

**USAID/ERITREA
BACKGROUND AND ISSUES BRIEFING**

BACKGROUND

- USAID/Eritrea is USAID's newest Mission in Africa. Although some programming began in 1992, the office was officially established in Asmara in October 1994.
- It is one of Africa's smallest Missions, with 4 US Direct Hire (American) employees, 26 American and local national contract employees, and an average annual budget of \$10 million in Development Assistance plus approximately \$6 million annually in food aid.
- Eritrea itself is unique. Its 30-year war for independence from Ethiopia was waged in isolation, and as a result, this new country possesses an exceptional sense of self-reliance and self-determination. This country disdains dependence on foreign aid and takes the rhetoric of the 1990s -- partnership, participation, "African-led," and accountability -- and turns it into reality.
- Eritrea presents a unique opportunity for USAID, and also, quite a challenge. The Government of the State of Eritrea (GSE) is young, and has set high goals for itself against the realities of devastated infrastructure, and limited human capacity and experience in both the public and private sectors.
- Although a small and poor country, Eritrea possesses three qualities which enhance its potential for success. Its location is strategic, its people have a strong sense of unity, discipline and hard work, forged and tempered by the independence struggle, and its leadership is committed to enlightened self-reliance, to a secular, participatory society and an open economy. It is also determined to avoid the mistakes of many failed African states before it. With this unshakable commitment, Eritrea's leadership is also having increasing regional influence.
- USAID is becoming Eritrea's leading partner in bridging a wide gap between vision, potential, and will, and very limited human and institutional capacity. The Mission's "Investment Partnership" with Eritea -- approved by USAID/W last July -- addresses critical needs in the building of the new nation: primary health care, rural enterprise, and democratic governance. Getting to this point, however, came after a slow and difficult start; long and intensive dialogue with the GSE is necessary prior to any undertaking. This is part and parcel of the Mission-GSE "partnership," but makes it difficult for the Mission to point to concrete activities and results in the timeframes that are common to other country programs.

USAID'S PROGRAM IN ERITREA

The Goal of USAID's program in Eritrea is to enable Eritrea to become a food-secure, democratic and leading nation in the region through key investments in primary health care, rural enterprise, and democratic governance. Three strategic objectives - called "investment objectives" in the Country Strategy - have been identified to accomplish this goal.

1. Increased Use of Sustainable, Integrated Primary Health Care (PHC) Services by Eritreans

Eritrea has an epidemiological profile that places its health status among the worst in the world. USAID is responding to this dire situation by helping the Government of the State of Eritrea (GSE) to build an effective primary health care service delivery system. Through its broad health and population program with the Ministry of Health (MOH), grants to UNICEF and U. S. private voluntary organizations (PVOs) as well as U.S.-based contracting organizations, USAID investments will improve the Government's capacity to manage the delivery of primary health care services as well as increase access to and availability of these services. USAID investments support the management, logistical and financial systems which, in turn, support the delivery of PHC services while also increasing the awareness of, and demand for, health care services among Eritreans.

Achievement of this Investment Objective will be measured by:

- an increase in the Modern Contraceptive Prevalence Rate;
- an increase in the percent of births where mothers were attended at least once during pregnancy by medically-trained personnel;
- an increase in the proportion of all cases of diarrhea in children under age five treated with oral rehydration solution (ORS) and/or a recommended home fluid;
- an increase in the proportion of households where iodized salt is used.

2. Increased Income of Enterprises, Primarily Rural, with Emphasis on Exports

With Eritrea's liberal investment code and a tradition of and location for commerce, the prospects are good for rapid economic growth in Eritrea's urban areas and their trade corridors. However, rapid growth in these areas without complementary growth and linkages in lowland, predominantly Muslim western areas of the country would leave half the population in poverty with likely destabilizing effects. In addition, rainfall limits food production in these lowland areas.

Consistent with U. S. economic interests and the GHAI, USAID's primary strategic objective in Eritrea is to help make food more

available in these rural areas through increased enterprise and trade. A combination of bilateral and P.L. 480 resources support the rebuilding of rural roads and rural banking, farmer associations, cooperatives, and enterprises which expand rural income and trade.

Achievement of this Investment Objective will be measured by:

- an increase in the gross income of assisted enterprises;
- increased equity in assisted enterprises;
- economic multiplier effects in rural areas

3. Increased Capacity for Accountable Democratic Governance at Local and National Levels

Since the popular referendum in 1993 to formalize the Eritrea's independence from Ethiopia, Eritrea's leadership has moved steadily, if cautiously, toward the establishment of democratic structures of government. While the GSE retains some tendencies towards authoritarianism and centralization -- due both to the statist structure inherited from the earlier dictatorship and to the newness of government administration by former fighters -- the commitment to democracy is strong among those who fought for independence. This commitment is demonstrated by recent steps taken to ensure public education and debate on a constitution and local elections scheduled for 1998, and the building of local government and the judiciary.

USAID, in support of U.S. interests and in close collaboration with the Embassy and the UNDP, has initiated a substantial governance capacity-building effort to support and reinforce the establishment of a democratic government in Eritrea. The focus of this effort is training at all levels: a university linkage to build the faculties of law, public administration, journalism, and political science; grants to enable broad outreach by the Constitutional Commission; in-country training for judges and local officials and a broad participant training program.

Achievement of this Investment Objective will be measured by:

- Local and national elections held following free and fair procedures;
- Final promulgation of the Constitution;
- Decision-making authority granted to local governments;
- Degree of editorial content/differing viewpoints expressed in radio and print.

The USAID program in Eritrea was reviewed and approved by USAID/W in April 1997, with Development Assistance funding planned at \$10 million per year, plus Title II and Title III funds. The Management Contract was completed in July 1997. As a GHAI country program, the strategy incorporates contingency planning for at least one natural or humanitarian crisis over the life of the strategy.

CURRENT ISSUES IN THE ERITREA --- USAID RELATIONSHIP

1. Sudan
2. NGOs
3. Democracy/Governance
4. USAID-GSE Relations
5. Doing Business Differently
6. Non-project Assistance

1. Sudan:

Eritrea's overriding concern is Sudan and the National Islamic Front's (NIF) agenda of regional destabilization which, in Eritrea's case, takes the form of Sudan's support for the Eritrean Islamic Jihad (EIJ), a small Islamic extremist group seeking to overthrow the Eritrean Government. In December 1994, Eritrea broke off diplomatic relations with Sudan, handed over the Sudanese Embassy to the Sudanese opposition group, the National Democratic Alliance (NDA), and announced its support for the forceful removal of the NIF regime from power. Eritrea, along with Ethiopia and Uganda (the so-called Front-line States) provides logistical support, supplies and assistance to the Sudanese opposition forces to aid in their efforts to topple the NIF regime. Presently, approximately 15,000 Eritrean troops are defensively massed at the eastern border of Eritrea with Sudan; relations are tense between the two countries. One consequence of the acrimony between Eritrea and Sudan is the continued presence of nearly 150,000 Eritrean refugees inside Sudanese borders: Eritrea and Sudan are unwilling to meet to discuss their repatriation.

2. NGOs:

A topic that invariably comes up when Eritrea is discussed in Washington is NGOs. (It is not, however, a subject the Eritreans prefer to discuss with donors.) Presently, USAID funds five U.S. NGOs in Eritrea; two U.S. NGOs have closed their operations there, as have some European NGOs.

On January 30, 1998, the GSE announced that all international NGOs (INGOs) should begin closing out their operations in Eritrea. This came one year after the GSE issued a policy restricting INGOs to working only in the health and education sectors. For those few INGOs still in the country, this would appear to be the end, however, some - including those USAID supports - may be able to stay and complete their programs before having to close down. As there is no official document detailing the GSE announcement, the status of these NGOs is still not clear.

The closure of all INGOs would be the most dramatic demonstration yet of Eritrea's determination to avoid what it sees as an

unacceptable dependency on INGOs in other African countries. The GSE views NGOs (and contractors as well, to a degree) as too costly and too inclined to promote their own agendas in a country where the social/ethnic/religious equilibrium is tenuous. While this is an understandable position, it is problematic for both State and USAID for the following reasons:

- As USG policy emphasizes the important role that the private sector and NGOs play in assisting countries to attain food security, and Eritrea is a food deficit country, restrictions on NGOs make it difficult for us to deliver emergency food aid.

- Similarly, USAID depends on NGOs for the delivery of many other kinds of development assistance, and such restrictions present implementation problems/complications for us.

- State and the Global Bureau's Office of Democracy and Governance have raised concerns that the GSE's restrictions on both local and International NGOs reflects an authoritarian inclination on the part of the Government which does not wish to allow Eritreans exposure to the expertise and values of other nationalities, or, for that matter, to voices of dissent in their own country.

3. Democracy/Governance:

The USG (and several European donors) have concerns about the state of Eritrea's democracy despite our understanding that the country needs time to stabilize after so many years of war. As mentioned above, Eritrea comprises a complex mix of ethnic and religious groups, and maintaining the balance among them is a priority for the GSE. This is the reason they cite for not yet allowing multiple parties, and for restricting religious-based NGOs, both foreign and indigenous. Recent strident interventions by other donors on the topic of democracy and NGOs have resulted in their aid programs being drastically reduced in size and scope; USAID/Eritrea believes the best approach is to help the Eritreans increase their capacity for participatory governance, something the GSE agrees with.

4. USAID-GSE Relations:

USAID and Eritrea enjoy a very collegial relationship which promotes our mutual goals. In contrast to other donors following more traditional aid strategies, USAID's development assistance is an investment partnership which avoids aid dependence and promotes a constructive bilateral relationship. Based on the principles of President Clinton's Greater Horn of Africa Initiative, USAID/Eritrea has developed an innovative strategy focussing on private enterprise development, capacity building for democratic governance, and improved primary health care. Our flexibility in developing assistance programs as tools for investment and in re-enforcing Eritrea's sense of ownership has earned USAID a high degree of confidence and collegiality with the Government of

Eritrea. As a result, our influence extends far beyond the relatively small amounts of assistance we provide.

5. DOING BUSINESS DIFFERENTLY:

A formal Management Assessment of USAID/Eritrea's operations was conducted in early 1995. A few of its conclusions remain relevant today:

"Eritrea is a country where U.S. development and food assistance can have an unusually positive impact. The GSE is dedicated, hard-working and honest, and hopes that the U.S. will be a major donor working as a partner in their efforts to improve the lives of the Eritrean people. For the most part, stated GSE economic and social policies are similar to those that USAID would recommend.

The GSE doesn't make donor assistance easy. They do not readily accept many traditional donor procedural requirements and modes of operation; while their own capacity to manage donor resources is not yet clear. The GSE has sometimes rejected aid rather than compromise their standards. While the GSE top leadership is very impressive, the operational layers of the new Ministries have few well-trained, experienced cadre."

The above aptly describes the current situation. The GSE, to its credit, knows what it needs and wants, but will not compromise on the implementation of the assistance it desires. Mission staff are constantly challenged by the GSE to deliver development assistance in non-traditional ways. As this is also true in other Horn countries, USAID as a whole is challenged to come up with innovative ways of doing business in these non-traditional programs. The Africa Bureau, in concert with other Bureaus such as Procurement and GC, has organized a working group to develop recommendations for streamlining procedures and review policies to expedite delivery of development assistance.

6. Non-project Assistance (NPA)

USAID/Eritrea proposes to implement a NPA program amounting to \$10 million over four years to assist the Ministry of Health carry out its decentralization plan for improving and expanding primary health care services. A Congressional Notification (CN) to this effect has had a "Hold" placed on it by Congressman Callahan, who does not believe that NPA is a mechanism USAID should be using to deliver assistance. Efforts by the Africa Bureau to meet with his staff have been unsuccessful thus far. The GSE is very much in favor of this kind of assistance, as it enhances ownership by the Government; the Mission believes it is an appropriate mechanism because of the decentralization objectives and the positive fiscal and policy track record of the GSE. The soonest a meeting can be held with Congressman Callahan's staff is after April 20. The Africa Bureau expects to submit other CNs this year for NPA programs, so the success or failure of the Eritrea CN will be significant.

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Clearances:

A-AA/AFR: CPeasley _____ date _____

DAA/AFR: PMGary _____ date _____

AFR/DP: JGovan _____ date _____

AFR/EA: PRader _____ date _____

State/AF/E: TGallagher (draft) date (1/98) _____