of Priority Primary Health and HIV/AIDS Services Increased and Practices Improved: The old health Investment Objective (IO 1, Increased Use of Sustainable, Integrated Primary Health Care by Eritreans) will end in September 2005, and the new SO4 obligated its first tranche of funding at the end of FY 2003. This support has helped Eritrea achieve dramatic improvements in child health. The 2002 Eritrea Demographic and Health Survey (DHS) is the most current source of public health information; it shows 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 rates elsewhere have increased on average during the same 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 continues to be 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.

USAID's HIV/AIDS program to date has placed greater emphasis on prevention than on treatment, care and support. With an estimated 60,000 - 70,000 people infected with HIV in Eritrea, there is a need for the program to broaden its scope to address prevention and the continuum of care within a realistic term. AIDS-related illness is already among the ten top causes of hospitalization in the country where the adult 2003 national HIV prevalence rate is 2.4% with regional and population variations. Zonal estimates range from 1.1% to 7.2%, with the prevalence among unmarried, urban women age 15-24 ranging between 2.1% and 7.5%. There is a danger that the existing generalized but low-level epidemic in Eritrea could explode with demobilization. The Government is acutely aware of this danger and is eager to take preventive action now.

SO6, Participation in Growth and Development Enhanced: This SO focuses on building the capacity of Eritreans to participate in political and economic activities and strengthening Eritrean institutions and community organizations to address development challenges. Activities supported under this SO cut across various sectors, namely, telecommunications, education, water and sanitation, and agriculture. In FY 2004, as a result of USAID assistance, 482 individuals received training for improved basic and advanced skills in these sectors. The state-owned telecommunications service (EriTel) was "corporatized", allowing it to retain earnings and take on loans to finance expansion, thus making it more attractive to potential investors. EriTel and the Ministry of Transport and Communications (MoTC) rolled out a country-wide cellular telephone network in 2004 with technical assistance from USAID and investment from an international mobile service operator. Major towns in five of the six zones currently have some level of cellular service. All six zones are expected to have services by early 2005. Additionally, MoTC and EriTel tripled the country's internet bandwidth (from 2Mbps to 6Mbps) in 2004 with technical assistance from USAID, providing citizens with access to information otherwise unavailable in Eritrea's underdeveloped media environment.

The GSE, with USAID assistance, continues to make progress in improving Eritrea's education system. In FY 2004, the University of Asmara (UoA) launched postgraduate curricula in the fields of statistics, demography, English, and geography, and began postgraduate courses this academic year. In addition, the number of computers at the UoA doubled this spring when USAID/Eritrea delivered 400 desktop computers, 15 laptops and 10 servers to the campus. USAID continued its provision of technical assistance to the National Commission for Demobilization and Reintegration Program (NCDRP). In FY 2004, the NCDRP assisted with the demobilization of 70,000 soldiers and reintegration activities are currently underway. USAID continues to build capacity of community-based organizations (CBOs) such as women's committees, water committees and community judges, through technical trainings and workshops. Approximately 136 such CBOs were established and trained in FY 2004. USAID/Eritrea was awarded \$500,000 from the Leahy War Victims Fund in September 2004, which will deliver income generating activities and business development services to approximately 550 victims of war in FY 2005.

Gender is 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. In FY 2004 the Mission evaluated the integration of gender into our activities as a cross-cutting theme, which generated a number of specific activity-level recommendations.

For more information, consult the USAID/Eritrea web site at <http://www.usaid.gov/missions/er/>.

Results Framework

661-001 Increased Use of Primary Health Care Services by Eritreans

661-002 Increased Income of Enterprises (Primarily Rural), and Improved Livelihoods

SO Level Indicator(s):

Number of people in target areas with improved access to safe water, disaggregated by gender

Percentage increase in total value of domestic SME sales

Volume of savings and credit generated in microfinance schemes, disaggregated by gender

2.1 Rural SMEs Developed

2.2 Livelihood Options for the Vulnerable and Food Insecure Diversified and Expanded

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

6.1 Human Resource Capacity Improved

6.2 CBO/Local Administration Partnerships Strengthened

6.3 Community Access to Information Enhanced