

## Eritrea

**The Development Challenge:** FY 2002 was a transitional year, as Eritrea attempted to revive the economy and restore infrastructure affected by the 1998-2000 war with Ethiopia. The devastating impact of the war is still being felt in all sectors, especially with labor shortages due to delays in the planned demobilization of approximately 200,000 soldiers. Exports have decreased dramatically due to the war, the slow development of the private sector and the cessation of trade with Ethiopia. Income per capita is about \$180 per year, and the country is dependent on support from abroad, both from official donors and private remittances. Government expenditures on productive sectors and social services are low, with just 5% of total spending allocated to agriculture, 4% to health, and 6.5% to education. The overall adult literacy rate is 53.8%, with female literacy at 39.7%. The HIV/AIDS prevalence is moderate, but the disease already strains Eritrea's limited trained human resource base and fledgling institutional capacity. Without vigorous preventive programs, demobilization could spread HIV/AIDS very rapidly. A severe drought reduced agricultural production in 2002. Hence, Eritrea will continue to face critical development challenges for some time to come, and aggressive economic and political reforms will be needed to meet these challenges while Eritrea continues to provide a safety net for the poor.

The United States has four key foreign policy interests in Eritrea: maintaining regional stability, combating global terrorism, promoting the establishment of a democratic system and economic development. To these ends, the U.S. seeks to ensure that the uneasy peace between Eritrea and Ethiopia becomes a lasting one.

**The USAID Program:** USAID's 1997-2002 strategy concentrated on three objectives: increased use of health care services; increased income of enterprises; and increased capacity for accountable governance. It should be noted, however, that, shortly after this strategy was approved in 1997, the Government of the State of Eritrea (GSE) requested a major redirection of the governance objective to focus resources on capacity building. USAID recently has developed a new strategy for 2003-2007 to meet Eritrea's post-conflict development challenges in health and citizen participation. While economic development remains a priority for Eritrea, USAID funding for this sector will end with the current program in FY 2004.

Eritrea has made dramatic gains in child survival that will be challenging to sustain during the post-conflict transition. Maternal health has improved more slowly than child health, and planned demobilization of soldiers makes the next two years the critical time for preventing an explosion of the HIV/AIDS epidemic. Therefore, the new health objective will expand active demand for primary health care, especially at the community level; continue to improve the quality of primary health services; improve institutional capacity for resource allocation decisions in order to sustain health care improvement; and increase quality and demand for HIV/AIDS prevention services.

In order for Eritrea to achieve its long-term vision of a self-reliant, prosperous, democratic, and knowledge-based country, it will need to strengthen the ability of its citizens to participate actively in their country's own development process. As a result, USAID will implement a new participation objective that will develop capacity of community-based organizations, strengthen partnerships between community-based organizations and local administrations, and enhance the flow of information to and among citizens through expansion of the Internet program.

**Other Program Elements:** USAID is collaborating with the World Bank to privatize the telecommunication system in Eritrea. With central USAID/Washington funding, girls are receiving scholarships to remain in school. Food and non-food humanitarian assistance contributes to the program, particularly in assisting populations displaced during the border war and affected by drought.

**Other Donors:** The World Bank and the European Union are Eritrea's largest donors, in addition to the United States. The World Bank supports Eritrea in demobilization and reintegration of combatants, economic recovery, health, human capacity development and the rehabilitation of the ports of Massawa and Assab. The European Union provides support for energy and power, roads, the education sector, as

well as food aid. Other bilateral partners include Italy, the United Kingdom, the Netherlands, France and Germany. The U.N. agencies are represented in Eritrea and support health, education, humanitarian assistance, and economic development activities.

## Eritrea PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual*	FY 2003 Prior Request	FY 2004 Request
Child Survival and Health Programs Fund	4,516	5,350	5,400	5,400
Development Assistance	5,603	5,558	4,619	840
PL 480 Title II	2,830	5,564	1,908	2,256
<b>Total Program Funds</b>	<b>12,949</b>	<b>16,472</b>	<b>11,927</b>	<b>8,496</b>

### STRATEGIC OBJECTIVE SUMMARY

661-001 Health and Population				
CSH	4,516	5,350	0	0
DA	345	0	0	0
661-002 Rural Enterprise Investment Partnership				
DA	3,900	3,318	3,119	300
661-003 Developing Human Potential				
DA	1,358	2,240	0	0
661-004 Health and HIV/AIDS				
CSH	0	0	5,400	5,400
661-006 Developing Human Capacity				
DA	0	0	1,500	540

\* FY 02 appropriated CSH excludes \$200,000 in polio funds programmed under Africa Regional.

**Data Sheet**

**661-001: No Summary and/or Pillar information entered for this SO.**

## US Financing in Thousands of Dollars

Eritrea

	CSH	DA	DFA
661-001 Health and Population			
<b>Through September 30, 2001</b>			
Obligations	16,949	4,540	7,620
Expenditures	8,970	3,635	6,866
Unliquidated	7,979	905	754
<b>Fiscal Year 2002</b>			
Obligations	5,350	0	0
Expenditures	5,129	410	0
<b>Through September 30, 2002</b>			
Obligations	22,299	4,540	7,620
Expenditures	14,099	4,045	6,866
Unliquidated	8,200	495	754
<b>Prior Year Unobligated Funds</b>			
Obligations	0	0	0
<b>Planned Fiscal Year 2003 NOA</b>			
Obligations	0	0	0
<b>Total Planned Fiscal Year 2003</b>			
Obligations	0	0	0
<b>Proposed Fiscal Year 2004 NOA</b>			
Obligations	0	0	0
Future Obligations	0	0	0
Est. Total Cost	22,299	4,540	7,620

## Data Sheet

<b>USAID Mission:</b>	Eritrea
<b>Program Title:</b>	Rural Enterprise Investment Partnership
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	661-002
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$3,119,000 DA
<b>Prior Year Unobligated:</b>	\$150,000 DA; \$250,000 ESF
<b>Proposed FY 2004 Obligation:</b>	\$300,000 DA
<b>Year of Initial Obligation:</b>	1996
<b>Estimated Completion Date:</b>	2005

**Summary:** USAID's program to raise rural incomes focused initially on providing technical assistance and credit to rural enterprises, creating and supporting community-based savings and loan associations. The program has provided technical assistance and training for providers of business development services as well as other facilitators of increased trade and investment, such as staff of the Government of the State of Eritrea (GSE), in the development and implementation of appropriate agricultural policies and research. This objective also supports reconstruction of border areas to facilitate resettlement of people who will relocate for economic or political reasons once the demarcation of the boundary between Eritrea and Ethiopia is completed.

### **Inputs, Outputs, Activities:**

#### **FY 2003 Program:**

Rural small and medium enterprises (\$500,000 DA). USAID will support a small lending program for rural enterprises, provide technical assistance and training in management skills, accounting principles, and marketing to providers of business development services, loan officers, agricultural extension agents and farmers to increase the quantity and quality of agricultural production on a sustained basis. A new contractor will be selected in FY 2003.

Economic opportunities for vulnerable groups (\$1,250,000 DA). USAID will provide small loans and technical assistance and training for participants in microfinance institutions, government regulatory and statistics agencies, microenterprises, and providers of adult education in job and life skills. This will enhance the ability of microfinance institutions to provide loans to vulnerable populations, particularly women, who can then participate in income-generating activities. Improvements in the regulatory framework will aid in the marketing of agricultural goods. One or more new grantees will be selected in FY 2003.

Rural development (\$1,369,000 DA). USAID will provide assistance through NGOs to private and public sector entities to facilitate trade and investment and to undertake infrastructure building activities that respond to the on-going crisis in the livestock and horticultural sectors (e.g., sponsoring destocking and livestock famine relief camps). One or more new grantees will be selected in FY 2003.

Border reconstruction (\$250,000 ESF). Reconstruction of health clinics, schools, and basic water systems, for human and livestock consumption as well as for irrigation, will be undertaken on the Eritrean side of the border. This reconstruction is in response to border demarcation separating some towns from their community facilities and/or destroyed water supply systems and roads as a result of war. A new contractor will be selected in FY 2003.

#### **FY 2004 Program:**

USAID will use limited FY 2004 funds to complete this objective, which began in FY 1996. No additional funding is planned for economic growth in Eritrea. To complete this objective, USAID will invest in:

Capacity building in agriculture and related sectors (\$300,000 DA). USAID may provide training to agricultural research and extension personnel to support targeted crop and livestock research programs in key income generating and/or export products, including products that improve environmental quality (e.g., reforestation). USAID may also provide support to the private and public sectors (e.g., extension agents or animal health workers) in support of agricultural and livestock policies that facilitate exports and income growth in the rural sector. A new contractor will be selected in FY 2003.

**Performance and Results:** Under the current objective, 39 loans, worth \$580,200, have been provided to small and medium enterprises in the agricultural, commercial, and service sectors in three regions in FY 2002. This has resulted in the creation of about 430 jobs. Under a pilot microcredit activity launched in August 2001, 19 community-based savings and loan associations have been formed to date, with a total of 553 members, with total savings of \$20,264 and loans amounting to \$12,235. In the aftermath of the most recent border war with Ethiopia, some 388 agriculture-related rural enterprises borrowed \$5 million, creating about 5,000 jobs and financing business activity that enabled enterprises to make repayments at a rate approaching 100% for the overall portfolio.

By the end of this objective in FY 2005, many rural communities will have access to credit that will allow them to start and/or expand rural, agriculture-based enterprises, expanding employment and income opportunities. In addition, limited progress will be made in researching ways to improve productivity in key crop and livestock sub-sectors as well as in reforming key government policies and regulations affecting investment and trade. Finally, water sources and distribution systems, health clinics, schools, and small-scale irrigation systems in selected villages along the Ethiopian border will have been reconstructed, allowing Eritreans to resettle in these villages and resume productive lives in previously war-torn areas.

## US Financing in Thousands of Dollars

Eritrea

	DA	DFA	ESF
661-002 Rural Enterprise Investment Partnership			
<b>Through September 30, 2001</b>			
Obligations	20,065	566	1,959
Expenditures	14,680	566	1,959
Unliquidated	5,385	0	0
<b>Fiscal Year 2002</b>			
Obligations	3,188	0	0
Expenditures	377	0	0
<b>Through September 30, 2002</b>			
Obligations	23,253	566	1,959
Expenditures	15,057	566	1,959
Unliquidated	8,196	0	0
<b>Prior Year Unobligated Funds</b>			
Obligations	150	0	250
<b>Planned Fiscal Year 2003 NOA</b>			
Obligations	3,119	0	0
<b>Total Planned Fiscal Year 2003</b>			
Obligations	3,269	0	250
<b>Proposed Fiscal Year 2004 NOA</b>			
Obligations	300	0	0
Future Obligations	0	0	0
Est. Total Cost	26,822	566	2,209



**Data Sheet**

**661-003: No Summary and/or Pillar information entered for this SO.**

## US Financing in Thousands of Dollars

Eritrea

661-003 Developing Human Potential (Pillar: Economic Growth)	CSH	DA	DFA
<b>Through September 30, 2001</b>			
Obligations	1,105	8,837	7,850
Expenditures	204	3,057	6,788
Unliquidated	901	5,780	1,062
<b>Fiscal Year 2002</b>			
Obligations	0	2,220	0
Expenditures	0	336	432
<b>Through September 30, 2002</b>			
Obligations	1,105	11,057	7,850
Expenditures	204	3,393	7,220
Unliquidated	901	7,664	630
<b>Prior Year Unobligated Funds</b>			
Obligations	0	0	0
<b>Planned Fiscal Year 2003 NOA</b>			
Obligations	0	0	0
<b>Total Planned Fiscal Year 2003</b>			
Obligations	0	0	0
<b>Proposed Fiscal Year 2004 NOA</b>			
Obligations	0	0	0
Future Obligations	0	0	0
Est. Total Cost	1,105	11,057	7,850

## Data Sheet

<b>USAID Mission:</b>	Eritrea
<b>Program Title:</b>	Health and HIV/AIDS
<b>Pillar:</b>	Global Health
<b>Strategic Objective:</b>	661-004
<b>Status:</b>	New
<b>Proposed FY 2003 Obligation:</b>	\$5,400,000 CSH
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2004 Obligation:</b>	\$5,400,000 CSH
<b>Year of Initial Obligation:</b>	2003
<b>Estimated Completion Date:</b>	2008

**Summary:** USAID's health objective seeks to improve demand for, quality of, and resource allocation to priority primary health and HIV/AIDS prevention services. USAID funds training of health workers, technical assistance to strengthen Ministry of Health resource management systems, and the provision of equipment, supplies, and health education materials for primary health care and HIV/AIDS prevention. Building on experience, the new health objective will increase the emphasis on improved health practices, community involvement, resource allocation, and HIV/AIDS prevention.

### **Inputs, Outputs, Activities:**

#### **FY 2003 Program:**

Reduce maternal and child mortality (\$2,900,000 CSH). USAID will provide technical assistance and training to the Ministry of Health and Population to improve the quality of integrated management of childhood illness, prenatal care, and emergency obstetric care in health facilities. USAID will help to complete plans and begin training to extend these services from health facilities to the community level. Technical assistance and training will also be provided to strengthen health communications, the health information system, the pharmaceutical logistics system, financial management, and malaria surveillance. Principal contractors or grantees to be selected during calendar year 2003.

Prevent the spread of HIV/AIDS (\$2,000,000 CSH). USAID will support training and technical assistance to expand and improve voluntary counseling and testing services, behavior change communications, and condom social marketing for HIV prevention. These activities will help to strengthen voluntary counseling and testing in preparation for demobilization of combatants. USAID will support social marketing and provide training and technical assistance to personnel from five Eritrean ministries, four faith-based organizations, and six non-governmental organizations implementing Eritrea's multisectoral HIV prevention program. Principal contractors or grantees will be selected during calendar year 2003.

Improve reproductive health services (\$500,000 CSH). USAID will support training and technical assistance to health care providers in service provision, management skills, and design and maintenance of inventory systems to improve family planning services at Ministry of Health clinics, supervision of health workers, and improved inventory systems for essential medicines, including contraceptives. Principal contractors or grantees will be selected during calendar year 2003.

#### **FY 2004 Program:**

Reduce child mortality (\$2,900,000 CSH). USAID will conduct training to upgrade the quality of maternal and child health services, and extend these services from health facilities to the community level and provide technical assistance and training for managers on the use of health statistics and resource data in program management. Principal contractors/grantees: To be determined.

Prevent the spread of HIV/AIDS (\$2,500,000 CSH). USAID anticipates expanding the voluntary counseling and testing program as well as behavior change communications and condom social marketing. Principal contractors/grantees: To be determined.

**Performance and Results:** Child survival and the use of primary health services increased significantly since 1995 under the previous health objective, at least in part attributable to sustained USAID involvement in the sector for a number of years. According to the 1995 and 2002 Eritrea Demographic and Health Surveys, the infant mortality rate has been reduced from 72 deaths per 1,000 live births in 1995 to 48 in 2002, and under-five child mortality fell from 136 deaths per 1,000 live births to 93 during the same period. Coverage of children 12-23 months old with both DPT-3 and polio-3 immunizations increased from 42% to 79%. Nutritional status of children also improved: children whose weight-for-age falls below an allowable level decreased from 44% in 1995 to 39% in 2002. Eritreans seeking care for childhood illnesses increased, from 28% to 42% for children with diarrhea. Use of antenatal care increased from 49% in 1995 to 70% in 2002, and birth deliveries by trained health personnel rose from 21% percent in 1995 to 28% in 2002. Use of iodized salt at the household level reached 71% nationally, and household ownership of insecticide-treated nets for malaria prevention reached 35% nationally. However, the modern contraceptive prevalence remained unchanged at 5.2%.

Continued USAID involvement in this sector will mean that, by FY 2008, the percent of children 12-23 months old who receive the DPT-3 immunization by their first birthday will increase to 82%, while other key health indicators also will continue to improve. The goals are to reduce infant mortality to 43 per 1,000, reduce under five child mortality to 84 per 1,000 and maintain the prevalence of HIV/AIDS below 5% percent among Eritreans aged 15-24 years.

## US Financing in Thousands of Dollars

Eritrea

661-004 Health and HIV/AIDS	<b>CSH</b>
<b>Through September 30, 2001</b>	
Obligations	0
Expenditures	0
Unliquidated	0
<b>Fiscal Year 2002</b>	
Obligations	0
Expenditures	0
<b>Through September 30, 2002</b>	
Obligations	0
Expenditures	0
Unliquidated	0
<b>Prior Year Unobligated Funds</b>	
Obligations	0
<b>Planned Fiscal Year 2003 NOA</b>	
Obligations	5,400
<b>Total Planned Fiscal Year 2003</b>	
Obligations	5,400
<b>Proposed Fiscal Year 2004 NOA</b>	
Obligations	5,400
Future Obligations	21,600
Est. Total Cost	32,400

**Data Sheet**

**661-005: No Summary and/or Pillar information entered for this SO.**

## Data Sheet

<b>USAID Mission:</b>	Eritrea
<b>Program Title:</b>	Developing Human Capacity
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	661-006
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$1,500,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2004 Obligation:</b>	\$540,000 DA
<b>Year of Initial Obligation:</b>	2003
<b>Estimated Completion Date:</b>	2008

**Summary:** The focus of this objective is to increase and strengthen participation of Eritreans in their country's development. This will be achieved by strengthening the capacity of community-based organizations, developing partnerships between community-based organizations and local administrations, and enhancing access to information by expanding the Internet and improving information and communications technologies.

### **Inputs, Outputs, Activities:**

#### **FY 2003 Program:**

Through this objective, USAID will provide technical assistance, training, and limited commodities to build the capacity of community-based organizations, strengthen the abilities of the Government of the State of Eritrea (GSE) to allow productive citizen participation, and enhance access to information among citizens by expanding internet access to four additional secondary cities through the establishment of rural telecenters to include phone, fax, and internet services). The objective of this program is premised on the assumption that citizens need improved skills, greater information resources, and more opportunities to participate in their local communities. As a result of USAID assistance, it is expected that communities will be better able to address local development issues, thereby establishing the foundation for basic democratic development and good governance practices in the future.

Capacity building (\$1,000,000 DA). USAID will provide limited technical assistance and training in skills such as management, planning, budgeting, and monitoring and evaluation to the leadership of community and civil society (non-governmental) organizations. Small grants will support community-based organizations to implement small community-oriented programs, such as parent-teacher associations, water resource committees, and small libraries. In addition, training will be provided for national as well as local administrators in understanding the role of communities and civil society organizations in a democracy, the role of the private sector, and legislative and regulatory requirements to ensure effective citizen and private sector participation. A contractor or grantee will be identified in FY 2003.

Access to information (\$500,000 DA). USAID will expand access to information by providing technical assistance in management skills to improve Eritrea's information and communications technologies' infrastructure. The program will also provide technical assistance in the drafting of legislation and regulation to improve the legal and regulatory framework for telecommunications development. In addition, training will be provided to individuals responsible for maintaining equipment and providing services, such as network managers of the national internet gateway, operators of internet service and providers. A contractor or grantee will be identified in FY 2003.

#### **FY 2004 Program:**

Using bilateral obligations as well as limited Africa regional funds, USAID will continue implementation of activities initiated in FY 2003:

Citizen participation and capacity building (\$250,000 DA). USAID will continue to provide training and technical assistance to community-based organizations to strengthen their capacity to implement community-based development activities. Technical assistance and training will also be continued to national and local government officials to facilitate effective citizen and private sector participation. Principal contractors/grantees will remain the same as in FY 2003.

Access to information (\$290,000 DA). USAID will continue to enhance citizen access to information by expanding access to information and communications technologies including phone, fax, and Internet services. This will be accomplished by providing technical assistance to improve infrastructure and training to those individuals responsible for maintaining equipment and providing the services. Principal contractors/grantees will remain the same as in FY 2003.

**Performance and Results:** Under the previous strategy, which is ending in FY 2003, USAID funded graduate programs for 35 out of 235 (15%) faculty at the University of Asmara who have recently completed or initiated studies abroad. Upon their return to Eritrea, these professors will help contribute to a better-educated citizenry and skilled workforce. As a result of USAID assistance over the past five years, the national Internet system has been expanded to four secondary cities, and the University of Asmara has been hooked up directly to the gateway, facilitating distance education and research opportunities. The bandwidth has been doubled and policy reforms continue. A telephone line surtax for Internet use was rescinded, and other reforms are planned, including replacement of domestic long-distance phone charges with a lower universal Internet charge, and creation of an Information Technology Training Academy for internationally certified courses, a private sector venture encouraged by the GSE.

Civil society organizations in Eritrea are currently at a nascent stage of development. Over the new strategy period, these organizations will become at least emergent if not self-sustaining. With the foundation of Internet access laid from prior USAID involvement, Eritrean citizens can now begin to use the broader array of information available to them more effectively. By 2008, USAID expects to have worked with at least 50 community-based organizations and local administrations which will be using Internet resources to increase their access to information.



## US Financing in Thousands of Dollars

Eritrea

661-006 Developing Human Capacity	DA
<b>Through September 30, 2001</b>	
Obligations	0
Expenditures	0
Unliquidated	0
<b>Fiscal Year 2002</b>	
Obligations	0
Expenditures	0
<b>Through September 30, 2002</b>	
Obligations	0
Expenditures	0
Unliquidated	0
<b>Prior Year Unobligated Funds</b>	
Obligations	0
<b>Planned Fiscal Year 2003 NOA</b>	
Obligations	1,500
<b>Total Planned Fiscal Year 2003</b>	
Obligations	1,500
<b>Proposed Fiscal Year 2004 NOA</b>	
Obligations	540
Future Obligations	2,000
Est. Total Cost	4,040