

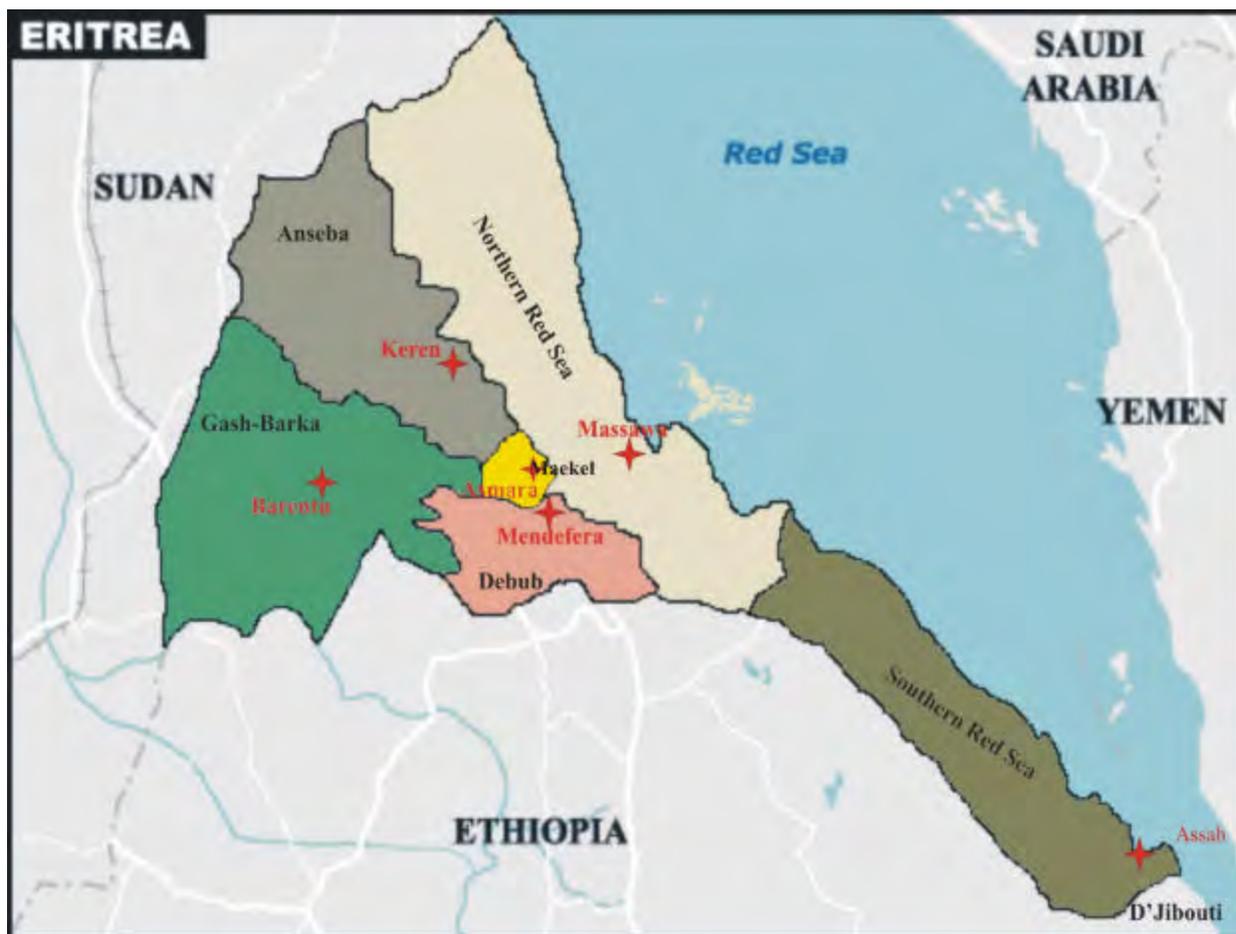
Note: the Results Frameworks in this document have been superseded; please go to Current Mission Results Framework.



U.S. Agency for International Development
Asmara, Eritrea

Integrated Strategic Plan

FY 2003 - FY 2007



IMPROVING THE LIVES OF THE ERITREAN PEOPLE
BY INCREASING THE USE OF HEALTH SERVICES
AND ENHANCING PARTICIPATION IN GROWTH AND
DEVELOPMENT

TABLE OF CONTENTS

Cover Letter

Acronyms

Executive Summary

I.	COUNTRY OVERVIEW	1
A.	Background.....	1
B.	Development Environment.....	1
C.	Donor and Government of the State of Eritrea (GSE) Relationship.....	4
D.	US Foreign Policy Interests.....	5
E.	U.S. Government Assistance to Date.....	6
II.	INTEGRATED STRATEGIC PLAN: OVERVIEW	7
A.	Mission Goal.....	7
B.	Relationship to GSE Goals & Policies.....	7
C.	Rationale for Integrated Strategic Plan	7
D.	Planning Parameters.....	8
E.	Mission Results Framework and Performance Monitoring	10
F.	Cross-Cutting Themes.....	12
G.	Scenario-Based Planning.....	12
H.	Implementation Time Frame.....	13
III.	STRATEGIC OBJECTIVE 2: Increased Income of Enterprises, Primarily Rural, with Emphasis on Exports	14
A.	Development challenges	14
B.	Purpose and Definition.....	15
C.	Results Framework for SO 2.....	16
D.	Intermediate Results.....	19

E.	Monitoring SO 2 Achievement.....	22
F.	Instruments.....	23
G.	Contextual Assumptions.....	23
H.	Linkages.....	23
I.	Beneficiaries, Development Impact and Sustainability.....	26
IV.	STRATEGIC OBJECTIVE 4: Use of Priority Primary Health and HIV/AIDS Services Increased and Practices Improved	27
A.	Development Challenges	27
B.	Purpose and Definition.....	31
C.	Results Framework for SO 4.....	33
D.	Intermediate Results.....	36
E.	Monitoring SO 4 Achievement.....	41
F.	Instruments.....	42
G.	Contextual Assumptions.....	42
H.	Linkages.....	43
I.	Beneficiaries, Development Impact and Sustainability.....	45
V.	STRATEGIC OBJECTIVE 6: Participation in Growth and Development Enhanced	46
A.	Development Challenges	46
B.	Purpose and Definition.....	47
C.	Results Framework for SO 6.....	49
D.	Intermediate Results.....	51
E.	Monitoring SO 6 Achievement.....	54
F.	Instruments.....	54
G.	Contextual Assumptions.....	54

H.	Linkages.....	55
I.	Beneficiaries, Development Impact and Sustainability.....	56
VI.	PROGRAM MANAGEMENT.....	57
A.	Staffing.....	57
B.	Operating Expenses.....	57
VII.	RESOURCE REQUIREMENTS.....	58
A.	Development Assistance.....	58
B.	PL480 Title II Food Assistance.....	58
C.	Economic Support Funds.....	59
D.	Office of Foreign Disaster Assistance (OFDA).....	59
E.	Displaced Children and Orphan Fund (DCOF).....	59
F.	Education Initiatives.....	59

ANNEXES

A.	Parameters Cable and Provisional Approval Cable
B.	Scenario-Based Planning
C.	Macroeconomic Overview and Data on Eritrea
D.	Summaries of Mandatory Analyses <ol style="list-style-type: none"> 1. Gender Analysis 2. Environmental Analysis 3. Conflict Vulnerability Assessment
E.	Summaries of Sector Assessments and Other Analyses <ol style="list-style-type: none"> 1. Health Sector Assessment 2. Economic Growth Assessment 3. Health Sector – Other Analyses 4. Economic Growth – Other Analyses 5. Community-Based Participation – Other Analyses
F.	HIV/AIDS Strategy



USAID/ERITREA MEMORANDUM Office of the Director

TO: Connie Newman, AA/AFR

FROM: Jatinder K. Cheema, Mission Director/Eritrea 

DATE: May 30, 2003

SUBJECT: USAID/Eritrea Integrated Strategic Plan (FY2003 - FY2007)

I am pleased to submit the revised version of the five-year USAID/Eritrea Integrated Strategic Plan (ISP) for review. We revised the ISP based on guidance in USAID/Washington's cable of 14 April 2003 [SECSTATE 95620] and per my discussions with you in January 2003. USAID/Eritrea staff has given their best professional and technical judgment in selecting the interventions that are in our manageable interests. We have received outstanding support from the EGAT and Health Pillar Bureaus, AFR/SD and AFR/DP staff during the four months when we were conducting our technical assessments and designing the different components of the strategy. The remarkable teamwork between USAID/Eritrea and USAID/Washington staff resulted in a high quality strategy that best responds to the post-conflict needs of Eritrea.

You will be pleased to learn that our counterparts from the Government of the State of Eritrea (GSE) were actively involved in the development of this strategy, starting with a visioning exercise, in March 2002, which brought together key ministers and technical-level GSE counterparts. Priorities jointly established by GSE and USAID/Eritrea form the basis of this strategy. Ambassador McConnell and heads of section from the Embassy participated in the visioning exercise and in the ISP development process.

Our focus on increased use of primary health services, continued emphasis on rural enterprise development, and increasing participation in growth and development, is an evolution of the current strategy. Plus, we have taken advantage of targets of opportunity to assist Eritrea in the transition from humanitarian assistance to broad-based development. Building on lessons-learned and the results achieved under the current strategy is an integral part of the new strategy, for example, the scenario-based plan and the cross-cutting themes such as gender, HIV/AIDS, and linking relief and development.

USAID/Eritrea staff, American and Eritrean, is enthusiastically looking forward to implementing this strategy after having spent hours agonizing over strategic frameworks and underlying rationale. Without their support and hard work, I would not be submitting this strategy today.

ACRONYMS

BCC	Behavior Change Communication
BCG	Bacillus Calmette-Guerin
BDS	Business Development Services
CBO	Community Based Organization
CSCA	Community-based Savings and Credit Association
CSP	Country Strategic Plan
CSW	Commercial Sex Workers
DA	Development Assistance funds
DCHA	Democracy, Conflict and Humanitarian Assistance Bureau (USAID)
DCOF	Displaced Children and Orphan Fund
DHS	Demographic and Health Survey
DOD	Department of Defense (U.S.)
DOS	Department of State (U.S.)
DPT	Diphtheria, Pertussis, and Tetanus (vaccination)
EDDI	Education for Development and Democracy Initiative
EDF	Eritrean Defense Force
EEBC	Eritrea-Ethiopia Boundary Commission
EGAT	Economic Growth, Agriculture and Trade Bureau (USAID)
ESMG	Social Marketing Group
EU	European Union
FFP	Office of Food for Peace (USAID)
FGC	Female Genital Cutting
FSSP	Food Security Strategy Paper
GDP	Gross Domestic Product
GFFE	Global Food for Education
GH	Global Health Bureau (USAID)
GIS	Geographic Information System
GSE	Government of the State of Eritrea
HAMSET	HIV/AIDS, Malaria, STIs, and Tuberculosis Project (World Bank)
HMIS	Health Management Information System
ICT	Information and Communication Technology
IEC	Information Education and Communication
IGA	Income-generating Activities
IMCI	Integrated Management of Childhood Illness
I-PRSP	Interim Poverty Reduction Strategy Paper
IQC	Indefinite Quantity Contract
IR	Intermediate Result
ITNs	Insecticide-treated Nets
KAP	Knowledge, Attitudes and Practices
MOH	Ministry of Health
NCDRP	National Commission for the Demobilization and Reintegration Program
NGO	Non-Governmental Organizations
OCAT	Organizational Capacity Assessment Tool
OE	Operating Expense
OEC	Obstetric Emergency Care
OFDA	Office of Foreign Disaster Assistance (USAID)
ORT	Oral Rehydration Therapy
PAO	Public Affairs Office (U.S. Dept. of State)
PFDJ	People's Front for Democracy and Justice

PMP	Performance Monitoring Plan
PRM	Bureau of Population, Refugees, and Migration (U.S. Dept. of State)
PVO	Private Voluntary Organization
REDSO/ESA	Regional Economic Development Services Office for Eastern and Southern Africa
REU	Rural Enterprise Unit
SME	Small and Medium Enterprise
SO	Strategic Objective
STI	Sexually Transmitted Infection
TEGPRS	Transitional Economic Growth and Poverty Reduction Strategy
UN	United Nations
UNDP	United Nations Development Program
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USDA	U.S. Department of Agriculture
USG	United States Government
VCT	Voluntary Counseling and Testing
WHO	World Health Organization

EXECUTIVE SUMMARY

In March 2002, Washington approved USAID/Eritrea's decision to design an Integrated Strategic Plan (ISP) to meet Eritrea's post-conflict development challenges. USAID/Eritrea staff developed and successfully presented a five-year ISP (2003-2007) in USAID/Washington in December 2002. In April 2003, USAID/Washington issued a cable that granted provisional approval of the ISP and requested that USAID/Eritrea submit a revised version based on guidance that the cable contained. In Summary, USAID/Washington did not approve strategic objective (SO) 5, but extended the current SO 2 for two years with revisions to reflect the Mission's intent of what will be done in the extension period. USAID/Eritrea was requested to make minor revisions to SO 4 based on the technical review meetings in December and to revise SO 6 "in light of changes in program budget availability, particularly DG funds."

In response to USAID/Washington's requests, this revised 2003-2007 ISP consists of a plan for the two-year extension of SO 2 and includes the two revised strategic objectives (Use of priority primary health and HIV/AIDS services increased and practices improved and participation in growth and development enhanced). The goal of this ISP, to improve the lives of the Eritrean people, fits within the Government of the State of Eritrea's (GSE) goal of self-reliance and long-term vision of building a prosperous, peaceful, democratic and knowledge-based Eritrea. The strategy builds upon lessons-learned from the ongoing Country Strategy Plan (CSP) and takes advantage of new opportunities to involve the people of Eritrea in their development process. The ISP recognizes that Eritrea faces a number of daunting development challenges, including reconstructing infrastructure damaged by war, demobilizing and reintegrating over 200,000 soldiers and displaced populations into a limited economy, restoring macro- and microeconomic stability, and re-establishing social services disrupted by war. The ISP also recognizes that Eritrea's institutional and human resources are inadequate to meet these challenges. In addition, it will be some time before policies in the political and economic arena can be fully implemented and the country can return to its pre-war economic growth and prosperity status.

Although the ISP covers a five-year period, a scenario-based plan is introduced within the strategy to enhance flexibility for USAID/Eritrea. This will enable USAID and the GSE to respond more effectively to the changing post-conflict needs of Eritrea. Within the next five years, it is expected that Eritrea will make progress on its economic and political policies and programs and thus will create targets of opportunity for USAID/Eritrea to expand assistance to accelerate Eritrea's political development and economic growth. At the same time, given Eritrea's vulnerability to man-made and natural disasters, it is realistic for USAID/Eritrea to plan for "situations getting worse" and to be positioned to rapidly respond. The scenario-based planning takes into account both risks and growth opportunities. The ISP also notes the U.S. national interest in Eritrea, which focuses on regional security, combating global terrorism, promoting the establishment of a democratic system of government in Eritrea and economic development.

The SOs were selected on the basis of lessons-learned from implementing the current strategy, recommendations made in recent sector analyses and feedback from USAID's partners and counterparts regarding what is most needed in Eritrea. The result is a strategy that USAID/Eritrea believes best responds to Eritrea's postwar situation and lays the foundation for a truly participatory development that begins at the rural level.

Please note that the numbering of the Strategic Objectives follows standard guidance from USAID/Washington.

Strategic Objective 2 - Increased Income of Enterprises, Primarily Rural, with Emphasis on Exports. USAID/Washington approved the extension of Strategic Objective 2 through FY 2005. USAID/Eritrea has made changes to the Intermediate Results (IRs) to reflect the reality of what we are

currently implementing under SO 2, given changes in the direction of the SO as a result of the war and what we intend to accomplish during the extension period.

The three intermediate results under SO 2 are:

- Rural small and medium enterprises (SMEs) developed
- Economic opportunities for vulnerable groups enhanced
- Capacity strengthened in the public and private sectors for rehabilitation and reconstruction

The purposes of SO 2 for the extension period are to increase incomes in rural areas by providing resources, technical and financial, for high-impact agribusiness SMEs and microfinance (MF) activities, and to strengthen the capacity of the public and private sectors for rehabilitation and reconstruction. The assumptions underlying this SO are that people living in rural areas, including the vulnerable, need opportunities, resources, assets, skills, and new technologies to economically improve their lives. SME-support and microfinance are important vehicles for providing these assets to these people, as is working with the public and private sectors to build capacity in key areas. This includes both physical capacity in the provision of irrigation water and livestock feeding/raising techniques and human capacity in dealing with such diverse issues as plant pathology, pests, marketing, and so on. The SO will also devote resources to improving the availability and use of potable water for rural populations and rehabilitating border areas for resettlement purposes.

Key SO indicators include:

- Annual percentage increase in total value of domestic SME sales resulting from USAID interventions
- Annual percentage increase in number of full-time-equivalent SME employees, disaggregated by gender
- Increased number of people in target areas with improved access to adequate safe water supply and/or sanitation that meets sustainability standards, disaggregated into female-headed households and others

Strategic Objective 4 – Use of Priority Primary Health and HIV/AIDS Services Increased and Practices Improved. Four intermediate results are proposed under the strategy. They are:

- Active demand for primary health care expanded
- Quality of priority primary health services improved
- Institutional capacity for resource allocation decisions improved
- Quality and demand for HIV/AIDS prevention services increased.

During the last seven years, dramatic gains in child survival have been achieved in Eritrea. Preliminary results of the 2002 Eritrea Demographic and Health Survey show that infant mortality has dropped from 72 deaths/1000 live births in 1995 to 48/1000 in 2002. Use of related primary health services has shown corresponding improvements; for example, childhood immunization has improved steadily and reached very high coverage rates. Maternal health indicators have improved more slowly: the percentage of deliveries by health professionals increased from 21 percent to 28 percent. Because of the positive results achieved through the current health strategy, the new health SO represents an evolution of that strategy rather than a redesign. Increasing the use of priority primary services will be achieved by expanding active demand for, improving the quality of, and strengthening resource management capacity supporting these services. Active demand generation encompasses not only health communications but also active involvement of Eritreans at each level in supporting and accessing services. Capacity to improve decision-making regarding scarce resource allocations will be strengthened to enhance impact and

sustainability. Therefore, financial management and information systems and skills will be strengthened. HIV/AIDS prevention is the highest priority primary health service. USAID/Eritrea's support will enhance the capacity of the Ministry of Health and other partners including NGOs to plan, implement, monitor and evaluate programs to prevent the spread of the HIV/AIDS epidemic. In addition, the quality of behavior change communication (BCC), voluntary testing and counseling (VCT), and sexually transmitted infections (STI) and other preventive interventions especially for high-risk groups, such as commercial sex workers, military personnel, and youth aged 12-24 will be expanded. The successful condom social marketing program will also be improved.

Key SO results indicators include:

- Percentage of children of 12-23 months old who received DPT-3 by first birthday (by sex)
- Percentage of children 6-59 months old with diarrhea receiving ORT (by sex)
- Percentage of households in target zones owning two or more ITNs
- Percentage of births attended by medically trained personnel
- Contraceptive prevalence rate for in-union women of reproductive age
- Condom use at last sex by commercial sex workers (CSWs)

Strategic Objective 6 – Participation in Growth and Development Enhanced. Three intermediate results are proposed under the strategy. They are:

- Human resource capacity improved
- CBO/local administration partnerships strengthened
- Community access to information enhanced

The purpose of SO6 is to enhance citizen participation in growth and development. The results of the SO will prepare people in the selected project areas and sectors to have the skills and resources necessary to engage more effectively in the country's post-conflict development and growth process. The SO will develop human resource capacity through improving access to basic education, providing vocational training, and improving the University of Asmara's (UoA) academic skill levels and resources for selected departments. The SO will also strengthen partnerships between community based organizations (CBOs) and local government administration to work together for local development identified by the local government with the communities. This SO will also enhance access to information through improved information and communication technologies.

Key SO level indicators include:

- 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

USAID/Eritrea will develop performance-monitoring plans (PMPs) for these SOs and refine the IR-level indicators by July 2003.

Three cross-cutting themes will be addressed across the proposed portfolio. They are gender, HIV/AIDS, and linking relief and development.

I. COUNTRY OVERVIEW

A. Background

Eritrea, one of Africa's youngest nations, became independent from Ethiopia in 1991 after a thirty-year struggle. About the size of Pennsylvania, Eritrea occupies a strategically important position in the Horn of Africa. It shares borders with Sudan, Ethiopia, Djibouti, and the Red Sea. Although no official population census has been taken recently, the population is estimated to be between 3.2 and 4.3 million people and is composed of nine ethnic groups evenly divided among Orthodox Christians and Muslims, with a small percentage of other religions.

In May 1998, Ethiopia and Eritrea went to war over their 1,000 kilometer-long border. The war ended with the signing of a peace agreement in December 2000. In April 2002, the Eritrea-Ethiopia Boundary Commission (EEBC) announced its decision on the delimitation of the border. The EEBC has begun the process of physical demarcation, which is not expected to be completed until 2004.

Eritrea faces a number of daunting development challenges: meeting immediate needs for emergency humanitarian assistance; reconstructing infrastructure damaged during the war; assisting the nearly one-third of the population that has been displaced to integrate within a limited economy; and demobilizing 200,000 soldiers. Eritrea remains one of the poorest nations in the world. It is ranked 157 out of 173 countries in the United Nations Development Programme (UNDP)'s Human Development Index for 2002. The HIV/AIDS epidemic is at an early stage, but the risk of rapid spread is already high, threatening to overwhelm Eritrea's fledgling institutional capacity.

While Eritrea's economic growth rates were promising from 1993 to 1997, hopes for continued steady growth were dashed with the outbreak of war in 1998. The road to economic recovery has been long, requiring aggressive policy programs and actions on the part of the Government of the State of Eritrea (GSE).

The diversity and multiplicity of ethnic groups creates a unique development environment. In the early years of independence, the diversity of Eritrea's population was a source of some tension. Each of these groups has unique expectations and grievances. To date, conflicts have been avoided due to the commitment of the people to nation-building, a strong sense of national identity, and conscious policies of the GSE to ensure equitable access to education, economic opportunities, and roles in local and national governance.

The country's geographic diversity ranges from the coastal arid plains with nomadic herders, fishermen, and salt workers, to the densely populated, highly cultivated central highlands, to the more thinly populated fertile western lowlands. These three diverse agro-ecological zones present additional challenges because of a lack of infrastructure and limited human and institutional capacity.

B. Development Environment

1. Economic

Eritrea is one of the poorest countries in the world, with an estimated annual Gross Domestic Product (GDP) per capita of about US\$180 in 2002. From 1993-1997, a number of GSE

Macro economic policies set the stage for economic growth. These included: reducing tax rates for most taxpayers; broadening the tax base; reducing tariff rates on imports; privatizing public enterprises through open competitive bidding; unifying the exchange rate; broadening the foreign exchange market by licensing foreign exchange bureaus; and successfully introducing the Nakfa as the legal tender. By 1997, macroeconomic performance had steadily improved to where the fiscal deficit (excluding grants) was 12 percent of GDP, tax revenues were 18.5 percent of GDP, and inflation had declined to about 2 percent.

The war and the subsequent diversion of funds for national defense reversed Eritrea's initial growth. The conflict caused an estimated \$565 million in property damage and the disruption of agricultural activities in regions that account for nearly 80 percent of crop production. Farming households suffered 62 percent of total monetary losses, non-farming households 17 percent, and other property 21 percent. GDP growth declined to less than 1 percent in 1999, and GDP fell by 8 percent in 2000 because of a 62 percent decline in crop production and the loss of physical capital. Moreover, the two-year conflict displaced more than 1 million people. The relocation and resettlement of these citizens imposed a severe financial burden on the government and on the housing, education, and public service systems of the villages and towns where they temporarily settled.

In 2001, the GSE demonstrated its commitment to restructuring the economy and restoring macroeconomic stability. For example, the GSE repealed the exchange controls in August 2001 that were put in place in July 2000. In addition, the government implemented a comprehensive tax reform package in October 2001, resulting in a more streamlined and efficient tax system, including a substantial lowering of customs duties and other taxes (i.e., computer customs duty was lowered to 10 percent). (As a result of these initial reforms, non-food inflation declined from a peak of 26 percent in November 2000 to 12 percent in June 2001, international reserves have begun to increase, and monetary policy has been supported by a sharp decline in government borrowing from the domestic banking system.) Credit to the private sector increased by 27 percent during the year ending July 2001, providing much-needed financing for reconstruction. However, much remains to be done in the areas of macroeconomic stabilization and development of the private sector for Eritrea to come close to its pre-conflict economic growth level.

2. Political

Following the successful referendum on independence in 1993, a National Assembly, composed entirely of members of the People's Front for Democracy and Justice (PFDJ), was established as a transitional legislature. In June 1993, Eritrea's first President, Isaias Afwerki, was elected by the transitional legislature. The constitution was ratified in May 1997 but it has not entered into effect.

The current National Assembly includes 75 members of the PFDJ and 75 additional popularly elected members. The legislature sets the internal and external policies of the government, regulates implementation of those policies, approves the budget, and elects the president of the country. The president nominates individuals to head the various ministries, authorities, commissions, and offices and the National Assembly ratifies those nominations. The cabinet is the country's executive branch. It is composed of 16 ministers and is chaired by the president. According to the Constitution, the judiciary operates independently of both the legislative and executive bodies, with a court system that extends from the village to the district, provincial, and national levels. Provincial administration devolves to six political administrative zones called

“Zobas”: Northern and Southern Red Sea, Anseba, Maekel (Central), Debub (Southern) and Gash Barka.

In September 2001, the government arrested, on what it said were national security grounds, prominent members of the PFDJ who had publicly expressed their objections to certain policies. The government also closed the private media and arrested several journalists. Additional arrests were made, including two Eritrean staff of the U.S. Embassy in Asmara. In January 2002, the National Assembly indefinitely postponed a decision on a draft law allowing for the creation of additional political parties – leaving the PFDJ as the only political organization/movement in the country.

Despite the events of fall 2001, there are some positive trends. The 14th Session of the National Assembly was held from January 29 – February 2, 2002. During the session, the National Assembly ratified the Electoral Law. Under the Law, the National Assembly established an independent Electoral Commission whose mandate is to organize free and fair national elections. The Electoral Commission will decide when to hold the first parliamentary elections. Also during this session, members decided not to consider new laws on political parties and organizations, but reaffirmed their commitment to political pluralism in the future. Regarding the press, the National Assembly appointed a committee that will make the necessary preparations to lift the current ban on the private press. The GSE has expressed an interest in implementing a decentralization program to place more authority and autonomy at the zonal level, where communities would work with local government on local community development programs. This has the potential to open the door to greater community participation in economic and social decision-making processes and for strengthening civil society. In addition, local elections took place in villages in the Debub and Northern Red Sea Zones in June and July 2002 and more elections are planned in 2003.

The GSE is committed to improving the status of women. The constitution and the transitional civil code prohibit discrimination against women and the government generally enforces these provisions. The number of women in positions of influence within the government has steadily grown. Currently, there are three female ministers (Justice, Labor and Human Welfare, and Tourism), and 22 percent of the members of parliament are women. In addition, 16 percent of judges are women.

3. Social and Health

Eritrea faces a number of social challenges. One is recovery from the war, which involves reconstructing damaged infrastructure, assisting displaced people to resume their prewar activities, demobilizing military personnel, restoring social services, and completing social reforms initiated before the war. A second challenge is meeting the humanitarian needs brought on by drought and the accompanying worsened food deficit. A third is promulgating a medium- to long-term development program to reduce poverty and improve the health status of people.

Although the data on poverty are extremely limited, proxy indicators suggest a relatively high level of overall poverty when defined to include income levels as well as access to and utilization of public services. The GSE has initiated the formulation of two planning documents designed to address poverty in Eritrea: the Interim Poverty Reduction Strategy (I-PRSP) and the Food Security Strategy Paper (FSSP). The next steps in the I-PRSP process include a household-level poverty assessment and public discussions with donors and NGOs.

Since independence, one of the most ambitious goals of the GSE has been the development of a new education system. Prior to independence, Eritreans had limited access to education. Adult illiteracy was 75 percent, with a rate of 80 percent for women. Education as a fundamental right of the child is enshrined in the constitution and emphasized in all major policy and planning documents.

Despite the progress made in the last five years, health conditions remain poor. Since 1991, the number of health facilities has increased but the number of trained doctors and nurses has not increased proportionately. In addition, an inadequate supply of clean water contributes to health problems, with only 20.3 percent of the country's total population having access to an adequate and safe water supply. As a result of the shortage of resources and skills to address these problems, communicable diseases, complications during pregnancy, childbirth and the postpartum period, and sexually transmitted diseases, including HIV/AIDS, all contribute to unnecessarily high mortality and morbidity rates. For example, HIV/AIDS rose from the tenth leading cause of inpatient deaths among those aged five-years and above in 1996 to the second leading cause of death in 2000. During the same period, official estimates of prevalence doubled, from 1.5 percent to 3 percent; the rates are even higher for high-risk populations.

C. Donor and GSE Relationship

Eritrea's emphasis on self-reliance has created a unique atmosphere for its international development partners. On the one hand, development agencies view this emphasis with optimism, based on the commitment and honesty that Eritrea has brought to its development partnerships. On the other hand, this emphasis on self-reliance has caused some friction between the GSE and the international development community, when the GSE insists on controlling the use of donor resources in ways that conflict with donor policies or procedures. Relations between the GSE and members of the European Union (EU) were strained in September 2001, when the Italian Ambassador was expelled. (Eritrea insists that he was expelled for interfering in national security affairs.) As the senior representative of the EU, he had informed the GSE that the closure of Eritrea's private media and arrest of critics could jeopardize EU assistance, as per the Cotonou Agreement. As a result of the expulsion, Italy and the EU postponed their commitments regarding balance of payments and other support. More recently, however, GSE-development partner relations have begun to improve with the exchange of ambassadors between Eritrea and Italy and renewed discussions between the GSE and the EU.

A number of development partners are implementing humanitarian and development activities in Eritrea. However, due to the different arrangements that each partner has with the GSE, it is difficult to state the total amount for each of their respective assistance programs. The World Bank and the European Union are Eritrea's primary providers of assistance. The World Bank supports Eritrea in its demobilization and reintegration program, economic recovery, health, human capacity development, and infrastructure development. The EU has provided support for energy and power, roads, and the education sector, and provided food aid. Bilateral partners include: Italy, the United States, the United Kingdom, the Netherlands, France, Germany, China, Japan, among others.

Various United Nations (UN) agencies, under the overall direction of UNDP, manage a diverse portfolio of activities including democratic governance, access to social services, emergency assistance, and economic growth and poverty alleviation. The Office for Coordination of Humanitarian Affairs (OCHA), on behalf of the UN, works closely with the GSE to coordinate humanitarian assistance needs and activities.

The GSE takes the lead role in coordinating donor activities through the Office of International Cooperation, Macro Policy and Economic Coordination, under the Office of the President. Examples of mechanisms used to coordinate donor activities are the I-PRSP and the FSSP.

D. U.S. Foreign Policy Interests

As stated in the FY 2004 Mission Performance Plan, the United States has three key foreign policy interests in Eritrea: maintaining regional stability, combating global terrorism, and promoting the establishment of a democratic system.

Regarding regional stability, the U.S. seeks to ensure that the uneasy peace between Eritrea and Ethiopia becomes a lasting one. This means supporting the peace agreement and the UN Peacekeeping Mission to Ethiopia and Eritrea. This includes cooperation on the implementation of the Boundary Commission decision through the demarcation of the border, the withdrawal of troops, the return of displaced persons, and the settlement of compensation claims, which will be decided by a separate commission. It also means demobilizing most of the army and reintegrating ex-soldiers and displaced civilians into the economy and society. Eritrea is an influential supporter of the Sudanese opposition while maintaining relations with the Khartoum government. The U.S. would like to cooperate with the Eritrean government to promote a peaceful and equitable solution to the long-standing conflict in Sudan.

The second goal of combating global terrorism assumed much greater importance and urgency after September 11, 2001. Eritrea, which also sees itself as a target of terrorism, has expressed strong support for the anti-terrorism effort and willingness to cooperate with the U.S. and other coalition partners.

The third U.S. interest is the establishment of a multi-party democratic system of government. As part of this effort, the U.S. will encourage implementation of the constitution, the strengthening of social institutions, and the rule of law. In addition, the U.S. seeks to promote an independent press and the release of the arrested journalists. U.S. efforts could make a significant difference in helping steer Eritrea back onto the path of genuine democracy and, thereby, strengthen regional stability.

The United States Government (USG) has demonstrated its strong commitment to Eritrea's development and will continue to support humanitarian assistance, and economic and social development, including health.

The USAID/Eritrea 2003-2007 ISP will contribute to broader USG foreign policy interests in a number of ways. First, SO 2 will continue to create economic opportunities for Eritreans, particularly in the lowland regions, where recruitment by extremist groups is a real and growing threat to stability in Eritrea and the region. Second, SO 4 will contribute to improving the health status of the people, which will enable citizens to more effectively participate in the economic and political processes in Eritrea. Third, SO 6 will improve human and institutional capacity and enhance ICT to improve the potential for Eritreans to participate in the growth and development of communities, which will lay the groundwork for improved democracy and governance in Eritrea.

E. U.S. Government Assistance to Date

Since 1992, USAID has provided development and humanitarian assistance to Eritrea, first through a sub-office at USAID/Ethiopia and, in 1993, as an independent USAID/Eritrea. USAID development assistance per year has averaged around \$10 million. USAID/Eritrea's 1997-2002 CSP, also known as the "Investment Partnership," concentrated development assistance on achieving three SOs: Increased Use of Sustainable, Integrated Primary Health Care Services; Increased Income of Enterprises, Primarily Rural, with Emphasis on Exports; and Increased Capacity for Accountable Governance at Local and National Levels. However, in 1997, a major redirection of the governance SO was requested by the GSE to focus resources on capacity building. In 2000, the Mission committed substantial resources from SO 2 to the Crisis Modifier to meet immediate postwar reconstruction and rehabilitation needs.

Since 1992, the USAID Office of Foreign Disaster Assistance (OFDA) has provided more than \$16,300,000 worth of disaster, humanitarian, and food assistance. In addition, since 1992, the USAID Office of Food for Peace (FFP) has contributed 163,300 metric tons of food commodities valued at \$68,400,000.

Other USG agencies are providing assistance in various areas. The U.S. Department of State (DOS) and the U.S. Department of Defense (DOD) Security Assistance Office support Eritrea's demining capability through the provision of equipment, training, and funding. DOD, in collaboration with UN organizations, also supports programs on HIV/AIDS prevention. DOS, Bureau of Population, Refugees and Migration (PRM), provides funding to the U.N. High Commission on Refugees and NGOs to implement refugee resettlement activities. The DOS Public Affairs Office (PAO) provides scholarships and training programs to support the USG's education and democracy goals in Eritrea. The Ambassador's self-help and democracy funds target important interventions to promote community-based development and human rights. Over 1994-2002, the U.S. Department of Agriculture (USDA) contributed 332,800 metric tons of food valued at \$69 million.

II. INTEGRATED STRATEGIC PLAN: OVERVIEW

A. Mission Goal

USAID/Eritrea's goal is improving the lives of the Eritrean people by increasing the use of health services and enhancing participation in growth and development. This goal contributes to the long-term vision of the host country and to the broader USG Mission objectives in Eritrea. The areas of focus are endorsed by government and non-government partners as well as donors and the entire USG Mission in Eritrea.

In designing the Integrated Strategic Plan (ISP), several factors were taken into account. USAID/Eritrea has built upon lessons-learned and experiences that led to successful achievements under the current strategy. The host government tenets of economic self-reliance and a healthy nation are maintained and its priorities are taken into account along with targets of opportunity where there is greater scope for working with the private business community, NGOs, and the people of Eritrea. Partnerships with the public and private sector will be sought while implementing the activities under the ISP.

B. Relationship to GSE Goals and Policies

The proposed ISP is compatible with the GSE's goal of becoming self-reliant and its long-term vision of building a prosperous, democratic, knowledge-based Eritrea, as outlined in the GSE's updated and expanded development strategy: *Transitional Economic Growth and Poverty Reduction Strategy 2001-2002 (TEGPRS)*. The overriding themes of that paper are to rebuild the economy, restore social services, and complete the economic and political reforms initiated before the border conflict.

The GSE's medium- to long-term objectives, as outlined in the TGPRS are: private sector development; recovery and expansion of exports, raising agriculture productivity, and development of an efficient and sound financial sector. In addition, the TEGPRS stresses the GSE's interest in human capacity development and concern regarding the spread of HIV/AIDS. The GSE is also preparing an I-PRSP and FSSP with input from donors and NGOs.

The ISP supports initiatives that will contribute to the GSE efforts stated above. The ISP also supports the GSE's policy of gender equity and the existing legal framework promoting such equity. There are laws prohibiting restrictions on women's participation in all facets of society and the economy. The ISP supports these policies and laws and will actively support improving the status of women, particularly girls, female-headed households, mothers, women's groups and associations, and women-owned businesses.

C. Rationale for Integrated Strategic Plan

Since the development of the 1997 CSP, Eritrea has been faced with major challenges and constraints, mainly the border conflict with Ethiopia. During that time, USAID/Eritrea staff was evacuated for an extended period, which impacted program implementation. Furthermore, in response to the humanitarian crisis resulting from the border conflict, USAID/Eritrea invoked its crisis modifier to reprogram \$17.5 million in Development Assistance (DA) resources to respond to the emergency. The reprogramming of development resources impacted implementation of activities, particularly for the enterprise development and capacity building SOs. Consequently, USAID/Eritrea could not completely achieve its original objectives.

Since the signing of the peace agreement, the GSE has begun post-conflict rehabilitation and reconstruction. Displaced populations are returning to their homes. The Government agreed to a demobilization program with the World Bank to demobilize 200,000 combatants. The first phase of the program, to demobilize 70,000 combatants has begun. With the return to peace and stability, Eritrea's prospects for a resumption of economic growth and development are much improved. However, the country faces a number of development challenges, primarily meeting immediate humanitarian assistance needs, reconstruction of infrastructure, assisting and integrating displaced people within the economy, demobilizing and integrating soldiers, rebuilding the economy and providing adequate social and health services.

A mid-term review of the overall program in June 2001 concluded that the CSP should be extended for two years to September 2004. However, USAID/Eritrea determined that a new strategy was needed, given that the majority of the resources under the CSP were redirected to meeting humanitarian needs, and thus the original planned results could not be achieved in their entirety, and because of Eritrea's post-conflict needs.

USAID/Eritrea utilized three forms of guidance to determine the strategic objectives: lessons-learned from the 1997-2002 CSP; recommendations made in recent sector assessments; and input from partners, GSE counterparts, and U.S. Embassy staff, gathered during a visioning exercise held in March 2002. The strategy was also developed with inputs from USAID/Washington including, AFR/SD, AFR/DP, the AFR/AA, the Economic Growth, Agriculture, and Trade (EGAT) and the Global Health Pillar Bureaus. Site visits took place in the Gash Barka, Anseba, Maekel, Debub, Northern Red Sea, and Southern Red Sea Zones to determine potential geographic foci for each SO.

Where appropriate, USAID/Eritrea will develop public-private partnerships to ensure successful implementation of the ISP. Some partnerships exist including partnerships with international private voluntary organizations (PVOs), such as Africare, CARE and Population Services International, and with various GSE ministries including the Ministry of Health and the Ministry of Transport and Communications. Some of these partnerships are likely to continue and USAID/Eritrea will develop new partnerships across the portfolio to leverage resources and ensure sustainability of activities.

D. Planning Parameters

The parameters cable, shown in Annex A, expresses the formal approval of USAID/Eritrea's ISP concept paper and mandates certain program and resource parameters.

In summary, the parameters cable noted that the ISP should have a five-year duration with the exact period to be established in the course of ISP preparation. It should consist of interventions in three strategic focus areas: (1) economic growth, agriculture, and trade, (2) health and HIV/AIDS, and (3) participation and capacity development. The ISP should, with refinement from additional sector analyses to be carried out prior to ISP preparation, include at least four cross-cutting themes: (1) gender equity, (2) HIV/AIDS, (3) improved citizen participation, and (4) reintegration of demobilized soldiers. USAID/Eritrea was requested to consider whether "participation and capacity development," identified as a strategic focus area, might not be more appropriately addressed as a cross-cutting theme. This suggestion was considered but it was decided, after consultations with counterparts and USAID/Washington staff, that it is appropriate as a stand-alone SO.

USAID/Eritrea was encouraged in the parameters cable to develop the ISP within a scenario-based framework with both optimistic and pessimistic dimensions, identifying opportunities, on the one hand, for expanded USG assistance in democracy and economic growth and, on the other, responses to the needs of a crisis.

According to the parameters cable, the ISP was approved with a planning level of \$11 million as a base level and \$15 million as high-scenario level. In addition, the ISP should be implemented through a continued staffing level of no fewer than four U.S Direct Hires with support from the USAID regional office in Nairobi, Kenya, and an increased level of U.S. Personal Services Contractors (USPSCs), if needed. The ISP should anticipate straight-lined Operating Expense (OE) resource levels.

The ISP submitted in December 2002 reflected USAID/Washington's guidance outlined in the parameters cable. In April 2003, USAID/Eritrea received a provisional approval cable. The provisional cable, also shown in Annex A, requested revisions to the ISP. In Summary, USAID/Washington requested USAID/Eritrea to remove SO 5 from the ISP for budgetary reasons, with an understanding that the current SO 2 could be extended through FY 2005 with a revised plan for the extension period. The cable also requested the Mission to make minor revisions to SO 4 based on the technical review meetings in December and to revise SO 6 "in light of changes in program budget availability, particularly DG funds." The cable also advised USAID/Eritrea to assume, for planning purposes, a straight lining of the FY 2003 level of \$6.24 million for FY 2004 and beyond. However, in the spirit of scenario-based planning, the Mission has included future potential budget needs should the political and economic environment change and funding becomes available.

E. Mission Results Framework and Performance Monitoring

USAID/Eritrea has formulated its 2003 – 2007 ISP within a framework of achievements that are presented graphically on the following page. The ISP includes one old Strategic Objective and two new Strategic Objectives:

- ❖ **Increased Income of Enterprises, Primarily Rural, with Emphasis on Export (SO2)**
- ❖ **Use of Priority Primary Health and HIV/AIDS Services Increased and Practices Improved(SO4)**
- ❖ **Participation in Growth and Development Enhanced(SO6)**

The meaning and content of these strategic objectives, including particular focus on the intermediate results that will lead to their achievement and cross-cutting themes that support them, are described in detail in sections III, IV and V.

Achievement of the results contained in this Results Framework will be measured, at the SO and Intermediate Result (IR) level, by the USAID/Eritrea SO Teams while activity level performance will be measured by USAID's implementing partners. USAID/Eritrea has developed a gender-sensitive preliminary performance monitoring plan, the details of which are described in the SO sections. The Results Framework and IRs for each SO, including description of their performance indicators and illustrative activities, are shown under the corresponding SO sub-sections. Finally, within each SO section, the methods for gathering performance indicator data are described.

USAID/Eritrea appreciates the importance of including baselines and targets in the strategy itself to declare the level of achievement it is committed to accomplishing. However, baseline data are currently not available for proposed activities under SO 6. USAID/Eritrea will collect baseline data and establish targets during the PMP development process in summer 2003. Baseline data for SO 2 and for SO 4 are presented in the respective sections.

USAID/Eritrea Integrated Strategic Plan 2003 - 2007 Results Framework

Mission Goal
Improving the lives of the Eritrean people by increasing the use of health services and enhancing participation in growth and development

Development Context

- Political and economic environments remain stable
- Demobilization continues in 2003

Risks to Program

- Delays in demobilization and/or critical labor resources are diverted
- DA focus of program reverts to crisis response
- Lack of political and economic reforms

Strategic Objectives (SO)

**SO 2:
Increased Income of Enterprises,
Primarily Rural, with Emphasis on
Exports**

Indicators:
2.1: % increase in total value of domestic SME sales resulting from USAID interventions
2.2: % increase in number of full-time-equivalent SME employees, disaggregated by gender
2.3: Increased number of people in target areas with improved access to adequate safe water supply and/or

Intermediate Results (IR)

- IR 5.1: Rural SMEs Developed
- IR 5.2: Economic Opportunities for Vulnerable Groups Enhanced
- IR 5.3: Capacity Strengthened in the Public and Private Sectors for Rehabilitation and Reconstruction

**SO 4:
Use of Priority Primary Health and
HIV/AIDS Services Increased and
Practices Improved**

Indicators:
4.1: % of births attended by med. trained personnel
4.2: % of children 12-23 months old who received DPT3 by first birthday
4.3: % of children 6-59 months old with diarrhea receiving ORT [More listed in SO Results Fr.]

- IR 4.1: Active Demand for Primary Health Care Expanded
- IR 4.2: Quality of Priority Primary Health Services Improved
- IR 4.3: Institutional Capacity for Resource Allocation Decisions Improved
- IR 4.4: Quality and Demand for HIV/AIDS Prevention Services Increased

**SO 6:
Participation in Growth and Development
Enhanced**

Indicators:
6.1: Increase in number of people with improved basic and advanced skills
6.2: Number of community members participating in decision-making processes of local development activities
6.3: Number of people with improved access to information

- IR 6.1: Human Resource Capacity Improved
- IR 6.2: CBO/Local Administration Partnerships Strengthened
- IR 6.3: Community Access to Information Enhanced

F. Cross-Cutting Themes

USAID/Eritrea has identified three cross-cutting themes that will be addressed across the proposed portfolio.

Gender: GSE laws provide a framework for improving the status of women. However, laws are implemented unevenly because of a lack of capacity in the legal system and ingrained cultural attitudes. In addition, as recent research indicates, domestic violence against women is a significant problem. In 2001, more than 65 percent of women in the Asmara area were reportedly victims of domestic violence. In the context of large-scale reintegration, a time-sensitive issue will be women's access to land, credit, and other critical economic resources. For example, although laws guarantee women's access to land, increased competition for this resource might result in these rights being compromised.

USAID/Eritrea will implement activities across the portfolio to address these needs. Illustrative activities could target increased female participation in training and/or education, access to resources, and development opportunities.

HIV/AIDS: The HIV/AIDS prevalence rate is still low compared to other African countries. However, demographic and social trends, including the reintegration of demobilized soldiers, could dramatically increase that rate unless vigorous preventive efforts are made. USAID/Eritrea will seek to integrate HIV/AIDS-related activities and messages across sectors and will work with the demobilization process to facilitate the development of positive agents for change.

Linking Relief and Development: As Eritrea's vulnerability to natural disaster and man-made crises demonstrates, USAID must be prepared to shift activities between development and emergency relief. For example, as a result of the massive displacement of civilians, USAID/Eritrea dispersed \$5 million as emergency loans, rather than grants, to help SMEs impacted by the war. Despite the impact of the war, 80 percent of repayments are on-time. In the same vein, USAID/Eritrea will maximize opportunities for development even in the event of a humanitarian crisis. Under all scenarios described in Annex B, opportunities exist for humanitarian and development resources to be used collectively to ensure synergies between them contribute to overall results. The ISP will also include crisis mitigation or humanitarian response activities that promote sustainability, while focusing on longer-term chronic vulnerability and the overarching complex political and social challenges the country is facing.

G. Scenario-Based Planning

Given political developments in Eritrea and the region, and the country's vulnerability to natural and man-made disasters, USAID/Eritrea has designed a five-year strategy that responds with flexibility to expected challenges in the operating environment. Through scenario-based planning, USAID/Eritrea will respond to negative and positive changes. Three scenarios have been developed that categorize the operating environment as enabling, restrictive (current), or in humanitarian crisis. The restrictive scenario is reflected in the proposed strategy. It is hoped that Eritrea will move toward the enabling scenario, which will allow for more interventions in the economic and political areas. Recognizing the potential for natural and/or man-made crisis, a third scenario (crisis) has been developed to allow for a flexible response.

This proposed scenario-based plan is an outgrowth of USAID/Eritrea's experience and lessons-learned implementing the Crisis Modifier under the CSP. Annex B contains a detailed

description of the three scenarios, the critical assumptions employed in each, triggers that will cause shifts among them, and indicators that will be used to track the need for invoking shifts.

Proposed activities and results to be achieved over the life of the strategy under the current scenario are given in sections III, IV and V. Shifts in activities could range from a change in focus, to a reprioritization of target groups, to shifts in funding between activities, to delays, to a complete shutdown of development activities, to the development of new initiatives and intermediate results responding to new opportunities. In the event of the crisis scenario, the capacity of the GSE and the availability and timing of international emergency humanitarian assistance would determine the magnitude of modification of ongoing/planned activities.

The decision to trigger a change in scenario will be made in consultation with the GSE, the U.S. Country Team, USAID offices (USAID/AFR, DCHA/FFP and DCHA/OFDA), and other involved agencies (e.g., DOS, DOD). As such, any program modifications would also ensure the close collaboration of relevant agencies and resources.

H. Implementation Time Frame

USAID/Eritrea expects USAID/Washington approval of the ISP by June 2003. USAID/Eritrea, with assistance from the Regional Legal Advisor, will then develop new Strategic Objective Agreements to be signed with the GSE. With the aid of the Regional Economic Development Services Office for Eritrea and Southern Africa (REDSO/ESA) Regional Contracting Office, the required documentation will also be developed for the selection and identification of implementing partners. USAID/Eritrea proposes to use Requests for Applications, Annual Program Statements, and Requests for Proposals for selecting partners.

Field support to centrally funded programs will be arranged to provide specialized assistance in FY 2003. Indefinite quantity contracts (IQCs), delivery orders and contracts will also be initiated on an as-needed basis. It is anticipated that the majority of FY 2003 funds will be obligated under the new strategy, with limited funds going to complete activities under the current strategy for smooth transitioning purposes, as per the Automated Directives System (ADS). These transitional activities will be completed by FY 2005 unless they directly contribute to the results of the new SOs, in which case they will be incorporated into the new strategy. Other activities will be terminated upon their respective project agreement completion dates.

Given that baseline data on some new SO activities are not currently available, USAID/Eritrea expects to finalize its PMP by July 2003, after baseline data have been collected. Thus, under the ISP, the earliest that concrete quantifiable results can be expected under the new SOs is the end of FY 2004. An overall assessment of progress will be made by the middle of FY 2006. On the basis of the assessment findings, decisions will be made on whether to modify any of the original strategic objectives or targets in these SOs.

III. STRATEGIC OBJECTIVE 2: Increased Income of Enterprises, Primarily Rural with Emphasis on Exports

A. Development Challenges

Eritrea is one of the poorest countries in the world, with an estimated annual per capita GDP of \$180 in 2002. The conflict with Ethiopia worsened an already difficult situation, with as many as one million people being displaced from their homes and farmlands. Eighty percent of Eritrea's population resides in rural areas and, in most cases, is partially dependent on agriculture for income. Thus, the GSE and donors have recognized that the agricultural sector will remain important for economic growth and food security in rural areas. The essential reasons for the poor performance of the agricultural sector include, among others, consistently low levels of rainfall on limited arable land (only 16 percent of the land is arable), limited capacity to expand irrigation, and low levels of human and technological capacity to increase productivity. It is clear that the resources required to address these constraints are beyond the capacity of any single donor and would require long-term interventions and large investments. However, USAID/Eritrea is well positioned to address some of these constraints within its ongoing SO 2: "Increased Income of Enterprises, Primarily Rural, with Emphasis on Exports."

According to a recent USAID/Eritrea-supported sector assessment, several agricultural sub-sectors can provide opportunities for generating employment and income in rural areas. These include higher-value horticultural (fruits and vegetables) crops, oilseeds, cotton, and a range of livestock SMEs, such as fisheries and poultry, dairy, and animal fattening enterprises. Most of these products have assured domestic markets, and in certain cases, can be exported within the region. Women are extensively involved in these subsectors, offering opportunities for their increased participation in the economy. However, there are many gaps that need to be filled before these opportunities can be profitably exploited. These include increasing the private sector's capacity in an array of business management skills; providing timely market information including on quality requirements; facilitating access to improved technologies and investment finance; developing more supportive private sector investment policies; and engaging in more refined data collection on women's participation in agriculture.

Increasing established farmers' and agribusinesses' business and technical capacity to more profitably exploit these subsectors is an option for improving incomes for these actors. However, there remain many vulnerable groups – women-headed households, displaced people, and returnees from exile abroad, among others – who require a different scale of support to give them access to income-generating activities (IGA) that will have a sustainable impact on their livelihoods. One such approach is through microfinance. There is a nascent microfinance movement in Eritrea, which has shown promising results. The expansion and institutional strengthening of organizations providing microfinance can provide more equitable access to IGA, and promote increased involvement of vulnerable groups in the economy. Important lessons-learned from the Mission's earlier experience with microfinance include the need for increased technical assistance to strengthen micro-finance groups' overall management skills, and for development of additional savings and credit products and services.

The April 2003 cable for the ISP did not approve USAID/Eritrea's proposed SO 5, Economic Growth for Rural Areas Accelerated, due to budgetary issues, but extended SO 2 for an additional two years until FY 2005. The Mission is advised to "revise current activities, activities that might have been anticipated under a new SO 5, and funding availabilities (i.e., in AGR and ENV) and develop a plan for an orderly completion of this SO by FY 2005 as part of a revised strategy

document.” Accordingly, the version of SO 2 presented here incorporates ongoing activities and lays the framework for new activities to be supported with FY 2003 and FY 2004 funds.

At this point, it is useful to put the situation of this SO into historical context. Implementation under SO 2 began in FY 1997 and over FY 1997-2001 \$13.3 million was obligated to it. The program has involved a loan disbursement mechanism for rural SMEs and providing technical assistance to rural producers and funding for the development of rural infrastructure/trade and investment. SO 2 did not meet expectations during any individual year over 1998-2002 with respect to its targets for income, employment, revenue, and exports set under the CSP. This is primarily for reasons beyond the direct control of USAID’s program management, as Eritrea saw three years of conflict and evacuations (1998-2000).

A Crisis Modifier was invoked in August 2000, reallocating \$6.735 million to activities in response to the crisis. The activation of the Crisis Modifier reduced the budget for the originally designed activities, with the funds redirected toward an emergency loan program to provide much-needed commercial credit to war-damaged SMEs. In addition, the Mission awarded grants to NGOs and UN organizations to support activities in livestock restocking and water rehabilitation. In early 2001, when the Crises Modifier was deactivated, the Mission reviewed its portfolio to assess how best to refocus the program to meet post-conflict needs. It soon became clear that the country was in the throes of a transition period from conflict to peace and that private sector and trade facilitation opportunities were too limited to enable the Mission to achieve its original export promotion and trade facilitation objectives. Moreover, an assessment conducted in late 2002 confirmed that under the Crisis Modifier some excellent results were achieved. In particular, the assessment argued that the Mission should target available funding under its SME loan program to key areas that have a high potential for economic and employment generation and continue to support rehabilitation and reconstruction efforts, given the pressing needs in the water and agricultural sectors.

SO 2 in its extension period will continue the SME loan program, refocusing it in line with the recommendations of the assessment. SO 2 will also encompass a number of modest-sized activities in the microfinance, water/sanitation, livestock, and horticulture areas. Each of these activities have detailed and realistic performance and monitoring plans allowing for significant measurable progress by the end of the life of the SO. It is particularly important to help vulnerable populations, especially women, to learn to save and invest in income-generating activities. This SO will also employ ESF funds to engage in border reconstruction activities once the boundary decision is final.

Much of the SO’s activity over FY 2003-2005 will be funded by a large pipeline. In FY 2003, SO 2 will receive EG funds, AGR funds, and a small amount of ENV funds, in addition to ESF for border reconstruction. The cable referred to above instructed the Mission to develop a plan for the orderly completion of SO 2’s activities by FY 2005, taking into account “activities that might have been attended under a new SO...and funding availabilities.” With this mind, the Mission finds it necessary to make some amendments to the SO 2 Results Framework under the CSP (see below).

B. Purpose and Definition

The purposes of the activities under SO 2 for this two-year period are to promote economic growth in rural areas by providing resources, technical and financial, for high-impact agribusiness SMEs and MF activities, and to strengthen the capacity of the public and private sectors to promote rehabilitation and reconstruction. The assumptions underlying the revised SO are that

people living in rural areas, including the vulnerable, need the opportunities, resources, assets, and the skills in new technologies to economically improve their lives.

SME-support and microfinance are important vehicles for providing these assets to these people, as is working with the public and private sectors to build capacity in key areas. This includes both physical capacity in the provision of irrigation water and livestock feeding/raising techniques and human capacity in dealing with such diverse issues as plant pathology, pests, marketing, and so on. The SO will also devote resources to improving the availability and use of potable water for rural populations. This will be implemented primarily so as to improve the quality of their lives, enabling them to engage in a greater number of and more remunerative income-generating activities.

Facilitating the development of rural-based SMEs (with a focus on selected high-value subsectors), through providing access to financial resources and training for rural entrepreneurs, will increase income, enable greater food security, and improve the living standards of many Eritreans. In its final years, SO 2 will build upon lessons-learned from earlier years. This will occur in particular by expanding the lending program to cover the entire country, rather than just three of the six Zones, and by raising the upper limit on loans. Furthermore, efforts are being made to promote the lending program more aggressively, especially among medium-sized operators who produce eggs, poultry, dairy products, and meat in the areas around selected cities.

In the microfinance area, there has been a successful emphasis on generating savings among vulnerable groups, particularly women. The approach will in the remaining two years of the SO be augmented by making available to those groups various types of loan and grant funds on a much larger scale than previously to support income generating activities. In addition, the provision of business development services (BDS) will be expanded as the number and average size of these activities grow.

SO level indicators for the extension period are: (i) percentage increase in the total value of domestic SME sales resulting from USAID interventions; (ii) percentage increase in the number of full-time-equivalent SME employees, disaggregated by gender; and (iii) increased number of people in target areas with improved access to adequate safe water supply and/or sanitation that meets sustainability standards, disaggregated into female-headed households; and (iv) increased number of villages in the border area with improved infrastructure.

C. Results Framework for SO 2

A graphical presentation of the SO 2 Results Framework is shown on the following page. The three IRs to be achieved under SO 2 are shown along with their performance indicators. Illustrative activities to be carried out under each IR are also shown.

**SO 2: Increased Income of Enterprises, Primarily Rural, With Emphasis on Exports
Time Frame: FY 2003—FY 2005**

Overall Indicators:

1. Percentage increase in total value of domestic SME sales resulting from USAID interventions
2. Percentage increase in number of full-time-equivalent SME employees, disaggregated by gender
3. Increased number of people in target areas with improved access to adequate safe water supply and/or sanitation that meets sustainability standards, disaggregated into female-headed households and others

Development Context

- Peace holds, economic stability returns, private sector led investment and confidence restored
- Past weather patterns continue, capacity to anticipate and manage crisis strengthened
- Public sector transparency improves, market economy expands

Risks to Program

- Delays in demobilization continue and/or critical labor resources are diverted
- Public sector domination of industry continues, private sector response weak, remittances not restored
- Donor/PVO outreach capacity constrained
- DA focus of program reverts to crisis response & HA

**IR 1:
Rural SMEs Developed**

Indicators:

- 1.1: Percentage increase in declared profits at SMEs subject to USAID interventions
- 1.2: Percentage increase in sales of key agricultural commodities in selected Eritrean cities

Intermediate Results (IR)

**IR 2:
Economic Opportunities for Vulnerable Groups Enhanced**

Indicators:

- 2.1: Volume of savings and credit generated in microfinance schemes (MFS), disaggregated by gender
- 2.2: No. of and value of income generating activities created through MFIs, disaggregated by gender

Illustrative Activities

- Rural enterprise credit program established
- Rural enterprise direct assistance provided
- BDS facilitated
- Training and technical assistance in marketing, production, and quality of service provided

**IR 3:
Capacity Strengthened in the Public and Private Sectors for Rehabilitation and Reconstruction**

Indicators:

- 3.1: Number of community water and sanitation committees established and training in financial management and water supply and sanitation operation and maintenance
- 3.2: Percentage of participating farmers and herders, disaggregated by gender, adopting improved horticulture (including irrigation) and/or livestock practices
- 3.3: Number of border objects rehabilitated

- Program combining irrigation, market gardens, and nutrition training implemented
- Watsan activities for potable water, drip irrigation, water for livestock, and hygiene awareness implemented
- Technical assistance to public sector on livestock, weeds, poultry, and irrigation provided
- Border rehabilitation projects implemented

SO 2: INCREASED INCOME OF ENTERPRISES, PRIMARILY RURAL, WITH EMPHASIS ON EXPORTS

Performance Indicator	Baseline (2002)	Target (2006)
Percentage increase (y-o-y) in total value of domestic SME sales resulting from USAID interventions	level=900,000 USD	25%
Percentage increase (y-o-y) in number of full-time-equivalent SME employees	level=210 employees	50%
Increased number of people in target areas with improved access to adequate safe water supply	7,225	65,000

D. Intermediate Results

1. IR 1: Rural SMEs Developed

IR 1 will continue the work begun under the CSP of sponsoring activities that aim at increasing income-earning and economic growth opportunities in rural areas through providing support to SMEs. This IR is a continuation of IRS 1, 2, and 3 from the CSP, all of which referred to rural SME development. Its chief goal will be accomplished by continuing to provide loans and direct assistance to leading rural SMEs. There will be a slight change in focus, as more attention is paid to larger enterprises in key subsectors (poultry, horticulture, cattle fattening) in specific geographical areas. After several years of supporting rural SMEs in these areas, by 2005 we expect to see a major market-level impact in certain areas for certain products; hence, a new IR-level indicator has been added to reflect this new emphasis.

As validated by the recent sector assessment, a focus on rural growth opportunities is appropriate, since agriculture and agriculture-related activities provide most of the value-added and off-farm employment in rural areas. The invocation of the Crisis Modifier prevented the full implementation of the Rural Enterprise Investment Partnership. Nonetheless, the credit program established with the Commercial Bank of Eritrea (CBER) validated the potential for lending to rural enterprises. The loans were used to support viable agricultural SMEs by generating value-added in terms of agricultural production for sale in domestic markets.

IR 1 will continue to focus on the development and institutionalization of the Rural Enterprise Unit (REU), the institutional partner with the CBER, as a BDS provider. The BDS provider will implement an array of activities in support of rural entrepreneurs for business development. While this will be facilitated at the beginning through a technical assistance program, the objective remains the development of a sustainable BDS provider for the Eritrean private sector. Indeed, the business plans for all larger loans under the program have been prepared by local BDS providers, so USAID support has spawned a local industry of such providers. Moreover, the REU itself has become a major supplier of BDS to rural enterprises in Eritrea.

Illustrative Activities:

- Continue and strengthen rural enterprise credit programs
- Continue and strengthen BDS service provision and conduct BDS training
- Conduct subsector analyses
- Provide training and technical assistance for marketing, production, and quality of services

Key Indicators (in addition to the aforementioned two SO-level ones):

- Percentage increase (y-o-y) increase in declared profits at SMEs subject to USAID interventions
- Percentage increase (y-o-y) increase in sales of key agricultural commodities in selected Eritrean cities

2. IR 2: Economic Opportunities for Vulnerable Groups Enhanced

IR 2 will focus on increasing income-generating opportunities for vulnerable households through the development of microenterprises and the fostering of women's participation in the economy.

As stated at the end of section A above, the Mission's portfolio has already included such activities, which are well suited to obtaining measurable results during the SO's remaining life. Income generated and managed by poor women will in turn improve household income and enable families to meet food and other family requirements as well as enable further investments in rural enterprises. Rural women and other vulnerable segments of the population lack access to investment finance. The structure and needs of microfinance institutions are quite different from formal banking structures. The provision of financial services to these more vulnerable groups has served as a complement to the formal lending program.

There is a nascent, yet growing, microfinance movement in Eritrea. USAID/Eritrea's support to a U.S. PVO for the implementation of the Community-Based Savings and Credit Association (CSCA) project targeted 660 households through community-managed savings and credit associations. Working with two local NGOs, the project demonstrated that poor households can mobilize their own resources through savings and community-based management in order to make cash available to households at critical times of the year. This allows these households to diversify income sources by engaging in new types of income-generating activities. As with our other enterprise development efforts, the project also offers BDS to women and training in setting up microenterprises, simple accounting, and financial management. This project and other donor-supported microenterprise programs have shown extremely promising results.

IR 2 will build on the success of recently completed CSCA activity by expanding program coverage through making a new grant to a US PVO. The new microfinance activity will augment the product mix of that earlier activity – which focused heavily on collecting and investing the beneficiaries' own resources – by offering small grants to individuals, small grants for community projects, enterprise loan funds, and revolving loan funds in support of IGA. Participating communities will be offered a mix of these instruments depending upon their preferences and capabilities. In addition, the new microfinance activity will provide BDS to an increasing extent as the average size of these income-generating activities grows.

IR 2 will also promote other aspects of household well-being through the use of savings and credit groups as the medium for messages on an array of topics such as nutrition, family planning, and HIV/AIDS prevention. Using the group approach, whereby women from the same community with common health and other concerns receive educational messages, has proven effective in other microenterprise programs. IR 2 will work closely with the USAID/Eritrea's Health, Nutrition, and Family Planning team and the appropriate GSE ministries and NGOs to develop this element of the program.

Illustrative Activities:

- Support to microfinance sector expanded and strengthened through provision of new loan and grant products for vulnerable groups

Key Indicators:

- Volume of savings and credit generated in microfinance schemes, disaggregated by gender
- Number and value of IGA activities created through microfinance schemes, disaggregated by gender

3. IR 3: Capacity Strengthened in the Public and Private Sectors for Rehabilitation and Reconstruction

IR 3 will concentrate on building capacity in the public and private sectors in key areas affecting the ability of rural entrepreneurs and households to carry out income-generating activities and maintain sustainable livelihoods. As stated at the end of section A above, the Mission's portfolio already includes such activities (in areas such as water/sanitation and livestock), which are generally well designed for obtaining measurable results during the SO's remaining life. The Mission's experience in the earlier years of implementing this SO clearly demonstrates the key constraints posed by limited capacity in the areas of water availability (for both irrigation and household consumption), livestock feeding and maintenance, and production practices and marketing methods for horticultural products. These rehabilitation types of activities are particularly needed and important, especially in post-conflict period. Plus, once the border demarcation is finalized, under this SO reconstruction work would be carried out to facilitate resettlement of the people. Given that the SO has just three more years to run, thoughtfully designed work in these areas can bear fruit within a relatively short period of time.

An excellent example of the sort of activity that can yield significant results in a short space of time is the integrated food security project half-way through its implementation by a U.S. PVO. The project involves the establishment of household gardens that produce fresh vegetables for both the households' own consumption and for eventual sales of excess production as a cash crop. Although this activity will yield its main results in only the medium term, the first step at each community is the digging of concrete ring wells, immediately providing access to potable water for thousands of villagers. The well water irrigates small plots in various ways, with the plots used to grow vegetables. USAID/Eritrea has also supported the training of irrigation engineers by USDA. Those engineers are being made available to the communities where the PVO has sponsored market gardens, demonstrating the synergies among the Mission's diverse development activities. Further synergies come from ongoing multiyear projects implemented by U.S. academic institutions in such areas as pest management and legume growing.

Water/sanitation activities are assuming an ever increasing role in the SO's portfolio. The need for such in drought-plagued Eritrea, where relatively few people (both rural and urban) have access to potable water, is clear; for example, only 20.3 percent of the rural population has such access, a figure that is as low as 10 percent in Northern Red Sea Zone. The linkage between water/sanitation activities and the rest of the SO portfolio is that the present very limited access to clean water is a major constraint on rural social and economic development. An obvious manifestation of this is the long distances to water points and the enormous amount of time certain family members (especially females) spend carrying water from those points to their villages. Time spent in such pursuits obviously detracts from that which they might spend on income-generating activities. Moreover, weakened health status from drinking impure water is also a serious break on economic development.

Two new water/sanitation activities to be implemented by U.S. PVOs were launched in May 2003 in Dehub and Anseba Zones. These activities build upon the lessons learned from the implementation of a similar activity in Gash Barka Zone that ended in January 2003, namely, that it is not sufficient simply to build physical water infrastructure, such as wells or latrines, in order to improve the lives of the beneficiaries. Projects should focus on capacity-building for local communities, including hygiene and sanitation training. Rehabilitation of water systems in border areas will also be undertaken with ESF funding.

Finally, the Mission is devoting resources to capacity building efforts aimed at improving traditional livestock feeding and raising practices. Two gaps in those practices include (i) the failure to make use of a domestically produced feed source based on halophytes (plants that can be irrigated using sea water); and (ii) the absence of a mechanism to smooth fluctuations in flock sizes due to periodic bouts of drought, as well as of a well functioning institution to deal with sectoral issues, such as for breeding and export promotion.

Illustrative Activities:

- Support two water/sanitation activities: (i) one in Dehub Zone involving construction of water supply systems and latrines, and inculcation of micro-irrigation techniques; and (ii) the other in Anseba and Dehub Zones aiming to improve potable water supply through infrastructure projects, drip irrigation for vegetable gardens, and water for livestock
- Support an intervention involving the distribution of supplementary feed to sheep and goats, collecting these animals in a central flock, inculcating new and improved feeding techniques for that flock, and using it as the basis for improved breeding techniques and enhanced animal exports
- Sponsor technical assistance through an agreement with USDA to build public sector capacity in water resources/irrigation; natural resources and forestry; agronomic sciences; and animal health
- Provide technical assistance to the private sector on the production and marketing of horticulture products based on a major study of the leading subsectors (e.g., bananas, tomatoes, onions), as well as on other areas of agricultural development, including poultry raising and capacity building for the nascent Eritrean agricultural cooperative movement
- Support selected border reconstruction activities

Key Indicators (in addition to the aforementioned SO-level one):

- Number of community water and sanitation committees established and trained in financial management and water supply and sanitation system operation and maintenance
- Percentage of participating farmers and herders, disaggregated by gender, adopting improved horticulture (including irrigation) and/or livestock practices
- Number of border objects rehabilitated

E. Monitoring SO 2 Achievement

USAID/Eritrea will use a variety of approaches to monitor SO 2 results. USAID/Eritrea will report major program results to USAID/W via the Annual Report and to the U.S. Embassy for inclusion in the Mission Performance Plan. Results data for the IR indicators will form the basis for measuring implementation progress and validating SO 2's strategic assumptions. Frequent visits with GSE counterparts and technical assistance personnel and field trips will be used on a more routine basis to stay informed on the day-to-day program activities. USAID/Eritrea will also monitor key macroeconomic, political, and other relevant data and events that affect program implementation. This will help gauge the implementation environment and development progress.

Technical assistance counterparts, whether contractors or grantees, will be required to prepare detailed annual work plans, which will include implementation benchmarks and activity-level

and, as appropriate, IR-level indicators. The Economic Growth/Food Security Team will discuss and approve these work plans. The contractor/grantees will use these work plans as the basis for preparing quarterly and annual reports. These reports will provide a mechanism for detailed discussions on implementation progress.

F. Instruments

USAID's main partners for the implementation of SO 2 will be the GSE, contractors, grantees, private sector groups, NGOs, and rural communities.

G. Contextual Assumptions

USAID/Eritrea assumes that the present peace will hold and demobilization will take place. Demobilization is important not only in terms of returning critical personnel to institutions in USAID-supported programs, but also to reduce the serious labor constraints faced by many rural and urban enterprises.

Another major assumption is the GSE will allow USAID to use technical assistance as necessary and appropriate to build capacity among participating banks, for business development and marketing services, within targeted subsectors, and for some of the food security management activities as well. Successful establishment of business and agricultural service activities are dependent upon being able to find private sector service providers.

USAID is not able to make major infrastructure investments, such as irrigation works and roads. Nor is it prepared to underwrite the cost of classic agricultural research and extension operations and institution building. Large investments are required to support food security and sustained economic growth, but they are both expensive and long-term investments. Other donors, including the World Bank, Italian government, UNDP, and the African Development Bank are active in these areas.

Climatic conditions in Eritrea are semi-arid. Drought and the vagaries of rainfall are a constant threat to domestic food availability and a major cause of structural food deficit. Given limited irrigation potential and poorly developed dryland farming systems, the structural deficit in domestic food availability will continue for the foreseeable future. The SO's emphasis on higher-value agricultural subsectors, in which entrepreneurs may be able to afford irrigation or in which available irrigation is likely to be used, is intended to provide alternatives to high-risk rainfed agricultural activities.

H. Linkages:

1. Linkages within SO

These three IRs make up a critical package of technical assistance and support for rural economic growth. IR 1 will provide a package of services that support enterprise and high-value crop subsector development. This IR will provide BDS and training to strengthen the capacity of rural entrepreneurs to create and expand rural-based enterprises. It will also provide subsector studies and establish market information sources, which in turn would provide the basis for business plans and feasibility studies of individual enterprises in the sector. These activities will integrate household level producers into the economy and provide additional marketing opportunities. Targeted subsectors will provide food products for the domestic market. The focus on higher-

value products will help households and commercial farms diversify and increase incomes, which in turn will support the further production and purchase of food requirements.

IR 2 complements IR 1 by supporting microenterprise activities among the poorer and more vulnerable populations that otherwise would be unable to engage in credit-based enterprise development activities. IR 2 will use group and savings-based microenterprise interventions to establish enterprises that increase and diversify household income sources. The increased income will alleviate poverty and support household level food security. Microenterprise development also serves as a basis for building a household asset base, which over time, will help maintain household food security in the face of future shocks such as drought or other crises.

IR 3 recognizes that sustained growth of private agricultural production at the SME and micro levels will not occur unless rehabilitation occurs to important water sector objects (for both irrigation and human consumption) and improvements are made to livestock and horticulture practices. Supporting the private sector through IRs 1 and 2 will be insufficient to achieve this SO's intended results in the coming years unless attention is devoted to these issues, many of which reside most naturally within the purview of the public sector.

2. Linkages between SOs and within Mission Strategy

SO 2 will continue in its final years to increase incomes at the household level to improve the economic conditions of rural areas and thus improve people lives. Program beneficiaries will have more resources to spend on health care and education. Improvements in nutrition will continue to be made through increased availability and access to nutritionally enriched conventional food crops. SO 2 activities have always had a strong focus on women. To the extent women are empowered economically through increased income and savings, they will be better prepared to address health, education, and nutritional needs. IR 2, through community-level microenterprise groups, will continue to deliver important life-skills educational messages related to HIV/AIDS, nutrition, malaria, and family planning. This has been a direct complement to USAID/Eritrea's other health and family planning programs.

Activities under SO 2 have contributed directly to the objectives of the new participation SO (SO 6). The BDS activities at the enterprise- and household-level have built the capacity to organize and conduct private sector business activities. SO 2 has been developing the skills and resources of vulnerable populations and helping them to integrate into the market economy. Both enterprise components build capacities in group organization, democratic procedures, and transparency in decision making, which will facilitate the formation of larger associations that could serve as the liaison with the GSE on policy matters.

SO 2 has long had linkages with other SOs and USAID/Eritrea's goals through support of several cross-cutting themes.

Gender: Women are important participants in horticulture and livestock activities, and vast potential exists to improve their livelihoods through support for creating and expanding microenterprise development for IGA. Women are also involved in non-agricultural activities, including petty trade, restaurants and bars, retail shops, sewing, textiles, and consultancy companies.

HIV/AIDS: IR 2 has been utilizing community-based approaches to implement microenterprise development activities. The future microenterprise activity implemented over the final years of

this SO will use community forums to provide men's and women's groups with HIV/AIDS and other health-related educational messages. Also, microenterprise development provides HIV/AIDS-affected households with income to mitigate the loss of their principal income earners to the disease.

Linking Relief and Development: Man-made and natural emergencies, especially recurring and severe drought, are common in Eritrea. USAID/Eritrea has regularly collaborated with FFP and OFDA to respond to the emergencies, often targeting vulnerable groups in rural Eritrea including women and returnees/internally displaced persons/expellees. The specific relief efforts that have been supported from this source include direct feeding and provision of shelter, water, and hygiene.

SO 2 regularly collaborates with OFDA in Washington and Nairobi on that office's diverse portfolio of drought-emergency-related activities in Eritrea. These include at present a United Nations Children's Fund (UNICEF) project to rehabilitate the entire water system of a medium-sized city (Mendefera), an activity implemented by a U.S. PVO to supply seed vouchers and poultry (along with appropriate training) to vulnerable households, and another U.S. PVO activity promoting seed fairs and greater water availability. Future OFDA activities in Eritrea are likely to include livestock feeding and rural water projects. Each of these projects is at the nexus between relief and development, and there are considerable synergies between Mission- and OFDA-funded projects in such areas as water and livestock.

SO 2 also devotes considerable attention to reviewing applications for PL480 Title II projects, as well as facilitating, monitoring, and evaluating those projects once under way, in both the Emergency and Development spheres. With respect to the latter, one U.S. PVO has implemented two large spate irrigation projects based on monetization proceeds. Regarding food security issues, there is a large volume of activity through U.S. PVOs and the World Food Programme. The team implementing SO 2 not only interacts with FFP and the implementers to facilitate their work. It also observes and reports on the implementation of these Emergency activities, enabling it to better target its own development activities on the vulnerable populations.

3. Conformity with Donor and GSE Programs

The GSE strategy is enunciated in the Transitional Economic Growth and Poverty Reduction Strategy 2001-2002. The strategy's immediate objectives focus on emergency interventions, demobilization, and the economic reintegration of former combatants. The medium-term objectives are: a) Private sector development; b) Recovery and expansion of exports; c) Increasing agricultural productivity; and d) Developing an efficient and sound financial sector. It also stresses human capacity building and controlling the spread of HIV/AIDS.

SO 2 will continue to support the first and third of these objectives. It will assist in the creation of new enterprises and the expansion of other enterprises in activities that contribute to economic growth and improved food security. The program will primarily target agricultural subsectors. The work under IR 3 in the irrigation, livestock, and horticultural sectors, among others, will contribute to higher agricultural productivity.

Several other donors are providing assistance in the agricultural sector. The World Bank is financing the Eritrean Community Development Fund, which provides for rural development activities, including a microfinance program. UNDP provides support to decentralization through the Public Sector Management Program, and, in collaboration with the UN Capital Development

Fund (UNCDF), is providing assistance to the fisheries sector. The Food and Agricultural Organization (FAO) is providing institutional support to the Ministry of Agriculture for research and extension. The African Development Bank is financing the National Livestock Development Project, which includes a small-scale production component. The International Fund for Agricultural Development is active in supporting irrigation capacity development. Also, USAID is a member of the multi-donor Food Aid Coordinating Committee.

I. Beneficiaries, Development Impact and Sustainability

The principal beneficiaries under SO 2 are rural entrepreneurs; subsistence farmers, including women; other rural dwellers; local NGOs; and the GSE. Rural entrepreneurs will increase their business activity and earn increased income as a result of training and other capacity building provided by the program. They will benefit from BDS, which will be institutionalized within the private sector. Enterprise expansion in high-value agricultural subsectors will provide increased quantities of quality food products to the domestic market; the new focus on key commodities in selected cities will result in improved availability of these commodities in those localities.

SO 2 will expand NGO involvement in the microenterprise sector. The emphasis will be on community-level women's groups. The program will create increased capacity for these groups to manage their CSCAs and to have access to means of income growth. Based on experience of working together and becoming skilled and gaining confidence through better decision-making and self-governance, these groups will become stronger participants in Eritrea's economic and social development.

IV. STRATEGIC OBJECTIVE 4: Use of Priority Primary Health and HIV/AIDS Services Increased and Practices Improved

A. Development Challenges in the Health Sector

Eritrea's strong commitment to meeting people's health needs is clearly demonstrated by the progress in child survival between 1995 and 2002: infant mortality fell from 72 per 1000 live births in 1995 to 48 in 2002 (Eritrea Demographic and Health Surveys). Under-five mortality was reduced from 136 to 93 during the same period, and there were corresponding improvements in intervention-related indicators. However, improvements have not been even across all health care interventions. At the most positive end of the spectrum, immunization coverage is quite high (detailed below) during a time when coverage has declined in many African countries. Keys to that success have been the focused use of resources, good monitoring and evaluation, and active involvement of partners and stakeholders at every level. On the other hand, use of safe delivery services has improved more slowly, and contraceptive prevalence has not increased. There is no progress in replacing traditional with modern methods, or in meeting even the very low rate of demand. Thus, barriers to utilization need to be better understood including such factors as cultural constraints on demand (especially those that impede women's care seeking), the uneven quality of emergency obstetric care, and uneven deployment of personnel trained to provide these services. Use of other primary health services (other child survival interventions, malaria prevention, reproductive health, etc.) falls in the middle of the progress spectrum, due to intervention-specific demand, quality, and resource management constraints. Further increases in utilization of priority primary health services are needed in order further reduce under-five mortality and to have a significant impact on maternal mortality.

The scarcity of human, material, and financial resources at the Ministry of Health (MoH), and the inability of users to access health care due to poverty, are additional constraints. For example, staffing pattern analysis showed severe shortage of nurses and physicians to staff health facilities and manage health services over the next ten years. The MoH has maintained a steady supply of pharmaceuticals and medical supplies to health care facilities, but this is becoming increasingly dependent on donor funding. User fees are charged at every level of care. These are low, but at least establish a precedent for cost sharing. Given resource constraints, the MoH recognizes the need to build the capacity to better rationalize its scarce resources among different functions and levels of the health system.

The May 1998-December 2000 conflict with Ethiopia caused a serious strain on the financial and human resources needed to meet health needs. Despite this disruption, the Ministry of Health remained a partner to USAID, and continued to implement health interventions throughout the conflict period. Nonetheless, much remains to be done to improve health conditions and the capacity of the Ministry of Health and other partners to deliver and increase the utilization rates of quality primary health services and thus further improve the health status of the people.

1. Current Health Status

The health situation in the country shows many positive trends, with need and scope for further improvement. Preliminary results of the 2002 Demographic and Health Survey (DHS) compared with those of the 1995 DHS clearly show that Eritrea has achieved rapid progress in child survival over the last seven years. The infant mortality rate (IMR) has been reduced from 72 in 1995 to 48 in 2002, and under-five mortality fell from 136 to 93 during the same period. This is an extraordinary accomplishment for a poor nation, especially in the context of sub-Saharan

Africa, where many countries have seen rising mortality rates due to the impact of HIV/AIDS and armed conflict. Nutritional status of children under three years of age has also improved: the percentage of children whose weight for age is below –2 standard deviation (SD) from the mean has decreased from 44 percent in 1995 to 39 percent in 2002. Maternal health proxy indicators are also improving, but more slowly. For example, antenatal care increased from 49 percent in 1995 to 70 percent in 2002.

Based on Ministry of Health statistics, leading causes of under-five mortality include acute respiratory illness, malaria, and diarrhea. Preliminary results of the 2002 DHS show that coverage of children 12-23 months with both DPT-3 and polio-3 has increased from 48 percent in 1995 to 79 percent in 2002 (these percentages do not include additional polio coverage through National Immunization Days). Care seeking for childhood illnesses has increased from 37 percent in 1995 to 44 percent in 2002 for acute respiratory infection (ARI), and from 28 percent to 42 percent for diarrhea during the same period. Use of ORT for children with diarrhea has increased from 56 percent to 68 percent. Thus, prospects for further improvement of under-five mortality over the next five years are good, especially as the Integrated Management of Childhood Illness (IMCI) Initiative was just beginning to be implemented in early 2002. Household ownership of insecticide-treated nets (ITNs) for malaria prevention has reached 35 percent nationally (this average includes non-malarious areas); the Roll Back Malaria (RBM) baseline survey in malarious areas put this at 65%. Use of iodized salt at the household level has reached 71 percent nationally.

Similarly, maternal health is jeopardized by closely spaced pregnancies, the high proportion of high-risk births, early marriage in some areas, malaria, female genital cutting (FGC), complications of abortion, and low use of obstetric care. Some progress has been made in increasing the proportion of deliveries in health facilities, up from 17 percent in 1995 to 26 percent in 2002, and the proportion delivered by health professionals rose from 21 percent in 1995 to 28 percent in 2002. Given high desired family size and the sense of national insecurity resulting from the conflict, improving birth spacing and reducing the proportion of high-risk births are the most difficult challenges. The 2002 DHS found that 17 percent of women aged 15-49 years wanted no more children, compared with 36 percent for Uganda and 32 percent for Ethiopia in their most recent surveys (2001/2000). Now that personnel have been trained, communications, quality assurance, outreach, and community involvement are needed to further increase use of maternal health services.

FGC has decreased from 95 percent in the 1995 DHS to 89 percent in 2002. This reduction appears to be in less severe forms of FGC rather than infibulation. The percentage of women who believe the practice should continue has decreased from 57 percent to 49 percent. Further analysis and formative research are needed to refine strategies for addressing this health problem.

The 2002 DHS does not show gender differences for child health parameters such as immunization coverage, treatment-seeking behavior, and nutritional status. Nonetheless, initial IMCI referral studies show that girls may be less likely to be referred appropriately to higher levels of care. This finding needs to be monitored on a larger scale and addressed as needed. There is an obvious differential between the high childhood immunization coverage cited above (e.g., 91 percent for Bacillus Calmette-Guerin (BCG) and lower maternal care indicators such as percentage of women receiving at least one tetanus toxoid injection during last pregnancy (51 percent) or the percentage given iron supplements (40 percent). This must reflect not only gender-based demand constraints, but also need for further improvement in quality of maternal

care. For example, since the percentage of women with antenatal care from a health professional was 70 percent, tetanus toxoid coverage and iron supplementation could have been higher.

Special challenges and opportunities exist regarding HIV/AIDS. Eritrea is still at a relatively early stage of the HIV epidemic, with an estimated general population HIV sero-prevalence rate of around 3.0 percent. This figure represents a doubling in the officially reported rate over the last three years. Even at this early stage, HIV threatens to overwhelm the coping capacity of this new nation: HIV/AIDS has risen from the tenth to the second leading cause of inpatient deaths among those aged five years and above. Unique historic circumstances have shifted nearly an entire generation of Eritrean youth into a high-risk category for HIV: the military and national service. The planned demobilization of 200,000 troops brings the added risk of spreading HIV to families and communities across the country. At the same time, there is high awareness of the threat of HIV and strong commitment to stopping HIV in Eritrea. Eritrea's HIV prevention condom social marketing program is well established. HIV rates are highest among commercial sex workers (CSWs) and the military, presenting opportunities for focused efforts to slow the rate of infection.

2. Barriers to Increased Utilization of Health Services

In March 2002, USAID/Eritrea recruited a three-person expert team to conduct a Health Strategy Assessment that has guided USAID/Eritrea in developing the health SO within the ISP. This team worked closely with the GSE and identified three major barriers to utilization, which are described below. Strategy development was also based on the gender assessment completed in August 2002, which further highlighted barriers to utilization of maternal health care and HIV/AIDS prevention. Additional cultural and geographic factors also play a role in the barriers to utilization. Eritrea has cultural and geographic diversity even within zones. There are nine main ethnic groups, and the population is roughly half Moslem and half Christian (mainly Eritrean Orthodox, with some Catholics and Protestants). Lowland areas tend to be Moslem and highland areas tend to be Christian. Education, economic conditions, accessibility to any services, cultural habits and patterns differ across zones. USAID recognizes that different approaches are required for meeting the needs of the different groups and removing barriers to utilization of health services.

Demand constraints for health services: Many people in Eritrea may not seek medical care until it is too late, or until they have used traditional resources available in their communities. Low quality of services can be a constraint, but perceived quality factors may not necessarily coincide with technical standards. The MoH and community health care providers need to better understand people's health care perceptions, practices, health-seeking behavior, and barriers to utilization. Rapid and participatory appraisal techniques can be used to obtain information needed to develop approaches to reduce these barriers. Interventions are needed to test new approaches and demonstrate to different groups within communities the benefits of underutilized but critical services such as emergency obstetric care. This is best done with active community participation and based on lessons-learned from what is already being practiced. Thus, in this ISP, the concept of demand is broadened to achieve active involvement in primary health at all levels, including innovative communications, community participation, governance, and cost sharing approaches.

Inconsistent quality of available services: Assessments of IMCI, emergency obstetric care, and infection control activities, as well as DHS data on maternal care, show that the quality of services delivered in health care facilities can be improved. Human and financial resources will

be scarce throughout the strategy period, but there is evidence that improved supervisory support, monitoring and evaluation, and quality assurance systems can help improve quality even in a resource-constrained setting. The demonstrated commitment of the GSE to health improvement, low level of corruption, strong MoH interest in quality assurance techniques, and potential of planned demobilization/reintegration to reduce shortages of health personnel present good prospects for further improvement.

Scarcity of trained health personnel and financial resources: The MoH operating budget constrains expansion of the health system in terms of both facilities and staffing. This situation is intensified by an increase in hospitals and hospital beds resulting from hospital replacement and expansion supported by the World Bank, China, and other donors. Competition for health workers between hospitals and other levels of the system will increase pressure on human and other resources. The MoH has reinitiated efforts to decentralize its services and improve resource allocation across different health care systems. USAID/Eritrea has a unique opportunity to support the Ministry and zonal administration to develop systems and tools to manage resource allocation for improved overall health care system performance, and demonstrate greater results at all levels.

3. Government of the State of Eritrea's Policies and Priorities

During the independence struggle, the Eritrean People's Liberation Front (EPLF) operated emergency medical services for combatants and public health services for civilian communities in liberated areas. After liberation in 1991, the MoH focused on expanding the neglected and conflict-damaged network of health facilities inherited from Italian, British, and Ethiopian times. For example, only 31 out of 95 health stations were functioning. From 1990-2000, the number of hospitals increased by 44 percent, the number of health centers increased by 1,200 percent, and the number of health stations increased by 136 percent. Another early priority was to upgrade the qualifications of health personnel who had little formal training but had gained extensive practical medical experience in the field during the independence struggle.

In 1996, the GSE established new regional administrations. In 1998, however, decentralization efforts were interrupted by the border conflict. Nonetheless, the Ministry of Health established Zonal Health Management Teams that prepare annual program plans, although there are no formal systems in place for costing out these plans or relating them to anticipated resource levels. During the last year, the MoH has restarted efforts to devolve responsibility and to reallocate personnel to the zones. Improvement of financial management and budgeting capability is an urgent priority.

The continuing shortage of trained personnel at all levels limits health improvement. There are plans to both expand training capacity and ensure that available personnel are used more effectively. There is also a strong interest in health care quality improvement/quality management systems and techniques as a means to further strengthen health services, accelerate health impact, and make the best use of resources. During the CSP, the MoH made good use of USAID assistance in a number of areas, described below under results.

Eritreans are acutely aware of the impact of HIV/AIDS on much larger and wealthier African countries, and of their own vulnerability as a small country. Policy makers are aware that prevalence of HIV in southern Africa 15 years ago was far lower than that of Eritrea today. The GSE recognizes that it can have a positive impact on the country's emerging HIV/AIDS epidemic by acting quickly and forcefully. Eritrea provides an ideal opportunity to demonstrate that

effective, focused and well-coordinated multi-sectoral actions can stop the spread of HIV/AIDS and avert its tragic economic and humanitarian consequences. Eritrea's commitment is demonstrated by its expansion of the HIV prevention condom social marketing program in 2000, the major World Bank-financed loan project for HIV/AIDS, STIs, and tuberculosis (HAMSET) that the country developed during 2000, and the recent multi-sectoral integrated proposal submitted to the Global Fund.

4. Results to Date

As the DHS results show, Eritrea has made dramatic progress in child survival during the current strategy period. Analysis from GH MEASURE Evaluation for SO target setting concluded that "The pace of decline in infant and under 5 mortality rates in Eritrea over the period roughly 1991-95 to 1998-2002 is among the fastest experienced in any developing country." The analysis included all countries with two DHSs, not only sub-Saharan Africa, where child survival gains have been reversed by HIV/AIDS. The analysis also found that among all DHS surveys conducted in the last five years, only Bangladesh had higher ORT treatment coverage, that vaccination coverage is now very high by African standards, and that use of treated bednets for malaria prevention is very high in comparison with other UNICEF national estimates.

USAID also collaborated with the MoH in establishing basic management systems before the border conflict. As a result of the consequences of the border conflict in 1998-2000, there was no USAID support to the MoH health management information system (HMIS) in the three years after the system was developed. During that period the system continued to function effectively, and was even expanded by the MoH demonstrating sustainability. In 2001, USAID resumed its support in order to expand the HMIS further and to develop the Decision Support System (DSS) – software to enable easy user access to the data and more timely reporting. Experience with the pharmaceutical logistics system was similarly successful.

B. Purpose and Definition

The purpose of SO 4 is to increase the use of priority primary health and HIV/AIDS services and improve practices in order to reduce infant and under-five mortality, improve maternal health, and stop HIV at an early stage. Since significant health impact was achieved during the current SO, the new health SO represents an evolution rather than a redesign. The new SO takes advantage of new opportunities and builds on the advances made during the past five years. However, the earlier assumption that people need to use primary health care services in a sustained manner remains a valid focus.

Based on the lessons-learned from the current program and taking account of the contributions of other donors, some adjustments are necessary to ensure the successful evolution of the program. First, the focus on demand must be intensified and the concept broadened to achieve active involvement in primary health at every level through community participation, governance, and cost sharing, in addition to health communications ("demand plus"). The "demand plus" concept recognizes that no program can be fully successful and sustained without active participation of target populations and other stakeholders. Based on the positive experience of the private sector approach to condom distribution, the MoH is interested in USAID support for exploring public-private collaboration to address other health sector issues such as malaria. In addition, since the end of the border conflict, the MoH has been proactive in restarting decentralization and now leads the rest of the government. USAID will explore what capacity and assistance is needed – at the national, regional, and local levels – to assist with decentralization in health care delivery.

Secondly, a focus on improved management and better resource allocations is essential to sustain progress and support further improvement in the use of primary health services. This is a priority of the Ministry of Health, which must optimize the allocation of its limited resources. Therefore, the third intermediate result under the new strategy will strengthen management systems, skills, and information tools that will help the MoH to allocate resources more effectively to maximize health impact. USAID helped to establish Eritrea's health information system and pharmaceutical logistics system and is well positioned to take these systems to their next stages. Recognizing USAID's comparative advantage in health reform, the MoH has requested USAID assistance in developing financial management, performance monitoring, and human resource management systems. These basic systems and skills will complement USAID and GSE efforts to improve quality, decentralize health services, and adapt innovative approaches to achieve greater utilization and impact.

Thirdly, access will no longer be emphasized directly. Unlike the current health SO, this dimension no longer appears as an intermediate result. In Eritrea, access tends to be interpreted as expansion of the health care system infrastructure. Standard definitions of access often measure this dimension in terms of the proportion of the population within X kilometers of a specific service, which also implies the addition of facilities in underserved areas. The health care system has expanded rapidly since independence. Further expansion may not be sustainable, given present resource constraints, and the World Bank and other donors emphasize infrastructure, when necessary. Moreover, the system is still relatively underutilized, so efforts to improve the demand for and quality of services at each level, and to allocate resources more effectively, will also help to ensure access.

Finally, greater emphasis on HIV prevention is such a high priority for the next five years that this will be a separate, fourth intermediate result. This high priority is based on the time-sensitivity and near irreversibility of the HIV epidemic, combined with Eritrea's commendable commitment to stopping HIV at an early stage, before it overwhelms the country's coping capacity.

Based on results to date and USAID's comparative advantages, core program areas under this SO will continue to include the following: IMCI, obstetric life saving skills, family planning (as birth spacing and post-abortion care), polio eradication, malaria, health communications, and HIV prevention. These are the priority primary health services addressed by SO 4. Nutrition will be integrated with IMCI, health communications, and maternal health interventions. Female genital cutting will be addressed with information, education, communication, and training activities. Emphasis among these areas will be adjusted based on analysis of final 2002 DHS results, funding levels, and changes in other donor support.

1. Geographic coverage

Given that USAID resource levels for health are not expected to rise during the strategy period, SO 4 will maintain the geographic focus developed during the current SO. The principal geographic focus for maternal and child health activities has been three (out of six) zones that account for over half of the population – Central (Maekel), Gash Barka, and Southern (Dehub). The latter two are also the zones where the health system suffered the most damage during the 1998-2000 border conflict. At the request of the MoH, personnel from all zones are included in fundamental training (such as obstetric life-saving skills and health management information systems). Roll-out of systems developed (such as HMIS improvements) will generally be

national, with efforts to leverage other donor funding for hardware, especially in non-focus zones, where possible.

Certain programmatic interventions are focused on high-risk areas or populations. Malaria transmission is focal and intermittent in Eritrea; hence malaria control efforts are focused on malarious areas within high risk zones. These are Gash Barka, Southern (Dehub), Anseba, and Northern Red Sea Zone. Secondly, HIV prevention efforts are focused on high-risk groups across the country. The HIV prevention condom social marketing program is national, now more urban than rural, and its promotional efforts focus different types of messages on different age and risk groups. (See HIV Annex for further discussion.)

2. Stakeholder Participation in Development of SO 4

Development of this SO was based on a consultative process involving representatives of the MoH, other Eritrean partner organizations, UN agencies, and international NGOs from March to October 2002. Lessons-learned from USAID/Eritrea's current strategy and from other donor experiences were taken into consideration. USAID/Eritrea also examined the level of resources and made the strategic choices regarding where it could maximize impact. A health sector assessment conducted in March 2002 provided information for making these decisions. In addition, USAID/Eritrea benefited from a comprehensive Health Sector Note (desk review of all available reports) prepared by the World Bank. A USAID-funded gender assessment completed in August 2002 informed this SO development and, finally, preliminary data from the 2002 DHS were available during the development of this strategy.

C. Results Framework for SO 4

A graphic presentation of the SO 4 Results Framework is shown on the following page. The four IRs to be achieved under SO 4 are shown along with their respective key performance indicators. Illustrative activities to be carried out under each IR are also shown.

The SO-level performance indicators and targets for SO 4 are shown in Table 1 below. Included in the matrix are their baseline measures and the target levels for the life of the ISP. These baseline and target data are specified in the ISP in order to declare a commitment to this level of achievement. The program risks and constraints discussed in this section and in Section I above may impede this achievement. Scenario-based planning is being used to take account of risks.

SO 4: Use of Priority Primary Health and HIV/AIDS Services Increased and Practices Improved

Overall Indicators:

1. % of children 12-23 months who have received DPT3
2. % of children 6-59 months old with diarrhea receiving ORT
3. % of HH in target zones owning two or more ITNs
4. % of births attended by medically trained personnel
5. Contraceptive prevalence rate for women of reproductive age
6. Condom use by commercial sex workers (CSWs)

Development Context

- Political and economic environments remain stable
- MOH budget remains at current or higher levels
- Demobilization begins during 2002/2003

Risks to Program

- Other donor support to MOH is significantly reduced
- SO1 funding during CSP time frame is reduced below planning levels
- GSE commitment to primary health care declines

IR 1: Active Demand for Primary Health Care Expanded

Indicators:

- 1.1: Community support: number of new approaches to increase demand and support primary health care designed and tested
- 1.2: Community support: number of health facility governance boards with community representatives
- 1.3: % improvement in selected health knowledge and attitude indicators

- Expand BCC/IEC to support community IMCI, emergency obstetric care, further FGC reduction, and malaria control
- Use sub-zonal and community health committees to develop transportation plans and procedures for obstetric emergencies
- Examine worldwide experience in community financing schemes and test promising approaches
- Identify key barriers to primary care use and modify services to reduce barriers
- Provide training for NGOs and other organizations to increase service use

IR 2: Quality of Priority Primary Health Services Improved

Indicators:

- 2.1: Number of facilities implementing emergency obstetric care to standards
- 2.2: Number of facilities implementing IMCI to standards
- 2.3: Percentage of children under 5 in target facilities receiving appropriate malaria treatment

- Strengthen & expand pre-and in-service training curricula for nurses & health assistants to incorporate quality assurance
- Incorporate management, problem solving, and quality assurance skills into pre-service and in-service training
- Roll out quality assurance committees, facilitative supervision, self-assessments & other quality improvement techniques
- Develop & implement use of job aids such as checklists, self-assessment tools, monitoring methods, etc.
- Strengthen monitoring & evaluation of priority services, including using data
- Expand QA efforts to develop user-friendly primary care services & procedures

IR 3: Institutional Capacity for Resource Allocation Decisions Improved

Indicators:

- 3.1: Presence of specific mgt. systems according to phased plan at each level
- 3.2: Presence of mgt. training program and number of managers trained
- 3.3: Use of HMIS and other information systems used to monitor and improve effectiveness of priority primary health programs
- 3.4: MoH analytical and program mgt. capacity to ensure evidence-based programming for malaria

- Develop & establish management systems, policies and guidelines at zonal, sub-zonal and facility levels
- Develop or upgrade resource management systems for use by zonal Health Management Teams, facilities, and policymakers
- Rationalize and fine-tune cost sharing systems and fee structure
- Provide training at each level to develop and use appropriate management skills
- Ensure use of HMIS and other systems to monitor health system performance & improve resource use
- Finalize and use malaria sentinel and GIS surveillance systems to target integrated malaria control strategy effectively

IR 4: Quality and Demand for HIV/AIDS Prevention Services Increased

Indicators:

- 4.1: Number of standalone VCT centers
- 4.2: Number of VCT clients annually
- 4.3: Age of first sex
- 4.4: Number of non-regular partners
- 4.5: Condoms sold for HIV prevention by social marketing program

- Continue HIV prevention condom social marketing program
- Expand BCC
- Expand capacity to provide VCT
- Improve quality of STI services
- Improve quality of data for surveillance, monitoring, and evaluation
- Develop focused interventions for HIV prevention among CSWs and clients
- Enhance preventive interventions focused on military

Intermediate Results (IR)

Illustrative Activities

**SO 4: USE OF PRIORITY PRIMARY HEALTH AND HIV/AIDS SERVICES
INCREASED AND PRACTICES IMPROVED**

Performance Indicator	Baseline (2002)	Target (2007)
Percentage of children 12-23 months who received DPT-3 by their first birthday (male/female)	78/80 percent	82 percent
Percentage of children 6-59 months with diarrhea receiving ORT (male/female)	72/64 percent	72 percent
Percentage of households in Gash Barka, Southern (Dehub), and Anseba Zones owning two or more insecticide-treated nets (ITNs)	50 percent	90 percent
Percentage of births attended by medically trained personnel	28 percent	35 percent
Contraceptive prevalence rate for in-union women of reproductive age	5.1 percent	11 percent
Condom use at last sex among commercial sex workers (CSWs) in target communities who had sex during last 6 months	TBD	90 percent

D. Intermediate Results

1. Intermediate Result 4.1: Active Demand for Primary Health Care Expanded

Increased use of priority primary health services depends on people's demand for these services. Expanding active demand for primary health services -- including participation of communities, individuals, households, and multiple sectors in health improvement -- is needed to solve Eritrea's most challenging health problems. Immunization, for example, has reached high levels in Eritrea. It does not require active or complex involvement on the part of clients. However, use of emergency obstetric care (EOC) is lagging. Addressing this issue will require active community support and more complex involvement: people must know where EOC services are offered and have a basic understanding of their importance. Timing is critical and delay is fatal. There must be a clear understanding of what complications require EOC and clear agreement on which family member can authorize care seeking. Transportation plans must be made in advance, most likely in cooperation with other community members or organizations. Substantial interaction between the health services and the community is needed to address cultural and gender barriers.

USAID/Eritrea proposes to focus on interventions that can have high impact on creating demand using innovative approaches that involve active participation by the people. The IR is based on the assumption that health communication messages in the absence of a buy-in from and participation of the people may not have the desired impact on use of health services. Thus, a "demand plus" concept will be introduced. Opportunities to involve people through decentralization, governance (community health committees, community representatives on boards of directors of facilities), public-private partnerships (currently exemplified by the condom social marketing program), studies on barriers to demand, advocacy (exemplified by involvement of the Eritrean Pharmaceutical Association and Chamber of Commerce in HIV/AIDS prevention), cost sharing (exploring models such as *mutuelles* -- community insurance schemes), and gender sensitive approaches will be sought and encouraged.

Achievement of this IR will build on health communications capacity developed over the last several years. In core program areas, there has been a systematic approach to building good understanding of and support for both information, education, and communications (IEC) and behavior change communications (BCC), developing a base of qualitative research, and providing training across sectors and levels.

This IR will encourage a spectrum of involvement in health from personal/individual actions to the household, community, sub-zonal, zonal, and national levels. The range of institutions will include MoH and local government structures at each level, health committees at each level, Eritrean NGOs, faith-based organizations, the business community, and labor organizations. USAID and its partners will encourage gender-balanced group participation.

Illustrative activities:

- Expand BCC/IEC to support community IMCI, emergency obstetric care, further FGC reduction, and malaria control
- Use of sub-zonal and community health committees to develop transportation plans and procedures for obstetric emergencies
- Examine worldwide experience in community financing schemes and test promising approaches in Eritrea

- Use rapid, qualitative research techniques to define key barriers to use of primary health services (especially obstetric care) and modify services to reduce barriers identified
- Provide training for the business community, faith-based organizations, and other Eritrean NGOs that can provide or encourage the use of primary health services

Key indicators:

- Community support: number of new community level approaches to increase demand and support primary health care designed and tested; number of health facility governance boards with community representatives
- Percent improvement in selected key health knowledge and attitude indicators (e.g., knowledge of maternal complications of pregnancy and childbirth, knowledge of location of IMCI services, hygiene)

2. IR 4.2: Quality of Priority Primary Health Services Improved

Continued improvement in the quality of primary health services is a prerequisite for use of health services. People will not travel to health facilities or take advantage of services if services are of poor quality or do not meet their needs.

This IR will improve quality of primary health services in the following ways, with a principal focus on the zonal level and below:

- Update or develop service delivery policies, standards, guidelines, job aids, and quality monitoring tools;
- Provide or strengthen in-service and pre-service training to develop or improve skills, especially in priority primary health interventions and quality management; and
- Integrate quality assurance and quality management concepts and practices into training, service delivery, monitoring, and management at each level.

High quality care is critical for attracting clients to priority health services and ensuring the impact of the interventions offered. Training of health workers is a fundamental means of improving quality. In addition, training needs to be reinforced with quality improvement efforts to help address other barriers to quality services. IMCI is a good example of a program that has trained a critical mass of health workers and is following the training with on-site quality assessments to identify changes needed to ensure the quality of IMCI. These include, for example, reorganization of patient flow within facilities, changes in staff shift schedules, and procurement of pediatric -size supplies (oxygen masks, IV bags), and development of job aids and self-assessment tools.

Based on this experience, quality assurance will be expanded to enhance key maternal and reproductive health program areas such as prenatal care, safe deliveries, emergency obstetric care, post-abortion care, and encouraging improved birth spacing.

Illustrative activities:

- Strengthen and expand pre-service and in-service training curricula and methodologies for primary health personnel (nurses and health assistants) to incorporate quality assurance
- Incorporate management, problem-solving, and quality assurance skills into pre-service and in-service training

- Assess the tasks of current primary health care staff, and modify job descriptions and duties to reflect the new quality assurance emphasis
- Incorporate quality assurance into health service management training as a means of both increasing health service quality and making management more effective
- Use rapid operational assessment techniques to identify most feasible solutions to improving service delivery
- Roll out quality assurance committees, facilitative supervision, self-assessments and other quality improvement techniques
- Develop and produce job aids such as checklists for priority services, self-assessment tools, monitoring methods, etc.
- Strengthen performance-based monitoring and evaluation of priority services, including use of available health system data to fine-tune approaches and boost performance
- Expand current USAID-funded quality assurance efforts to develop user-friendly services and procedures at facilities providing primary health services
- Include key gender-sensitive quality assurance measures in the HMIS and use them in assessing service quality

Key indicators:

- Number of facilities implementing emergency obstetric care to standards
- Number of facilities implementing IMCI to standards
- Percentage of children in target facilities receiving appropriate malaria treatment

3. IR 4.3: Institutional Capacity for Resource Allocation Decisions Improved

Increased use of priority primary health services cannot be achieved or sustained without effective use and reallocation of scarce resources – human, financial, pharmaceutical, equipment, and physical infrastructure. Strengthening critical management and financial systems will make this possible. This will include systems and skills needed for health services planning, analyzing both the cost of services and their utilization, program budgeting, allocating resources, and monitoring and evaluating performance. Without this information and these resource management tools and skills, allocation of resources cannot be optimized for maximum results and impact.

Building on the systems work and training to date, this IR will strengthen management systems in the following ways, with a focus on the zonal level and below:

- Developing and strengthening guidelines and operational policies related to zonal-level management systems
- Strengthening health service management and financial management systems, practices and skills within target zones
- Improving referral systems

USAID-funded assistance will focus on strengthening financial and other resource management skills and systems at the zonal Health Management Team and facility levels. To support these efforts, some of the same systems and management tools that need to be introduced at the zonal level – such as improved financial accounting, planning, and performance monitoring – need to be introduced at the central level. Continued support is needed to expand and strengthen the

HMIS, including feedback to reporting levels and use of the data in monitoring, planning, and resource allocation.

As part of IR 4.3, USAID will provide technical support to the MoH in identifying the specific roles, functions and responsibilities of the zonal Health Management Teams and zonal hospitals. This technical support will also provide training in administering overall management and financial accounting systems, planning, performance monitoring, and other management tools and systems to improve the efficiency and effectiveness of health service delivery within the zones.

USAID/Eritrea's assistance to the malaria program has supported the development of improved information and surveillance systems through the use of both entomology and epidemiology. Support under this SO will build on that work, and will assist the National Malaria Control Program to increase its capacity for collecting, managing, analyzing, and using data through improving its surveillance systems, operational research program, and information systems. Strengthening evidence-based programming for malaria prevention and control will result in more effective use of program resources in combating malaria.

Illustrative activities:

- Develop and establish management systems policies and guidelines at zonal, sub-zonal, and facility levels
- Develop or upgrade critical resource management systems such as HMIS, pharmaceutical logistics, financial management, etc., for use by the Zonal Health Management Teams, facility managers, and policymakers
- Provide training at each level to develop and use appropriate management skills
- Rationalize and fine-tune cost recovery systems and fees
- Ensure use of the HMIS and other systems data to monitor the performance of the health system and facilities at each level and to improve the targeting of interventions and resources
- Complete establishment of malaria sentinel surveillance system and geographic information system (GIS) analysis for effective targeting of Eritrea's integrated malaria control strategy
- Analysis and use of data generated for health financing policy development

Key indicators:

- Presence of specific management systems (pharmaceutical logistics, service performance, financial management, human resources, etc.) according to phased plan at each level
- Presence of management training program and number of managers trained
- Use of HMIS and other information systems to monitor and improve effectiveness of priority primary health programs (number of target zones that present annual reports and plans using HMIS data to measure progress in core programs)
- MoH analytical and program management capacity to ensure evidence-based programming for malaria prevention and control (number of target zones where training of specific cadres has been completed)

4. IR 4.4: Quality and Demand for HIV/AIDS Prevention Services Increased

Based on recent USAID/Washington guidance, a separate HIV/AIDS strategy annex appears as Annex G. This is summarized below. Due to Eritrea's classification as a Basic country and

consequently limited resources for HIV/AIDS programming, USAID/Eritrea's HIV/AIDS strategy focuses on a limited number of preventive interventions that will have the most impact and make optimal use of available resources. This focus is consistent with and supports the preventive elements of Eritrea's national HIV/AIDS strategy.

Increased use of priority HIV/AIDS prevention services cannot be achieved without effective demand, quality services, and improved information on the trends of the epidemic.

Building on work to date in condom social marketing, training to develop VCT services, BCC interventions, and program planning, this IR will increase use of priority HIV/AIDS prevention services in the following ways, with a focus on high risk groups:

- Establish or maintain prevention programs focused on those most likely to contract and spread HIV. In Eritrea, the most urgent priority is to reduce the spread of HIV among commercial sex workers, their clients, and the military. This requires three different types of activities: first, focused and intensive BCC with these risk groups; secondly, service delivery sites that are centers of excellence for VCT, STI diagnosis and treatment, condom education, and ancillary services such as family planning; thirdly, social marketing of condoms and, possibly, STI treatment kits.
- Expand prevention efforts to those with somewhat lower risk. The future course of the epidemic will be determined by the choices of Eritreans aged 12-24. These youth are at risk due to economic vulnerability, national service, and other social trends. Reaching them with life skills education, youth friendly health services, and modern messages to increase the age of sexual debut is a larger challenge, but one that cannot be neglected during the strategy period.
- Build capacity necessary for efforts to mitigate impact of AIDS. This will be accomplished primarily through actions that also support prevention, such as VCT, BCC to reduce fear and stigma, and improve program management capacity.

Illustrative activities:

- Continue support for HIV prevention condom social marketing program
- Expand and improve behavior change communications
- Expand and improve capacity to provide voluntary counseling and testing
- Improve quality of STI services
- Improve quality of data for surveillance, monitoring, and evaluation
- Develop focused interventions for HIV prevention among CSWs and clients
- Enhance preventive interventions focused on military men and women

Key indicators:

- (Goal level) prevalence of HIV among 15-24 year olds (target: maintain below 5 percent)
- (SO level) condom use at last sex among CSWs in target communities who had sex in last six months [knowledge, attitudes and practices (KAP) surveys]
- Number of stand-alone VCT centers with ancillary services
- Number of VCT clients tested annually
- Annual condom sales through social marketing program
- Condom use with last non-regular partner (KAP surveys)
- Age of first sex (DHS and KAP surveys)

- Number of non-regular partners (KAP surveys)

E. Monitoring SO 4 Achievement

The baselines and targets for SO 4 performance indicators are shown above in Section C. These are based on consideration of preliminary 2002 DHS results, estimates of worldwide progress, and MoH program plans. They will be further discussed with implementing partners in Spring 2003 and revised to reflect final DHS results and analysis, full year reporting on immunizations and condom sales, and commitment of partners, if necessary.

Targets for immunization and ORT are very close to the 2002 baseline. There are two reasons for this. First, these levels are already currently very high for Africa. Many African countries have been unable to sustain high levels of immunization coverage, once achieved. Secondly, fertility has fallen due to the high proportion of men 18-40 in the military. When demobilization occurs, a "baby boom" is likely. This will greatly increase the absolute number of infants requiring immunization and other care each year, so that program effort will have to increase substantially to maintain the same level of coverage. Given these unique circumstances, the Mission and AID/W reviewers have recognized that consolidating the extraordinary the child health gains made by Eritrea during the past few years represents a significant challenge.

Data for most SO level indicators will be gathered through the next DHS planned for 2007. During interim years, data on immunization, deliveries by trained health providers, and antenatal coverage will be gathered from the MoH HMIS. Before the 2002 DHS, it was difficult to estimate the denominator for these indicators due to the lack of a census and the significant demographic impact of the high proportion of Eritreans 18-40 in the military and national service. Analysis of preliminary 2002 DHS data shows that a good estimate of the numbers of infants and pregnant women can be derived from the number of BCG immunizations given during the year. BCG coverage was found to be 91 percent in the 2002 DHS. Using the number of BCG immunizations for 2001 multiplied by 1.1 as the denominator for 2001 HMIS data yielded percent coverage of antenatal care, other immunizations, and deliveries by trained health personnel that were within 1-2 percent of the 2002 DHS data. The HMIS is being updated to produce gender-disaggregated data.

Data for immunization coverage may also be obtained from WHO/UNICEF/MoH coverage surveys in years that those are conducted. Data on malaria indicators will be obtained from WHO-funded Roll-Back Malaria Initiative Surveys, as well as the DHS. Program activity indicators will be obtained from reports of USAID-funded implementing partners.

Data on HIV indicators will be obtained from the DHS, from World Bank-financed surveys of sero-prevalence and risk behaviors, from sales reports of the Eritrean Social Marketing Group (ESMG), and surveys of knowledge, attitudes, and practices carried out by the ESMG. To make the best use of available resources, USAID needs to also rely on other-donor funded surveys for the full range of useful indicators, and will provide technical assistance to improve the quality of data where possible. The MoH plans to establish HIV surveillance in antenatal clinics and these data will be used when they become available.

The SO 4 team will hold a performance monitoring exercise with partners in the Spring of 2003 to focus on the IR level of the Results Framework, when final 2002 DHS results should be available, to refine the indicators, assemble IR indicator baseline data, and set IR indicator

targets. At that time, USAID/Eritrea may also revise SO level indicators and targets, based on final DHS results and IR level definition, if necessary.

F. Instruments

a. Institutional Support: Core support for IRs 4.1, 4.2, and 4.3 will be provided through either a direct USAID/Eritrea contract or competed IQC delivery order. Public-private alliances and the role of NGOs will be encouraged. For IR4.4, condoms for the HIV prevention social marketing program will be obtained from the USAID/Washington HIV prevention condom procurement fund.

b. Targeted Field Support: Field support to GH contracts and cooperative agreements will be used to provide more specialized assistance, especially for implementation of malaria and HIV/AIDS activities. Polio funding will be allocated to AID/Washington agreements.

G. Contextual Assumptions

The ability of USAID/Eritrea to address the full range of priority primary health services and approaches described in the strategy depends on continued, good MoH and other donor support for infrastructure, pharmaceuticals, equipment, staffing, and other operational costs of basic health services. Given that USAID will emphasize human capacity development, a shortage of people to be trained will constrain results. It is therefore assumed that demobilization begins during 2002/2003.

Progress toward the planned results depends on continued excellent commitment of the GSE to primary health services and HIV/AIDS prevention. Continued economic and political stability is assumed. Clearly, if USAID funding is reduced, not all of the planned results can be achieved.

In addition to USAID/Eritrea resources, the resources generated by partnerships and alliances will be necessary to full achievement of this SO. For example, the immunization program depends on support by USAID/Global Health and USAID/Africa Bureau projects implemented by UNICEF and WHO; on U.S. CDC support through UNICEF and WHO; on a grant from the Global Vaccine Initiative; and on donations raised by the Southern California District of the Rotary Club. It is assumed that these partnerships and alliances will continue to support vaccines, vitamin A capsules, polio surveillance, and the planning and promotion of National and Sub-national Immunization Days.

It is also assumed that Eritrea will ultimately be successful in its second application to the Global Fund for HIV activities. Public-private alliances are particularly important for HIV/AIDS prevention, care, and support where Eritrean business, labor, and faith-based organizations have become active, and where the international NGO Population Services International has created a public-private distribution and promotion network for condom sales and HIV education. Collaboration with REDSO/ESA HIV and health financing initiatives will also be important for full achievement of this SO.

It is assumed that international PVOs will successfully apply for the Global Health Bureau Child Survival and Health Grants Program and FFP/DAP grants, and that these PVOs will work in partnership with the MoH and other USAID implementing agencies to heighten the impact of priority primary health services.

H. Linkages

1. Linkages within SO 4

The assumptions underlying this SO are that to increase use of health services, people need to want to use the services, that the services are of high quality and responsive to people's needs, and that the resources available to the Ministry need to be well managed and optimized. Together, these four IRs support priority primary health interventions that will have an impact on people's health and health behaviors. Each of the four IRs will help to overcome barriers to increased health service utilization. Taken together their effects are mutually supportive. Creating demand through community involvement and better targeted messages will gain the confidence and buy-in of stakeholders and clients, improving utilization. In addition, IR 4.1 will also promote healthy behaviors among individuals and families, including better use of available services. IR 4.2 will improve health service quality, which in turn will make them more attractive to potential clients. IR 4.3 will improve the effective use of scarce health care resources, thereby making them more efficient, more widely available to clients, and more sustainable. IR 4.4 will benefit from the achievement of the other three IRs, since active involvement, increased quality and improved resource allocations will contribute both to increasing the demand for HIV/AIDS services, and to changing health behaviors among high-risk groups. Conversely, without IR 4.4, health gains will be reversed by HIV/AIDS.

There are also more specific linkages. For example, IR 4.1 approaches the question of cost sharing in terms of people's responsibility for health and the accountability of health services to clients. On the other hand, IR 4.3 will help to ensure that fee scales encourage (or at least do not discourage) the use of primary services. Systems developed under IR 4.3 will make it possible to establish mechanisms for retention and use of fees collected at the facility level, so that communities can benefit directly from their own fees.

2. Linkages between SOs and within USAID/Eritrea Strategy

The principal linkages between SO 4 and the overall USAID/Eritrea strategy are through the four cross-cutting themes discussed in Section III.E:

Gender: The USAID/Eritrea gender assessment showed that women are disadvantaged in many respects. Increasing the percentage of women and girls who receive quality health services will help to ensure that females are not only healthier but better able to pursue education and become more productive.

The gender assessment concluded that the maternal mortality rate 1) is a core indicator of gender inequity and 2) reflects women's lack of opportunity to obtain critical health care services during pregnancy, at birth, and after delivery. While IR 4.1 will focus on increasing the demand and broader community support for maternal and reproductive health services, IR 4.2 will improve the quality of these services. Together, over the long term they should have an impact on reducing maternal mortality and improving the quality of life of Eritrean women. Similarly, the same outcome should result for the other priority primary health services.

In turn, improved educational attainment and socioeconomic status of women usually correlates with improved health status. Thus efforts in SO 2 and SO 6 to extend these benefits to women reinforce the health improvement efforts of SO 4. (SO 2, the economic growth SO of the previous country strategy, continues through September 2005.)

HIV/AIDS: HIV/AIDS has reversed positive development trends throughout Africa. There is no point in supporting a development program that does not include HIV/AIDS prevention. SO 4.4 builds on Eritrea's multi-sectoral HAMSET framework and provides training and communications capacity that can be made available to partner organizations of both SO 2 and SO 6, to ensure that every opportunity is taken to incorporate HIV/AIDS prevention information and activities within relevant economic growth and citizen participation activities.

Linking Relief and Development: In the health sector, USAID/Eritrea's SO has complemented and reinforced relief efforts by strengthening primary health care, which is essential for both crisis response and development. The focus of the new SO 4 has shifted from supporting primary health care access to enhancing health sector management and development. In the event that a disaster were to occur, the health sector program would not shift resources to support emergency relief, which is the mandate of DCHA. In such an event, USAID/Eritrea would, in collaboration with DCHA, OFDA, FFP and the Bureau of Population, Refugees, and Migration (PRM), increase programming to meet nutritional gaps, provide emergency access to health care and enhance access to water. It would also modify existing programs in the health sector to enhance their mobility in the event of widespread population movements by establishing mobile clinics, moving health services with the population and increasing outreach in areas of population displacement (i.e., establishing condom kiosks in IDP camps).

In addition, there are specific linkages among the three SOs. For example, SO 2, in the process of improving economic growth in rural areas, will create new jobs and provide income to rural residents who previously were unemployed. In turn, some of this income will be available for improving household health conditions, cost sharing of primary health services, improved nutrition, and so on, thus helping to improve health status. SO 6 will also complement SO 4 efforts to strengthen community and public-private partnerships.

Another dimension of critical linkages is that of integrated USG resources. This is particularly important in HIV/AIDS prevention activities. The Department of Defense is providing support to the Eritrean Defense Forces (EDF) to carry out activities to prevent, control and mitigate the effects of HIV incidence and prevalence. These include support to the EDF for management and coordination of HIV/AIDS activities, VCT activities, HIV/AIDS awareness and advocacy activities, medical and laboratory equipment and supplies, and STI diagnosis and case management. The technical support and training provided by USAID for Eritrea's multi-sectoral response to HIV reinforces these efforts. In addition, the U.S Embassy Public Affairs Office (PAO) has carried out programs on HIV/AIDS. These activities have involved many Eritrean organizations and groups, including trade unions, the employers' federation, religious groups, photojournalists, and local leaders and have helped to improve the environment for USAID and other donor efforts. USAID has collaborated with the PAO on some of these activities.

3. Conformance with Other Donor and GSE Programs

The USAID/Eritrea ISP will be implemented in close collaboration with the GSE, the MoH, and with other donors and development partners. The GSE's Poverty Reduction Strategy stresses the importance of improved use of health services. USAID's proposed efforts are consistent with the GSE's emphases. In addition, USAID will continue to collaborate closely with both the World Bank (through the HAMSET Project) and UN agencies, especially UNICEF, UNFPA, WHO, and UNAIDS. This will ensure the effective use of available resources in the health sector, and will emphasize each organization's comparative advantages. USAID will continue to provide the

same level of collaboration in supporting the National Health Sector Review, and will use the review results to fine-tune SO 4.

USAID is a lead donor in HIV/AIDS and an active member of both the UN Theme Group on HIV/AIDS and the Country Coordinating Mechanism for the Global Fund. In the areas of reproductive health and child survival, USAID will collaborate with bilateral donors working in these areas, including Italy, China, UNICEF, UNFPA, WHO, Norway, and the Netherlands.

I. Beneficiaries, Development Impact, and Sustainability

Ultimate beneficiaries will be the people of Eritrea whose lives are saved and whose health is improved by increased use of priority primary health services. Women of reproductive age and children under five are the ultimate beneficiaries of improved maternal and child health services. In the case of malaria, all ages and both sexes in malarious areas benefit. In the case of HIV prevention, the entire country benefits from avoiding the profound impact of this epidemic.

Indirect beneficiaries include the health workers and others who are trained, and other family and community members who benefit from improved health of women and children, as well as from more user-friendly, higher quality, and efficient health services. Improved health generally reinforces educational and socio-economic attainment and hence the overall development of the nation.

This SO contributes to the USAID/Eritrea's Goal of improving the lives the Eritreans through improved health, accelerated economic growth and strengthened community partnerships. SO 4 contributes both directly, by improving health, and indirectly, since good health is a prerequisite to improved life as they then will be better able to contribute to economic growth and community partnerships. By increasing the use of priority primary health services, SO 4 will contribute directly to the five USAID worldwide population, health, and nutrition (PHN) strategic objectives:

1. Death and adverse health outcomes to women as a result of pregnancy and child birth reduced;
2. Infant and child health and nutrition improved and infant and child mortality reduced;
3. HIV transmission and the impact of the HIV/AIDS pandemic reduced;
4. The threat of infectious diseases of major public health importance reduced;
5. Unintended and mistimed pregnancies reduced.

USAID's focus on capacity development in this SO, as opposed to infrastructure expansion that would impose an additional operating cost burden, should generate sustainable results. Experience with systems development, in particular, has already demonstrated that the MoH can sustain results in the absence of USAID assistance.

V. STRATEGIC OBJECTIVE 6: Participation in Growth and Development Enhanced

A. Development Challenges to Enhanced Participation

Like many countries in the world, Eritrea's greatest resource is its people. The challenge for Eritrea is how best to enhance this resource to maximize its potential in the economic and political growth of the country. In 1991, Eritrea gained its independence after a hard fought struggle for independence that lasted more than 30 years. Since independence, the GSE has sought to establish an institutional and legislative framework promising citizen participation in the economic, social, and political development of the nation.

The current opportunities for citizen participation represent an amalgamation of traditional practices of governance. Traditionally, at the village and pan-village levels, the vehicle for citizen participation took the shape of elected assemblies headed by the male elders of the village. Since independence, the GSE has introduced legislation promising to ensure citizen participation, including proclamations addressing freedom of association, local government, decentralization, and the role of NGOs. The principle of freedom of association is embodied in the constitution, which has yet to be completely implemented, and various other proclamations. The Proclamation for Establishing Local Governments included local assemblies as vehicles for citizen participation and reserved 15 percent of the seats at all levels for women. In addition, in 1996, the GSE announced a proclamation on decentralizing administrative systems. The GSE also issued two proclamations on the definition and role of international PVOs and local NGOs. To date, there are 31 international and 16 local NGOs implementing a broad range of activities including activities to address microcredit, health, education, humanitarian, and other needs.

There are many challenges to participation in Eritrea. Limited availability and capacity of human capital, limited capacity of institution (public and private) to prepare and train people; participatory mechanisms such as associations, NGOs, CBOs and public sector institutions need strengthening; and insufficient access to information by the public. While this is not an exhaustive list, targeted support to address these challenges can enhance the potential and opportunities for greater participation in the country's growth and development.

There are many factors that contribute to the limited availability and capacity of human capital. The quality of primary education, especially in the lowland areas, is deteriorating as a result of a lack of resources; worsening infrastructure; limited capacity of teachers; and low enrolment, particularly among females. Eritrea's only institution of higher learning, the UoA, is understaffed and underresourced and much of the faculty require additional academic qualification. The long-delayed process of demobilization is moving forward, making available much needed but mostly unskilled labor. There are significant vocational training needs among those being demobilized and those organizations providing vocational training.

Strengthening participatory mechanisms is a challenge because local administrators and communities need resources and skills to adapt to the central governments' devolution of authority to the local level. Effectiveness of decentralization will depend upon the capacity of the local administration and communities to work together to resolve local issues. Thus, the role and capacity of local community based organizations will become increasingly important as decentralization is implemented.

The GSE is committed to expanding access to information to rural areas. However, this effort is constrained by the limited availability of information and communications media, including,

telephones, the internet, and even state-operated newspapers, radio, television. For example, in a country of 3.5 million people, there are only approximately 40,000 telephone landlines, and the majority of those are in Asmara. There is better coverage for the state-operated newspapers and radio; however, the newspapers are often outdated by the time they reach a destination and the radio programming is limited. The internet is now available in Asmara and in four secondary cities but expanding access to it is critical. Therefore, there is a significant demand for enhanced ICT, especially in small to medium-sized urban areas in the lowlands.

Despite these challenges, positive signs hold out the possibility for greater participation in growth and development. The principles underpinning current laws regulating facets of citizen participation are encouraging despite serious shortcomings in their interpretation and application. For example, there are efforts underway to restructure local administrations. The tradition of Eritreans to form voluntary CBOs to address community needs and the success of local elections in selected zones in 2002 provide opportunities to improve both the capacity and the environment for greater participation. Local elections took place in villages in the Debub and Northern Red Sea Zones in 2002, as part of an initiative that is being expanded to other zones in 2003. In addition, corruption levels compared to other African states are low to nonexistent, creating an excellent environment for engaging Eritreans to actively participate in creating solutions to their post-conflict development needs.

In the education sector, the GSE has made improved quality of, and access to, primary schooling a priority and has committed resources to addressing the problems. In addition, the World Bank is designing a \$45 million program to construct schools, develop curriculum, train teachers, and address equitable access. As a result of USAID/Eritrea and other donor assistance, the UoA now has better qualified faculty in selected departments and much improved equipment and facilities.

With regard to demobilization, the best indicator of progress is that the process is moving forward and approximately 70,000 soldiers are expected to be demobilized by June 2003. USAID/Eritrea and UNDP have also developed the capacity of the National Commission for the Demobilization and Reintegration Program (NCDRP) to address the immediate needs of demobilized soldiers; however, there continue to be longer-term needs such as vocational training.

In addition, the GSE has expressed a commitment to improving information and communications infrastructure within the country, including the privatization of the telecommunications service, commercialization of the mobile phone network, and expansion of the national internet gateway.

B. Purpose and Definition

The purpose of SO 6 is to enhance participation by the people in growth and development. To achieve this, three intermediate results are being proposed: Human Resource Capacity Improved; CBO-Local Administration Partnerships Strengthened; and Community Access to Information Enhanced. These intermediate results are designed to build upon progress made in each of the selected areas and lessons learned from the current strategy and other donor experiences.

It is expected that as a result of this SO, people in selected regions and sectors will have the skills and the resources to enhance their participation in the development process. Over the long term, these results will contribute to the GSE's vision of developing a self-reliant, prosperous, democratic, knowledge-based Eritrea. This SO is based on the following assumptions: human resource capacity needs to exist and involvement of the communities is crucial for growth and development; that building on local development practices can be an effective people-centered

approach for enhancing participation; that local administrations, citizens, and communities can and do work together to reach common goals; and, that the role of ICT for disseminating and sharing information is an important tool to enhance growth and development.

The changes to this SO are based on the provisional approval cable of 14 April 2003. The Mission was requested to “revise this SO, its IRs, and activities” in light of changes in program budget availability, particularly DG funds. The revised SO 6 includes three IRs: IR 6.1 Human Resource Capacity Improved; IR 6.2 CBO-Local Administration Partnerships Strengthened; and, IR 6.3 Community Access to Information Enhanced. IR 6.1 incorporates ongoing activities (university linkages, participant training) that will continue to be supported with pipeline funds, with minimal funding required for participant training after 2004. The scope of IR 6.1 has been broadened to take advantage of the availability of funds for education, agriculture, and other funds once SO 2 has been phased out. The scope of activities under IR 6.2 has been scaled back in light of changes in program budget availability. Activities under IR 6.3 will be supported with pipeline funds but will require limited additional funding after 2004. The scope for IR 6.3 has been broadened slightly to take advantage of a wider array of potential funds.

Considering the limited resources available for this SO, it is unlikely that USAID can meet all of the challenges outlined above. However, USAID will target key sectors and regions to implement the interventions. In addition, this SO is designed to complement larger planned and existing bilateral and multilateral donor efforts while at the same time laying the groundwork for future USAID interventions should the economic and political environment improve.

USAID/Eritrea’s basic education interventions will feed into a larger World Bank \$45 million credit to the education sector. USAID/Eritrea’s vocational training for demobilized soldiers will complement World Bank and UNDP demobilization and reintegration efforts. The CBO and local administration partnership activities will serve as models for larger UNDP-supported decentralization efforts. USAID/Eritrea’s ICT development efforts are designed to encourage foreign direct investment in the telecommunications sector; it is hoped that future work in this sector will be undertaken by the private sector. In addition, to maximize impact, USAID/Eritrea will build public-private alliances, including possible alliances between international PVOs and local NGOs, international organizations, other donor governments/aid agencies, the GSE, particularly local administrations, and the private sector as appropriate.

SO 6 will contribute to several USAID agency goals. SO 6 will contribute to economic growth and development through improved human resource capacity in selected vocations and expanded access to information to small and medium enterprises, particularly in rural areas. SO 6 will contribute to USAID’s goal of building capacity through education and training by providing training and technical assistance to selected institutions and expanding use of information and communications technologies to CBOs, local administrations, and local communities. It will also contribute to USAID’s goal of strengthening democracy and good governance, particularly at the local level, in three ways. First, by expanding citizens’ ability to participate in local communities; second, by working with local administrations to incorporate participatory planning practices and encouraging transparency; and third, by enhancing the flow of information among citizens.

C. Results Framework for SO 6

The graphic presentation of the Results Framework of SO 6 is shown on the following page. The intermediate results and their performance indicators are also shown in the graphic, as are illustrative activities that will be undertaken in the implementation of SO 6.

At current resource levels, this SO expects to assist at least 500 students in targeted regions to access basic education. This SO expects to provide advanced degrees to 3 students at the UoA and 5 civil servants currently studying in the US. In addition, USAID/Eritrea assistance to UoA will allow at least 10 students to receive degrees in nursing as a result of distance learning programs. This SO expects to train as many as 2,000 people in various critical skills areas (accounting, bookkeeping, ICT, etc.)

At current resource levels, this SO expects to start work with at least 10 CBOs. CBOs in Eritrea are currently at a nascent stage of organization. Over the strategy period all CBOs with whom USAID/Eritrea works will progress to at least the emergent stage and some of them will become self-sustainable. USAID/Eritrea will utilize institutional capacity building tools such as the Organizational Capacity Assessment Tool (OCAT) to measure CBO capacity. In addition, local administrators in pilot communities will not only have the skills and capacity to engage in development planning with communities but also will be implementing community development projects jointly with CBOs. It is anticipated that at least four rural telecenters will be established under this SO. It is further anticipated that expansion of the activities under this SO will take place if the operating environment becomes more supportive. At that time additional resources would be requested and results achievement would be revised upwards. Additional resources will allow for an expansion of work with CBOs and local administrations as well as more direct democracy and governance activities.

SO 6: Participation in Growth and Development Enhanced

Overall Indicators:

1. Increase in number of people with improved basic and advanced skills
2. Number of community members participating in decision-making processes of local development activities
3. Number of people with improved access to information

Development Context

- Political and economic environments remain stable
- Decentralization progresses
- Demobilization begins during 2003/2004

Risks to Program

- Political environment becomes unstable
- Decentralization does not progress
- Demobilization does not progress

IR 6.1:

Human Resource Capacity Improved

Indicators:

- 1.1: Increase in number of students accessing basic education in underserved regions
- 1.2: Selected UoA departments better resourced to expand learning opportunities
- 1.3: Number of demobilized soldiers receiving vocational training
- 1.4: Number of gender-related activities undertaken

Intermediate Results (IR)

Illustrative Activities

- Basic education support in underserved regions
- Technical assistance, training, and procurement for selected university departments/centers
- Vocational training for demobilized soldiers

IR 6.2:

CBO/Local Administration Partnerships Strengthened

Indicators:

2. 1: Number of joint CBO/local administration projects undertaken
- 2.2: Number of local administrations/CBO members trained
- 2.3: Number of CBOs strengthened

- Grants for Joint CBO/local administration projects
- Train and provide technical assistance to local administrators and CBO leaders in financial planning, budgeting, management, crisis prevention and mitigation, and participatory development practices

IR 6.3:

Community Access to Information Enhanced

Indicators:

- 3.1: ICT regulatory environment improved
- 3.2: Number of rural telecenters established
- 3.3: Number of trained ICT professional

- Technical assistance for ICT development
- Establish rural telecenters in selected communities
- Training for ICT skills development

D. Intermediate Results

1. IR 6.1: Human Resource Capacity Improved

This IR proposes to improve the capacity of human resources directly through basic education and vocational training, and indirectly through the support of limited higher education and skill training institutions, including a gender center, that are responsible for enhancing human resource capital in the country.

USAID/Eritrea expects to work with the Ministry of Education to design a program to address equitable access to basic education in selected communities in the lowland regions. This is important for the success of this SO, as without basic education, people are less likely to participate and take on leadership roles in communities. In FY 2002, USAID/Eritrea received support from the Education for Development and Democracy Initiative (EDDI) to pilot a girls' scholarship project in two regions. Based on the success of the pilot, USAID/Eritrea expects to expand the project in FY 2003 under the new Africa Education Initiative. In FY 2003, USAID/Eritrea will capitalize on the availability of additional basic education resources to promote equitable access to education in underserved regions. These activities will complement efforts of a proposed World Bank \$45 million credit to address basic education needs in Eritrea.

The UoA is understaffed and much of the faculty lack academic qualification. A range of donor-supported efforts are underway to address the quantitative and qualitative shortfall in academic staff as well as curriculum development and improved research capacity. USAID/Eritrea is supporting capacity strengthening in teaching, administration, curriculum development, and resource procurement through the successful university linkages program that includes two tripartite agreements between the UoA, two US universities, and USAID. USAID/Eritrea will build on the successes of the current linkage activities under this strategy and will continue to provide targeted technical assistance, training, and resource procurement to selected departments and centers within UoA.

After significant delays, the demobilization and reintegration process is moving forward. Approximately 70,000 soldiers are scheduled to be demobilized by June 2003 and approximately 200,000 over the next two years. USAID/Eritrea, in close coordination with the World Bank and UNDP, has been providing training and technical assistance to build the capacity of the NCDRP to demobilize and reintegrate the soldiers. USAID/Eritrea will build on the success of this effort by providing vocational training to demobilized soldiers, with a particular focus on increasing economic opportunities for demobilized women.

Illustrative Activities:

- Basic education support in underserved regions
- Technical assistance, training, and procurement for selected university departments/centers
- Vocational training for demobilized soldiers

Key Indicators:

- Increase in number of students accessing basic education in underserved regions
- Selected UoA departments better resourced to expand learning opportunities
- Number of demobilized soldiers receiving vocational training
- Number of gender-related activities undertaken

2. IR 6.2: CBO/Local Administration Partnerships Strengthened

This IR proposes to provide skills and resources to both CBO's and local administrators to jointly work together toward local development. To ensure this joint partnership, capacity of nascent CBO's will be built in order for them to be fully engaged in the development process with local administration counterparts.

The GSE policy on decentralization and local government is in the process of being formalized. Some illustrative activities that USAID/Eritrea will support are: skills training on financial management and budget planning, accounting, and targeted technical assistance to incorporate participatory planning practices into local administration planning and implementation processes. To help implement some of the skills learned, USAID/Eritrea will make available a small grants program to support jointly managed local government-CBO projects. USAID/Eritrea anticipates that public-private alliances between international PVOs and local NGOs, other donor agencies and possibly universities will be developed to implement activities under this IR. For example, UNDP is implementing a pilot activity that provides training and skill building to a local administration to improve resource management and to introduce participatory planning practices. USAID will apply lessons-learned from this project in the implementation of activities under this IR.

In addition, where appropriate, this IR will support complementary activities to establish and/or strengthen CBOs in the selected communities. Similar activities are being implemented by international PVOs, including Catholic Relief Services, CARE International, OXFAM, Acord, and local NGOs including Vision Eritrea, Haben, and the Eritrean Red Cross/Red Crescent Society. These activities are addressing community needs by providing training, technical assistance, and limited resources to CBOs including parent and teacher associations, farmers' groups, health services organizations, and village savings and loan programs.

USAID/Eritrea will improve the capacity of CBOs by providing training and technical assistance in areas such as planning methodologies, general management, financial management, and performance monitoring and evaluation. USAID/Eritrea will utilize institutional capacity building tools such as OCAT to measure CBO capacity. USAID/Eritrea will build on the success and lessons-learned from the experience of international PVOs and local NGOs and other GSE initiatives in community participation. For example, careful consideration will be given to the selection of communities and only those with supportive leadership at the local-level will be targeted. In addition, activities will be small in scale and scope, focused around a discrete, community-identified need, and where appropriate, training and technical assistance will be accompanied by the provision of targeted resources, potentially in the form of limited commodities or grants to ensure successful implementation and sustainability of the CBOs. USAID/Eritrea will also capitalize on opportunities to "team" international PVOs with local NGOs to help build the capacity of local NGOs.

Illustrative Activities:

- Grants for Joint CBO/local administration projects
- Train and provide technical assistance to local administrators and CBO leaders in financial planning, budgeting, management, crisis prevention and mitigation, and participatory development practices

Key Indicators:

- Number of joint CBO/local administration projects undertaken
- Number of local administrations/CBO members trained
- Number of CBOs strengthened

3. IR 6.3: Community Access to Information Enhanced

This IR proposes to enhance community access to information through technical assistance and training in the ICT sector and the establishment of pilot rural telecenters.

Eritrea's information and communications infrastructure is underdeveloped. For example, there are approximately 40,000 telephone landlines for a population of 3.5 million and some of the existing infrastructure dates back to the colonial period. Eritrea does not have a cellular phone network. In addition, Eritrea was one of the last countries in sub-Saharan Africa to introduce the Internet. However, once the GSE made the decision, USAID/Eritrea, through the Leland Initiative, provided support for connecting Eritrea to the Internet gateway in November 2000. Connectivity is currently operational in Asmara and in four secondary cities and Internet cafés are rapidly increasing in number. This has enhanced community access to information. Several Eritrean web sites are actively used for debate and networking by various interest groups.

Under this SO, USAID will provide technical assistance and training, within the GSE-World Bank framework to support ICT development, including privatization of the Telecommunications Service of Eritrea (TSE); identifying options for improving the telephone system, including build-out of a cellular network; and telecom legal and regulatory support.

A second component of the IR will establish pilot rural telecenters (phone, fax, Internet) in four communities. In the absence of landline and cellular telephones, the majority of rural communities lack even basic communications infrastructure. For example, one of the potential sites for this pilot initiative has one telephone for 40,000 people. As a result, local business owners must travel a full day by bicycle to obtain market information in the region's main market and people wait in line for hours to use the phone to talk to relatives in different regions of Eritrea. Therefore, USAID will establish rural telecenters to meet the business and other information needs of the local populations in these four pilot communities. To maximize resources and to complement activities under IRs 6.1 and 6.2, USAID/Eritrea will provide small grants whereby a local institution (CBOs, women's groups, parent-teacher associations, etc.) could open and operate the telecenters. There is extensive material and experience within USAID's Office of Information and Resource Management to identify projects that would be appropriate for the Eritrean setting.

A third element of this IR will be capacity building to strengthen and expand ICT skills to address the shortage of highly-skilled ICT professionals in the country. This support could be provided through private and/or public sector ICT training institutes or through universities.

Illustrative Activities:

- Technical assistance for ICT development
- Establish rural telecenters in selected communities
- Training for ICT skills development

Key Indicators:

- ICT regulatory environment improved
- Number of rural telecenters established
- Number of trained ICT professional

E. Monitoring SO 6 Achievement

USAID/Eritrea will use various approaches for monitoring SO 6 results. USAID/Eritrea will report major program results to USAID/Washington via the Annual Report (AR) and to the U.S. Embassy for inclusion in the Mission's Performance Plan.

The SO 6 Team will work closely with implementing partners (contractors/grantees, international and/or local NGOs) to build their performance-management capacity. The SO 6 Team and implementing partners will develop a performance-monitoring plan for USAID/Eritrea review and approval. Given that this is a new SO, USAID/Eritrea expects to work with partner organizations, the GSE, and other donors to develop and refine indicators, address quality issues and identify limitations, to measure performance of this SO. Once fully developed and refined indicators are identified, results data for the indicators will form the basis of measuring implementation progress and for validating SO 6's strategic assumptions. The result data defined in the AR and PMP documents will be collected by implementing partner organizations on a semi-annual basis. In addition, these partners will be required to prepare detailed annual work plans, which will include implementation benchmarks and activity-level as well as appropriate, IR and SO-level indicators. The SO 6 team will discuss and approve these work plans. The contractor/grantees will use these as the basis for preparing quarterly and annual reports. These reports will provide a mechanism for discussions on implementation progress.

Periodic program implementation reviews will be used during the year to monitor progress and to identify constraints and other issues impeding implementation. Also, frequent visits of USAID/Eritrea staff and training and technical assistance personnel to field sites will be used on a more routine basis to stay informed. In addition, regular meetings will be held with beneficiaries, including international and local NGOs, local administrators, and GSE staff to assess progress and adjust components of activities accordingly.

F. Instruments

To provide the needed expertise to implement the program, USAID/Eritrea expects to use grants and/or cooperative agreements under IRs 6.1 and 6.2 to implement training, technical assistance, and resource provision activities. USAID/Eritrea will explore different options including USAID buy-in mechanisms for supporting the development of ICT in Eritrea (IR 6.3) and expects to use international and local NGOs to implement information dissemination activities.

G. Contextual Assumptions

USAID/Eritrea assumes that GSE policy on decentralization, local government and citizen participation will be conducive to USAID's involvement in this area. This includes changes in the interpretation and application of legislation governing participation (including associations, NGOs, etc.) and a greater commitment to decentralization efforts. In addition, USAID/Eritrea assumes that the World Bank will continue its effort in the education sector. USAID/Eritrea also assumes that the peace will hold and demobilization will continue. Demobilization is important not only in terms of returning critical personnel to GSE institutions, but also to reduce the serious

labor shortages in the country. Another assumption is that the GSE will allow USAID to use international PVOs and local NGOs as necessary and appropriate to build capacity of CBOs and local administrations. USAID/Eritrea also assumes that the GSE will move forward with plans to privatize the telecommunications service and liberalize the telecommunications legal and regulatory environment.

H. Linkages

1. Linkages within SO

There are strong linkages between the three IRs proposed under this SO that together contribute to enhanced participation in growth and development. IR 6.1 will improve the quality of and equitable access to basic education and improve the quality of instruction and expand resources at the UoA. These interventions will develop human and institutional resources, which will allow citizens to more effectively participate in growth and development. In addition, IR 6.1 will provide vocational skills training to demobilized soldiers to ensure that they will be able to economically reintegrate and participate in community growth and development. IR 6.2 will complement activities proposed under IR 6.1 by improving the local administrations' ability to work with CBO towards community goals. This will be done by providing skills training and technical assistance to local administrators in close coordination with other donor efforts in targeted regions. IR 6.3 will focus efforts on expanding information technologies throughout the country and, therefore, expand access to information to citizens and local administrations to more effectively and efficiently address community needs.

2. Linkages between SOs and within Mission Strategy

The lives of the Eritrea people will improve, as they acquire the resources and capacity to participate in the growth and development the country. SO 6 has linkages with other SOs and the USAID/Eritrea's goals through support of several cross-cutting themes:

Gender: The GSE has created a legal framework that promotes gender equity. Current laws prohibit limits on women's participation in all facets of society and the economy. However, gender disparities continue to be widespread: in opportunities for work, salary rates, education levels and the ability to participate in political and economic settings. Under this SO, particular attention will be paid to removing the challenges to women's participation and ensuring that women not only participate but also assume leadership roles in community development.

HIV/AIDS: USAID/Eritrea will seek to integrate HIV/AIDS-related activities under this SO to the extent that community based organizations, in coordination with SO 4, will be involved as venues for increasing awareness about HIV/AIDS prevention.

Linking Relief and Development: Under this SO, USAID/Eritrea will seek to link relief and development at the local level by building the capacity of individuals and institutions to address growth and development needs.

3. Conformity with Donor and GSE Programs

The GSE's long-term vision is to become a self-reliant, *prosperous, peaceful, democratic and knowledge-based* nation. The GSE strategies for greater citizen participation in this effort is stated in the constitution and in the legislation including sections of the Transitional Civil Code of Eritrea and proclamations dealing with the formation of associations, decentralization, and NGOs.

The GSE has made progress in enhancing the role of citizens in decision-making at the local, regional, and national level. Much remains to be done on the policy and implementation frameworks for the role of CBOs. SO 6 will contribute to the GSE's progress in this area by supporting activities to improve such participation, through, for example, community based organizations; fostering and strengthening partnerships between CBO and local administrations; and improving access to information among citizens.

The World Bank is developing a \$45 million education sector credit, which will focus on school construction, teacher training, curriculum development, and equitable access to basic education. The World Bank is also financing the Eritrean Community Development Fund, which supports rural development activities including rehabilitation of small-scale infrastructure and a micro-finance program. UNDP provides support to decentralization through the Public Sector Management Program. The UNDP through UNCDF is providing assistance to improve planning, finance and implementation arrangements of the local administration in Anseba Region. In addition, the World Bank is providing support to the GSE's master plan for ICT development in Eritrea.

I. Beneficiaries, Development Impact and Sustainability

The direct beneficiaries of IR 6.1 will be primary school students, particularly girls; university students and professors; demobilized soldiers; and targeted training providers. By improving the ability of CBOs and local administrations to address community needs, the principal beneficiaries under IR 6.2 will be all Eritreans living in the pilot regions regardless of ethnicity, class, age, and religion. Under IR 6.3, the beneficiaries of USAID's support to enhance access to ICT will be citizens living in the pilot communities, CBO, and local government administrations.

IV PROGRAM MANAGEMENT

A. Staffing

USAID/Eritrea presently has the following staff: three USDHs, two program-funded offshore USPSCs, one OE-funded offshore USPSC, one OE-funded TCNPSC and 27 FSNPSCs (22 OE-funded and 5 program-funded), a total of 34 personnel. In addition, USAID has two program-funded Fellows working in the Health sector – one in malaria prevention and control and the other in reproductive health.

The OE-funded USPSC is the Mission Executive Officer. One offshore program-funded USPSC is the Technical Assistance Project Manager project-funded and the other offshore program-funded USPSC is the Economic Growth/Small and Medium Enterprise Development Advisor. The offshore TCNPSC is the IT Administrator and works in the Executive Office. USAID/Eritrea's FSNPSC staff of Eritreans is critical to the support and operation of USAID/Eritrea. The majority of the OE-funded FSN personnel are support staff. Eighteen work in the Executive office including three involved in our Financial Management function. USAID/Eritrea can implement the new strategy under the restrictive environment with the current staffing levels. This Mission undergoes periodic review of staff to identify any redundancies which might permit us to reduce staff especially regarding our OE-funded positions. Specifically, the USPSC Executive Officer has undertaken an extensive training program for our support staff with the idea that his position might eventually be eliminated.

USAID/Eritrea is organized around strategic objectives with the Health Strengthening Team led by a backstop 50 HPN officer. The Economic Growth and Food Security Team is headed by a USPSC Economist. The Technical Assistance Project Manager USPSC leads the Capacity Building Team. The Mission Participant Training Program is managed in the Program Office. In addition to the Office of the Director there are two support offices, the Program Office headed by a USDH Supervisory Program Officer and the Executive Office, headed by a USPSC.

USAID/Eritrea will continue to require support from the REDSO/ESA Regional Contracting Officer, the Regional Legal Advisor, and from the Regional Financial Management Center in Nairobi. Should USAID decide that we can eliminate our resident EXO; this regional support could also include REDSO Executive Officer support. In addition, USAID/Eritrea will rely on REDSO/ESA for technical backstopping in the areas of disaster assistance, food for peace, and other programmatic areas, as needs arise.

USAID/Washington technical support will also be needed. For instance, USAID/Eritrea has, in the past, benefited from excellent technical backstopping in the Food for Peace, Health, Economic Growth, Agriculture, Human Capacity Development, Information Technology, and Women in Development sectors. This will continue to be (and could become even more) important since the portfolio may become increasingly dependent on centrally funded projects.

B. Operating Expenses

The total of budgeted operating expenses for FY 2003 is \$1,294,328. Currently USAID/Eritrea occupies a small residential building that was converted into offices. These facilities, although they provide sufficient space for our small staff, are woefully inadequate from a security point of view. USAID has been actively looking for more secure facilities into which USAID might move, pending construction of our new offices which are to be co-located with the Embassy.

The U.S. Embassy, as the sole ICASS provider, maintains the USAID/Eritrea office building as well as USAID expatriate staff residences. USAID subscribes to ICASS for the basic package, health services, information management services, non-residential local guard program services, LES security services, CLO services, residential and non-residential LTL building operations, some information management services, and shipping and customs services under the GSO cost center. USAID/Eritrea is a member of the inter-agency housing pool. USAID participates fully on the ICASS working group and the ICASS council. The OE and Program ICASS bill for Eritrea for FY02 was approximately \$307,000. Our contribution to ICASS is expected to increase by about 5-7% annually for the foreseeable future. In addition, USAID also pays under direct billing for the local residential guard program. USAID has been informed our bill for FY 2003 for this program will be approximately \$146,000. USAID/Eritrea manages its own personnel, computer, procurement and financial management services. USAID also maintains a 6-vehicle motor pool that provides all official local transportation for staff and transportation for field travel to review progress on USAID projects. This fleet is sufficient for present and foreseeable needs.

In addition to the above cost analysis and projections, considerable additional expense can be anticipated for moving costs and increased rent should USAID move to new offices. This will undoubtedly further increase USAID/Eritrea's OE needs.

VII. RESOURCE REQUIREMENTS

A. Development Assistance (DA)

USAID/Eritrea's program resources request for FY 2003 is \$9.86 million and for FY 2004 is \$9.0 million in Development Assistance (DA) funds to address priorities in the pillars of Global Health and Economic Growth, Agriculture and Trade. The April 2003 cable advised USAID/Eritrea to assume, for planning purposes, a straightlining of the FY2003 level of \$6.24 million for FY2004 and beyond. However, in the spirit of scenario-based planning, table 1 includes future potential budget needs should the political and economic environment change.

In order to make the transition from humanitarian to development assistance, USAID will coordinate and take advantage of other resources available from USAID/Washington. For example, USAID/Eritrea will coordinate with the offices of FFP and OFDA and coordinate with other USG agencies such as United States Department of Agriculture (USDA) and the Population, Refugees and Migration Bureau (PRM).

B. PL480 Title II Food Assistance – USAID Food for Peace Office

In FY 2003, \$2.8 million is budgeted under PL 480 Title II. Several PVOs have indicated their interest in developing "integrated community based" Title II activities targeted at the more food insecure communities for FY2004. Title II food, as a core activity, could act as a catalyst for a more balanced approach to community development, either fully or partially funded by monetized proceeds from the sale of Title II commodities.

The current Eritrea test case for this is a Global Food for Education (GFFE) program funded through USDA. Although just starting, GFFE is strongly endorsed by the Ministry of Education. Furthermore, the impacts associated with the core education component and the planned spin-off components such as Food for Education (a take home ration), Food for Work (i.e., rural infrastructure in support of agriculture and/or the environment), and MCH look promising.

C. Economic Support Fund

USAID/Eritrea expects that additional ESF resources from the Department of State would be forthcoming annually during the period covered by the ISP. An amount of \$1 million is required yearly. In FY 2003 and 2004, funds would be used to rebuild and rehabilitate some of the damaged infrastructure caused by the border conflict. After boundary demarcation, USAID will need ESF funds to help with the resettlement of the returnees and for infrastructure needs (water, health, schools etc) in those communities.

D. Office of Foreign Disaster Assistance (OFDA)

USAID/Eritrea will continue to provide emergency and humanitarian assistance as needed to support those displaced because of the border war. Of immediate need are emergency health and sanitation facilities, seeds and tools, water sources and other emergency support. Eritrea also needs help to develop an emergency preparedness plan to be able to cope with humanitarian crises. There is also the need to strengthen local NGOs such as the Eritrea Society of the Red Cross to respond quickly and efficiently to emergency humanitarian crises.

E. Displaced Children and Orphan Funds (DCOF)

USAID/Eritrea would seek resources from the DCOF to develop programs that would support orphans and children and other vulnerable group affected by the border war with Ethiopia. The Ministry of Labor and Human Welfare reports that there are over 55,000 orphans who are orphaned or separated from their extended family due to the war. The HIV/AIDS pandemic is adding to the number of orphaned children. Funds would be used to support a program to join children with their families and ease the suffering of other vulnerable children.

F. Education Initiatives

In FY 2002, USAID/Eritrea received Education for Development and Democracy (EDDI) resources to fund a pilot program to encourage vulnerable girls who would otherwise drop out of school. USAID/Eritrea will seek additional resources from several new presidential education initiatives to continue to support programs promoting equitable access to education in subsequent years.

TABLE 1: USAID/Eritrea OYB Resources Required 2003-2007 (in \$000)

BUDGET TABLE					
STRAT. OBJECTIVES	2003	2004	2005	2006	2007
SO4: HEALTH	5,800 ¹	5,400	5,900	6,000	6,000
SO2: ECONOMIC GROWTH	2,613	2,000	0	0	0
SO6: PARTICIPATION	1,447 ²	1,600 ²	1,800	2,000	2,500
TOTAL DA RESOURCES	9,860	9,000	7,700	8,000	8,500
HUMAN. ASSISTANCE	TBD	TBD	TBD	TBD	TBD
OTHER RESOURCES					
PL 480 TITLE II	2,800	TBD	TBD	TBD	TBD
ESF	700	1,000	1,000	1,000	1,000
DCOF	500	500	500	500	500
Africa Education Initiative	300	300	300	300	300

¹ This amount includes \$200,000 of Polio funds transferred through an AFR/SD grant

² This amount includes \$600,000 in basic education initiative funds for FY 2003 & 2004

Requested levels for FY 2004, FY 2005, FY 2006 and FY 2007 is \$9.0 million, \$7.7 million, \$8.0 million. and \$8.5 million respectively

PL480 Title II: Development Program. This amount does not include emergency food aid assistance totaling to \$53,165,524

DCOF: notional to meet the needs of orphans

AEI: to support equitable access to basic education

USAID/Eritrea

Integrated Strategic Plan 2004 - 2007

Results Framework

Mission Goal
 Improving the lives of the Eritrean people by increasing the use of health services, promoting rural development, and enhancing participation in growth and development

Development Context

- Political and economic environments remain stable
- Demobilization continues

Risks to Program

- Delays in demobilization and/or critical labor resources are diverted
- DA focus of program reverts to crisis response
- Lack of political and economic reforms

Strategic Objectives (SO)

Intermediate Results (IR)

SO 2:
Increased Income of Enterprises (Primarily Rural), and Improved Livelihoods

Indicators:
 2.1. Percentage increase in total value of domestic SME sales resulting from USAID interventions.
 2.2. Percentage increase in number of SME employees, disaggregated by gender
 2.3. Increased number of people in target areas with improved access to adequate safe water supply and/or sanitation meets sustainability standards disaggregated into female-headed household and others

IR 1:
 Rural SMEs Developed

IR 2:
 Livelihood Options for the Vulnerable and Food Insecure Diversified and Expanded

LLIR 2.1: Improved access to Safe Water Supply and Sanitation

LLIR 2.2: Enhance Income Opportunities for Vulnerable Groups

LLIR 2.3: Improved Production Practices by Small-scale Farmers

SO 4:
Increased Use of Priority, Primary health and HIV/AIDS Services Increased and Practices Improved

Indicators:
 4.1: Percentage of births attended by med. trained personnel
 4.2: Percentage of children 12-23 months old who received DPT3 by first birthday
 4.3: Percentage of children 6-59 months old with diarrhea receiving ORT

IR 4.1: Active Demand for Primary Health Care Expanded

IR 4.2: Quality of Priority Primary Health Services Improved

IR 4.3: Institutional Capacity for Resource Allocation Decisions Improved

IR 4.4: Quality and Demand for HIV/AIDS Prevention Services Increased

SO 6:
Participation in Growth and Development Enhanced

Indicators:
 6.1. Increase in number of people with improved basic and advanced skills
 6.2. Number of community members participating in decision-making processes of local development activities

IR 6.1: Human Resource Capacity Improved
 Indicators:

IR 6.2: CBO/Local Administration Partnerships Strengthened

IR 6.3: Community Access to Information Enhanced

ANNEX A

Parameters Cable



UNCLAS

ADM AID

SECSTATE 124099

Lasers:

ACTION: AID
INFO: DCM AME

DISSEMINATION: AID
CHARGE: AID

VECZCETO372
RR RUEHAE
DE RUEHC #4099/01 1772214
ZNR UUUUU ZZH
R 262210Z JUN 02
FM SECSTATE WASHDC
TO AMEMBASSY ASMARA 4830
BT
UNCLAS SECTION 01 OF 04 STATE 124099

ADM AID

E.O. 12958: N/A

TAGS:

SUBJECT: ERITREA INTEGRATED STRATEGIC PLAN PARAMETERS
GUIDANCE

1. SUMMARY: ON MAY 23, 2002, A MEETING WAS HELD IN AID/W TO REVIEW USAID/ERITREA'S CONCEPT PAPER FOR DEVELOPMENT OF ITS FY 2003 - FY 2008 INTEGRATED STRATEGIC PLAN (ISP). AFR/EA OFFICE DIRECTOR, PAMELA CALLEN, OPENED THE MEETING WITH AN OVERVIEW OF THE PARAMETERS SETTING MEETING PROCESS AND BRIEF INTRODUCTIONS OF MISSION DIRECTOR JATINDER CHEEMA AND PROGRAM OFFICER DAVID BILLINGS REPRESENTING THE MISSION. THE MEETING WAS ATTENDED BY REPRESENTATIVES FROM AA/AFR, AFR/EA, AFR/DP, AFR/SD, PPC, PPC/B, DCHA/FFP, DCHA/OCMM, DCHA/OFDA, GH, EGAT, STATE/AF/E AND STATE/PRM. THE MISSION WAS COMMENDED ON A WELL-THOUGHT OUT AND COMPREHENSIVE CONCEPT PAPER, WHICH ESTABLISHES A SOUND FOUNDATION FOR A COMPLETE STRATEGY. PURSUANT TO THE AID/W REVIEW OF THE CONCEPT PAPER AND AUTOMATED DIRECTIVES SYSTEM (ADS) CHAPTER 201.3.3.5, THE PARAMETERS BELOW HAVE BEEN ESTABLISHED TO GUIDE THE DEVELOPMENT OF THE INTEGRATED STRATEGIC PLAN. END SUMMARY.

2. BACKGROUND: THE MISSION DIRECTOR BEGAN THE MEETING WITH A PRESENTATION ON THE GENERAL STATUS OF THE ECONOMY AND POLITICAL ENVIRONMENT, AS WELL AS THE SOCIAL AND HEALTH SITUATION IN ERITREA. THE MISSION DIRECTOR SUMMARIZED PROGRESS BEING MADE UNDER THE CURRENT ISP, IDENTIFIED THE MAIN CONSTRAINTS TO DEVELOPMENT, AND OUTLINED THE STEPS THAT THE MISSION

USAID/Eritrea		
RECEIVED 27 JUN 2002		
DUE DATE _____		
ACTION INFO		
DIR		
PRO		
IO-1		
IO-2		
IO-3		
EXO		
OFM		

Action taken: _____

Date: _____

Initials: _____

UNCLAS

ADM AID

SECSTATE 124099

UNDERTOOK TO PREPARE THE CONCEPT PAPER, ESPECIALLY HIGHLIGHTING THE GOVERNMENT OF THE STATE OF ERITREA'S (GSE) COOPERATION WITH USAID/ERITREA. MISSION DIRECTOR CHEEMA EXPLAINED THAT SINCE THE DEVELOPMENT OF THE CURRENT STRATEGY IN 1997, AND AS A RESULT OF THE BORDER CONFLICT, ERITREA'S DEVELOPMENT NEEDS HAVE TREMENDOUSLY CHANGED. THE COUNTRY FACES A NUMBER OF DEVELOPMENT CHALLENGES: PRIMARILY MEETING THE MORE IMMEDIATE HUMANITARIAN ASSISTANCE NEEDS; RECONSTRUCTION OF INFRASTRUCTURE; INTEGRATING AND ASSISTING THE DISPLACED PEOPLE WITHIN THE ECONOMY; DEMOBILIZING AND REINTEGRATING THE SOLDIERS; REBUILDING THE ECONOMY AND PROVIDING ADEQUATE SOCIAL AND HEALTH SERVICES TO ITS PEOPLE. FOLLOWING THE SIGNING OF A PEACE AGREEMENT IN 2000, THE GSE HAS BEGUN THE PROCESS OF POST-CONFLICT REHABILITATION AND RECONSTRUCTION. DISPLACED POPULATIONS ARE RETURNING TO THEIR HOMES. THE WORLD BANK AND GSE HAVE RECENTLY RECEIVED APPROVAL FOR AN IDA CREDIT FOR A DEMOBILIZATION AND REINTEGRATION PROGRAM TO DEMOBILIZE AND REINTEGRATE 200,000 COMBATANTS. THE PILOT PHASE OF THE PROGRAM, TO DEMOBILIZE 5,000 COMBATANTS HAS BEGUN. WITH THE RETURN TO PEACE AND STABILITY, ERITREA'S PROSPECTS FOR A RESUMPTION OF ECONOMIC GROWTH AND DEVELOPMENT HAVE IMPROVED. THEREFORE, IT IS TIME FOR USAID TO EXAMINE ITS STRATEGY IN ERITREA TO DETERMINE HOW TO ASSIST THE GSE AND THE ERITREAN PEOPLE IN THEIR EFFORT TO REBUILD POST-CONFLICT ERITREA. THE MISSION, U.S. EMBASSY ASMARA AND THE GSE BELIEVE THAT IT IS AN APPROPRIATE TIME TO DEVELOP A NEW ISP FOR USAID/ERITREA.

3. U.S. FOREIGN POLICY OBJECTIVE: U.S. NATIONAL INTERESTS IN ERITREA ARE TWO-FOLD. FIRST, SUCCESSFUL IMPLEMENTATION OF THE PEACE AGREEMENT BETWEEN ERITREA AND ETHIOPIA WILL LESSEN CONFLICT AND ENHANCE REGIONAL STABILITY IN THE GREATER HORN OF AFRICA. SECOND, ERITREA HAS BEEN AND REMAINS A STAUNCH U.S. ALLY IN COMBATING GLOBAL TERRORISM. SOME PARTICIPANTS AT THE PARAMETERS SETTING MEETING ALSO NOTED THAT THERE ARE BARRIERS TO DEMOCRATIC CHANGE IN ERITREA. THERE WAS

AGREEMENT AMONG THE PARTICIPANTS THAT TO CREATE AN ENABLING ENVIRONMENT FOR DEMOCRATIC CHANGE, USAID/ERITREA WILL NEED TO DEVELOP CREATIVE WAYS TO ADDRESS THIS ISSUE. THE MISSION BELIEVES THAT EFFORTS TO INCREASE BROAD-BASED PARTICIPATION, INCREASE ACCESS TO INFORMATION, THE PROMOTION OF SOUND SECTORAL POLICY CHANGES, AS WELL AS THE USE AND DEVELOPMENT OF PVOS, NGOS, AND PRIVATE SECTOR PARTNERS ARE NECESSARY TO CREATE AND MAINTAIN OPENINGS IN THE POLITICAL

ENVIRONMENT.

4. PROGRAM PARAMETERS:

A. STRATEGY PERIOD. THE MISSION'S CONCEPT PAPER IS DEEMED SOUND AND AN ACCEPTABLE APPROACH FOR THE PREPARATION OF AN INTEGRATED STRATEGIC PLAN REFLECTING A FIVE YEAR SUSTAINABLE DEVELOPMENT STRATEGY (FY 2003 - 2008). THE EXACT PERIOD OF THE STRATEGY WILL BE VERIFIED AS THE STRATEGY IS FURTHER DEVELOPED.

B. AGENCY GOAL AREAS/PRIORITY INTERVENTION AREAS. USAID/W APPROVES THE CONCEPT PAPER'S PROPOSED OVERALL GOAL OF -- INCREASED USE OF PRIMARY HEALTH CARE SERVICES, IMPROVED ECONOMIC GROWTH IN THE RURAL SECTOR, AND INCREASED CAPACITY AND PARTICIPATION FOR BROAD-BASED DEVELOPMENT. USAID/W ALSO CONCURS THAT THE PROPOSED PROGRAM OUTLINED IN THE CONCEPT PAPER IS CONSISTENT WITH USG'S MISSION PERFORMANCE PLAN AND STRATEGIC OBJECTIVES. USAID/ERITREA IS THEREFORE AUTHORIZED TO PROCEED TO DEVELOP AN ISP WITH INTERVENTIONS IN THE FOLLOWING THREE STRATEGIC AREAS:

- ECONOMIC GROWTH, AGRICULTURE, AND TRADE;
- HEALTH AND HIV/AIDS; AND
- PARTICIPATION AND CAPACITY DEVELOPMENT.

C. CROSS-CUTTING THEMES. THE MISSION HAS A PRELIMINARY FRAMEWORK WITH FOUR CROSS-CUTTING THEMES: GENDER EQUITY, HIV/AIDS, IMPROVED CITIZEN PARTICIPATION, AND REINTEGRATION, WHICH WILL BE ADDRESSED ACROSS THE PROPOSED PORTFOLIO. THESE THEMES WILL BE FURTHER REFINED AND DEVELOPED AFTER ADDITIONAL SECTOR ANALYSES HAS BEEN COMPLETED. THE MISSION IS REQUESTED TO CONSIDER IF PARTICIPATION AND CAPACITY DEVELOPMENT IS MOST APPROPRIATELY ADDRESSED AS A SEPARATE STRATEGIC OBJECTIVE OR AS CROSS-CUTTING THEMES TO THE OTHER TWO STRATEGIC OBJECTIVES: HEALTH AND ECONOMIC GROWTH, AGRICULTURE AND TRADE.

D. SCENARIO-BASED PLAN. USAID/ERITREA IS ENCOURAGED TO DEVELOP A SCENARIO-BASED PLAN IN THE NEW STRATEGY IN WHICH BOTH PESSIMISTIC AND OPTIMISTIC CATEGORIES WILL BE DEFINED. A SCENARIO-BASED PLAN IS IMPORTANT FOR THE USAID/ERITREA PROGRAM BECAUSE IT WILL CLEARLY IDENTIFY OPPORTUNITIES TO NOT ONLY RESPOND TO THE NEEDS OF THOSE AFFECTED BY CONFLICT AND DROUGHT, BUT IT WILL ALSO ENSURE THAT USG ASSISTANCE CONTINUES TO STRENGTHEN DEMOCRACY AND ECONOMIC GROWTH SHOULD THE ENVIRONMENT IMPROVE.

5. RESOURCE PARAMETERS: THE FOLLOWING FUNDING

PARAMETERS HAVE BEEN PROVIDED TO THE MISSION FOR DEVELOPMENT OF ITS ISP, THE MISSION SHOULD ADVISE USAID/W ON THE LEVEL OF RESOURCES NEEDED TO IMPLEMENT ITS PROPOSED STRATEGY, SUBJECT TO THE FOLLOWING CAVEATS:

A. DEVELOPMENT ASSISTANCE: THE AFRICA BUREAU APPROVES THE DEVELOPMENT OF THE NEW STRATEGY WITH A PLANNING LEVEL OF US DOLLARS 11 MILLION IN DA/CSH AS A BASE LEVEL AND US DOLLARS 15 MILLION AS A HIGH SCENARIO SUBJECT TO AVAILABILITY OF FUNDS. THE BASE PLANNING LEVEL OF US DOLLARS 11 MILLION, WHICH IS THE EXPECTED FUNDING LEVEL DURING THE FY 2003 AND FY 2004 BUDGET YEARS, INCLUDES: APPROXIMATELY US DOLLARS 5.5 MILLION IN DA FUNDS, THE BULK OF THE DA CONSISTING OF ECONOMIC GROWTH AND AGRICULTURE WITH LIMITED ADDITIONAL DA FUNDS PROVIDED FROM HUMAN CAPACITY DEVELOPMENT. FOR THE CSH FUNDED SECTORS; US DOLLARS TWO MILLION IN HIV/AIDS; AND APPROXIMATELY US DOLLARS 3.5 MILLION PROVIDED FOR A MIX OF CSH AND INFECTIOUS DISEASES. FOR FY 2005 TO 2008, THE MISSION SHOULD PRESENT AN INCREMENT SCENARIO IN THE RANGE OF US DOLLARS 13 MILLION TO 15 MILLION. THE INCREMENT BUDGET SCENARIO WOULD ANTICIPATE A POSSIBLE EXPANSION IN ECONOMIC GROWTH, AGRICULTURE AND HUMAN CAPACITY DEVELOPMENT, A MODEST INCREASE IN THE HEALTH SECTORS AND A REQUEST FOR DEMOCRACY/GOVERNANCE AND CONFLICT FUNDING. MISSION IS REMINDED THAT PARAMETERS ARE PROVIDED FOR PLANNING PURPOSES ONLY. ACTUAL ALLOCATION OF FUNDS IS SUBJECT TO SHIFTS IN ANNUAL FUNDING APPROPRIATIONS, DIRECTIVES AND EARMARKS. IT SHOULD ALSO BE NOTED THAT HIV/AIDS FUNDS INCLUDED IN THESE PARAMETERS ARE SUBJECT TO REVISION AS THE AGENCY'S OVERALL STRATEGY ON HIV/AIDS BECOMES OPERATIONAL. A REPRESENTATIVE FROM EGAT NOTED AT THE PARAMETERS SETTING MEETING THAT A SIGNIFICANT GLOBAL PLUS-UP IN FUNDING FOR AGRICULTURE PROGRAMS IS PROJECTED AND THAT IT IS REASONABLE FOR USAID/ERITREA TO PURSUE THE POSSIBILITY OF GETTING ADDITIONAL AGRICULTURE FUNDING, AS WELL AS INVESTIGATE FINANCING FUTURE PROGRAMS THROUGH EGAT'S PRIME FUND.

B. STAFFING: THE AFRICA BUREAU RECOGNIZES THE IMPORTANCE OF MAINTAINING THE U.S. DIRECT HIRE (USDH) LEVEL OF NOT LESS THAN 4 TO IMPLEMENT THIS MULTI-SECTORAL PROGRAM, WHILE ALSO RECEIVING CONSIDERABLE SUPPORT FROM REDSO/NAIROBI, I.E. REGIONAL CONTRACTING OFFICER, REGIONAL LEGAL OFFICER, AND THE REGIONAL FINANCIAL MANAGEMENT CENTER. THE BUREAU CONCURS WITH THE MISSION'S REQUEST TO INCREASE ITS

U.S. PERSONAL SERVICES CONTRACTORS (USPSC) IF NEEDED, AS LONG AS THEY ARE PROGRAM FUNDED. THE MISSION WILL CONSULT WITH THE GSE TO ENSURE THAT THE MISSION'S STAFFING NEEDS WILL BE INCLUDED IN THE BILATERAL AGREEMENT.

C. OPERATING EXPENSE (OE) LEVELS: THE BUREAU APPRECIATES THE MISSION'S EFFORT TO STRAIGHT-LINE ITS OE BUDGET AT US DOLLARS 1,432,242 FOR THE LIFE OF THE STRATEGY (FY 2003-2008). HOWEVER, THE MISSION POINTED OUT THAT THERE WILL BE ANNUAL INCREASED COSTS IN PERSONNEL BENEFITS, SECURITY, AND ICASS SERVICES COSTS. THE MISSION IS EXPECTED TO MOVE TO A MORE SECURE LOCATION, THE INTERCONTINENTAL HOTEL IN 2002. AS A RESULT, THE STATE DEPARTMENT HAS APPROVED US DOLLARS 800,000 TO COVER COSTS RELATED TO THE MOVE, WHICH INCLUDES THE COST OF RENT FOR THE FIRST YEAR (FY 2003). THE MISSION ESTIMATED THAT THE NEW ANNUAL LEASE COST, US DOLLARS 226,000, IS US DOLLARS 184,000 ABOVE THE CURRENT COST OF RENT. THE AFRICA BUREAU AND USAID/ERITREA RECOGNIZE THAT THE US DOLLARS 184,000 ADDITIONAL COST OF RENT MAY REQUIRE AN INCREASE IN USAID/ERITREA'S OE BUDGET AND/OR BY COST SAVING MEASURES WITHIN THE MISSION'S FY 2004 OE LEVELS.

D. ECONOMIC SUPPORT FUNDS: STATE/AF/E STATED THAT IT WILL EXPLORE THE POSSIBILITY OF PROVIDING THE ECONOMIC SUPPORT FUNDS REQUESTED BY USAID/ERITREA, US DOLLARS 2.5 MILLION, TO FUND THE BORDER DEVELOPMENT PROGRAM. IT WAS AGREED THAT THE JOINT USAID/ERITREA AND USAID/ETHIOPIA BORDER DEVELOPMENT PROGRAM IS AN IMPORTANT MECHANISM TO PROMOTE PEACE AND ECONOMIC DEVELOPMENT IN THE BORDER AREA BETWEEN ETHIOPIA AND ERITREA.

E. FOOD AID: AVAILABILITY OF PL-480 TITLE II

RESOURCES. THE OFFICE OF FOOD FOR PEACE (FFP) CURRENTLY DOES NOT HAVE A DEVELOPMENT TITLE II PROGRAM IN ERITREA, HOWEVER ERITREA HAS BEEN THE RECIPIENT OF \$10 MILLION IN TITLE ONE RESOURCES IN BOTH FY 2001 AND FY 2002 AND EMERGENCY FOOD CHANNELLED THROUGH WORLD FOOD PROGRAM. ERITREA'S FY 2003 BUDGET HAS REQUESTED US DOLLARS 1.908 MILLION IN TITLE II RESOURCES. FFP HAS EXPRESSED WILLINGNESS TO CONSIDER COLLABORATION WITH AFR, USING A COMBINATION OF FFP RESOURCES AND AFR DA FUNDING TO PROMOTE PROGRAM INTEGRATION. IT WAS NOTED IN THE REVIEW THAT THE PRESIDENT'S FY 2003 BUDGET SUGGESTED A TARGET FOR REDUCTION OF TITLE II MONETIZATION OVER TIME FROM THE FY 2001 LEVEL OF APPROXIMATELY 65 PERCENT GLOBALLY TO

30 PERCENT. FFP AND PPC ARE WORKING WITH OMB AND OTHER STAKEHOLDERS TO IDENTIFY A MUTUALLY ACCEPTABLE, ACHIEVABLE MULTI-YEAR PLAN TO REDUCE THE PERCENTAGE OF TITLE II PROGRAM MONETIZATION. NEW AND EXPANDED FARM BILL AUTHORITIES PROVIDE SOME FLEXIBILITY RELATED TO TITLE II SECTION 202(E) AND ITS FUNDING; HOWEVER, IF TIGHT LIMITS ARE PLACED ON TITLE II MONETIZATIONS, THE MISSION WILL NEED TO CONSIDER ACTIONS SUCH AS SCALING BACK THE SIZE OF THE PROPOSED PROGRAM OR IDENTIFYING ALTERNATIVE SOURCES OF FUNDING.

6. ANALYTICAL AGENDA: ALL ADS-MANDATED TECHNICAL ANALYSES (201.3.4.11), PER BELOW, WILL BE CONDUCTED BY THE MISSION DURING THE DEVELOPMENT OF ERITREA'S INTEGRATED STRATEGIC PLAN:

A. ENVIRONMENTAL ANALYSIS: USAID/ERITREA WILL CONDUCT AN ENVIRONMENTAL ANALYSIS AS REQUIRED BY SECTIONS 118(-E) AND 119(D) OF THE FOREIGN ASSISTANCE ACT. THE NEW USAID/ERITREA ISP WILL INCLUDE A SUMMARY OF THE ANALYSES OF THE FOLLOWING ISSUES: (1) THE ACTIONS NECESSARY TO CONSERVE BIOLOGICAL DIVERSITY; (2) THE EXTENT TO WHICH THE ACTIONS PROPOSED MEET THE NEEDS THUS IDENTIFIED; (3) THE ACTIONS NECESSARY TO ACHIEVE CONSERVATION AND SUSTAINABLE MANAGEMENT OF TROPICAL FORESTS; AND (4) THE EXTENT TO WHICH THE ACTIONS PROPOSED MEET THE NEEDS THUS IDENTIFIED.

B. CONFLICT VULNERABILITY ANALYSIS: USAID/ERITREA HAS ALREADY COMPLETED A DESK-TOP CONFLICT VULNERABILITY ANALYSIS. IT WAS AGREED THAT USAID/ERITREA WILL CONDUCT A FULL VULNERABILITY ASSESSMENT THAT ADDRESSES THE POTENTIAL FOR CONFLICT. USAID/ERITREA WILL ALSO BE PART OF A REGIONAL CONFLICT VULNERABILITY ASSESSMENT THAT WILL BE COORDINATED BY REDSO.

C. GENDER ANALYSIS: THE COMMITMENT ON THE PART OF THE MISSION TO MAINSTREAM GENDER THROUGH FIRST IDENTIFYING WHAT THE ISSUES ARE AND THEN INCORPORATING THEM INTO THE DEVELOPMENT OF RESULTS FRAMEWORKS IS APPLAUDED. USAID/ERITREA WILL CONDUCT A GENDER ANALYSIS WHICH IS IN LINE WITH THE AGENCY'S GENDER MAINSTREAMING APPROACH THAT REQUIRES THAT APPROPRIATE GENDER ANALYSIS BE APPLIED TO THE RANGE OF TECHNICAL ISSUES BEING CONSIDERED IN THE DEVELOPMENT OF A GIVEN STRATEGIC PLAN. DURING THE ANALYTICAL WORK TO BE PERFORMED IN THE PLANNING AND DEVELOPMENT OF THE MISSION'S RESULTS FRAMEWORK, USAID/ERITREA WILL ADDRESS AT LEAST THE FOLLOWING TWO QUESTIONS: (1) HOW WILL GENDER RELATIONS AFFECT THE ACHIEVEMENT OF SUSTAINABLE RESULTS; AND (2) HOW WILL PROPOSED RESULTS

AFFECT THE RELATIVE STATUS OF WOMEN IN ERITREA. THE MISSION IS TO ENSURE THAT GENDER-RELATED ACTIONS REQUIRED TO IMPROVE THE LIKELY ACHIEVEMENT OF SUSTAINABLE RESULTS AND IMPROVE THE RELATIVE STATUS OF WOMEN ARE INCORPORATED INTO THE PLAN FOR AND DISCUSSION OF EACH SO (DEFINED IN ADS 201.3.4.5) IN THE STRATEGIC PLAN, AS WELL AS FOR ANY SPECIAL OBJECTIVES. PER 201.3.4.13, INDICATORS AND EVALUATIONS MUST ALSO REFLECT GENDER CONSIDERATIONS.

7. IN ADDITION, SEVERAL OTHER ASSESSMENTS AND SURVEYS THAT ARE ESSENTIAL TO BOTH UNDERSTANDING THE LESSONS OF THE CURRENT STRATEGY AND PLANNING FOR THE FUTURE STRATEGY ARE EXPECTED TO BE COMPLETED IN THE COMING MONTHS:

A. ECONOMIC GROWTH AND AGRICULTURE: AN OVERALL SECTOR ASSESSMENT WILL BE CONDUCTED WHICH WILL INCLUDE AN EXAMINATION OF THE FOLLOWING: THE POTENTIAL FOR RURAL ENTERPRISE DEVELOPMENT; AGRICULTURE AND FOOD SECURITY POLICY; ERITREA'S COMPARATIVE ADVANTAGES; THE PRIVATE SECTOR INVESTMENT ENVIRONMENT; AND A BELLMON ANALYSIS. THE ASSESSMENT WILL LOOK CLOSELY AT THE ROLE OF PL-480 TITLE II, AS WELL AS LINKAGES WITH THE HEALTH, AND CAPACITY DEVELOPMENT AND PARTICIPATION SECTORS. THERE WAS AGREEMENT THAT AFR/SD AND EGAT WILL ASSIST THE MISSION TO DESIGN TERMS OF REFERENCE FOR AN ASSESSMENT OF THE AGRICULTURE SECTOR, AND ASSIST WITH THE ANALYSIS.

B. HEALTH: ONGOING ASSESSMENTS WILL BE DONE

ENCOMPASSING THE DEMOGRAPHIC AND HEALTH SURVEY AND A MULTI-DONOR SUPPORTED HEALTH SECTOR REVIEW.

C. BROAD-BASED PARTICIPATION AND CAPACITY DEVELOPMENT: A COMMUNITY DEVELOPMENT ASSESSMENT WILL BE CONDUCTED IN COORDINATION WITH THE GENDER ANALYSIS, AND A CAPACITY DEVELOPMENT AND PARTICIPATION ASSESSMENT WILL BE INCLUDED AS AN ELEMENT OF EACH STRATEGIC OBJECTIVE SECTOR ASSESSMENT. IF THE POLITICAL ENVIRONMENT IMPROVES, A DEMOCRACY AND GOVERNANCE-ASSESSMENT WILL BE COMPLETED IN FY 2004.

8. CONSISTENCY WITH ADS: MISSION IS ADVISED THAT THE ISP SHOULD BE DEVELOPED IN ACCORDANCE WITH THE ADS, PARTICULARLY CHAPTER 201, WHICH DESCRIBES IN DETAIL THE ELEMENTS OF OPERATING UNIT STRATEGIC PLANS. THE MISSION IS ALSO ADVISED TO ENSURE FULL INTEGRATION OF

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RESULTS FROM ALL USAID RESOURCES INTO THEIR STRATEGIC OBJECTIVES AND THAT THEY WOULD BE EXPECTED TO INCLUDE IN THEIR STRATEGY STATEMENTS REGARDING THE MAGNITUDE OF RESULTS TO BE ACHIEVED WITH THE RESOURCES SUPPLIED OVER THE LIFE OF THE STRATEGY AT THE SO LEVEL AND IF POSSIBLE AT THE IR LEVEL. THIS WILL INCLUDE RESULTS STATEMENTS, INDICATORS FOR PERFORMANCE MEASUREMENT, BASELINES AND TARGETS.

9. THROUGH THIS CABLE, USAID/W APPROVES THE PROPOSED TIMETABLE FOR SUBMISSION OF THE ISP TO AID/W IN OCTOBER 2002, WITH AN ISP REVIEW IN NOVEMBER 2002. USAID/ERITREA MISSION IS ADVISED TO INFORM USAID/W, AS THE ISP DEVELOPMENT PROCEEDS, ON WHETHER IT FORESEES ANY ADJUSTMENT TO THIS TENTATIVE SCHEDULE.

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Scenario-Based Planning

Scenario-Based Planning

Given political developments in Eritrea and the region as well as the country's vulnerability to natural and man-made disaster, USAID/Eritrea has designed a five-year strategy that responds with flexibility to expected challenges in the operating environment. Through scenario-based planning USAID/Eritrea will respond to both negative and positive changes. Three scenarios have been developed that categorize the operating environment as: enabling, restrictive (current) and/or in humanitarian crisis. The restrictive scenario is reflected in the proposed ISP. It is hoped that through these efforts Eritrea will move towards an environment that will enable further economic, political and social development, that is towards the enabling scenario. Recognizing that there is always the possibility of natural, if not man-made crisis, a third scenario (crisis) has been developed to address humanitarian needs. This proposed scenario-based plan is an outgrowth of USAID/Eritrea's experience and lessons-learned implementing the Crisis Modifier, a mechanism designed and successfully employed, to facilitate USAID/Eritrea's response to a humanitarian crisis, during the current strategy. A detailed description of the three scenarios, the critical assumptions employed in each scenario, the triggers that will cause movement among them, and the indicators that will be used to track the need for invoking movement are described below.

The decision to trigger a change in scenario will be done in consultation with the GSE, the U.S. Country Team, including the Ambassador, USAID offices (AFR, DCHA/FFP and DCHA/OFDA), and other involved agencies (e.g., DOS, DOD). As such, any program modifications would also ensure the close collaboration of these relevant actors and resources.

USAID/Eritrea's scenario planning is based upon the following concepts and assumptions:

- a shift in scenarios during the strategy period based upon opportunities arising to support the evolution of democracy in Eritrea and to strengthen GSE efforts to build a civic based society and governance system;
- the government's role in the private sector to be reduced thus opening further opportunities for economic growth and privatization;
- peace with Ethiopia to hold and will continue its program to ensure a successful transition from conflict to peace;
- USAID/Eritrea will monitor general trends and 'trigger events' in order to assess whether or not the scenarios are shifting;
- USAID/Eritrea, country team, government, donors and partners will develop plans, negotiated with GSE policy makers as well as with primary counterparts, to strategically respond to shifts in scenarios and focus on new priorities as they develop;
- USAID/Eritrea and its partners are prepared to adjust activities and budget line items under approved strategic objectives in support of new priorities;
- Changes in the scenarios may not result in modifications in all SOs, e.g. as shift to the crisis scenario will probably not effect any change in SO 4 (health) while a shift to an enabling scenario will mean significant changes to SO 6 (community based participation);
- Operational capacities will be reviewed and adjusted as necessary (i.e., staff availability and staffing implications, restrictions on foreign exchange transfers or other funding restrictions, etc.)
- USAID/Eritrea expects a drought during the strategy period and it assumes that USAID/Eritrea can predict the nature of any resulting crisis with some degree of accuracy;
- If an emergency is declared there is a strong possibility of additional resources from DCHA/OFDA which, with DCHA/OFDA and DCHA/FFP resources currently programmed for Eritrea, will strategically link to the DA resources in the achievement of common results;

- In the event of the humanitarian crisis, USAID/Eritrea will use obligated Development Assistance funds within the scope for which the funds were notified and obligated but will strengthen their linkage to developmental relief;
- USAID/Eritrea will continue to use DA funds for development assistance purposes, not for disaster assistance purposes and
- There are possibly gender-based differences for each scenario.

It should be noted, as a backdrop to the subject of scenario planning in Eritrea, that the Conflict Vulnerability Assessment (CVA), summarized in Annex E, suggests that Eritrea is unlikely to experience widespread, violent internal conflict during the next five years. The values of nationalism, independence and unity continue to permeate Eritrean culture. These values coupled with the legacy of tight top-down organizational control of the ruling regime, which dominates information and security resources, mitigate against the likelihood of internal conflict. In addition there is little likelihood of conflict with Ethiopia reoccurring given that the costs of the conflict have exhausted the resources of both countries and effective international oversight of the peace process is helping to maintain implementation momentum of the peace agreement. However, there are some tensions with Sudan due to Eritrea's support of the Sudan People's Liberation Army/Movement (SPLA/M) and with Yemen over fishing rights in the waters off the coast. Until peace in Sudan is secured, Eritrea will remain vulnerable to regional insecurity.

However, there is potential for internal tension resulting from:

- the lack of space for political competition with the party, the PFDJ having become the principal political, economic and military institution in the country;
- economic stagnation and increasing poverty;
- potential grievances associated with refugee, internal displaced persons and expellee resettlement;
- the reintegration of demobilized soldiers into local communities;
- competition over scarce resources (arable land, pasture and water); and
- Eritrea remains highly vulnerable to drought and resulting food insecurity.

2. Operating Scenarios: Critical Assumptions and Country Risks

The following sub-sections describe the critical assumptions and parameters of each scenario, starting with the current situation. Relevant triggers and indicators for each scenario follow this section.

a. Restrictive (Current) Scenario

Given Eritrea's increasing dependency on foreign resources to finance its development, the quality of donor relations poses a significant risk to Eritrea's economic, political and social development. Specific interventions to mitigate those risks, by increased transparency and participation, where USAID believes it has a comparative advantage in intervening, have been designed as part of the strategic plan. If movement is faster than anticipated Eritrea will enter the enabling scenario sooner.

Macro economic reform and low growth of GDP

War with Ethiopia reversed many earlier macroeconomic gains as defense spending rose to 39 per cent of the national budget. Port revenues and markets dried up with the closure of the border and farmers from the most agriculturally productive part of the country were displaced from their land. The long-term macroeconomic consequence of the war is such that rapid sustainable

development will be much harder to achieve without major economic policy reforms. Reforms are needed to correct and maintain an environment conducive to expanding economic growth opportunities. The GSE is currently in dialogue with the IMF/World Bank to make some of the key policy changes necessary to stimulate growth. SO 5 will work with the ministries of trade and agriculture to support these efforts.

Private sector growth and regional trade

The GSE central objective is to generate foreign currency by increasing trade and making agriculture a focal point in its development. The existing environment has not attracted the hoped for investors. Investors claim that liberal policies are not implemented as intended that the business climate is not friendly to the private sector, and procedures are still cumbersome. The increasing role of the Party in private business is resented, as it is believed that party owned businesses have an unfair advantage in getting licenses, land telephones, foreign exchange etc. The Party owns twenty-two companies and it has a majority interest (over 60 percent share) in another eleven. By focusing on sub-sector growth where Eritrea has a comparative advantage, SO 5 will generate opportunities for private sector growth and subsequent generation of foreign revenues.

Food Security

Eritrea suffers from acute food insecurity due mainly to drought and lack of household purchasing power. Eritrea produces on average about 40 percent of its basic food requirements. With 90 percent of production coming from rain fed agriculture the situation is unlikely to change until Eritrea becomes less dependent upon this sector and/or those currently serving in the military are demobilized and resume productive civilian activities. With cyclical drought and uncertain rainfall a certainty, Eritrea needs to import or receive food aid to cover 25 to 75 percent of its food needs. Several consecutive years of drought, loss of cross-border trade with neighboring countries and damaged infrastructure has handicapped the agricultural production capacity of the rural population. The proposed strategy does not focus directly on food production because USAID's comparative advantage is in supporting diversification to reduce dependency on agriculture. In addition, DCHA/OFDA and FFP partners will mitigate crises by continuing to provide the food safety net so crucial to enabling the population to take advantage of opportunities for diversification.

Civil Society

There are currently 16 local non-governmental organizations allowed to operate in Eritrea. These are weak, have limited capacity and, with the 31 international PVOs allowed to operate in country, are only permitted to participate in humanitarian and relief activities on a transitory basis. The inherent difficulties presented by the operating environment for NGOs has led to the slow development and participation of Eritreans in their own development. However, the GSE has expressed interest in implementing a decentralization program, which would place more authority and autonomy at the zonal level where communities could work with local government on local community development programs. The decentralization policies are in place but they have not been implemented. There is a risk that if the GSE curtails the actions of community based organizations in the same way it has curtailed those of NGOs, then the anticipated results under SO 6 will not be achieved. However, it is anticipated that these activities will proceed and will in fact open up new space for dialogue between the government and citizens.

Information and Communication

Media and the flow of information between the government and the people are both restricted and less than transparent. Successful development depends upon the free flow of information to the targeted sector and population. In particular, the government needs to be more transparent in

providing forecasting, inputs and other useful information to farmers to improve agricultural production. In addition, the GSE needs to provide the necessary data and information to allow citizens and donors to assist in the recovery process. The Internet provides the only avenue for truly free and open communication.

b. Enabling Scenario

An enabling environment would be characterized by GSE actions to address many of the concerns and issues listed as part the current operating environment. A shift will require flexibility on the part of decision-makers, political will and strong national leadership. While the enabling environment will increase the impact of all SOs it will have the greatest influence on the achievement of SO 5 and SO 6.

Economic Policy Reforms

With reforms in place to attract investment, with increases in government expenditure to the agriculture sector, with policies and practices in place that would allow competition and encourage private sector growth, with agricultural production, diversification and development of export markets outside of Ethiopia, Eritrea's traditional export market, sustainable economic growth will take place. Furthermore as advances in food security are achieved through the economic growth activities begun during the current scenario and through rising household incomes, dependency on the safety net of food aid will be reduced. SO 5 activities will therefore be able to expand and targets increased.

Decentralization and Democratization

Implementation of decentralization and the extension of local elections from pilot areas to all zones will ensure greater community participation in economic and social decision-making as well as paving the way for more explicit democracy and governance activities. There has been some talk of parliamentary elections taking place in 2003. Furthermore, GSE has given indications that it would privatize and reform policies governing information technology and allow the introduction of mobile phones. In addition, a commission has been created to examine issues of media freedom. SO 6 is poised to take advantage of these opportunities as they arise to enhance democratic participation.

c. Crisis Scenario

The crisis scenario anticipates the need for redirection of resources in the event of a humanitarian crisis while maximizing the continued achievement of development results.

Peace Process

Although there is no guarantee that the peace process will hold between Ethiopia and Eritrea during this strategy period, there is the likelihood of continued progress. (See the Crisis Vulnerability Assessment summary in Annex E.) Nevertheless, it will be critical to closely monitor variables related to this process that could have domestic implications for Eritrea. These include the demobilization process, which has been much slower and less certain in Eritrea than in Ethiopia, and the lack of progress on reopening the border between Ethiopia and Eritrea for trade, which is having a significant negative impact on economic recovery.

Drought and Food Insecurity

As recent FEWSNET reports suggest, the most likely form of humanitarian crisis in Eritrea during the strategy period is natural, characterized by a major regional and/or localized drought. Such an event could be exacerbated by man-made political, economic and social variables.

Specific risks to SO 5's success in addressing food security issues through economic growth activities include: the slow pace of demobilization; poor donor relations which have already led to the withdrawal of DANIDA's support to the agricultural sector; donor fatigue reducing the amount of food aid sent to Eritrea for the safety net; GSE lack of progress on agricultural policy reforms; continued closure of the border and poor forecasting. In addition, the recent war, drought and the eroded agricultural asset-base, have weakened traditional coping mechanisms. In this environment critical humanitarian needs for water, health/ nutrition and food could emerge at any time. Such conditions could result in the following types of activities being implemented under SO 4 and SO 5 with DCHA/OFDA and FFP partners:

- The greatest impact of food shortages would likely affect children and women, thus requiring a nutritional surveillance system, institutional strengthening programs and targeted feeding programs;
- Drinking water would become increasingly critical and alternative water sources would need to be identified; and
- Compensation for the expected loss of agricultural output, in the form of seeds, pulses, tractor services and/or food for work would be needed.

Demobilization and Reintegration

With an end of the border war, Eritrea faces a similar situation to that experienced immediately after liberation. Namely, that the diverse experiences of male and female soldiers waiting to be demobilized, internally displaced persons, returning refugees, expellees, and students all of whom are further divided by gender, age, preference towards urban vs. rural livelihoods and religion, and each of whom have specific expectations and experience broader grievances, such as lack of political space for opposition and lack of economic progress differently. The GSE and its citizens have previously demonstrated both commitment and capacity to resettle and reintegrate populations affected by war. Resettlement and reintegration plans are well designed; utilizing community based approaches that minimize privileging any one group over another. The GSE also seeks to use reconstruction as a means to unify disparate groups and minimize any potential divisions that could arise from singling out particular people for particular treatment. To date, conflicts have not emerged and multi ethnic communities comprised of people from all groups have been successfully established. However, the fact remains that opportunities and resources are finite and some groups needs may be more fully met than others. Furthermore, the risk that the pace of demobilization and reintegration slows down due to lack of resources or due to the need to maintain a large army for security reason, is real. Should the pace be slower than anticipated success in every SO is at stake. One of the main constraints in improving health care is the lack of human resources, which has been exacerbated by so many staff being called up for military service. Similarly, many private sector businesses have been forced to close because their employees were also called up. If demobilization does not move forward as currently planned it may be harder if not impossible to meet the targets outlined in this strategy.

3. Movement Between Scenarios: Trigger Events and Indicators

Indicators for monitoring the events or conditions of the three scenarios are summarized in the table below. Each scenario includes a description of "trigger events" that would cause a special review of the program or an invocation of the programmatic adjustments outlined in Section D below. Monitoring these indicators will be tied to the annual reporting cycle and portfolio implementation reviews unless significant or triggering events and subsequent program modifications become necessary, in which case these would be reported on an on-going basis. Given that there is often an overlap in how events transpire, USAID/Eritrea's scenario-based plan does not emphasize the significance of any individual trigger as an overarching turning point

leading from one scenario to another. Instead, there is emphasis on general and indicative trends in the country and how the strategy proposes to respond.

Scenario	Trigger Event (Illustrative)	Indicators	
Enabling	<ul style="list-style-type: none"> Political reforms and opening initiated Economic reforms and privatization initiated Political shock or crisis (e.g. coup and/ or change in leadership and/ or challenge to leadership) Implementation of peace process 	<u>Political</u>	<ul style="list-style-type: none"> Release of dissidents Increased media freedom Implementation of Constitution Local Elections
		<u>Economic</u>	<ul style="list-style-type: none"> Increased budget transparency Documented reductions in military expenditures Privatization and reduced role of PFDJ Increased GDP growth rates % share of government expenditure to agriculture increases Macro economic reform
		<u>Social</u>	<ul style="list-style-type: none"> Rate of demobilization and successful reintegration Level of food aid
Restrictive	<ul style="list-style-type: none"> Political and bureaucratic restrictions in place Political shock or crisis (e.g. coup and/ or change in leadership and/ or challenge to leadership) Interruption of peace process 	<u>Political</u>	<ul style="list-style-type: none"> Boundary demarcation problems Detention of dissidents Detention of embassy staff Repression of free press
		<u>Economic</u>	<ul style="list-style-type: none"> Labor shortages due to military and national service and/or slow demobilization Lack of economic reform
		<u>Social</u>	<ul style="list-style-type: none"> Rate of demobilization and reintegration Level of food aid
Humanitarian Crisis	<ul style="list-style-type: none"> Natural disaster Man-made disaster Breakdown of peace process Escalating tension with Sudan 	<ul style="list-style-type: none"> Numbers of person's displaced Increased rates of malnutrition Number of person's vulnerable to drought conditions Increased Title II food emergency requirements Emergency Declaration by the U.S. Embassy Open, cross-border violent conflict 	
Sources of information			
<ul style="list-style-type: none"> Peace process and border demarcation: UNMEE Reports and briefings Food security: USAID Famine Early Warning System (FEWSNET) and field assessments All: U.S. Embassy & Country Team IMF, World Bank Reports 			

4. Program Modification

Proposed activities and results to be achieved over the life of the strategy under the current scenario are given in sections III, IV and V of the ISP. The program modifications likely under both the enabling and crisis scenarios represent an evolution of USAID/Eritrea in response to

possible changes. Shifts in activities could range from a change in focus, to a reprioritization of target groups, to shifts in funding between activities, to delays, to a complete shutdown of development activities, to the development of new initiatives and intermediate results responding to new opportunities. In the event of the crisis scenario, the capacity of the GSE and the availability and timing of international emergency humanitarian assistance would determine the magnitude of modification of ongoing/planned activities.

The decision to trigger a change in scenario will be done in consultation with the GSE, the U.S. Country Team, including the Ambassador, USAID offices (AFR, DCHA/FFP and DCHA/OFDA), and other involved agencies (e.g., State, DOD). As such, any program modifications would also ensure the close collaboration of these relevant actors and resources.

If-Then Analysis

USAID/Eritrea requests authorization to adjust programs in accordance with the following if-then analysis without prior approval from Washington.

Scenario <i>If...</i>	Overall Program Implications <i>Then ...</i>
<p>Enabling</p>	<ul style="list-style-type: none"> • A DG assessment is undertaken based on which additional funds may be sought to develop recommended activities. • An OTI assessment and subsequent intervention is requested. • Additional funds are sought in addition to the SO5 modifications outlined below to expand economic growth activities in light of macro economic reforms improving the environment for private sector growth and investment.
<p>Restrictive <i>(assumes funding for demobilization continues from the World Bank and that the program proceeds as planned)</i></p>	<ul style="list-style-type: none"> • USAID/Eritrea continue with existing activities to increase the self reliance of the people of Eritrea, improve health and accelerate economic growth • Promotion of participatory practices across sectors and strengthening demand and access for internet services maintains space for dialogue and community/NGO partnerships. • In the event of further restrictions and in consultation with the Embassy, USAID/Eritrea considers closing out selected activities which can no longer achieve results. • If demobilization does not take place targets may have to be adjusted based resulting short falls in human and financial resources
<p>Humanitarian Crisis</p>	<ul style="list-style-type: none"> • International agencies have begun to prepare contingency plans, in anticipation of the rain stopping early and humanitarian conditions declining rapidly. USAID participates in early planning for mitigation and response measures in each sector. • Should there be a crisis scenario, USAID/Eritrea will work closely with the Embassy Country Team, DCHA/OFDA and DCHA/FFP, other donors, and the GSE to coordinate response. Illustrative approaches could include the utilization of DA funds in close coordination with PL-480 Title II and modifications to ongoing or planned assistance to enterprises based on lessons learned from the invocation of the crisis modifier during the previous strategy. • Crisis modifier be invoked

Strategic Objective 4:

Use of Priority Primary Health and HIV/AIDS Services Increased

Scenario If...	Program Implications Then...
<p>Enabling</p>	<ul style="list-style-type: none"> ▪ Most adjustments under an enabling scenario require additional funding since the environment is not currently constraining success in the health sector. ▪ A major constraint on continued improvement of health outcomes is the shortage of human resources. If demobilization continues as planned this constraint will be alleviated and higher levels of impact may be possible as returning health workers are trained and deployed. ▪ If additional resources are made available in HIV/AIDS USAID/Eritrea will be able to develop a more intensive program to fill gaps in reaching high risk groups particularly CSWs ▪ If additional resources are made available in maternal health there is both need and scope to ratchet up interventions to reduce levels of maternal mortality faster and to provide operational support to enhance post abortion care
<p>Restrictive</p>	<ul style="list-style-type: none"> ▪ Refer to results framework in section III ▪ In the event of further hiatus in the programs of other donors and/or withdrawal of key donors and/or a halt to demobilization, the SO would increase its geographic and sub-sector focus as well as ratcheting down targets for achievement.
<p>Humanitarian Crisis (Experience during the last strategy has demonstrated that despite experiencing a major shock from the war with Ethiopia and resulting humanitarian crisis significant health results were achieved as planned and few DA activities had to be modified)</p>	<ul style="list-style-type: none"> ▪ In collaboration with DCHA/OFDA/FFP & PRM increase programming to meet nutritional gaps, provide emergency access to health care and enhance access to water ▪ Modify existing programs to enhance their mobility in the event of widespread population movements by establishing mobile clinics, moving health services with the population and increasing outreach in areas of population dislocation (i.e. establishing condom kiosks in IDP camps)

Strategic Objective 5:

Economic Growth for Rural Areas Accelerated

Scenario If ...	Program Implications Then ...
Enabling	<ul style="list-style-type: none"> ▪ Many adjustments under an enabling scenario require additional funding in order to respond to the additional opportunities for economic growth. However, even without additional funding targets for each IR are likely to increase. ▪ Increase support for emerging new businesses ▪ Provide assistance for privatization ▪ Increase BDS activities ▪ Shift towards increased partnerships with PVO/NGOs ▪ Expand the reach of MFIs ▪ Increase linkages between micro-enterprises financed under IR2 and SMEs encouraged under IR1 ▪ Increase pace and scope of policy dialogue
Restrictive	<ul style="list-style-type: none"> ▪ Refer to results framework in section IV ▪ If anticipated reforms do not take place and/or demobilization is halted targets will have to be revised downwards
Humanitarian Crisis	<ul style="list-style-type: none"> ▪ In collaboration with DCHA/OFDA/FFP increase programming to meet nutritional gaps, provide access to agricultural inputs and enhance access to water ▪ Shift resources to meet emergency needs following lessons learned from the crisis modifier this could include adjusting target populations and sub-sector focus, changing loan terms and targeting existing rather than new/emerging enterprises ▪ In the event of a humanitarian crisis targets would be reduced ▪ In the event of a remobilization businesses will close down and access to hard currency is likely to be further restricted which would necessitate both reducing targets and closing down certain activities.

Strategic Objective 6: Participation at the Community Level Increased

Scenario If ...	Program Implications Then ...
<p>Enabling (There are different levels of enabling each of which would result in increased demands for funding targeted towards enhancing opportunities as the open up).</p>	<ul style="list-style-type: none"> ▪ Many adjustments under an enabling scenario require DG funding which would be additional funding for this SO ▪ Increase funding for local NGO capacity building ▪ Increase funding for local government capacity building in support of the GSE decentralization program ▪ In the event that freedom of the press is restored begin working with journalists to both enhance their ability to respond to community needs for information and increase the voice of communities in the media ▪ In the event of local elections begin working with elected Baito's and CBOs to increase the role of citizens, particularly women, in economic, political and social decision making ▪ In the event of national elections -- seek ESF funding for election support ▪ In the event of a more liberal attitude towards opposition -- seek ESF funding for political party development
<p>Restrictive (The SO will lay the groundwork for future democracy and governance programming by harnessing the traditions of self reliance, building social capital and empowering citizens to advocate on their own behalf.)</p>	<ul style="list-style-type: none"> ▪ Refer to results framework in section V ▪ If access to information (internet, press, radio) is further restricted or privatization of internet and telecommunications is halted, shift focus to work within Ministries to broaden efforts throughout the program to increase communication flows as well as increase individual and community access information through alternative means. ▪ If restrictions are placed on working with CBOs some activities may need to be closed out.
<p>Humanitarian Crisis</p>	<ul style="list-style-type: none"> ▪ Shift focus of activities towards developing partnership and local capacity to meet priority needs in the areas of food security and water (possibly with OFDA)

Macroeconomic Overview and Data on Eritrea

ERITREA: A Macroeconomic Overview

Recent Economic Developments

Prior to the border conflict with Ethiopia, Eritrea enjoyed several years of sustained income growth, moderate but stable inflation, and a gradually improving balance of payments. However, the war with Ethiopia seriously disrupted the Eritrean economy, helping to reverse ten years of development efforts. In May 2000, hostilities intensified, resulting in an estimated \$565 million in property damages. This is equivalent to 93% of the country's 2000 GDP (IMF, p.5).

Consequently, current macroeconomic conditions in Eritrea can best be explained as a result of the border conflict with Ethiopia and the Government of Eritrea's (GSE) subsequent efforts to reconstruct the economy.

Prospects for Growth

Prospects for growth in Eritrea depend on multiple factors. Much of current growth comes from recent donor investments in post-conflict infrastructure building and redevelopment, rather than from a substantial expansion in Eritrea's productive capacity. In fact, Eritrea still faces a food shortfall caused by declining agricultural productivity and may suffer from widespread hunger and malnutrition if further food aid from donors is not forthcoming. Thus, the recovery of the agricultural sector is seen as an important pre-condition for the restoration of economic growth, particularly in the short-term.

Longer-term prospects for Eritrea's economic growth depend on the restoration of private sector capacity. This, in turn, relies on the availability of capital and labor, improvements in infrastructure, and the availability of intermediate inputs. Although stalled, demobilization of the military has the potential to ease current labor shortages; and large-scale, donor-funded projects are expected to provide the much-needed rehabilitation of infrastructure damaged during the war.

Long-term prospects for increasing the availability of affordable capital, however, will depend greatly on the establishment of a more competitive banking system that reflects market driven interest rates, and the ability of the GSE to contain rising government budget deficits. In the interim, loans to private businesses (extended through commercial banks) are included as part of the Emergency Reconstruction Program (ERP) which is primarily being financed through World Bank loans and donor funding.

Political Reform and Donor Aid

Although most observers agree that Eritrea has demonstrated an impressive commitment to the liberalization of its economy, many donors are more skeptical of progress made on the political front. Given the country's reliance on foreign aid, the potential alienation of key donors has significant ramifications for growth. The Economist Intelligence Unit (EIU) reported in March 2002 that recent government attacks on the freedom of the press have caused donors to reconsider their involvement in development aid to Eritrea. For example, the Danish government excoriated Eritrea for its "assaults on democratic principles and human rights" and announced that the Danish Agency for Development Assistance (DANIDA) would suspend development aid in response to the slow pace of democratic reform. Eritrea faces similar difficulties with Italy, a major donor for Eritrea.

Investment and Reconstruction

The defining characteristic of the post-conflict period has been massive investment in reconstruction and development. The World Bank projects a significant increase in the fraction of output devoted to gross capital formation in 2002, from 35.3% of GDP in 2001 to 44.4% in 2002. Foreign direct investment (FDI) is also expected to grow marginally. Increases in

investment are inextricably linked to the Government's desire to reconstruct infrastructure badly damaged by the war. The GSE's *Transitional Economic Growth and Poverty Reduction Strategy* (TEG), which lays out the government's policies for macroeconomic management and the promotion of economic growth, cites post-war reconstruction and development as the country's highest priority:

Direct war damage to infrastructure and displacement of people in the country's most productive farming regions severely disrupted agricultural production during 2000 . . . The government's overriding objectives following the end of the conflict are to rebuild the economy, restore social services and complete the economic and political reforms initiated before the conflict began. Rebuilding the economy will require rehabilitating infrastructure and buildings damaged by the war, and assisting displaced people to reestablish their farms and businesses.

Much of the investment for infrastructure reconstruction is being financed through the ERP, which began in November 2000 and is slated to run through December 2002¹:

It is imperative to reconstruct damaged roads, bridges, irrigation and other infrastructure as quickly as possible to enable farmers to obtain the inputs they need to cultivate their crops and ship them to market. It is also critical to reconstruct power and water supply systems, health clinics and schools, and to assist war-affected people...to rebuild their lives (14).

The ERP comprises four main components including agriculture, infrastructure rehabilitation, private sector reconstruction, and social protection.

Interest Rates and the Banking System

Interest rates remain stable, but this is largely due to the fact that interest rates on government securities are administratively determined and the fact that Eritrea lacks a competitive banking system.² In addition, although inflation is being contained, low nominal interest rates ensure that real interest rates are negative or close to negative.

Currently, there are only three major banks, which set interest rates for the country based on their capacity to maximize the spread between deposit and loan rates. However, Eritrea's first private bank, the Augaro, is scheduled to begin operations in the second half of 2002. This could assist in making interest rates more competitive, but, in the long run, the persistence of large government budget deficits can be expected to crowd out private investment

Trade and Exchange Rates

Eritrea's trade regime is among the most liberal in Africa; the number of tariff bands has been reduced from 12 to 3 and the maximum duty has been reduced from 200 to 25. However, Eritrea is neither a member of the World Trade Organization (WTO), nor does it have observer status. Either way, current trade statistics for Eritrea primarily reflect damage from the war. The balance of payments deteriorated rapidly after the onset of violence in 1998, culminating in a current account of -43 % percent of GDP in 1999, the year after hostilities broke out. Exports have fallen substantially from a 1993 peak of 33% of GDP, and now hover around 20%. Hostile relations with Ethiopia, once a major export market, have exacerbated the situation.

¹ The ERP is financed by a US\$90 million equivalent credit from the International Development Association (IDA) and US\$197 million from the Eritrean government and several bilateral and multilateral donors, for a total investment of US\$287 million.

² Savings deposit interest rates have been stable at 6 to 6.5 percent for the last several years, and loan rates have oscillated between 8 and 12 percent.

The ERP provides \$78 million in balance of payments support to the Government of Eritrea, which is now working with the IMF to assess its policy options. Efforts are being made to increase exports in product lines where Eritrea may have a regional comparative advantage, including salt, fruits, vegetables, fish and shrimp, livestock, flowers, garments and leather. Improved relations with nearby African and Arab countries may facilitate export growth; The African Growth and Opportunity Act (AGOA) can also provide new opportunities for exports to the United States, although near term prospects for Eritrea under AGOA appear limited (TEG, p.15).

The GSE fixed the local currency, Nakfa, to the USD from independence until May 1998, when it adopted a managed float (CCC 15). Following the outbreak of violence, the government once again implemented exchange rate controls, fixing the rate at 10 Nakfa per USD. After the conclusion of the war and the initiation of donor negotiations in August 2001, the government lifted these controls. However, there is a high probability that collusion among currency trade houses in the country (probably at the direction of the GSE) is taking place.³ In either case, the Nakfa has been depreciating substantially, reflecting Eritrea's balance of payments problems.

Prospects under AGOA

Although Eritrea is eligible for preferential market access to the U.S. AGOA, it has not received the required textile visa in order to take advantage of preferential treatment of apparel exports. As of the Jan-March 2002 quarter, the U.S. International Trade Commission (USITC) had reported no import trade from Eritrea. Near-term imports from Eritrea to the U.S. of fresh (unprocessed) agricultural products are unlikely given the lengthy process required in order to obtain U.S. Department of Agriculture (USDA) Animal Plant Health Inspection Service (APHIS) certification.

Government Consumption and Revenues

Government consumption as a percent of GDP increased markedly, from 49 percent of GDP in 1998 to 77.2 percent in 2001. The World Bank projects that government consumption will rise to 86 percent of GDP by 2002. Though observers had initially expected that the end of conflict would lower government spending on the military, the widespread need for infrastructure redevelopment and continued military expenses associated with a delayed demobilization program have kept the government from reducing expenditures as quickly as expected.⁴ In addition, fiscal revenues are low and expected to continue as such due to a general reduction of tax rates and the loss of revenues derived from trade with Ethiopia.⁵

The Pricing System

As of November 2001, the GSE intended to retain ownership of the Petroleum Corporation of Eritrea (PCE) and continues to set prices administratively (IMF). Although no fuel shortages had appeared despite repeated increases in the price of wholesale petroleum, the GSE has conceded that more frequent price adjustments for domestic fuel would help to ensure the financial viability

³ Collusion among currency trade houses is directed towards propping up the Nakfa, which is currently trading on the black market at 19.8 Nakfa to the USD while the official rate stands at 13.55 Nakfa to the USD.

⁴ Although the World Bank recently approved a \$60 million loan for the first phase of an anticipated three-phase demobilization program, physical demobilization of armed forces has not as yet gone forward.

⁵ The government's 2001 fiscal program included measures to simplify the tax system and improve tax and customs administration. However, the actual tax rates implemented in October 2001 were, in many cases, lower than had been discussed and, in addition, the government did not raise gasoline and diesel taxes, which were to be the main offset to the revenue reducing trade reform package.

of the PCE and promote efficient resource allocation. Other price controls that remained in place at that time apply to pharmaceuticals and bread.

Summary and Outlook

Although some progress to improve the enabling environment for private business, such as a move towards a more competitive banking system, have been put into place, the GSE continues to retain ownership of most of the productive enterprises in the country. Thus, substantial deregulation and privatization of major industries would contribute substantially toward a more positive economic outlook.

In addition, political repression and high levels of government spending are troubling aspects of the government's post-war behavior. Donors and private investors will be watching the government carefully. It is likely that unless the GSE demonstrates a commitment to political liberalization, donor relations will remain tense. Moreover, given the current conditions, investor confidence is likely to remain skittish.

Citations

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USAID/AFR/SD/SA
August 1, 2002
August 12, 2002 (revised)

ANNEX D

Summaries of Mandatory Analyses:

Gender Analysis

A Gender Assessment of Health Parameters and Delivery Systems, Agriculture and Enterprise Development and Women's Participation in Eritrea

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Purpose of the Gender Assessment

USAID/Eritrea is in the process of preparing a new Integrated Strategic Plan (ISP) for Fiscal Years 2003 to 2007. The previous strategic plan was modified because of the border war with Ethiopia. Now in Eritrea's post-war situation, the needs include reconstructing infrastructure damaged during the war; assisting population still displaced to integrate within a limited economy; demobilizing 200,000 soldiers; rebuilding the economy, and restoring social services. In addition, there is a need to complete the reforms started before the war in 1998 to promote economic and participatory development based on social justice and the rule of law. The USAID concept paper of July 12, 2002 notes that **"Gender equity is one such area. Although laws prohibit any limits on women's participation in all facets of society and the economy, gender disparities continue to be widespread."**

The FY2003-07 strategy aims to be scenario-based, and will include three dynamic scenarios that will characterize the operating environment as enabling, restrictive, and/or in crisis.

USAID/Eritrea's three Strategic Objectives (SOs) relate to the following: (1) improved primary health care (SO1); (2) economic growth for the rural sector (SO2); and (3) increased capacity and citizen participation for broad-based development (SO3). This report addresses the first two SOs, as well as part of SO3, (those aspects dealing with demobilization of women soldiers).

This document provides a framework for a gender assessment and analysis that will allow USAID/Eritrea to use a twofold approach. The first is a mainstream approach that allows for gender considerations to be part of every programming activity as a cross-cutting theme of each SO. This will involve mainstreaming women as participants, being gender-sensitive, and identifying gender issues that affect both men and women. The second approach may focus specifically on women where there is a special need, a gender or cultural sensitivity, a desire to test a project for applicability.

There is recognition that Eritrea has some interesting parameters in terms of women and gender issues. These include:

1. A macro-policy that is gender equitable at all levels and in all sectors.
2. Women at all levels in the political organization of the country.
3. A large number (30 to 57 percent) of households headed by women due to the large number of internally displaced persons (IDPs) and refugee populations, as well as to high numbers of men in the military and to male mortality.
4. A large number of women who served as fighters, combatants, and some who are currently in the military, all provide a lobbying force for gender equity in the patriarchal society.

5. Health and domestic parameters for women and girls that are highly inequitable (e.g., maternal mortality is amongst the highest in the world) with morbidity and mortality conditions that are unacceptable from a humanitarian perspective.
6. A substantial cadre of women entrepreneurs, employers, and employees in a variety of light industries and enterprises.

Data for this assessment were collected from: (1) interviews with USAID Mission staff, GSE and local government authorities, and representatives of NGOs and business organizations; (2) documents and publications; and (3) site visits of several health facilities. The report considers: (1) the general context of women and gender issues in Eritrea, including the macro-policy environment in terms of how gender issues are enshrined in law and legal codes and thereby impact political participation and education; (2) the health situation and constraints for women and girls in terms of reproductive health and HIV/AIDS; (3) gender issues relating to economic growth and income generation, in terms of rural and urban enterprise development; (4) studies of female demobilized soldiers; and (5) how USAID/Eritrea can take a cross-cutting approach to gender equity and increased participation of women in its funding, management, monitoring, and evaluation. The report contains the following appendices that also include all supporting tables: A. General Tables: Political Participation and Education; B. Tables for SO1; C. Tables for SO2; D. Tables for SO3; E. List of References; F. Persons Contacted; G. USAID/Eritrea WIDTECH Scope of Work: July 11, 2002; and H. USAID/Eritrea Follow-up Scope of Work: Operationalizing the Gender Approach in SO2

Socio-Economic Context--Policy Environment and Gender

Eritrea became an independent country from Ethiopia in 1993; a border conflict with Ethiopia (1998-2000) ended under the auspices of the United Nations in December 2000 and a boundary demarcation process is in progress. The country is divided into six administrative zones or zobas: Central (Mackel), Anseba, Gash-Barka, Southern (Debub), Northern Red Sea (Semenawi Keyih Bahri), and Southern Red Sea (Debubawi Keyih Bahri) zones. The population is estimated to be between 3.5 and 4.3 million people, composed of nine ethnic groups: Tigrinya (50 percent), Tigre (31.4 percent), Saho (5 percent), Afar (5 percent), Hidareb (2.5 percent), Bilen (2.1 percent), Kunama (2 percent), Nara (1.5 percent) and Rashaida (0.5 percent). Eritrea remains one of the poorest nations in the world. It is ranked 148 out of 162 countries in the UNDP's Human Development Index (HDI) for 2001, with estimates of life expectancy at 51 years, infant mortality at 66 per 1000 live births, maternal mortality at about 1,000 per 100,000 births; total fertility rate at 6.1 children born/woman, and population growth rate at 3.8 percent.

The economy is 80 percent agriculture (with mostly subsistence farmers and pastoralists). A small industrial sector (with much of the technologies being out of date) and a service sector comprise the other 20 percent. About a third of GDP is provided by Eritreans overseas.

The National Charter for Eritrea of 1994 notes that women's issues are major social issues. The macro-policy proposes efforts to: (a) sensitize the society to women's socio-economic and political transformations; (b) change all laws to reflect equality; (c) provide equal participation in education and economic activities; (d) develop labor saving devices to reduce women's drudgery; and (e) improve mother-child care services. Constitutional provisions allow for equality of women and men, reserves 30 percent of parliamentary and assembly seats for women, and allows women to run against men in elections. In 1998, women comprised 31 percent of Zoba Assemblies and 22 percent of the national Parliament. The National Union of Eritrean Women (NUEW), 200,000 members strong, assisted in lobbying for a land law that allows women to be owners. Girls enrollment rates are low (about 45 percent in elementary education, 16 percent in middle schools, and 12 percent in secondary schools). University female graduates are about 13 percent. Women

are 15 percent of vocational trainees, 28 percent of business students, and 78 percent of midwifery students. Adult female illiteracy is variously estimated at 60 to 90 percent.

SO1: GENDER ISSUES IN HEALTH AND HEALTH CARE DELIVERY

Eritrea's maternal mortality rate is a core indicator of gender inequality, and its high rate (1,000/100,000) reflects women lack of entitlement and opportunity to medical services during pregnancy, parturition, and after delivery thirty-seven percent of all deaths to women in the reproductive age group are related to childbirth. Contributing to this risk are: early marriage and pregnancy; female genital cutting (maternal morbidity and mortality complications arise in 38 percent of women with infibulation and 44 percent of women with excision); poor diet of girls and women in general and food restrictions during pregnancy; long years of child bearing; malaria; and almost no access to health care.

Traditionally girls were married prior to menarche (9 to 13 years of age); after social campaigns, the median age of marriage for women now aged 45-49 years increased to 15.9, while for women now aged 20-24, it increased to 17.6 years. Women with secondary school education marry more than 7.5 years later than uneducated women. Birth intervals are short, with 25 percent taking place before 2 years. Men are more pro-natalist and want 7 children, compared to 6 for women. Only 8 percent of married women use any form of contraception. The total fertility rate is 6.1 with rural areas having 7.0 and urban areas 4.2.

Pregnant girls/women usually go to their natal village for the first birth. Should complications arise, fathers and brothers occasionally make the decision to obtain medical help, but husbands usually refuse to make the decision for treatment. Coverage of births by MoH facilities is very low, as is the "met need" for treatment of life-threatening complications (hemorrhage, obstructed labor, complications of abortions, pre-eclampsia and eclampsia, and puerperal sepsis). Women's usage of antenatal services is about 41 percent, but varies by zones (25 to 51 percent). There is often insufficient staff at the health center level to handle life-threatening complications and at health station level to provide "obstetric first-aid" and drugs (parenteral oxytocics, anticonvulsants, antibiotics, etc.). The average high-risk rate is 19 percent with a high of 22 percent in Southern Red Zone where infibulation is practiced. This compares with the current international risk rate of 15 percent. Most of the maternal deaths occur at home and are probably underreported, while a large proportion of hospital admissions are due to complications of abortion.

The neonatal mortality is 35/1,000 babies born, and the hospital stillbirth rate is 42/1,000 total births. The perinatal mortality rate is 48/1000. More male (62 percent) than female (38 percent) children are taken to health facilities by mothers (94 percent of the cases) and fathers (11 percent). Thirty eight percent of children under 3 years are stunted (height/age); 44 percent are underweight (weight/age), and 16 percent are wasted (weight/height).

HIV/AIDS and Gender Issues

Health professionals believe that the HIV/AIDS epidemic is at an early stage (estimated rate is 3 to 4 percent). There is concern that the large military, that may be demobilized soon, as well as the "front-line" female bar/commercial sex workers (CSWs), will return to their homes and villages and spread the disease. The rate for CSWs was 23 percent in 2001, although other serosurveys show 40 percent. Most Eritrean adults doubt the severity of the epidemic (72 percent perceive themselves as having no risk). It is culturally taboo to speak about sex, and condoms are associated with prostitutes; hence, communication between partners and spouses is a barrier to condom use, and both sexes accuse the opposite sex of playing a greater role in the transmission of the disease.

There are different risk factors and gender issues for each sex. Men and boys rank their risk as low, even if they are having sexual contacts with CSWs. High alcohol intake, smoking, and gambling are male risk factors associated with the disease. The gender issues for women revolve around the fact that they cannot negotiate safe sex with their partners, as they are economically dependent and play submissive roles. As condoms are associated with prostitutes, wives are adverse to them. Women are even more likely than men to claim they have no risk. Sixty two percent of CSWs claim they had no risk, yet are the most likely to know someone living with HIV/AIDS (30 percent) or who has died from the disease (34 percent). Women are usually the main care-givers to the affected; some have to cope with decreasing income and became CSWs themselves. People living with HIV/AIDS (PLHAs) are shunned by the society.

Options and opportunities to address barriers to women's health care delivery through USAID/Eritrea's ISP, FY2003-07

1. Promote the concepts of "safe motherhood," "family management team," and "responsible fatherhood." Design community education programs on the danger signs and health care decision-making. Work with administrative units and community based organizations (CBOs) to plan for transportation routes. Capacitate pilot villages with radios (and subsequently cell phones) for emergency care. Men as husbands and fathers need to be participants in this project.
2. Promote a radio and other media project to mount an awareness campaign concerning the poor health and nutritional status of women.
3. Carry out rapid appraisals of client barriers and demands for health care delivery systems in relation to reproductive and child illnesses.
4. Carry out a study on the relation of severe forms of FGC (infibulation and excision) as they relate to maternal mortality and morbidity.
5. Train additional midwives and place in health stations and centers—some trainees to come from the demobilized soldiers. Restrict trained traditional birth attendants (TBAs) to referral services, but upgrade their kits to assist in normal births. Have midwives visit women who are in the last trimester and/or high-risk cases.
6. Collect and report by gender, the data on (a) adult and childhood diseases and mortality and (b) malnutrition and growth indicators for girls and boys.
7. Design a post-abortion care project that would have vocational and entrepreneurial components, as well as educational ones dealing with family planning, HIV/AIDS awareness, etc.
8. A Behavior Change Communication (BCC) strategy should be part of USAID projects to assist people to understand their HIV/AIDS risk, develop communication strategies between partners, and change attitudes towards PLHAs. Design a project for education, enterprise development, and social marketing of condoms for CSWs, as well as for military men using BCC types of focus groups.
9. Fund a Telephone Hotline for STDs/STIs and HIV/AIDS to be run by NUEYS and demobilized soldiers.

SO2: GENDER ISSUES IN ECONOMIC GROWTH

Gender Issues in Agriculture: Although 80 percent of the population are engaged in agriculture, Eritrean women are less likely to be considered farmers than elsewhere in Africa. The Tigrinyan word for farmer can only denote a man. Women may believe that all the tasks they do in the field (plowing, harvesting, threshing, etc.) and with livestock (shepherding, feeding and caring for sick animals, milking, etc.) are not agricultural or skilled. The MoA states that there are no disaggregated data on women's participation and access to its services (e.g., agricultural inputs, credit, and extension). Women are also left out of most extension programs with contact farmers, trial cooperators, and contract commercial farmers--these *only* have male participants. A recent MoA report notes that the Home Economics Unit (HEU) within its structure is ghettoizes women, and there is the "perception among MoA staff...that women are 'taken care of' by the activity of the local HEU agent and by NUEW. This...often result(s) in women's exclusion from...MoA activities."

The Agriculture Sector Support Program Phase 2 (ASSP2) has not disaggregated any data by sex of household head or by male and female participants, and so it is unknown if women and female headed households FHHs are receiving any support or services. Women may not be perceived as being involved in commercial agriculture and agro-processing, although some are already doing so. As a result, technical assistance on crops and livestock), loans, agribusiness skills, and new enterprises are not offered to them.

Options and opportunities to address barriers to women's participation in agricultural activities and services through USAID/Eritrea's ISP, FY2003-07

1. Provide a training program in Gender Analysis Training (GAT) within the MoA, and for other line ministries as needed. Most multilateral and bilateral agencies, including USAID, have undergone GAT for their own staff to make decision-makers and frontline extension workers aware of women's roles in agriculture and rural production. USAID has great depth in terms of providing technical assistance in this activity.
2. Genderize the agricultural curriculum at all levels. Again USAID has depth in terms of providing technical assistance in this activity.
3. Develop strategies to target women as farmers for agricultural services, and monitor their participation.

Food Security and Gender Issues

The HEU sampled about 2,000 households to study nutrition practices and food security. Richer households had higher levels of food security, and in Northern Red Sea, the difference was significantly higher between rich households and low and middle-income households. The survey also found that men were given food priority in all households, regardless of wealth levels, and that girls and women defer to boys and men in terms of food. However, most food security studies do not survey both men and women in the household to understand their respective access to food, contribution to production, and control over food supplies.

CARE's Community Based Savings and Credit Associations (CSCA) project funded by USAID directly addresses the need for food security and income by building on a mechanism that is used both traditionally in Eritrea and elsewhere in Africa. Termed "merry-go-rounds" or rotating savings groups, each member contributes a certain amount weekly or monthly and then one member at a time gets the total in rotation. CARE's project adds additional funds so that participants may borrow for enterprise development. Ninety four percent of the participants are women; they are saving well, although only a few loans had been made from the revolving funds.

During this consultancy, various projects and documents were examined for gender and suggestions were made for inclusion. Suggestions for including gender issues in the Scope of Work for the "Economic Growth and Food Security mission" to assist in the preparation of the ISP and the "Food Security Strategy Paper" are presented in Appendix H. The planned studies on food security need to be sensitive gender issues and collect and analyze data on both male and female household members.

Options and opportunities to address barriers to women's participation in food security and rural enterprise efforts through USAID/Eritrea's ISP, FY2003-07

1. Food security studies need to be designed so that they collect data on women and men (in male headed households) and FHHs. This should be done by wealth categories. A survey of cultural practices in relation to food at the household level needs to be carried out in selected communities.
2. Food security projects need to disaggregate data by gender in terms of program/project recipients; sex of household head, levels of food security and wealth, etc.

3. The National Food Security Steering Committee should have women members and representatives from organizations that have worked with FHHs.
4. A project is needed to prepare radio programs on the need for women and girls to have adequate diets for prevention of maternal morbidity and mortality. CBOs can be trained to disseminate this type of information as well.
5. Agricultural and agriprocessing endeavors for women farmers should be developed to include commercial production of various commodities (honey, poultry, dairy goats, horticultural crops, silk worms, agro-mechanics/machinery, grain mill ownership, fish processing and products, etc.). Marketing strategies for these products need development.
6. A project should be developed to promote contract farming for women and men concessionary farmers (who are already land owners).
7. A project should promote agribusiness activities for women (e.g., agroprocessing, grain mill and feed retail stores ownership, agribusiness services, etc.).
8. Technical assistance on market storage facilities for agricultural products from farm-gate, as well as for agroprocessed foods needs to be delivered to women farmers.
9. A series of successful role model cases and stories of women involved in farm and non-farm commercial activities needs development for dramatization by dance groups, radio shows, and for adult literacy books.
10. A technical assistance project should be developed that has an ombudsman/woman to assist women and women's groups to obtain land and qualify for agricultural services.

Enterprise Development and Gender

A comprehensive countrywide study of micro-small, and medium enterprises (MSMEs) was carried out in Eritrea in 1995-96. A total of 17,030 enterprises, employing 34,773 people for the primary study, and 3,419 enterprises for a secondary study were surveyed in Asmara; major, small, and rural towns; rural localities; and large, medium and small villages. These data, much disaggregated by gender, are 7 to 8 years old, but still provide a baseline for project design and implementation of new enterprises.

They show that 42 percent of the total labor force were women, while 45 percent of enterprises had no women workers, and 35 percent consisted of female workers only. As the size of the enterprise increased, the proportion of women owners and workers decreased. A relatively high proportion of women were owners (81 percent), and 42 percent of all Eritrean MSMEs were owned by women; only a percent or two were jointly operated by a man and woman. The rate of launching enterprises since liberation was equal for men and women. Female dominance in the manufacturing sector (66 percent) of enterprises was "due to smaller activities such as brewing of traditional drinks, baskets and traditional broom-making, mat-weaving, and producing different kinds of snacks and juices," all mainly in the informal sector. At the industrial level, female-owned MSMEs were less prominent, except for hair salons and rental services, while in trade, "female-owned MSMEs accounted for greater than half of hotels and guest houses, restaurants and bars, tea houses, traditional drink saloons, vending food and non-food items, and retailing edibles (poultry, spices, baskets, juices, vegetables)." More women than men owners were unmarried and women were more often taking care of families and dependents. Two-thirds had no formal business training, but acquired their skills through their own work experience.

Current data on entrepreneurship and women

Two major formal sector business organizations are the Chamber of Commerce and Employers Federation of Eritrea (EFE); they are concerned that they have fewer women than men members, and want to have a woman's desk. Currently there are there are about 2,200 chamber members, approximately 267 of them are women. Their enterprises range from small to medium to large.

small-scale enterprises (ERN20,000-100,000) with 2-9 workers. Women's non-agricultural enterprises include tea shops, retail trade, textiles, etc., while their agricultural enterprises include commercial poultry, honey, and goat production. Medium scale enterprises (ERN100,000-500,000+) with 10-25 workers. Women's non-agricultural enterprises include retail edibles, restaurants and bars, building contractors, retail shops, textile and sewing, typing schools, accounting and bookkeeping, small hotels and pensions, printing services, repair of motor vehicles, and consultancy companies. Women's agriculture enterprises include horticultural products (flowers) and the manufacture of oils and vinegar. Large-scale enterprises (over ERN1,000,000 with 25-50+ workers. Women's non-agricultural enterprises include restaurants, hotels, grocery stores, building contractors, and retail stores, and manufacturing textiles, wood products, construction materials, footwear, and leather products.

By contrast, informal sector micro-enterprises are outside the Chamber of Commerce. They usually take place at the community and village levels, often aiming simply to increase incomes above basic subsistence levels. Women are involved in non-agricultural enterprises that include petty trade, food processing, and crafts, etc., while agriculture enterprises include backyard poultry and horticulture. There is a tendency to stereotype women as only micro entrepreneurs.

A recent study found that about 44 percent of urban (formal sector) women entrepreneurs went into business after they had some business work experience; 66 percent judged themselves as doing as well or better than men, while 27 percent admitted they lacked confidence in decision-making. Few had any training or thought it was important. Projects under SO2 for business development services (BDS) and improve your business (IYB) will need to find strategies to target and convince women business owners to participate.

Eritrean women and men need to be aware of the range of entrepreneurial activities in other African countries and elsewhere. It is suggested that they learn about the Pan-African Enterprise Network and its three regional networks (the West, East, and Southern Africa Enterprise Networks), which have 31 country chapters. Twenty-two percent of the total members are women, and all members follow global business practices and have wide-reaching networks. These network associations were constituted by USAID, the World Bank and Club du Sahel; and there could be a request to USAID for an Eritrean network/association, as well as for funds to attend network conferences in Africa.

USAID's follow-on project initiative to the Rural Enterprise Unit (REU)

The REU, under the Rural Enterprise Investment Partnership (REIP), has initiated and plans to expand its business development services (BDS) to go along with loans already made under the Crisis Modifier to traditional bank business clients, as well as to an expanded clientele. Project activities need to be genderized, and this has been carried out in Appendix H. The project plans to provide free training to business owners and new customers on labor management, tax awareness, product costing, record keeping, product marketing, stock control, and business planning. It is recommended that future projects provide a mechanism for business owners to get individualized business plans. These would need to be individually carried out on a fee basis. Women business owners should be encouraged to have these business plans, and the usage and results of such services should also be monitored by sex of business owner.

Options and opportunities to address constraints to women entrepreneurs through USAID/Eritrea's ISP, FY2003-07

1. Develop and promote case studies of successful women entrepreneurs in Eritrea and elsewhere for use in media and training courses.

2. Provide technical assistance to develop marketing channels in small towns and villages in addition to carrying out training for individual business owners on Business Development Services (BDS) and Improve Your Business (IYB).
3. Constitute an Eritrean chapter of the African Enterprise Network. Select a group of "new generation" women and men entrepreneurs to attend network Conferences in other African countries. Have Eritrean formal-sector businesswomen owners join the African Federation of Women Entrepreneurs (AFWE).
4. Develop a project especially for tourism, and restaurant and tea shop establishments that includes BDS training (e.g., customer care, phytosanitary and hygienic standards, menu preparation and sourcing ingredients, etc.), and advertising techniques.
5. Provide technical assistance to set up an enterprise database similar to the HMIS that categorizes MSMEs and large-scale enterprises by sector, location, gender, etc.
6. Promote demand-driven "Individual Business Plans" to both IYB and non-IYB types of training, and target women as well as men.

SO3: INCREASED CAPACITY AND CITIZEN PARTICIPATION

This section focuses on gender issues and enterprise training for demobilized women soldiers, an important portion of the SO 3 strategy. Other aspects of SO 3 will be addressed in subsequent USAID assessments.

Demobilized Women Soldiers and Enterprise Development

Two previous demobilizations, 1993 and 1994-95, consisted of demobilizing 26,000 fighters (5,000 women) who joined from 1990 onwards and 22,000 fighters (8,000 women) who joined before 1990. These women had difficult times reintegrating into rural communities where patriarchal domination prevailed, and where families expected the ex-fighters to assume women's ascribed, submissive roles. Various training programs and business opportunities for them were constructed, but in many cases, there were no waiting jobs, and their training was inappropriate for particular employers and industries.

In 2002, the National Commission for Demobilization and Reintegration Program plans to demobilize women soldiers mobilized in 1998. Its survey of 5,000 women aged 18-35, found that 3.4 percent want further education; 19.7 percent want to continue their old job; 21 percent want to do farming; 31 percent want to start their own business; and the remaining were in other categories. Some were already serving in line ministries that want to retain them.

A recent UNDP study found that the 21 percent of male soldiers want to farm upon demobilization already own land. The sample included 105 women, 15 of them (14 percent) wanted to go to rural areas after discharge, while the majority 54 (50 percent) wanted to go to urban areas. The study noted that "women would be culturally biased in choosing the term "farmer" which is male, but if they were offered a choice of poultry keeping or another agribusiness, their responses would have been different." A few women already owned livestock. The study extrapolated to about 200,000 male and female soldiers who could be demobilized; of these, 3,500 to 3,700 would be female soldiers who might want to do farming. In addition, perhaps as many as 45,000 wives of male soldiers would also need enterprise training. The "standard" agricultural enterprises for women (poultry, dairy goats, sheep/goat rearing) and small village shops were listed as appropriate for them.

Options and opportunities to address demobilized women soldiers through USAID/Eritrea's ISP, FY2003-07

1. UNDP has commissioned studies on training and the labor market; gender considerations need to be inputted into the SOWs and planned reports. As well, coordination with NCDRP and UNDP concerning business training and loan programs for demobilized women soldiers needs to be carried out.

2. Technical assistance projects could develop women's centers, and also help demobilized women soldiers to set up commercial day care facilities for their own and other children. Women at all levels of the society and in rural and urban areas require childcare facilities, not only to work or be trained, but also to belong to CBOs and participate in committees of any sort.
3. Mechanisms for female DSs to participate in urban and rural loan and credit programs and to learn business development skills could be part of SO2 projects.
4. Female DSs with medical backgrounds should be trained under the TASC project as nurse midwives for the Ministry of Health.

COORDINATING USAID/ERITREA'S CROSS-CUTTING APPROACH TO GENDER EQUITY AND INCREASED PARTICIPATION OF WOMEN

USAID/Eritrea and its SO teams recognize the need for gender equity and wish to treat gender as a cross-cutting theme throughout its programming.

In terms of Gender Funding and Management Recommendations, USAID/Eritrea should attempt the following.

1. Provide grants, contracts, and projects to organizations and individuals which will include this cross-cutting theme in their work plans, reports, project designs, project implementation, monitoring, and evaluation.
2. Implement a better approach to gender issues and participation of women based on the constraints and opportunities described in this document. There has been a tendency to mention gender issues, women, and FHHs in proposals and reports, but no concrete strategies or budgetary categories are offered to address the topic.
3. Require grantees and local contractors to include measurable and reportable participation of women. The GSE reserves 30 percent of its political spaces for women, and allows women to stand against men in elections as well. It would be appropriate for USAID to replicate this type of target.
4. Remedy the poor performance of girls in formal education and promote the study of non-traditional disciplines and fields for women at the tertiary level. Require that women vocational trainees, as well as demobilized soldiers to be trained be given places in non-traditional skills programs (e.g., agromachinery, electronics and computers, rather than the "female courses" of catering and secretarial training).
5. Promote women in various enterprises and in a variety of credit and loan programs.
6. Fund projects that do not stereotype women and their activities.

Monitoring, Evaluation and Compliance on Inclusion of Gender Perspective

Many USAID/Eritrea reports did not contain gender-disaggregated data, which would be a simple first step. Such data not only allow gender monitoring, but alert project staff to be cognizant of the need to locate female participants and be sensitive to gender issues. Evaluation relates the results achieved against the stated goals and objectives, and, project documents must measure the participation of women as household heads, individuals, and in groups against project targets. If there are reasons that projects cannot target women or include gender issues, they need to be discussed.

The USAID/Eritrea Mission Director and SO team officers should check their work for the inclusion of: (a) gender issues; (b) women as well as men participants; (c) gender-disaggregated reporting formats; and (d) new strategies and techniques for better gender inclusion. In terms of focal points, it is suggested that a 3-person committee be formed, one from each SO, to monitor the inclusion of gender issues and women participants in the work of their unit, and that that these persons not be junior officers.

Options and opportunities for address barriers to gender issues in monitoring, evaluation and compliance in USAID/Eritrea's ISP, FY2003-07

1. All reports and monitoring formats for project and program activities need to be genderized; data on participants and recipients of project services must be disaggregated.
2. All SOWs need to be checked for the inclusion of gender as a cross-cutting theme, as opposed to a separate section or comment.
3. Each SO should appoint a senior individual to form part of a Gender Issues Committee that holds monthly meetings.

ANNEX D

Summaries of Mandatory Analyses:

Environmental Analysis

Environmental Threats and Opportunities Assessment for Eritrea -- With Special Focus on Tropical Forestry And Biological Diversity

Carl F. Maxwell and Iyob Tesfu
September 18, 2002

The Environmental Threats and Opportunities Assessment (ETOA) will constitute the Environmental Annex required in USAID/Eritrea's Integrated Strategic Plan (ISP) for 2003-2007. Carl F. Maxwell and Mr. Iyob Tesfu prepared this assessment under a short-term consultancy, Purchase Order 661-0-00-02-00084-00. The purpose of the ETOA is to advance USAID/Eritrea's ISP by providing and ensuring:

- An overall understanding of developmental threats to Environment, Biodiversity and Tropical Forests;
- An assessment of the environmental threats and opportunities (ETOA) within USAID/Eritrea's geographic and programmatic scope of responsibility; and,
- Ensuring basic compliance with the environmental provisions of the FAA.

At present, the country faces a number of daunting development challenges: meeting immediate needs for emergency humanitarian assistance; reconstructing infrastructure damaged during the war; assisting nearly one-third of the population that has been displaced to integrate within a limited economy; demobilizing 200,000 soldiers; rebuilding the economy and restoring social services. Prior to the war in 1998, the National Environmental Management Plan for Eritrea (NEMPE) was prepared and approved by the Government of the State of Eritrea (GSE) in 1995. Implementation of the Plan was started in 1996. The GSE has formally approved the Convention of Biodiversity (CBD) on March 21, 1996 and has prepared its National Biodiversity Strategy and Action Plan (NBSAP) in July 2000. Interviews were conducted with key government officials, biologists, wildlife experts and conservationist to clarify details and to get a more informal understanding of the on-the-ground biodiversity conservation picture in Eritrea. Primary contacts with the GSE were with the Department of Environment (DOE) and the MoA concerning terrestrial forests and wild life of Eritrea, including a visit to the Ministry of Fisheries, whose head office located in Massawa in regard to Marine Biodiversity studies. The NBSAP was a major source of information for this assessment report. Other sources of information are listed in the Appendices.

The approach used in the assessment was to collect and analyze information on biodiversity and tropical forestry. This included document research, interviews with key individuals in organizations concerned with biodiversity and tropical forestry (see Annex B for a list of persons contacted), and field trips (Meeting reports available separately). In addition to extensive interviews with stakeholders in Eritrea, the team met in Massawa, Eritrea with key persons in the Ministry of Fisheries, other government institutions and NGOs. In addition the team visited various sites in the capital Asmara and surrounding urban areas including a visit to Zoba Anseba (Keren) and Zoba Gash-Barka (Barentu) experiencing firsthand many of the major landscapes and biodiversity in Eritrea. The recently completed National Biodiversity Strategy and Action Plan (NBSAP) including the USAID/REDSO/ESA Strategy – ETOA completed in May 2000 was a major source of information for this assessment report. The team reviewed the twenty-six recommendations of the NBSAP and recommends six actions to be considered for the Integrated Strategic Plan. These are listed on page 23 of this report.

Section V “Conservation of Tropical Forestry and Endangered Species” reviews the context for USAID/Eritrea’s actions, and considers each component of the strategy in terms of environmental issues, including appropriateness of strategic choices; potential impacts of activities; issues of environmental compliance; and opportunities for integrating and linking environmental activities.

Section IV “Analysis of Impacts on Natural Resources” reviews the Cause-Effect relationship of various sector activities, both past and present, in regard to their impact on the environment, biodiversity and the forest of Eritrea. This analysis was used to determine which actions best fit into the strategic objective activities of the ISP.

ANNEX D

Summaries of Mandatory Analyses:

Conflict Vulnerability Assessment

Eritrea Conflict Assessment: Desk Study

Terrence Lyons, Wendy Marshall and Steven Tucker

This desk study conflict assessment was conducted as a first step in understanding potential conflict dynamics in Eritrea over the next five years. While the resultant findings have not undergone field “ground-truthing”, the study suggests that Eritrea is unlikely to experience widespread, deadly internal conflict in the coming five years. This preliminary conclusion is based upon the hypothesis that the strong government capacity to inhibit violent conflict through its domination of information and security resources, and the nationalism and patriotism pervasive among the Eritrean people would effectively undermine any efforts to mobilize violence as a means to address existing grievances. The study also examines the likelihood of renewed conflict between Eritrea and Ethiopia, finding that this, too, is not highly likely given the costs of the conflict, which have exhausted the resources of both countries, and the international oversight of the peace process, which should mitigate potential “brinkmanship” during the process and help maintain implementation momentum.

These conclusions are based on an analysis that considers five categories of conflict causes. Root causes are generally deep-seated within societies and include both grievance and greed factors. Causes related to mobilization and expansion of conflict include organization and information networks, as well as military and human resources for perpetrating violent conflict. Causes related to government and social capacity may inhibit conflict by restricting the opportunity for it to emerge or by ameliorating conditions that motivate the pursuit of conflict; in contrast, government and social institutions may contribute to the development of conflict by neglecting to address motivations for conflict or by manipulating grievances for gain. Regional and international causes, such as arms flows, may destabilize a country while international actors may support constructive management of conflict causes. Finally, windows of vulnerability exist in which countries and societies undergo periods of stress, potentially increasing the likelihood of conflict to emerge.

Social Context: Eritrea's Liberation Heritage

Eritrea's liberation heritage provides the context within which the potential for conflict must be examined. This legacy contributes to the government's ability to suppress violence and to the importance Eritrean people place on national unity. Eritrea was successful in achieving independence from Ethiopia in part due to its strong sense of national unity, well-organized military command, and on-going support from its diaspora community. Given the relative newness of independence and the external attacks against the country since, in the form of the Eritrea-Ethiopia border war, security and independence remain of highest priority. Today, the values of nationalism and unity continue to permeate Eritrean culture and would likely serve as effective social deterrents to those attempting to gain political power by force. Such actors would likely lose public credibility, as their actions would be seen as threatening the integrity and, ultimately, the existence of the Eritrean State. Other aspects of Eritrea's liberation heritage critical for understanding the potential for contemporary conflict include the successful mobilization of the diaspora and the legacy of tight, top-down organizational control of the ruling regime, which arose from the liberation army. These factors contribute greatly to the current government's monopoly on financial and organizational mobilization resources.

Regional Causes of Conflict: Eritrea and Ethiopia

The dominant consideration of conflict and Eritrea in the last few years has been Eritrea's war with Ethiopia. While ostensibly over the location of a poorly demarcated border, multiple contentious issues lay between the two states relating to economic relations, citizen rights, and distrust from the period when both leaderships were engaged in the struggle against the Mengistu regime in Ethiopia. The war ended with a cease-fire in 2000 followed by a peace agreement later the same year. At the time of this study, critical elements of the peace process were still underway, including deliberations by the Boundary Commission; claims settlements and eventual demarcation of the border had yet to begin. Continued posturing, mistrust, and potentially provocative actions by both parties fuel uncertainty over whether the peace process will survive. Given the economic drain that the war has placed on both countries and the significant international investment and continued pressure to follow through with the peace process, it seems most likely that the process will endure. However, settlement of the border itself, as well as claims for damage, is still in process. Both regimes could face significant internal pressure should these decisions be viewed unfavorably by their populace. Pro-war, semi-autonomous regional leaders in Ethiopia could engage in cross-border raids. Both leaders may periodically escalate tensions to create a domestic "rally around the flag" effect as a tactic for deflecting internal pressure. All of these factors could place considerable strain on the peace process.

Internal Causes of Conflict

In addition to considerations of war with its neighbors, Eritrea has a number of potential root causes of conflict, including lack of space for political competition, a weak economy dependent on external resource flows, and potential grievances associated with refugee resettlement, demobilization, and land tenure. The development of conflict, however, requires root cause motivation, mobilization and expansion resources, and weak government and social capacity to provide openings for conflict to emerge. In the Eritrean case, government capacity to suppress access to mobilization resources and the social premium placed on unity, independence, and security should mitigate against the emergence of violent conflict.

Government Capacity to Inhibit Conflict

The ruling regime, the People's Front for Democracy and Justice (PFDJ), emerged out of the liberation force, the Eritrean People's Liberation Front (EPLF). As the national fighting force, the EPLF transitioned into the Eritrean national army at independence. Further, EPLF political leaders were transformed into the heads of government, with ex-liberation fighters filling the majority of government positions. This domination of government institutions continues today and has been used by the PFDJ to insert itself into the economy as well. Hence, the PFDJ constitutes the principal political, economic, and military institutions of Eritrea. The extreme degree of trust in and loyalty to the EPLF on the part of the general population at the time of independence precluded any questioning of these arrangements. Continuing with its mode of leadership and governance during the liberation struggle, the PFDJ maintains tightly disciplined, top-down control of its institutions. This control extends to major information sources, principal civil society organizations, and the diaspora community, which effectively pays taxes to the Government of the State of Eritrea (GSE). In this environment, mobilizing opposition is extremely difficult.

Root Causes of Conflict

Nonetheless, there are significant potential sources, or root causes, for internal tension, including lack of political space, economic stagnation, expectations of services by various post-conflict populations, and, potentially, land tenure. Of these, mobilization most recently occurred around the lack of political space for opposition. In 2001, leaders within the PFDJ began pressing for implementation of Eritrea's democratic constitution. Their calls were met by jailing of the

leaders under charges of treason. Independent media was shut down; journalists and several who attempted to mediate the dispute were also jailed. It appears this government response has effectively isolated these voices for the time being. Public reaction has been limited, with observers reporting that people are waiting to see what eventually happens to the jailed persons.

Eritrea's economic performance will influence the government's ability to address post-war needs and satisfaction of Eritrean citizens with the current regime. The economic outlook over the next several years is uncertain, at best. The war with Ethiopia constituted a major setback in economic development. GDP growth rates plummeted while debt grew from US\$0 to US\$146.8 million in two years. Agricultural production was cut dramatically as the most productive regions of the country were heaviest hit by the fighting. The break with Ethiopia translates into the loss of Eritrea's largest trading partner and its largest port customer. An early estimate of property damage in fighting areas reached US\$564 million. Economic recovery will require generating new partnerships to compensate for lost trade with Ethiopia, de-mining agricultural land, and reconstructing infrastructure, much of which will need to be financed with external resources. These resources are far from assured. GSE relations with the donor community and international financial institutions have long been strained, most recently as a result of the 2001 political crackdown. While there have not been moves to withdraw current support, one donor has pledged not to provide any new support; others are pressuring the GSE to move forward with democratic reforms as a condition of new funding. The GSE's other major source of external revenue has been the diaspora community. Diaspora remittances peaked during the border war and appear to be declining to pre-war levels. War bonds issued by the GSE to the diaspora will shortly be due for payment. It is unclear whether the GSE will be able to pay these on schedule and whether this or internal political developments will impact the level of remittances.

In order for Eritrea to recover economically, it must engage in reconstruction, demobilization, and resettlement. The processes may provide additional grievances to particular post-war populations. While its plans for these activities appear sound, full implementation is contingent on donor resources. Demobilized soldiers unhappy with the border settlement, demobilization benefits, or post-demobilization economic opportunities and community integration could become a powerful mobilization force. Likewise, over 100,000 liberation war-era refugees returning from Sudan are being resettled in agricultural areas, more than doubling the size of some communities as a result. Current resettlement programs provide returning refugees with land as well as benefits to the community, such as expanded social service delivery. To date resident communities have generally welcomed the newcomers. Yet it is unclear what challenges long-term community and cultural integration may present, nor how resident attitudes may change if pressure on land increases or funding for expanded social services was cut.

Land tenure has been an endemic source of community-level conflict in Eritrea that may bear closer scrutiny in the coming five years. The GSE reformed land tenure policy in 1994, but has not fully implemented this reform. New pressures on land may develop as a result of the rapid expansion of agricultural communities undergoing resettlement by returning refugees. Little information on this potential root cause was available for the desk study.

Potential for the International Community to Mitigate Conflict Risks

The international community has played a significant role in facilitating the peace process between Eritrea and Ethiopia, supporting post-conflict reconstruction, and providing assistance in times of humanitarian emergencies. The diplomatic pressure that the international community maintains on both parties in the peace process along with the "buffering" effect of UN peacekeeping troops is likely to have a strong mitigating influence on the potential for the re-emergence of hostilities. Likewise, the international community is unlikely to completely turn its

back on Eritrean people in the event of a humanitarian emergency. However, international assistance is not unconditional. Should either party in the peace process re-ignite hostilities, sustained engagement to restart the peace process may not be guaranteed. Similarly, without some progress on political liberalization, donor funds are not guaranteed. Thus, these mitigating influences should not be taken for granted.

Windows of Vulnerability

Eritrea faces several windows of vulnerability in the upcoming five-year period. Full implementation of the Eritrea-Ethiopia peace process will comprise multiple politically charged decision points, including border delimitation and demarcation, as well as claims settlement. Internally, tensions may easily erupt surrounding issues of settlement and re-integration of post-conflict populations. Further economic stagnation may spark widespread discontent. And either a political opening under pressure from donors or consolidation of an authoritarian regime could provide the impetus for further political agitation. Movements by the GSE to fully implement land tenure, or other major policy reform (e.g. economic reform and decentralization), could also provide an arena for heightened tensions between stakeholders.

Implications for USAID

While the desk study analysis does not suggest that widespread deadly conflict is likely within the upcoming five-year period, it does point up a high degree of uncertainty in future developments. As a result, recommendations are made for a scenario-based strategy coupled with an on-going monitoring framework. In addition, consideration should be given to incorporating three crosscutting conflict prevention themes into USAID programming: strengthening social and government dispute resolution capacities; increasing participation in public decision-making; and facilitating community integration. Further, a geographic focus on communities undergoing significant demographic shifts, particularly those with diverse ethno-cultural populations, should be considered. These include newly expanded agricultural communities and may potentially include urban areas should demobilized soldiers or returning refugees not be satisfied with opportunities in agricultural areas.

USAID/Eritrea should be commended for its recognition of many of these factors. It is currently using scenario-based planning for its strategy development. In addition, it has identified increased participation as a crosscutting theme for all of its sector programs and is taking the needs of post-conflict populations

Summaries of Sector Assessments and Other Analyses:

Health Sector Assessment

Eritrea Health Strategy Background Paper

John L. Fiedler, Paul H. Hartenberger, Steven T. Wiersma
The MEDS Project

April 11, 2002

The health sector assessment was conducted by the three authors – a senior health economist, senior health planner, and physician/public health epidemiologist in Eritrea during March 3-23, 2002. The team reviewed available reports, made field visits to selected health facilities, interviewed staff of MoH and other partner organizations, and analyzed data from the MoH Health Management Information System. The 2002 Demographic and Health Survey had not yet been completed at the time of the health sector assessment. The comprehensive World Bank Health Sector Note was available to the team. Findings are summarized below.

I. Background

A. Country Setting

While Eritrea is poor in physical and financial capital, it is rich in social capital, manifested in the high degree of social cohesiveness and solidarity that characterizes Eritrean society, despite the fact that it is a heterogeneous country of distinct geographic zones and nine culturally and linguistically distinct ethnic groups. The high stock of social capital is also evident in the country's exceedingly low crime rate and the absence of corruption. Eritrea's high level of social capital means that investments in public health are likely to achieve a higher rate of return and have a greater impact than similar levels of investment in a country less endowed with social capital. The strategy should draw upon the country's social capital, while nurturing its maintenance and further development. This should be the centerpiece of efforts to foster increased community involvement in the health sector and, more generally, to promote and enable further government decentralization.

Starting from scratch has been advantageous in terms of enabling health officials to construct a public health policy framework firmly rooted in internationally established standards and policies. The disadvantage of starting with a clean slate, however, is that there is much to do, and it is difficult for Eritrea to prioritize its goals and objectives. However, with so much to do and so few resources, it is imperative that available resources are used effectively, and the USAID health strategy should help to improve management skills and management performance at all levels of the MoH.

B. Health Status

Seventy-one percent of Eritrea's burden of disease is attributable to communicable and preventable diseases. Just three conditions, perinatal/maternal health problems, respiratory illnesses, and diarrheal diseases account for 50 percent of the burden of disease. Malaria, TB, HIV/AIDS and STIs, and immunizable diseases accounted for another 17%. Malnutrition among women and children under five years of age is also serious problem. Thirty eight percent of children under-5 years of age are stunted (low height for age), rendering this group particularly susceptible to illness and death.

Eritrea is at the early stages of the HIV/AIDS epidemic with an estimated general population HIV sero-prevalence rate of about 3 percent. Approximately 70,000 Eritreans are currently infected with the HIV virus, and the overwhelming majority of them do not know that they are infected. While the prevalence rate is low in comparison with other sub-Saharan African countries, reported AIDS cases have been increasing rapidly.

Malaria continues to pose a major threat to the socioeconomic development of the country. Sixty-seven percent of Eritrea's population lives in malaria endemic areas. Malaria accounts for about 30 percent of outpatient morbidity, 28 percent of hospital admissions, and the case-fatality for hospitalized children is 7.4 percent. Malaria is also a major cause of morbidity and mortality for pregnant women and is an important determinant of the pregnancy outcome.

C. The Eritrean Health System

Table 1 shows the rapid rate of growth in the number of health facilities in Eritrea since 1990. The vast majority of this growth has been in the number of MoH health centers and health stations, providing testimony to the government's commitment to primary health care and to ensuring access to care. The MoH is by far the most important source of care, accounting for 69 percent of all health facilities. In terms of inpatient resources, the MoH's predominance is even more marked. Ninety-three percent of all hospital beds are in MoH facilities. The small size of the private sector means that alternatives to working with the MoH are severely circumscribed at present. The MoH's large share of the health infrastructure is actually exceeded by the proportion of all patients for whom it provides care. This suggests that the average productivity of MoH facilities is relatively high compared to non-MoH facilities. In 2001, the MoH provided 79 percent of all outpatient visits and 95 percent of all hospital inpatient days provided in Eritrea.

Table 1: Evolution of the Health Infrastructure of Eritrea

Type of Facility	1990	1995	2001	I. 1990-2000 Changes	
				Number	Percent
Hospitals—including Mini-hospitals	16	20	23	7	38%
Health Centers	4	40	52	48	1100%
Health stations	106	130	177	71	67%
Clinics—including MCH Clinics	0	31	55	55	
Total	126	221	302	181	44%

Source: MoH 2001a.

A major constraint of the health system is the dearth of trained, professional health staff. In 2001, physicians constituted only 3.7 percent of the staff of the MoH and nurses constituted 17 percent, while 45 percent were administrative staff. From 1994 to 2001, the number of physicians increased by 60 percent and the number of nurses more than doubled. Even with this considerable growth, however, the physician- and nurse population ratios remained low at 0.6 and 2.9 per 10,000 persons, respectively. Eritrea does not have a medical school. Most other health professionals are trained at the MoH Institute of Health Sciences in Asmara and a smaller number are trained at the University of Asmara. Human resources constraints restrain the productive capacity and effectiveness of the MoH and the entire health sector. This is issue that will need to be addressed in every component of any strategy to improve the health sector of Eritrea.

Table 3: Evolution in the Number and Type of MoH Staff

Category	1991	1995	1999	2001	Increase 1995-2001	
					Absolute	Percentage
Physicians	58	108	145	173	65	60
GPs	58	108	100	100	-8	-7
Specialists			45	73	73	
Nurses	288	391	735	811	420	107
Health assistants	0	539	1292	1333	794	147
Pharmacists/technicians/druggists	8	17	84	85	68	400
Sanitarians	0	15	21	21	6	40
Laboratory Technicians	15	35	132	133	98	280
X-ray technicians	18	18	40	40	22	122
Sub-total, professionals	387	1123	2449	2596	1473	131
Administrative staff	0	1425	1790	2079	654	46
Total	387	2548	4239	4675	2127	83

Source: MoH 2001b.

II. Current Program

Upon achieving independence, the Eritrean government set out to redress historic neglect of the health system by improving access and use of care as national health policy priorities. The 1997 Investment Partnership between USAID and the Eritrean government was designed to help address these priorities. It posited that increased use of primary health care services (the Strategic Objective) was required in order to improve child survival and reduce maternal mortality. Three factors (Intermediate Results) were considered essential for achieving increased use: greater access to, improved quality of, and increased demand for integrated, sustainable primary health care services.

In pursuing this strategy, USAID has provided leadership in the health sector to support the Eritrean government's efforts in child, maternal, and reproductive health. USAID has assisted the MoH in developing basic policies and guidelines for core interventions, training health workers to deliver core services, providing medical equipment and selected refurbishment, and making other improvements in health infrastructure.

In the health sector, the USAID/Eritrea's performance has met or exceeded expectations (as documented in R4s and annual reports). This success has occurred despite the impact of conflict with Ethiopia from May 1998 to December 2000, and the need to respond to the resulting humanitarian crisis of displaced people. An estimated 1.1 million persons—more than one-third of all Eritreans—were internally displaced in July 2000.

III. Adjustments to the Program and Rationale

While progress has been achieved on a variety of public health fronts, basic health needs and conditions have not changed markedly in Eritrea since 1997, with the exception of HIV/AIDS. In large part, this reflects the very low starting point of Eritrea. Thus, the premise of the primary objective of USAID's current program, in order to decrease infant and maternal mortality rates, and more generally, to improve the health status of the people of Eritrea it is necessary to increase the use of primary health care services, remains valid. Analysis of the current situation clearly

demonstrates the need for USAID to continue its efforts to increase the use of primary health care services by promoting demand, and by improving the quality of available services.

It is also evident, however, that some changes in USAID's approach are warranted and can now be made. For instance, the dramatic increase in the size of the MoH health infrastructure (in large part a contribution of the World Bank), means that access to care is no longer as compelling a prerequisite to fostering increased utilization as it was in 1997. In addition, it is now essential to focus on ensuring the sustainability of the changes made in the past few years. In particular, it is imperative to ensure that management support systems are developed and institutionalized to increase the ability of the MoH to use its resources as effectively and efficiently as possible. Eritrea will remain in a nation-building mode for the foreseeable future. Its narrow resource base—both natural and human—will require it to manage its resources effectively if the use of primary health care services is to be increased and sustained.

These changes are not major departures from the current USAID program. Rather they reflect the natural evolution of a program that started with post-war reconstruction and the development of basic health care delivery systems, and has now matured to a point where greater attention can be devoted to managing infrastructure, systems, and the delivery of care. It is now is time to move on from hardware and physical capital to software and human capital. This is more a change in degree than in kind, as USAID has already been involved in developing support systems (the pharmaceutical logistics and the NHMIS, for instance) and providing a great deal of different types of training.

In summary, the recommendations of major program adjustments are:

- From increasing physical access to increasing utilization.
- The concept of demand must be broadened to achieve active involvement in primary health at every level (“demand plus”) through community participation, governance, and cost recovery, in addition to health communications.
- Improving the quality of primary health care services.
- Provide tools for developing effective decentralization at the zonal level.
- Continuing to develop and strengthen the managerial capacity and performance of the MoH.
- Providing greater assistance to the MOH in dealing effectively with HIV/AIDS

ANNEX E

Summaries of Sector Assessments and Other Analyses:

Economic Growth Assessment

Economic Growth, Food Security and Enterprise Development Sector Assessment for USAID/Eritrea

Chemonics International

September 2002

This report provides an assessment of the economic growth opportunities in Eritrea upon which USAID/Eritrea can develop its new Integrated Strategic Plan. The first part of the report is an assessment of USAID/Eritrea's Enterprise Development Integrated Objective Program of its previous Strategic Partnership. The second part of the report provides ideas and views describing opportunities for promoting economic growth in post-conflict Eritrea under an expanded strategic objective program by focusing on agriculture and food security.

The report indicates that the centerpiece of the previous strategy the Rural Enterprise and Investment Partnership (REIP) was seriously handicapped by effects of the war with Ethiopia and difficulties of staffing, use of technical assistance, and strategic direction. The REIP had two components: 1) the Enterprise Investment Fund (EIF); and 2) the Rural Enterprise Unit (REU). The EIF was used as a line of credit with the Commercial Bank of Eritrea (CBER) for Small and Medium Enterprise (SME) lending, and the REU was intended to serve as a business service center offering an array of assistance to SMEs interested in investments in potentially viable investments in the higher-valued commodity sectors. The report validates the importance of formal lending for productive investments rural-based SMEs. Investors obtained real value-added and repayment rates approached 100%.

Implementation progress with the REU was limited due to the constraints indicated above and was never given a chance to succeed. Nonetheless, the report indicates that business support services for private sector development remain in very high demand and are key to private sector growth and investment in Eritrea. The most salient recommendations of the report are: a) there is a need to introduce competition between banks and that banks should assume more of the risk of lending to promote sustainability; b) there is a broad need for training for banking staff to create capacity for loan analysis and processing; and c) there is a need for long-term technical assistance to implement the program all elements of the program.

The report further identified a number of agricultural sub-sectors that appear to provide opportunities for economic growth. These sub-sectors include horticultural products (fruits and vegetables), oilseeds, cotton, and livestock products such as animal fattening, poultry, and hides and skins. In order to fully understand the potential for these commodities to generate income, the report indicates that sub-sector analyses would be required for evaluating investment potential and for identifying technical, market, and policy constraints. Important recommendations for this element of the report include: a) the need for better sources of market information; b) the need to conduct of sub-sector analyses; and c) the need for more transparency in establishing investment and private sector support policies.

Another promising area of support to increase rural income growth was through micro-enterprise and micro-finance development to reach the more vulnerable segments of Eritrea's population. A relatively young and promising micro-finance movement has begun in Eritrea through the work of the NGO community. In addition to the enterprise development aspects of the programs,

micro-finance serves as an excellent means to promote community-based management and decision making, fundamental elements of decentralized governance. Additionally, the report points out that important life skills education can take place through micro-finance groups including messages on HIV/AIDS prevention and improved nutrition. The report's key recommendations are: a) grant funding should be made available to expand and consolidate micro-finance institutions in Eritrea; b) there need to be strong linkages between micro-finance groups and other support services for exploiting enterprise opportunities; and c) technical assistance in different areas related to financial and institutional management is required in order to build capacity for financial and operational sustainability.

The report further identified areas of opportunity of support to two of Eritrea's key institutions with strategic importance for food security, the MoA for agricultural research and the Eritrean National Grain Board (NGB) for improving the management of Eritrea's food security stocks. Assistance to the MoA and the NGB are in areas where USAID has comparative advantages and fill important voids left as a result of the withdrawal of the DANIDA development assistance program. Key recommendations are: a) continued support to the INTSORMIL work on striga; b) continued support to ICRISAT and ICARDA for research on sorghum, millet, and barley; c) link the national research service with relevant regional commodity networks; d) provide capacity building assistance to the NGB to improve its effectiveness in management and food sector policy analysis; and e) promote closer collaboration between the NGB and FEWSNET for forecasting harvests and food needs.

ANNEX E

Summaries of Sector Assessments and Other Analyses:

Health Sector

Eritrea Demographic and Health Survey 1995. National Statistics Office, Department of Macro Policy and International Economic Cooperation, Office of the President, Asmara, Eritrea, and Demographic and Health Surveys, Macro International Inc., Calverton, Maryland, USA. March 1997.

Eritrea Demographic and Health Survey 2002 Preliminary Report. National Statistics and Evaluation Office, Asmara, Eritrea, and ORC Macro, Calverton, Maryland, USA. September 2002.

Eritrea Health Sector Note. Human Development Sector, Africa Region. The World Bank, Washington, DC, USA. June 2002.

Female Genital Cutting, Findings from the Demographic and Health Surveys Program. Dana Carr. Macro International Inc., Calverton, Maryland, USA. September 1997.

HIV/AIDS Risk Groups and Risk Behaviors Identification Survey. CTMRE Consultancy Service, Contracted by the Ministry of Health, Asmara, Eritrea. October 2001.

“Indicators for SO 4: Use of Primary Health Services Increased.” Ann Blanc. ORC Macro, Calverton, Maryland, USA. October 4, 2002.

“Targets for SO Level Indicators.” Ann Blanc. ORC Macro, Calverton, Maryland, USA. October 21, 2002.

Research Report: Survey to Establish Knowledge, Attitudes and Practices Regarding HIV/AIDS, Sexual Behaviour, Condom and Contraceptive Use Amongst Adults in Eritrea. Target Research (Pvt) Ltd (Zimbabwe), for the Eritrean Social Marketing Group, Asmara, Eritrea. July 2001.

ANNEX E

Summaries of Sector Assessments and Other Analyses:

Economic Growth

Analyses for Economic Growth

Impact Evaluation of the ECDF I: Main Report, Eritrean Community Development Fund, February, 2001

Founded in 1993, the objective of the ECDF is to support the rehabilitation and reconstruction of basic social and economic infrastructure. The components of the ECDF are: education, health, water supply, feeder roads, veterinary clinics, market places, savings and credit programs and natural resources management. The objectives of the impact evaluation were to evaluate: (1) the social and economic impacts of the ECDF program on the communities in which projects were implemented; (2) the effectiveness of the ECDF model in ensuring the participation of all sector of the community in the selection and implementation of projects; and (3) the sustainability of the project services and benefits. The report describes impacts in the several components listed above in three categories: quantitative impacts; qualitative impacts and impacts on women.

A Study of the Private Sector in Eritrea: With Focus on the Micro, Small and Medium Enterprises, A National Team led by Dr. Yacob Fissecha, July, 1996

This was a nation-wide study of four economic areas: micro, small and medium enterprises (MSMEs); large scale enterprises (LSEs); modern agricultural enterprises (MAEs); and fishery. The aim of the study was to understand and assess the private sector in Eritrea. Based on a random sample of urban and rural localities, the study reported a variety of descriptive statistics and identified problem areas.

Food Security Progress and Rural Road Impact in Eritrea, ARD, January, 2002

This is a report on an evaluation of the 1996 PL-480 Title III Agreement between USAID and the GSE under which \$ 20 million in food aid, contributed by the U.S., was sold by the GSE to the Eritrean Grain Board (EGB) which then sold the grain on the open market. Proceeds from the initial sale set up a fund which was to finance improvements to rural roads for the sake of increased food security. The GSE's objectives in using the fund were: (1) to implement a strategic food grain reserve of 50,000 mt.; (2) to produce 350,000 mt per year of domestic food grain; (3) to have full rural employment; (4) to stop all non-emergency food aid distribution; and (5) to rehabilitate 200 kms of secondary rural roads. The report made several findings and conclusions regarding food security and road rehabilitation as a result of the program. It recommended: (1) that a Vulnerability Assessment Mapping be implemented to better target GSE food aid distributions; (2) that USAID carry out an economic analysis of the influence of food aid on incentive structures for local cereal producers; (3) that price data collected by the Ministry of Trade and Industry be disseminated; and (4) several recommendations regarding the roads program.

Dahlac Artisanal Fishery Development Project, Rural Enterprise Unit, October, 2000

The report provides a broad description of the fisheries industry in Eritrea over several dimension. First the report describes the macroeconomic policy environment in Eritrea, making projects and some recommendations. It then focuses on the fisheries industry, looking at artisanal and industrial fishing, fish preservation and processing, Fish distribution and marketing, market channels and the price of fish. Within each section the reports makes findings and recommendations regarding the potential for an improved fishery sector in Eritrea. It does not consider the public sector side of the fishery industry including its regulation and management.

Enterprise Development in Eritrea and the Challenges of Regional Integration under the COMESA Framework of FTA, Dr. Ghiorgis Tekle, July, 2002

This report makes an assessment of Eritrean competitiveness, enterprise development, policy environment, and recent initiatives such as Free Trades Zones, describing current (and historical where relevant) circumstances and making fairly sweeping normative observations regarding improvements. It recommends, in general: to improve infrastructure networks; to “end conflicts and realize the peace dividend”; that the National Economic Policy be implemented; to “work towards policy coordination within COMESA; to mobilize savings and introduce pro-savings policies; and to encourage private initiative and technology imports.

ANNEX E

Summaries of Sector Assessments and Other Analyses:

Community-Based Participation

Analyses for Community-Based Participation

Eritrea ICT Assessment, USAID/M/IRM, March, 2001

Undertaken at the request of USAID/Eritrea, in an effort to examine opportunities for USAID engagement in the ICT arena, the report concluded that there is great interest and enthusiasm in increasing the deployment of ICTs from both the private and public sectors and that there is evidence of such efforts already underway. There are also several limiting factors that include: (1) pricing and policy issues; (2) human capacity development and (3) the overall telecommunications infrastructure.

Investment Objective 3: Increased Public and Private Human Capacity to Accelerate Broad-based Development in Eritrea, International Science and Technology Institute, Inc., May, 2001

In 1997, because of its ambitious scope and the refocus of national priorities, the GSE requested that activities directed at democratization under USAID/Eritrea's SO 3 in its 1997-2002 Country Strategy be suspended. In response USAID/Eritrea contracted this strategic objective design study to recommend a restructuring of SO 3. Its recommendation was to reformulated it around public and private sector human capacity building and that it have three Intermediate Results: one focused on enhanced information; a second focused on participation and empowerment of women and a third focused on institutional management and policy making capacity.

United Nations Common Country Assessment: Report on Governance, July, 2000

The objective of the Common Country Assessment (CCA) in general is to achieve deeper knowledge of key development challenges of the partners involved in CCA, based on a common analysis and understanding of the development situation in a country and a people centered approach. It develops understanding of internal and external risks to the development process, identifies contingencies and any recovery and rehabilitation needs as may be appropriate. For each country assessment it considers specific indicators. This assessment in general focused on the prevailing system of governance in Eritrea. It identified six major issues in Eritrea for special examination: (1) Difficulty in the implementation of decentralization; (2) Human resources constraints in the public sector management; (3) Material constraints in the public sector management; (4) Lack of awareness and appropriate mechanism in the implementation of basic rights; (5) Inadequate systems, procedures and controlling mechanisms in the public sector management and (6) Inequality in the positions of men and women in state and society.

Civil Society in Eritrea, Norwegian Church Aid, August, 2001

The study identified the potentials and constraints in civil society in Eritrea focusing on (1) the state of civil society in Eritrea, (2) potentials and constraints for development of active and constructive civil society and (3) possible measure for encouraging and supporting the development of civil society. It concluded that civil society in Eritrea is constrained by obsolete legal framework, organizational weakness, and financial dependence. It found that there is movement towards the creation of a "public realm" in Eritrea, albeit slowly, which depended for success on the behavior and attitudes of policy makers and government officials and their dedication to address the needs of civil society.

United Nations Development Assistance Framework (2002-2006): Eritrea, May, 2002

The UNDAF for Eritrea aims to contribute to the achievement of overarching goals laid out in the UN Millennium Declaration. In pursuing these goals, UN agencies will, through joint programs, encourage the development of civil society, the empowerment of local authorities and communities, and promote the rights of women, men and children in Eritrea. The report described the development in Eritrea, the GSE's development strategies and priorities, the resulting UN system's strategy for meeting the development challenges in Eritrea

Anseba Local Development Project Report, funded by UNCDF, UNDP and BSF, October, 2001

This is a project paper, describing the referenced project in terms of: its justification, its logical framework, its institutional framework and implementation arrangements, its assumptions and risks and its plan of operations

HIV/AIDS

HIV/AIDS STRATEGY ANNEX

I. HIV/AIDS IN ERITREA -- BACKGROUND AND PROBLEM ANALYSIS

a. Current status of the HIV epidemic in Eritrea

With an adult prevalence of around 3%, Eritrea is not yet a high prevalence country, but must already be considered to have a generalized HIV epidemic. Nevertheless, there is a strong commitment to stopping HIV among Eritrean leaders and the public, a good start on preventive activities, and active resource mobilization by the GSE for HIV prevention and care. The possibility and value of stopping HIV at an early stage is shown by Eritrea's extraordinary progress in child survival and other health parameters: Eritrea's IMR fell from 72 to 48 per 1000 live births between 1995 and 2002, in contrast to the average 5 point increase among other African countries with two Demographic and Health Surveys. Eritrea has the potential to become a model country in its fight against HIV/AIDS and to avoid the devastation caused by this disease throughout sub-Saharan Africa. USAID has played and must continue to play a lead role in Eritrea's effort to stop the spread of HIV.

While there is still a unique opportunity to stop HIV in Eritrea, there are clear indications that the epidemic will continue to spread without redoubled efforts. The most obvious factor is the high proportion of Eritreans aged 18-40 years in the military and national service, very roughly 80% of men and 20-30% of women in that age group. This mobilization, due to the 1998-2000 border war with Ethiopia, has shifted virtually an entire generation into a high-risk category. These young people appear to engage in high risk behaviors and to have a higher prevalence of HIV than the average adult; hence, demobilization is likely to boost the national prevalence and take HIV to rural areas previously spared by the epidemic.

The first reported case of AIDS in Eritrea was identified in the port city of Assab in 1988. Since then more than 11,000 AIDS deaths have been reported. Since 1996, AIDS has risen from the tenth to the second leading cause of in-patient deaths among Eritreans over five years of age. Thus, even at an early stage, the disease can overwhelm Eritrea's the coping capacity of Eritrea's fledgling institutions. The National AIDS Control Program (NACP) estimates that 60,000 to 70,000 Eritreans are currently infected with HIV; very few of those infected know it. Eritrea's first association of people living with and affected by HIV/AIDS, Bidho ("Challenge" in Tigrigna), was launched in early 2002 and now has 300 members. Most HIV in Eritrea is transmitted by heterosexual contact.

Results of the 2001 World Bank-financed survey "HIV/AIDS Risk Groups and Risk Behaviors" showed the following distribution of HIV among risk groups (15-49 years of age):

<u>Risk Category</u>	<u>HIV percent prevalence</u>	<u>Percent of survey sample</u>
Secondary school students (urban)	0.1	25
"General" sample (50/50 urban/rural)	2.4	25
Antenatal clinic attendees (urban)	2.8	12
Army personnel (50/50 urban/rural)	4.6	26
Female bar workers (urban; includes CSWs)	22.8	12
Males 15-49 (average across males in the "general" sample, students, and army)	2.7	50

Note that the “general” sample was based on a household listing developed with the assistance of the National Statistics and Evaluation Office. Under normal circumstances, this sample would be representative of the Eritrean population (except for the arbitrary decision to draw a 50% urban sample). However, a high proportion of Eritreans aged 18-40 years is currently serving in the army. Hence, it is important to keep in mind that a high proportion of Eritreans in that age group was not available to be surveyed as part of the “general” sample. Students and antenatal attendees were drawn from lists provided by urban schools and clinics in sample areas. The army sample was selected by the army. The sample of female bar workers (a large proportion of whom engage in transactional sex outside of work hours) was obtained by sampling facilities in selected urban areas. The sample as a whole was 78% urban, due to the fact that three of the groups were only drawn from urban areas.

The age distribution of HIV/AIDS in this survey shows that those over 35 have lower rates of HIV (except for bar workers), probably reflecting a past period of closer adherence to traditional social values and control that reduced exposure to HIV. It remains to be seen whether the lower rates in lower age groups (especially compared with the 30-34 age group) reflect only their shorter length of exposure to HIV, or also the initial impact of various preventive programs.

Risk Category	HIV percent prevalence by age				
	15-19	20-24	25-29	30-34	35-39
“General” sample	0.6	4.3	4.3	8.3	3.8
Antenatal clinic attendees	1.1	1.5	3.3	5.2	1.7
Army personnel	2.5	2.9	4.8	6.5	0.9
Bar workers	11.9	23.8	35.4	27.7	29.8

An important factor promoting the spread of HIV/AIDS is the low perception of personal risk regardless of actual respondent risk behaviors. The percentage of the risk groups who perceived themselves to be at no or small risk of contracting HIV ranged from 94% of the “general” sample to 82% of bar workers. Tragically, only 18% of bar workers perceived themselves at moderate or high risk, whereas 23% were actually found to be HIV positive, and 33% of bar workers reported never having used condoms. Only 11% of women surveyed viewed themselves at moderate or high risk; however, 56% of married women responded that their partners had other partners.

The contrast between high awareness of HIV and its dangers and low perception of personal risk is corroborated by the findings of several other surveys of knowledge, attitudes and practices (KAP) and by qualitative studies based on focus group discussions. These were conducted in 2001 by the MoH, with technical support from FHI/IMPACT and JSI/TASC, and by the Eritrean Social Marketing Group, with technical support from PSI/AIDSMARK.

Part of the reason for low perception of risk may be denial propagated by the great fear of stigma associated with HIV. One of the challenges of fighting AIDS at an early stage is that Eritreans are not yet open about discussing this problem, or sexual behavior in general, on a personal level. Because most HIV testing was ordered for terminally ill patients after all other diagnoses had failed, most people believe that HIV is an immediate death sentence. The public is generally unaware that people can live and be productive with HIV for 8-10 years given only basic medical care. There is great fear of the consequences of stigma, not only for the individual who may be HIV positive, but also for other family members (for example, fear that ones siblings might not be able to find anyone willing to marry them). Stigma is not unique to HIV – families in Eritrea also commonly attempt to hide family members with physical or mental disabilities – but it is

heightened by the mortal and transmissible nature of the disease, as well as its association with immoral behavior. Focus group studies show that one of the reasons people are reluctant to suggest using condoms to their partners is that they fear that their partners may consequently suspect that they have HIV or have been unfaithful.

In the past, the higher level of HIV prevalence in neighboring Ethiopia was a potential source of HIV, as many Eritreans resided in Ethiopia, and vice-versa. As has occurred in many other countries around the world, there was once considerable wishful thinking about the possibility of controlling HIV by excluding Ethiopian sex workers and others. Now, clearly, the epidemic is sufficiently generalized in Eritrea for the country's HIV prevalence to continue to increase without any contact with high prevalence countries. Nonetheless, it is likely that the border with Ethiopia will someday reopen and that commerce will resume, and many Eritreans do travel to other high prevalence countries for business, studies, tourism, etc. Eritrea cannot expect to remain an island of low prevalence without vigorous efforts to bring about positive behavior change.

Finally, the HIV epidemic may have been slowed in the past by the strictures of Eritrea's conservative, rural society, but the current demographic trend is toward urbanization and increasing educational levels. Studies show that urban and more educated Eritreans are more likely to accept premarital sex, at least for men, and that urban men are more likely to have had multiple partners. A KAP survey by the Eritrean Social Marketing Group shows a steady increase in the proportion of men who have had sex by age 19 years from older to younger age groups, from only 15% among those 45-50, up to 62% among those 20-24. Moreover, the military mobilization and national service experience have exposed Eritreans from rural areas to urban beliefs and practices. Risky behavior is increasing more rapidly than many Eritreans are willing to admit – and the legacy of shame and shyness makes it difficult for people to discuss sexual matters and HIV/AIDS constructively with their partners and children.

b. Priority needs for prevention

Priority needs for prevention include:

1. Maintaining Eritrea's well-established HIV prevention condom social marketing program: studies show that the program primarily reaches members of the target population, i.e., that condom users tend to be young, unmarried, and those with casual partners. However, many members of high-risk groups are not yet using condoms, and consistency of use needs further improvement.
2. Expanding voluntary counseling and testing: although HIV testing is available through hospitals, there is only one stand-alone VCT site so far. During its first four months of operations, 1,500 people were tested, straining the capacity of the center. This high level of utilization was achieved without any promotional efforts. Clearly there is unmet demand for VCT, which is both a highly effective preventive service and an entry point for care and support.
3. Improving and expanding STI treatment and prevention with a focus on high-risk groups: STI treatment and prevention has not been carried out systematically so far, so the potential of this approach for reducing the spread of HIV is largely untapped.
4. Expanding behavior change communications: there are no commercial advertising agencies in Eritrea, and the very limited communications production capacity available has constrained the availability of print materials, videos, and radio programs. Effective communications are urgently needed to address factors such as low perceived risk among target populations, to reduce

the fear and stigma associated with HIV, and to break the “conspiracy of silence” surrounding the disease.

5. Interventions focused on sex workers and clients: despite the high level of interest in HIV prevention among a wide range of organizations, there is as yet no active preventive intervention focused on sex workers and clients. Most activities related to sex workers and interest to date have focused on helping women get out of prostitution, a laudable but incomplete approach. Regulations requiring regular STI screening of sex workers and the existence of designated clinics for screening provide the possibility of offering a comprehensive package of STI screening and treatment, VCT, BCC, and family planning, as well as referral to care and support and existing programs aimed at helping women get out of prostitution. More creative communications interventions that focus on high-risk settings and making sex work safer could also be developed. Given that the prevalence of HIV among bar workers is over four times that of the next highest risk group, this is an obvious preventive need.

6. A high proportion of Eritreans aged 18-40 years are in the military and national service, which has removed them from their home communities and the traditional social environment that reduces high risk behavior. At the same time, the organized structure of the military provides a framework for delivering HIV education and related services, which the Eritrean Defense Force (EDF) has undertaken in a systematic fashion. The EDF is also preparing to provide HIV testing and counseling as part of demobilization. Nonetheless, this is the most important bridging population for the spread of HIV, and further strengthening of EDF HIV prevention activities is warranted.

7. Better HIV surveillance, monitoring, and evaluation are needed in order to target and manage available resources effectively.

8. If the border with Ethiopia reopens during the strategy period, and normal commerce and communications resume, activities focused on long-distance truck routes will need greater emphasis.

c. Target populations

Based on available data, described above, and USAID guidelines, the most important target populations for prevention activities include commercial sex workers and their clients, the military and national service, and youth (12-24). Communications efforts aimed at secondary audiences (religious leaders, parents, health workers, and decision-makers) are important to encourage a more open climate for HIV prevention, care, and support interventions and to help maintain Eritrea’s commitment to fight the epidemic.

d. Supports/constraints (policy, cultural, gender-based, institutional/human resource)

Public policy is highly supportive of HIV prevention efforts, and there are no major policy barriers. The President spoke on the importance of HIV/AIDS prevention in his Independence Day address in 2001 and appeared on one of the World AIDS Day posters that year (unlike other countries, it is rare for the President to appear on posters). The MoH has provided material support for the NGO-implemented condom social marketing program, and the Minister of Health has defended it against criticism from religious leaders. Over the last year, by including faith-based organizations in communications development and other training, the MoH has gained their agreement not to campaign against the condom social marketing program. The harmonious

relationship among the four main faiths in Eritrea (Moslem, Eritrean Orthodox, Catholic, and Evangelical Christian) has helped to keep HIV issues from becoming contentious.

The business community and labor organizations have been active in advocacy for HIV prevention and in conducting training among their members. The Eritrean Chamber of Commerce, National Confederation of Eritrean Workers, the Eritrean Federation of Employers, and several large employers have worked on this issue increasingly over the last three years.

Mass media and advertising are limited in Eritrea. Hence, weak media production capacity can be a bottleneck. However, this also results in an unusual situation in which well-developed health communications can have a far greater impact and visibility than in most countries. For example, the logo of the *Abusalama* HIV prevention condom social marketing program is at least as prominent as those of Coca-Cola and the leading tobacco distributor.

Cultural constraints exist, many described in other sections, and need to be assessed and taken account of in HIV prevention programs. These include the fear of HIV (lack of understanding that HIV infection is not an immediate death sentence); shame and stigma, and people's fear of the potential impact of the stigma of HIV on their families, even more than on themselves; lack of open communication between partners, and between parents and children, on sexual matters; and the belief that HIV is a foreign problem, or that it is God's punishment for sin. Women are encouraged to be submissive, and a husband's infidelity is not considered grounds for leaving a marriage that provides economic support; hence, women may not easily control their exposure to HIV. Most Eritreans believe that the HIV status of others should be made public for the protection of society; this creates a lack of support for preserving confidentiality in testing. Gender bias may be one of the reasons that Eritrean organizations are eager to work on educational activities for youth, but slow to focus on commercial sex in a constructive fashion.

Human resources are a constraint in every institution and sector of development, including health development. Nonetheless, capacity development efforts are welcomed by Eritreans, and HIV prevention programs can address human resource constraints through training focused on HIV prevention interventions.

Male circumcision is reported to be nearly universal throughout Eritrea. This practice may have helped to slow the spread of HIV. Female genital mutilation, including infibulation, is highly prevalent but generally conducted at a very young age. There are other traditional practices such as scarification and tattooing that could transmit blood-borne diseases.

e. Conflict vulnerability

Eritrea emerged from a 30-year independence struggle in 1991, and fought a massive border war with Ethiopia from May 1998 to December 2000. However, the recent conflict did not stop Eritrea's HIV/AIDS control efforts. In fact, Eritrea's history of conflict seems to have created a deeper appreciation of the threat of HIV and heightened Eritrea's commitment to stop the epidemic. For example, sales of condoms through the USAID-supported HIV prevention condom social marketing program began in 1998, and the numbers of condoms sold by the program have increased every year. By 1999, it ranked among the top ten condom social marketing programs in the world in terms of sales per capita. During this period, the GSE also developed the World Bank-financed HIV/AIDS, malaria, STIs, and tuberculosis (HAMSET) Project. This is a multi-sectoral project led by the MoH. During the complex emergency following the third offensive in May/June 2000, HIV prevention was not forgotten: the Eritrean Social Marketing Group set up kiosks and carried out HIV education in camps for internally displaced persons (IDPs).

Clearly, the pervasive social awareness of lives lost in the independence struggle and border war, combined with an acute sense of vulnerability as a small country, have strengthened Eritrea's resolve to stop HIV. Both leaders and the general public see HIV as a grave threat to the country, and there is a tradition of banding together to confront national threats. There is also specific awareness of the potential of demobilization to spread HIV, and the GSE recognizes the need for VCT as part of the demobilization process. The positive potential of the organized structure of the military to carry out HIV prevention activities for its members is also recognized.

The UN peacekeeping Mission to Ethiopia and Eritrea (UNMEE) has collaborated actively in HIV prevention efforts. UNMEE was established the same year as UN Security Council Resolution 1308, concerning UN peacekeeping missions and HIV. As a result, UNMEE was the first peacekeeping force to have a budget appropriation for condoms. In November 2000, the UN Security Council sent a team to eight countries, including Eritrea and Ethiopia, to assess prospects for implementing Resolution 1308. The team concluded that Eritrea had the potential to be a model for HIV prevention efforts by peacekeepers. The UNAIDS CPA in Eritrea, the EDF, and UNMEE have worked actively and effectively to heighten AIDS awareness among the peacekeepers. In 2001, UNMEE supported a number of World AIDS Day activities in zones where the UN peacekeepers are stationed. Although some of the peacekeeping battalions come from high prevalence countries, and it is against UN policy to mandate pre-service HIV testing (a point of contention with the GSE), in practice most troops serving in Eritrea have been tested for HIV according to their national policy.

f. Host country strategy, contributions and actions

The MoH developed the first five-year country strategy with UNAIDS in 1997 (the process of developing a second five-year strategy began in November 2002). The HIV/AIDS and STDs Policy and Policy Guidelines was published in 1998. During 1999-2000, the National AIDS Control Program (NACP) and senior MoH officials conducted systematic sensitization workshops with the Cabinet Ministers, senior officers of the Eritrean Defense Force (EDF), Directors General of all ministries, Zonal Administrators and zonal representatives of each ministry, senior religious leaders, business and labor, and so on. These workshops typically included presentations on the worldwide impact of HIV, HIV in Eritrea, Eritrea's HIV/AIDS policy, potential role of the target audience, a testimonial by someone living with HIV, and responses from the target audience.

With the development of the World Bank-financed HIV/AIDS, Malaria, STIs, and Tuberculosis (HAMSET) Project during 2000, the expressed strategy of the GSE emphasizes a multi-sectoral and multilevel response. The MoH is the lead institution for the HAMSET, and a large number of government ministries, including Labor and Human Welfare, Education, Local Government, Defense, and Tourism are involved. The quasi-NGO national organizations representing youth, women, labor, and others are included. Approximately 30% of HAMSET funding is designated to be spent at the community level. The WHO "massive approach" to HIV, malaria, and TB (an integrated, scaled-up approach that WHO/Geneva attempted to promote in 2000) is cited by the Eritrean MoH as the rationale for the integrated approach to these diseases in the HAMSET Project. In practice, the interventions supported tend to be more specific to each disease. Nonetheless, the NACP remains a small unit that is part of the Communicable Disease Division, three layers below the Minister of Health.

In April 2002, the multisectoral framework of the HAMSET was expanded to form the country coordinating mechanism (CCM) for Eritrea's application to the Global Fund. In addition to

HAMSET member institutions, the CCM includes several UN agencies, the European Union, USAID/Eritrea, Italian Cooperation, the Interfaith Council, Vision Eritrea, Haben, Bidho, Norwegian Church Aid, the Eritrean Social Marketing Group/Population Services International, the Eritrea Chamber of Commerce, and other organizations.

High level Eritrean officials have made public statements in support of HIV prevention efforts. The HAMSET was launched by Eritrean President Isaias Afwerki in March 2001, who also included HIV/AIDS in his Independence Day address in May 2001, and appeared on a World AIDS Day poster in December 2001. Cabinet ministers, senior religious leaders, and heads of business and labor organizations have participated in public events on HIV over the last two years. This is still far from the level of support shown in Uganda, for example, but neither have there been any negative or counter-productive public statements about HIV/AIDS by Eritrea's leaders.

However, relative to countries with a longer history of HIV assistance, behavior change communications efforts are modest or in beginning stages, except for those implemented by the condom social marketing program. The Eritrean Social Marketing Group conducts mass media campaigns and carries out daily educational activities for youth including concerts, mobile video presentations, discussion groups, sports contests, and so on. On the other hand, since there is relatively little commercial advertising in Eritrea, HIV messages are more noticeable than in other countries. Decentralized communications interventions are being developed through the multisectoral and multi-level HAMSET project framework, with USAID technical support. These will include interactive radio programs. Other efforts are also in beginning stages: the first stand-alone VCT center opened in 2002, and the first association of people living with AIDS, Bidho (Challenge), was also launched this year.

Faith-based organizations have become increasingly involved in HIV. The four main faiths (Eritrean Orthodox, Moslem, Catholic, and Evangelical) have formed an Interfaith Committee for HIV/AIDS Education and Promotion. This committee organized a well-attended interfaith service in commemoration of World AIDS Day in December 2001, and the most senior leaders of the four faiths appeared on a UNAIDS poster for World AIDS Day in December 2001. Some Orthodox Churches have organized workshops on HIV for their members. The Evangelical Church has officially encouraged its pastors to discuss HIV constructively in church and with parishioners. The only current project focused on CSWs, implemented by the Evangelical Church with support from Norwegian Church Aid, is aimed at helping women get out of prostitution. The Evangelical Church and Catholic Secretariat have started home care programs for people dying of AIDS.

Labor and business organizations have supported workshops for their members. One notable public event was an AIDS Walk sponsored by the Eritrean Chamber of Commerce in January 2001. Cabinet Ministers, senior religious leaders, and thousands of students and citizens participated.

Since 2000, the MoH, EDF, NUEYS, and ESMG have recruited people living with HIV to tell their stories and conduct peer education and counseling. However, although "everyone knows" that prominent people have died of HIV/AIDS – and around 20-30% of various survey respondents report knowing someone who had died of AIDS -- Eritrea does not yet have a prominent spokesperson for PLHAs. Unlike Uganda, where a popular singer and a senior army officer helped to lead the fight, the Eritrean PLHAs engaged in HIV prevention and support efforts are so far low ranking military personnel, school teachers, and so on. Equally or more important in the Eritrean context, no families of PLHAs have publicly acknowledged that AIDS

has claimed the lives of loved ones, as Nelson Mandela did at the 2002 World Development Summit.

In 2002, the MoH has begun to use HAMSET Project funds to develop antiretroviral (ARV) drug programs. HAMSET funds have been used to procure ARVs for post-exposure prophylaxis (PEP) in health facilities, and for pilot implementation of prevention of maternal to child transmission (PMTCT) of HIV, planned for three Asmara hospitals by the end of 2002. Eritrea has applied to the Global Fund for support to provide ARV treatment and related laboratory diagnostics and monitoring for up to 1,800 PLHAs.

g. Extent, lessons learned and results of prior USAID assistance

From 1996 to 1999, USAID assistance was primarily focused on the HIV prevention condom social marketing program implemented by the US NGO Population Services International (PSI) in partnership with the National Union of Eritrean Youth and Students (NUEYS) and the MoH. The organization established by PSI and NUEYS to promote and distribute the condoms to commercial outlets and to carry out a wide range of HIV education activities is the Eritrean Social Marketing Group (ESMG). Based on recommendations of the 1999 evaluation, the program was expanded beginning in 2000, and the “Abusalama” brand condom was relaunched in July 2001 with new packaging, American-manufactured condoms, and the addition of condom vending machines in selected bars, discotheques, and hotels. There are now more than 3,000 sales points across the country.

During 2001, the ESGM conducted focus group and KAP studies to develop a new promotional campaign. The earlier messages were aimed at *Abusalama* brand recognition and condom promotion more generally. The current mass media messages include promotion of abstinence and fidelity, in addition to safer sex using condoms, in order to achieve greater impact and address the concerns of religious leaders and parents about a one-sided approach.

Beginning in 2000, USAID/Eritrea also began to support complementary assistance through FHI/IMPACT. Behavior change communications (BCC) and voluntary counseling and testing (VCT) were identified as early priorities. Formative research was conducted in 2001 to develop the “Winning Through Caring” communication strategy now being implemented with joint USAID and World Bank support. This strategy identified fear of AIDS as a barrier to people’s confronting their actual risk status and following appropriate preventive measures. It highlighted Eritreans’ compassionate response as an entry point for reducing the barrier of fear and stigma. The strategy also identified people’s reluctance to stand out or to be the first to try a new approach as a barrier. It recommended communications such as interactive radio drama to “magnify” the presence and increase the acceptance of positive prevention behaviors among the population.

In September 2000, FHI/IMPACT conducted an assessment of VCT, care, and support. Lack of trained counselors was identified as a limiting factor for establishment of VCT, and intensive training of counselors was carried out in 2001 through FHI/IMPACT. With USAID training and other technical support, combined with World Bank funding of renovations and supplies, the MoH opened Eritrea’s first VCT center in mid-2002. More than 1,200 clients came for testing during the first four months, without any promotional efforts for the center. This is partly due to the growing insistence of pastors on premarital testing for HIV.

These USAID-supported efforts provide the only long-term expatriate advisors for HIV programs in Eritrea, with the exception of the UNAIDS Country Program Advisor, and nearly all of the

short-term technical assistance. The USAID-supported long-term advisors include a senior MD/epidemiologist based in the NACP, a behavior change communications specialist, and the director of the condom social marketing program. To date, most USAID-supported technical assistance and training have been focused on BCC, VCT, and condom social marketing. Small amounts of technical assistance have also been provided to advance care and support activities. For example, FHI/IMPACT helped to finalize the manual on comprehensive (medical) care of PLHAs, and provided an expert in the greater involvement of people living with HIV/AIDS who helped Eritrean PLHAs launch the first Eritrean association of PLHAs.

The U.S. Embassy Public Affairs Office (PAO) has sponsored visits by a speaker on the role of business and faith-based organizations in HIV prevention and care, a photojournalist whose work conveys the impact of HIV in human terms. The PAO has also used its international visitors programs to help encourage HIV prevention efforts, especially among the business community and labor organizations. USAID has worked with PAO to identify sites, speakers, and potential partners for these efforts. These activities have helped to stimulate the interest of Eritrea's business, labor, and faith-based organizations in HIV/AIDS prevention, care, and support.

Lessons learned are described in previous sections, but these include the need to reduce the barriers that fear and stigma create for both preventive interventions and better care and support; the degree of unmet demand for VCT and related services; and the potential to build on the strong commitment of the GSE, faith-based organizations, the Eritrean business community, labor, and Eritrean NGOs for a concerted response to HIV. As noted above, Eritrea's extraordinary progress in child survival shows that major results can be achieved, in spite of the country's many constraints, through focused and intensive efforts.

h. Main partners and their contributions

The World Bank is the largest donor, financing the five-year, \$40 million HAMSET Project. This is an integrated, multisectoral, and multilevel effort led by the Ministry of Health and formally involving most government ministries; national organizations representing youth, women, labor, and business; and local government. Faith-based organizations and other NGOs have been included in development and implementation of communications efforts.

Italian Cooperation is a major donor in Eritrea for primary health care. However, its assistance in the area of HIV/AIDS has been designed to fill specific gaps, such as one-time procurement of HIV test kits and other commodities.

There is a well-organized UN Theme Group on HIV/AIDS that also has an expanded Technical Working Group (TWG). The UN invited USAID/Eritrea and the Royal Danish Embassy to join the Theme Group, and the TWG has in practice invited any organization to attend that has shown an interest in participating. UNAIDS funds peer education and other HIV prevention activities of the EDF. It has also organized effective advocacy activities, such as the "Ambassadors of Hope Mission," co-sponsored by USAID, in late 2000 and visit of Milly Katana of the Global Network of People Living with HIV/AIDS and Global Fund Board Member for Africa in September 2002.

UNICEF is helping the Ministry of Education develop a life skills education curriculum with USAID support. However, its principal interest is promoting prevention of mother-to-child transmission of HIV (PMTCT) through administration of antiretroviral drugs. UNFPA has been active trying to mobilize resources from bilateral donors such as the Royal Danish Embassy. Although Denmark closed its Embassy and assistance program in Eritrea in 2002, the small care and support program it funded through UNFPA is still being implemented. A female condom

pilot introduction project is also being implemented by UNFPA. WFP is supporting a feeding program for PLHAs and AIDS orphans. Bidho, the first association of PLHAs, receives support from the World Bank HAMSET Project, the Royal Danish Embassy/UNFPA, and WFP.

UNAIDS, Norway, and the US Department of Defense (through the LIFE Initiative) are supporting HIV prevention activities with the EDF. Norwegian Church Aid is supporting activities of Eritrean faith-based organizations.

Eritrea submitted a proposal to the first Global Fund RFA that was neither awarded funding or approved for funding pending clarifications. In response to inquiries from the Minister of Health, the Global Fund provided technical review comments on the proposal and invited Eritrea to reapply. Eritrea submitted a refocused and scaled down proposal (\$33 million over five years) in September 2002. A World Bank Mission in October 2002 advised Eritrea of the availability of a new World Bank grant fund for ARV treatment, and the MoH has begun to prepare a proposal.

Overall, funding for HIV activities in Eritrea has grown over the last three years. Important gaps are filled by USAID's support for the condom social marketing program. The technical assistance and training provided by USAID, especially in developing capacity to implement BCC and VCT, complements the support of provided by other donors for operating costs. Lack of preventive services and intensive BCC focused on sex workers and clients is a gap that USAID plans to fill.

i. Current program coverage (USAID & partners)

The HIV condom social marketing program is USAID's most extensive effort. It has greatly expanded the number of outlets selling inexpensive condoms to 3,000 in 2002, with 92 condom vending machines. These outlets include bars, hotels, discotheques, and kiosks in addition to pharmacies. Coverage is quite extensive relative to the numbers of communities and existing commercial infrastructure, and the program ranks among the top ten programs in the world in terms of sales per capita. Preliminary results of the 2002 Demographic and Health Survey indicate that 96% of women surveyed knew about HIV/AIDS, 54% mentioned condoms as a means of prevention, and 38% of never married women who had had sex in the last 12 months had used a condom. The program is reviewing market data in order to determine whether to further expand the number and geographic coverage of outlets. Given the already extensive coverage of the program, however, further impact in its next phase is more likely to result from evaluating and fine-tuning communications, especially at the point of sales and among the highest risk groups and areas.

Testing for HIV is available in one stand-alone VCT center and through MoH hospitals. Services in the hospitals are more oriented to medical diagnosis of patients who have failed to respond to other treatments than to prevention. Thus, the potential preventive impact of VCT for people who learn they are HIV negative is largely untapped, and HIV positive people generally learn their status too late to take action to protect others or preserve their own health.

Communications are carried out by television, radio, promotional events, and activities of interested organizations, such as the ESMG. Surveys indicate that radio is the means through which most people report learning about HIV/AIDS. Television has much less extensive coverage in Eritrea, but is an important source of information on HIV in Asmara. As noted above, knowledge of HIV is nearly universal, and there is also generally good knowledge of preventive measures, but low perception of personal risk still limits the application of this knowledge.

HIV/AIDS is included in the school curriculum, but most teachers have not received training to deliver these modules. UNICEF has provided some assistance to the Ministry of Education to develop a life skills education curriculum and program, but this has not yet been completed. UNICEF is a forceful advocate of PMTCT through ARV administration. This is scheduled to be offered in three Asmara hospitals by the end of 2002.

The EDF carries out HIV education programs for enlisted men and women, HIV testing of new recruits to the army and national service, free condom distribution, STI treatment, and HIV testing for demobilization. As noted above, a large proportion of Eritreans 18-40 are served by EDF programs. This work receives support from UNAIDS, Norway, the US Department of Defense LIFE Initiative, and the World Bank-financed HAMSET Project. In collaboration with UNAIDS and US DOD, USAID has provided technical support for EDF peer education, pre- and post-test counseling training, and other BCC activities.

II. USAID STRATEGY (RATIONALE, RESULTS FRAMEWORK AND INTERVENTIONS)

a. Intermediate result 4.4: Quality and demand for priority HIV prevention services increased

b. Rationale

Eritrea has a unique but limited opportunity to stop HIV at an early stage. USAID has played a critical role to date in starting and expanding Eritrea's HIV prevention condom social marketing program. In addition to social marketing, USAID's recognized worldwide experience in other HIV prevention interventions ensures that USAID is considered a lead donor in Eritrea, even though larger donors such as the World Bank have entered the arena. USAID has more effective mechanisms for providing technical support, through GH/OHA contracts and cooperative agreements, than do other donors. These have enabled USAID/Eritrea to effectively complement and support other donors that are providing operating costs for BCC, VCT, and STI treatment

USAID-supported activities to date, particularly the HIV prevention condom social marketing program, combined with those of other donors, particularly UNAIDS, have helped to achieve strong national commitment to stopping HIV, widespread access to condoms, nearly universal public awareness of HIV. There is also high awareness that the means exist to prevent HIV infection, whether through the use of condoms, abstinence, or fidelity. However, due to low perception of personal risk, even among high-risk groups, the use of these preventive measures needs further improvement in order to have an impact in slowing the spread of HIV. In this regard, reducing the fear and stigma of HIV/AIDS is important for reducing the denial of personal risk. Encouraging more open and constructive communication on sexual health between partners, and between parents and children, is also needed to increase the use of preventive measures. Improving demand for HIV prevention services is a challenge for behavior change communications and life skills education.

To attract high-risk clients and serve them effectively, the clinics serving CSWs and clients, the military, and youth must offer better quality care. The necessary services -- VCT, STI treatment and prevention, BCC, condom distribution, and family planning -- exist in different sites. But intensive quality improvement will be needed to ensure that well-coordinated packages of high quality HIV prevention services are provided to meet the needs of high-risk groups effectively.

Improving STI treatment for men may also require working with pharmacies to where men access STI treatment.

c. Key approaches

Increased use of priority HIV/AIDS prevention services will depend on improved quality and demand for these services. Improved information on the trends of the epidemic is needed to target, implement, and adapt programs more effectively. Building on work to date in condom social marketing, training to develop VCT services, BCC interventions, and program planning, IR 4.4 will help increase use of priority HIV/AIDS prevention services in the following ways, with a focus on high risk groups:

- **Establish or maintain prevention programs focused on those most likely to contract and spread HIV.** In Eritrea, the most urgent priority is to reduce the spread of HIV among commercial sex workers, their clients, and the military. This requires three different types of activities: first, focused and intensive BCC with these risk groups; secondly, service delivery sites that are centers of excellence for VCT, STI diagnosis and treatment, condom education, and ancillary services such as family planning; thirdly, social marketing of condoms and, possibly, STI treatment kits.
- **Expand prevention efforts to those with somewhat lower risk.** The future course of the epidemic will be determined by the choices of Eritreans aged 12-24 years. These youth are at risk due to economic vulnerability, national service, and other social trends. Reaching them with life skills education, youth-friendly services, and modern messages to increase the age of sexual debut is a larger challenge, but one that cannot be neglected during the strategy period.
- **Build capacity necessary for efforts to mitigate impact of AIDS.** This will be accomplished primarily through actions that also support prevention, such as VCT, BCC to reduce fear and stigma, and improved program management capacity.

Illustrative activities for IR 4.4

- Support HIV prevention condom social marketing program.
- Expand and improve behavior change communications.
- Expand and improve capacity to provide voluntary counseling and testing.
- Improve quality of STI services.
- Improve quality of data for surveillance, monitoring, and evaluation.
- Develop focused interventions for HIV prevention among CSWs and clients.
- Enhance preventive interventions focused on military men and women.

d. Critical assumptions

It is assumed that other donors including the World Bank continue to support HIV/AIDS programs in Eritrea and that Eritrea is successful in gaining support from the Global Fund. This allows USAID to play a complementary role, achieving greater impact than would otherwise be possible with its limited resources and helping to enhance the impact of other donor programs through capacity development and technical support.

e. Special concerns (e.g., stigma, youth, involvement of PLHAs)

Stigma and fear of stigma are barriers to HIV prevention, as described above. Involvement of PLHAs began about three years ago, when the MoH and EDF began to recruit PLHAs as peer

educators. The establishment in early 2002 of Bidho, Eritrea's first association of people living with and affected by HIV/AIDS has created a platform for the greater involvement of PLHAs. However, the potential impact is still largely untapped in terms of the numbers and prominence of those involved. Youth represent a special concern in Eritrea due to rapidly changing social values, military service, economic vulnerability, and weak life skills – including waning hope for the future. Young women who may be demobilized within the coming years may be especially vulnerable.

f. Major planned interventions and how these relate to (1) essential program needs (including commodities), (2) other USAID program activities, and (3) other-partner activities including those supported through the GFATM

1. Condom social marketing program

USAID started and will continue to support Eritrea's HIV prevention condom social marketing program. Given limited commercial networks, the PSI-affiliated Eritrean Social Marketing Group (ESMG) carries out direct distribution to sales outlets. In conjunction with the National Union of Eritrean Youth and Students (NUEYS), the ESGM conducts extensive promotion and HIV education efforts for youth. Condoms for the program are provided by the central AID/W HIV prevention condom fund.

2. Capacity development to improve BCC, VCT, STI, and related HIV prevention services for high-risk groups

USAID will continue to provide training, technical assistance, and study tours to strengthen the capacity of the MoH and other Eritrean partner organizations to conduct behavior change interventions, voluntary counseling and testing, HIV surveillance, monitoring and evaluation, STI prevention and treatment, and program development and monitoring. While mainly aimed at prevention, around 5% of this support will help to strengthen care and support of people living with HIV/AIDS. At current funding levels, other donors and the GSE are supporting most of the operating cost of Eritrea's HIV programs, with the exception of the condom social marketing program. In order to start more focused preventive activities for CSWs and clients, USAID will provide operational costs as necessary.

g. Implementation modalities (planned use of bilateral and/or centrally managed contracts and grants)

To ensure high quality technical support, USAID/Eritrea will continue to tap central cooperative agreements for condom social marketing and capacity development, such as PSI/AIDSMark and FHI/IMPACT. In order to reduce administrative and logistical costs, non-technical assistance costs of activities that receive technical support from FHI/IMPACT will be provided by the SO 4 core contract, as is the case for other cooperating agencies.

IV. RESULTS AND REPORTING

a. Magnitude and nature of expected results (USAID and partner)

The combined efforts of USAID and its partners are aimed at maintaining the prevalence of HIV among 15-24 year olds below 5%.

b. Country reporting and performance indicators and targets

- (Goal level) prevalence of HIV among 15-24 year olds (target: maintain below 5%)
- Number of stand-alone VCT centers (program reports)
- Number of VCT clients tested annually (program reports)
- (SO level) annual condom sales through social marketing program (program reports)
- Condom use at last sex among never-married who had sex in last month/six months/year (DHS)
- Condom use with last non-regular partner (KAP surveys, every 2-3 years)
- Age of first sex (DHS and KAP surveys)
- Number of non-regular partners (KAP surveys)

c. Contribution to international and expanded response goals

Eritrea is neither a low prevalence country nor a high prevalence country. Since the international and expanded response goals are defined in terms of high and low prevalence countries, it is not clear how goals that are realistic for Eritrea will be taken into account. For example, an important and challenging goal for Eritrea will be to maintain HIV prevalence among 15-24 year olds below 5%. This does not meet the international and expanded response goal for low prevalence countries, which is below 1%. The high prevalence country goal of halving prevalence is not realistic for Eritrea during the next five years, because programs other than the condom social marketing program are in beginning stages, unlike most of the high prevalence countries, and because of the lower level of USAID resources available. On the other hand, keeping the prevalence in Eritrea below 5% keeps the country from joining the ranks of high prevalence countries and avoids the greater burden of care and support that high prevalence countries will experience even if they are able to reduce prevalence.

d. Planned surveillance, surveys, and other M&E activities

USAID/Eritrea will continue to support a national Demographic and Health Survey every five years. USAID will provide technical support for planned HIV surveillance and surveys funded by the World Bank HAMSET Project. USAID provides support for formative research for behavior change interventions, and for monitoring and evaluation carried out by the HIV prevention condom social marketing program.

IV. RESOURCES

a. Expected levels of program funding, staff and OE

OE	Partial support of one USDH
Staff	30% of one USDH 30% of one FSN
Program	\$2.0

b. Results with higher levels of support

With higher levels of support, USAID would provide more intensive technical assistance for prevention, and increased technical assistance and training to develop care and support of people living with and most affected by HIV/AIDS. It would also provide additional direct operating

support for Eritrean and international NGOs involved in both prevention and care and support. In addition, USAID could fund in-country costs of HIV biological and behavioral surveillance. Higher levels of support would make possible more rapid expansion of these activities, higher quality, and earlier impact in reducing HIV transmission and improving the lives of people living with and affected by HIV/AIDS. Higher levels of support would also make it possible to accelerate the development of activities aimed at youth aged 12-24 earlier, especially life skills education and youth-friendly clinics.