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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

STATE OF ERITREA

FOR THE

GASH BARKA LIVESTOCK AND AGRICULTURAL DEVELOPMENT PROJECT

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TABLE OF CONTENTS

CURRENCY EQUIVALENTS	iii
WEIGHTS AND MEASURES	iii
ABBREVIATIONS, ACRONYMS AND GLOSSARY	iii
MAP OF THE PROJECT AREA	iv
LOAN SUMMARY	v
PROJECT BRIEF	vi
PART I THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY	1
A. The Economy and Agricultural Sector	1
B. Lessons Learned from Previous IFAD Experience	2
C. IFAD's Strategy for Collaboration with Eritrea	2
PART II THE PROJECT	4
A. Project Area and Target Group	4
B. Objectives and Scope	5
C. Components	6
D. Costs and Financing	9
E. Procurement, Disbursement, Accounts and Audit	11
F. Organization and Management	12
G. Economic Justification	12
H. Risks	12
I. Environmental Impact	13
J. Innovative Features	13
PART III LEGAL INSTRUMENTS AND AUTHORITY	13
PART IV RECOMMENDATION	13
ANNEX	
SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT	15



APPENDIXES

I.	COUNTRY DATA	1
II.	PREVIOUS IFAD FINANCING	2
III.	LOGICAL FRAMEWORK	3
IV.	PROJECT COST SUMMARY	7
V.	ORGANIZATION AND MANAGEMENT	9



CURRENCY EQUIVALENTS

Currency unit	=	Eritrean nakfa (ERN)
USD 1.00	=	ERN 13.5
ERN 1.00	=	USD 0.074074

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 hectare (ha)	=	2.47 acres (ac)
1 ac	=	0.405 ha

ABBREVIATIONS, ACRONYMS AND GLOSSARY

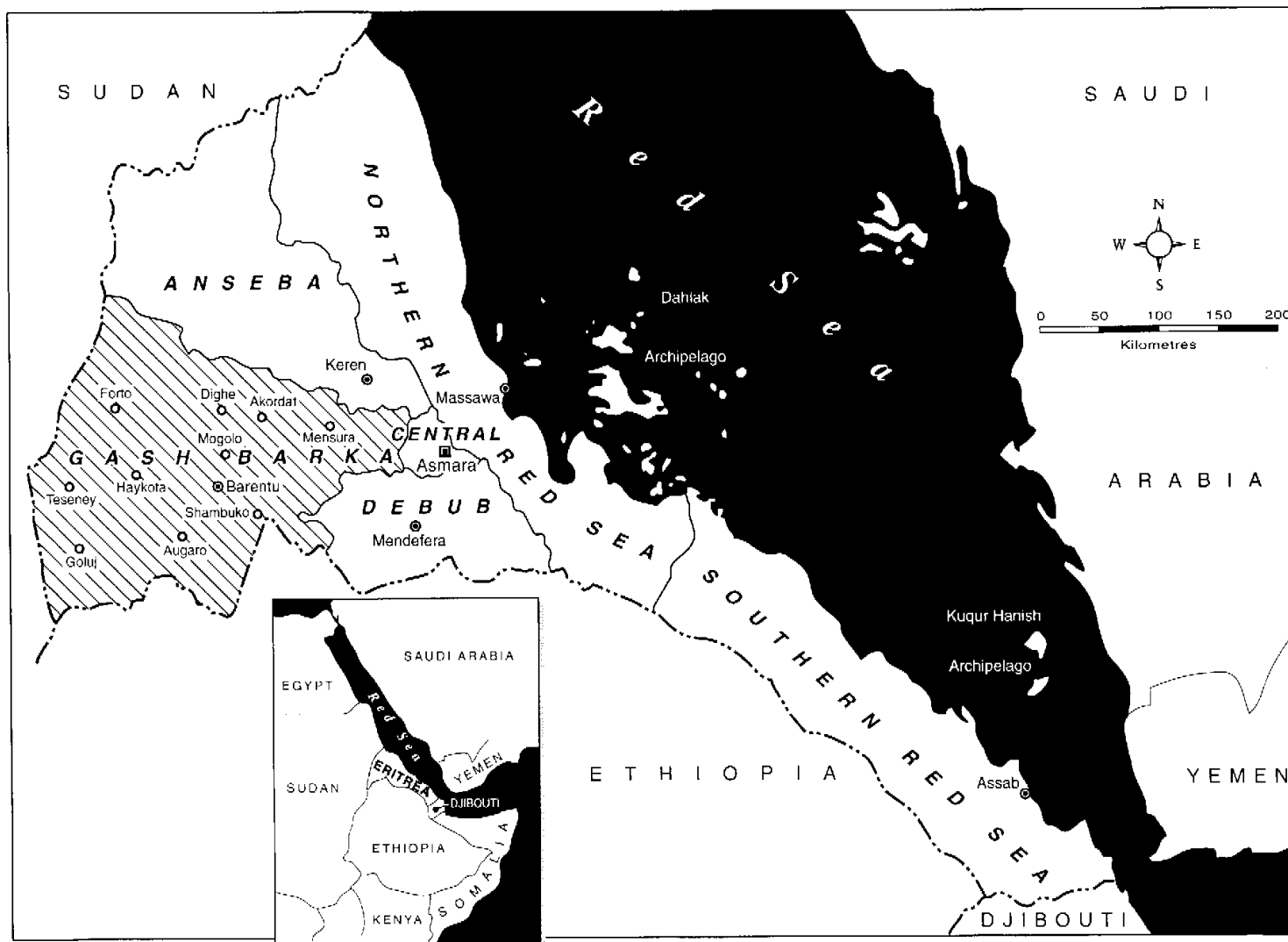
BSF.JP	Belgian Survival Fund Joint Programme
MOA	Ministry of Agriculture
MOF	Ministry of Finance
MOH	Ministry of Health
MOLG	Ministry of Local Government
O&M	Operation and Maintenance
PCU	Project Coordination Unit
RDU	Range Development Unit
Sub- <i>zoba</i>	Subregion
TBA	Traditional Birth Attendant
UNOPS	United Nations Office for Project Services
VHW	Village Health Worker
VLEA	Voluntary Livestock Exclusion Areas
VLW	Village Livestock Worker
ZIS	<i>Zoba</i> Infrastructure Services
<i>Zoba</i>	Administrative Region

GOVERNMENT OF THE STATE OF ERITREA

Fiscal Year

1 January - 31 December

MAP OF THE PROJECT AREA



Source: IFAD Appraisal Report

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.



STATE OF ERITREA
GASH BARKA LIVESTOCK AND AGRICULTURAL DEVELOPMENT PROJECT
LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	State of Eritrea
EXECUTING AGENCY:	Gash Barka <i>Zoba</i> Administration
TOTAL PROJECT COST:	USD 16.14 million
AMOUNT OF IFAD LOAN:	SDR 8.10 million (equivalent to approximately USD 10.00 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIER:	Belgian Survival Fund Joint Programme (BSF.JP)
AMOUNT OF COFINANCING:	USD 3.46 million
TERMS OF COFINANCING:	Grant
CONTRIBUTION OF BORROWER:	USD 1.35 million
CONTRIBUTION OF BENEFICIARIES:	USD 1.33 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services (UNOPS)



PROJECT BRIEF

Who are the beneficiaries? The target population of the project's livestock, crop-production and water-supply activities comprises about 64 000 people, living in 16 400 households in Gash Barka *zoba* (administrative region). An additional 46 000 people in 13 400 households will benefit from improved community-based health care services, while the entire rural population of Gash Barka *zoba*, about 474 000 people, will benefit from improved public health services. Smallholder agricultural production systems vary greatly in the *zoba*. In the arid lowlands, semi-sedentary pastoralists rely almost exclusively on livestock. On the fringes of the highlands, where rainfall is higher and more reliable, sedentary agro-pastoralists rely equally on crop and livestock production. The majority of households produce sufficient food for 8-10 months in years of good rainfall, and 5-7 months in years of poorer rainfall. Partial or complete crop failure occurs as frequently as one year in three on average, and more often in arid areas. In years of crop failure, nine out of ten households are food insecure and must sell livestock to ensure household survival. Households with few or no livestock must rely on food donations for survival, and many such households are headed by women and have particularly poor access to other means of income generation.

Why are they poor? The people are poor because they depend on low productivity crop and livestock enterprises, have few other opportunities for generating income, and cannot easily gain access to essential social services. Low and unreliable rainfall, coupled with malaria, tuberculosis, diarrhoea and mother-and-child health problems, generally constitute the greatest livelihood risks. Although the fragile, and in many areas declining, natural resource base strictly limits the region's production potential, people's livelihoods may be substantially improved through better management of rangelands, adoption of better livestock and crop husbandry practices, improved access to inputs, adoption of suitable practices for harvesting and extracting water, and better access to health services. In order to exploit these opportunities, assistance must be carefully adapted to the local resources, needs and priorities. This requires that the communities contribute to shaping investments so that self-reliance in subsequent management and maintenance is maximized. The social services for which improved access has the highest priority are drinking water and health services.

What will the project do for them? The project will provide a range of development options that communities can choose from and help shape in the light of their experience, resources and interests. On the basis of an initial mapping of key resources in the *zoba*, government staff will work with villagers and their informal leaders to examine the local resource situation and identify and document the interests and possibilities of the various groups of people within the villages, assist them to develop proposals with a substantial beneficiary contribution, technically screen those proposals, including with regard to self-reliance in subsequent management and maintenance, arrive at an agreed action plan, and monitor its implementation and impact. Key investments will be: community-managed rangeland development, including establishment of exclusion areas, construction of water points, and village-based livestock support services; small stream and river diversion and water harvesting for supplementary irrigation; farmer's field-based crop research, including selection of acceptable drought-resistant varieties; drinking-water-supply development; and improved community-based and public health services.

How will the beneficiaries participate in the project? Informal village leaders will receive initial training and assistance to enable them to facilitate local assessment of the priorities of the various groups of villagers. Villagers and government staff will work together to assess how best to address those needs and priorities through the project. Informal village leaders and local government staff will review the feasibility of their proposed activities and help villagers prioritize in view of the likely response time, develop an action plan prior to implementation, and monitor implementation and impact at annual review workshops.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
STATE OF ERITREA
FOR THE
GASH BARKA LIVESTOCK AND AGRICULTURAL DEVELOPMENT PROJECT**

I submit the following Report and Recommendation on a proposed loan to the State of Eritrea for SDR 8.10 million (equivalent to approximately USD 10.00 million) on highly concessional terms to help finance the Gash Barka Livestock and Agricultural Development Project. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. Eritrea is situated along the western coast of the Red Sea and has a total land area of about 124 000 km². The climate ranges from hot/arid in the lowlands to temperate/subhumid in the highlands. The ethnically heterogeneous population of about 4 million is growing at 2.7% per annum. About one million Eritreans are living abroad, of whom 160 000 currently in The Sudan are expected to return by 2003. Eighty percent of the population is rural, and most rural people depend on subsistence agriculture. Two-thirds live in the highlands, where population densities reach 200 people per square kilometre in some areas. Eritrea had relatively sophisticated infrastructure and a strong economy prior to the war for independence, but three decades of war and repeated drought have severely eroded production capacity. Gross national income (GNI) per capita is USD 170 (2000), life expectancy at birth is 51 years and the adult illiteracy rate is 46%. The country is considered the 9th poorest and 14th least developed in the world.

2. Growth performance was strong in the first few years after independence in 1993. Government embarked on a reconstruction and rehabilitation programme to develop infrastructure, improve food security and absorb returning refugees. Comprehensive public-sector restructuring and reform were initiated in 1996 to support a transition from emergency and reconstruction support to development-oriented support. The reforms included the adoption of decentralization to increase the effectiveness of public services and strengthen the responsiveness of public service providers to local priorities. Under decentralization, *zoba* administrations are responsible for development planning, and policy and project implementation, with local line ministry staff reporting operationally to the *zoba* administration and technically to their respective line ministries. The outbreak of war in 1998 interrupted the implementation of decentralization and other reforms as emergency and rehabilitation assistance has been provided through existing centralized institutional structures.

3. Following the initial period of strong macroeconomic performance, the country has faced economic stagnation and mounting macroeconomic imbalances during 1998-2000 due to massive diversion of resources into defence. In 2001, gross domestic product (GDP) growth resumed at an estimated rate of 7% and strong economic growth is expected to continue and provide a basis for reducing macroeconomic imbalances over the next few years. Eritrea has a large structural external deficit, much of which is financed by remittances from Eritreans living abroad. There was no public

¹ See Appendix I for additional information.



external debt at independence, but borrowing for reconstruction and development has brought total external debt to USD 300 million, or 59% of GDP (end-2000). The debt-service ratio is about 15%. The main exports have been food and live animals, raw materials and some manufactured items. Access to the main export market in Ethiopia has temporarily been lost. With limited short-term possibilities for redirecting trade, this has led to a major reduction in exports. Main imports are manufactured, capital and intermediate goods, raw materials and food. Eritrea is seeking to increase exports of labour-intensive manufacturing goods, livestock, vegetables and fruits to the Gulf states.

4. Agriculture contributes about 16% to GDP (1999), industry 29%, and services 54%. Extensive livestock breeding, much of which occurs in the western lowlands, provides the main part of agricultural value added. Crop production is mainly for home consumption, and includes barley, wheat, teff, sorghum and millet in the highlands, and millet and sorghum in the lowlands. Even in years with adequate rainfall, about half of the national food requirement is imported. Few farmers use purchased inputs for rainfed cropping, and productivity is very low. Irrigated horticulture production occurs along the seasonal rivers. In the past, livestock – mainly small ruminants raised in the lowlands – was exported to the Gulf, but these exports are currently banned due to an outbreak of Rift Valley fever in Saudi Arabia, although Eritrea is unaffected.

B. Lessons Learned from Previous IFAD Experience

5. The design of new development interventions needs to take into account the general experience obtained with development support in Eritrea. Due to the special circumstances of the past few years, experience is relatively limited, although some lessons are clear. First, staff numbers, skills and institutional capacities of public service providers are restricted, and have been further eroded since 1998, albeit temporarily. In addition, the harsh climate of Gash Barka makes the region a less than attractive workplace for trained government staff. Second, the transition from emergency and rehabilitation support to development assistance has suffered a setback since 1998. Neither public service providers nor the communities have much experience with development support, which, on the part of the communities, involves agreeing on priorities, actively seeking support for activities that various groups wish to pursue, and receiving and shaping such assistance.

6. A number of relatively small development initiatives have provided relevant lessons across a range of technical interventions. These involve the type of technologies communities can operate and maintain, and the need to adapt technologies to specific locations and to demand significant beneficiary contributions in order to secure ownership and sustainability. The lessons generally suggest that people's limited resources, the fragile resource base and the lack of readily transferable technologies imply a need for simple, low-cost investments and community self-reliance in management and maintenance. Investments should preferably be in activities that are already current in the country, and new technologies should be tested and adapted by a few users before being introduced on a wide scale.

C. IFAD's Strategy for Collaboration with Eritrea

7. **Eritrea's policy for poverty eradication.** Economic development, poverty reduction and gender equality are enshrined as main priorities in the constitution. Reflecting the current post-war situation in the country, immediate priorities are to: meet emergency needs (including assisting displaced people and demobilized soldiers in reintegrating into society); rehabilitate critical social and economic infrastructure; restore macroeconomic stability; and resume development activities as soon as possible. Emphasis will be shifting from current emergency programmes towards activities within the overall development strategy, which focuses on sustainable, broad-based growth and poverty reduction based on private-sector development. Key elements of the strategy are to: develop export markets for livestock, fruit, vegetables and flowers; rebuild the port business; increase agricultural productivity by strengthening public services to smallholders and facilitate the development of a supporting private sector; attract private-sector investment; privatize state-owned enterprises; and



develop a sound financial system. Government assigns high priority to decentralization as an instrument to reduce poverty through improved access to services, and it stipulates that projects for implementation in a single *zoba* must be implemented by the *zoba* administration. The Government will prepare an interim poverty-reduction strategy based on an ongoing assessment of the extent, depth, distribution and causes of poverty.

8. **Poverty eradication activities of other major donors.** The main priorities of donor support have been to help meet the country's substantial needs for rehabilitation and development of social and economic infrastructure, and provision of basic health and education. Key areas of World Bank financing include the rehabilitation and development of economic and social infrastructure, health facilities and demobilization of former soldiers. The European Union has been supporting food aid, infrastructure development, water supply and repatriation of refugees. Italian Cooperation has financed food aid and supported the development of industry, agriculture, communications, health facilities and demobilization. The Danish International Development Assistance (DANIDA) has supported soil conservation and seed and dairy development under its agricultural-sector programme, a second phase of which is under formulation and expected to include activities in Gash Barka *zoba*, with more responsibilities devolved to the *zobas*.

9. Two multidonor programmes are financing reconstruction and rehabilitation following the cessation of hostilities. The first is the World Bank-led, USD 287.7 million Economic Recovery Programme, which will run until December 2002 and includes support for: reconstruction of clinics, schools and roads; rehabilitation of agriculture; community-led investments; and private-sector development. Most reconstruction work at the local level has been completed. The second programme is the United Nations Development Programme (UNDP)-led, USD 17 million Post-War Recovery Programme, which will finish in June 2002 and is rebuilding infrastructure using non-governmental organizations (NGOs) or the *zoba* administrations as implementing agencies, with some funds being used to develop management capacity at the *zoba* and community levels. Several ongoing programmes have also been reoriented to provide additional immediate assistance. These initiatives have helped to establish a basis at the local level for the present project.

10. **IFAD's strategy in Eritrea.** IFAD is directing its assistance to the eastern and western lowlands, where immediate prospects are best for expanding smallholder production, social and economic infrastructure are poorly developed, and poverty is severe. In the eastern lowlands, the most important agricultural development opportunity lies in improving spate irrigation systems, and is being explored in a specific context under the Eastern Lowlands Wadi Development Project supported by IFAD and the Belgian Survival Fund (BSF). In the western lowlands, the predominant systems involve extensive livestock breeding combined with subsistence-oriented production of a narrow range of crops under risky, rainfed conditions. There are development opportunities in rangeland management, animal husbandry and veterinary services, and in crop husbandry and conservation farming. There are also possibilities for expanding very small-scale irrigated cultivation of higher-value crops in many localities. Investments to improve people's access to health services and safe drinking water are generally required in order to increase effective household labour supply. They are of key importance to the livelihoods of the poorest, many of whom live in woman-headed households. Such investments, financed on a grant basis by the Belgian Survival Fund Joint Programme (BSF.JP) in a strategic alliance with IFAD, complement directly productive investments financed by IFAD and enhance impact.

11. **Project rationale.** There is widespread poverty among the rural population due to their reliance on low-productivity crop and livestock enterprises, the scarcity of other opportunities for income generation, and poor access to social services, including health and drinking-water supplies. The greatest livelihood risks are production uncertainties caused by low and unreliable rainfall, and health risks, including malaria, tuberculosis, diarrhoea and mother-and-child health problems.



12. Despite the unfavourable environment and the absence of opportunities to increase smallholder incomes dramatically, there are opportunities for development that can benefit the poor. There are prospects for improving income from crop and livestock production and for decreasing income volatility, and hence reducing vulnerability. The paramount consideration is to help farmers and livestock breeders reduce risks and uncertainties. Investments to improve the use of available water resources, and adoption of improved crop, livestock and range management practices can all improve the production, processing and marketing of crops and livestock. In addition, provision of access to safe drinking water would have immediate impact on health, labour availability and productivity, as well as releasing labour for other activities. Finally, health services can be improved and made accessible to a wider range of the population, contributing to improving the health status of the community and releasing labour for other activities.

13. Although Gash Barka *zoba* has received, and is continuing to receive, support under other interventions, these activities will not reach many communities. The project can, however, benefit from the experience gained by these projects, which have been promoting some of the technical innovations that the project will promote. The reconstruction and rehabilitation projects, the implementation of which are expected to be completed at village level before the start of this project, will strengthen the basis for the project's longer-term development assistance. Similarly, the project will benefit from the demobilization and reintegration assistance that will release staff and household labour prior to the start of interventions at the village level.

14. Government is promoting decentralized provision of public services, thereby creating an enabling environment for the project, facilitating the empowerment of villagers and strengthening the accountability of public service providers. However, institutional capacities are weak and require strengthening at both the *zoba*, sub-*zoba* and village levels. Decentralized operational procedures for delivering public services that elicit the priorities of the communities and respond to them have yet to be developed. The project can support both the strengthening of services provided by the Ministry of Agriculture (MOA) and Ministry of Health (MOH), and the development of services that respond to the needs and priorities of the rural population.

15. The project focuses on: improving household food security and nutritional status of the target group through an approach that involves synergies between livestock and agronomy, health and water-supply activities; capacity-building for communities and local service providers; and reduced vulnerability of households to food insecurity.

PART II – THE PROJECT

A. Project Area and Target Group

16. **Project area.** The project area is Gash Barka *zoba*, which is administratively subdivided into 14 sub-*zobas*. Gash Barka *zoba* is part of the Sudano-Sahelian agroclimatic zone and covers 27% of the country's total land area. Rainfall occurs between May and October, and varies from less than 200 mm per annum in the north-western lowlands to 700 mm on the fringes of the highlands in the south-east. The risk of drought is one year in three, even in the safest rainfall areas. Two seasonal rivers, the Gash and the Barka, cross the *zoba* and supply essential dry season grazing and browsing, and access to underground water, although access is being reduced by commercial development. Agricultural production systems range from pastoralism based on extensive livestock breeding with opportunistic cropping, to agro-pastoralism with crops and livestock roughly equal in importance and with good integration of livestock and crop production. The regional capital, Barentu, is well connected to the capital city and accessible to the sub-*zoba* administrative centres. Government is promoting settlement in larger administrative villages to improve people's access to basic social services and infrastructure. The institutional capacities of the *zoba* and sub-*zoba* administrations are



very restricted. At the community level, organization, leadership and orientation towards supporting the least advantaged community members are strong and constitute a good basis for a community-led intervention.

17. **Target group.** The *zoba*'s population is ethnically heterogeneous. Livelihoods have been documented in a Socio-Economic and Production Systems Survey carried out as part of project design. Two-thirds of households categorize themselves as poor and are unable to produce enough food to satisfy the household food requirement. Just 10% of households are categorized as better-off and are food secure in years of average rainfall. Livestock production for household consumption, sale and accumulation, and crop production for household consumption, are the main sources of income, although the poorest households, many of them headed by women, must rely on cash or food-for-work programmes and food donations because they have no livestock and little labour. The role of women varies greatly among the different ethnic groups and ranges from women doing most of the work around the homestead in some agro-pastoralist communities, to an almost complete seclusion of women in some pastoralist communities.

18. The main health problems in adults are malaria, tuberculosis and upper respiratory-tract infections. The main health problems in children are malaria, and diarrhoea linked to unsafe drinking water and poor sanitation. The main health problem for women is complications during and after childbirth, the consequences of which are exacerbated by poor nutrition. Malaria affects almost one-fifth of the population every year and is the leading cause of hospital admissions and morbidity, in both children under five years and adults. Health indicators for Gash Barka compare badly with those in other parts of the country, and there are concerns about the emerging problem of HIV/AIDS.

19. Communities within seven of Gash Barka's fourteen sub-*zobas* will participate in the project's livestock development, crop production, water supply and community-based health activities. The selection criteria for sub-*zobas* are: people have returned to their villages and there are no security problems; the absence of similar projects; willingness on the part of line ministries to provide the required staff; and underdevelopment of community-based health services. Within a sub-*zoba*, the criteria for selecting participating villages are: availability of natural resources required for development, mainly water; underdevelopment of community-based health services; and willingness and interest of beneficiaries to manage development activities and contribute labour and materials (as reflected in their willingness to enter into a participation agreement with the sub-*zoba* administration). Three sub-*zobas* have been selected (Forto, Gogne and Haykota). Four additional sub-*zobas* will be selected before project start-up. The selection will ensure that an appropriate balance is established among the main production systems and among the region's main ethnic groups.

20. The total number of people benefiting from the project's livestock, crop development and water-supply activities is estimated at 64 000, or 16 400 households. All people living in the targeted communities will gain access to improved community-based health services, which brings the total number of beneficiaries to 110 000. Improved health facilities will potentially benefit the entire rural population of the *zoba*.

B. Objectives and Scope

21. The goal of the project is to reduce poverty among the targeted population, through locally determined investments in livestock and crop production and improved social services. The objectives of the project are that poor households in the project area: (i) have an increased capacity to use services available from government and other sources to support their initiatives and priorities for social and economic development; (ii) sustain increased food production, reduced food insecurity and



higher farm incomes from improvements in their livestock and crop production activities; and (iii) enjoy a sustained improvement in their health status.²

22. The project will: mobilize and strengthen the communities and their organizations through participatory processes for the planning, implementation and monitoring of project activities; enable government agencies to respond to community priorities in a decentralized, transparent and accountable manner; increase awareness and use in the project area of ways to improve smallholder farming systems; and improve communities' access to safe drinking water and improved community-based and public health services.

C. Components

23. The project design does not prescribe specific locations for particular project activities. Instead, the design describes investments and activities that communities may choose in order to address their identified problems, including services needed to deliver and support the investments chosen. Actual investments in a specific locality will be determined by the communities during the participatory planning process. On the basis of the priorities identified by the target group and government staff during project design, the project will have the following four components: project facilitation; livestock and agronomy; social services; and project coordination. Capacity and resources limit activities at the village level to about 150 communities in seven sub-*zobas*.

24. Except for the investments in health facilities and the reconstruction of veterinary clinics, both of which are based on detailed assessments, the numbers included constitute estimates based on the anticipated requirements as already expressed. The project will be implemented over a period of six years.

Project Facilitation

25. The objectives of the component are to build capacity in the communities and in the sub-*zoba* administration for community-led planning, implementation and monitoring of development activities, and to ensure that development activities delivered under the other components are based on local knowledge and experience and are low cost, technically simple and manageable by the communities. This component will be the main determinant of village-level investments under the other components. It will finance the contracting of two *zoba* community development coordinators, one of whom will be a woman, and two support staff, and will provide office facilities and equipment, transport and operating costs. It will also provide short-term consultancies in the areas of training, gender and preparation of teaching materials to support work at the community level. Required training in participatory methods will be provided for local community leaders and beneficiary communities, village administrators and the sub-*zoba* project coordination officer.

26. Based on a written agreement with the communities and the sub-*zoba* administration to participate in the project, informal community leaders acting as local facilitators will be trained and guided to work with community members and sub-*zoba* staff to help communities identify, plan, manage and monitor activities within the range of options provided by the other components. The initial facilitation process will have four steps: needs assessment; assessment of possible solutions; prioritization; and agreement on an action plan. This will be followed by beneficiary monitoring of implementation and impact, carried out at annual sub-*zoba* workshops.

² Appendix III gives the project's logical framework and includes the performance indicators that the project will monitor.



Livestock and Agronomy

27. The objective is to make a range of development opportunities available in livestock and crop production for the communities to choose from and adapt to local conditions and priorities through the project's participatory process. The opportunities will be based mainly on technologies already being utilized on a limited scale in Gash Barka or elsewhere in Eritrea. New technologies will be introduced only subsequent to demonstrated successful performance in farmers' fields, and the terms of engagement for the communities have been designed to help ensure that investments will be sustainable. Funds will be available for four sub-components, namely:

- (a) **Rangeland development.** Satellite imagery, equipment and staff training will initially be provided to identify possible locations for livestock watering points and drinking-water supplies. Where water is available for livestock, interested communities may select voluntary livestock exclusion areas (VLEAs) of up to 1 000 ha to be managed by guards employed by grazing-management groups formed by the communities, with assistance from government staff. Exchange visits will be arranged for farmers establishing a VLEA. *Hafirs* (storage ponds (10-15 000 m³)) or boreholes, mainly with windmill-driven pumps, will be constructed in conjunction with VLEAs. *Hafirs* are the preferred type, as they support no more livestock than the surrounding rangeland. MOA range development unit (RDU) staff will provide technical support to the communities, and MOA engineers will site, design and supervise construction. To enable MOA to support and expand community-driven range development activities in the future, the head of the *zoba* RDU will be enrolled in a two-year course in rangeland management, and other staff will receive two months' training in range management. Other staff training, transport, allowances and office rehabilitation will be provided.
- (b) **Animal health and production.** To support the investments to improve the productivity of rangeland, the animal health services will be strengthened through improvements to veterinary clinics. The communities in areas where VLEAs are established may choose to select village livestock workers (VLWs), whose training the project will finance and who will be provided with basic equipment. In addition, livestock marketing opportunities will be identified to improve the returns to livestock production. Finally, each year, 500 woman-headed poor households will be provided with small livestock and possibly also poultry. Necessary capacity-building at MOA will include a Master of Science (MSc) course for a veterinarian and short-term courses for veterinary assistants, laboratory technicians and animal health technicians, and training in solar refrigerator maintenance for veterinary technicians.
- (c) **Crop production.** The sub-component will provide opportunities for investments in crop production aimed at making more effective use of land and water resources for food production for household consumption and local sales. The project will finance: small-scale spate irrigation schemes based on improved brushwood or earth diversion structures; very small-scale horticultural schemes expected to be controlled by women and using water from wells or boreholes with hand pumps for vegetable production; soil and water conservation structures, such as earth or brushwood bunds, terracing, microcatchment interventions, vetiver grass to reduce run-off and increase infiltration; and training for water user groups and for soil and water conservation committees. Project-financed engineers attached to MOA will support water user organizations to implement irrigation and soil and water conservation activities. Necessary capacity-building includes training of MOA engineers in embankment design, flood flow estimation, contract management, and preparation of manuals for spate irrigation and soil and water conservation. Works will either be labour intensive and undertaken by the farmers or contracted to the private sector.



- (d) **Crop technology transfer.** This sub-component will enable communities to achieve a substantial productivity increase during the duration of the project, mainly in dryland crop production for household consumption. Opportunities will be provided for: farmer's field-based crop demonstration and extension activities, including staff training and limited and time-bound support for contact farmers (CFs); and radio broadcasts and video production to support extension activities. Communities will identify men and women to act as CFs, who will assist user groups in adopting improved techniques. MOA staff will receive farmer's field-based training in extension techniques, cropping technologies and water testing. Training activities will be designed by an extension coordinator seconded to MOA, with occasional backstopping by an international extension trainer. Farmers will receive training in pump operation and maintenance (O&M), soil and water conservation, water management, etc. Activities will take ongoing research and extension activities into account, and the approach will be compatible with and complement related ongoing activities.

28. Investments at village level will be supported by *zoba*-wide satellite imagery developed at project start-up. Based on the participation agreement with the communities, training for the facilitation process will be initiated alongside capacity-building at *zoba* and sub-*zoba* level. The communities will provide labour and be responsible for project investments. Structures developed under the project will be subject to cost ceilings and will be designed so as to maximize community self-reliance in their subsequent management and maintenance.

Social Services

29. The objective is to improve the rural population's health status and access to drinking water. Funds will be available for three sub-components:

- (a) **Zoba public health services.** Public health facilities will be improved where necessary, and diagnostic and health care skills of staff at health stations and health centres will be upgraded throughout the *zoba*. The project will finance improvements in the operations of the health stations and health centres, including improvements to physical facilities where necessary, and refresher training for health assistants and nurses. Maternal and child-care health services will be improved through provision of: immunization services for remote communities; comprehensive screening at antenatal clinics, with iron tablets and malaria prophylaxis for pregnant mothers during the high transmission season; a vehicle for health education activities; and nutritional information to mothers attending antenatal and child welfare clinics. The *zoba* health management team will be provided with training, office equipment and transport.
- (b) **Community-based health services** will be improved when required in villages where support is provided for livestock and crop-production water supplies. A sub-*zoba* health steering committee will be formed and consist of the chairpersons of village health committees, which will be established where they do not exist. Untrained traditional birth attendants (TBAs) will be trained so that each participating community has at least one trained TBA. Annual refresher training will be provided for all TBAs, and simple delivery kits and health education information will be provided. The training of existing malaria agents will be broadened to include other diseases, such as diarrhoea, early signs of tuberculosis, etc., and additional agents will be trained to ensure there is at least one village health worker (VHW) per village. VHWs will be supplied with anti-malaria drugs, oral rehydration salts, etc. TBAs and VHWs will also be trained in environmental sanitation, and materials will be provided for latrine construction.



- (c) **Drinking-water supply.** Where technically feasible and requested by the communities, drinking-water supplies will be developed or existing systems repaired. Training will be provided to community user groups in O&M. The selection criteria for construction or rehabilitation are: existence of chronic water-supply problems; willingness of the communities to assume responsibility for O&M of the facilities; and cost-effectiveness. Developments will follow agreed contracting procedures and be supervised by the *Zoba* Infrastructure Services (ZIS), which will be provided with training, short-term technical assistance and transport.

30. Investments under the *Zoba* public health services sub-component will be implemented by MOH. Investments under the community-based health services and drinking-water-supply components will be implemented by MOH and ZIS, and coordinated with other investments at the village level in partnership with the local facilitators and sub-*zoba* staff involved in the facilitation process.

Project Coordination

31. This component will enable the *zoba* administration to carry out its coordination and reporting functions and help build the capacity to coordinate community-led developments in the future. The project will finance the establishment and operation of a Project Coordination Unit (PCU) with a staff of eleven. The PCU will be headed by the head of the department of economic development of the *zoba* administration. PCU staff will comprise: a deputy coordinator, financial controller, accountant, planning officer, monitoring officer and five support staff. Also provided will be office equipment, two vehicles and two motorcycles, staff training and technical assistance for project start-up, salaries and allowances, resources for annual impact assessments and monitoring workshops, audits, management training for the *zoba* administration and oversight at the national level of the monitoring undertaken by the PCU.

D. Costs and Financing

32. The estimated total cost over the six-year project implementation period, including price and physical contingencies, is USD 16.14 million, of which 48% (USD 7.67 million) represents the foreign exchange element. Total base costs are estimated at USD 14.24 million, with physical and price contingencies of USD 669 000 (5% of base costs) and USD 1.23 million (9%), respectively. Project costs are summarized in Table 1. On the basis of seven sub-*zobas*, cost per target group household is USD 544 over six years, or USD 147 per capita, i.e. USD 25 per capita per annum.

33. The project will be financed by an IFAD loan of USD 10.00 million, a grant of USD 3.46 million from BSF.JP for external financing required for the social services component, and contributions from the Government of USD 1.35 million and from the beneficiaries of USD 1.33 million. The project's financing plan is in Table 2.

TABLE 1: SUMMARY OF PROJECT COSTS^a
(USD '000)

Components	Local	Foreign	Total	% Foreign Exchange	% of Base Costs
A. Project Facilitation	561	374	935	40	7
B. Livestock and Agronomy					
1. Rangeland development	1 402	1 605	3 006	53	21
2. Animal health and production	955	815	1 770	46	12
3. Crop production	1 813	720	2 533	28	18
4. Crop technology transfer	687	592	1 279	46	9
Subtotal	4 856	3 732	8 589	43	60
C. Social Services					
1. <i>Zoba</i> public health services	538	1 172	1 710	69	12
2. Community-based health services	139	292	431	68	3
3. Drinking-water supply	634	688	1 322	52	9
Subtotal	1 311	2 152	3 463	62	24
D. Project Coordination	728	528	1 257	42	9
Total base costs	7 457	6 786	14 244	48	100
Physical contingencies	306	363	669	54	5
Price contingencies	704	523	1 227	43	9
Total project costs	8 468	7 673	16 140	48	113

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^a
(USD '000)

Components	IFAD		BSF.JP		Government		Beneficiaries		Total		Foreign Exchange	Local	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Project Facilitation	952	94.0	-	-	60	6.0	-	-	1 012	6.3	399	552	60
B. Livestock and Agriculture													
1. Range land development	2 666	77.6	-	-	182	5.3	586	17.1	3 434	21.3	1 826	1 426	182
2. Animal health and production	1 643	84.2	-	-	308	15.8	-	-	1 951	12.1	902	877	172
3. Crop production	2 208	74.1	-	-	116	3.9	655	22.0	2 979	18.5	840	2 024	116
4. Crop technology transfer	1 273	91.1	-	-	125	8.9	-	-	1 398	8.7	642	631	125
Subtotal	7 791	79.8	-	-	731	7.5	1 241	12.7	9 762	60.5	4 209	4 958	595
C. Social Services													
1. <i>Zoba</i> public health services	-	-	1 598	81.5	363	18.5	-	-	1 961	12.1	1 346	504	112
2. Community-based health services	-	-	413	86.3	27	5.6	39	8.1	479	3.0	330	133	16
3. Drinking-water supply	-	-	1 447	92.4	70	4.5	48	3.1	1 566	9.7	822	673	70
Subtotal	-	-	3 459	86.3	460	11.5	87	2.2	4 006	24.8	2 498	1 310	198
D. Project Coordination	1 258	92.5	-	-	103	7.5	-	-	1 360	8.4	566	692	103
Total Disbursement	10 000	62.0	3 459	21.4	1 353	8.4	1 328	8.2	16 140	100.0	7 673	7 512	956

^a Discrepancies in totals are due to rounding.





E. Procurement, Disbursement, Accounts and Audit

34. **Procurement.** Procurement of goods and services financed by the IFAD loan will be undertaken in accordance with IFAD Procurement Guidelines. The project involves no procurement suitable for international competitive bidding. Procurement of contracts each costing less than USD 20 000 equivalent will follow local shopping procedures, and those in excess of USD 20 000 equivalent will follow local competitive bidding procedures and be open to international suppliers. Contracts of USD 60 000 equivalent or more will require prior review by UNOPS. Whenever possible, items will be bulked into sizeable bid packages to make procurement cost-effective. The PCU will be responsible for the initial procurement of vehicles, motorcycles and computers, while the PCU or the *zoba* implementing agencies will be responsible for the procurement of all other goods, civil works and services financed by the IFAD loan. Recruitment of consultants will follow UNOPS procurement procedures. Small-scale soil and water conservation and spate-irrigation schemes will follow direct contracting procedures.

35. **Disbursement.** To ensure the ready availability of funding for project implementation, the Government will establish a special account for the loan, denominated in United States dollars, in a commercial bank acceptable to IFAD. The Ministry of Finance (MOF) will administer the special account. Upon effectiveness of the loan agreement, IFAD will make a deposit into the special account to prefinance the IFAD share of eligible expenditures, equal to approximately six months' worth of eligible expenditures for IFAD financing, i.e. USD 1.30 million. The special account will be replenished on the basis of regular withdrawal applications with appropriate supporting documentation, approved by MOF and by UNOPS. Payments from the special account will be made to a project account held in local currency, in a bank acceptable to IFAD, and managed by the PCU under the signature of the project coordinator and the financial controller.

36. The PCU and each implementing agency will compile and consolidate eligible project expenditures for activities under its responsibility. The PCU will prepare, review, consolidate and submit withdrawal applications from the *zoba* offices of MOA, MOH and ZIS, and the withdrawal applications for its own eligible project expenditures for reimbursement or replenishment. The project coordinator and the Ministry of Local Government (MOLG) will sign the withdrawal applications. The project coordinator and the financial controller will be authorized to sign withdrawals from the project account. The *zoba* heads of MOA and MOH will be authorized to sign withdrawals from the sub-accounts. The PCU will retain the relevant documents related to disbursements for civil works, vehicles, equipment and contracts not requiring detailed documentation and make them available to supervision missions and the auditors.

37. **Accounts.** Before loan effectiveness and prior to the receipt of the initial deposit in the special account, MOLG and the *zoba* administration will set up the project's accounting and internal control systems. The PCU and each implementing agency will maintain appropriate financial records and accounts. These accounts will follow generally accepted accounting practices and reflect the progress of the project and identify its resources, operations and expenditures. The accounts will reflect all financial transactions during the project period, separately for the loan and the Government's contribution, by component and by standard expenditure categories.

38. **Audit.** Independent auditors acceptable to IFAD will audit the project accounts annually. MOLG, in consultation with MOF, will appoint the auditor within 90 days of effectiveness. The audit will be in a format agreed with IFAD, include separate opinions on the statements of expenditure and the operations of the special and project accounts, and be submitted to IFAD no later than six months after the close of each government fiscal year. The audit report will be the long form audit and contain a separate management letter to which the PCU will submit its response to IFAD within one month of the receipt of the audited accounts.



F. Organization and Management

39. The executing agency will be the Gash Barka *Zoba* Administration, where a PCU will be established within the Economic Development Department. In Gash Barka, agencies involved will be the *zoba* and sub-*zoba* administration staff, including the Economic Development Department, and the ZIS at *zoba* level and the project coordinator at sub-*zoba* level, the *zoba*- and sub-*zoba*-based staff of MOA and MOH, and village administrators, community leaders and community user groups or committees at the village level. Private-sector contractors and community or village groups will carry out all construction work. Agencies at the national level will provide technical and training support and services as required. In Asmara, MOLG will be the contact point and will also chair the annual meetings of a steering committee comprising senior staff of the Gash Barka *Zoba* Administration, MOA, MOH, Ministry of Lands, Water and Environment (MLWE) and MOF.³

G. Economic Justification

40. Farm budgets have been developed to analyse the impact of project activities on the income of poor households cultivating 1.5 ha. The models show high returns to labour, high incremental returns per incremental labour day, and substantial increases in farm incomes. Poor households are at present not self-sufficient in cereals in an average year, but may become so as a result of the project. With regard to the poorest, a woman-headed household with one adult will gain a 63% increase in income following the receipt of five goats. There will be strong incentives to adopt the improved practices, and farmers will be able to contribute to investments. Labour availability will not constrain participation because incremental labour requirements are very small. Furthermore, investments in health services and drinking-water supplies will increase household labour availability.

41. The economic viability of the project has been examined over a period of 20 years. The economic rate of return is estimated at 11%, and would decrease to 10% if benefits were 15% lower or costs were 14% higher. In addition to the benefits included in the calculation, there are non-quantified benefits, including time saved collecting water and health and nutrition benefits other than those associated with increased availability of labour.

H. Risks

42. There are no major technical risks associated with the project's activities. Engineering works will be simple and low cost. The project faces three main risks. First, institutional capacity in Gash Barka *zoba* is inadequate. Related to this, there is a risk that project implementation could follow a top-down approach and investments could be poorly adapted to local priorities. Second, the unreliability of rainfall poses a risk to crop and livestock production and household income. Third, experience shows that farmers might not be willing to contribute to investments in irrigation, soil and water conservation structures and drinking-water supplies and to assume responsibility for operation and maintenance. In recognition of these risks, mitigation measures have been built into the project's organization and management arrangements and operating procedures. A final risk is the resumption of hostilities, which could displace the population once again from their homes and negate any development activities. This risk lies outside the control of the project design.

³ Appendix V shows the project's organizational structure.

I. Environmental Impact

43. Development proposals are sustainable and do not involve the use of fertilizers or agro-chemicals, abstraction of large quantities of water, construction of large reservoirs or forest clearing. Project interventions will target sustainable, more-efficient use of natural resources and will include support for soil and water conservation, rangeland improvement, water-harvesting techniques and use of improved crop-production techniques and varieties. Water development interventions, including small-scale irrigation, are based mainly on manual pumping to avoid overextraction of the water available. The environmental screening and scoping note prepared during formulation has classified the project as “B”. To comply with Eritrean regulations, MOA in Gash Barka *zoba* will undertake an environmental evaluation before project start-up, for which IFAD will provide financial assistance.

J. Innovative Features

44. The project design has four innovative features. The first concerns the approach to project implementation, where the *zoba* administration becomes responsible for project planning, financing, execution and monitoring. The second concerns the provision of community-led investment and services. These elements contrast with the centralized approaches characterizing many past projects. Thirdly, project design includes beneficiary monitoring and impact assessment directly linked to the objectives and outputs. Finally, the project integrates directly productive investments and associated livestock and agricultural services with investments to improve primary and community health care services and drinking-water supplies.

PART III – LEGAL INSTRUMENTS AND AUTHORITY

45. A loan agreement between the State of Eritrea and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

46. The State of Eritrea is empowered under its laws to borrow from IFAD.

47. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV – RECOMMENDATION

48. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the State of Eritrea in various currencies in an amount equivalent to eight million one hundred thousand Special Drawing Rights (SDR 8 100 000) to mature on and prior to 15 April 2042 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge
President

**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES
INCLUDED IN THE NEGOTIATED LOAN AGREEMENT**

(Loan negotiations concluded on 28 March 2002)

1. (a) The Gash Barka *Zoba* Administration (the “lead project agency”) will open and thereafter maintain in the Barentu branch of a commercial bank accepted by IFAD, a current account denominated in ERN for project operations (the “project account”). The PCU, under a delegation or authorization of the Gash Barka *zoba* administrator (ZA), will be fully authorized to operate the project account. The project coordinator and the financial controller will be the authorized signatories to the project account.

(b) On request from the project coordinator and on the basis of the annual work plans and budgets (AWP/Bs), the MOF will quarterly advance to the project account the funds required for project operations in the forthcoming quarter from the special account and the counterpart funds of the Government of the State of Eritrea (the “Government”).

2. (a) The following operational accounts denominated in ERN will be opened and maintained in the Barentu branch of a commercial bank accepted by IFAD:

(i) The *zoba* office of the MOA will open and maintain a current account for project operations relating to the livestock and agriculture component of the project (the “MOA project sub-account”). The *zoba* head of the MOA will be fully authorized to operate the MOA project sub-account.

(ii) The *zoba* office of the MOH will open and maintain a current account for project operations relating to the *zoba* public health services and community-based health services sub-components of the social services component of the project (the “MOH project sub-account”). The *zoba* medical officer will be fully authorized to operate the MOH project sub-account.

The MOA and MOH project sub-accounts will be referenced to collectively, where appropriate or where the context requires, as the “project sub-accounts”.

(b) The PCU will quarterly advance from the project account to the respective project sub-accounts the funds required for project operations relating to components or sub-components to be financed thereunder in the forthcoming quarter and in accordance with the AWP/Bs.

3. The Government will ensure that the annual audit report for the project will be a long-form audit report based on financial statements that have been prepared in accordance with international accounting standards and that adequately reflect the progress and operations of the project. The audit report will, *inter alia*, refer to (a) the statements of expenditures and (b) the utilization of the special account, project account and the project sub-accounts, and will contain a separate management letter. The Government’s reply to the auditor’s management letter will be submitted to IFAD within one month after the Government’s receipt of the audit report.

4. Within 90 days after the effective date, the Government will select independent auditors for the project, in accordance with the procedures and criteria agreed by the Government and IFAD, to audit the accounts relating to the project. Such selection will be subject to prior review and approval by IFAD.



5. The PCU and each project party will maintain appropriate financial records and accounts in accordance with government systems. The maintenance of the accounts will follow generally accepted accounting principles. The accounts will reflect the financial progress of the project and identify the sources of funding, resources available, operations and expenditures. The project accounts will detail all financial transactions during the project implementation period, including those funded by the IFAD loan, the Government's contributions, the beneficiaries' contributions and any other funding received for purposes of the project, and will indicate funding by project component and separately by standard expenditure category. The project accounts will be maintained separately from any routine budget accounts or other externally funded project account.
6. Within six months after the effective date, the PCU will establish the monitoring and evaluation (M&E) system for the project. Among other things, the M&E system will record the beneficiaries' assessment of the project's impact. The operation of the M&E system will be the responsibility of the PCU, which will compile the annual beneficiary impact assessment and the mid-term review and project completion evaluation.
7. The terms of reference for the mid-term review will contain, at a minimum, a review of the project's achievements and constraints, in particular with respect to: (a) the performance of the livestock and agriculture component and its impact; (b) the performance of the community facilitation process and the arrangements for decentralized implementation; (c) beneficiary assessments of project impact and performance; (d) the performance of the user groups in the operation and maintenance of project-financed infrastructure investments; (e) future technical assistance requirements; and (f) performance and impact of donor-financed poultry schemes.
8. The PCU will prepare a draft project completion report and submit it to the Government and IFAD within four months after the project completion date for discussion and comments. The PCU will reflect such discussions and comments in the final project completion report.
9. The Government will ensure that the project will be implemented within the framework of the agreed project objectives, approaches and strategy and will remain committed to community-led development activities based on community experiences and locally identified opportunities. Moreover, the Government will remain committed to providing opportunities relevant to all groups of villagers, including the poorest segments and women, consistent with its own policies and IFAD's mandate.
10. The Government undertakes to build technical and management capacity of public institutions within the *zoba* that can support community-led development activities.
11. The Government will make any necessary arrangements to ensure the secondment of sub-*zoba* project coordinators in the selected sub-*zobas* on a part-time basis (i.e. three days per week) to assist and form part of the facilitation group and provide a link to the sub-*zoba* technical staff of the MOA and MOH.
12. (a) The Government will provide, either through secondment, transfer or contract employment, qualified project staff in adequate numbers and as agreed by IFAD for the *zoba* and sub-*zoba* offices of MOA and ZIS.

(b) The Government will ensure that MOH provides the health stations and health centres in the project area with a full complement of qualified staff.
13. The lead project agency will coordinate with other international agencies and donors operating in the project area to seek to ensure that uniform policies are adopted for the same sector(s) or activities being implemented by the project. The lead project agency will ensure that the project activities are coordinated with related initiatives in the project area.



14. The Government undertakes and ensures that following the project completion date, it will continue to provide health services and operating and technical units established under the project for veterinary services and the lead project agency.
15. The lead project agency will insure project personnel against health and accident risks to the extent consistent with the Government's customary practice in respect of its national civil service.
16. Woman-headed households will be an important sub-target group as they are frequently among the poorest and most food-insecure groups due to lack of labour and draught power for crop production. Moreover, the project will promote the participation of women in community decision-making processes. Gender considerations will be mainstreamed as all staff training programmes will include training in gender awareness provided by gender specialists. Training and extension activities will be targeted at those responsible for a particular activity, whether men or women. Numeracy and literacy training will be targeted to women, whose literacy rates are lower than those of men. In addition, capacity-building for the local facilitators will include training by local gender specialists to enable them to help women to take on a greater role in community and user-group decisions.
17. (a) The Government will take all necessary actions to ensure that its counterpart funds for the project are reflected in its annual public investment programme and are included in the lead project agency's annual budget for each project year during the project implementation period. Such counterpart funds will, in accordance with the AWP/B for each project year, be applied to the payment of, *inter alia*, foregone taxes and recurrent costs. The Government will further ensure that its counterpart funds are included in the lead project agency's annual budget and made available to the lead project agency annually throughout the project implementation period, in accordance with the AWP/Bs.

(b) The Government, through MOF, will transfer counterpart funds to the provincial treasuries to finance the Government's share of the cost of project activities and tax waivers.
18. The Government will establish the project steering committee within six months after the effective date.
19. The lead project agency will submit the project implementation manual (PIM) to IFAD for its comments and approval within six months after the effective date.
20. The following are specified in the project loan agreement as additional events of suspension:
 - (a) The PIM, or any provision thereof, has been waived, suspended terminated, amended or modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the project.
 - (b) IFAD has determined that the material benefits of the project are not reaching the target group, or are benefiting persons outside the target group.
 - (c) IFAD has determined that the project is not being carried out with the full participation of its stakeholders, in particular its target group, in the planning, implementation and impact assessment of project interventions.
 - (d) IFAD has determined that any repeal, invalidation, suspension, amendment or other change in Law No. 86/1996 (Proclamation for the Establishment of Regional Administrations) or any other law of the State of Eritrea has had, or is likely to have, a material adverse effect on the project or the obligations of any project party under the loan documents.



21. No disbursements from the loan will be made in respect of expenditures under the project to any community selected for project implementation hereunder until the tripartite agreement between the community, the PCU and the relevant sub-*zoba* administration, based on and substantially in accordance with a format approved by IFAD, for and with such community will have been duly signed by all parties thereto, all appropriate and necessary approvals will have been received (including, where necessary, ratification) and all conditions precedent thereto (if any) will have been fulfilled.
22. The following are specified as the conditions precedent to the effectiveness of the project loan agreement:
- (a) the lead project agency will have established the PCU and duly appointed a project coordinator, deputy project coordinator and financial controller, acceptable to IFAD, in accordance with the terms of the project loan agreement;
 - (b) the MOLG will have designated one staff member of the ministry to function as the contact and focal point for the project at the national level;
 - (c) the Government will have duly opened the special account, the lead project agency will have duly opened the project account, and the ZA will have provided any necessary authorization or delegation to the PCU to operate the project account;
 - (d) the project sub-accounts will have been duly opened;
 - (e) the lead project agency will have established the initial accounting and internal control systems for the project, satisfactory to IFAD;
 - (f) the Government will have confirmed the availability of the Government's counterpart funds for the first project year;
 - (g) the Government will have selected and IFAD approved the four remaining sub-*zobas* that will participate in the project;
 - (h) this project loan agreement will have been duly signed, and the signature and performance thereof by the Government will have been duly authorized and ratified by all necessary administrative and governmental action; and
 - (i) a favourable legal opinion will have been delivered by the Government to IFAD.

APPENDIX I

COUNTRY DATA
ERITREA

Land area (km² thousand) 1997⁽¹⁾	101	GNI per capita (USD) 1999⁽⁴⁾	200
Total population (million) 1999⁽⁴⁾	4.0	Average annual real rate of growth of GNP per capita, 1990-98⁽²⁾	2.2 ^(a)
Population density (people per km²) 1998⁽¹⁾	38	Average annual rate of inflation (%) 1990-98⁽²⁾	10.1 ^(a)
Local currency Nakfa (ERN)		Exchange rate (October 2001)	USD 1.00 = ERN 13.5
Social Indicators		Economic Indicators	
Population (average annual population growth rate; %) 1980-98 ⁽¹⁾	2.7	GDP (USD million) 1999 ⁽⁴⁾	645
Crude birth rate (per 1000 people) 1998 ⁽¹⁾	40	Average annual rate of growth of GDP ⁽¹⁾ (%)	
Crude death rate (per 1000 people) 1998 ⁽¹⁾	12	1980-90	n.a.
Infant mortality rate (per 1000 live births) 1998 ⁽¹⁾	61	1990-98	5.2 ^(a)
Life expectancy at birth (years) 1998 ⁽¹⁾	51	Sectoral distribution of GDP, 1998 ⁽¹⁾	
Number of rural poor (million) (approximate) ⁽¹⁾	n.a.	% agriculture	9 ^(a)
Poor as % of total rural population ⁽¹⁾	n.a.	% industry	30 ^(a)
Total labour force (million) 1998 ⁽¹⁾	1.9	of which % manufacturing	16 ^(a)
Female labour force as % of total, 1998 ⁽¹⁾	47	% services	61 ^(a)
Education		Consumption, 1998 ⁽¹⁾	
Primary school gross enrolment (% of relevant age group) 1997 ⁽¹⁾	53 ^(a)	General government consumption (as % of GDP)	48
Adult literacy rate (%; age 15 and above) 1998 ⁽³⁾	52	Private consumption (as % of GDP)	81
Nutrition		Gross domestic savings (as % of GDP)	
Daily calorie supply per capita, 1997 ⁽³⁾	1 622	Balance of Payments (USD million)	
Prevalence of child malnutrition (height for age; % of children under 5) 1992-98 ⁽¹⁾	38	Merchandise exports, 1998 ⁽¹⁾	n.a.
Prevalence of child malnutrition (weight for age; % of children under 5) 1992-98 ⁽¹⁾	44	Merchandise imports, 1998 ⁽¹⁾	n.a.
Health		Balance of merchandise trade	
Health expenditure, total (as % of GDP) 1990-98 ⁽¹⁾	2.0	n.a.	
Physicians (per thousand people) 1990-98 ⁽¹⁾	0.02	Current account balances (USD million)	
Percentage population without access to safe water 1990-98 ⁽³⁾	32	before official transfers, 1998 ⁽¹⁾	-454
Percentage population without access to health services 1981-93 ⁽³⁾	0	after official transfers, 1998 ⁽¹⁾	-216
Percentage population without access to sanitation 1990-98 ⁽³⁾	n.a.	Foreign direct investment, 1998 ⁽¹⁾	0.0
Agriculture and Food		Government Finance	
Food imports as percentage of total merchandise imports 1998 ⁽¹⁾	n.a.	Overall budget surplus/deficit (including grants) (as % of GDP) 1997 ⁽¹⁾	n.a.
Fertilizer consumption (hundreds of grams per ha of arable land) 1995-97 ⁽¹⁾	109	Total expenditure (% of GDP) 1997 ⁽¹⁾	n.a.
Food production index (1989-91=100) 1996-98 ⁽¹⁾	114.6	Total external debt (USD million) 1998 ⁽¹⁾	149
Land Use		Present value of debt (as % of GNP) 1998 ⁽¹⁾	12
Arable land as % of land area, 1997 ⁽¹⁾	3.9	Total debt service (% of exports of goods and services) 1998 ⁽¹⁾	1.5
Forest area (km ² thousand) 1995 ⁽¹⁾	3	Nominal lending rate of banks, 1998 ⁽¹⁾	n.a.
Forest area as % of total land area, 1995 ⁽¹⁾	2.8	Nominal deposit rate of banks, 1998 ⁽¹⁾	n.a.
Irrigated land as % of cropland, 1995-97 ⁽¹⁾	7.0		

NOTES:

n.a. = not available.

(a) = Data are for years or periods other than those specified.

SOURCES:

(1) World Bank, *World Development Report*, 2000(2) World Bank, *Atlas*, 2000(3) UNDP, *Human Development Report*, 2000(4) World Bank, *World Development Indicators database*, 2001

PREVIOUS IFAD FINANCING

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan Acronym	Approved SDR
Eastern Lowlands Wadi Development Project	IFAD	IDA	HC	05 Dec. 1994	01 Mar. 1995	30 Jun. 2003	L-1-365-ER	8 550 000

Note: HC = highly concessional



LOGICAL FRAMEWORK

Narrative Summary	Performance Indicators	Means of Verification ¹	Assumptions/Risks
<p>Project Goal: The target population's poverty is reduced through local demand-led investments in livestock, crop production and social services</p>	<ul style="list-style-type: none"> - Household per capita per year grain availability in relation to the self-sufficiency level of 200 kg by 2007 - Level of malnutrition in children < 1 year of age in relation to the current level of 50% 	<ul style="list-style-type: none"> - <i>Zoba</i> statistical reports - <i>Zoba</i> expenditure and consumption surveys 	<ul style="list-style-type: none"> - Hostilities do not resume - The frequency of crop failure does not rise - Absence of major economic shocks
<p>Project Objectives:</p> <ul style="list-style-type: none"> - Increased capacity of the poor to use their own resources and the services available from government and other sources to support own development initiatives and priorities - Poor households sustain increased food production and incomes from improvements to their livestock and crop production activities - Poor households in the project area enjoy a sustained improvement in their health status 	<ul style="list-style-type: none"> - No of households in the project area with increased incomes from improved technology for crop and livestock production by project year (PY) 6 relative to USD 2/day return to labour - Pastoral households increase their incomes by 30% and agro-pastoral households by 25% by PY6 - Health and nutrition indicators - Number of poor households increasing their use of government and other available services 	<ul style="list-style-type: none"> - Project monitoring reports including impact assessments - Project completion report - <i>Zoba</i> statistical reports 	<ul style="list-style-type: none"> - Hostilities do not resume - The frequency of crop failure does not rise - Absence of major economic shocks
<p>Project Outputs²:</p> <ul style="list-style-type: none"> - Communities and their organizations mobilized and strengthened through participatory and gender sensitive approaches with government agencies and other service providers able to respond to men and women needs expressed during the participatory planning process, in a transparent, timely and accountable manner 	<ul style="list-style-type: none"> - % of communities having established development priorities inclusive of women's and poorer households' needs - % of communities with criteria to select beneficiaries - % of communities having defined activities plans - % of project committees with woman members - % of activities that have internal rules established and maintenance and repairs organized - % of committees with 3 or more numerate-literate members - % of committees having established fees to pay for O&M costs (as applicable) - % of committees knowing how or where to find external resources when problems are beyond their reach - Number and type of activities with improvements made by smallholders and used in the design of subsequent activities - From PY2, sub-<i>zoba</i> administrations able to plan and implement rural development activities - By PY2, transparent and accountable systems and procedures introduced for decentralized planning, financing and implementation through a contracting system - Formulation of detailed work programmes - Amount of project funds misused during the project period. - Lessons learned and feed back to sub-<i>zoba</i>, <i>zoba</i> and central government for use in implementing decentralization - Expansion of other donor support 	<ul style="list-style-type: none"> - Project monitoring data - Beneficiary monitoring data and impact assessments - Community development co-ordinators' reports - Periodic checks by national consultants in gender awareness - Project annual workplans and budgets (AWPBs) - Project mid-term review and project completion reports - Audit reports 	<ul style="list-style-type: none"> - Government policy on poverty alleviation through human resource development, rural development, decentralization and participatory development does not change - Facilitators have sufficient autonomy - Adequate numbers of technical and other staff are made available to the project

3

¹ All numbers of staff and beneficiaries, groups, communities, etc., to be disaggregated by gender.

² As the project activities are demand driven, no numbers for targets are used.



Narrative Summary	Performance Indicators	Means of Verification ¹	Assumptions/Risks
<ul style="list-style-type: none"> - Increased awareness and use throughout the project area of ways to improve the pastoral and agro-pastoral farming systems and subsequent adoption of improved methods for a sustained increase in livestock and crop production - Improved access for rural communities to safe drinking water and improved public and community-based health services 	<ul style="list-style-type: none"> - No. of communities reached by training, demonstration and extension services organized in response to the needs and priorities of the target communities and households. - No. of households employing improved livestock production technologies adapted to their circumstances and needs. - No. of households purchasing livestock, and increase in livestock ownership per household - No. of livestock kept at home - Area (ha) covered by expanded Voluntary Livestock Exclusion Areas (VLEAs) established under the project - No. of veterinary services provided - Area using improved technology, and yield improvement achieved - No. of households adopting improved crop technology specific to their location and needs by end of PY6 - Area covered benefiting from irrigation rehabilitation and construction, and number of farmers benefiting - No. of contact farmers (CFs) and no. of farmers reached - No. of proposals for research received from farmers - No. of farmer and community groups engaged in soil and water conservation works, and area covered - No. of communities mobilizing contributions to works - Satisfactory community maintenance of works undertaken - Decreased labour requirements for water collection - Communities having better sanitation and hygiene - No. of improved health facilities - No. of health workers with updated diagnostic skills - Incidence of malaria, tuberculosis, respiratory infections, diarrhoea and childbirth complications relative to current levels 	<ul style="list-style-type: none"> - Project monitoring reports - Zoba statistical reports - Project midterm review and project completion reports - Project monitoring data - Ben. monitoring data and impact assessments - MOH reports - Project MTR and PCR reports 	<ul style="list-style-type: none"> - Technical support with adequate technical capacity and orientation to communities' needs will be forthcoming to assist farmers (men and women) in improving their income-earning opportunities - Proven and acceptable technologies, options and alternatives are available for extension - Facilitators adhere to Project themes and technical guidelines and adequately coordinate with <i>zoba</i>, sub-<i>zoba</i> administrations, PCU and each other - The target group members efficiently use market information - Suitable, transparent and enforceable benefit sharing arrangements for soil and water conservation and tree regeneration within communities, and target groups are willing and able to contribute to maintenance - Government contribution is forthcoming - Investment in social infrastructure remains a high priority for rural communities
<p>Project Activities/Inputs</p> <p>1. Project Facilitation</p> <ul style="list-style-type: none"> - Train <i>zoba</i> Community Development Coordinators - Train local facilitators and community members - Mobilization of and planning by selected communities - Literacy training 	<ul style="list-style-type: none"> - Community Development Coordinators trained - No. of local facilitators and community members trained - No. of community having established an action plan - No. of persons having received literacy training 	<p>All activities: Project progress reports; project AWPBs, MTR and PCR reports; beneficiary monitoring data and impact assessments; line ministries reports; disbursement statements; audit reports.</p>	<ul style="list-style-type: none"> - Villagers prepared to work together on projects that will benefit the whole community
<p>2. Livestock and Agronomy</p> <p>2.1 Rangeland Development</p> <ul style="list-style-type: none"> - Geographical information system (GIS) mapping - Training, study tours and farmers' visits - Establishment of grazing management committees - Establishment of VLEAs - Development of livestock watering points 	<ul style="list-style-type: none"> - By PY1, GIS mapping completed - Training provided to sub-<i>zoba</i> RDU staff; MSc training provided for one <i>zoba</i> staff in Range Management - No. of study tours and farmer visits undertaken - No. of grazing management committees established - No. of VLEAs established and increased grassland coverage - No. of trials or demonstrations in pasture improvement and no. of farmers adopting improved technology - Duration of exclusion periods - No. of livestock water points rehabilitated or constructed - No. of VLW visits to non project LEAs 		<ul style="list-style-type: none"> - An adequate number of technical and management staff are made available



Narrative Summary	Performance Indicators	Means of Verification ¹	Assumptions/Risks
<p>2.2 Animal Health and Production</p> <ul style="list-style-type: none"> - Training and study tours - Reconstruction and repair of veterinary clinics - Supply of equipment, medications and vaccines to clinics - Supply of medications and vaccines packages to VLWs - Sheep and goat distribution - Poultry distribution 	<ul style="list-style-type: none"> - Sub-<i>zoba</i> veterinary staff trained; MSc training provided for one <i>zoba</i> staff in epidemiology - No. of veterinary clinics with cold room reconstructed or repaired - No. of vet. clinics equipped or supplied with medications and vaccines - No. of VLWs trained - No. of VLWs receiving medication and vaccine packages - Veterinary drug revolving fund topped up - Volume of medication procurement and disbursement to sub-<i>zobas</i> through revolving fund - No. of households received sheep or goat package - No. of households received poultry package 		<ul style="list-style-type: none"> - Selected VLWs are able to operate in a free market economy - Revolving fund is operating
<p>2.3 Crop Production</p> <ul style="list-style-type: none"> - Capacity-building and training for <i>zoba</i> MOA engineering unit - Training of MOA staff and farmers - Survey, design cost estimation and priority ranking of soil and water conservation works proposed by community groups - Community-led soil and water conservation - Survey, design, cost estimation and priority ranking of proposed irrigation schemes - Community-led spate and micro-irrigation development - Self-reliant operation and maintenance of soil and water conservation and irrigation schemes 	<ul style="list-style-type: none"> - Survey equipment, automatic weather stations and river gauges provided to <i>zoba</i> and sub-<i>zoba</i> engineering units - No. of <i>zoba</i> and sub-<i>zoba</i> staff trained in basic irrigation and other specialized courses - No. of staff and farmers participating in regional study tour - No. of soil and water conservation activities completed and area covered - No. of spate and micro irrigation schemes completed and area covered - All schemes developed have farmer groups established for O&M 		<ul style="list-style-type: none"> - GIS mapping completed. - Hydrological and hydrogeological information is available
<p>2.4 Crop Technology Transfer</p> <ul style="list-style-type: none"> - Training and study tours for contact farmers and MOA staff - Crop extension and capacity-building - Trials and demonstrations of crop production technology - Adaptive research - Agricultural broadcasts and videotapes 	<ul style="list-style-type: none"> - No of CFs, farmers and MOA staff participated in training - No. of trials and demonstrations and farmer uptake - No. of CFs supplied with starter packs - No. of adaptive research activities carried out and results - No. of broadcasts and video demonstration of activities issued 		
<p>3. Social Services</p> <p>3.1 Zoba Public Health Services</p> <ul style="list-style-type: none"> - Improve the functioning of health facilities - Improve the capacity of the <i>zoba</i> health management team - Improve maternal and child health services, immunization, nutrition knowledge and malaria treatment 	<ul style="list-style-type: none"> - No. of health stations and centres supplied with equipment and tool kits - No. of staff trained to upgrade diagnostic skills - Nutrition survey conducted in PY1 - No. of nutrition demonstrations and malaria cases treated 		





Narrative Summary	Performance Indicators	Means of Verification ¹	Assumptions/Risks																																		
<p>3.2 Community-Based Health Services</p> <ul style="list-style-type: none"> - Improve skills of community health workers - Improve environmental sanitation 	<ul style="list-style-type: none"> - No. of VHWs provided with kits and training on tuberculosis, malaria, etc. - No. of brochures distributed on reproductive health, baby feeding and weaning and safe drinking water - No. of brochures distributed on malaria and tuberculosis - No. of bed nets and latrine slabs distributed 																																				
<p>3.3 Drinking-water Supply</p> <ul style="list-style-type: none"> - Build capacity of <i>zoba</i> Infrastructure Services unit - Survey, design, cost estimation and priority ranking of proposed water-supply schemes - Construction of selected schemes - Training of village water-supply committees and caretakers <p>O&M of village water-supply schemes</p>	<ul style="list-style-type: none"> - Survey equipment, automatic weather stations and river gauges provided to <i>zoba</i> and sub-<i>zoba</i> engineering units - No. of <i>zoba</i> and sub-<i>zoba</i> staff trained in basic irrigation and other specialized courses - All schemes developed have users' groups established for O&M and the groups have been trained - No. of water-supply schemes designed and constructed 		<ul style="list-style-type: none"> - Potential areas mapped - Water Resources Department, Ministry of Lands, Water and Environment (MLWE), assists with geophysical surveys 																																		
<p>4. Project Coordination</p> <ul style="list-style-type: none"> - Establish a PCU within the <i>zoba</i> administration and ensure that management and reporting is carried out effectively - Arrange and manage system of contracts between the <i>zoba</i> and sub-<i>zoba</i> administration and implementing agencies - Establish baseline indicators for project monitoring and set up and manage systems for monitoring implementation progress and the degree to which activities are led by local demand and reflect the priorities of both men and women. - Oversee and document impact monitoring workshops - Contract technical assistance as required by project implementation 	<ul style="list-style-type: none"> - PCU established and suitably staffed by PY1 - Contracting system operating and contracted agencies performance is monitored and improving by the end of PY1 - Baseline indicators agreed and data collected - Monitoring system operating and progress reporting, financial reporting and auditing is completed on time - The results of annual impact assessments and beneficiary monitoring workshops are documented in progress reports and used in the design of subsequent AWPBs 		<ul style="list-style-type: none"> - Government continues its support for poverty reduction and decentralization - Project staff is appointed or contracted and with qualifications as agreed - An adequate number of technical and management staff are available 																																		
<p>Project Inputs (USD million, Base Costs)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">1. Project Facilitation</td> <td style="text-align: right;">0.94</td> </tr> <tr> <td style="padding-left: 20px;">2. Livestock and Agronomy Dev.</td> <td style="text-align: right;">8.59</td> </tr> <tr> <td style="padding-left: 40px;">- Rangeland development</td> <td style="text-align: right;">3.01</td> </tr> <tr> <td style="padding-left: 40px;">- Animal health and production</td> <td style="text-align: right;">1.77</td> </tr> <tr> <td style="padding-left: 40px;">- Crop production</td> <td style="text-align: right;">2.53</td> </tr> <tr> <td style="padding-left: 40px;">- Crop technology transfer</td> <td style="text-align: right;">1.28</td> </tr> <tr> <td style="padding-left: 20px;">3. Social Services</td> <td style="text-align: right;">3.46</td> </tr> <tr> <td style="padding-left: 40px;">- Public health services</td> <td style="text-align: right;">1.71</td> </tr> <tr> <td style="padding-left: 40px;">- Community-based health services</td> <td style="text-align: right;">0.43</td> </tr> <tr> <td style="padding-left: 40px;">- Drinking-water supplies</td> <td style="text-align: right;">1.32</td> </tr> <tr> <td style="padding-left: 20px;">4. Project Coordination</td> <td style="text-align: right;">1.26</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">14.24</td> </tr> </table>	1. Project Facilitation	0.94	2. Livestock and Agronomy Dev.	8.59	- Rangeland development	3.01	- Animal health and production	1.77	- Crop production	2.53	- Crop technology transfer	1.28	3. Social Services	3.46	- Public health services	1.71	- Community-based health services	0.43	- Drinking-water supplies	1.32	4. Project Coordination	1.26	Total	14.24	<p>Project financing (USD million)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">IFAD</td> <td style="text-align: right;">10.00</td> </tr> <tr> <td style="padding-left: 20px;">BSF.JP</td> <td style="text-align: right;">3.46</td> </tr> <tr> <td style="padding-left: 20px;">Government</td> <td style="text-align: right;">1.35</td> </tr> <tr> <td style="padding-left: 20px;">Beneficiaries</td> <td style="text-align: right;">1.33</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right;">16.14</td> </tr> </table>	IFAD	10.00	BSF.JP	3.46	Government	1.35	Beneficiaries	1.33	Total	16.14		
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PROJECT COST SUMMARY

SUMMARY OF PROJECT COSTS BY COMPONENT

	(ERN '000)					(USD '000)				
	Local	Foreign	Total	% Foreign Exchange	% Base Costs	Local	Foreign	Total	% Foreign Exchange	% Base Costs
A. Project Facilitation	7 868	5 235	13 103	40	7	561	374	935	40	7
B. Livestock and Agronomy										
1. Rangeland development	19 642	22 490	42 132	53	21	1 402	1 605	3 006	53	21
2. Animal health and production	13 380	11 425	24 805	46	12	955	815	1 770	46	12
3. Crop production	25 406	10 096	35 502	28	18	1 813	720	2 533	28	18
4. Crop technology transfer	9 630	8 293	17 923	46	9	687	592	1 279	46	9
Subtotal	68 058	52 305	120 363	43	60	4 856	3 732	8 589	43	60
C. Social Services										
1. <i>Zoba</i> public health services	7 544	16 423	23 967	69	12	538	1 172	1 710	69	12
2. Community-based health services	1 944	4 093	6 037	68	3	139	292	431	68	3
3. Drinking-water supply	8 885	9 641	18 526	52	9	634	688	1 322	52	9
Subtotal	18 373	30 156	48 530	62	24	1 311	2 152	3 463	62	24
D. Project Coordination	10 207	7 405	17 612	42	9	728	528	1 257	42	9
Total Base Costs	104 506	95 102	199 608	48	100	7 457	6 786	14 244	48	100
Physical Contingencies	4 289	5 091	9 381	54	5	306	363	669	54	5
Price Contingencies	34 113	26 318	60 431	44	30	704	523	1 227	43	9
Total Project Costs	142 908	126 511	269 419	47	135	8 468	7 673	16 140	48	113

7



SUMMARY OF PROJECT COSTS BY EXPENDITURE ACCOUNT

	(ERN '000)					(USD '000)				
	Local	Foreign	Total	Foreign Exchange	Base Costs	Local	Foreign	Total	Foreign Exchange	Base Costs
I. Investment Costs										
A. Civil Works	28 176	38 061	66 237	57	33	2 011	2 716	4 727	57	33
B. Vehicles										
4WD	4 893	10 574	15 467	68	8	349	755	1 104	68	8
Motorcycles	86	152	238	64	-	6	11	17	64	-
Subtotal Vehicles	4 979	10 726	15 705	68	8	355	765	1 121	68	8
C. Equipment and Goods										
1. Office Equipment	570	2 863	3 433	83	2	41	204	245	83	2
2. Agricultural Equipment and Inputs	821	1 115	1 936	58	1	59	80	138	58	1
3. Veterinary Equipment and Inputs	6 349	6 168	12 517	49	6	453	440	893	49	6
4. Medical Equipment	188	3 571	3 759	95	2	13	255	268	95	2
Subtotal Equipment and Goods	7 929	13 717	21 646	63	11	566	979	1 545	63	11
D. Technical assistance, Training, Studies and contractual Services										
Beneficiaries Training	5 660	2 653	8 313	32	4	404	189	593	32	4
Staff Training	3 329	4 438	7 767	57	4	238	317	554	57	4
Contractual Services	2 754	5 050	7 804	65	4	197	360	557	65	4
International Technical Assistance	381	7 231	7 612	95	4	27	516	543	95	4
National Technical Assistance	238	102	340	30	-	17	7	24	30	-
Studies	2 654	1 138	3 792	30	2	189	81	271	30	2
Subtotal TA, Training, Studies and Cont. Services	15 016	20 612	35 628	58	18	1 071	1 471	2 542	58	18
Total Investment Costs	56 100	83 116	139 216	60	70	4 003	5 931	9 934	60	70
II. Recurrent Costs										
A. Incremental Salaries and Allowances										
Contracted Staff Salaries	16 922	-	16 922	-	8	1 208	-	1 208	-	8
Allowances	5 413	-	5 413	-	3	386	-	386	-	3
Subtotal Incremental Salaries and Allowances	22 336	-	22 336	-	11	1 594	-	1 594	-	11
B. Medical Supplies	140	2 656	2 796	95	1	10	190	200	95	1
C. Vehicles and Office O&M Costs	9 330	9 330	18 660	50	9	666	666	1 332	50	9
D. Infrastructure O&M	16 600	-	16 600	-	8	1 185	-	1 185	-	8
Total Recurrent Costs	48 406	11 986	60 392	20	30	3 454	855	4 309	20	30
Total Base Costs	104 506	95 102	199 608	48	100	7 457	6 786	14 244	48	100
Physical Contingencies	4 289	5 091	9 381	54	5	306	363	669	54	5
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ORGANIZATION AND MANAGEMENT

A. Project Organization and Executing Agencies

1. The national executing agency will be the Ministry of Local Government (MOLG) in its capacity of overseeing the *zoba* administrations. All project implementation responsibilities will lie with the Gash Barka *zoba* administration, where a Project Coordination Unit (PCU) will be established in the Economic Development Department. The agencies in Gash Barka that will be involved in implementation are: the *zoba* and sub-*zoba* administration staff; the *zoba* and sub-*zoba* staff of MOA and MOH; the ZIS at *zoba* level and the project coordinator at sub-*zoba* level; and the village administrator, community leaders and community user groups and committees at village level. In Asmara, MOLG will be the contact or focal point for project activities, and a steering committee will hold annual meetings chaired by MOLG and with a membership from MOA, MOH, MLWE and MOF. Private-sector contractors, local communities or village groups will carry out all construction work. Agencies at the national level will provide specialist technical and training support and services as required.

B. Management and Coordination

2. The PCU in Barentu will be responsible for project planning and for implementation coordination and monitoring, including of the activities of MOA, MOH and ZIS. The PCU will be headed by a project coordinator, who will be the head of the Economic Development Department. Staff will comprise the following contracted personnel: a deputy coordinator, a finance officer, an accountant, a planning officer, a monitoring officer and five support staff (administrative assistant, secretary, watchman and two drivers). Two Community Development Coordinators contracted by the project will also be based in the PCU.

3. In managing project activities, the PCU will each year coordinate, review and consolidate the workplans and budgets prepared by the *zoba* offices of MOA, MOH, ZIS and PCU, including the facilitation group, and prepare the project annual workplan and budget (AWPB). The project will be included in the MOLG budget and the draft AWPB will be sent to IFAD and UNOPS by 15 November each year for review and comments before it is finalized and sent to the steering committee for information.

4. The coordination of project activities at *zoba* level will be effected through a working group chaired by the project coordinator and including the *zoba* heads of MOA, MOH and ZIS. This group will meet monthly, or more often when necessary, to plan and review project implementation progress in the sub-*zobas* and resolve issues that staff at *zoba* and sub-*zoba* level have been unable to resolve.

5. Tasks assigned to the PCU include to: (i) manage and coordinate components; (ii) operate the project account and administer, supervise and process payments for contracts on behalf of the *zoba* administration; (iii) submit regularly withdrawal applications to MOLG; (iv) maintain separate financial records and books of accounts for the PCU, prepare annual financial statements for all project expenditures for submission to MOLG and IFAD by 15 February each year; (v) undertake the procurement of major items, including vehicles, equipment and Geographical Information System (GIS) mapping; (vi) prepare and consolidate monthly and quarterly physical and financial progress reports for all project activities by the 15th of the following month for MOLG; and (vi) prepare half yearly and annual progress reports by 31 July and 31 January each year for onward transmission to IFAD and UNOPS and to the steering committee for information.

6. The steering committee will meet once a year to review project monitoring carried out by the PCU. MOLG will designate one official as the contact or focal point for the project at national level and for liaison with IFAD and UNOPS, and to provide support to review, supervision or evaluation



missions. MOF will: (i) operate the special account in accordance with requests from the PCU; (ii) transfer government counterpart funds to the provincial treasuries to finance the government share of the costs of project activities and tax waivers; and (iii) together with MOLG, appoint an independent external auditor acceptable to IFAD, within 90 days of loan effectiveness.

C. Implementation Arrangements

7. **Implementation Approach.** Project activities will be implemented according to the AWPBs by *zoba* and sub-*zoba* staff from MOH, MOA, ZIS, PCU (including the project facilitation group) and sub-*zoba* administrations. Implementation of the livestock, agronomy, water supply and community-based health activities will be in response to the requests of the communities targeted by the project, while upgrading the primary health care system will cover all sub-*zobas*.

8. **Project Start-up.** IFAD will provide resources to facilitate the start-up of project implementation, including a project start-up workshop to be held in Gash Barka once the loan is effective. The workshop will clarify the procedures related to project implementation, management and coordination as well as disbursement and procurement, planning, budgeting, monitoring and reporting.

9. **Phasing.** It has been agreed to start project activities in Project Year (PY) 1 in Forto, Gogne and Haykota sub-*zobas*. At the start of the project, the government will select an additional four sub-*zobas* that also meet the selection criteria, with project activities starting in a further two in PY2 and the final two in PY3.

10. **Implementation Process.** In PY1 in the three sub-*zobas* selected, the sub-*zoba* administration, with PCU support, will mount a publicity campaign (posters, radio announcements and meetings of village administrators and community leaders) to announce the nature and terms of project assistance that could be made available to communities interested in improving livestock and crop production, developing drinking-water supplies and in improving access to community-based health services. The project's approach will be explained and the contribution that beneficiaries will have to make will be emphasized, including assuming responsibility for financing the O&M of any project-financed infrastructure investments. Participation of the communities will be formalized by a tripartite agreement between the community, the sub-*zoba* administration – which will make its project coordinator and sub-*zoba* MOA and MOH staff available – and the PCU – which will ensure that *zoba* staff of MOH, MOA, PCU and ZIS are available to provide technical back up.

11. MOA will identify areas where there is potential for the development of crop or livestock production, or a combination, while MOH will assess the health situation in relation to the presence of traditional birth attendants (TBAs) and malaria agents. On this basis, the sub-*zoba* administration will select villages that meet the selection criteria and where the community agrees to sign a tripartite agreement in respect of their participation. In PY1, the sub-*zoba* administrators will select five communities in each of the first three sub-*zobas*, with additional communities selected in subsequent years, so that by PY5 about 20 communities should be participating in each sub-*zoba*. The process will be repeated in PY2 in a further two sub-*zobas*, and again in PY3 in a further two. Within the project sub-*zobas*, the project will work with an increasing number of communities, reaching 154 by PY5, i.e. almost 50%.

12. Following the agreement of the community to participate, the community facilitation process will start. The Community Development Coordinators and the informal village leaders, who will act as local facilitators together with the sub-*zoba* project coordinator, will start working with the communities and the village administrations. This facilitation group will help the communities to identify their priorities for project assistance, plan the activities selected, make the necessary organizational arrangements for implementation, execute project activities, and monitor the selection, planning and implementation of project activities.



13. Sub-*zoba* staff from MOA and MOH will assist the communities to identify the crop and livestock development alternatives, and assess training needs for community health workers and TBAs. The MOA sub-*zoba* staff, with help from their *zoba*-based colleagues, will screen the various crop and livestock proposals made by the communities to assess their technical and financial feasibility and, where necessary, propose modifications. During implementation of the selected activities staff will train VLWs and CFs selected by the communities, and provide technical help required in providing services to the community. VLWs will provide animal health services on a fee-paying basis and CFs will organize crop demonstrations and provide crop husbandry advice.

14. ZIS will provide the technical support required by communities that are involved with drinking-water-supply schemes. The MOH sub-*zoba* staff will assist the communities in their selection of the TBAs and VHWs, provide them with training and support the establishment and functioning of the village health committee. The trained TBAs and VHWs will provide community-based health services and refer cases to the health station, and provide health, nutrition and sanitation education. Staff at the health stations and health centres will support the TBAs and VHWs and monitor their activities.

15. At the *zoba* level, MOH will implement the primary health care sub-component throughout the *zoba*, including upgrading the health stations and centres where this is required, improving the diagnostic skills of the staff at the health stations and centres, improving the maternal and child health care services, and improving the management capacity of the *Zoba* Health Management Team (ZHMT). MOA and ZIS will provide the technical services required to back-up staff based in the sub-*zobas*. Similarly, MOH will provide the hospital services that support the health centres and health stations in the sub-*zobas* and the community-based health services.

16. **Technical Assistance.** With institutional capacity and experience still weak, project implementation will require short-term national and international technical assistance (TA) from a variety of disciplines. The focus of the TA will be building the capacity of the staff of the PCU, the *zoba* administration and the implementing agencies in the *zoba* and sub-*zobas*. The project will finance 29 months of international TA, 20 months of regional TA, and 24 months of national TA. Of the total TA: 26.5 months is for support to project management, 21.5 months for community facilitation and 25 months for livestock and crop production.

D. Facilitation Process

17. The facilitation process involves a series of steps. The analysis of the problems and needs is the first step. In each village selected, the community will carry out the analysis with the support of the community leaders, assisted by a Community Development Coordinator or consultant conversant with both community organization and gender issues. This phase, which may take up to four or five days, may be interrupted to give villagers time to think and discuss among themselves. The analysis will involve simple participatory appraisal methods, working with restricted groups, such as women-headed households, ex-internally displaced persons or refugees, and members of existing groups and association, together with visits to existing infrastructure.

18. The second step involves an assessment of the needs and solutions, within the framework of what is available from the project, by technicians of different disciplines with a view to identifying causes, constraints and potential solutions to be discussed later with community members. For each problem, potential solutions will be analysed, starting with those that communities can implement without external support, and then those needing external help. Solutions will be screened taking account technical feasibility, social acceptability, cost, timeframe and sustainability.

19. The third step involves clarifying the analysis of the problems and their potential solutions with the community. The village administrator will thereafter present a tentative action plan. This will



include presenting what might be feasible, before facilitating a classification of what might be undertaken first, and a review of technical opportunities for development.

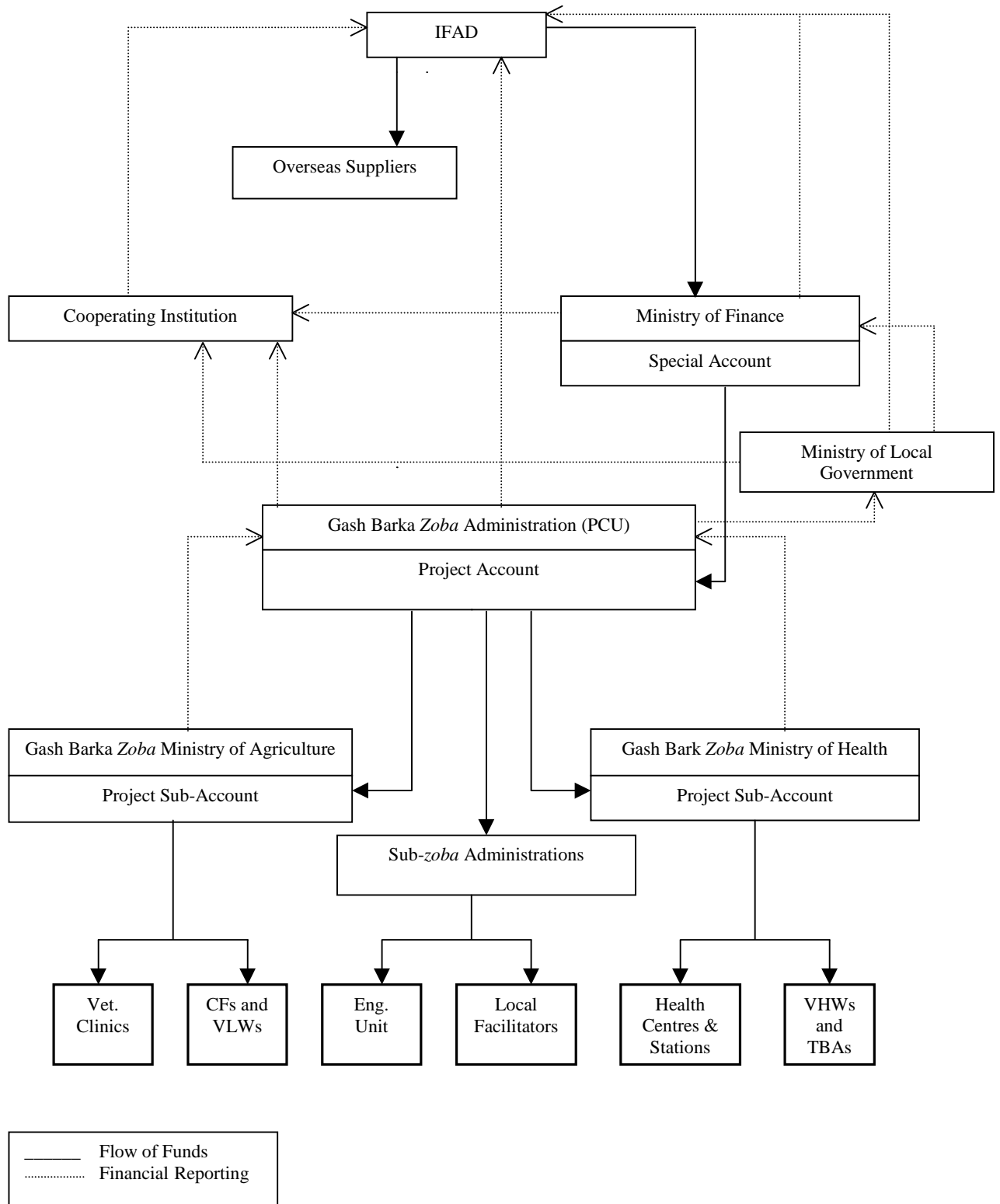
20. The fourth step involves the discussion of a tentative action plan by the community while the technicians prepare detailed estimates (e.g. costs, labour required, training needed, community contributions, timetable, etc.). The local leaders and the village administrators will help communities to define a suitable organization to carry out selected interventions and maintain them, as well as to appoint qualified leaders to do so. The facilitators will backstop the community and committee members to enable them to choose simple indicators for monitoring progress.

E. Monitoring, Evaluation and Reporting Supervision

21. The project will use the GTZ MoRe Impact formats or similar software that monitors progress in achieving the project's outputs and objectives. Village and community data already collected and to be collected, plus the Gash Barka data from the forthcoming UNICEF nutrition survey, will provide a baseline against which to measure project impact using the outputs shown in the logical framework. Project beneficiaries, with the assistance of the Community Development Coordinators, sub-*zoba* project coordinator and the village administration, will update the village data during implementation of project activities, thereby enabling the progress of the project to be assessed. Participatory impact assessments at village level will assess the impact on the livelihoods of household. Each year, the PCU will organize a beneficiary impact assessment workshop in each project sub-*zoba*, during which beneficiaries (50% women) from each project-assisted community will assess the progress of project activities, staff performance and project impact, and make recommendations for improving project processes, including monitoring of participation, and impact. If required, additional short and focused studies will be undertaken to generate recommendations for immediate action. Monitoring staff of the PCU will manage the monitoring process, including the participatory impact assessments.

22. IFAD, in cooperation with UNOPS, will undertake a Mid-Term Review (MTR) in PY3 to review the project's achievements and constraints, and in particular: (i) the performance of the livestock and agronomy component and their impact; (ii) the performance of the community facilitation process and the arrangements for decentralized implementation; (iii) beneficiary assessments of project impact and performance; (iv) the performance of the user groups in the O&M of project-financed infrastructure investments; (v) future TA requirements; and (vi) the performance and impact of the donor-financed poultry schemes. Based on the findings of the MTR, a mutually acceptable action plan for the remainder of the project will be prepared. IFAD, in consultation with the Government, may appoint consultants or an agency to evaluate the impact of the project on the beneficiaries during implementation.

FLOW OF FUNDS





ORGANIZATIONAL CHART

