

a

IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Eighty-eighth Session
Rome, 13-14 September 2006

ERITREA

COUNTRY STRATEGIC OPPORTUNITIES PAPER

For: Review

Note to Executive Board Directors

This document is submitted for review by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session.

Abla Z. Benhammouche
Country Programme Manager
tel.: +39-06-5459-2226
e-mail: a.benhammouche@ifad.org

Queries regarding the dispatch of documentation for this session should be addressed to:

Deirdre McGrenra
Governing Bodies Officer
tel.: +39-06-5459-2374
e-mail: d.mcgrenra@ifad.org

TABLE OF CONTENTS

CURRENCY EQUIVALENTS	iii
WEIGHTS AND MEASURES	iii
ABBREVIATIONS AND ACRONYMS	iii
COUNTRY MAP: LOCATION OF IFAD-FUNDED OPERATIONS	iv
PORTFOLIO OVERVIEW	v
EXECUTIVE SUMMARY	vi
I. INTRODUCTION	1
II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT	1
A. Country Economic Background	1
B. Agricultural Sector	3
C. Rural Poverty	5
D. Constraints on and Opportunities for Rural Poverty Reduction	6
E. National Strategy for Rural Poverty Reduction	7
III. LESSONS FROM IFAD’S EXPERIENCE IN THE COUNTRY	8
IV. STRATEGIC FRAMEWORK FOR IFAD	9
A. IFAD’s Strategic Niche and Proposed Thrusts	9
B. Main Opportunities for Innovations and Project Interventions	11
C. Outreach and Partnership Possibilities with NGOs and the Private Sector	12
D. Opportunities for Linkages with Other Donors and Institutions	13
E. Areas for Policy Dialogue	13
F. Action Areas for Improving Portfolio Management	14
G. Tentative Lending Framework and Rolling Programme of Work	14
APPENDIXES	
I. COUNTRY DATA	1
II. RESULTS MATRIX	2
III. STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS	3
IV. IFAD’S CORPORATE THRUSTS AS RELATED TO THE PROPOSED COUNTRY PROGRAMME	8
V. ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED	10

CURRENCY EQUIVALENTS

Currency unit	=	nakfa (ERN)
US\$1.00	=	ERN 15.00
ERN 1.00	=	US\$0.067

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 acre (ac)	=	0.405 hectares (ha)
1 ha	=	2.47 ac

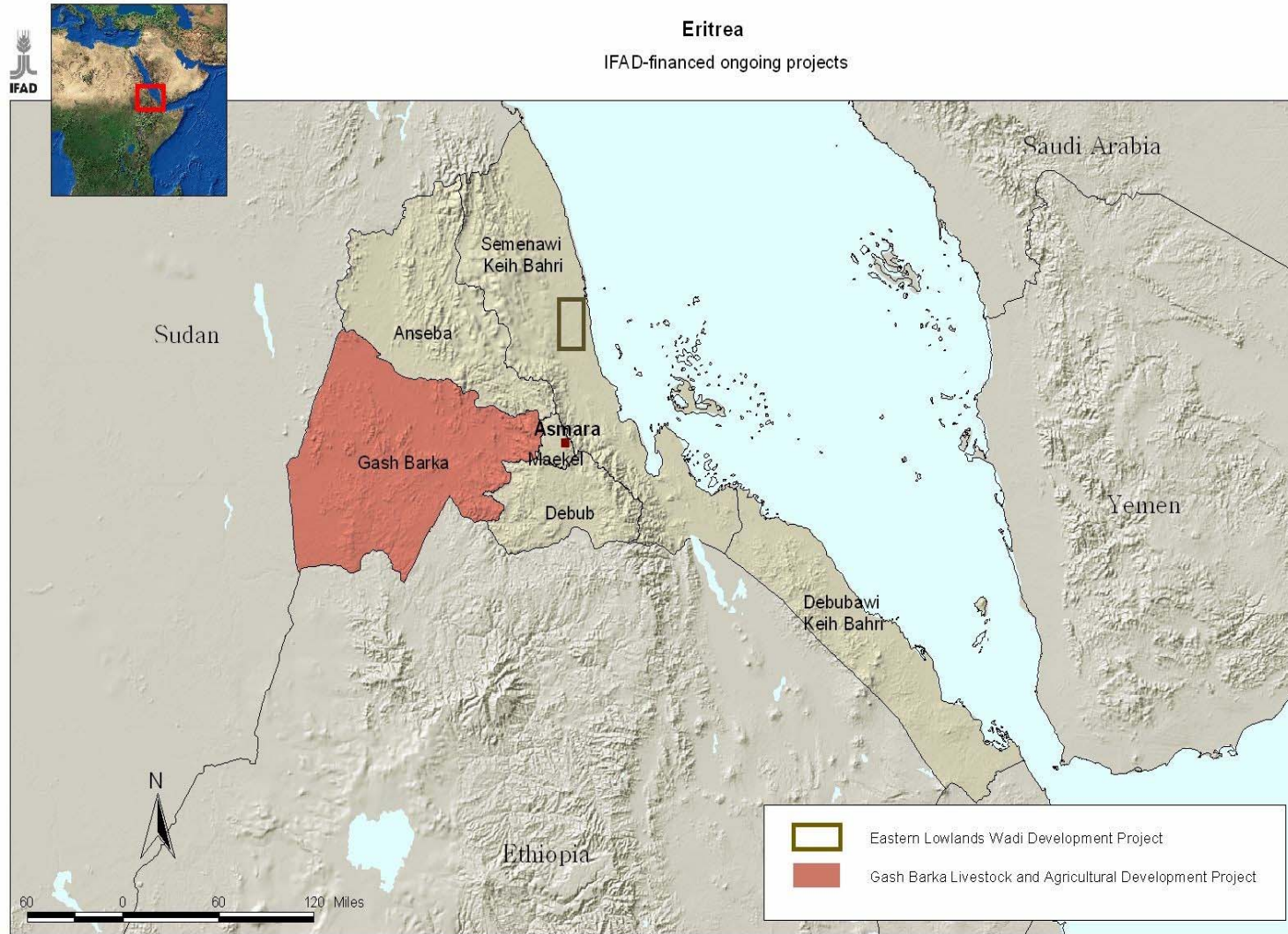
ABBREVIATIONS AND ACRONYMS

COSOP	country strategic opportunities paper
PBAS	performance-based allocation system
PRS	Poverty Reduction Strategy

**GOVERNMENT OF ERITREA
Fiscal Year**

1 January – 31 December

COUNTRY MAP: LOCATION OF IFAD-FUNDED OPERATIONS



Source: IFAD
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

PORTFOLIO OVERVIEW

Region: Eastern and Southern Africa

Country: Eritrea

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Denominated Currency	Approved Loan/Grant Amount	Disbursement (as % of Approved Amount)
Eastern Lowlands Wadi Development Project	IFAD	World Bank	Highly concessional	15/12/94	1/3/95	3/6/06	I 365	USD	USD 12.68 million	96.54% (June 2006)
Gash Barka Livestock and Agriculture Development Project	IFAD	UNOPS	Highly concessional	23/4/03	24/2/03	30/9/09	I 584	USD	USD 10.00 million	32.04% (June 2006)

UNOPS = United Nations Office for Project Services.

EXECUTIVE SUMMARY

1. Eritrea is a country emerging from a dual crisis of war (1998-2000) and an unprecedented series of droughts (2000-2003). Since independence in 1991, Eritrea has undergone a period of great difficulty in developing the institutions of an independent state under severe resource constraints, exacerbated by the two major crises. The border conflict with Ethiopia continues unresolved, and a large proportion of the nation's workforce remains in military service. There are also large numbers of internally displaced persons, returnees and demobilized soldiers requiring assistance to reintegrate into rural communities.

2. IFAD's comparative advantage in Eritrea is based on its 12 years of continuous engagement in a crisis-affected situation from which most other donors have withdrawn and to which they are yet to return. In particular, IFAD has valuable experience in integrating the assistance required by vulnerable people for their broader human, social, institutional and economic development, with complementary assistance for short-term survival. This has raised the profile of IFAD as the senior development partner in agriculture and rural development and paved the way for further involvement in policy dialogue, something which other development partners have found elusive.

3. IFAD's **strategic goal** in Eritrea is to **contribute to the Millennium Development Goal of eradicating poverty and hunger in rural areas, where 65% of households are unable to meet their basic needs**. Within this overall goal, there are four **strategic objectives**, each of which corresponds to one of the four pillars of the Government's Interim Poverty Reduction Strategy.

Interim Poverty Reduction Strategy Pillar	COSOP Strategic Objectives
Reinvigorating economic growth	Post-crisis support: re-establish independent livelihoods for crisis-affected rural households
Creating income-generating opportunities for the poor	Productivity improvement: sustainably increase agricultural and livestock productivity and profitability
Improving human resource development	Technical training: boost rural incomes and reduce environmental degradation through training and extension
The enabling environment and institutional capacity-building	Capacity building: build institutional capacity and support for community-driven development initiatives

4. IFAD's policy on crisis prevention and recovery suggests an initial emphasis on the first strategic objective, moving towards conventional development assistance under the other three objectives as the effects of conflict and drought recede. The strategy of transition from reconstruction and rehabilitation to development support is consistent with the programmatic approach embodied in IFAD's new operating model, which employs a range of complementary products and services. The programme will make use of several instruments to respond to short-term needs, while preparing for longer-term development and building on the current portfolio.

5. This is the first country strategic opportunities paper (COSOP) for a crisis-affected country since the approval of IFAD's policy on crisis prevention and recovery. The challenge is to map out a structured and seamless transition from the immediate post-crisis reconstruction activities under the post-crisis strategic objective to conventional development interventions under the other three strategic objectives, while maintaining flexibility to revert to in-crisis support should the situation regress towards renewed conflict or natural disaster. The uncertainties of the situation call for a strategy that can switch among in-crisis, post-crisis and development mode, while giving due attention to the "do no harm" principle of the crisis prevention and recovery policy, which aims to ensure that short-term survival strategies do not compromise longer-term development goals.

ERITREA

COUNTRY STRATEGIC OPPORTUNITIES PAPER

I. INTRODUCTION¹

1. Eritrea is a country emerging from a dual crisis of war (1998-2000) and an unprecedented series of droughts (2000-2003). Since independence in 1991, Eritrea has undergone a period of great difficulty in developing the institutions of an independent state under severe resource constraints, exacerbated by the two major crises. The border conflict with Ethiopia continues unresolved, and a large proportion of the nation's workforce remains in military service. There are also large numbers of internally displaced persons, returnees and demobilized soldiers requiring assistance to reintegrate into rural communities.

2. This country strategic opportunities paper (COSOP)² is the second for Eritrea. It provides a review of opportunities for IFAD contribution to post-crisis reconstruction and poverty reduction. It articulates how IFAD might complement the efforts of the Government of Eritrea and other development partners in reducing rural poverty. The COSOP seeks to define IFAD's role and the potential for strategic alliances, to position IFAD in relation to government policies on rural poverty and post-crisis recovery, and to provide a platform for dialogue with the Government and other stakeholders. Preparation of the COSOP has been a participatory process involving consultations with a specially convened task force. The process has achieved a very strong consensus on the way forward.³ The process also included a consultative meeting, convened by the Government, with key, active rural-sector development partners: the Food and Agriculture Organization of the United Nations, the United Nations Development Programme, the United States Agency for International Development and the World Bank in order to coordinate IFAD- and other donor-supported strategies.

3. The COSOP defines a strategy for IFAD to add value to the Government's policies and programmes in rural poverty reduction as contained in the country's Interim Poverty Reduction Strategy. It reflects on the challenges of dealing with acute rural poverty in a crisis-affected country that is also threatened by severe environmental degradation, recurrent drought, and limited fiscal and human resources. The strategy that emerges builds on the experience of IFAD and its partners in Eritrea, as well as on lessons learned in other conflict- and drought-affected countries. The strategy embodies the programmatic approach contained in IFAD's emerging new operating model, the crisis prevention and recovery policy (EB 2006/87/R.3/Rev.1, April 2006), the Strategic Framework and the regional strategy for Eastern and Southern Africa, as well as the performance-based allocation system (PBAS).

II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT

A. Country Economic Background

4. 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 sub-humid in the highlands. The ethnically heterogeneous population of about 4.4 million is growing at 2.5% per

¹ See Appendix I for additional information.

² The format of this COSOP is a transition between the 2002 format (EB 2002/77/R.12) and the new, emerging results-based COSOP.

³ An earlier draft of the document was reviewed and endorsed by the Government, subject to the incorporation of several comments and suggestions.

annum. Around 73% of the population live in rural areas, and most rural people depend on subsistence agriculture. Two thirds of the people live in the highlands, where population densities reach 200 people per square kilometre in some areas.

5. **Governance.** Eritrea has two major levels of government: central and local. Local governments operate at three levels: provincial (*zoba*), district (*sub-zoba*) and village (*kebab*). Institutional weaknesses are found at all levels, but are most apparent in the local government system. Since 1996, the Government has been devolving power to the provinces and districts to strengthen the responsiveness to local needs and improve the effectiveness of public services. Staff involved in service provision operationally report to the provincial administration, under the Office of the President, and technically to the relevant central ministries. The central Government retains responsibility for policies, standards, technical advice, capacity-building and information management.

6. **Economic overview.** After a 30-year war to win freedom from Ethiopia, Eritrea gained de facto independence in May 1991 and formal independence two years later. By the end of 1997, the country was making progress in rehabilitating economic and social infrastructure and achieving economic stability under a market-oriented policy framework. During 1993-1997, the economy grew at around 11% per annum to reach US\$181 per capita GDP, but has achieved zero or negative growth since then, and GDP now stands at around US\$150, making Eritrea one of the poorest countries in the world. Eritrea's human development index ranking is 155th out of 175 countries assessed.

7. **Conflict-affected status.** A simmering border dispute with Ethiopia erupted into full-scale war in May 1998, and the war continued until June 2000. About 70,000 Eritreans lost their lives, while as many as one million were internally displaced or fled the country. A peace agreement was signed in December 2000, establishing a temporary security zone manned by a United Nations peacekeeping force. An international boundary commission has defined the border between the two countries, but Ethiopia has so far not agreed to proceed with the demarcation. This has kept Eritrea in a "no war, no peace" situation, with severe humanitarian and economic consequences that have continued to strain the economy. Almost every economic indicator has deteriorated since the outbreak of conflict. Inflation has risen to over 20%; fiscal deficits have soared; exports have slowed to a trickle; foreign reserves have been almost exhausted; savings have dwindled; external public debt has increased tenfold; and foreign direct investment has shrunk by two thirds. The country has become increasingly indebted and aid-dependent as a result of post-war reconstruction costs and the need to import food. The fiscal situation is under extreme stress due to defence expenditure, and there are shortages of fuel and other supplies.

8. With the loss of life and some 300,000 citizens conscripted for national service, the country has continued to face a severe labour shortage, which impacts on government, business and households. The situation has also affected the implementation of development activities, including the two IFAD-supported projects. Demobilization is taking place, but continuing tension in the border areas limits the rate at which military personnel can be returned to productive activity. The Ethiopian market, which absorbed about two thirds of Eritrea's exports prior to the war, remains inaccessible. The significant fees from the transshipment of Ethiopian cargo through Eritrean ports have also been lost, and the flow of migrant workers to and from Ethiopia and of remittances from Eritreans previously living in Ethiopia has yet to recover from these shocks.

9. Eritrea now depends on external aid for a higher proportion of its food needs than any other country. On average during 1992-2003, the country only produced about a third of its food grain needs, and, in bad years, this can be as low as 15%-20%. Food donors are concerned about their ability to provide food aid indefinitely and look to IFAD and other development partners for support to restore agricultural productivity.

B. Agricultural Sector

10. About 60% of Eritreans rely on agriculture for income and food. Crop production includes mainly barley, wheat, teff, sorghum and millet in the highlands, and millet and sorghum in the lowlands. Irrigated horticulture production occurs along seasonal rivers. In the past, livestock, mainly small ruminants raised in the lowlands, was exported to the Gulf States, but such trade is currently suspended because Eritrea cannot satisfy animal health protocols.

11. **Land use.** About 2.1 million ha (17% of the total area of Eritrea) are regarded as arable, of which around 1.5 million ha are suitable for rainfed agriculture, and 0.6 million ha for irrigation. Most of the remainder is classified as browsing and grazing land or barren land. Only 0.5% of the land is classified as disturbed forest or forest plantation. Before the outbreak of war, crop plantings reached almost 0.5 million ha, but the area is thought to have declined since then. Population and land-use intensity vary greatly among agroecological zones. The Land Proclamation of 1994 provided farmers a lifetime right of usufruct over currently held land, removing the previous risks associated with periodic redistributions of land. The proclamation guarantees the right of all Eritreans to enjoy usufruct without discrimination because of gender, belief, or ethnicity. The ownership of all land remains vested in the state, and the state has the power to set conditions for usufruct, lease, or other forms of use. Both the new and the traditional regimes have an egalitarian theme. Both account for land quality in determining allocations, but neither allows for market transactions of land based on private ownership.

12. **Crop production.** The majority of highland dwellers are subsistence cereal farmers who also grow small areas of pulses and oilseeds and keep ruminant livestock and poultry. Historically, the lowlands were occupied by transhumant pastoralists, but population pressure and restrictions on livestock movement have forced these people to become more dependent on arable farming, often in extremely marginal rainfall conditions. Rainfed subsistence farming accounts for more than 90% of the cultivated land. Few modern inputs are used, and average crop yields are low. The greatest potential for expanding crop areas is in the lowlands, and, since 1996, the Government has been supporting semi-commercial and commercial rainfed agriculture through the integrated farming programme in southern Gash Barka. About 30,000 ha are irrigated, which is only around 5% of the potentially irrigable area. Most of this is spate irrigation for sorghum production through the diversion of seasonal flows of streams originating in the highlands. There are also small areas of irrigation for high-value horticultural and forage crops. In the highlands, there are a number of small dams and ponds used for irrigated horticulture, livestock and domestic water supplies.

13. **Livestock** is an important component of all farming systems. The number of animals is estimated at about 4.7 million goats, 2.2 million sheep, 1.9 million cattle, 1.0 million poultry, and 0.3 million camels. Animals serve a number of purposes, including food (meat and milk), manure and drought power and are a means of wealth accumulation. Many families have survived the recent hardships by cashing in their livestock wealth, leaving them increasingly vulnerable to new shocks. The traditional pastoral systems involved seasonal migrations, but movement across international boundaries is now being curtailed, with serious environmental and social consequences. In both pastoral and agropastoral systems, veterinary inputs are minimal; there is an acute shortage of forage, and productivity is low. Overgrazing is causing severe land degradation, loss of agrobiodiversity and desertification. Fortunately, there are good prospects for introducing some innovative, but affordable technologies for enhancing forage production and converting forage into animal products more efficiently through disease control and improved husbandry methods. There is also potential for small livestock (sheep, goats and poultry) development, which can be highly effective in the rehabilitation of destitute households and single-parent and woman-headed households.

14. **Institutional framework.** Key institutions include the Ministry of National Development; the Ministry of Agriculture; the Ministry of Land, Water and Environment; the Ministry of Labour and

Human Welfare; the Ministry of Local Government; the National Union of Eritrean Women; and the provincial and district administrations. Institutional development has been impeded by the initial shortage of trained manpower and the diversion of resources into defence needs. In addition, the Government has become directly involved in the supply of goods and services, which, in normal situations, would be provided by the private sector. As a result, Eritrean institutions are weak in terms of policy, planning and regulatory capacity, and transparency, and have a limited capacity to implement development programmes. On the positive side, Eritrea maintains a zero tolerance policy on corruption.

15. **Civil society and the private sector.** Strong community structures partially counterbalance the weak institutional framework. Rural communities have considerable capacity to identify and implement public works such as soil and water conservation schemes. Taking care of the poor is also an integral part of community life. Community leaders are able to identify poor families, including old and disabled people, who depend on the community for their survival. Assistance is organized through communal labour, by lending lactating animals to poor woman-headed households, providing grain to elders and contributing to death or marriage ceremonies. Among the poor, informal mutual self-help groups exist in all communities.

16. Eritrea has a large number of NGOs, which are primarily engaged in relief and rehabilitation programmes but also conduct development activities. Many bilateral programmes are implemented via NGOs. The recent proclamation on NGOs requires that: (a) the Government must approve and coordinate all activities undertaken by NGOs; (b) NGOs must register annually, provide audited financial statements and maintain a certain level of capital adequacy; (c) NGOs must confine their activities to relief or rehabilitation works unless by agreement of the relevant ministry; and (d) the overhead costs of NGOs may not exceed 10% of the project budget. In effect, the proclamation precludes the involvement of NGOs in activities regarded as core government functions. However, most NGOs active before the proclamation have continued to operate in the country.

17. The private sector is poorly developed in rural areas and mainly limited to small traders and merchants. The supply of farm inputs, to the extent that they are used at all, is mainly in the hands of government agencies. Contractors are able to undertake small- and medium-scale construction projects, but any activity requiring heavy equipment (e.g. earthmoving for irrigation schemes) normally has to be undertaken by parastatal construction enterprises.

18. **Agricultural development constraints.** By far, the most important constraint is the limited and degraded resource base in terms of land and water. This is accentuated by: (a) widespread and severe overgrazing; (b) frequent droughts, which mean that rural households are almost continuously in recovery mode and have few resources for investment in better farming technologies; and (c) low-input, low-risk and low-yield techniques that prevail because farmers lack the skills and resources to do otherwise. Irrigation is seen as the key to increasing food production, but the scarcity of capital limits the rate at which new schemes can be developed. The harsh natural environment also constrains livestock production, mainly due to extreme feed scarcity during the dry season. Across all crop and livestock systems, there are many constraints in the enabling environment, including institutional capacity, financial services, infrastructure, market information, literacy levels and labour shortages.

19. **Agricultural development opportunities.** Notwithstanding the limitations of the natural resource base, there are significant development opportunities. These fall into five main categories: (a) capacity-building, particularly in the areas of agricultural extension, research and rural financial services; (b) more sustainable natural resource management based on proven and affordable soil and water conservation techniques; (c) further development of social capital based on the strong foundation of human resources and community cohesion; (d) the existence of local or regional markets for almost all agricultural products; and (e) an abundance of technical opportunities to

modernize traditional agricultural and livestock husbandry practices in concert with improved research and extension services.

C. Rural Poverty

20. The Interim Poverty Reduction Strategy paper reports that 65% of the rural population are poor and 37% live in extreme poverty (below the food poverty line). Life expectancy at birth barely exceeds 50 years. The under-5 mortality rate is 9%, and 40% of children in that age group are undernourished. Only 42% of rural households have access to safe drinking water, and only 51% of children in rural households attend primary school. Food self-sufficiency ratios are as low as 10% and do not exceed 60% even in good years. Poverty is concentrated in rural areas and is most severe in the arid zones. However, the greatest number of poor live in the densely populated highlands. Poverty is strongly related to unmet basic needs in education (especially the literacy level of the head of household), health services and access to cultivable land. The prevalence of HIV/AIDS declined from 2.8% in 2001 to 2.4% in 2003, but is higher among vulnerable groups.

21. **Impact of war and drought.** The poor have been disproportionately affected by the recent war and drought years. Many have been displaced and lost their few assets, including livestock, and are now struggling to re-establish a food-secure and independent livelihood. More than 60,000 displaced persons still live in temporary camps, and large tracts of fertile land and pasture remain inaccessible due to landmines. The conflict also resulted in mass displacement of nearly a million Eritreans. The 2002 drought, the worst in many years, threatened the lives of over a third of the population. Crop production fell to about a quarter of the average of the previous ten years. Large numbers of livestock died or were sold off to pay for food. The reduced availability of seeds impeded recovery in 2003, and significant quantities of food aid were still needed. A rural livelihood security assessment undertaken at that time found that:

- In the high rainfall zones, households that depend on crops are more food-insecure and have fewer household assets than their counterparts in the lower rainfall zones that depend primarily on livestock.
- In the higher rainfall zones, the poorest households are employing coping strategies that increase their long-term vulnerability (e.g. consuming seed or selling farm implements).
- Households in the lower rainfall zones have a greater diversity of livelihood activities, allowing them to spread their risks more effectively.
- Livestock sales have been critical in coping with the crisis situation, and households with the highest value of livestock sales have maintained higher levels of food consumption.
- Some 80% of food is purchased. This means that food security is sensitive to the terms of trade (essentially the ratio between livestock and grain prices), which usually move in the wrong direction in times of hardship.
- Over 80% of households receive some type of food aid. However, households with the highest consumption levels that sold the most livestock and borrowed the most money also received the greatest amount of food aid.
- Almost a third of households borrowed food or cash to survive the 2002 drought, mostly from friends and family, making these households increasingly vulnerable to further shocks.

- Households with the fewest educated members have the lowest consumption levels.

22. These findings highlight the very high incidence of extreme rural poverty and livelihood insecurity, which has been worsened by war and drought. Traditional coping mechanisms are no longer adequate for the recovery of many households, and there is a great need for assistance from IFAD and other development partners to support the efforts of the Government in post-conflict reconstruction and development.

23. **Gender dimension.** Women are a great source of strength in rural communities and have played a vital role in caring for their families and continuing farming activities during the war and drought years. About 30% of households are headed by women, of whom 18% are widowed. In these households, women bear the dual burden of food production and family care. Woman-headed households cultivate fewer plots and have fewer household assets, including livestock, than do man-headed households. Rural women are less likely to be literate and numerate than men, and about 40% of girls leave school at an early age to become married. Women employees earn less than half what men earn, and the majority of poor women in rural areas are engaged in low-paying manual labour. Access to water during drought also increases the time burden on women.

D. Constraints on and Opportunities for Rural Poverty Reduction

24. **Constraints.** The key constraints on rural poverty reduction fall into three broad categories:

- the **crisis-prone situation**, including: (a) the threat of renewed conflict; (b) severe depletion of household financial resources by drought and war; and (c) the low education levels and the weak economy that severely limit the prospects for recovery through off-farm employment or income-generating opportunities;
- the **natural resource base**, particularly: (a) eroded soils, near complete loss of forest cover, high rates of surface run-off and high siltation rates in water conservation structures; (b) low and erratic rainfall; and (c) a critical shortage of forage and very low animal productivity levels;
- low **institutional capacity**, including: (a) problems associated with the devolution of administration to the provincial level; even the central ministries face major shortages in manpower and financing; (b) lack of transparency in decision-making processes; (c) the Government is reluctant to engage foreign technical assistance and has embargoed foreign training for civil servants; this limits the capacity to implement externally funded programmes; and (d) support for agricultural research and extension falls far below needs, and there are shortages in basic agricultural inputs, particularly seeds.

25. **Opportunities.** Eritrea's greatest asset is its people and their high capacity to mobilize and work together, coupled with their strong sense of national purpose. This has helped them survive immense hardships and will help them to make the best of future opportunities, including:

- The current policy framework gives high priority to the rural poor. The Government has formulated a number of key policy statements on poverty reduction and agricultural development.
- A permanent settlement of the border issue would do much to restore economic growth.
- Eritrea's gaping food deficit means that almost any agricultural commodity will be either used for subsistence or find a nearby market, and the farmgate prices of food grains, as

import substitutes, are high. There is also strong demand in the capital Asmara and the major provincial towns for milk and other animal products, although collection and storage facilities need improvement, and market information is not provided in any systematic manner. Eritrea is also well located relative to high-value regional markets for fresh produce and livestock.

- Crop yields are well below potential due to the absence of modern varieties and agronomic techniques. The poor quality of seed makes it virtually impossible to produce good crops. There are a number of emergency seed distribution schemes, but, until now, the resources are not available for a sustained national seed production and distribution programme.
- Livestock development offers sound opportunities. The key to improving productivity is increased production of forage from crop residues or pasture and fodder crops.
- There are many opportunities to improve the utilization of Eritrea's water resources. Only a small fraction of run-off is used for irrigation. There is potential to reduce highland run-off through soil and water conservation measures; and to improve the utilization of stream flows and aquifers in the lowlands. Traditional spate irrigation schemes can be improved, and new ones constructed.
- There are opportunities to reduce the amount of labour used in collecting fuelwood and protect sloping land from erosion through community forestry or agroforestry development.

E. National Strategy for Rural Poverty Reduction

26. **Policy framework.** The Government has developed three key policy documents, all of which remain in draft form pending resolution of the conflict: (a) the 2004 Interim Poverty Reduction Strategy; (b) the 2004 Food Security Strategy; and (c) the 2005 Millennium Development Goals Report. Together, these set out a policy framework for rural poverty reduction that is consistent with IFAD's mandate of empowering the rural poor to overcome their poverty. There is also a high degree of congruence between the government strategy and IFAD's Strategic Framework, which emphasizes partnerships among governments, development institutions and NGOs to promote conditions in which the poor can work their way out of poverty.

27. The **Interim Poverty Reduction Strategy (PRS)** – which also embraces the Food Security Strategy – represents the Government's response to the urgent need to reduce the incidence of poverty. It is anchored on the following four pillars: (a) reinvigorating economic growth, essentially concerned with post-crisis reconstruction and recovery; (b) creating income-generating opportunities for the poor, thereby improving agricultural production, productivity and profitability; (c) improving human resource development, including enhancement of technical skills among vulnerable groups and incentives to reduce environmental degradation; and (d) creating an enabling environment and institutional capacity-building, involving both institutional development and empowerment of community groups.

28. The Interim PRS also details priorities for agriculture and rural development and proposes to focus efforts on enlarging the cultivated area in the lowlands and improving productivity through water harvesting, watershed management, catchment rehabilitation and soil conservation. Specific measures to support smallholder crop production include promoting: (a) research and extension services; (b) rural financial services; (c) soil and water conservation; and (d) small-scale irrigation. Complementary measures include: (a) improving rural infrastructure; (b) improving schools and health facilities; (c) rehabilitating community water facilities; and (d) maintaining reserve food stocks. Water management is seen as a critical need. Catchment management, rainwater harvesting,

groundwater extraction, surface irrigation and water-saving irrigation methods will be adopted. The Government also gives high priority to an improved policy and legal framework for forestry management and an accelerated reforestation programme.

III. LESSONS FROM IFAD'S EXPERIENCE IN THE COUNTRY

29. IFAD's experience in Eritrea underscores the difficulty of operating in an acutely poor and crisis-affected country with severe limitations of institutional and human resources. The Fund has committed almost US\$18 million to Eritrea, focusing interventions on the areas where the best prospects exist for expanding smallholder production and where poverty is most severe. There are two ongoing projects and a third project under preparation. The Eastern Lowlands Wadi Development Project is scheduled to be closed in September 2006 and is expected to be fully disbursed. The final supervision mission of February 2006 reported that, although the project had been extended twice and took 11 years to complete, it had reached or exceeded most of its targets and that most of the achievements are likely to be sustained. The cooperating institution (the World Bank) is now considering support for a second phase of the project, which is a testament to its success in the most difficult of circumstances. The Gash Barka Livestock and Agricultural Development Project became effective in 2003 and is scheduled for completion in April 2009. Owing to the very difficult post-crisis environment in Gash Barka Province, the project has been slow to gather momentum (19% disbursed by December 2005), and the Government requested that the mid-term review be undertaken ahead of schedule, in November 2005, to consider means of accelerating implementation. The disbursement rate subsequently increased and reached 32% by June 2006.

30. Many valuable lessons have been learned from these projects in Eritrea. Even in the most adverse conditions, given sufficient time, projects can be successfully implemented. The slow pace of implementation is attributable to capacity constraints at both the provincial and central government levels and must be factored into project and programme design. In particular: (a) project designs must be as simple as possible, with a small number of components and implementing agencies; (b) projects must be allocated adequate human resources to match the financial resources; and (c) designs and workplans should be deliberately conservative in scheduling activities and disbursements. Resolution of the border dispute, coupled with economic recovery, would ameliorate these capacity constraints, but, for the time being, it is better to err on the side of caution in establishing objectives and targets.

31. Both IFAD projects have demonstrated that spate irrigation development is a popular, potentially sustainable and economically sound means of increasing food security, reducing poverty and assisting vulnerable groups. Well-designed and well-maintained spate schemes are perhaps the best prospect for narrowing the gaping national food deficit. The key to success is engaging beneficiaries from the outset in order to: (a) ensure their participation in the design of the scheme using their indigenous knowledge of this traditional practice; (b) allocate land in an equitable manner, with due consideration to displaced persons and woman-headed households; and (c) secure the commitment of beneficiaries for ongoing operation and maintenance through functional water user groups.

32. Both IFAD projects have underperformed with regard to monitoring and evaluation, procurement, recruitment and effective use of technical assistance. This reflects the general lack of capacity in the public and private sectors, poor communications and infrastructure, and lack of project implementation experience. Agricultural research support is particularly weak, and this cannot be remedied in the short term. However, the lack of resources for extension services has been partly offset by the effective engagement of contact farmer extensionists and village animal health workers.

33. The experiences and lessons learned by other donors have been broadly consistent with those of IFAD and emphasize: (a) the need to enhance the knowledge and remove the capacity limitations of

existing institutional structures so as to ensure that they operate in an effective, inclusive and participatory manner; (b) the importance of community-based initiatives to decentralize the provision of public goods and services; (c) the need to ensure that complementary inputs are in place; and (d) the need to respond quickly to changing circumstances that may limit effectiveness. Sustainability issues are also frequently mentioned, including the need for programmes to be resilient in the face of external shocks and stresses; have a low level of dependence on external support; maintain the productivity of natural resources; and consider all dimensions of sustainability, including environmental, economic, social and institutional aspects.

34. Recent experiences demonstrate that progress can be made, even during severe crises, consistent with IFAD policy for crisis prevention and recovery. Recognizing the possibility of future destabilizing events, the COSOP needs to be simple, focused and flexible enough to adapt to changing circumstances in an inherently unstable environment. At any time, parts of the country need to deploy different instruments, including: (a) emergency assistance; (b) reconstruction and rehabilitation; and (c) conventional development activities. Over time, it is hoped that the emphasis shifts in the direction of (a) → (b) → (c), but vulnerability to drought and other natural disasters means that there are likely to be some emergency and reconstruction and rehabilitation needs during the period covered by the COSOP. However, IFAD's principles of engagement in crisis and post-crisis situations preclude involvement in peacekeeping operations and humanitarian relief.

IV. STRATEGIC FRAMEWORK FOR IFAD

A. IFAD's Strategic Niche and Proposed Thrusts

35. **IFAD's comparative advantage** in Eritrea is based on its 12 years of continuous engagement in a crisis-affected situation from which most other donors have withdrawn and to which they are yet to return. In particular, IFAD has valuable experience in integrating the assistance required by vulnerable people for their broader human, social, institutional and economic development, with complementary assistance for short-term survival. This has raised the profile of IFAD as a senior development partner in poverty reduction through agriculture and rural development and paved the way for further involvement in policy dialogue, something which other development partners have found elusive. The COSOP process (undertaken in parallel with the mid-term review of the Gash Barka project and the formulation of the Post-Crisis Livestock Recovery and Development Programme) has brought IFAD into closer contact with policymakers and increased the prospects for fruitful policy dialogue and innovation anchored on continuing support for grant- and loan-funded development activities. IFAD leadership has also demonstrated the Fund's capacity to leverage substantial cofinancing (e.g. from the Belgian Survival Fund for the Third World, the Global Environment Facility and the Organization of the Petroleum Exporting Countries Fund for International Development) and helped to provide an entry point for the World Bank in the rural sector. Given the relatively small size of Eritrea's PBAS allocation (see section IV, G), IFAD's ability to leverage other resources and to catalyse policy dialogue is a key feature of its comparative advantage.

36. IFAD's **strategic goal** in Eritrea is to **contribute to the Millennium Development Goal of eradicating poverty and hunger in rural areas where 65% of households are unable to meet their basic needs**. Within this overall goal there are four **strategic objectives**, each of which corresponds to one of the four pillars of the Interim PRS:

Interim Poverty Reduction Strategy Pillar	COSOP Strategic Objectives
Reinvigorating economic growth	Post-crisis support: re-establish independent livelihoods for crisis-affected rural households
Creating income-generating opportunities for the poor	Productivity improvement: sustainably increase agricultural and livestock productivity and profitability
Improving human resource development	Technical training: boost rural incomes and reduce environmental degradation through training and extension
The enabling environment and institutional capacity-building	Capacity building: build institutional capacity and support for community-driven development initiatives

37. These strategic objectives and their outcome and milestone indicators are elaborated in the results matrix in Appendix II. The strategic objectives define the nature and direction of IFAD's partnership and say nothing about its magnitude of support, which will ultimately depend on cofinancing arrangements. IFAD's crisis prevention and recovery policy suggests an initial emphasis on the first strategic objective, moving towards conventional development assistance under the other three objectives as the effects of conflict and drought recede. The results matrix also indicates the backward linkages to the Interim PRS and the forward linkages to possible policy and institutional interventions. The subprogrammes and activities to be implemented under each strategic objective are not intended to represent single project interventions. In fact, two or more subprogrammes may be the focus of a single project. Conversely, several projects might respond to the same subprogramme.

38. **Target groups and targeting approach.** The four strategic objectives will address the needs of different groups through a portfolio of activities that are selected in accordance with stakeholder priorities and target the most vulnerable. Post-crisis activities will be directed towards: (a) internally displaced persons, returnees and demobilized military personnel; (b) other rural households in war- and drought-affected areas; and (c) woman-headed households⁴ and households affected by disability. Agricultural productivity improvement will target: (a) the poor and very poor in the densely populated rainfed agricultural areas of the highlands where these groups are found in the largest numbers; (b) lowland pastoral and agropastoral communities that show the highest incidence of poverty and extreme poverty; and (c) households in all agroecological regions that have been severely affected by recent droughts. Human resource development, capacity-building and environmental measures will target all rural communities affected by constraints in the enabling environment for poverty reduction and the commercialization of rural enterprises.

39. Targeting strategies to ensure the participation of poor and vulnerable households within these target groups, particularly woman-headed households, will not deny the opportunity for the more well off also to improve their livelihoods. This will be achieved through: (a) selecting areas with large numbers of poor and woman-headed households; (b) focusing on areas severely affected by conflict and drought (where security permits); (c) applying specific measures to assist single-parent households and the disabled; and (d) relying on self-targeting mechanisms, such as backyard poultry packages, that are likely to be of particular interest to poor women, but less interesting to the more well off.

40. **Programmatic approach.** A post-crisis strategy of transition from reconstruction and rehabilitation to support for development is consistent with the programmatic approach embodied in IFAD's new and evolving operating model. This broadens the focus of the Fund beyond annual approvals and the management of projects and portfolios and emphasizes the need to manage complex

⁴ Includes de facto woman-headed households in which the husbands are absent on military service.

processes for multiple results. Under the new model, the country programme aims to link all IFAD-supported activities in Eritrea and enhance the impact of the programme by creating synergies through planned complementarity and by contributing to the Interim PRS. This requires active management in the country and in IFAD. At the country level, an IFAD programme management team will be formed, consisting of relevant project staff, government officials, grant recipients, service providers, smallholder representatives and other stakeholders and partners to meet regularly, discuss progress and results and agree on next steps. The team will undertake, at the country level, implementation of the COSOP priorities by enhancing IFAD programme impact, knowledge management, policy dialogue, innovation and partnerships with the support of IFAD's country programme manager and country programme team.

41. Given the evolving post-crisis situation in Eritrea, IFAD's programme will make use of several instruments to respond to short-term needs, while preparing for longer-term development and building on the current portfolio. First, the successful conclusion of the Eastern Lowlands project and the accelerated implementation of the Gash Barka project according to the mid-term review recommendations are central to the ongoing programme, as both remain highly relevant and have been constrained in reaching their objectives due to the security situation. Second, the launch of a new programme now under preparation and employing the strategic use of grant resources will ensure a quick response in areas of great need, while enabling IFAD and the Government to learn more about the key issues addressed by the COSOP. Third, IFAD will build on its strong relationship with the Government in order to engage in policy dialogue in specific areas of rural poverty reduction and natural resource management.

42. The programmatic approach also recognizes that, while there is an extensive menu of options for reducing rural poverty, it is vital to select instruments that are responsive to stakeholder needs. Such needs and the responses to them differ markedly from place to place and from time to time within the country and call for an approach allowing different instruments to be deployed in different circumstances. In particular, the programme in the highlands should be differentiated from the mid-altitude and lowland areas due to the different causes and characteristics of rural poverty, the infrastructure and services available and the divergent development opportunities. It is also recognized that the country strategy will be implemented during a period of ongoing uncertainty in the security and fiscal situation and that an overly prescriptive programme runs a high risk of becoming rapidly obsolete.

43. **Proposed thrusts.** Short-term priorities will be oriented towards post-crisis assistance for the most seriously affected groups. The proposed thrusts include: (a) the post-crisis reconstruction and development of rural communities, including special assistance to crisis-affected households to re-establish the means for independent livelihood and food security, and the rehabilitation of rural infrastructure and services in conflict-affected areas; (b) interventions to address food insecurity and extreme poverty in all agroecological zones; and (c) efforts to reduce environmental degradation caused by high rates of soil erosion and inefficient use of scarce water resources.

B. Main Opportunities for Innovations and Project Interventions

44. The challenge of this COSOP is to map out a structured and seamless transition from the immediate post-crisis reconstruction activities under the post-crisis support strategic objective to conventional development interventions under the other three strategic objectives, while maintaining flexibility to revert to in-crisis support should the situation regress towards renewed conflict or natural disaster. The uncertainties of the situation call for a strategy that can switch between in-crisis, post-crisis and development mode, while giving due attention to the "do no harm" principle of the crisis prevention and recovery policy, which aims to ensure that short-term survival strategies do not compromise longer-term development goals.

45. Opportunities for innovation in addressing **post-crisis reconstruction needs** include initiatives to ensure that assistance is timely, accessible and participatory. These may include initiatives to ensure that crisis-affected and vulnerable households can access reconstruction and development assistance, including: (a) the allocation of land to crisis-affected and resettled households and demobilized military personnel; (b) the distribution of livestock and agricultural inputs to target households to assist in re-establishing their ability to sustain independent livelihoods; and (c) the rehabilitation of basic rural infrastructure and services. Such support will provide practical measures to translate into actual practice the Government's strategy of a decentralized participatory community-driven development process for reducing poverty and improving food security and environmental conservation.

46. In addressing the problems of widespread **food insecurity and environmental concerns** under the strategic objectives of **productivity improvement, technical training and capacity-building**, opportunities for innovation will focus on the adaptation of simple and affordable technologies that have been successful in comparable circumstances and can be applied in Eritrea after a short period of farmer participatory trials. Three main opportunities have been identified:

- (a) Sustainable natural resource management could help to reduce or reverse the trend in land degradation through such actions as: (i) watershed management schemes in the highlands to reduce surface run-off, collect water for small-scale irrigation and domestic water supplies, and reduce soil erosion; (ii) irrigation development, including small and medium dams in the highlands and spate irrigation schemes in the lowlands; and (iii) forestry and agroforestry development in non-arable areas to provide fuelwood, fodder and construction timber and to reduce soil erosion.
- (b) Increased rainfed crop yields and food security could be promoted through the establishment of a national seed system to provide high-quality seeds for the major food crops.
- (c) Livestock and forage development could enhance livelihood security at the same time as environmental concerns and post-crisis reconstruction needs are addressed. Livestock-raising is also heavily implicated in sustainable natural-resource management issues, but there are opportunities for innovation through the introduction and adaptive testing of multi-purpose crops that can be used for both humans and livestock and, at the same time, contribute to environmental conservation. The introduction of improved animal husbandry practices will enhance the survival of livestock during hardship and will sustainably increase the productivity of livestock.

C. Outreach and Partnership Possibilities with NGOs and the Private Sector

47. Government policy discourages the involvement of NGOs in activities regarded as core government functions (e.g. agricultural development). International NGOs have become involved in emergency and relief work, including mine clearance. The few local NGOs that exist are state-supported institutions (very broad-based organizations such as the National Union of Eritrean Women), religious organizations, or branches of international NGOs. The recent proclamation on NGOs has created a new framework for NGO operations. The proclamation reflects the Government's concerns about the uncoordinated proliferation of NGO operations in the country and may call for a new way of collaborating with NGOs.

48. IFAD's policy on engagement of the private sector is built around three lines of action: (a) policy dialogue; (b) investments to support private sector development; and (c) partnerships with the private sector in order to leverage additional investments and knowledge. The application of these guidelines recognizes that the Government often needs to provide services that, in most countries,

would be available from the private sector. This places a strain on implementation capacity and can have the effect of crowding out private service providers. There are cases where the Government needs to take the initiative where the private sector cannot respond, but the Government should withdraw as soon as possible in order to nurture the development of rural entrepreneurship.

D. Opportunities for Linkages with Other Donors and Institutions

49. Apart from the two IFAD projects, donor assistance for agriculture and rural development is mainly confined to relief and rehabilitation. Danish International Development Assistance, once a key donor, withdrew from the sector in 2002; the only African Development Bank agricultural sector project was completed recently, and the United States Agency for International Development, which concentrated on food aid, has recently withdrawn. The World Bank has targeted rural development in its Interim Strategy Note, which calls for continued tripartite liaison among the Government, IFAD and the Bank, including, most importantly, the possibility of Bank support for a second phase of the Eastern Lowlands project. The World Bank strategy note sets out a two-year programme with emphasis on: (a) transparency in public policy and operations; (b) the initiation of a reform agenda; (c) the establishment of a realistic macroeconomic framework; and (d) the reduction of poverty and containment of the deterioration in rural livelihoods. The strategy note presents the rationale for a shift in the Bank's approach from support for post-crisis reconstruction towards governance and the enabling environment for private sector growth.

50. The Government has recently launched a major new initiative, the Integrated Rural Development Programme, and is seeking support from all of the major multilateral development partners, including IFAD, the World Bank, the European Union and the African Development Bank. The programme, which builds on the Interim PRS, entails a process of consultation with the provinces and major donors, aiming to address food security at the national and household levels and poverty in rural areas. The objectives of the programme are broadly consistent with the COSOP, and the Government has expressed a wish for IFAD support, along with that of the other major donors. The programme is intended to run for four or five years and include agriculture and irrigation, rural roads, water supply and sanitation, electrification and capacity-building.

51. Eritrea is a signatory to the United Nations Convention to Combat Desertification. The Global Mechanism of the convention is currently supporting the implementation of Eritrea's national action plan to combat desertification and is a potential partner in future policy-oriented initiatives, as well as programmes and projects, particularly in the area of sustainable natural resource management. There is also an opportunity to link with the Global Environment Facility in the same way. The direct causal relationship between livestock and environmental degradation means that an appropriately designed livestock rehabilitation and development intervention will have strong prospects of attracting GEF cofinancing.

E. Areas for Policy Dialogue

52. Recently, there has been a shift from project-related dialogue to sectoral policy dialogue with the finalization of the Government's agricultural sector strategy framework, which coincided with and capitalized on the COSOP preparation process. There is also potential for IFAD to engage more closely in policy issues that negatively affect the level of funding it can provide under the performance-based allocation system (PBAS), for example in the areas of land tenure, institutional support and local-level capacity-building.

53. The COSOP highlights some policy and institutional ambitions related to the four strategic objectives (see the results matrix in Appendix II). Dialogue related to the post-crisis situation may concern the relevance of IFAD's crisis prevention and recovery policy in the Eritrean context, including the management of the transitional process from reconstruction and rehabilitation to

conventional development activities. This is expected to involve multilateral institutions (the World Bank, the European Union and the African Development Bank) and key central government ministries, as well as the provincial administrations in crisis-affected areas, in order to help vulnerable rural households re-establish independent livelihoods. A second area for policy dialogue concerns the nexus among poverty, agricultural productivity and environmental degradation, which is currently being pursued during the design of the Post-Crisis Livestock Recovery and Development Programme. The third main area where IFAD can make a contribution is in institutional capacity-building at key levels of government and in strengthening the capacity for community-driven development initiatives.

F. Action Areas for Improving Portfolio Management

54. **Implementation support.** Improving the performance of the IFAD-assisted portfolio is consistent with the emerging operating model, which emphasizes implementation support services via country programme teams and a greater country presence. The Government has identified a number of adjustments it would like to make in the implementation arrangements of the Gash Barka project during the course of the mid-term review. The implementation of the country programme is expected to enhance IFAD's engagement in policy dialogue. The approach has been initiated by the Government in establishing a task force during the COSOP preparation process. It is also proposed to establish an IFAD project facilitation unit as part of the Ministry of National Development to help deal with some of the implementation problems and expedite the launch of new interventions.

G. Tentative Lending Framework and Rolling Programme of Work

55. The time frame of the COSOP is aligned with the Government's Interim PRS. In effect, although no time frame has been set for this, the COSOP will be considered for updating when the Interim PRS is finalized. The PBAS ranking undertaken in 2005 produced an indicative commitment (base scenario) of around US\$4.1 million over one three-year PBAS cycle. However, it is possible that IFAD's commitment could be higher or lower, depending on whether the PBAS score declines or improves. The range of possibilities is as follows:

	Low Case	Base Case	High Case
Project-at-risk rating	2	3	4
Rural sector performance score	3.6	3.9	4.2
Change in PBAS country score	-17.1%	n.a.	+17.1%

56. IFAD's policy on post-crisis prevention and recovery also allows for supplementary resource allocations for programmes and projects undertaken in response to natural or man-made crises, taking into account the financing mechanisms of the International Development Association (World Bank Group). Eritrea is listed by the International Development Association as one of the nine countries eligible for special post-conflict allocations.⁵

57. Grant resources may be used to fund strategic studies on key policy issues, undertake pilot activities, provide technical assistance in key reconstruction and development areas and strengthen portfolio performance. Looking beyond interim grant-funded activities and the launch of a new project, the government and IFAD will decide which of the COSOP priority areas will be next in line for IFAD support. The choice will depend to a large extent on the eventual shape of the Government's Integrated Rural Development Programme and the elements of that programme that show the best fit with the COSOP's four strategic objectives.

⁵ Under the 14th International Development Association replenishment, post-conflict allocations may be provided for up to four years, with three years of phase-down to the performance-based norm. This also allows for additional allocations to countries in the aftermath of major natural disasters on a case-by-case basis outside the framework of the PBAS.

APPENDIX I

COUNTRY DATA

ERITREA

Land area (km² thousand) 2003 1/	101	GNI per capita (USD) 2003 1/	190
Total population (million) 2003 1/	4.39	GDP per capita growth (annual %) 2003 1/	0.8
Population density (people per km²) 2003 1/	44	Inflation, consumer prices (annual %) 2003 1/	n/a
Local currency	Nakfa (ERN)	Exchange rate: USD 1 =	15 Nakfa
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1997-2003 2/	2.5	GDP (USD million) 2003 1/	751
Crude birth rate (per thousand people) 2003 1/	37	Average annual rate of growth of GDP 2/ 1983-1993	n/a
Crude death rate (per thousand people) 2003 1/	13	1993-2003	-2.0
Infant mortality rate (per thousand live births) 2003 1/	45	Sectoral distribution of GDP 2003 1/	
Life expectancy at birth (years) 2003 1/	51	% agriculture	14
Number of rural poor (million) (approximate) 1/	n/a	% industry	25
Poor as % of total rural population 1/	n/a	% manufacturing	11
Total labour force (million) 2003 1/	2.20	% services	61
Female labour force as % of total 2003 1/	47	Consumption 2003 1/	
Education		General government final consumption expenditure (as % of GDP)	52
School enrolment, primary (% gross) 2003 1/	64 a/	Household final consumption expenditure, etc. (as % of GDP)	111
Adult illiteracy rate (% age 15 and above) 2003 1/	n/a	Gross domestic savings (as % of GDP)	-63
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita, 2003 1/	n/a	Merchandise exports 2003 1/	56
Malnutrition prevalence, height-for-age (% of children under 5) 2003 2/	38 a/	Merchandise imports 2003 1/	670
Malnutrition prevalence, weight-for-age (% of children under 5) 2003 2/	40 a/	Balance of merchandise trade	-614
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2003 1/	5 a/	before official transfers 2003 1/	n/a
Physicians (per thousand people) 2003 1/	n/a	after official transfers 2003 1/	-128
Population using improved water sources (%) 2002 2/	57	Foreign direct investment, net 2003 1/	22
Population with access to essential drugs (%) 2/	n/a	Government Finance	
Population using adequate sanitation facilities (%) 2002 2/	9	Cash surplus/deficit (as % of GDP) 2003 1/	n/a
Agriculture and Food		Total expenditure (% of GDP) 2003 1/	n/a
Food imports (% of merchandise imports) 2003 1/	n/a	Total external debt (USD million) 2003 1/	635
Fertilizer consumption (hundreds of g per ha of arable land) 2000 1/	74 a/	Present value of debt (as % of GNI) 2003 1/	47
Food production index (1999-2001=100) 2003 1/	85	Total debt service (% of exports of goods and services) 2000 1/	14
Cereal yield (kg per ha) 2003 1/	299	Lending interest rate (%) 2003 1/	n/a
Land Use		Deposit interest rate (%) 2003 1/	n/a
Arable land as % of land area 2003 1/	5 a/		
Forest area as % of total land area 2003 1/	16 a/		
Irrigated land as % of cropland 2003 1/	4 a/		

a/ Data are for years or periods other than those specified.

1/ World Bank (2005), *World Development Indicators 2005*, Washington, DC: World Bank, CD ROM.

2/ UNDP (2005), *Human Development Report 2005: International Cooperation at a Crossroads, Aid, Trade and Security in an Unequal World*, New York: United Nations Development Programme.

APPENDIX II

RESULTS MATRIX

Country Strategy Alignment	Key Results Framework for COSOP			Institutional and Policy Objectives
Interim PRS Targets ^{a/}	Strategic Objectives	Outcome Indicators	Milestone Indicators	Specific Policy and Institutional Ambitions
<p>Pillar I: Reinvigorating Economic Growth</p> <ul style="list-style-type: none"> • Increase water availability • Increase farm productivity • Promote high-value crops • Expand the cultivated area • Increase credit to the agricultural sector • Improve infrastructure and marketing • Develop livestock production 	<ul style="list-style-type: none"> • Strategic objective I: Re-establish independent livelihoods for crisis-affected rural households 	<ul style="list-style-type: none"> • Agricultural land allocated to conflict-affected and resettled households • Livestock and agricultural inputs distributed to target households to assist in re-establishing independent livelihoods • Rural infrastructure and services rehabilitated 	<ul style="list-style-type: none"> • Number of beneficiary households receiving secure allocation of land • Reduced level of dependency on food aid and other relief packages • Availability of rural infrastructure and services 	<ul style="list-style-type: none"> • Application of IFAD's post-crisis prevention and recovery policy • Facilitate development of land laws and regulations to improve security of tenure • Advocate reduced government involvement and improved private sector capacity to provide agricultural inputs and services
<p>Pillar II: Creating Income-Generating Opportunities for the Poor</p> <ul style="list-style-type: none"> • Improve access to farmlands by the poor • Reorient research and extension to the needs of the poor • Construction of small dams • Rehabilitation of degraded catchments • Integrated agro-livestock-rangeland development • Small-scale irrigation systems • Promote small- and micro-enterprises • Improve access to microcredit • Expand the public works programme 	<ul style="list-style-type: none"> • Strategic objective II: Sustainably increase agricultural and livestock productivity and profitability 	<ul style="list-style-type: none"> • Farming systems rehabilitated using affordable and sustainable technologies • Irrigation schemes developed to utilize surface water run-off from high-rainfall areas • Household and national food security levels increased • Incidence of extreme poverty in rural areas reduced 	<ul style="list-style-type: none"> • Agricultural production and productivity levels • Area developed for irrigation • Food production and income-generation by rural households • Number of rural households dependent on food aid • Incomes and nutritional status of target households 	<ul style="list-style-type: none"> • Support increased effectiveness of agricultural research and extension • Facilitate policy and strategy to guide the utilization of water resources
<p>Pillar III: Improving Human Resource Development</p> <ul style="list-style-type: none"> • Improve the access to and quality of education • Develop technical skills and technology training • Improve health services, water supply and sanitation • Protect vulnerable groups, especially women, the disabled and children • Provide affordable housing • Enhance the environment 	<ul style="list-style-type: none"> • Strategic objective III: Boost rural incomes and reduce environmental degradation through technical training programmes 	<ul style="list-style-type: none"> • Poor rural households trained in relevant technical and livelihood skills • Professional and technical skills enhanced • Watershed management schemes established 	<ul style="list-style-type: none"> • Number of households receiving training • Number of professional and technical staff trained • Availability of domestic water • Reduced rate of soil loss in arable farming systems 	<ul style="list-style-type: none"> • Support vocational training initiatives to benefit vulnerable groups • Encourage interaction among environmental, social and economic policy domains
<p>Pillar IV: The Enabling Environment and Institutional Capacity-Building</p> <ul style="list-style-type: none"> • Strengthen fiscal and financial accountability • Strengthen and reform the civil service • Devolve power and enhance participation 	<ul style="list-style-type: none"> • Strategic objective IV: Build institutional capacity and support for community-driven development initiatives 	<ul style="list-style-type: none"> • Institutional capacity strengthened • Capacity for project implementation enhanced • Participatory and community-driven development approaches mainstreamed 	<ul style="list-style-type: none"> • Performance of institutions in rural poverty reduction • Pace and quality of project implementation • Participation of rural communities in planning and implementing development programmes 	<ul style="list-style-type: none"> • Facilitate the development of a policy for training and capacity-building in relevant institutions at all levels • Consolidate the wider application of community-driven development approaches

a/ Based on the four pillars of the Interim PRS, which also incorporates the Food Security Strategy. Items in italics are relevant to the COSOP strategic objectives.

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

Results of a participatory SWOT analysis undertaken by the IFAD COSOP team and the Government task force on 7 June 2005

Strengths	Weaknesses	Opportunities	Threats
Human Resources			
<p>High level of cohesion in rural communities and strong commitment to the national development effort.</p> <p>Nine nationalities and two major religions united in their national development efforts.</p> <p>Rural people are hard-working and persistent in their efforts to improve their lives and develop the nation.</p> <p>Resilient rural communities with a wide range of traditional coping mechanisms.</p> <p>Strong tradition of conflict resolution and maintenance of law and order in rural communities.</p> <p>Strong women's participation in the household economy and livelihoods from agriculture and livestock production.</p> <p>Rural women have a strong sense of social and environmental responsibility.</p> <p>Rural women are politically empowered and play a decisive role at all levels from the village to the national government.</p> <p>High level of indigenous knowledge and experience in traditional agricultural, agropastoral and pastoral systems.</p> <p>Low crime and corruption indices.</p>	<p>Very high incidence of poverty, extreme poverty and food insecurity in rural areas and heavy dependence on food aid.</p> <p>High levels of illiteracy and traditional approaches in rural communities limit capacity to adopt new technologies.</p> <p>Around 30% of households are woman-headed and do not have a working-age adult male.</p> <p>Women and woman-headed households are also severely disadvantaged by factors such as lack of education, early marriage, and reproductive and other health issues.</p> <p>Rural labour shortages due to national mobilization efforts and lack of mechanization in traditional farming systems.</p>	<p>Demobilization of military personnel will increase labour availability in rural areas.</p>	<p>Increasing incidence of HIV/AIDS.</p>

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

Results of a participatory SWOT analysis undertaken by the IFAD COSOP team and the Government task force on 7 June 2005

Strengths	Weaknesses	Opportunities	Strengths
Natural Resources			
<p>High level of agroecological and climatic diversity.</p> <p>Indigenous animal and plant genetic resources; species and varieties are well adapted to natural conditions.</p> <p>Adequate water resources given the size of the human population (although not efficiently utilized).</p> <p>Good marine resources (fish, salt, tourism, etc.) are currently underutilized.</p>	<p>Low and erratic rainfall over most of the country due to long-term climate change increasing the frequency and severity of drought.</p> <p>Livestock herds severely depleted due to severe, recurrent drought.</p> <p>Large deficit of livestock feeds and forage in all agricultural, agropastoral and pastoral systems.</p> <p>High degree of deforestation and land degradation resulting from fertility depletion and erosion.</p> <p>Shortage of readily accessible drinking water and fuelwood occupies a large amount of women's time.</p> <p>Inadequate knowledge about national water resources for planning and efficient resource utilization.</p>	<p>Better utilization of surface water resources for irrigation, including dams and ponds in the highlands and spate irrigation in the lowlands.</p> <p>Large amount of unutilized suitable land available in lowland areas for irrigation development.</p> <p>Potential for improved utilization of groundwater for domestic water supplies in rural areas.</p> <p>Potential to select and improve indigenous livestock breeds.</p> <p>Forestry and agroforestry development to improve the availability of fuelwood and protect sloping land from erosion.</p> <p>Potential to develop marine resources for tourism and ecotourism.</p>	<p>Increasing frequency and severity of drought.</p> <p>Environmental degradation erodes food security and deepens poverty.</p>

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

Results of a participatory SWOT analysis undertaken by the IFAD COSOP team and the Government task force on 7 June 2005

Strengths	Weaknesses	Opportunities	Strengths
Institutions and Policies			
<p>Decentralized system of Government geared to an area-based approach to agricultural and rural development.</p> <p>Decentralized administrative system based on traditional forms of governance.</p> <p>Strong sense of dedication to national development efforts among government staff.</p> <p>National policy framework gives priority to the reconstruction and development needs of the rural poor.</p> <p>The Government is a signatory to major international environmental conventions and has a national environmental management plan.</p> <p>Existence of Interim PRS, draft Food Security Strategy, draft Millennium Development Goals Report and national gender action plan.</p> <p>Agricultural sector development strategy in advanced stage of formulation.</p>	<p>Traditional land tenure systems provide insufficient security of ownership and are a disincentive for investment.</p> <p>New land ownership proclamation has not yet been put into effect.</p> <p>Inadequate number of skilled and appropriately trained personnel at both national and local government levels.</p> <p>Limited capacity of agricultural research and extension services.</p> <p>Unsustainable fiscal deficit severely constrains the Government's capacity to invest in rural and agricultural development.</p>	<p>Declining military expenditure predicated on implementation of the decision of the boundary commission will release funds for rural poverty reduction initiatives.</p> <p>Potential to access international finance from a range of sources to address critical poverty reduction, environmental and biodiversity issues.</p> <p>Potential to transfer responsibility for the operation and management of existing irrigation systems to community-based water user associations.</p> <p>Expansion of private sector tractor and machinery hire operators would reduce the need for government involvement in this activity.</p>	

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

Results of a participatory SWOT analysis undertaken by the IFAD COSOP team and the Government task force on 7 June 2005

Strengths	Weaknesses	Opportunities	Strengths
Markets			
<p>Eritrea is favourably located relative to markets for agricultural and livestock products in the Arabian Peninsula and elsewhere in the Middle East.</p> <p>Strong domestic demand for agricultural and livestock products and good potential for import replacement.</p>	<p>Lack of market information services accessible to rural people.</p>	<p>Develop milk collection and marketing facilities to supply unsatisfied demand in urban areas.</p> <p>Scope for production and marketing of off-season fruits and vegetables for export to Europe and the Middle East.</p> <p>Reasonable sea and air freight connections to Europe and the Middle East for fresh produce exports.</p> <p>Revival of the livestock export trade across the Red Sea.</p> <p>Replacement of imports for a wide range of crop and livestock commodities.</p>	
National Security			
	<p>Ongoing threat of military invasion, “no peace, no war” situation.</p> <p>Much of the fertile agricultural land, including land held as concessions, was abandoned or damaged by war.</p> <p>Heavy resource demands imposed by large numbers of returnees and internally displaced persons.</p>		<p>Another outbreak of war or continuation of the “no war, no peace” situation.</p>

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

Results of a participatory SWOT analysis undertaken by the IFAD COSOP team and the Government task force on 7 June 2005

Strengths	Weaknesses	Opportunities	Strengths
Infrastructure			
Two natural deepwater ports and three international airports.			
Good main road network			
Other			
Strong connections with and financial support from the Eritrean diaspora. Good animal disease status compared to other countries in the region.	Shortage of capital and equipment to develop irrigation systems to utilize surface water run-off from high-rainfall highland areas. Shortage of capital for investment in rural areas and poorly developed rural financial services. Lack of knowledge about the epidemiology and economic impact of animal diseases.	Improved crop yields in lowlands and highlands through use of improved seeds and agronomic techniques. Introduction of labour-saving technologies for land preparation, wood collection and water carrying to address labour shortages in rural households. Incorporation of drought and food security early warning systems into project and programme designs.	Decline in development assistance from the international community. Major livestock or crop disease epidemics.

APPENDIX IV

IFAD'S CORPORATE THRUSTS AS RELATED TO THE PROPOSED COUNTRY PROGRAMME

Strategic Framework for IFAD 2002-06: Enabling the Rural Poor to Overcome their Poverty	
IFAD Strategic Objectives	Relationship to Eritrea COSOP
<ul style="list-style-type: none"> • Human and social assets: strengthening the capacity of the rural poor and their organizations. • Productive assets and technology: improving equitable access to productive natural resources and technology. • Financial assets and markets: increasing access for financial services and markets. 	<ul style="list-style-type: none"> • COSOP emphasizes participatory processes in identifying and designing development programmes. • Irrigation components of the Eastern Lowlands project and the Gash Barka project aim to develop the capacity of village organizations to take responsibility for community irrigation infrastructure. • The Eastern Lowlands project and the Gash Barka project support irrigation development. • COSOP proposes IFAD support in the areas of sustainable natural resource management and the introduction of new agricultural and livestock technologies to diversify the sources of income. • Rural financial services are currently very weak in Eritrea. Large and widespread food deficits mean that there is strong local demand for all agricultural and livestock products.

IFAD Regional Strategy for Eastern and Southern Africa	
IFAD Cross-Cutting Principles	Relationship to Eritrea COSOP
<ul style="list-style-type: none"> • Careful targeting that focuses on where the poor are and what they do for a living. • Empowerment of the rural poor to strengthen their own productivity and increase their assets. • Democratic accountability to ensure that public policy and institutions effectively facilitate the efforts of the rural poor to work themselves out of poverty. 	<ul style="list-style-type: none"> • COSOP recommends principles and procedures for targeting specific vulnerable groups. • Most people in rural areas are poor or very poor. • COSOP identifies the poorest and most vulnerable groups and proposes a menu of options for rural poverty reduction from which these households may select. • Current portfolio supports water user associations to be managed according to democratic accountability principles. • COSOP recommends closer involvement of IFAD in policy dialogue through the proposed country programme management team.

IFAD Regional Strategy for Eastern and Southern Africa	
IFAD's Principal Regional Thrusts	Relationship to Eritrea COSOP
<ul style="list-style-type: none"> • Promoting efficient and equitable market linkages. • Developing rural financial systems. • Improving the access to and management of land and water. • Creating a better knowledge, information and technology system. 	<ul style="list-style-type: none"> • Most rural households are currently weakly linked to input supply and output markets, and rural commerce is poorly developed. • COSOP does not identify rural financial systems as a high priority, but it may do so in future. • Sustainable natural resource management and poverty reduction are a feature of the current COSOP. • The proposed country programme management team approach will promote information sharing and policy dialogue.

ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED

Donor Agency	Nature of Intervention	Coverage	Status	Complementarity and Synergy Potential
Multi-Donor	Integrated Rural Development Programme	The Government has identified a comprehensive integrated rural development programme that builds on its Interim PRS and, after consultation with the provincial and major donors, aims to address comprehensively the problem of food insecurity at the national and household levels and to address poverty, particularly in rural areas.	<p>Intended to be a four- or five- year programme, including: (1) agriculture and irrigation (US\$90 million); (2) rural roads (US\$20 million); (3) water supply and sanitation (US\$20 million); (4) electrification (US\$13 million); and (5) capacity-building (US\$7 million).</p> <p>Major donors (World Bank, AfDB and the European Commission) are currently considering the proposal.</p>	The objectives of this programme are broadly consistent with the COSOP, and the Government has expressed a wish for IFAD support, along with that of the other major donors.
World Bank	Rural development	<p>The World Bank has identified rural poverty reduction as a high priority and proposes to focus on three key areas: (1) water resource management; (2) improved livestock and pasture management; and (3) seed production, multiplication and distribution.</p> <p>The planned rural development operation would include five building blocks for rural growth that need to be strengthened: (1) enhancing the efficiency of production through support for the generation and adoption of technologies for crop and livestock systems, including enhancing the capacity of the Government and extension service providers and fostering effective research-extension-farmer-market linkages; (2) supporting off-farm activities to increase employment opportunities through the liberalization of the sector, including divesting government assets; (3) irrigation and watershed management, including developing some of the more promising investment opportunities such as spate irrigation; (4) building human resource capacity and infrastructure for a drought early-warning system; and (5) linking key rural production areas to markets through rural infrastructure.</p> <p>Technical assistance is recommended in the following fields: (1) accurate assessment of natural resource potential; (2) understanding the dynamics of the rural economy; (3) analytical work on water resources, including groundwater availability; (4) an assessment of options for agricultural growth and the implications of these options for investment; (5) assessing the current status of tenure security and the implications for</p>	<p>The World Bank Interim Strategy Note (March 2005) proposes the allocation of US\$54 million for “rural capacity-building and water management” in fiscal year 2006/07.</p> <p>However, this is subject to certain triggers or conditions, including official adoption of the Interim PRS, improved fiscal transparency, a public expenditure review, a debt sustainability analysis and dissemination of baseline poverty data.</p>	<p>Potentially a high degree of synergy with the IFAD COSOP.</p> <p>The World Bank rural development strategy supports the government agenda as reflected in the IFAD COSOP, thereby offering potential for cofinancing. However, the World Bank “trigger” requirements mean that progress in advancing the rural development initiative may be slower than IFAD would prefer.</p> <p>In the event that IFAD proceeds to develop one or two new projects in 2006-2008, it will be vital to liaise closely with the World Bank to avoid the duplication of effort.</p> <p>The World Bank is aware that IFAD will give priority to the Government’s wish to proceed with livestock development. The World Bank has indicated interest in pursuing the seed and the water and irrigation initiatives.</p> <p>There is ample scope for complementary World Bank- and</p>

ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED

Donor Agency	Nature of Intervention	Coverage	Status	Complementarity and Synergy Potential
		agricultural growth; and (6) designing a long-term agricultural and rural development strategy.		IFAD-supported operations in the agriculture-rural sector, but implementation capacity may be stretched.
European Union (EU)	National Indicative Programme 2002-2007	<p>The National Indicative Programme has three areas of concentration: (1) post-conflict rehabilitation; (2) support for the demobilization and reintegration of the war-affected population to help restore macroeconomic stability; and (3) support for the development of long-term strategies in key sectors, including food security, transport and education.</p> <p>The budget for 2002-2007 totals EUR 97 million for macroeconomic support, sectoral policies, programmes and projects. This includes a 10% contingency fund for emergency assistance.</p>	<p>The Technical Support for the Ministry of Agriculture Project consists of an EU-funded team from FAO assisting with the formulation of a comprehensive agricultural sector development strategy. Nine working groups are engaged with different aspects of the strategy, which is due for completion before the end of 2005. The purpose of the project is to re-examine the key aspects of agricultural policies in order to help deepen and refine the Government's main agricultural policy thrusts and develop an integrated strategic framework for sectoral policies.</p> <p>EU is supporting numerous small interventions in rural development, food security and food aid, most of which are being implemented by NGOs.</p>	The sector strategy will be in the process of finalization at the same time as the proposed IFAD livestock development project is being formulated. This calls for close cooperation to ensure that the livestock project, as well as subsequent project(s), is (are) consistent with the sector strategy.
African Development Bank (AfDB)	National Livestock Development Project	A US\$12 million project that aims to meet the national demand for livestock products to improve food security and increase incomes among livestock farmers. Components include: (1) forage development; (2) pilot rangeland management; (3) strengthening animal health services; (4) support for small-scale livestock production; and (5) strengthening the Animal Resources Department at the Ministry of Agriculture.	Project implementation originally scheduled for March 1998 to March 2002. However, there were many delays due to loss of staff for national service. Closure was extended until 31 December 2005.	Design of the proposed IFAD livestock development project should take note of the lessons learned during implementation of the National Livestock Development Project.
United States Agency for International Development (USAID) and United States Department of Agriculture	Food aid programmes	Food for Peace Programme, which includes: (1) development activities funded through the monetization of food aid; (2) emergency programmes such as the World Food Programme Emergency Operations Programme and the World Food Programme Protracted Relief and Recovery Programme; and (3) development relief programmes implemented by NGOs over one-three year periods.	Total aid over 2001-2004 was US\$216 million, of which 96% represented food aid.	Food aid distribution needs to be coordinated with development activities supported by IFAD.

ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED

Donor Agency	Nature of Intervention	Coverage	Status	Complementarity and Synergy Potential
Danish International Development Assistance	Agricultural Sector Support Programme	Major support programme for the Ministry of Agriculture, including: (1) integrated watershed management; (2) national seed development initiative; (3) dairy and livestock development; (4) national tree seed development; (5) integrated pest management; and (6) strengthening of financial management systems.	Implemented over 1996-2001 at a cost of US\$9 million. Included substantial technical assistance component. Phase 2, costing US\$25 million, to be implemented beginning in 2006, was designed, but did not proceed, following a Danish Government decision not to continue supporting the sector.	Lessons learned to be factored into the design of future IFAD programmes.
United Nations Development Programme (UNDP)	Emergency assistance	Provision of emergency shelter and other assistance to war-affected people. Constructed emergency shelters, distributed land to internally displaced persons and expellees, distributed seed and tree seedlings for planting and trained selected farmers in soil and water conservation, reforestation, watershed management, etc.	Implemented between 1999 and 2004 with a total budget of US\$7.6 million.	Provides examples of successful rehabilitation activities for conflict-affected rural households.
Food and Agriculture Organization of the United Nations (FAO)	Emergency assistance	FAO, working in conjunction with the Office of the United Nations High Commissioner for Refugees, to provide emergency assistance for internally displaced persons and returnees in the form of seeds and veterinary drugs.	Ongoing.	Valuable lessons learned with regard to domestic seed production capability to be considered in the formulation of any IFAD-supported seed initiative.
	Non-emergency activities	National food information system. Special programme of food security. Agricultural research.	These three programmes are financed by Italian Cooperation (see below).	
Italian Cooperation	National Food Information System in Eritrea	The project is assisting the Government in providing timely and high-quality food security information to assess food emergency conditions, identify and characterize food insecure and vulnerable population groups, monitor food-donations and relief assistance, monitor commercial food imports, formulate food policies and strategies and implement food security programmes.	Implemented by FAO and the Ministry of Agriculture. Successful project that has completed two phases costing US\$2.6 million. Phase 3 is currently being planned.	Baseline information on livelihood systems and food security available from this project could be used for compliance by IFAD projects with the results and impact management system.
	Special Programme of Food Security in Low-Income, Food-Deficit Countries	The project was involved in four main areas: (1) support for improved small-scale, low-cost irrigation and water management practices; (2) promotion of sustainable intensification of crop production; (3) diversification of production systems; and (4) identification of practical solutions to problems that prevent farmers from adopting improved technologies.	Implemented by FAO and the Ministry of Agriculture from July 1997 to September 2004 at a cost of US\$1.1 million. Moderately successful.	Lessons learned are to be factored into the design of future IFAD programmes.
	Strengthening Agricultural Research	The project to assist the Ministry of Agriculture develop its institutional capacity for the generation and dissemination of relevant improved agricultural technologies includes: (1) strengthening the human resources capacity of the National Agricultural Research Institute and (2) improving the quality of research services.	To be implemented by FAO and the Ministry of Agriculture from August 2001 to the end of 2005. Total budget for phases 1 and 2 is US\$7.4 million.	Lessons learned are to be factored into the design of future IFAD programmes.

ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED

Donor Agency	Nature of Intervention	Coverage	Status	Complementarity and Synergy Potential
Global Mechanism of the Convention to Combat Desertification	National Action Plan to Combat Desertification	The Ministry of Agriculture has developed a national action plan to combat desertification. The Global Mechanism has provided a grant to assist in the implementation of this action plan, including: (1) mainstreaming the plan; (2) reviewing and prioritizing the 23 project profiles in the plan; (3) holding a donor consultation forum; and (4) an awareness-raising programme.	A US\$75,000 grant has been provided and is being utilized by the Ministry of Agriculture.	COSOP gives emphasis to environmental degradation as an issue in rural poverty reduction. There is potential for the Global Mechanism to be a partner in future policy dialogues or project implementation.
Global Environment Facility (GEF)	Various country and regional programmes	Seven national projects have been approved, including three in the focal area of biodiversity, three in climate change and one multifocal project. Four are implemented through UNDP, two through the World Bank, and one through the United Nations Environment Programme. All but one of the projects are “enabling activities”, and the one that is not is a full project. Eritrea is also a partner in six regional projects with a total GEF grant contribution of US\$75 million.	GEF grants for national projects amount to US\$8.7 million.	Potential to arrange GEF grant financing as part of an IFAD-brokered financing package.