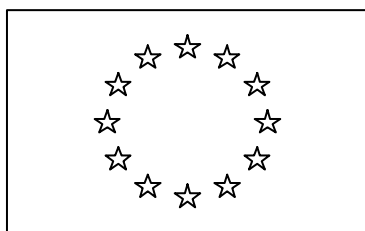


Final version

CO-OPERATION
BETWEEN
THE EUROPEAN COMMISSION
AND
THE STATE OF ERITREA
JOINT ANNUAL REPORT
2002



Annual report on European Commission/State of Eritrea co-operation

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1 EXECUTIVE SUMMARY

This Joint Annual Report 2002 provides an overview of the co-operation between the State of Eritrea and the European Commission in 2002. The report outlines Eritrea's policy agenda and provides an update on the political, economic and social situation. Furthermore, an overview of the past and ongoing development cooperation funded by the European Development Fund (EDF), EC budget lines, as well as other instruments is given and the programming perspective for the following years is provided.

The Joint Annual Report was agreed upon in December 2003 following an intensive dialogue between the partners.

Political

A number of significant steps were taken following the signature of the Algiers Peace Agreement. On 13 April 2002, the Ethiopia-Eritrea Independent Boundary Commission (EEBC) delivered its final verdict on the boundary delimitation and on 8 July 2002 adopted and issued its demarcation directions. As per the agreement, Eritrea accepted the ruling in its entirety.

Humanitarian Crisis

In 2002 Eritrea continued to battle the effects of war and drought. The Consolidated Interagency Appeal (CAP) for humanitarian assistance in 2002 requested \$120M to support relief assistance to 1.3M vulnerable people. The CAP 2002 reflected a transition from the still significant humanitarian requirement towards interventions of rehabilitation and reconstruction of basic social infrastructures.

Country Strategy Paper (CSP)

A bilateral meeting between Commissioner Nielson and President Isaias held during the World Summit on Sustainable Development (WSSD) in Johannesburg in September 2002, together with an exchange of letters between the EU Presidency and the Eritrean President in November, led to the signature of the Country Strategy Paper in November 2002.

EDF Commitments

The Financing Agreement for the first EDF contribution to the emergency demobilisation and reintegration support programme for € 27M was approved in October 2002. Two programmes for a total of €10M in support of refugees, under Article 255 of the Lome Convention, were also approved in 2002.

Payments

In 2002 a total amount of approximately € 26,000,000 was disbursed. Of this amount, € 4,341,299 was disbursed in the framework of the National Indicative Programme (NIP) of the 7th EDF, while € 2,943,458 was disbursed under the 8th EDF. The EC also continued with the implementation of previous commitments in the area of humanitarian aid and food security and disbursed € 17,801,414 under the food security budget line.

Programming Perspective

The programming perspective for the coming years is outlined in the Country Strategy Paper (CSP). In the framework of the Operational Annual Review, the NAO and the Head of Delegation agreed that (i) the strategy in the CSP is in principle still valid (ii) it would be possible to reprogram the balance of payment support to the education sector, and (iii) the intervention frameworks and the indicators and targets would need to be revised.

2 THE POLICY AGENDA OF ERITREA

Eritrea was declared an independent state in 1993. A transitional Government that promoted a programme of economic liberalisation and democratisation marked by the drafting of a new constitution in 1997, was established. This process of reform was interrupted in May 1998 with the eruption of a conflict with Ethiopia that lasted until 2000, when a Peace Agreement was concluded in Algiers and the UN Security Council decided to deploy the United Nations Mission to Eritrea and Ethiopia (UNMEE).

As much as communal self-reliance is at the basis of the functioning of the Eritrean society, a policy of self-reliance based on social discipline and mobilisation has been applied consistently by the Government. Following the recent conflict with Ethiopia, Eritrea's policy of self-reliance has been put to a test.

At independence, the Government's policy agenda was determined by the task of rehabilitating a war-damaged economy and social infrastructures, ensuring the demobilisation of ex-fighters, and the return of refugees from neighbouring countries. After this initial phase the Government embarked upon an ambitious programme of economic reform aimed at initiating the transition to a market economy. The creation of a national currency – the Nakfa – in 1997, which replaced the Ethiopian Birr, represented a very significant step. In 1998, the Government made public its development vision formulated in a National Economic Policy Framework (NEPF) putting strong emphasis on a market-based, export-oriented economy. The Government also started to introduce democratic institutions, a process that culminated in the adoption of a constitution in 1997. However, the implementation of this economic and political programme was hampered when the war with Ethiopia broke out in May 1998. After the cessation of hostilities, in June 2000, the Government was immediately confronted with a humanitarian crisis and recurrent droughts. It reacted by prioritising rehabilitation and reconstruction, and elaborated a new development strategy.

Poverty in Eritrea

Eritrea remains one of the poorest countries in the world with an estimated GDP per capita of US\$ 170-200¹ in 2000, equivalent to \$960 in PPP. The UNDP HDI ranks Eritrea 157 out of 173 countries in its 2002 HDR. Lack of updated and comprehensive data on poverty is a problem and entails that an overall policy-relevant "picture" of poverty in the country cannot be drafted at the moment. An educated guess, however, suggests that poverty incidence and depth are higher in rural areas, where an estimated 60% of the population live, and poverty incidence is higher in the dry and arid eastern and western lowlands that are inhabited by pastoralists. The recent conflict and successive droughts have certainly weakened the coping mechanisms and increased the vulnerability of the population. Structural factors are also affecting Eritrea's capacity to respond to crisis and to erratic rainfall.

Whilst Eritrea's health indicators are levelled with sub-Saharan Africa averages, education indicators are lower: school enrolment ratios stand at 27% for combined primary secondary and tertiary education, against 42% for Sub-Saharan Africa². Illiteracy rate is quite high, standing at

¹ Variations depend mainly on the "chosen" size of population. Estimates vary between 3.2 and 4.0 M, depending on the source. Most sources place the total between 3.2 and 3.6 M. Since independence, no population census was carried out.

² Source: UNESCO – 10/2002 - http://portal.unesco.org/uis/ev.php?URL_ID=5204&URL_DO=DO_TOPIC&URL_SECTION=201

70% of the population. The shortage of skilled human resources is one of the key challenges to the country's development.

Emergency Relief: In 2002 Eritrea continued to battle the effects of war and drought. The affected population which was indicated in appeals from the Government of Eritrea and the UN System at the end of 2001 numbered a total of 1.3M people. The total amount requested in the appeal for humanitarian assistance was \$120M. In July 2002 it became clear that a new humanitarian crisis was unfolding due to failed harvests compounded by structural issues.

According to the UNDP³, under-nourishment stands at 57%, stunted and wasted children at 44% and 57% respectively. Life expectancy is 51.5 years, under-5 mortality rate is 114/1000 and maternal mortality is 600 per 100,000 live births. Although the problem of HIV/AIDS is not yet as acute as in other African countries, the trend is, as elsewhere, on the rise.

Apart from the above estimates of socio-economic indicators, little information is available on other components of poverty such as entitlements / opportunities, security and empowerment at individual / household level. The GSE recognises that poverty has several dimensions and the fight against poverty requires a comprehensive, articulated approach with a systemic vision. In order to produce effective, evidence-based policies, the Government is about to undertake, with the financial assistance of UNDP, a comprehensive series of studies including a baseline quantitative survey, following the well-established LSMS methodology and a countrywide Participatory Poverty Assessment. The results of these surveys will be used as a basis on which the structure of the *i*-PRSP will be built. The government has announced that a draft *i*-PRSP will be presented to development partners in July 2003.

³ HDR 2002.

3 UPDATE ON THE ECONOMIC AND SOCIAL SITUATION

Type	Indicator	2000	2001	2002
Impact	Proportion of population below the national poverty line	53% (national poverty line)*	66.4	66.4%&
	Prevalence of underweight children (<5 years of age)	44%*	44%*	
	Under-five mortality rate	114/1000*	111/1000*	
Outcome	Net enrolment ratio in primary education	41.42#	42.30	46.02
	Primary Completion Rate	45.3	64.7	66.7
	Ratio of girls to boys in:			
	- primary education	0.82#	0.82	0.79
	- secondary education	0.59#	0.59	0.56
	- tertiary education	NA	NA	NA
	Proportion of births attended by skilled health personnel	16.6%*	18.9	22.7
	Proportion of 1 year old children immunised against measles	30.15*	31.92	39.28
	HIV prevalence among 15-24 year old pregnant women	4%¬	NA	NA
	Population with sustainable access to an improved water source	46%*	NA	NA
	Population in millions	3.6	3.6	3.6
	GDP at constant factor cost (M Nakfa)	2,996.7α	3,256.9α	3,218.2 α
	GDP	^\$608M	^700M	690.0M
	GNI at PPP	^\$4Billion	\$4Billion^	\$4 Billion
	GNI Per capita PPP	^\$ 960	\$1030^	\$1030^
	Stock of External Debt	^\$331.9Mα	\$433.7Mα	\$508.5Mα
	Debt Service ratio (% of exports)	3.8α	5.3α	15.1α
	Exports f.o.b.	\$36.7Mα	\$19.9Mα	\$51.8Mα
	Imports c.i.f.	\$470.3Mα	\$536.7Mα	\$533.4Mα
	Consumer Price Index annual average increase	19.9%α	14.6%α	16.9%α

Source(s):

* = Ministry of Health, UNDP HDR 2002 / 2003

= Ministry of Education, Statistics 1999/00, 2000/01, 2001/02

¬ = UNAIDS Country Factsheet Eritrea 2002 update (data for urban areas only)

^ = World Bank WDI 2002 / 3

@ = IMF World Economic Outlook 2002

+ = IMF BoP Statistics

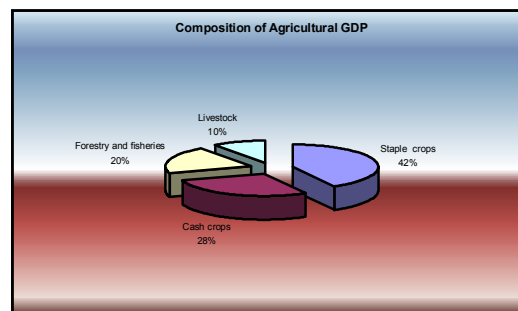
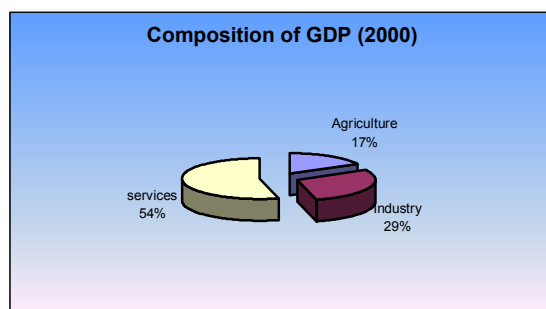
& = Official Government Statistics

α = IMF Article IV Mission Staff Report (Jan. 2003). Data for 2002 are estimates.

! = development gateway Eritrea country profile

(<http://devdata.worldbank.org/external/CPProfile.asp?SelectedCountry=ERI&CCODE=ERI&CNAME=Eritrea&PTYPE=CP>)

! = Joint BIS-IMF-OECD-World Bank statistics on external debt



Source: World Bank WDI 2002

3.1 The political agenda

The Constitution that was promulgated in May 1997 is yet to be enforced. Its implementation has been delayed on the grounds of the special circumstances derived from the war. The Government has indicated that it will come into force once the new Parliament is elected and that until then the transitional legislation is still in effect.

General Elections, scheduled for December 2001, were postponed. A draft law on elections has been ratified, but no date for elections fixed. An Electoral Commission was established in January 2002. During the same month, the Transitional National Assembly accepted the principle of political pluralism. Elections for local councils were carried out in all Zobas in 2002 and will be continued in 2003.

Implementation of the Decentralisation Law (the 1996 Proclamation for the establishment of regional Administration) is also essential for widening the participation in the decision-making process to local communities. While political decentralisation has taken place, other aspects of this law are lagging behind, basically because of limitation of resources and capacity of the regions in planning and managing development activities.

A committee was created to look into the future of the media and in particular the conditions under which independent media might function.

Following the cessation of hostilities and the signing of the Algiers Peace Agreement, Eritrea embarked on a programme of demobilisation and re-integration. In June 2002, under a pilot project, 5000 soldiers were demobilised. The Government intends to demobilise up to 100.000 soldiers by the end of 2003.

3.2 Peace Process

A number of significant steps were taken in the implementation of the Algiers Peace Agreement.

On 13 April 2002, the Ethiopia-Eritrea Independent Boundary Commission (EEBC) delivered its final verdict on the boundary delimitation, and on 8 July 2002 adopted and issued its demarcation directions. As per the agreement, Eritrea accepted the ruling in its entirety.

The UNMEE mandate was extended until March 2003 and expanded in order to allow it to support the logistics of the EEBC and the demining of the areas where the physical demarcation will take place.

The peace process entered its crucial phase. Physical demarcation is due to start in May 2003.

Repatriation of war prisoners by Eritrea was completed under the auspices of the ICRC.

The situation in the TSZ remained mostly calm, although towards the end of the year some incidents occurred, such as Ethiopians entering the TSZ. Eritrea protested these incursions. The delayed mine-clearing of the TSZ continues to inflict death and injury among Eritreans living in the area.

3.3 External Relations

The Government of Eritrea affirms that it strives to maintain an effective and harmonious relationship with all its partners including the EU. Accordingly, it cooperates with all partners, including non-state actors. Its guiding principle is to engage partners in areas of development where they have comparative advantages while maintaining ownership of its programmes.

Eritrea is committed to the development of regional economic cooperation and integration that would enhance free trade and mobility of resources in the region. Eritrea believes that regional economic cooperation and integration would also foster peace and stability in the region. To that extent, it is firmly committed to do its part.

3.4 Relations with the EU

A bilateral meeting between Commissioner Nielson and President Isaias held during the WSSD in Johannesburg in September 2002, together with an exchange of letters between the EU Presidency and the Eritrean President in November, led to the signature of the Country Strategy Paper in November. Beginning in September 2001, no new commitments have been approved by the European Commission. Eritrea protested this freeze on the ground of non-compliance with the Cotonou Agreement. Later after the signature of the CSP, the EC informed that there is no longer a freeze in effect.

In 2002, the EC continued to provide humanitarian and emergency aid and continued with the implementation of previous commitments in the area of food security. The first instalment of an EDF-financed project to support demobilisation was approved in October 2002.

In June 2002, Italy and Eritrea agreed to exchange Ambassadors and to resume normal diplomatic relations. Denmark closed its mission in Asmara in May 2002. Sweden decided not to extend its limited development cooperation beyond 2002. An Embassy of the UK was opened in 2002.

3.5 The Economic and Development Agenda

The Government's long-term objective is to build a democratic, stable, prosperous and self-reliant nation. This is to be accomplished through a partnership of the public and private sectors including foreign direct investment.

The role of the public sector will be mainly to enhance sustainable development and governance through investment in education, health services, institutional development and basic infrastructure. In commercial activities, the Government will serve as a catalyst with the view of minimising risk to the private sector and creating the enabling environment for a strong and competitive economy.

In the short-run (2002/3003) the Government intends to tackle the pressing challenges that the country faces as a consequence of both the recent conflict and the recurrent drought.

Poverty reduction and national food security are special areas of focus. However, they will be achieved only through sustained economic growth and development with regional and sectoral balance based on the country's comparative advantages. All these will be possible only through an adequate supply of human capital. Therefore the Government is committed to make investment in education a priority of the foreseeable future.

The Government is committed to redress macro imbalances by reducing fiscal deficit, by further opening the economy to foreign investment, and by removing foreign exchange controls. In the area of trade, measures include streamlining of customs administration both for imports and exports, and continuing the reduction of import rates and excise duties in line with the requirements by IGAD and COMESA, of which Eritrea is member.

The government has started to institute a budgetary process that requires all sector ministries, regional administrations and other agencies of government to seek resources through an open and competitive process that leads to the production of consolidated budgets on an annual basis. Furthermore, government agencies are being assisted in building capacity for project planning, programming and budgeting that would improve efficiency in the public sector. This, together with the establishment of a national accounting system and a macro and sector public expenditure review requirement, will enable the Government to manage public sector expenditures more efficiently.

Expenditure on education has been consistently high, and per capita expenditure is higher than in most countries with comparable situation. The Government intends to develop a sector strategy that would enable development partners to exercise meaningful participation both technically and financially. Appropriations for the health sector have been less regular. However, health status indicators are in line with African averages, while education compares unfavourably. This fact together with the importance of human capital as a source of growth justifies the government's more pronounced commitment to education.

Progress has been made in several other areas that have not been jeopardised by the war – on labour legislation, funding for health and education, roads, power supply, water supply, telecommunications, etc. All of these have long term strategic importance. A comprehensive national environmental management plan has also been adopted and is being implemented though the pressure on scarce natural resources remains high.

On Independence Day, May 24, 2002, President Isaias officially launched the Warsay-Yikaalo campaign for rehabilitation and reconstruction of the country mainly relying on own resources and efforts. All sector ministries and regional administrations are involved in the campaign. The defence forces participate in the campaign while the process of demobilisation is going on. When completed, the demobilisation and reintegration program will release skilled and unskilled labour that is critically needed in both the private and public sectors.

At the end of 2002, the National Assembly approved an austerity budget for 2003. The GSE also presented to donors the outline of the process to complete an *i*-PRSP by July 2003.

An IMF Article IV mission is scheduled for January 2003⁴.

⁴The mission took place end-January 2003. The mission's report is available on the internet at the address:
<http://www.imf.org/external/pubs/ft/scr/2003/cr03165.pdf>

3.6 New Humanitarian Crisis

Humanitarian situation and food insecurity: In November 2001, ERREC and the UN launched the Consolidated Interagency Appeal (CAP) for humanitarian assistance in 2002. The CAP 2002 requested \$120M to support relief assistance to 1.3M vulnerable people, mainly refugees and IDPs, demobilised soldiers, drought-affected populations and urban poor people. However, the CAP 2002 reflected a transition from the still significant humanitarian requirement, with requests for food aid and relief items, towards interventions of rehabilitation and reconstruction of basic social infrastructures as well as demining, which should lay the basis for the resumption of economic activity.

The continued drought worsened the humanitarian situation in the second half of 2002 and by the end of the year new humanitarian needs were arising due to failed harvests compounded by structural issues. The emergence of new humanitarian needs was presented in November 2002, when UN issued the CAP appeal for 2003 amounting to \$163M of which 2/3 concerned food items, followed by the GSE's own food aid appeal amounting to 477,000 MT of food aid for a total of \$143M.

Eritrea relies heavily on subsistence agriculture and livestock and even in normal years large part of the country's total consumption needs of app. 600,000 MT of cereals has to be covered by imports/food aid. The harvest of 2002 ended at 54,000 MT covering only approximately 10 % of the total estimated consumption needs of the country and the limited resources for imports gives way for a continued flow of food aid from the international community. From July 2002 to the end of the year, a number of UN Agencies also launched individual appeals. Donors considered that they were not always consistent with each other and that generated confusion. Eritrea has a low capacity to predict and assess crisis situations. The National Food Information System was revived at the end of 2002, but still needs time to produce reliable data.

The border closure by the Sudanese Government in October 2002 also had humanitarian consequences, as it put a temporary end to the repatriation of the Eritrean refugees in Sudan. Resumption of activities was not achieved by the end of the year. By December 2002, 32,000 Eritreans in Sudan registered to return home and another 4000 are waiting for official recognition from the Eritrean authorities.

4 OVERVIEW OF PAST AND ONGOING CO-OPERATION

4.1 Focal sectors and macroeconomic support (7 & 8th EDF)

With the signature of the peace agreement in Algiers on the 16th of December 2000, projects suspended due to the conflict were re-launched in 2001. From the total allocation of €55M for the 7th EDF, the financial status at the end of 2002 is as follows: primary commitments amount to €53,106,666 (96% of the total allocation), secondary commitments amount to €43,593,239 (79% of the total allocation) and total disbursements amount to €32,703,901 (59% of the allocation)⁵.

⁵ Primary Commitments correspond to the total amount appropriated following the approval of a project by the EC, secondary commitments are the amount legally contracted, while disbursements are funds effectively spent.

In 2002, new primary commitments amounted to €4,388,114 while the secondary commitments amounted to €2,874,687. An amount of €4,341,299 was disbursed in the framework of the national programme of the 7th EDF in 2002.

The NIP for the 7th EDF signed in 1994 comprises two main interventions: infrastructure – including transport and energy – and rehabilitation and recovery programmes (Short Term Programme to Aid Reconstruction and Recovery (STPARR)). The NIP also includes funding for studies in view of future cooperation.

4.1.1 Focal sector Infrastructure - 7th EDF

a) Results

Under the 7th EDF primary commitments in the infrastructure sector amount to €22,562,707, secondary commitments to €21,055,952 (representing 93% of primary commitments) and disbursements to €13,784,490 (61% of primary commitments).

b) Progress in activities

In 2002, implementation of the 7th EDF in the infrastructure sector was marked by the completion of the preparation of the Nefasit-Dekemhare-Tera Imni Road and the start of implementation of the Massawa electrification project for €20M.

The financing agreement allocating €20M for the Rehabilitation of transmission lines, substations and distribution systems in the Massawa Area (7 ERY 21) was signed in January 2001. Three contracts (works, supply and supervision) were subsequently signed in April 2001 for a total amount of €19,216,000. Provisional acceptance of the goods supplied was granted in January 2002. The implementation of the project commenced in January 2002 and a total amount of €3,962,012 was disbursed in 2002. The implementation of works has experienced delays and the foreseen date for completion of the project by February 2003 will not be met. At the end of 2002, the forecast for completion of the works implemented by Montreal/Siemens was June 2003, while the works implemented by the EEA are scheduled for completion in September/October 2003.

An addendum extending the initial contract of the Design study for the Nefasit-Dekemhare-Tera Imni road (7 ERY 18/23) was signed on 29 December 2000, providing €201,000 for further studies to improve the economical return of the project by developing further technical options.

c) Degree of integration of crosscutting themes

The cross cutting themes gender, environmental, institutional development and capacity building were not explicitly mentioned in the decision to allocate approximately €21M to the infrastructure sector. However, where considered appropriate, these cross cutting themes were taken into account in the project design phase. For example, the largest allocation of €20M to the project to rehabilitate transmission lines, substations and distribution system in Massawa area has a component of training and transfer of know-how in the context of institutional development and capacity building. As regards the Nefasit-Dekemhare-Tera Imni Road, an environmental impact assessment study was not initially foreseen as one of the preparatory studies. Therefore the study must now be implemented as a matter of urgency.

4.1.2 Focal sector Rehabilitation & recovery programme - 7th EDF

a) Results

The Financing Agreement for the Short Term Programme to Aid Reconstruction and Recovery in Eritrea (STPARR) was signed on 19 February 1993 (before Eritrean Independence) with a budget of €20M reallocated from what was a NIP for Ethiopia. As of December 2002, the secondary commitments amounted to €18,815,879 (94% of the FA) and disbursement to €15,475,155 (representing 77% of the FA). In 2002, €92,474 was disbursed under this programme.

b) Progress in activities

- Preparation of the installation of vehicle restraint systems for the Asmara-Massawa road (Commitment 73) Under this commitment, the consultants RRI Beller provided assistance to the Ministry of Public Works with regard to the pre-tender visit and the evaluation of tenders which took place in May 2002. The tender evaluation report was produced and this commitment was subsequently closed in October 2002.
- Works contract for the Installation of vehicle restraint systems for the Asmara-Massawa road (Commitment 75). The tender for works for the Installation of the vehicle restraint system was launched in December 2001. The evaluation of tenders gave ground to award the works contract to ELMI OLINDO in August 2002. Despite the fact that ELMI OLINDO had a contract, they were unable to obtain a performance guarantee. Consequently, the contract was terminated in November 2002. As of December 2002, options to implementing the works were being examined.
- Supervision services for the installation of vehicle restraint systems for the Asmara-Massawa road (Commitment 76). A supervision contract was awarded to and signed with the consultants RRI Beller. In addition, the advance payment for the supervision consultants was processed in October 2002. However, the works contract awarded in August 2002 was terminated (described above). Therefore the supervision consultants were not yet issued with a notice to proceed. As of December 2002, options to implementing the works were being examined.
- Work programme for afforestation project (Commitment 77) The work programme, continuing the project funded with 1995 counterpart funds for afforestation and soil conservation in Zoba Maekel was opened in November 2002. The aim of the project is to prevent desertification and hence improve the surrounding agricultural farmland and to improve the situation of the nearby villages (15,000 people).

The majority of the 74 projects financed under the STPARR are closed. In 2002, all issues pertaining to the following projects were settled and they can now be closed:

- Work programme for the drilling of 50 boreholes (Commitment 35). Justification for most of the expenditure under the work programme was provided whilst some justification documentation could not be recovered due to the Ethiopian invasion. It was agreed to close the work programme taking this exceptional situation into account.
- Supply of 10 photovoltaic energy systems (Commitment 71). This contract signed in October 1998 has been subject to a claim from the Contracting Authority in 1999. Following the

amicable settlement of the claim, a provisional acceptance certificate was signed in December 2000. In February 2002, the final acceptance was signed and the final payment processed. The project can now be closed.

The following two projects can still not be closed due to the outstanding settlement of a dispute and the absence of justifications of expenditure:

- Supply of road painting and striping machines (Commitment 50). This project started in 1996. In 1998, claims from both sides led to a request to the Commission to enter into a 'good office procedure' that concluded, on 21 March 2001, that the parties' positions could not be reconciled. Even in 2002, no progress was made with regard to resolving the dispute and the matter will most likely have to be resolved in a court of law.
- Work Programme for the construction of three dams (Commitment 37). The project is technically completed but a reimbursement of unjustified expenses must take place before closure of the work programme becomes possible. The Delegation sent several reminders to the Ministry of Agriculture to reimburse the outstanding amount so that closure of the project can take place. There has not been any official reply from the Ministry of Agriculture.

c) Degree of integration of cross-cutting themes

One of the objectives of the Short Term Programme to Aid Reconstruction and Recovery in Eritrea (STPARR) is to strengthen the institutional infrastructure. The aim of the institutional support package is to improve the Eritrean authorities' long-term capability to identify and assess rehabilitation and recovery programmes as well as implement, monitor and evaluate them. The other crosscutting themes of gender, human rights, governance and environmental issues are not explicitly mentioned in the Financing Agreement.

4.1.3 Macroeconomic support - 8th EDF

A project document for €53M Balance of Payment support programme was prepared in 2001, but never presented to the EDF Committee, following the events of September 2001. In the meantime, the economic situation of the country has changed. The Government has announced that an *i*-PRSP will soon be made public in July 2003. Any future commitment will entail revision of the programme. According to EC procedures, macro-economic support will be possible when the country enters in an IMF/WB agreed stabilisation and adjustment programme.

4.2 Projects and programmes outside focal sectors (7 & 8th EDF)

- Livestock Promotion Project (7 ERY 20). Riders were agreed upon in July and December 2001 for the extension of the period of implementation of the work programme until the end of March 2002. These activities were completed in 2002 but the final acceptance for the livestock centre of Massawa is outstanding as well as the final report to be prepared by the Ministry of Agriculture.
- Technical Assistance for the strengthening of the implementation capacity for fishery quality (7 ERY 24). A Technical Assistance mission took place between March and May 2002 and resulted in a list of issues that needed to be addressed by the Competent Authorities. The implementation of the proposed measures would improve the structure, organisation, and

management of the competent authorities. A follow up Technical Assistance mission was foreseen for early 2003 to verify the implementation of the proposed measures and prepare the fisheries sector for the upcoming FVO Inspection in April 2003.

- Technical Assistance for the institutional strengthening of the MoPW (7 ERY 26). €580,000 were committed in December 2001 for the recruitment of a Technical Assistant for the institutional strengthening of the MoPW. The objective of the TA is to provide capacity building to the Ministry for a period of two years, in particular with regard to human and material resources, and in the perspective implementation of the 9th EDF. The recruitment process was still underway at the end of 2002.
- Sectoral studies. In August 2001, the GSE indicated that they did not have sufficient qualified manpower to finalise and approve the ToR for the Transport Sector Study. It was subsequently decided to await the arrival of the TA for the strengthening of the MOPW (described above) to assist in finalising the project preparation for the Transport Sector Study. However, with the delay of the arrival of the TA, the final project preparation is still outstanding. In the meantime a World Bank financed road sector study is being prepared which may render any new study superfluous.

It was agreed with the GSE to launch an *education study* for the development of a long-term sector strategy and action plan, in the context of the programming exercise, as education will at a later stage become a focal sector of cooperation. Preparatory actions that were expected to start in 2002 did not materialise.

- National Water Resources and Irrigation Potential Study (7 ERY 17) The work programme could not be closed due to the absence of a final financial report. The GSE has nevertheless underlined the importance of the water resources study in the context of the national food security policy. The GSE has repeated its willingness to reactivate the study and discussions continued in 2002 about the use of the remaining funds.
- Technical assistance to the NAO (8.ACP.ERY.04) Funds amounting to €740,000 were committed in June 2001 for the provision of Technical Assistance to the NAO. The initial recruitment procedure launched in July 2001 was not successful. In March 2002, the NAO expressed the opinion that there was currently no need for a technical assistant as long as new commitments were not made. This project is therefore currently on hold.

4.3 Utilisation of resources for non-State actors (NSA)

Until now, the main non-State actors are the National Unions (women, youth, workers, and disabled). There are also other small non-state actors in Eritrea. The CSP mentions that a specific effort will be made to integrate non-State actors in the preparation and implementation of reconstruction/rehabilitation through the form most adapted to the needs of the country.

4.4 Other instruments

4.4.1 European Investment Bank

The European Investment Bank has had no activities or mission in Eritrea in 2002. No EIB envelope is included in the 2002/2007 financial allocation linked to the Country Strategy Paper.

4.4.2 Regional co-operation

Pan African Campaign Against Epizootics (PACE). Implementation of the PACE programme under an annual work programme started in 2001. The first year of activity focused mainly on the purchase of equipment, while during the second year (2002), institutional capacity building, access and distribution of medicines and veterinary services, fight against rinderpest and control of other epizootic diseases have been addressed.

4.4.3 STABEX

Eritrea has never benefited from Stabex funds and has never presented the requested statistical data.

4.4.4 SYSMIN

Eritrea never benefited from SYSMIN funds.

4.4.5 Community budget lines

4.4.5.1 Demining (budget line B7-661)

With the signature of a peace agreement in December 2000 and the deployment of UNMEE, the issue of mines soon became a key priority, all the more as the establishment of the TSZ in April 2001 opened the way for a return of refugees to heavily contaminated areas. The Eritrean Mine Action Programme, the UNMAS and UNDP identified the need for a Landmine Impact Survey (LIS) to be conducted in Eritrea. In December 2001, the European Commission took the decision to allocate €1.4M for the LIS from the specific Anti Personnel Landmines budget line B7-661. A contract was signed between UNDP and the EC in April 2002 and the project was due to start in May 2002. The project was progressing well by December 2002 despite the 5-month delay experienced in the start up phase. Since this delay is on the critical path it will not be recoverable. In addition, there will be a cost overrun of approximately €300,000.

4.4.5.2 Food aid/Food security (B7-2010)

In January 2002, the Food Security Programme 2001 (FSP 2001) started with the release of the first €5M instalment and the arrival of a technical assistant. Along side this new form of co-operation, the EC continued its support through food aid to ERREC and financing of NGO projects in the field of food security.

- 1995 Counterpart funds: Following the monetisation of 18,000 Mt of EC food aid in 1995, counterpart funds were generated, amounting to 17,350,000 ERN and four projects were launched. Implementation of the projects was however delayed, but after an evaluation mission in December 2000, the projects were eventually closed. An Agreement was reached with the Government on the use of the remaining funds – ERN 1.449M / approx. €160,000 – and a Memorandum of Understanding was signed in May 2001. The remaining funds were allocated to 2 projects: Afforestation and soil conservation in Zoba Maekel (600,000 ERN) and Extension works on the Keren-Habero feeder road (830,000 ERN). Both projects were completed in 2002.
- Supply of Fertilisers: The EC supplied 12,000 Mt of DAP fertilisers in June 1999 to the MoA, under a project monitored by the NGO Dutch Interchurch Aid, in favour of 120,000 households. Distribution of the fertilizers was hampered by the conflict, and 6,203 Mt

remained in stores for distribution in 2001. Moreover, the project provided for the creation of a revolving fund that was however not implemented. In 2002, the distribution was completed and the final report is currently being drafted.

- Emergency food aid in kind: In the framework of the FSP 2001, a total of 16,000 Mt of wheat was delivered in April 2002 in Massawa and Assab. In June 2002, a new commitment of 16,000 Mt of mixed commodities (wheat, lentils and oil) was made by the Commission through Euronaid, The aid was channelled through the NGO Dutch Interchurch Aid to ERREC. In total, the EC provided 32,000 Mt of food aid in kind directly to ERREC in two operations. ERREC distributed the commodities to three food insecure regions of Eritrea, i.e. Anseba, North and South Red Sea and was monitored by DIA. This food aid was aiming at reducing malnutrition levels amongst children and women and reducing risks for vulnerable populations. It has also helped reduce the impact of the drought that affected Eritrea in 2002.

By December 2002, the EC had approved an additional €10M of food aid to be distributed in 2003 as a response to the continued drought in Eritrea.

NGO Food security projects: A call for proposal in the field of food security was launched on 28 September 2000, and six NGOs presented proposals for Eritrea in January 2001. In December 2001 the Commission approved four projects for a total amount of €4,328,953. The implementation of these projects started in 2002 and is currently ongoing:

- Central zone and savings project, presented by the Agency for Cooperation and Research in Development (ACORD), for an amount of €986,603;
- Seed multiplication, storage and technical training in the Gash Barka region project, presented by Movimondo, for an amount of €999,577;
- Adari-Shitel food security programme, presented by Gruppo missioni Asmara, for an amount of €1,271,773;
- Increasing agricultural production through spate irrigation in Gadem Halib, presented by Manitese, for an amount of €1,071,000.

Food Security Programme 2001. The FSP 2001 was designed to support the Emergency and Reconstruction Programme (ERP) that was designed in 2000 by the GSE with the support of the World Bank to respond to the immediate needs for rehabilitation and reconstruction in the country following the two-year border war with Ethiopia. The FSP comprises three main components:

- Food Aid component of €4M through the Eritrean Relief and Refugee Commission (ERREC): it was mobilised in February 2002. A total of 16,000 Mt of wheat was delivered to three warehouses of the Eritrean Relief and Refugee Commission (ERREC). The food was then distributed free to 300,000 beneficiaries in three chronically food insecure regions (Anseba, North red Sea and South Red Sea) from May to September 2002. The distribution was monitored by the NGO DIA/ICCO.
- Technical Assistance of €1M (one long term TA and provision of short term consultants): The technical assistance component financed a long term TA recruited for the purpose of follow-up and monitoring of the programme. The ongoing preparation of a Food Security Strategy and I-PRSP might provide the framework for the GSE to request the use of the funds available for studies and capacity building in 2003.

- Foreign Exchange Facility (FEF) of €10M with counterpart funds (CFPs) ascribed to the support the contribution of the Government of Eritrea to the Emergency Reconstruction Programme (ERP). The first instalment of the FEF (€5M) was disbursed in January 2002 and the CFPs generated were deposited in the designated account at the Bank of Eritrea. The Customs Department through the PMU ERP provided the justification of the FEF. The ERP has justified the use of the first forex instalment and the use of at least 50% of the CFPs generated, these being the two conditions to trigger the mid-term review. Therefore, the term of reference for the MTR have been developed and submitted for the approval of GSE. The MTR is the basis for a decision of the Commission to release the second forex instalment.

4.4.5.3 NGO Co-financing (B7-6000)

Financing under the NGO co-financing budget line (B7-6000) resumed in 2000, when the EC allocated a grant of €1,042,092 to the Comitato Europeo per la Formazione e l'Agricoltura (CEFA), for the financing of an agricultural training centre in Hagaz. The operation started in June 2000 for an implementation period of four years. In 2002 the project continued the implementation according to the agreed work programs. The Government states that it is not sufficiently involved in both planning and implementation of these projects.

Another call for proposal under this budget line was launched in 2002 and the Italian NGO ISCOS has been awarded with a grant of €750,000 for financing a project under the heading "Strengthening the National Confederation of Eritrean Workers capacities as a provider of labour services and training during the reintegration phase". Implementation is foreseen to start in April 2003.

4.4.6 Operations in favour of refugees (Art 255, Lome Convention)

Resources were made available at the end of 2000 for operations in favour of refugees, under Article 255 of the Lome convention, and €10M were earmarked for Eritrea. There were almost 300,000 refugees living in camps in Eritrea at the time, including more than 260,000 Internally Displaced People (IDPs), and almost 80,000 expellees. Moreover, UNHCR signed a tripartite agreement with the governments of Eritrea and Sudan for the repatriation of 162,000 Eritrean refugees, most of them displaced since the independence struggle. The Commission started discussions with the government on the programming of these funds at the beginning of 2001, and it was agreed that the EC resources would be targeted at the rehabilitation and reconstruction of basic social services – essentially water, education and health infrastructures – for two priority target groups: the first series of operations would focus on IDPs and cover one of the main areas of return, while the other would support the reintegration of refugees from Sudan in the border region, where most of the returnees wish to settle. As demining in those areas was a precondition for a safe return, the EC and the GSE also decided to allocate resources to emergency demining in the Temporary Security Zone.

In 2002, contracts were signed with 2 NGOS (8.ACP.ERY.9) for the implementation of the following projects:

- Rehabilitation of damaged elementary schools in war-affected areas, Lutheran World Federation (€677,442) (8.ACP.ERY.9)
- Reconstruction of water systems in favour of Internally Displaced People, Manitese (€777,847); (8.ACP.ERY.9)

The third proposal - Rehabilitation of health facilities in favour of war displaced persons in Eritrea, Premiere Urgence (€718,000) – needs to be revised since the earmarked health facilities were rehabilitated by other agencies.

In addition, a contract was also signed in 2002 for Emergency Mine Clearance in the TSZ, Halo Trust/Eritrean Demining Agency (€698,380) (8.ACP.ERY.7).

The UNHCR programme of reintegration of refugees for €6.75M (8.ACP.ERY.11) was approved for funding in November 2002. Upon signing by the Government, the programme will provide ‘Assistance to the social and economic reintegration of Eritrean returnees’, targeting water supply systems, sanitation, health and education, all crucial sector for a sustainable reintegration of the refugees.

4.4.7 Humanitarian Assistance (ECHO)

Having consolidated the emergency humanitarian response to the border conflict through post-emergency interventions, ECHO closed its office in Eritrea in June 2002. The Government did not agree with ECHO’s assessment. Core mandate emergency humanitarian assistance continued, monitored from the ECHO regional office in Nairobi.

New ECHO assistance in 2002, totalling €1.75M, ensured continued provision of adequate shelter for the 60,000 displaced people, and protection for over 2,500 POWs and war detainees through the ICRC, as well as assistance to UNHCR for the first phase of repatriation of over 30,000 registered Eritrean refugees. €300,000 of this ECHO funding, for Danchurch aid for mine risk education, was not fully implemented because the government decided to take over such mine related activities directly. Finally, funding also included support to OCHA, including establishing sub-offices in Debub and Gash Barka regions, to facilitate co-ordination of the transition between relief, rehabilitation and development, and assessments of any new needs.

ECHO will continue to make contributions in Eritrea when justified as emergency according to its core mandate.

5 PROGRAMMING PERSPECTIVE FOR THE FOLLOWING YEARS

The Country Strategy Paper (CSP) for the years 2002 and beyond was discussed in 2001 with the Government, in consultation with development partners and Member States, and will essentially make use of the 9th EDF allocations and budget lines. The CSP was signed in November 2002.

5.1 The 9th EDF

The CSP and NIP for Eritrea attempt to take into account the particular situation of the country. A two-pronged approach is proposed - “Linking relief, rehabilitation and development” logic and trying to build on the actions undertaken by the emergency and humanitarian instruments right at the moment of the crisis. In the short-term, prompt interventions to tackle remaining needs in reconstruction and peace building are foreseen. At the same time, sectoral studies are foreseen to prepare the ground for a shift into more traditional focal sectors (transport, education and food security) during the course of programming.

Short-term approach: The main interventions foreseen in the short-term are a fast track post-conflict rehabilitation programme (€15M) as well as the reconstruction of the Nefasit-

Dekemhare-Tera Imni road (€37M). The preparation for these two programmes was undertaken in 2002 and both could be presented to the EDF committee in 2003.

Support to the Government's Demobilization and Reintegration Programme (EDRP) (€47M). Following the EDF committee meeting in June 2002, this support has been divided into two separate Financing Proposals: the first one (€27M) was approved in September 2002. The Inter Agency Agreement with the World Bank is under preparation. The second instalment of €20M was due to be presented to the EDF Committee in November 2002 but was withdrawn at the last moment due to a lack of progress in the programme.

The **studies for the development of sectoral strategies** and plans of action in the areas identified to be focal sectors of intervention will take place in parallel to the short-term approach described above. More specifically, **transport** and the **education** sector studies are foreseen. Although a comprehensive sectoral policy for transport was not produced so far, the Government has undertaken a number of positive steps in that direction, in the context of the Road Sector Development Program assisted by the World Bank. Special attention will be paid to environmental issues, through a Strategic Environmental Assessment. The transport sector study will form the basis for a wider intervention in the transport sector. €15M are earmarked for projects, capacity building and support through budget to the transport sector.

Governance was identified in the context of the negotiations with the Government as a non-focal sector of intervention under the 9th EDF. During the 2002 Annual Operational Review the NAO indicated that interventions in this area would possibly start once other programmes are ongoing. The programming of resources allocated to this area appears at this stage uncertain.

5.2 Civil society in the CSP for 9th EDF

Activities in these areas will be made in close co-operation with other donors. The contribution from the 9th EDF allocation will be complemented with an indicative amount of €1.5M/year made available from the European Initiative for Democracy and Human Rights (EC Budget Line), concerning the democratisation process and peace building initiatives.

5.3 Flex

During 2002 the NAO was invited to present the necessary trade statistics to the Commission, in order to verify its eligibility to FLEX funds, but the request was declined because the Government believed that it would be a vain exercise until the EC would restart making commitments. With the resumption of development assistance by the EC, the Government will consider applying for FLEX.

5.4 European Investment Bank

The European Investment Bank has had no activities or mission in Eritrea in 2002. No EIB envelope is included in the 2002/2007 financial envelope linked to the Country Strategy Paper.

5.5 Regional Co-operation

The 9th EDF earmarks €1.3 billion for **regional co-operation**. The regional Strategy Paper for Eastern and Southern Africa and the Indian Ocean was signed and approved by concerned

partners on November 19th, 2002, in Kampala. The implementation of the RIP (amounting up to €232M) started and the current situation can be summarised as follows:

Two financing proposals have been submitted to the Commission (Institutional Support, €9.7M and Tuna Tagging (€8M plus €4.3M from the 9th EDF Indian Ocean RIP). Six financing proposals are under preparation in the areas of economic integration and trade, conflict prevention, natural resources, ICT and transport for a total amount of about €125M. Eritrea being a member of IGAD and COMESA will benefit from the regional projects under the RIP.

5.6 Food Security

Under the framework of the 2002 food security budget line, a new project was designed by the Ministry of Agriculture and FAO and approved by the Commission to support reforms within the Ministry of Agriculture. The €1.95M “Technical Support to the Ministry of Agriculture” will be implemented by FAO commencing first semester of 2003. The specific objectives of the programme are (i) to support the MoA to develop its national strategy and sector policy, (ii) to enhance the monitoring and evaluation as a planning tool and (iii) to support the development of the Farmers’ Advisory Services. This action is already complemented by a re-organisation of the Ministry supported by UNDP.

The 2002 food crisis put spot light on the necessity to develop a surveillance mechanism that can provide the GSE as well as donors and implementing agencies with accurate, reliable and continued data. The National Food Information System (NFIS) might become this instrument by which more accurate information can be obtained. Support from the EC can be envisaged for the purpose if requested by the Government.

Funding for supplementary food aid and seeds through EURONAIID is being considered.

6 ANNUAL OPERATIONAL REVIEW – SPECIFIC THEMES

6.1 The Speeding-up of the use of EDF Resources

The Delegation and the NAO have launched an exercise to close down as many old projects and contracts as possible and consider the possibilities of partial de-commitments in the 7th EDF. Through the closure of projects which pose no serious problems an amount of approximately €400,000 can be de-committed. In addition, a systematic approach will be adopted to resolve the issues that have so far prevented the closure of the other projects. Through the closure of these projects, an amount of €3.5M can be de-committed.

No initiatives have yet been undertaken to recommit the resources released from the exercise described above.

6.2 Setting Indicators and Targets for Measuring Results in Focal Sectors

The 2002 Annual Operational Review took place at a moment in time in which the Country Strategy Paper 2002/2007 was about to be signed and which followed 14 months during which no new commitments were made. Accordingly, it was deemed opportune that no discussion on indicators and monitoring mechanisms should take place. With the signature of the CSP, the legal conditions for the use of the resources have been restored and an in-depth discussion with the

NAO Office will have to take place on the definition of appropriate indicators of progress and outcomes. The ongoing process of preparation of the *i*-PRSP will allow for coherence between the two documents.

6.3 Dialogue in country with NAO and Non-State Actors

The dialogue on cooperation strategies and programmes has improved and intensified since the signature of the CSP. Given the weakness of civil society and business community, dialogue with non-state actors is limited.

CONCLUSIONS OF ANNUAL OPERATIONAL REVIEW (AOR)

From the AOR which took place in Asmara on 11, 12 and 16 December 2003 the following conclusions/observations are indicated.

Identification of Indicators

Both partners agreed that the Intervention Frameworks and the indicators included therein, as attached to the CSP, need to be updated as a number of assumptions have significantly changed since 2001. In view of the upcoming MTR, a working group will be set up between the NAO's office and the EC Delegation to revise the Intervention Frameworks and their respective indicators and targets. Given the tight deadline for the MTR, work should start early January. The Intervention Framework for the transport sector has to be added as it had been mistakenly omitted from the CSP. It was agreed that the intervention frameworks would not be included in the JAR 2002. Instead they will be attached to the JAR 2003. The NAO informed that he does not wish Eritrea to be penalized in case national and sectoral targets would not be achieved because envisaged resources might not materialize. The Head of Delegation in principle agreed to this point of view.

Preparation of MTR and Discussion of Possible Re-programming

An overview of the activities foreseen under the 8th and 9th NIP as well as the funds available under the 7th, 8th and 9th EDF, was presented by the Head of Delegation. This document provides a basis for the discussions during next year's MTR, concerning a possible reprogramming exercise and clarifies the minor inconsistencies between the CSP and the NIP. The NAO informed that the GSE wishes to maintain the focal and non-focal sectors of the CSP. The Vehicle Restraint system, the new Technical Cooperation Facility (TCF), and the support to the NAO's Office were included as project proposals. The Head of Delegation took note that the GSE wishes to re-programme the €53m initially foreseen for the Balance of Payment Support under the 8th EDF to the Education Sector. Discussion on this issue will continue in the context of the Education Round Table on 15.12.2003. The table "Overview of 9th EDF Programme and available EDF funds" is attached as annex VII to this report.

The Chronogramme of Activities in the Framework of EC-Eritrea cooperation 9th EDF, which had been transmitted to the NAO with the Delegation letter 27.11.03 will be attached as an *indicative* annexe VII.

The NAO confirmed that the GSE intends to introduce the *i*-PRSP, the Food Security Strategy and the Medium Term Development Plan by the end of March 2004.

Strengthening of Dialogue and Cooperation between the EC Delegation and the NAO

In this context, the Head of Delegation mentioned the Technical Cooperation Facility (TCF) under which training to NAO staff, workshops, seminars etc. can be provided. The NAO

appreciated the detailed information about the TCF and indicated that he will consider requesting funding for this facility.

The NAO expressed disappointment about recruitment procedures and performance of EC-funded TAs so far. The NAO wants to recruit experts who would have their primary allegiance to the GSE and not to the EC. The Head of Delegation promised to verify whether such an option is feasible.

The Head of Delegation stressed the importance of appointing an alternate NAO within the newly created Ministry of National Development.

Both partners acknowledged the shortcomings in the flow of information to the NAO as regards projects funded under EC budget lines. In this regard, the NAO has emphasized that he has no prior knowledge of several projects funded under EC budget lines to serve as a basis for substantive discussions. The Head of Delegation agreed to try to enhance transparency in this matter.

Lastly, a comprehensive set of documents on the rules and procedures of the EDF will be given to the NAO's office. Subsequent explanations and/or training can be undertaken upon request.

LIST OF ACRONYMS

APL – Anti-personnel Landmines budget line
BoE – Bank of Eritrea
BOP – Balance of payment
CAP – Consolidated Appeal for Emergency (launched by the UN System)
CSP – Country Strategy Paper
EC – European Commission
ECHO – European Commission Humanitarian Office
EDA – Eritrean Demining Agency
EDF – European Development Fund
EDRP – Emergency Demobilisation and Reintegration Programme
EIB – European Investment Bank
EMAP – Eritrean Mine Action Programme
EPLF – Eritrean People Liberation Front
ERN – Eritrean Nakfa
ERP – Emergency Reconstruction Programme
ERREC - Eritrean Relief and Refugees Commission
EU - European Union
GDP – Gross Domestic Product
GSE - Government of the State of Eritrea
ICRC – International Committee of the Red Cross
IDPs – Internally Displaced People
IMF – International Monetary Fund
LIS – Landmine Impact Survey
LDCs – Least Developed Countries
MoA – Ministry of Agriculture
MoPW – Ministry of Public Works
NAO – National Authorising Officer
NGO – Non Governmental Organisation
NIP – National Indicative Programme
OAU – Organisation of African Unity
PACE – Pan African Campaign against Epizootics

PFDJ – People’s Front for Democracy and Justice

RAO – Regional Authorisation Officer

SAF – Structural Adjustment Facility

STPARR – Short Term Programme to Aid Reconstruction and Recovery

TEGPRS – Transitional Economic Growth and Poverty Reduction Strategy

TSZ – Temporary Security Zone

UN – United Nations

UNDP – United Nations Development Programme

UNMAS – United Nations Mine Action Service

UNMEE – United Nations Mission to Ethiopia and Eritrea

WB – World Bank

WFP – World Food Programme

WTO – World Trade Organisation

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**Overview of disbursement in 2002 in
the framework of co-operation
between Eritrea and the EC**

Source of Funds	EURO
7th EDF	4.341.299
8th EDF	2.943.458
Regional co-operation	101.648
Budget lines	19.177.472
Total	26.563.877

Status of Programmable and Non-Programmable Funds within 7th EDF (December 2002)

Total Financing Agreements:
Amount committed:

67.766.334
57.404.042

Date (OLAS): December 2002

Number	Title	F.A	Committed on December 2002	Disbursed on December 2002	Balance on December 2002	Still available for commitment	Disbursed in 2002
7.ERY.01	ECHO/ERI/ART254	708.218	708.218	708.218	0	0	
7.ERY.02	Rehabilitation programme for Eritrea	3.700.000	2.851.135	2.750.674	100.461	848.865	
7.ERY.03	Project telecommunication Eritrea	8.000.000	8.000.000	8.000.000	0	0	
7.ERY.04	Comesa general trade Bulumbayo	0	0	0	0	0	
7.ERY.05	Study on irrigation potential	0	0	0	0	0	
7.ERY.06	Massawa electrification feasibility	142.707	142.707	142.707	0	0	
7.ERY.07	Transport sector study	320.000	311.244	311.244	0	8.756	
7.ERY.08	Preparation water study	47.467	47.467	47.467	0	0	
7.ERY.09	Aerial survey and stereoplotting	55.000	55.000	41.826	13.174	0	
7.ERY.10	Reconstruction crash program	54.045	54.045	54.045	0	0	
7.ERY.11	Preparation short term program	97.931	97.931	97.931	0	0	
7.ERY.12	Short term rehab. Programme	19.800.000	18.815.880	15.475.156	3.340.724	984.120	92.474
7.ERY.13	Remosa short-term	7.095	7.095	7.095	0	0	
7.ERY.14	Study needs returnees in irrigation	52.104	52.104	52.104	0	0	
7.ERY.15	Malaria control project	669.346	669.346	669.346	0	0	
7.ERY.16	Small scale irrigation in western	490.000	490.000	286.716	203.284	0	
7.ERY.17	Water sector study	4.500.000	2.213.466	2.095.527	117.940	2.286.534	
7.ERY.18	Preparation Nefasit road upgrading	750.000	750.000	726.702	23.298	0	55.878
7.ERY.19	Preparation Massawa electrific.	400.000	380.000	351.393	28.607	20.000	
7.ERY.20	Livestock promotion support	1.200.000	1.184.403	1.027.920	156.482	15.598	12.242
7.ERY.21	Rehabilitation electr. Massawa	20.000.000	19.216.000	12.030.717	7.185.283	784.000	3.962.012
7.ERY.22	ECHO/ERI/254	1.040.000	1.040.000	1.040.000	0	0	
7.ERY.23	Extension prep. Nefasit road	275.000	201.000	179.901	21.099	74.000	104.423
7.ERY.24	TA to the Ministry of Fishery	127.420	117.000	114.271	2.729	10.420	114.271
7.ERY.25	TA to the Ministry of Public Works	0	0	0	0	0	
7.ERY.26	TA to the Ministry of Public Works	580.000	0	0	0	580.000	
7.ERY.27	Emergency demob & reintegr. Support	4.750.000	0	0	0	4.750.000	
TOTAL		67.766.334	57.404.042	46.210.961	11.193.082	10.362.292	4.341.299
Regional projects							
7.RPR.744	Pan African Campaign against Ep.	1.329.310	566.000	220.143	345.857	763.310	101.648
TOTAL		1.329.310	566.000	220.143	345.857	763.310	101.648

Projects in Bold are open

Status of Programmable and Non-Programmable Funds within 8th EDF (December 2002)

Total Financing Agreements
Amount committed:

23.454.768
11.978.299

Date (OLAS): December 2002

Number	Title	F.A	Committed on December 2002	Disbursed on December 2002	Balance on December 2002	Still available for commitment	Disbursed in 2002
8.ERY.01	ECHO / ERI / ART254 / 1999 / 01	1.564.607	1.564.607	1.564.607	0	0	0
8.ERY.02	ECHO / ERI / ART254 / 1999 / 02	526.781	526.781	526.781	0	0	0
8.ERY.03	ECHO / ERI / ART254 / 2001 / 01	7.000.000	6.953.242	4.954.043	1.999.199	46.758	2.593.458
8.ERY.04	Technical Assistance to NAO	740.000	0	0	0	740.000	0
8.ERY.05	Support to Eri emergency reconstr.	0	0	0	0	0	0
8.ERY.06	Support to Eri emergency reconstr.	0	0	0	0	0	0
8.ERY.07	TSZ Mine clearance	698.380	698.380	0	698.380	0	0
8.ERY.08	ECHO / ART254 / 1999 / 01 (cont.)	1.750.000	780.000	350.000	430.000	970.000	350.000
8.ERY.09	Progr. Support refugees & IDPs	2.175.000	1.455.289	0	1.455.289	719.711	0
8.ERY.10	Emergency demob & reintegr. Support	2.250.000	0	0	0	2.250.000	0
8.ERY.11	Support voluntary repatriation & reint	6.750.000	0	0	0	6.750.000	0
8.ERY.12	ECHO / ART254 / 1999 / 01 (cont.)	0	0	0	0	0	0
8.ERY.13	2nd contribution to Emerg. Demob	0	0	0	0	0	0
TOTAL		23.454.768	11.978.299	7.395.431	4.582.868	11.476.469	2.943.458

Projects in Bold are open

Status of Budget Line funds (December 2002)

17 December 2003

The information shown in this table was unilaterally provided by the European Commission.
The NAO cannot be held accountable for any of the information displayed.

Total grant contracts: 29.318.500

Date (own records): Dec 2002

Number	Project Title	Implementing Agency	Government Agency	Grant contract	Committed on Dec 2002	Disbursed on Dec 2002	Balance on Dec 2002	Still available commitment	Disbursed in 2002
B7 6000	Agricultural Training Center in Hagaz	GMA	MoE	1.042.092	1.042.092	821.997	220.095	0	256.058
B7 2010	Food Security Programme 2001 - Counterpart funds	ERP	ERP	10.000.000	5.000.000	5.000.000	0	5.000.000	5.000.000
B7 2010	Food Security Programme 2001 - Food Aid	ERREC	ERREC	4.000.000	4.000.000	4.000.000	0	0	4.000.000
B7 2010	Food Security Programme 2001 - TAs & Studies	ERP	ERP	1.000.000	1.000.000	180.000	820.000	0	180.000
B7 2010	Central zone Saving & Credit project	ACORD	MoA	986.603	986.603	254.595	732.008	0	254.595
B7 2010	Increasing Agricultural production in Gadem Halib	Manitese	MoA	1.057.000	1.057.000	533.589	523.411	0	533.589
B7 2010	Adari-Shitel Food Security Programme	GMA	MoA	1.271.773	1.271.773	647.627	624.146	0	647.627
B7 2010	Seed Multiplication, storage & training in Gash Barka	Movimondo	MoA	999.577	999.577	587.932	411.645	0	587.932
B7 2010	Seeds and Tools for Debub and Anseba Regions	RTI	MoA	1.713.784	1.713.784	750.000	963.784	0	750.000
B7 2010	Mixed Food Commodities	DIA	ERREC	5.847.671	5.847.671	5.847.671	0	0	5.847.671
B7 661	Landmine Impact Survey (LIS)	UNDP	EDA	1.400.000	1.400.000	1.120.000	280.000	0	1.120.000
TOTAL				29.318.500	24.318.500	19.743.411	4.575.089	5.000.000	19.177.472

B7 6000 is the NGO co-financing budget line

B7 2010 is the Food Security budget line

GMA Gruppo Missioni Asmara
 ERP Emergency & Reconstruction Programme
 ACORD Agency for Cooperation and Research in Development
 RTI Refugee Trust International
 DIA Dutch Inter Church Aid

MoE Ministry of Education
 MoA Ministry of Agriculture
 ERREC Eritrean Relief & Refugee Commission

Forecast of primary commitments for Eritrea (2003-2007)

ANNEX V

Country: **ERITREA**

Unit AIDCO	EDF or BL (1)	Sector Title of project/programme	IP (2)	2003 (3)												2004		2005	2006	2007	Comments
				JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	1° sem	2° sem				
C/2	EDF 8	FS: Macroeconomic Support Balance of Payment Support																			
		s/total focal sector A																			
C/7	EDF 9	FS: Post conflict rehabilitation Short term rehabilitation prog. Rehab of Nefasit-Dekem-Tera Rd	- 04/02							15,00						37,00					
		s/total focal sector B																			
C/7	EDF 9	FS: Transport Transport sector study Capacity building, support through budget	- -														1,50		15,00		
		s/total focal sector C																			
C/5	EDF 9	Non focal sector activities: Demobilisation/Reintegration (2nd)	04/02														20,00				
C/5		Education strategy	-															0,75			
C/4		Good Governance	-															8,00			
C/4		Support to civil society	-															1,00			
		s/total non focal sector activities																			
Total										15,00						37,00		21,50		24,75	

Explanatory notes:

(1) Please indicate the Budget Line number or the EDF number (6th,7th,8th or 9th for 2003, until ratification Cotonou Agreement, and 9th after 2003). Please take into account recommitment of resources released by closing down old projects/contracts and decommitments.

(2) IP: please indicate the date of submission of the Identification Proposal.

(3) Please indicate the amount of the project/programme in the year/month column.

Years and months should correspond to the date that delegations sent in the draft Financing Proposals to headquarters.

A draft Financing Proposal should be sent to headquarters before the end of the month of July of a given year in order to obtain a Financing Decision before the end of the year.

Forecast of disbursements for Eritrea (2003-2007)

ANNEX VI

Country: **ERITREA**

Unit AIDCO	EDF or BL	Sector Title of project/programme	2003					2004		2005	2006	2007	TOTAL 2003-2007	Comments
			Q1	Q2	Q3	Q4	Total	1° sem	2° sem					
C/7	EDF 7	Short term prog. to aid reconstruct. & recovery			0,47	0,47	0,94	0,94	0,94				2,82	
C/7	EDF 7	Rehab transmission, substations & distrib Massawa	1,50	1,50	1,50	1,50	6,00		2,00				8,00	
	EDF 7	TA the strengthening of the MOPW						0,12	0,12	0,24	0,24		0,72	
	EDF 8	TA to the NAO's Office				0,05	0,05	0,10	0,10	0,19	0,15		0,58	
C/4	EDF 8	Temporary security zone-mine clearance (HaloTrust)		0,56			0,56	0,14					0,70	
C/4	EDF 8	Support refugees & internally displaced people	1,16		0,57		1,74	0,29	0,15				2,18	
C/4	EDF 7&8	Emerg.demobilisation & reintegration support program			13,50		13,50	13,50					27,00	
C/4	EDF 8	Support to the voluntary repatriation and reintegration			5,40		5,40				1,35		6,75	
		s/total focal sector A												
C/2	EDF 8	FS: Macroeconomic Support Balance of Payment Support												
		s/total focal sector A												
C/7	EDF 9	FS: Post conflict rehabilitation Short term rehabilitation prog. Rehab of Nefasit-Dekem-Tera Rd						2 6	3 6	5 15	5 10		15,00 37,00	
		s/total focal sector B												
C/7	EDF 9	FS: Transport Transport sector study Capacity building, support through budget						0,5	0,45	0,55 6	7	7	1,50 20,00	
		s/total focal sector C												
C/5	EDF 9	Non focal sector activities: Demobilisation/Reintegration (2nd)							10	10			20,00	
C/5		Education strategy								0,75			0,75	
C/4		Good Governance									3,5	3,5	7,00	
C/4		Support to civil society									0,5	0,5	1,00	
F/5	B7 2010 B7 6000	Budget Lines Food Security Budget Line NGO co-financing Budget Line	0,86	5,67 0,87	12		18,53 0,87	0,61 0,1		0,23				
Total			3,52	8,60	33,44	2,02	47,59	23,59	22,75	37,73	27,74	11,00	151,00	

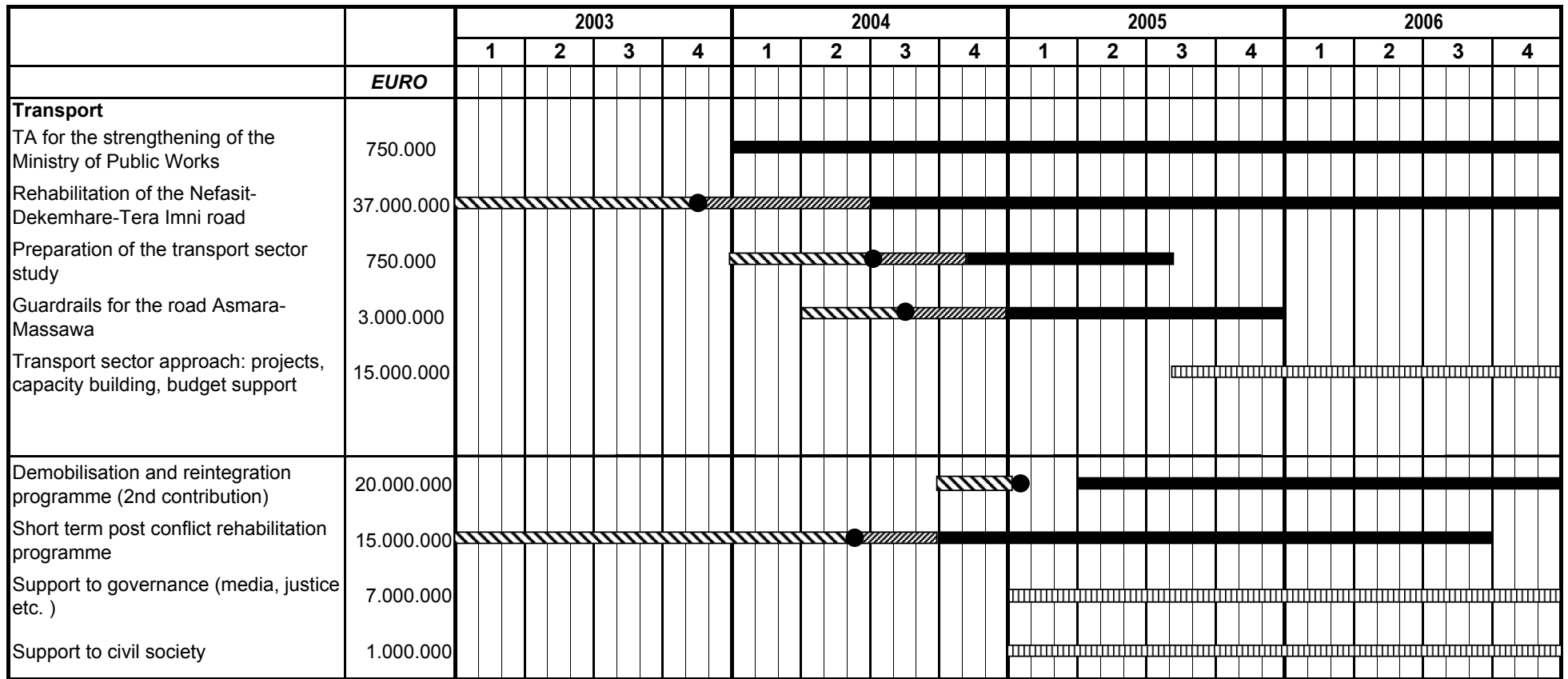
ERITREA
OVERVIEW OF 9th EDF PROGRAMME AND AVAILABLE FUNDS

ANNEX VII

EDF	Project/Programme	EURO
8th	As foreseen in NIP (indicative amounts)	
	Balance of payment support	53.000.000
9th	As foreseen in NIP (indicative amounts)	
	Rehabilitation of the Nefasit-Dekemhare-Tera Imni road	37.000.000
	Post conflict rehabilitation programme	15.000.000
	Demobilisation and reintegration programme (2nd contribution)	20.000.000
	Support to governance (media, justice etc.)	7.000.000
	Support to civil society	1.000.000
	Transport sector approach: projects, capacity building, budget	15.000.000
	Sub-Total 1	148.000.000
	Project/programme proposals (indicative amounts)	
	Vehicle restraint system Asmara-Massawa Road	3.000.000
	Technical Cooperation Facility (TCF) (including sector wide studies mentioned in CSP)	3.500.000
	Support to the NAO office	750.000
	Education	
	Sub- Total 2	7.250.000
	Total	155.250.000
	Funding shortfall	-6.250.000

Available funds	EURO
7th EDF (transfer)	8.000.000
8th EDF	53.000.000
9th EDF	88.000.000
Total	149.000.000

Chronogramme of activities in the framework of EC-Eritrea cooperation 9th EDF



Legend

- ▨ Preparation (feasibility, tender documents, FP)
- ▩ Tender and evaluation
- █ Implementation

- Financing decision taken
- ▤ Not Yet defined