

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

2007



Joint annual report on European Commission/State of Eritrea co-operation

TABLE OF CONTENTS

- 1. Update of the political, economic and social situation**
 - 1.1 Update on the political situation
 - 1.2 Update on the economic situation
 - 1.3 Update on the poverty and social situation
- 2. Overview of past and ongoing cooperation**
- 3. Policy Coherence for Development**
- 4. Joint EU-Africa Strategy**
- 5. Donors' coordination and harmonization**
- 6. Dialogue in country with the NSAs, local authorities and the National Parliament**
- 7. Conclusions**

ANNEXES

1. Update of the political, economic and social situation

1.1 Update on the political situation

There have been no outstanding changes in the domestic political sphere during 2007 and the situation remains dominated by developments related to the border issue with Ethiopia and the implementation of the EEBC ruling. Domestically the situation remains comparable to recent years in institutional terms, and there has not been a move from the Government of the State of Eritrea (GSE) towards holding presidential or parliamentary elections. Parliament (National Assembly) has not convened since 2002, including during 2007. To date the GSE has not proposed a set of governance commitments within the framework of cooperation planning.

Eritrea during the reporting period continued to play an active role in the region both in relation to Sudan and in relation to Somalia. Asmara hosted the founding conference of the Alliance for the Re-Liberation of Somalia (ARS), and an important section of the leadership of the ARS continues to reside in Asmara. The GSE also continued to be directly involved in the peace process in Darfur, as well as in the peace process in Eastern Sudan. The crisis in Somalia has led to a rise in tensions between the GSE and the US administration¹ Furthermore, Eritrea has suspended its membership of IGAD in protest over what it considered lack of response by the organisation to the Ethiopian military intervention in Somalia.

During 2007 the UNMEE mandate was twice renewed.. In November 2007 the EEBC announced that the virtual demarcation by coordinates of the border is complete, and considering its task fulfilled, dissolved itself. Eritrea has accepted the demarcation by coordinates as valid, whilst Ethiopia has not. Tensions along the border remain high and the situation continues to be volatile. During the reporting period a major skirmish with casualties did occur on the Eritrean/Ethiopian border.

Political dialogue in the framework of the Cotonou Agreement is limited in Eritrea. The last meeting took place in May 2006 and there was no meeting during 2007. A proposal to revive the process was made by the EU side in November 2007, with no concrete progress achieved. Further efforts are necessary to reinstate the political dialogue, in order to tackle issues of mutual concern to both the GSE and the EC, including the essential elements of the Cotonou agreement. Concerns in the EU have increased in the course of 2007 notably over the non renewal of residence permits for thirteen catholic priests and nuns.

1.2 Update of the economic situation

During the reporting period the economy of Eritrea is estimated to have grown at a rate of 1.3%, and inflation is believed to have stood at 9.7% (GSE source).

Although Eritrea continues not to publish an annual budget, there are indications that efforts to reduce the budget deficit in recent years did pay off during the reporting period.

¹ The US Administration has reportedly been considering the inclusion of Eritrea in the list of 'State Sponsors of Terrorism'.

Exchange rates and interest rates continue to be administratively set. Real interest rates continue to be negative.

A partial Public Expenditure Review was carried out by the World Bank in collaboration with the GSE in the first half of 2007 (the first to be conducted in the country). It covered the sectors of Education and Health. Although the final report has not been made public, preliminary conclusions indicate that Eritrea has achieved a steady increase in Health and Education expenditure relative to GDP, and this investment has resulted in consistent improvements in the two sectors, albeit from a low starting point.

During 2007 the first extraction license for gold and base metal mining was issued, although actual production is not expected to begin until 2010. The state of Eritrea increased its share in the newly licensed company to 30%. Other companies active in the field published encouraging results concerning ore concentrations in their respective concessions.

Tight regulations on the activities of private companies in certain sectors continue to be enforced, as is for example the suspension of licences from private construction companies since April 2006 pending investigation of irregularities.

Eritrea continued to participate in the EPA negotiations and in the deliberations of COMESA during the reporting period. Eritrea has opted to remain included in the Everything But Arms regime (EBA) with the EU, on the grounds that it does not consider the degree of market openness required under the proposed EPA agreements as relevant to a LDC. The GSE also does not consider the balance between trade and assistance to boost productive capacity, as proposed during EPA negotiations, as appropriate. On these grounds it also intends to proceed with a request of clarification to the WTO on the level of required market openness which is expected to apply to LDCs. Contingent on the response, it may opt to sign an EPA agreement in the future. Eritrea meanwhile does remain actively engaged with COMESA. Having already complied with COMESA requirements previously, no further actions have been necessary during the reporting period. During the reporting period, trade is believed to have increased between Eritrea and Sudan, and overall economic cooperation between Eritrea and Djibouti, both of which are COMESA members. The tense relations with Ethiopia, also a COMESA and IGAD member, have hampered a stronger regional economic integration.

Eritrea continued to develop its 'Free Trade Zones' during 2007, with licenses issued to companies under the special regime of the zones at three locations (Massawa, Asab and Tessene). Import restrictions however remain in place and shortages of a number of goods occurred, including fuel. Import restrictions however may have limited the current account deficit during 2007, offsetting any possible reduction in remittances from the Eritrean Diaspora.

Eritrea has not embarked on an IMF HIPC program, despite the decision by the IMF to extend the deadline in Eritrea's favor. Consequently Eritrea's public debt is believed to have risen above the figure of 180% estimated in the Debt Sustainability Analysis carried out in 2006. The figure, despite not being high compared to other LDCs, is still considered unsustainable.

1.3 Update on the poverty and social situation

There have been no new studies on which to base an assessment of developments concerning poverty in Eritrea. The most recent available figures remain those published in 2003 (PRSP) according to which 66, 4% of the population live below the food poverty line. GDP per capita was US\$ 220 in 2007, up from US\$ 200 in 2006. The UNDP Human Development Index ranked Eritrea 157 out of 177 countries in the report 2007/8.

Food Security and vulnerability remain issues of concern. Though the short rainy season in the high-lands in March-April (Azmera rains) partly failed, the main rainy season in July-September (Kremti rains) was above average in the central highlands and in the western part of the country, and much above in Gash Barka. Harvest yields in 2007, according to preliminary estimates by the Ministry of Agriculture, were slightly above those of 2006, which was a good year covering about 80 percent of Eritrea's cereal needs. Following good Bahri rains in the coastal region in December-January 2006/2007, there is a clear indication of recovery of the livestock as compared to 2005/2006, when there was a massive loss of livestock due to failure of the rains. The latest round of nutrition surveillance took place between May 2005 and February 2006 in all six zobas. No nutritional survey was conducted in 2007. In early 2007, Nutrition Sentinel Sites Surveillance (NSSS) was introduced in Maekel and Dehub, however, no data has yet been made available.

The government has expressed its full commitment to promoting gender equality, however gender disparities remain acute. One area of distinct infringement of women's rights, stemming from traditional perceptions, has been the widespread practice of female circumcision, which was applied to approximately 89% of the female population according to the latest study (EDHS 2003). In 2007, after thorough consultations with community and religious leaders, the GSE banned the practice of female circumcision. It is not possible as yet to assess the impact of the measure.

No new study has been published on the efforts to achieve the MDGs. The latest report (2005) indicates that Eritrea is projected to achieve six of the eight social sector related MDGs targets by 2015 (being off-track in eradicating extreme poverty and achieving universal primary education only). This projection is based however on several fundamental assumptions², which to date have not materialised in practice.

² The road map to 2015 is based on crucial and ambitious assumptions: a) resolution of the border conflict, b) favourable climatic condition, c) robust and sustainable economic growth and development and d) successful mobilization of resources (both domestic and international).

Selected Social Indicators related to the MDGs ³		Starting value (1993-95)	Ending value (2001-03)	ERITREA target value (2015)	MDG target value (2015)
Impact	1. Proportion of population below poverty line	53	66	48	33
	2. Prevalence of underweight children <5 years of age	44	40	24	24
	3. < 5 mortality rate (per 1,000 live births)	148	93	30	45
Outcome	4. Net enrolment ratio in elementary education	29	46	100	100
	5. Proportion of pupils starting Grade 1 who reach Grade 5	74	81 (est.)	100	100
	6. Ratio of girls to boys in elementary, middle, secondary and tertiary education	80	81	100	100
		84	78	100	100
		73	57	86	100
	17	15	34	100	
	7. Proportion of births attended by skilled health personnel	20	36	70	70
8. Proportion of 1 y. old children immunised against measles	51	85	98	80	
9. HIV prevalence rate.	n/a	2.4	< 2.4	< 2.4	
10. Proportion of pop. without access to safe drinking water.	84	33	20	20	

Source: MDG report, Eritrea, July 2005, as modified at the request of GSE March 2008

MDG 1 – Eradicating extreme poverty and hunger

(Target 1) The *proportion of the population living below the national poverty line*. The global target of reducing the proportion of population living below the poverty line to 33% in 2015 is not attainable since such an achievement would require sustained GDP growth rate in excess of 10% a year.

(Target 2) The *proportion of underweight children below five years old* remains extremely high. However, according to the 2005 MDGs report, and based on a 6% GDP growth per year on average, an increased investment in social sectors and continued humanitarian aid in times of emergencies, the global target of halving the proportion of under-five underweight children to 24% in 2015 would be achieved.

MDG 2 – Universal primary education

(Target 3) Despite some improvements in the *net enrolment ratio* (NER), more than half of school-age children are still out of school. Acute disparities exist in access to schooling by location, sex and income group. In such a context, and despite Eritrea's projection to attain the global target of 100% of *pupils starting Grade 1 who reach Grade 5* by 2015, the achievement of universal primary education by 2015 may be extremely difficult.

MDG 3 – Promote gender equality:

(Target 4) Eritrea missed the early global target of *eliminating gender disparity* at the elementary, middle and secondary levels by 2005. Despite some progress in *literacy rates*,

³ According to the MDG Report, despite the "lack of data on the major indicators, the available data has been [...] sufficient for assessing Eritrea's progress towards the achievement of the MDGs".

since 1997, illiteracy remained much higher among women than men (68.2 versus 45.6 percent in 2003, GSE). However, on current trends, it is projected that Eritrea is on track to achieve gender equality at primary school level by 2015.

MDG 4 – Reduce child mortality:

(Target 5) Considerable progress has been made in recent years towards reducing the **under-five mortality rate** and the **infant mortality rate**. The current estimate for under five mortality is 80 per 1,000 livebirths—a 46 percent reduction from the 1990 estimate (148 per 1,000 live births), while the current estimate for infant mortality is 40 per 1,000 live births—a 45 percent reduction from the 1993-95 estimate (72 per 1,000 live births). The **proportion of 1 year old children immunised against measles** has increased from 51% in 1993-95 to 84% in 2001-03 achieving therefore the 2015 global target of 80% in advance. Given the GSE continued emphasis on children health, not only is Eritrea on-track for achieving the child health targets, but it is projected that Eritrea will achieve the global target before 2015 and even do better by reducing the U5MR and IMR to 30 and 20 respectively. Both the infant mortality and under-5 mortality rates are below average for sub-Saharan Africa.

MDG 5 – Improve maternal health:

(Target 6) The **proportion of births attended by skilled health personnel** is still very low (38% in 2003). The maternal mortality ratio (MMR) was estimated⁴ at 998 deaths per 100,000 live births in 1993-95. Currently the maternal mortality ratio is estimated at 450 per 100,000 live births, a 55% reduction from the 1993-1995 estimates. Eritrea is on-track for achieving the maternal health targets as well.

MDG 6 – combat HIV/AIDS, malaria and other diseases

(Target 7) The 2001-03 **adult HIV/AIDS prevalence rate** is estimated at 2.4% (i.e. almost the global target rate).

(Target 8) In 2001-03, data shows that there were 22 outpatient and inpatient **malaria** cases per 1,000 (i.e. almost the global target of less than 20 cases by 2015). With regards to **tuberculosis**, health facility-based data show that in 2003, the smear positive detection rate was 70% while the cure rate was 85%. Eritrea is on course to achieve the 2015 target of halting and reversing the spread of HIV/AIDS and reducing the incidence of malaria and tuberculosis. The most recent data available on the level of HIV prevalence is in ante natal clinic (ANC) attendants and stands at 2.4%. A sero-prevalence survey in the general population will be undertaken as part of the 2008 EDHS. Major constraints to further progress in HIV/AIDS are slow behaviour change, widespread stigma and limited scope for care and treatment.

As for the environmental targets:

MDG 7 – Ensure environmental sustainability

⁴ Source: 1995 Demographic Health Survey (DHS)

(Target 9) Integrate the principles of sustainable development into the country policies and programs and reverse the loss of environmental resources: A Ministry of Land, Water and Environment was established in 1997. According to different sources, forest cover is anywhere between 2% and 14% of the national territory.

(Target 10) Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation: Proportion of households without access to safe drinking water declined from 83.6% to 32.5% between 1993-95 and 2001-03, with higher prevalence in rural areas. These figures should be treated with caution, in particular due to the respondents' definition of safe drinking water. Non-access to basic sanitation (flush toilets or VIP latrines) declined from 87.2% to 74.4% over the same period. The 2015 target is deemed attainable for safe drinking water.

(Target 11) Have achieved by 2020 a significant improvement in the lives of urban slum dwellers: Overcrowding is still a serious problem, with 40% of the households having more than 5 persons per sleeping room (2002 DHS).

2. Overview of past and ongoing co-operation

Economic, governance, social sectors

EDF

2 new global commitments only were funded from EDF resources in 2007 in the economic, governance and social sectors. Of these, The EC Support to Education Sector (€53M, of which €34M is a construction component) for which the FA was signed in 2005, finally took off and activities started with the mobilisation of TA and the preparation of the programme estimates. The FA for project in Support to the Office of the Auditor General was only signed in November 2007 and only preparatory activities for its implementation were carried out.

In addition to the above, the FA for a new Technical Cooperation Facility was signed in the last quarter of the year.

Budget lines

Two NGO budget line projects (with TPO for Poverty Alleviation through empowering local communities - € 0.7M - and with ISCOS for Enhancing the role of the Unions in defense of the workers' rights as an integral part of human rights as defined by the ILO Fundamental Conventions - € 0.75M) have been ongoing in 2007 and implementation progressed. One new NGO budget line project was approved in 2007 (with TPO for Poverty reduction through support of disadvantaged people - €0.7M). One project under the Democracy and Human Rights Budget line (with ISCOS for Strengthening the National Confederation of Eritrean Workers' Capacity as a Provider for Labour Services and Training during the Reintegration Phase - €0.4M) was also under implementation in 2007.

Infrastructure and Rehabilitation Sector

EDF

A total of 9 global commitments funded from EDF resources were managed in this sector in 2007. Of these, four commitments (€56.67M) are in the closure phase with activities carried

out in 2007 limited to the contracting of final evaluations and audits and final payments on certain individual commitments.

The remaining five global commitments (€95.8M) are in the early stages of implementation, either at early contracting (Road Maintenance and Safety Programme Phase I and LPG project under the Energy Facility for both of which a financing decision was made in 2007) or implementation (Post Conflict Rehabilitation Programme (Hirgigo Oil Jetty and Tessenay Water Supply projects) and the construction component of the Education Programme).

In addition to the above, a number studies were carried out or are being prepared using the Technical Cooperation Facility.

Budget lines

Finally, two budget line projects were managed in 2007 by the Delegation, one which was completed in 2006 (Mine Action budget line, €1M) and one which, after many delays in 2007 (Senafe Hospital, under the rehabilitation budget line, €1.99M), is expected to be implemented from 2008 after the signature of works and supervision contracts.

Food security / rural development sector

EDF

Two contracts financed by the 9th EDF Water Facility were signed in 2006 with an EC contribution of EUR 2.98 million. One of the projects (Oxfam) has started the implementation after an amendment to the contract late 2007. The other project (IFRC) is suspended by the GSE for unclear reasons.

A formulation phase for a Highly Pathogenic Avian Influentia (HPAI) project to be funded by the 9th EDF B-envelope was finalised in March 2007. A financing decision was taken in December 2007 (EUR 0.8 million) and implementation is expected to start in the 2nd quarter of 2008.

Budget lines

NGO projects: 13 NGO contracts funded by budget lines were managed by the Food Security / Rural Development section in 2007, ten funded by the Food Security / Food Aid, one by the Environment and two by the NGO Co-financing budget lines for a total EC contribution of EUR 10.2 million. Out of these contracts, five are suspended – four due to non-registration of the NGOs by the GSE and one due to a portion of school feeding included in the contract which is not compatible with GSE priorities. Eight projects for a total EC contribution of EUR 6.5 million were therefore effectively implemented, of which three ended in December 2007.

The last Food Security call for proposals under the old funding instrument was launched by the Delegation in May with deadline in September. Two contracts were signed with ICCO and Oxfam with implementation to start in January 2008. One contract was signed with ICCO following the NGO Co-financing call for proposals. Implementation will start in February 2008. Total EC contribution for the three contracts is EUR 2.6 million.

Food aid: 12,500 MT of wheat delivered in June 2005 as a bilateral donation to the GSE under the Food Security / Food Aid budget lines was monetised in 2006 by the GSE to finance its newly launched cash-for-work programme. As this was not in accordance with the signed financing agreement (EUR 3 million), the Commission proposed to make a retroactive amendment to the FA to

accommodate this policy change, on the proviso that the GSE provides details on the monetisation process and cash-for-work activities, and that an external evaluation and audit were carried out. These latter took place in late 2007. The draft evaluation and audit reports were received in December 2007 and January 2008 respectively.

Direct aid: There was some advancement to start the implementation of the two components under the Financing Agreement (FA) "Support to the Information Systems" (EUR 3 million under the Food Security budget line). Following a second assessment mission by the FAO in June, the Ministry of Agriculture agreed during the autumn to the original design of the project, i.e. to sign a contract with the FAO for the implementation of the Agricultural statistics component. A Memorandum of Understanding with the Ministry of Health regarding the Nutrition surveillance component was signed in September and the 1st Programme Estimate is under preparation. In the meantime, a request for the extension of the implementation period of the FA has been presented to Headquarters.

Details of programmes and projects are found in Annex. No Results Oriented Monitoring (ROM) mission took place during 2007 due to the lack of relevant projects to monitor.

3. Policy Coherence for Development (PCD)

The principle of developing synergies as identified within key PCD documents have, to the extent possible, been taken into account in the programming exercise for the 10th EDF, the most substantial part of which took place during the reporting period. Current Draft CSP for the 10th EDF identifies two Focal Sectors:

- Food Security
- Transport infrastructure

Furthermore the main identified Non-Focal Sector is Governance.

These areas of intervention are fully in line with the target areas for PCD. Beyond these identified sectors, the cross cutting issues of Gender and the Environment have been integrated in the programming of the 10th EDF.

Transport infrastructure has been identified with a view not only of facilitating economic development in respect to the domestic economy (through market access improvements for example), but also as a means of enhancing regional economic integration through improved regional trade. In addition, special attention will be given to aspects of transport security and safety.

Information and Communication Technologies components are envisaged in most of the identified sectors, primarily through capacity building components. This is likely of course to be especially true in the governance sector, where capacity is a constraint which shall be tackled directly, with ICT as one of the tools of choice.

The Focal Sector Food Security will aim to improving productive capacity, as well as containing strong environmental and capacity building elements. In conjunction with the PCD linked measures, further synergies are expected to develop which will allow for Eritrea to develop food security in the broader sense of the terms.

Eritrea is a beneficiary of the EU-ACP Water Facility, an initiative that specifically aims at a better access to safe drinking water and basic sanitation (MDG target 10).

Eritrea is a beneficiary country of the SFP project (Strengthening Fishery Products Health Conditions in ACP/OCT Countries), whose general objective is to make best use of ACP fish resources by strengthening their production and external marketing capacities. The project has been supporting the Ministry of Fisheries so that its laboratory receives an international accreditation which would considerably facilitate exports of fishery products to the EU market.

4. Joint EU- Africa Strategy

Both in terms of current implementation of 9th EDF programs and in terms of programming for the 10th EDF, the fundamental principles of the EU – Africa Strategy and the Horn of Africa Strategy have been enshrined to the extent possible at all levels. The cornerstone of the rational in these programs (including the First Action Plan 2008-2010) of creating both the relevant preconditions for the achievement of the MDGs and tackling more directly certain bottlenecks to attain MDG goals, are reflected in the cooperation with Eritrea. Specific regional conditions and developments during the reporting period do hamper certain cornerstone elements laid out in these strategic documents. Eritrea's suspension of membership in IGAD for example, precludes the use of this regional body for enhancement of regional cooperation as proposed in the 'Horn of Africa' strategy. Simultaneously, the lack of progress towards a solution of the Eritrean/Ethiopian border issue not only hampers regional integration, but furthermore poses a serious threat to stability in the region, in addition to representing an obstacle to achieving the MDGs (diversion of funds towards defense expenditure, governance issues, interconnectivity etc).

Keeping in mind these fundamental obstacles to programming and implementing cooperation activities in Eritrea, efforts have been and are continuing to be made, to enshrine the principles of fundamental strategic documents in all cooperation activities undertaken in Eritrea. The largest component of current cooperation activities under the 9th EDF is in primary Education, directly addressing the education related MDGs. Cross cutting issues, and primarily Gender related issues, are fully integrated into the Education program, once again contributing directly to attaining the Gender related MDGs.

Since the main obstacle in attaining the MDGs targets for which Eritrea is not on track, is achieving adequate (and very ambitious) economic growth rates, 10th EDF planning is strongly geared towards boosting overall economic growth in the country, as well as boosting more specific target related goals. The largest component in 10th EDF programming relates to Food Security, and has a direct correspondence to the objective of poverty alleviation. Boosting agricultural productivity through both direct and peripheral interventions, is expected to raise incomes in rural households, in which the incidence and depth of poverty are greatest in Eritrea.

The second largest component of the 10th EDF programming, is in the transport sector. Although relations with Ethiopia are a fundamental bottleneck to achieving greater regional integration and interconnectivity, programming has taken place with a view to strengthen transport infrastructure in order to increase regional interconnectivity (with Sudan and Djibuti), as well as boosting overall economic growth. It is expected that transport infrastructure will have a strong impact in terms of market access for agricultural and other

products, facilitate regional and domestic trade and boost the transport industry in Eritrea (one of the industries with the strongest private sector participation in the country).

Governance is also identified as a priority under the 10th EDF CSP, and is expected to indirectly benefit the efforts to achieve the MDGs through boosting the sustainability of economic development in Eritrea and facilitating in the efficient use of scarce resources (including information).

5. Donor Coordination and Harmonisation

During the first semester of 2007, on initiative from UNDP and the World Bank a donor coordination mechanism was re-established in Eritrea (the Development Partners Forum – DPF), after having ceased to function in 2004. The first meeting was held in February 2007 and it was well-attended by donors. Currently, the forum comprises four technical coordination groups on respectively social sectors, infrastructure, food security and governance. The Delegation is actively involved in the mechanism, chairing the Technical Coordination Group on infrastructures and participating in all others. To date the GSE has not participated in the established Forum, but, in line with the EU Code of Conduct, the EU hopes that that situation shall be reversed to ensure the effectiveness of the mechanism.

The early stage of establishment of the DPF and the relatively limited number of bilateral donors, limit the scope for Division of Labour and joint planning of cooperation at this stage. That remains the desired outcome from the establishment of the Forum and it is hoped that it can be achieved to a greater extent once GSE involvement is established. Currently, the EC, as the largest donor in Eritrea, has defined the sectors of intervention for the 10th EDF in consultation with the GSE. Other donors, primarily MS, have limited cooperation activities and much shorter planning horizons.

During 2008 it is hoped that the DPF, and especially the technical coordination groups, will begin to provide feedback into the planning mechanisms of donors, to maximise the complementarity of donor activities. The DPF and the EC will continue in their efforts for full involvement of the GSE in the coordination mechanism.

The document 'EU code of conduct on complementarity and division of labour in development policy' was shared with both the GSE and with MS represented in Eritrea, in order to examine the manner in which the policy document can be translated into action. However, the absence of the GSE from the DPF and the limited number of donors make practical implementation difficult. Till GSE participation is achieved this situation is unlikely to change.

Under the current situation consultations between the EC and the GSE take place primarily with the NAO and the respective line ministries of sectors in which EC cooperation is focused. The restructuring of the portfolios of ministries in mid 2007 resulted in the NAO function being transferred from the Minister of National Development to the Minister of Finance. In the interim period the deputy NAO, the office of the President, is the main interlocutor for the Delegation. Consultations are constructive and effective, despite the existence at times of divergent opinions.

6. Dialogue in country with the NSAs, local authorities and the national Parliament

The National Parliament is not regularly convening. NSAs are limited in number and capacity in the country and at the moment there is no structured system of dialogue between Government of Eritrea and NSA, in the context of the Cotonou Agreement.. A number of International NGOs have left the country as they were not granted registration under the 2005 NGO Proclamation and the decreasing trend continues as a result of difficulties faced in the implementation of projects.

7. Conclusions

In 2007, no major developments in the domestic political sphere occurred. The domestic situation remains dominated by issues related to the border with Ethiopia, where the situation remains tense and volatile. Eritrea continues to play an active role in the region both in relation to Sudan and Somalia.

Although Eritrea has not published an annual budget, there are indications that efforts to reduce the budget deficit did pay off during the reporting period. A partial Public Expenditure Review was carried out in the education and health sectors and preliminary conclusions indicate improvements. Eritrea has not embarked on an IMF HIPC program. According to the most recent data available 66.4% of the population live below the food poverty line. Eritrea is ranked 157 out of 177 countries in the HDI. Eritrea is projected to achieve six of the eight social sector related MDGs targets by 2015, although this projection is based on fundamental and extremely ambitious assumptions.

Cooperation activities fall under the economic, governance and social sector, infrastructure and rehabilitation and rural development and food security. Under the first, the EC Support to Education Sector (€53M) has commenced and the preparatory activities for Support to the Office of the Auditor General finalised in 2007. Under the infrastructure and rehabilitation sector, a total of 9 global commitments funded from EDF resources were managed, four commitments are in the closure phase, and five global commitments (€95.8M) are in the early stages of implementation. In the food security sector, the EC contribution of EUR 7.3M through nine projects are under implementation, via EDF facilities and budget-line projects. In several instances projects have been suspended due to obstacles faced. In the case of rural development and food security this has resulted in a potential loss of EUR 5.9 M originally allocated to projects in Eritrea, given the non-registration of the implementing NGOs by the GSE and the incompatibility of a programme of school feeding included in a contract with GSE priorities.

The principle of developing synergies as identified within key PCD documents has been taken into account in the programming exercise for the 10th EDF. The two Focal Sectors identified (Food Security and Transport Infrastructure) and Governance as a non-focal sector are fully in line with the target areas for PCD. Beyond these identified sectors, the cross cutting issues of gender and the environment have been integrated.

The implementation of 9th EDF programmes and planning for the 10th EDF are founded on the rationale of the joint EU-Africa Strategy (including the First Action Plan 2008-2010) of creating both the relevant preconditions for the achievement of the MDGs and tackling more directly certain bottlenecks to attain MDG goals.

In 2007 a donor coordination mechanism was re-established in Eritrea (the Development Partners Forum – DPF) on initiative of UNDP and the World Bank, after having ceased to function in 2004. However, to date the GSE has not participated.

The National Parliament is not regularly convening. NSAs are limited in number and capacity in the country and at the moment there is no structured system of dialogue between Government of Eritrea and NSA in the context of the Cotonou Agreement..

Overall, progress in the cooperation between the EC and Eritrea throughout 2007 should be noted. This is particularly tangible with regard to the 10th EDF Programming exercise as well as with regard to the implementation of programmes and projects. Results in poverty alleviation however remain to be assessed in the future.

ANNEXES

A.

1. Key macro-economic performance indicators
2. Key MDG indicators

B.

3. 9th EDF and any previous EDFs as per closure of the financial year 2007
4. Sector concentration of the engagements under the 9th EDF
5. Regional projects
6. EIB projects N/A
7. Use of budget support N/A
8. Budget lines

C.

9. Indicative time table for disbursements of 9th EDF and any previous EDFs (from 2008 onwards)
10. Planned EDF commitments in 2008 including activities related to Africa-EU Partnerships and Priority Actions

D.

11. Aid effectiveness questionnaire
12. Donor matrices current and future financial support
13. Donor matrices on current and future donor roles

Annex A1&2 - Table of macroeconomic indicators

Basic data	2000	2001	2002	2003	2004	2005	2006	2007
1 Population (in millions)	3.5	3.7	4.0	4.0	4.1	4.2	4.3	4.4
- annual change in %	2.0	2.3	2.4	2.5	2.6	2.8	3.0	3.1
2a Nominal GDP (in millions of Nakfa)	6,098	7,593	8,862	10,455	13,018	15,048	18,060	21,672
2b Nominal GDP per capita (in US\$)	140	147	150	160	170	209	216	218
2c - annual change in %	3.7	5	2.0	6.7	6.3	22.9	3.3	0.9
3 Real GDP (annual change in %)	-12.0	9.0	0.7	2.4	2	4.8	2	2.5
4 Gross fixed capital formation (in % of GDP)	19	20	18	22	22.6	24	25	25
International transactions								
5 Exports of goods and services (in % of GDP)	5.7	2.8	8.0	4.7	9.4	2.8	1.9	2
6 Trade balance (in % of GDP)	-61.5	-54.8	-56.2	-76.3	-62.0	-47.7	-42.9	-39.7
7 Current account balance (in % of GDP)	1.5	4.2	3.6	5.2	5.8	0	-1.1	-1.2
8 External debt (in % of GDP)	54.1	76.6	78.6	105.2	99.4	110	110.5	111.3
9 External debt service (in % of exports of goods)	6.2	7.6	15.1	29.7	30.3	32.7	38.1	39.4
10 Foreign exchange reserves (in months of imports)	0.9	1.1	0.73	0.35	0.49	0.59	0.48	0.50
Government								
11 Revenues (in % of GDP)	34.6	26.2	38.1	55.7	44.8	36.9	33.5	34.6
- of which: grants (in % of GDP)	18.9	17.5	10.3	19.2	17.3	10.1	7.9	8.2
12 Expenditure (in % of GDP)	66.7	58.5	57.3	53.3	53.7	49.3	50.1	51.7
- of which: capital expenditure (in % of GDP)	14.7	17.9	20.5	16.5	20.5	14.5	13.9	15.2
13a Deficit (in % of GDP) including grants	-32.1	-34.8	-30.2	2.5	-8.2	-11.7	-13.3	-13.8
13b Deficit (in % of GDP) excluding grants	-51.5	-52.5	-42.5	-17.4	-25.8	-22.0	-21.2	-22.7
Other								
14 Consumer price inflation (annual average change in %)	19.9	14.6	16.9	22.7	25.1	12.4	10.9	10.5
15 Interest rate (Deposit annual rate)	---	---	5	5	5	5	5	5
16 Exchange rate (annual average of national currency per 1 US\$)	9.6	11.3	14	17.9	20.5	15	15	15

Source: Government of Eritrea

Selected Indicators related to the MDGs

Goals and Targets	Starting value (1993-95)	Ending value (2001-03)	Eritrea target value (2015)	MDG target value (2015)
1. Proportion of population below poverty line	53	66	48	33
2. Prevalence of underweight children	44	40	24	24
3. Net primary school enrollment	30	44	82	100
4. Ratio of girls to boys in primary, secondary and tertiary education	80	81	100	100
	65	57	86	100
	17	15	34	100
5. Under-five mortality rate (per 1,000 live births)	136	93	30	45
6. Maternal mortality ratio	985	581	246	246
7. Prevalence of HIV/AIDS	N/A	2.4	< 2	< 2
8. Malaria cases per 1,000	N/A	36	< 36	< 36
9. Environmental resources: forest cover, of land area	13.9	32	> 32	> 32
10. Proportion without access to safe drinking water	84	33	25	20

Source: MDG report, Eritrea, July 2005

FED 7 Tableaux de synthèse pour ERITHREE

Nature	Engagem.I	%I/dot	Engagem.II	%II/I	Payé	%p/II	Temp. Engagem.I	Temp. Engagem.II	Temp. Payé
** DOT. PROGRAMME INDICATIF	46,145,180.65	0.0	0.00	0.0	0.00	0.0	0.00	0.00	0.00
SUBVENTIONS (TOTAL)	46,145,180.65	100.0	45,885,279.51	99.4	45,885,279.51	100.0	0.00	0.00	0.00
AIDES D'URGENCE	1,748,218.39	0.0	1,748,218.39	100.0	1,748,218.39	100.0	0.00	0.00	0.00
AIDES REFUGIES	3,728,383.64	0.0	3,728,383.64	100.0	3,728,383.64	100.0	0.00	0.00	0.00
CAPITAUX A RISQUES	8,000,000.00	0.0	8,000,000.00	100.0	8,000,000.00	100.0	0.00	0.00	0.00
!! TOT. HORS PROGRAMME INDICATIF(LOME)	13,476,602.03	0.0	13,476,602.03	100.0	13,476,602.03	100.0	0.00	0.00	0.00
!! TOT. PROGRAMME INDICATIF(LOME)	46,145,180.65	0.0	45,885,279.51	99.4	45,885,279.51	100.0	0.00	0.00	0.00
T O T A U X :	59,621,782.68		59,361,881.54		59,361,881.54		0.00	0.00	0.00
** S O L D E S (DES NON ...) :			259,901.14		0.00			259,901.14	0.00

FED 8 Tableaux de synthèse pour ERITHREE

Nature	Engagem.I	%I/dot	Engagem.II	%II/I	Payé	%p/II	Temp. Engagem.I	Temp. Engagem.II	Temp. Payé
** DOT. PROGRAMME INDICATIF	2,250,000.00	0.0	0.00	0.0	0.00	0.0	0.00	0.00	0.00
PROGRAMME INDICATIF(LOME)	2,250,000.00	100.0	2,250,000.00	100.0	2,250,000.00	100.0	0.00	0.00	0.00
AIDES D'URGENCE	9,609,903.98	0.0	9,599,154.05	99.9	9,599,154.05	100.0	0.00	0.00	0.00
AIDES REFUGIES	8,983,188.99	0.0	8,465,327.97	94.2	7,776,261.57	91.9	0.00	0.00	0.00
!! TOT. HORS PROGRAMME INDICATIF(LOME)	18,593,092.97	0.0	18,064,482.02	97.2	17,375,415.62	96.2	0.00	0.00	0.00
!! TOT. PROGRAMME INDICATIF(LOME)	2,250,000.00	0.0	2,250,000.00	100.0	2,250,000.00	100.0	0.00	0.00	0.00
T O T A U X :	20,843,092.97		20,314,482.02		19,625,415.62		0.00	0.00	0.00
** S O L D E S (DES NON....)			528,610.95		689,066.40			528,610.95	689,066.40

FED 9 Tableaux de synthese pour ERITHREE

Nature	Engagem.I	%I/dof	Engagem.II	%II/I	Payé	%p/II	Temp. Engagem.I	Temp. Engagem.II	Temp. Payé
** DOT. ENVELOPPE A / DOCUP	117,813,320.93	0.0	0.00	0.0	0.00	0.0	0.00	0.00	0.00
POL.SECTOR./ PROJETS/ PROGRAMMES	117,545,000.00	0.0	58,028,894.85	49.5	22,686,213.83	39.4	0.00	0.00	3,940.30
!! TOT. TOTAL ENVELOPPES A /DOT.PTOM	117,545,000.00	0.0	58,028,894.85	49.5	22,686,213.83	39.4	0.00	0.00	3,940.30
** DOT. ENVELOPPE B / UTILISATION RESERV	455,521.30	0.0	0.00	0.0	0.00	0.0	0.00	0.00	0.00
AIDE D URGENCE - GESTION ECHO	455,521.30	0.0	455,521.30	100.0	455,521.30	100.0	0.00	0.00	0.00
!! TOT. TOTAL ENVELOPPES B(COTONOU)	455,521.30	0.0	455,521.30	100.0	455,521.30	100.0	0.00	0.00	0.00
ENERGY FACILITY	4,613,177.5		0.00		0.00	0.0	0.00	0.00	0.00
WATER FACILITY	2,979,328.75		2,979,328.75		880,195.00	29.5	0.00	0.00	0.00
T O T A U X :	125,593,027.55		61,463,744.90		24,021,930.13		0.00	0.00	3,940.30
** S O L D E S (DES NON....) :			64,129,282.65		37,441,814.77				

* Situation on 31/12/2007

EDF 9 sectoral breakdown

country:

Commitments

STRATEGY FOR AFRICA	EUROPEAN CONSENSUS	SUB SECTOR AND PART SBS	in euro x 1000 total cumulative commitments 31.12.07	
Human rights and governance	governance,human rights and support to economic and institutional reforms	governance	1950	9.ACP.ERY.14
		economic and institutional reforms		
		Non State Actors		
Peace and security	conflict prevention and fragile states	conflict prevention and fragile states		
Economic growth, regional integration and trade	trade and regional integration	European Partnership Agreements		
		regional economic integration		
		private sector development		
	infrastructure,communication and transport	infrastructure,communication and transport	38750	9.ACP.ERY.10 9.ACP.ERY.13
	water and energy	water	9254	9.ACP.ERY.7/2 9.ACP.ERY.7/3 9.ACP.RPR.39/12 9.ACP.RPR.39/13
		energy	18658	9.ACP.ERY.5 9.ACP.ERY.7/1 9.ACP.RPR.163 + Balance of global commitment
unspecified				
investing in people	social cohesion and employment	social cohesion and employment		
	environment and sustainable management of natural resources	environment and sustainable management of natural resources		
	rural development, territorial planning, agriculture and food security	rural development and territorial planning		
		agriculture		
		food security		
	human development	health	425	9.ACP.ERY.4
		primary education	53000	9.ACP.ERY.9
education unspecified				
other	TCF	TCF	3100	9.ACP.ERY.6 9.ACP.ERY.11 9.ACP.ERY.12
	support to NAO	support to NAO		
	unspecified	unspecified		
Budget Support	GBS	General Budget Support		
TOTAL	TOTAL	TOTAL		
Level of sector concentration	percentage of 9th EDF commitments covered by largest sectors of concentration plus GBS	largest sector + GBS		
		Two largest sectors + GBS		
		Three largest sectors + GBS		
		Four largest sectors + GBS		
		Five largest sectors + GBS		
		nr of sectors + GBS to reach 85% of NIP		
		sectors (NSA and GBS excluded)		
TOTAL			125137	

* Excluding B-Envelope

ACCOUNTS BOOK PER COUNTRY

13.05.08	0 L A S (option 1.6.3)	de :	a	05.2008	5
09.16.53	9 eme FED; Sans 1cs Chèques;				FELCPR-P
MO COMPTABLE	LIBELLE (ENG. I OU CONTRAT)	MONT. ENGAGE	MASSE CR	SOLDE DATE CDD	DATE FERM. A
9 ACP RER 39	12 ERY - OXFAM CE - DEBIS RURAL WATER SUPPLY AND SANITATION PR	751.822,00	301.789,00	450.033,00	14-06-2006
9 ACP RER 39	13 ERY - INT. FED. OF RED CROSS - RURAL WATER	2.227.506,75	578.406,00	1.649.100,75	15-06-2006

05.02.08 12:45:48	O L A S (option 1.6.8) 7 eme FED; Sans les Clotures;	ACCOUNTS BOOK PER COUNTRY PAYS RPR	de :	a 12.2007	2 FRLCPR-P	
NO COMPTABLE	LIBELLE(ENS.I OU CONTRAT)	MONT. ENGAGE	MASSE CR	SOLDE DATE CUV	DATE FERM. A	
7 ACP RPR 744	25 ANIMAL RESOURCES DEPARTMENT NKF 2.722.173 PARTIE ERITREA	109.789,89	109.789,89	0,00	05-02-2001	03-02-2005
7 ACP RPR 744	72 ERITREA 01.05.2003 AU 30.04.2003	130.500,79	130.500,79	0,00	22-05-2003	11-08-2006
7 ACP RPR 744	105 WP 4 ERITREA 01/05/04 - 31/10/04	106.299,48	106.299,48	0,00	01-06-2004	28-07-2005
7 ACP RPR 744	126 ERITREA, PROGRAMME ESTIMATE NO.1 EXTENSION PHASE	322.604,58	322.604,58	0,00	28-07-2005	07-08-2007
7 ACP RPR 744	141 ERITREA, CLOSURE PROGRAMME ESTIMTE	6.294,68	6.294,68	0,00	15-09-2006	07-08-2007

05.02.08 12:46:19	O L A S (option 1.6.8) 8 eme FED; Sans Les Clotures;	de :	a 12.2007	4 FELCPR-P
NO COMPTABLE	LIBELLE(ENG.I OU CONTRAT)	MONT. ENGAGE	MASSE CR.	DATE FERM. A
8 ACP TFS 32	19 ERITREA - WORK PROGRAMME YEAR TWO - 01.05.2002 - 30.04.2003	110.209,19	110.209,19	28-04-2005
		0,00	0,00	30-05-2002

05.02.08 12:46:49	O L A S (option 1.6.8) 9 eme FED: Sans les Clotures;	ACP ERY (ACP RPR) COOPERATION REGIONALE ACP	de :	a 12.2007	3 FEICPR-P	
NO COMPTABLE		LIBELLE(ENG. I OU CONTRAT)	MONT. ENGAGE	MASSE CR	SOLDE DATE CUV	DATE FERM. A
9 ACP RPR (ERY)	163 Dec.13983/1 (1)PFI	04203020 INTRA ACP RESSOURCES NATURELLES APPUI PRO	0,00	4.613.177,50	15-11-2007	
D	FA ERITREA: AWARDED 1ST ENERGY CFP - EXPANSION LPG STORAGE	4.613.177,50	0,00	0,00		
TOTAL Cr. Delequess			0,00	0,00		
Intra ACP	(colocou)	Nbr. Eng.I dont Total Clot.	Dotation	Decide	Engage	Paye
*** TOTAL Pays	1	Total Clot.	0,00	4.613.177,50	0,00	0,00
	1		0,00	4.613.177,50	0,00	0,00

Forecast start semester	2007 S1	Domain	ALL
Forecast end semester	2007 S2	Delegation in charge	ER
		Budget line	ALL

Forecast start semester	2007 S1
Forecast end semester	2007 S2

Eritrea

Situation before forecast Decision nr	Forecast			2007 S1			Forecast				
	Commitment	Contracted	Paid	RAC	RAL	Forecast Commitment	Decommitment	Contracted	Paid	Forecast Recoveried	Forecast Commitment
DDH/2003/005-944	150.000	135.132	109.598	14.868	40.402	0	0	0	0	0	0
FOOD/2004/016-822	3.000.000	2.705.791	2.645.819	294.209	354.181	0	-354.181	0	0	0	0
FOOD/2004/016-930	1.000.000	794.488	635.590	205.512	354.410	0	-269.396	0	95.014	0	0
FOOD/2005/017-299	3.000.000	2.999.999	1.177.506	1	1.822.494	0	0	0	0	0	0
REH/2004/005-979	1.950.000	195.100	63.048	1.794.900	1.926.952	0	0	1.600.000	370.000	0	0
FOOD/2005/017-782	3.000.000	24.381	19.505	2.975.519	2.980.495	0	0	523.316	273.316	0	0

Notes:

- This report contains decisions in status provisional, committed, decided and ongoing.
- This report contains figures from contracts and invoices in status provisional, committed, decided, ongoing and closed.
- Decisions without the analytical breakdown entered in CRIS will not appear in this report.
- Data in this report will have been refreshed the day before the 'Last Report Refresh' date mentioned at the bottom of the report.

2007 S2					
Decommitment	Contracted	Paid	Recovered	After forecast RAC	RAL
0	0	30,000	0	14,868	10,402
0	0	0	0	-59,972	0
0	0	0	0	-63,884	0
0	0	784,683	0	1	1,037,811
0	0	517,024	0	194,900	1,039,928
0	500,000	500,000	0	1,976,684	2,226,684

Forecast start semester
Forecast end semester

2007 S1
2007 S2

Domain ALL
Delegation in charge ER
Budget line ALL
DG DELEG ER
Geographical area ALL

Budget line	Domain	Contract III	Status	Description IV	Contract	Situation before forecast		2007 S1		2007 S2		Forecast	Paid	Recontracted	R.A.L.	Delegation	Country	Contract year	Decision year
						Contract	FDI Use	Contracted	Paid	Contracted	Paid								
21.03.01.01	NSG co-financing (FV)	FOG-2007/001/158	Ongoing	ENG-FV2007/001/158	17/07/2007	147.830	239.391	0	0	0	0	0	0	0	0	0	0	2002	2001
21.03.01.02	Food Security	FOG-2007/001/241	Ongoing	ENG-FV2007/001/241	17/07/2007	359.730	1.171.773	0	0	0	0	0	0	0	0	0	0	2001	2001
21.03.01.03	NSG co-financing (FV)	FOG-2007/001/253	Ongoing	ENG-FV2007/001/253	17/07/2007	469.952	1.469.952	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.04	NSG co-financing (FV)	FOG-2007/001/254	Ongoing	ENG-FV2007/001/254	17/07/2007	241.164	741.164	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.05	NSG co-financing (FV)	FOG-2007/001/255	Ongoing	ENG-FV2007/001/255	17/07/2007	141.443	441.443	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.06	Food Security	FOG-2007/001/257	Ongoing	ENG-FV2007/001/257	17/07/2007	468.105	1.468.105	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.07	Food Security	FOG-2007/001/258	Ongoing	ENG-FV2007/001/258	17/07/2007	334.954	1.034.954	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.08	Food Security	FOG-2007/001/259	Ongoing	ENG-FV2007/001/259	17/07/2007	582.253	1.882.253	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.09	Human Rights & Democracy	FOG-2007/001/260	Ongoing	ENG-FV2007/001/260	17/07/2007	400.000	1.200.000	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.10	Human Rights & Democracy	FOG-2007/001/261	Ongoing	ENG-FV2007/001/261	17/07/2007	235.160	735.160	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.11	Human Rights & Democracy	FOG-2007/001/262	Ongoing	ENG-FV2007/001/262	17/07/2007	15.544	45.544	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.12	Human Rights & Democracy	FOG-2007/001/263	Ongoing	ENG-FV2007/001/263	17/07/2007	40.000	120.000	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.13	Food Security	FOG-2007/001/264	Ongoing	ENG-FV2007/001/264	17/07/2007	635.590	1.935.590	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.14	Food Security	FOG-2007/001/265	Ongoing	ENG-FV2007/001/265	17/07/2007	90.000	290.000	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.15	Food Security	FOG-2007/001/266	Ongoing	ENG-FV2007/001/266	17/07/2007	60.000	180.000	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.16	Food Security	FOG-2007/001/267	Ongoing	ENG-FV2007/001/267	17/07/2007	485.000	1.485.000	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.17	Food Security	FOG-2007/001/268	Ongoing	ENG-FV2007/001/268	17/07/2007	160.500	480.500	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.18	NSG co-financing (FV)	FOG-2007/001/269	Ongoing	ENG-FV2007/001/269	17/07/2007	160.500	480.500	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.19	NSG co-financing (FV)	FOG-2007/001/270	Ongoing	ENG-FV2007/001/270	17/07/2007	564.743	1.664.743	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.20	NSG co-financing (FV)	FOG-2007/001/271	Ongoing	ENG-FV2007/001/271	17/07/2007	274.746	824.746	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.21	NSG co-financing (FV)	FOG-2007/001/272	Ongoing	ENG-FV2007/001/272	17/07/2007	740.990	2.240.990	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.22	Environment	FOG-2007/001/273	Ongoing	ENG-FV2007/001/273	17/07/2007	741.995	2.241.995	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.23	Environment	FOG-2007/001/274	Ongoing	ENG-FV2007/001/274	17/07/2007	642.370	1.942.370	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.24	Environment	FOG-2007/001/275	Ongoing	ENG-FV2007/001/275	17/07/2007	367.452	1.067.452	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.25	Food Security	FOG-2007/001/276	Ongoing	ENG-FV2007/001/276	17/07/2007	631.048	1.931.048	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.26	Food Security	FOG-2007/001/277	Ongoing	ENG-FV2007/001/277	17/07/2007	995.004	2.995.004	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.27	Food Security	FOG-2007/001/278	Ongoing	ENG-FV2007/001/278	17/07/2007	995.004	2.995.004	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.28	Food Security	FOG-2007/001/279	Ongoing	ENG-FV2007/001/279	17/07/2007	885.044	2.685.044	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.29	Food Security	FOG-2007/001/280	Ongoing	ENG-FV2007/001/280	17/07/2007	209.318	629.318	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.30	Food Security	FOG-2007/001/281	Ongoing	ENG-FV2007/001/281	17/07/2007	590.291	1.770.291	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.31	Food Security	FOG-2007/001/282	Ongoing	ENG-FV2007/001/282	17/07/2007	421.751	1.261.751	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.32	Food Security	FOG-2007/001/283	Ongoing	ENG-FV2007/001/283	17/07/2007	550.425	1.650.425	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.33	Food Security	FOG-2007/001/284	Ongoing	ENG-FV2007/001/284	17/07/2007	604.024	1.804.024	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.34	Food Security	FOG-2007/001/285	Ongoing	ENG-FV2007/001/285	17/07/2007	495.493	1.485.493	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.35	Food Security	FOG-2007/001/286	Ongoing	ENG-FV2007/001/286	17/07/2007	594.024	1.784.024	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.36	Food Security	FOG-2007/001/287	Ongoing	ENG-FV2007/001/287	17/07/2007	24.381	74.381	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.37	NSG co-financing (FV)	FOG-2007/001/288	Ongoing	ENG-FV2007/001/288	17/07/2007	674.920	2.014.920	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.38	NSG co-financing (FV)	FOG-2007/001/289	Ongoing	ENG-FV2007/001/289	17/07/2007	748.340	2.248.340	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.39	Food Security	FOG-2007/001/290	Ongoing	ENG-FV2007/001/290	17/07/2007	76.500	226.500	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.40	Food Security	FOG-2007/001/291	Ongoing	ENG-FV2007/001/291	17/07/2007	34.529	103.529	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.41	Food Security	FOG-2007/001/292	Ongoing	ENG-FV2007/001/292	17/07/2007	897.970	2.697.970	0	0	0	0	0	0	0	0	0	0	2004	2003
21.03.01.42	Food Security	FOG-2007/001/293	Ongoing	ENG-FV2007/001/293	17/07/2007	859.548	2.559.548	0	0	0	0	0	0	0	0	0	0	2004	2003



EUROPEAN
COMMISSION

BRUNNEN

SUMMARY of EDF FORECASTS 2008 - 2009

	FORECASTS 2008										
	1st SEMESTER	LOW	MEDIUM	HIGH	TARGET 100%L+50%M	2nd SEMESTER	LOW	MEDIUM	HIGH	TARGET 100%L+50%M	TARGET ANNEE
New Global Commitments	0	0	0	0	0	0	0	0	0	0	0
New Individual Commitments	7,071,447	6,821,614	249,833	0	6,946,531	13,138,886	7,639,394	5,153,295	346,197	10,216,042	17,162,573
Payments	4,998,618	4,822,018	176,600	0	4,910,318	13,131,421	7,635,054	5,150,367	346,000	10,210,238	15,120,556
Decommitments	890,340					483,140					1,373,480
Decommitments to recommit	0					0					0
Reduction of Old RAL	983,688	807,088	176,600	0	895,388	483,140	483,140	0	0	483,140	1,378,528

	FORECASTS 2009										
	1st SEMESTER	LOW	MEDIUM	HIGH	TARGET 100%L+50%M	2nd SEMESTER	LOW	MEDIUM	HIGH	TARGET 100%L+50%M	TARGET ANNEE
New Global Commitments	0	0	0	0	0	51,000,000	0	51,000,000	0	25,500,000	25,500,000
New Individual Commitments	30,000,000	13,114,508	16,457,608	427,884	21,343,312	26,231,000	9,615,733	10,266,696	6,348,571	14,749,081	36,092,393
Payments	16,981,227	7,423,348	9,315,679	242,200	12,081,188	29,923,293	10,969,250	11,711,843	7,242,200	16,825,172	28,906,359

RAL	SITUATION on 01/01/2008	
	ALL PROJECTS	PROJECTS closed before YEAR 2003
∑ Ongoing GLOBAL COMMITMENTS	153,470,000	35,925,000
RAC	60,269,017	757,611
RAP	35,976,173	709,217
RAL / ∑ GLOBAL COMMIT	96,245,190	1,466,829
Nbr of years to absorb RAL	63%	4%
	6	5

SITUATION on 31/12/2008	PROJECTS closed before YEAR 2003	
	ALL PROJECTS	PROJECTS closed before YEAR 2003
ALL PROJECTS	152,276,364	35,673,895
	41,918,406	0
	37,599,145	30,300
	79,758,813	35,301
	52%	0%
	5	5

	Amount	Nbr
Ceiling increase riders	0	0
Extension Date		0
Réaménagement budgétaire		0
Modification DTA		0
Total number of projects		0

ANNEX D11

Questions on the EU Aid Effectiveness targets

Annex 3.d: Aid Effectiveness Questionnaire

The Commission has to report its performance annually against the four EU targets on aid effectiveness. The data for this will be collected through the EAMR reporting system. You are therefore requested to complete the questions below with specific information as noted so that the current baseline we have from the July 2007 EAMR can be tracked annually. The information will also be important for you to exchange with your government colleagues, NGOs and with other donors, including MS.

Delegations had difficulty completing the questionnaire for the July 2007 EAMR. Following discussions with them the guidance to measure each target has been made more specific, following the revised OECD guidance for the 2008 survey. We hope you find the new elements more helpful. If you would still like further clarifications please contact your desk officer in AIDCO.

Some Delegations will also be completing the OECD survey during Jan-March 08. Your responses below should make it much easier to answer the OECD survey.

Regional offices will have to complete Annex C separately for each country in their region.

Please note that within the strategy that EuropeAid in relation to EU Target 4 – reduce the number of uncoordinated missions by 50 % - a number of new points have been prepared:

- Delegations are invited to:

- list dates for HQ missions already planned for the immediate 6 months period and mention if they are not coordinated;
- indicate to HQ what priority missions the Delegations estimate better serves coordination arrangements at local level for the following 6 months period.

The periods for missions, to be used in the January and July EAMR are as follows:

- In the 2008 January EAMR; Delegations list missions agreed for the period March to August 2008 and indicate their priorities for HQ in the period September 2008 to February 2009;
- In the 2008 July EAMR: Delegations list missions agreed for September 2008 to February 2009 and then indicate their priorities for HQ missions in the period March to August 2009.

1. EU Target No 1
Channel 50% of government-to-government assistance through country systems, including by increasing the percentage of our assistance provided through budget support or SWAP arrangements
2. Introduction
The aim is to collect information that allows us to measure this target. The information that is needed is both the total amount of ODA provided, as well as the extent to which country systems are used in providing this ODA. For these purposes the country systems are defined as covering four main areas: (i) national budget execution procedures; (ii) national financial reporting procedures; (iii) national auditing procedures; and (iv) national procurement systems. By treating each of these four areas as having a 25% weight and dividing by the total amount of ODA provided the information required can be calculated (hence the division by four – see part 4 below). In all cases the necessary information can be collected using the same definitions as

those in the OECD/DAC "Definitions and Guidance" (see attached page which includes an extract of definitions relevant to this indicator)		
3. Questions and definitions		
Question	Definition – OECD Ref	Response EUR
How much ODA did you disburse at country level for the government sector in FY 2007 (EUR)?	Qd2	8,624,188.15
How much ODA disbursed for the government sector in FY 2007 used national budget execution procedures (EUR)?	Qd5	N/A
How much ODA disbursed for the government sector in FY 2007 used national financial reporting procedures (EUR)?	Qd6	N/A
How much ODA disbursed for the government sector in FY 2007 used national auditing procedures (EUR)?	Qd7	N/A
How much ODA disbursed for the government sector in FY 2007 used national procurement procedures (EUR)?	Qd9	N/A
4. Definition of Indicator		
[(Qd5 + Qd6 + Qd7 + Qd9) ÷ 4] ÷ [Qd2] (please calculate and enter as response %)		N/A
5. Additional information		
<i>Are there any significant initiatives in your country to promote the use of country systems? If so provide a list and a short description. If not, highlight the constraints to use of country systems (use additional space as needed)</i>		
<p>There have not been any significant initiatives to promote the use of country systems in terms of national budget execution procedures, national financial reporting procedures, national auditing procedures and national procurement procedures in Eritrea. The key constraints are the lack of a legal framework and transparent public financial management system which should provide the foundation for the use of such procedures. Consequently, the Delegation has not been able to fund the government sector through budget support, where use of country systems/procedures is possible.</p>		

Definitions from "Definitions and Guidance" OECD/DAC

www.oecd.org/dataoecd/13/29/36306366.doc

ODA	<p>Official Development Assistance (ODA) includes all transactions as defined in OECD-DAC Statistical Directives para. 32 (see appendix), including official transactions that:</p> <ul style="list-style-type: none"> ▪ Are administered with the promotion of the economic development and welfare of developing countries as its main objective; and ▪ are concessional in character and convey a grant element of at least 25%.
Disbursements	<p>A disbursement is the placement of resources at the disposal of a recipient country or agency (see OECD-DAC Statistical Directives para. 15-18). Resources provided in kind should only be included when the value of the resources have been monetised in an agreement or in a document communicated to government. In order to avoid double counting in cases where one donor disburses ODA funds on behalf of another, it is the donor who makes the final disbursement to the government who should report on these funds.</p>
Government sector	<p>Administrations (ministries, departments, agencies or municipalities) authorised to receive revenue or undertake expenditures on behalf of central government.</p>
Disbursements for the government sector	<p>This category includes the disbursement of ODA in the context of an agreement with the government sector (see definition above), including works, goods or services delegated or subcontracted by government to other entities (e.g. NGOs, private companies).</p>
Use of national budget execution procedures (Q ^{d5})	<p>Donors use national budget execution procedures when the funds they provide are managed according to the national budgeting procedures as they were established in the general legislation and implemented by government. This means that programmes supported by donors are subject to normal country budgetary execution procedures namely procedures for authorisation, approval and payment.</p>
Use of national financial reporting procedures (Q ^{d6})	<p>Legislative frameworks normally provide for specific types of financial reports to be produced as well as for the periodicity of such reporting. The use of national financial reporting means that donors do not make additional requirements on governments for financial reporting. In particular they do <u>NOT</u> require:</p> <ul style="list-style-type: none"> ▪ The production of additional financial reports. ▪ Periodicities for reporting that are different from government's normal reporting cycle. ▪ Formats for reporting that do not use government's existing chart of accounts.
Use of national auditing procedures (Q ^{d7})	<p>Donors rely on the audit opinions, issued by the country's supreme audit institution, on the government's normal financial reports/statements as defined above. The use of national auditing procedures means that donors do not make additional requirements on governments for auditing.</p>
Use of national procurement procedures	<p>Donors use national procurement procedures when the funds they provide for the implementation of projects and programmes are managed according to the national procurement procedures as they were established in the general legislation and implemented by government. The use of national procurement procedures means that donors do not make additional, or special, requirements on governments for the procurement of works, goods and services. (Where weaknesses in national procurement systems have been identified, donors may work with partner countries in order to improve the efficiency, economy, and transparency of their implementation).</p>

1. EU target 2
Provide all capacity building assistance through coordinated programmes with an increasing use of multi-donor arrangements ¹
2. Introduction

¹ Despite the different wording the target is interpreted to correspond to Paris Declaration indicator 4. Please pay particular attention to the definition for the question Q^{d4}.

EU target 2 aims to measure progress in aligning and coordinating support for capacity development. It's closely linked with indicator 4 of the Paris Declaration. Therefore, the term "capacity building" used in the EU target is interpreted as "technical cooperation". This use of the DAC definitions allows consistency with the DAC monitoring of the Paris Declaration.

The term "coordinated" also refers to the DAC definition which covers the following principles: ownership of TC by partner countries, alignment of TC with countries/local strategies and objectives and, where more than one donor is involved, harmonisation of TC among donors.

To avoid confusion, we strongly advise that you use the definitions given in the OECD guidance, by clicking on the link <http://www.oecd.org/dataoecd/13/29/36306366.doc>. DAC criteria on this indicator are being updated to make them easier to use and in January the final version to be used for monitoring the indicators in 2008 will be available on this site.

Finally please note that a separate AIDCO initiative on EU target 2, related to preparing a strategy for achieving the target, is ongoing in 46 Delegations. Through this EAMR however, we hope to capture information from all delegations. Questions 1 and 2 below seek quantitative information on technical cooperation. Section 4 seeks qualitative information from delegations not participating in the survey launched by AIDCO (46 Delegations contacted) and provides the opportunity to share your experience and views.

3. Questions and definitions		
1	How much technical cooperation did you disburse in 2007 (Total TC in EUR)? <i>OECD question reference in the Paris survey : Q^{d3}</i>	€ 8,785.49
2	How much technical cooperation did you disburse through co-ordinated programmes in support of capacity development in 2007 (EUR)? <i>OECD question reference in the Paris survey : Q^{d4}</i>	0
4. Definition of Indicator		
3	<i>Q^{d4} / Q^{d3} (please calculate this and enter in the next column as %)</i>	<u>0</u>

5 Additional Information

4

Qualitative information² :

Are there any significant initiatives to promote coordinated technical cooperation in your country?

If so, please provide a short description. And indicate whether they are linked to the Code of Conduct / Division of Labour process or any other "EU initiatives"

If not, highlight key constraints delaying joint work on TC and capacity development.

Please note any other comments you have on these issues

There have not been any significant initiatives to promote the use of coordinated programmes for technical cooperation due to the limited number of donors and programmes in Eritrea. Technical cooperation is very limited in Eritrea.

1. EU target 3

Avoid establishment of new project implementation units (PIUs).

2. Introduction

² These questions are taken from the survey on "Developing an EuropeAid Strategy on TC and PIU" sent to delegations which are members of the Aid Effectiveness Network. **They need to be answered by delegations who are not participating in this survey.**

EU target 3 aims to assess progress towards strengthening local capacity by tracking the number of PIUs put in place to manage projects and programmes. It is linked to indicator 6 of the Paris Declaration. This target is interpreted as "avoiding the establishment of new parallel PIUs"

To avoid confusion, we strongly advise that you use the definition of parallel PIUs given in OECD guidance, by clicking on the link <http://www.oecd.org/dataoecd/13/29/36306366.doc>. DAC criteria for this indicator are being updated to make them easier to use and in January the final version to be used for monitoring the indicators in 2008 will be available on this site.

Finally please note that a separate AIDCO initiative on EU target 2, related to preparing a strategy for achieving the target, is ongoing in 46 Delegations. Through this EAMR however, we hope to capture information from all delegations. Questions 1 and 2 below seek quantitative information on technical cooperation. Section 4 seeks qualitative information from delegations not participating in the survey launched by AIDCO (46 Delegations contacted) and provides the opportunity to share your experience and views.

3. Questions and Definitions

1	How many parallel project implementation units funded by EC were in operation in December 2007? <i>OECD question reference in the Paris survey : Q^d10</i>	1
2	Out of these, how many <u>new</u> parallel project implementation units were established during 2007?	0

4. Additional Information

3	<p>Qualitative information³:</p> <p><i>Are there any significant initiatives to avoid the establishment of parallel PIUs in your country?</i></p> <p>No particular initiatives ongoing. However, the donors' situation is such that PIU establishment is extremely unlikely.</p> <p><i>What in your opinion should be done to increase domestic ownership and quality of project implementation arrangements?</i></p> <p>Ownership is not a major weakness of development cooperation in Eritrea. However, better consultation with Government at the project design stage and discussions on how best to include TA within Government structures would benefit the quality of project implementation.</p> <p><i>Please note any other comments you have on these issues</i></p> <p>N/A</p>	
---	---	--

1. EU Target No 4

Reduce the number of uncoordinated missions by 50%.

³ These questions are taken from the survey on "Developing an EuropeAid Strategy on TC and PIU" sent to delegations which are members of the Aid Effectiveness Network. They need to be answered by delegations who are not participating in this survey.

2. Introduction

The aim is to collect data on the number of uncoordinated EC Missions to your country. The information needed is (a) the total number of EC Missions to your country and (b) how many of these were coordinated.

The Paris Declaration **objectives** underlying the related indicator of progress for coordinated missions are: "In planning their missions to the field⁴ it is important that donors: Conduct **fewer missions, coordinate timing of missions** with partner authorities and, where necessary, with other donors, *conduct more joint missions, avoid conducting missions during "mission free periods"*⁵.

Coordinated mission is a mission undertaken by 2 or more donors jointly, or by one donor on behalf of another. In practice, the following 3 questions help to clarify what is meant by a mission:

1. Does the mission involve international travel to a beneficiary country? i.e. **this concerns only missions from HQ, not missions undertaken within the country by the Delegation.**
2. Does the mission involve a request to meet with government officials, including local government?
3. Is this mission undertaken by 2 or more donors jointly? Or is it done by an HQ service also on behalf of another donor?

The Definitions and Guidance of the OECD (www.oecd.org/dataoecd/13/29/36306366.doc) requires that missions undertaken by consultants contracted by AIDCO (or other DG's), if they meet the 3 above questions, must also be included.

3. Questions and definitions

OECD ref: Q ^d 15	How many HQ missions to the field were undertaken in FY 2007? ⁶	5
Q ^d 16	How many of these were coordinated?	0
Please provide a breakdown of missions the Commission and its services have undertaken to your country in FY 2007 in the table below:		
Missions by:	Coordinated	Uncoordinated
Members of Commission		1
AIDCO		1
DEV		2
RELEX		
TRADE		
ECHO		1
FISH		
OTHER DGs		
Consultants contracted by the Commission		
Total		5

4. Definition of Indicator

Q ^d 16 / Q ^d 15	2006	2007
Please calculate and enter in the column for 2007 and also include the figure for this indicator for 2006 ;	0	0

⁴ 'Field' refers to the country in general including missions to the capital only.

⁵ The target set for 2010 for indicator 10 a) is to have 40% if donor missions to the field as joint.

⁶ This question applies to the missions from the HQ

5. Additional Information

Delegations are invited to list the dates for main HQ missions already planned for the March 2008 to August 2008, indicating whether they are, or not, to be coordinated with other donors;

HQ DG	Date planned	Purpose/Sector	Coordinated (Yes/No)
AIDCO	April/May	Familiarisation for new desk officer	no

Delegations are suggested to indicate higher priority requests for HQ missions needed from September 2008 to February 2009, but not yet agreed with HQs, that the Delegation estimates serve better the coordination arrangements at local level and can yield more added value for the policy dialogue.

HQ DG	Date planned	Purpose/Sector	Donor(s) involved
-------	--------------	----------------	-------------------

Delegations are asked to briefly inform if there are significant initiatives to decrease the number of uncoordinated missions in your country? If so, please provide a short description. If not, highlight key constraints.

There have not been any significant initiatives to decrease the number of uncoordinated missions from headquarters as these are few and the number of donors in Eritrea is very limited.

Finally, Delegations are asked to assess the likelihood of meeting, by 2010, the twin targets for missions, i.e. the OECD target of 40% and the EU target of halving the number of un-coordinated missions.

- OECD target of 40% likely to be met: No
- EU target of halving the number of un-coordinated missions: No

Delegations are asked to briefly indicate what additional steps HQ should be prepared to consider to help in achieving those targets at the level of the beneficiary country concerned:

N/A to the particular Eritrean context.

Other aid effectiveness related information

On 4 July 2007 our Counsellors Louis Michel and Benita Ferrero-Waldner wrote to all Heads of Delegations requesting implementation of the Code of Conduct for Division of Labour. Several Delegations have responded and have attached their progress reports on aid effectiveness. We need information on the specific points below:

1. Paragraph 5 of the Council conclusion on Division of Labour notes:

"Simultaneously with the implementation of the Code of Conduct, the Member States and the Commission **will promote wide discussions with partner countries and other donors on complementarity and division of labour**, based on the EU code of

Conduct which will be complemented by first experiences in the field. **The outcome of these discussions would constitute an input to the OECD/DAC partnership and the High Level Forum on Aid Effectiveness III that will take place in Accra, Ghana in 2008.** The Council invites the **incoming Presidencies to actively support such a process**, in close cooperation with the Member States and the Commission." (Highlights by AIDCO 01)

1.1 Have the discussions with partner countries and other donors been held?

(a) If yes, when and what was the result? Please describe in brief how these talks are progressing.

(b) If no, are there plans to hold them? If yes, please describe briefly what the plans are.

The conditions do not make this initiative relevant in Eritrea (limited number of donors, most of those present do not have a medium term programming approach, Government is not participating in donors coordination activities). Discussions on the application of the Code of Conduct in Eritrea with the MS have taken place and concluded that there is very limited possibility for its application.

1.2 What input on division of labour is planned by the partner country towards HLF III? If none, then leave blank.

2 In paragraph 14 the Council invites the Commission to outline Community implementation of the Code of Conduct in its annual report on development cooperation, including: 'a self-assessment in its potential areas of comparative advantage as referred to in the joint Development Policy Statement'. (highlights by AIDCO 01)

2.1 What action has been taken towards this self assessment of comparative advantage?

(a) If yes, please describe the process in brief and the results.

For the same reasons described above, this exercise is rather simple in Eritrea and does not require extensive consultation with donors.

(b) If no, do you have any plans for initiating such a process? What are the plans?

3 In country that have already initiated some form of division of labour:

3.1 Please describe the process. (e.g., when did it start; partner country leadership; donors involved; results on the ground, etc).

3.2 As a result of this process did the Delegation:

- Reduce or expand the sectors in which it remains active?

- Exit from any sectors? Specify

- *Enter any new sectors? Specify*

- *Become lead donor in any sectors? Specify*

- *Enter into delegated cooperation partnerships? Please specify.*