

ERITREA – PROJECT CONCEPT PAPER¹

A. BACKGROUND, FINDINGS & ANALYSIS

1. GENERAL

1.1. BASIC INFORMATION

1. Eritrea lies in northeast Africa. It is bordered by Sudan, Ethiopia and Djibouti, and has a 1,000 km long coastline along the Red Sea. The country has a surface area of roughly 125,000 km², ranging in altitude from below sea level in the Danakil Depression to over 2,000 metres in the central highlands. Annual rainfall varies from lows of 100 mm. in the arid coastal plains to highs of over 700 mm. in the eastern escarpment and central highlands, but in most areas is highly variable.

2. Estimates of Eritrea's current total population range from 3.2 to 3.9 million, of whom about 0.5 million live in Asmara, the capital. Some 80% of the population are estimated to live in rural areas, practising a range of agricultural and pastoral activities depending on the ecological zone in question. Population densities vary considerably, from very high densities in the central highlands (up to 200 persons/km²), where about half of Eritrea's population lives, to very low densities (sometimes fewer than 10 persons/km²) in the coastal plains and parts of the western lowlands. Administratively, Eritrea is divided into 6 regions or Zobas.

3. After more than thirty years of armed resistance to Ethiopian occupation, Eritrea was liberated by the EPLF in 1991. In May 1993, after Eritreans had voted almost unanimously for independence, Eritrea was officially proclaimed independent. Since liberation, GoSE has vigorously pursued a policy of economic recovery and growth, and has channelled significant resources towards the reconstruction of infrastructure, much of which was badly damaged during the war of liberation. During the period 1993-97, the Eritrean economy grew at an average annual rate of about 11%.

4. However, in 1998 armed conflict broke out between Eritrea and Ethiopia as a result of a border dispute. The conflict escalated into a full-scale war. By 2000, Eritrea had mobilised some 300,000-350,000 of its citizens. The conflict culminated in May-June 2000 with a major Ethiopian offensive, at the end of which Ethiopian forces had managed to occupy several towns in the south-central highlands and large swathes of western Eritrea, including the town of Barentu, the regional capital of Gash-Barka region. An armistice between the two countries was brokered by the OAU in June 2000, bringing an end to fighting. Under OAU auspices, UNMEE is currently in the process of deploying 4,200 peacekeepers in the 25 km. wide Temporary Security Zone (TSZ) which now separates the two countries' armed forces. UNMEE's mandate will terminate as and when the border between Eritrea and Ethiopia has been satisfactorily demarcated.

5. The conflict has resulted not only in much human suffering, but also in widespread destruction of property, housing and socio-economic infrastructure. Over one million Eritreans

¹ UNCDF's project identification mission to Eritrea, fielded in February-March 2001, was made up of Amal Medani (Programme Manager), Roger Shotton (Technical Adviser) and Mike Winter (Consultant).

were displaced by the conflict; whilst many have since been able to return to their villages and towns, just over 0.5 million remain either in temporary displacement camps or in host communities. Damage to property in Gash-Barka and Dubub regions, which were most affected by the conflict, has been valued at US\$ 560 million. As a result of the conflict, food production in the two Zobas (which are Eritrea's most important agricultural regions) has dramatically declined, aggravating food insecurity problems associated with drought in the rest of Eritrea. Finally, the need to put the economy on a war footing and to mobilise thousands of citizens has had a clearly detrimental impact on economic growth (which slowed to nil in 2000) and has resulted in staff and vehicle shortages in many central and regional government departments.

1.2. POVERTY, FOOD SECURITY AND SOCIAL DEVELOPMENT ISSUES

1.2.1. Poverty

6. Despite significant progress since independence, Eritrea remains one of the world's poorest countries. A range of indicators point to the incidence and intensity of poverty in the country. According to the 1999 Human Development Index, Eritrea is ranked 167th out of 174 countries. GNP per capita in 1998 was estimated at only US\$ 200 and is unlikely to have increased much since then. Average life expectancy is 51.1 years, the child mortality rate is 112/1,000 and the maternal mortality rate, estimated to be 998/100,000, is one of the highest in the world. Education indicators also make for sombre reading: the adult illiteracy rate is around 75%, and net primary school enrolment ratios (although they have improved dramatically since 1991) remain below 35%. Access to improved water supplies is poor throughout rural Eritrea.

7. The most recent World Bank poverty assessment, conducted in 1993-94, estimated that 69% of the Eritrean population live below the poverty line. In rural areas, the geographical distribution of poverty is apparently uneven: whilst 83% of the population in the highlands is classified as poor, in the lowlands the corresponding estimate is 52%. However, while poverty is more widespread in the highlands, the more sparsely settled lowlands have poorer access to health and education facilities. Differentiated access to social services is reflected in regional variations in social indicators, which show an urban bias and a bias towards the highlands.

1.2.2. Food security

8. Food security is a major issue in Eritrea. In structural terms, the country suffers from a chronic food production deficit. At the macro-level, a combination of factors explain Eritrea's inadequate production of food:

- low and erratic rainfall in much of the country: most farmers depend on rainfed agriculture in a country where close to 70% of the total area has average annual rainfall of less than 400mm. Elsewhere, in areas with more rain, significant inter-annual variations in rainfall can result in periodic crop failures.
- declining soil fertility (especially in the highlands) as a result of reduced or non-existent fallowing cycles, deforestation, severe erosion, and minimal inputs of organic or other fertilizers.
- insufficient capital for investment in agricultural inputs or infrastructure. Only a small percentage of the total cultivated area is under irrigation, few farmers can afford to use chemical fertilizers.

9. As a result, domestic food production is not sufficient to meet demand. In "good" years, the harvest can meet up to two thirds of national requirements, while in "bad" years less than a third of national requirements are satisfied by production. Inter-annual variations in agricultural production are considerable: lows of around 85,000 tons in 1996 and 2000, and highs of 457,000 tons in 1998. The situation in 2000-2001, as a result of continued drought and major disruptions related to the conflict with Ethiopia, is particularly stark: only 85,000 tons of food were produced in

2000, leaving the country with a shortfall of 478,000 tons, to be made up from existing stocks, food imports, and food aid.

10. In rural areas and at the household level, achieving food security is a major challenge. Farming, agro-pastoral, and pastoral households face a number of food insecurity problems, in addition to those mentioned above:

- very small farm holdings, especially in the densely populated highlands, where the average amount of cultivated land per person can be as little as 0.1 hectare.
- insufficient family labour, particularly (but not exclusively) among women-headed households (which can represent as much as 40% of all households in parts of Eritrea).
- lack of capital items (such as oxen, livestock, tools, and finance) which might enable them to increase farm productivity or – through exchange – purchase food in years of low harvests.
- limited opportunities for generating non-farm income with which to purchase food.

11. There is much evidence to suggest that food insecurity is widespread in Eritrea. The average daily calorie intake in Eritrea is estimated to be only 1,750 calories, well below the WHO standard of 2,350 calories per day. Demographic and health surveys conducted in 1995 showed that, for children under the age of three, 38% of them were stunted (indicating chronic malnutrition), 16% were wasted (indicating acute malnutrition) and 44% were underweight (reflecting either chronic or acute forms of malnutrition). An estimated 41% of all Eritrean women are underweight.

12. As a result of such issues, GoSE attaches a special importance to food security. National policy includes the following elements:

- promoting domestic food production through increased irrigation and agricultural intensification.
- supplementing production with commercial and food aid imports.
- promoting economic diversification through industrialisation.
- stabilising food prices.
- monitoring domestic production.
- ensuring food aid distributions to the particularly vulnerable.
- using monetised food aid to finance cash-for-work programmes in rural areas so as to generate income.

1.2.3. Social development issues

13. Although women remain among the poorest, least literate and most disadvantaged of Eritreans, there is a clear policy commitment on the part of GoSE to reduce gender-based inequalities. Much of this can be attributed to the historical involvement of women in the liberation struggle of the EPLF and their continued representation by the National Union of Eritrean Women (NUEW), founded in 1979, and represented throughout the country.

14. The Eritrean constitution, adopted in May 1997, contains numerous provisions that explicitly protect women's rights and promote gender equality. Women currently make up 22% of the Transitional National Assembly's membership. By law, women must account for at least 30% of the membership of regional assemblies or Baitos. The Land Proclamation – although it has yet to be implemented - explicitly guarantees women's rights to land. A strongly pro-active policy and legal environment with regard to gender issues is also reflected in GoSE commitment to invest in sectors of particular importance to women. Between 1991 and 1998, access to basic healthcare improved considerably, from 46% to 70%. In schools, enrolment rates for girls steadily increased between 1992 and 1997 – by 56, 34 and 16 percent respectively for primary, junior and senior secondary schools.

15. Nonetheless, much remains to be done in terms of gender equality. Eritrean women, particularly (but not exclusively) in rural areas, continue to operate in a socio-cultural framework which is inimical to gender equality. Even among the better educated, prejudice remains. Urban women appear to have significantly fewer job opportunities than do men. Finally, women remain under-represented in the middle and higher levels of civil service.

16. Despite great social diversity, neither ethnicity nor religion appear to be the bases of discrimination in Eritrea. Again, this can be largely attributed to the EPLF's successful efforts to foster a national consciousness during the war of liberation and the GoSE's continued commitment to the same principles. Numerically small ethnic groups (such as the Hdareb or the Bilen) do exist, but rather than be marginalised, government appears to make special efforts to ensure their "inclusion" in development activities.

17. Civil society, in its more formal shape, in Eritrea remains relatively under-developed. There are, however, increasing numbers of national NGOs, some of them founded by Eritreans who have returned from abroad to contribute towards relief and reconstruction work. National representative organisations (such as the NUEW) are generally closely associated with government, largely due to their historical relationship with the EPLF. International NGOs, which were asked to leave the country in 1997, have returned to Eritrea since the conflict with Ethiopia; most of them are engaged in humanitarian, relief or rehabilitation activities.

1.3. DECENTRALISATION

18. In this section of the PCP, some general issues about decentralisation will be discussed. In section A.3. a more detailed discussion of local government in one Zoba (Anseba) will be presented.

1.3.1. Statutory provisions for local government

19. The principle of local government is provided for in the Constitution of Eritrea, ratified in May 1997. Article 1(5) of the Constitution states that: "Eritrea is a unitary State divided into units of local government. The powers and duties of these units shall be determined by law".

20. The law in question was actually promulgated *before* the adoption of the Constitution: Proclamation No. 86 for the Establishment of Regional Administrations (PERA) was enacted in 1996 by GoSE. Table 1 (on the next page) briefly summarises local government structure and functions as provided for by PERA.

21. Very briefly, PERA provided for the creation of six Zobas (or regions) in the country, in turn made up of sub-Zobas, in turn made up of Kebabis or villages/areas. The regions were carved out of the ten pre-existing provinces "inherited" from Ethiopian occupation. "Legislative" or "representative" bodies were provided for at the Zoba and Kebabi (or village/area) levels: elected Baitos (or regional assemblies) for the Zobas and Megabaayas for the Kebabis. Megabaayas are not representative bodies, but are made up of all adult residents in their respective villages/areas. For each level of local government, PERA provides for an "executive" body – regional administrations, sub-regional administrations, and village/area administrations. There are also provisions for town administrations, which can be broadly conceptualised as sub-regions, with the singular difference to rural sub-regions being that towns are expected to have Baitos with functions identical to those of regional Baitos.

22. In addition, PERA includes provisions for the allocation of powers and duties between central and local government. Broadly, central government is to retain specific powers and duties over sectors such as defence and national security, foreign and international affairs, economic policy, higher education, justice, citizenship issues and major communication infrastructure. For

other sectors, central government is to retain common powers and duties such as policy formulation, research, and technical assistance to regions. According to the provisions of PERA, regional administrations have the responsibilities (among others) to execute administrative, social service and development programmes, to prepare and implement regional development plans and budgets, and to prepare and allocate regional recurrent budgets.

23. A close reading of the provisions of the Proclamation reveals a number of inconsistencies and areas of ambiguity, *inter alia*:

- the unclear role and limited powers of the elected Baitos at Zoba level, particularly with regard to planning and budgeting in the regions, and their apparent subordination to the deconcentrated Zoba administration;
- the apparent duplication of programming and planning functions by both the Baitos and the Zoba administration;
- the lack of any representative bodies at sub-Zoba or Kebabi levels and the impracticality of the Megabaaya as an institutional mechanism for ensuring popular participation;
- the shortness (12 months) of Baito terms (although this is expected to be modified – to four years – once the national constitution is implemented in 2002);
- the accountability of Baitos to their constituents appears to be in contradiction with their duty to report to the MoLG;
- the problems inherent in the dual supervision arrangements for Zoba and sub-Zoba line department staff;
- the lack of clear provisions for fiscal decentralisation.

24. Such inconsistencies and ambiguities are made more problematic by the fact that no detailed follow up directives – regulatory frameworks, procedures, systems and guidelines spelling out the modus operandi of implementation by Zobas and sub-Zobas, and relations with central government, etc. – have been drawn up or promulgated by the MoLG. The absence of such directives has almost certainly made the implementation of the Proclamation extremely difficult.

25. In more general terms, the formal provisions of the Proclamation are for “deconcentration with consultation” rather than for devolution. In consequence, formal accountability mechanisms are still essentially upward and the full potential benefits of decentralisation (greater service delivery effectiveness and responsiveness through greater local input and downward accountability, local monitoring of line department performance, horizontal integration of local departmental planning & service delivery activities, etc) are not likely to be fully realised.

Table 1: local government structure and functions in Eritrea (as provided for by PERA)

Level of LG	“Representative” bodies	“Executive” bodies
<p>Zoba/region: 6 Regions: - Anseba - Debub - Gash-Barka - Maekel (Asmara) - Northern Red Sea - Southern Red Sea</p>	<p>Baito: - composed of elected representatives of the residents of each sub-region in the Zoba with a 12-month mandate. - main duties and powers include: <ul style="list-style-type: none"> - preparation & implementation of development plans (subject to MoLG approval); - establishment of Baito committees; - gathering of information on regional needs; - approval of social and economic development programmes and budgets prepared and submitted by the administration; - collection of local revenues; - evaluation of performance of regional executive body if necessary. - special provisions include: <ul style="list-style-type: none"> - at least 30% of Baito members must be women; - Baitos are accountable to their constituents and report to MoLG; - Baitos have their own budgets; - Baitos meet every 2 or 3 months. </p>	<p>Regional administration: - composed of Regional Administrator (RA), Executive Director, and Departments or Units. - main duties and powers (of Regional Administrator) include: <ul style="list-style-type: none"> - implementation and adherence to central govt. policies/plans and regional procedures/directives; - implementation of all MoLG directives and programmes; - drawing up & implementation of regional plans (subject to MoLG approval); - direction/supervision of sub-regional administrations; - participation in Baito meetings; - information of Baito concerning local govt. institutional arrangements; - preparation & submission to the Baito of regional development issues; - suspension of Baito resolutions if they are seen to be at odds with central govt. policies and regulations; - information of Baito concerning annual budget requests. </p>
<p>Sub-Zoba/sub-region (4 to 11 sub-regions depending on the Region)</p>	<p>None</p>	<p>Sub-regional administration: - composed of sub-regional Administrator, Executive Director and branches/units. - main duties and powers (of sub-regional Administrator): <ul style="list-style-type: none"> - control of proper implementation of central govt. policies/plans and regional directives; - accountable to Regional Administrator; - drawing up & implementation of sub-regional programmes (subject to RA approval); - supervision of village/area administrators </p>
<p>Kebabi/village/area</p>	<p>Megabaaya - composed of all villagers over the age of 18. - main duties and powers include: <ul style="list-style-type: none"> - discussion of programmes to be carried out in village/area; - approval of programmes requiring Megabaaya participation; - evaluation of performance of village/area administrator; - special provisions include: <ul style="list-style-type: none"> - Megabaayas meet every 2 or 3 months. </p>	<p>Village/area administration : - composed of village/area administrator and deputy. - main duties and powers include: <ul style="list-style-type: none"> - control compliance with regional and national policies; - draws up development programmes of village/area administration; - selects, forms and directs committees with Megabaaya cooperation; - execution of sub-regional programmes & directives; - chairmanship of Megabaaya. </p>

1.3.2. Regional and local government in practice

26. The six regions established by PERA are now well-established administrative units, as are the sub-Zobas and the Kebabis. The following table provides basic information on the regions.

Table 2: regional information

Zoba	Regional capital	No. of sub-regions	Total population* (000s)
Anseba	Keren	11	570.2
Debub	Mendefera	11	1,014.8
Gash-Barka	Barentu	14	754.8
Maekel	Asmara	4	726.6
Northern Red Sea	Massawa	9	558.5
Southern Red Sea	Assab	4	273.9
Totals		53	3,900.0

* = these are the largest current estimates (see World Bank 2001).

27. Only a few empirical studies of local government administration and management in Eritrea have been carried out since PERA, all of them within the framework of the second phase of the Public Sector Management Programme funded by UNDP. These recent studies have examined management issues in five urban municipalities (Asmara, Keren, Massawa, Ghindae, and Mendefera), as well as management in Zoba Maekel (the region in and around Asmara)².

28. The study of financial management systems in the municipalities, carried out in 1999, highlights:

- the lack of an overall inter-governmental fiscal transfer structure and policy, identifying respective central and local tax and expenditure assignments and mechanisms to offset “fiscal gaps” at local level;
- specific problems of urban revenue mobilisation due to unclear assignment of local tax sources, weak registration and valuation procedures and collection mechanisms, inadequate service-specific cost recovery, lack of trained personnel and guidelines, etc.;
- problems in the urban budgeting process - lack of public involvement, inadequate inter-departmental integration, and weak execution and control.

29. The report on Zoba Maekel (commissioned in 2000 and which was intended to contribute towards establishing Total Quality Management for the region) raises many similar issues in the wider Zoba context. Some of the conclusions of the report were that:

- the regional Baito was a weak institutional actor – due to the weak and unclear role assigned to Baitos within PERA (noted above), its lack of a secretariat and staff resources, and the limited involvement of the Baito in planning, budgeting, and oversight of budget implementation;
- planning and budgeting processes were weak – due to the departmental fragmentation of procedures, and a budget committee with too narrow a focus and membership;

² see UNDP (1999) and UNDP (2000).

- financial controls were weak – due to the lack of budget discipline, internal control and audit procedures;
- there is a regulatory void in the absence of procedures and guidelines laying out how Zoba business is to be conducted.

A major recommendation of PSMP is to establish a broad-based Zoba Budget Committee under the Chief Executive, with both department heads and Baito representatives as members, to be supported by a Budget Unit. It also sets out a proposed budget cycle (April/May to December), to allow for a more open and integrated process of consultation and prioritisation. The findings and analysis above were largely corroborated by the mission in Zoba Anseba (see Section A.3.3.4. below), and the proposed programme strategy (see section B. below) aims to implement solutions to these problems in the Zoba, so building on PSMP.

30. There is a clear recognition on the part of GoSE officials that decentralisation is proceeding behind schedule and that implementation of the process is only partial. Understandably, much of this is often attributed to the conflict with Ethiopia, which has led to energies being channelled into the war effort and staff/other resources being mobilised for national security purposes. In addition, it is often argued that because capacities at Zoba and sub-Zoba levels are seen to be weak, the devolution of further powers and greater responsibilities to the regions would be counter-productive. At Zoba level, however, it is equally clear that administrations are keen (and somewhat impatient) to be given a more important say in regional development and management, although much less keen about, in turn, devolving responsibilities and powers to the sub-Zoba level (where capacities are thought to be even weaker).

1.3.3. Ministry of Local Government

31. The Ministry of Local Government in Eritrea appears to have a dual mandate, operating both as a type of Ministry of the Interior (manifested by its responsibility for policing) and as a more classic MoLG, with responsibilities for the functioning of regional and sub-regional government. It is also one of the more prominent of the larger ministries, in the sense that the previous Minister was also Vice-President of the State of Eritrea.

32. A number of provisions in the Proclamation define the roles and responsibilities of the Ministry with regard to regional and sub-regional government, *inter alia*:

- demarcation and ratification of the boundaries of local government units (Art 5);
- recognition of newly developed towns as municipalities (Art. 31);
- definition of electoral procedures for regional and town Baitos (Art. 11);
- promulgation of regulations for the implementation of PERA (Art. 41);
- approval of regional development plans and budgets (Arts. 13, 16, & 20);
- approval of regional governments' "administrative contracts" (Art. 7);
- appointment of regional executives, department heads, sub-regional administrators (Art. 39);
- approval of village/area administrator appointments by regional administrators (Art. 39);
- receive reports from regional administrations and Baitos (Arts. 13, 14, 20 & 37);
- monitoring of the transfer of line ministry employees to regions (Art. 36);
- approval of staff recruitment by the regional administrations (Art. 37).

From this, it is fairly clear that MoLG exercises, in a largely *ex-ante* or *a priori* way, considerable oversight powers over the functioning of regional administrations and their activities, as well as over Baitos.

33. The MoLG is structured into three main departments and one division:

- the Department of Regional Affairs (DRA), which is closely involved in monitoring and supporting regional administrations and programmes. DRA is, in turn, made up of three

- divisions: Economic Development, Social Affairs/Services, and Infrastructure. DRA is primarily responsible for management of the Eritrean Community Development Fund (ECDF), funded by the World Bank (see section 2 below);
- the Department of Council, Municipal and Cooperative Affairs (DCMCA), which is responsible for organising and monitoring local government elections, for drafting internal regulations for the Baitos, and for providing elected councils with training;
 - the Administration Department, which deals with MoLG administration, finance, personnel, general services and communications.
 - the Research and Human Resource Development Division.

1.3.4. Sectoral decentralisation

34. While the provisions of PERA concerning the allocation of responsibilities and powers between central government line ministries and decentralised authorities are relatively clear, they remain to be fully implemented. Many line ministries still appear to be a long way from having shed their operational functions and restricting themselves to sectoral policy, regulation, technical backstopping, and research. Operational planning and budgeting remain largely sectoral – rather than regional or sub-regional - in focus.

35. The Ministry of Agriculture, for example, continues to manage the implementation of “national” programmes (both donor- and GoSE-funded), even though many of them involve coordination of activities at the Zoba level. A recent World Bank review of the agriculture sector also notes that budgeting responsibilities remain with the central authorities.

36. Much the same kind of comments can be made about the decentralisation process in most other sectors (health, water, education).

1.3.5. Conclusion and perspectives

37. There is little doubt that much remains to be done before regional and local government in Eritrea will exercise significant control over developmental, planning and budgeting activities. It also seems clear that there is a continued need for “tinkering” with the existing institutional arrangements in order to increase downward accountability and transparency within local government. However, two important points need to be made:

- for a country embarking on decentralisation for the first time, emerging from traditions of colonial and then Ethiopian rule, this is no doubt an inevitable transition phase, with the first step being to transfer the machinery of state administration outside the capital;
- furthermore, the strong traditions of consultation between local officials, local representatives and community members which were established during the long struggle period, together with the ethos of the national leadership, certainly go a long way to compensate for the absence of more formal local accountability mechanisms.

38. It is also important to note that GoSE is well aware of general governance problems and constraints. The Common Country Assessment (CCA), undertaken by the UN system in Eritrea during 2000 in close consultation with Government and other partners, examined governance in Eritrea and identified a number of key issues:

- delays in the devolution of power;
- human resource constraints in the public sector;
- lack of awareness and appropriate mechanisms for the implementation of fundamental rights and freedoms;
- inadequate systems, procedures and controlling mechanisms in public sector management;
- persistent gender inequalities;

- delays in the promulgation of various laws;
- rigidity of internal structures;
- backlog of unmet needs.

The CCA also made a number of recommendations aimed at improving governance in the country:

- reinforce both human and material resource capacities;
- consolidate national policies, refine objectives, clarify implementation strategies;
- finalise and implement key legislation (budget law, civil service law ..);
- encourage local authorities to involve other local agencies and institutions;
- promote accountability, transparency, efficiency and responsiveness;
- more civic education;
- develop civil society;
- ensure protection of basic human rights

These findings and recommendations are generic and are intended to apply to the whole gamut of Governance and not just to Local Governance. However, their endorsement by government officials does signal an openness and recognition of the need for attention to policy development and capacity building, and a willingness to dialogue with UNDP and other partners on these issues.

39. While the implementation of PERA has been delayed by the 1998-2000 conflict with Ethiopia, it appears there is now strong central commitment to move forward, and signs of considerable pragmatic flexibility in this. The universally stated aim is to delegate service provision and implementation responsibilities to Zoba authorities, and to limit central ministries to policy-making, regulation and monitoring. Several sectors (health and water among others) have recently made clear policy statements in favour of greater decentralisation. At the same time, there are also statements from government suggesting a serious commitment to enhancing the role of democratically elected bodies at sub-national level.

1.4. PAST UNCDF INVOLVEMENT IN ERITREA

40. UNCDF, in collaboration with UNDP, has been providing assistance to Eritrea since 1986 through the Rehabilitation of the Red Sea Fisheries and Marine Fish Marketing Development Project located in Assab. In response to the Government of Eritrea's geographical priorities, the project document was reformulated and approved in 1992 (ERI/92/001 – UNDP, ERI/92/CO1 – UNCDF) as the Semhar Fisheries Rehabilitation Project in the Massawa and Dahlak areas, with FAO as the implementing Agency.

41. Up until 1994, UNDP and UNCDF assistance was mainly focused on building infrastructure and fishing community development activities. In 1995, the Capacity for the National Marine Resources programme was initiated with the assistance of UNDP to complement the development efforts and strengthen the Ministry of Fisheries and Marine Resources capacity to utilize and build upon the infrastructure activities. The project's activities were all completed by the year 2000.

42. Subsequently, in 1997, UNCDF also provided support for the construction of Junior Secondary Schools (ERI/97/CO1), under the auspices of the Ministry of Education. Completed in 1999, the project constructed a total of 4 schools: 1 in Gash-Barka Region and 3 in Anseba Region.

43. Since 1996, several UNCDF missions have visited Eritrea in order to assess further programming possibilities. With its increasing focus on local governance and development projects, discussions with GoSE authorities in February 2000 resulted in the decision to

concentrate UNCDF's potential support on decentralisation policy in partnership with UNDP and the Ministry of Local Government.

2. ACTIVITIES OF DEVELOPMENT PARTNERS

44. Several donors and international agencies are currently providing assistance to GoSE in a number of sectors. In the immediate aftermath of the recent conflict with Ethiopia much of this assistance is being focussed on relief, rehabilitation and reconstruction needs, particularly in Gash-Barka and Debub regions, where the most damage was done. However, a number of important medium to long term programmes and projects are either underway or in the pipeline. Those with the most relevance to UNCDF concerns are discussed here.

2.1. MULTILATERAL AGENCIES

2.1.1. UNDP

45. UNDP has provided support to the decentralisation process in Eritrea through its Public Sector Management Programme (PSMP). In Phase 1 of PSMP, support was provided for overall public sector management and reform, for initial functional reviews, and for demarcating the new Regions and providing basic hardware support to new regional administrations. Under Phase 2, UNDP supported implementation of PERA through a variety of studies, examining various aspects of both municipal and Zoba administration and management. The findings and some of the recommendations of these studies are described in section 1.3. above. They provide a valuable insight into local government management and should inform UNCDF's project formulation process.

46. In the area of food security, UNDP has committed itself to supporting a US\$ 1 million project (ERI/00/001/A/01/99 and ERI/00/G81/A/5G/99) aimed at improving information on household food security, at strengthening Zoba and sub-Zoba level capacity to plan and implement food security strategies, and at promoting food security through the provision of small-scale credit. The project, which has yet to get underway, will concentrate its activities in the Northern Red Sea and Gash-Barka regions, and will be implemented by GoSE and an international NGO.

47. Starting in July 2001 UNDP will be working with Government to formulate a new CCF, building on the CCA, as a basis for the 2002-2005 cycle. It is aimed to submit this to the UNDP Executive Board in January 2002, for approval. UNDP believes that support to local governance and decentralisation will remain a major component in the next cycle, although this will depend on discussions and negotiations with government in the coming months.

2.1.2. World Bank

48. The World Bank, as elsewhere, is a major provider of development assistance in Eritrea. Of relevance to UNCDF are two important projects funded by the World Bank:

- the Eritrean Community Development Fund (ECDF), operational since 1996 and with an overall budget of around US\$ 50 million (although more funds have been made available for post-conflict reconstruction activities). The Belgian, Dutch and Italian governments have also contributed significant funds to the ECDF project;
- the Early Childhood Development Programme (ECDP), only very recently operational and with an overall budget of US\$ 49 million.

Both projects are institutionally “housed” as semi-autonomous units within the MoLG. Discussion will be limited to ECDF in this paper, because it is much better established and because the two projects appear to operate in much the same way

49. ECDF is similar to other World Bank-financed social funds, with a mandate to fund and implement locally identified infrastructure and NRM projects, as well as to pilot a micro savings and credit programme. Project ideas are identified at a variety of levels, screened (in principle) by regional Baitos and ECDF regional branches, and then forwarded on to the national Management Office in Asmara, where further screening takes place. Assuming a project proposal is accepted, either the regional branch or central technical units will carry out project appraisal and more detailed design. Following appraisal, project documents are referred to the Management Office and a final decision taken on implementation. Subsequent implementation, contracting and payment are usually carried out by ECDF units.

50. ECDF has delivered a range of infrastructural investments: feeder (or even secondary) roads, elementary and junior high schools, health stations and centres, veterinary clinics, market places, and water supply systems. It has also funded NRM investments, such as terracing (in the highlands) and reforestation. In general, ECDF-financed projects have tended to be quite substantial investments: the Keren-Geleb “feeder” road (currently nearing completion), for example, was budgeted at US\$ 5.5 million; elementary schools completed in Anseba before 1998 cost between US\$ 85,000 – 95,000; and pre-1998 terracing projects in Anseba were costed at between US\$ 20,000 – 40,000.

51. The savings and credit component of ECDF has been considered successful. As a result, both GoSE and the World Bank plan to significantly increase its scope and range in the next round of ECDF financing.

52. To date, ECDF has operated in a relatively centralised way, with most major decisions made and implementation responsibilities (procurement, contracting, monitoring, etc.) held by the project’s Management Office in Asmara. For the second phase of ECDF – for which appraisal is scheduled to start in mid-2000 – it is expected that the project will seek to become more decentralised and to more explicitly target capacity-building in the Zobas.

53. Although ECDF provides little in the way of lessons learnt for a more devolved way of providing public goods and services, it has pioneered a number of procedures (appraisal, technical design, procurement, contracting), which would be of considerable use in designing regional planning, and implementation of capital investments. ECDF manuals are available and should be built upon in any UNCDF-supported project in Eritrea.

54. The World Bank will shortly be carrying out a Public Expenditure Review in Eritrea, part of which will examine decentralisation issues.

2.1.3. IFAD

55. IFAD (with BSF co-funding of US\$ 5.29 million) is currently funding the Eastern Lowlands Wadi Development Project (ELWDP), which started in 1996. The total project budget is just over US\$ 20 million. The project, based in Northern Red Sea Zoba, aims to rehabilitate and improve the spate irrigation-based system in three wadis with a view to increasing food security and incomes. Project components include: irrigation improvements, agro-pastoral intensification, road construction, improved domestic water supply, and training. The World Bank’s recent agricultural sector review noted that the project was behind schedule in terms of implementation and that major problems have been encountered in staffing and management.

56. The Gash-Barka Livestock and Agriculture Development Project is in IFAD’s project pipeline, for which some US\$ 17 million have been earmarked (of which an unknown proportion will be provided by BSF). This project, which will operate in Gash-Barka region, is still at the

appraisal stage, but is likely to include a capacity-building component for community and local government level institutions.

2.2. BILATERAL AGENCIES

2.2.1. DANIDA

57. DANIDA is one of the most important of Eritrea's bilateral partners, providing significant levels of assistance to the agriculture and education sectors.

58. In the agriculture sector DANIDA's Agriculture Sector Support Programme (ASSP) has provided assistance in six main areas: (i) integrated watershed management; (ii) national seed development; (iii) dairy/livestock development; (iv) national tree seed development; (v) integrated pest management; and (vi) financial systems management. All of these components are implemented by the Ministry of Agriculture. Within the integrated watershed management component, some activities of which have been undertaken in Anseba region, DANIDA provides support for NRM training to farmers as well as cash-for-work. This component is considered to be particularly successful and capable of being devolved to Zoba and sub-Zoba levels.

59. In the context of post-conflict and persistent drought, ASSP has also helped the Ministry of Agriculture initiate a bottom-up needs assessment, working from Kebabis to sub-Zobas to Zobas. Although there has been an inevitable tendency for such an exercise to result in "wish-lists", it has demonstrated that there is local capacity for identifying grass-roots needs in the regions.

60. DANIDA is in the process of designing a second phase for ASSP, for which approximately US\$ 40 million are available. It is very likely that the new programme will try to support the decentralisation of the Ministry of Agriculture and the emergence of a greater degree of regional-level agricultural planning.

2.3. NGOS

61. A number of international, as well as national, NGOs are currently operational in Eritrea. While most of them are engaged in humanitarian assistance, a few have developed or are developing longer term programmes of assistance. Those of particular relevance to UNCDF are described here.

62. ACORD, a London-based NGO, manages a well-known savings and credit scheme in southern and western Eritrea. In 1999, the scheme provided micro-finance services for almost 6,000 clients. At the moment, given the availability of post-conflict funding in Eritrea, ACORD appears to have few problems in obtaining funds for its micro-finance activities; indeed, it is trying to make sure that it does not expand beyond its management capacities

63. SOS-Faim, a Belgian NGO, has been involved in a rural development project in southern Eritrea and is currently in the process of designing a new project to support small-scale irrigation in the western lowlands of Gash-Barka (for which it expects to obtain some BSF funding). The new project will probably be implemented by the Gash-Barka agricultural service with some national technical assistance. The project could provide any UNCDF local development project with helpful technical knowledge concerning small-scale irrigation development.

64. Finally, an Eritrean NGO, Haben, is currently in the process of submitting a proposal to UNDP's Post-War Emergency Rehabilitation Project (POWER) – funded by Italian bilateral aid – for a project in the Kerkebet and Sela'a area of Anseba. This project will seek to improve access to basic services in the two sub-Zobas.

3. PROPOSED PROJECT AREA: ANSEBA REGION

65. The Regional Affairs Department of MoLG clearly and very early on oriented UNCDF's project identification mission to develop a project concept for Anseba region. The choice of Anseba appears to be justifiable on four grounds:

- the region was not badly affected by the recent conflict with Ethiopia. The Zoba administration is therefore not under severe pressure to coordinate and manage major relief, rehabilitation and reconstruction efforts and is thus better able to maintain a medium to long term perspective on regional development issues, including institutional issues;
- the region is nonetheless in need of much infrastructural investment if poverty and food security issues are to be meaningfully addressed. Moreover, there is only a relatively modest amount of development assistance being allocated to the region at the moment;
- the region is diverse in agro-ecological and livelihood terms: partly highlands (both relatively moist and arid) and partly arid lowlands, with rural livelihoods including farming, agro-pastoralism and pastoralism. Population densities are also very variable. Any learning on local development and governance in Anseba, then, would be applicable to a wide range of contexts in Eritrea;
- given the funds likely to be available to UNCDF (in the order of US\$ 5 million), it would seem sensible to concentrate them on one region, rather than two or more regions, in order to have a significant impact.

The project identification mission therefore agreed to concentrate its efforts on Anseba region.

3.1. BASIC INFORMATION

66. Anseba region is situated in the northwestern part of Eritrea (see map). The Zoba covers an area of 22,834 km², ranging in altitude from 450 to 2,000 meters above sea level, the highest peaks being in Adi-Tekelezan and Halhal sub-regions and the lowest in Kerkebet and Sela'a in the northwest lowlands. Annual rainfall varies in the region, but – with the exception of the sub-Zobas lying between Keren and Asmara – is generally below 400 mm. Two important seasonal rivers – the Anseba and the Barka - flow through parts of the region before entering Sudan. The region is bordered by Gash-Barka and Maekel Zobas to the south, by Northern Red Sea region to the northeast and by Sudan to the northwest. The regional capital, Keren, is a one-and-a-half hour's drive from Asmara, on a good asphalt road.

67. The total population of Anseba region is variously estimated³ at between 336,000 and 570,000 people. Table 3 provides a summary of sub-regional population sizes in the Zoba⁴. As can be seen from the table, sub-Zoba populations are variable – sub-Zobas in the northwest lowlands, such as Sela'a, are sparsely populated, while those in the highlands, such as Halhal or Elabered, are more densely populated.

³ for the moment, no up to date demographic census data is available for Eritrea.

⁴ this is the lowest estimate of Zoba Anseba's population, which is likely to be higher; however, it is the only estimate (derived from MoA data in Keren) which includes a breakdown for the 11th and most recently created sub-Zoba of Hamelmalo.

Table 3: demographic data by sub-region, Zoba Anseba

Sub-zone	No. kebabis	No. villages	No. households	Population	Surface area (km ²)
Adi					
Tekelezan	10	25	5,100	21,714	378.1
Asmat	10	32	6,847	31,483	2,332.5
Elabered	13	69	7,393	35,861	566.6
Geleb	11	12	5,743	30,712	421.3
Habero	8	36	6,907	31,902	1,034.4
Hagaz	17	87	9,353	41,996	1,058.8
Halhal	8	27	5,073	24,873	806.3
Hamelmallo	8	47	4,828	21,869	452.2
Keren	4	14	12,767	63,835	137.5
Kerkebet	8	66	4,457	22,661	9,070.9
Sela'a	8	22	2,425	9,851	6,573.8
Totals	105	437	70,893	336,757	22,832.4

68. In ethnic terms, the population of the region is varied. The largest group are the Tigre, followed by Tigrinya, Bilen and Hdareb. In the lowlands sub-Zobas of Kerkebet and Sela'a, Hdareb and Tigre tend to dominate, while in the highlands there is a mix of Tigre, Bilen, and Tigrinya speakers. Tigrinya and Bilen tend to be farmers, while Tigre and Hdareb practise a much more pastoral livelihood. The vast majority (86%) of the population is rural. Livelihoods are derived from farming (mainly in the highlands) and pastoralism (particularly in the northern highlands and the northwest lowlands). Most farming is rainfed. Major cereal crops include pearl millet and sorghum, with some barley being grown at higher altitudes in the southern part of the region. It is estimated that a total of 60,000 hectares are currently farmed, of which only 2,000 hectares are under some form of irrigation (which is practised in river valleys for the most part).

3.2. RURAL DEVELOPMENT ISSUES

3.2.1. Food security

69. Anseba is one of the more drought-prone regions of Eritrea. Annual rainfall is low and very erratic. Given that most farming is rainfed and that livestock rely almost entirely on natural rangelands, recurrent drought usually means that farmers and herders in the region face frequent production deficits. This year, for example, is the third successive year of drought in Anseba and local populations are faced with serious food security problems.

70. Even in "normal" years, farmers in Anseba are usually unable to meet their food requirements from rainfed farming. A study carried out in 1998⁵ showed that Bilen households in the northern midlands, close to Keren, could only expect rainfed crop production to meet about three months of their food needs. To meet the remaining balance of their annual food needs, such households diversify their productive practices by engaging in small-scale horticulture (the produce of which is sold in nearby markets), sell livestock or engage in off-farm activities (such as cutting and selling stone for construction purposes, collecting and selling firewood, or seasonal out-migration to the eastern lowlands where they can find agricultural employment).

⁵ see Bonfiglioli (1998).

71. Reducing long term food insecurity in Anseba will probably require a range of interventions, some of which might be the following:

- increasing opportunities for agricultural diversification and for improved access to commercial food stocks by building a denser network of feeder roads, thereby providing farmers with better access to markets;
- investing in small-scale irrigation wherever it is possible, by building dams, sinking wells and the like;
- investing in terracing for soil and water conservation;
- promoting reafforestation on terraced slopes as a way of increasing wood stocks (for future cutting);
- providing people with access to micro-finance services;
- ensuring better access to education, so as to enhance people's capacity to find remunerative off-farm employment;
- providing animal health infrastructure in pastoral areas;
- providing people with technical skills to undertake diversified or new activities;
- ...

Whilst many of these interventions are being supported by GoSE and others in Anseba, there is a clear need for greater investment if food insecurity is to be reduced sooner rather than later.

72. In the short term, when local coping mechanisms come under severe stress (as is the case this year), there is little alternative to food aid and to cash-for-work schemes (which generate income and thus purchasing power, as well as financing the construction of infrastructure or labour-intensive soil and water conservation schemes). Food aid in Anseba has been significant over the last few years as a result of protracted drought and increased vulnerability due to the breakdown of traditional coping mechanisms (such as seasonal out-migration to Gash-Barka and Ethiopia) as a result of the conflict.

3.2.2. Basic services

73. Access to educational facilities in Anseba, although better than some other regions in Eritrea, is still inadequate. The following table provides a summary of primary schools, enrolment and teaching staff.

Table 4: primary schools information (government and private), Anseba region, 2000-2001

Sob-Zoba	No. of schools	No. of students	No. of teachers
Adi Tekelezan	9	3,984	86
Asmat	6	2,016	47
Elabered	22	6,840	175
Geleb	9	3,497	79
Habero	6	2,480	55
Hagaz	18	7,277	164
Halhal	8	3,139	75
Keren	20	12,862	300
Kerkebet	4	377	16
Sela'a	2	309	6
Hamelmallo	7	2,655	63
Total	111	45,436	1,066

From the table it can be seen that the larger, more pastoral and more remote sub-Zobas of Asmat, Habero, Kerkebet and Sela'a are the most deprived in terms of schools, while the sub-Zobas closer to Keren are somewhat better endowed.

74. Health services in Anseba are fairly limited. The following table provides a summary of the distribution of health facilities by sub-Zoba.

Table 5: health facilities in Anseba region, 2001*

Sub-Zoba	Hospitals	Health centres	Health stations
Adi Tekelezan	-	1	-
Asmat	-	1	1
Elabered	-	1	3
Geleb	-	-	1
Habero	-	1	1
Hagaz	-	1	6
Halhal	-	1	2
Keren	1	1	5
Kerkebet	-	1	-
Sela'a	-	-	1
Hamelmalo	-	-	2
Total	1	8	23

* = includes some non-governmental facilities.

A generic drug supply system is operational, but does not (according to MoH officials in Keren) operate on a cost recovery basis. The Ministry of Health in Anseba employs a total of 459 staff, of whom 240 are technical. Due to the hospital in Keren, the majority of the best-qualified staff are concentrated in the regional capital. Once again, the more remote sub-Zobas (such as Sela'a and Kerkebet) appear to be the least well-endowed in terms of health facilities.

75. Better access to improved water supplies is one of the most important developmental priorities in the region. The Zoba administration estimates that only 16% of the region's population has access to improved water; the remaining 84% either have to travel long distances to collect water or only have access to unimproved water supplies. This has obvious implications for women (who are largely responsible for water collection in rural Anseba) and for health in general.

3.2.3. Land tenure and resource access

76. Customary land tenure and resource access institutions in Anseba – as elsewhere in Eritrea – are complex and varied. Among Tigrinya and Bilen communities in the highlands and midlands, forms of *diesa* appear to be dominant. Under *diesa*, land ownership is vested in village communities, which periodically redistribute land among village residents such that each household head receives portions of good, bad and indifferent land. Widows, provided that they remain in the village of their deceased husband and do not remarry, are entitled to land under the *diesa* system. *Diesa* is commonly thought to discourage land improvement, as farmers have no guarantee that they (or their descendants) will be reallocated fields in which they have made investments (such as tree planting or terracing). However, *diesa* does – as it is intended to – ensure a degree of equality as well as providing all community members with access to land.

77. Agro-pastoral Tigre communities, on the other hand, more commonly practise forms of *risti*, under which usufruct rights to land are generally passed on from fathers to sons. Under *risti*, land remains inalienable and ultimate “ownership” is vested in the lineage or extended family. The more pastoral Tigre and Hdareb groups, whose livelihoods depend largely upon rangelands and access to water, exercise rights of access to such common property resources. The same holds true for non-arable land in the highlands and midlands. Of particular importance to herders are seasonal river valleys, where browse and grazing resources are highly prized and where water points are vital during the dry season.

78. Juxtaposed to such customary land tenure systems is statutory law, enshrined in the 1994 Land Proclamation. The Land Proclamation vests land ownership in the State (which can thus grant concessions to commercial farmers), but also guarantees the right of all Eritreans to cultivate land. To date, implementation of the Proclamation has been very limited.

79. Any financing of productive rural investments in Anseba needs to take into account this complex tenure system and the incentives or disincentives it provides. Particular attention should be paid to the development of irrigated agriculture in areas currently used by pastoralists and to terracing and other land improvement schemes on highlands and mid altitude farming land.

3.2.4. Development interventions

80. A number of GoSE and externally-funded programmes are active in Anseba region. The Ministry of Agriculture, with support from DANIDA and other agencies, is actively promoting integrated watershed management (IWM). IWM, much of which is implemented through cash-for-work, involves a variety of technical activities: terracing for soil and water conservation, dam construction, irrigation, enclosure of natural dryland forest for purposes of regeneration, road maintenance, tree planting. Enclosure appears to be one of the most successful components of IWM, in that it is cost-effective, has very positive technical results, and provides farmers with income generating opportunities (particularly through the harvesting and sale of hay). Since 1998, some 90,000 hectares of land has been “enclosed” in the region.

81. ECDF has also been active in Anseba. Since 1997, ECDF has funded the construction of 3 health stations, 5 primary schools, 4 junior high schools, 1 market place, 1 veterinary clinic, and several NRM schemes (terracing, tree planting, watershed development). Ongoing ECDF projects include the construction of the Keren-Geleb road and the installation of several water supply systems. Total ECDF disbursements in the region since 1997 amount to about 31 million nakfa (US\$ 3.1 million at 2001 exchange rates).

82. ECDF also implements a pilot Savings and Credit Programme in (SCP) Anseba, operational in the 5 southern sub-Zobas (Elabered, Keren, Hagaz, Adi Tekelezan, and Hamelmalo). To date, SCP has promoted the establishment of 18 village banks with a total membership of around 1,800. Loans are mainly in the 750 – 6,000 nakfa range, with a few, larger small business loans of upto 100,000 nakfa. Total outstanding credit in March 2001 amounted to 2 million nakfa.

83. In the water sector, UNICEF, the Danish Embassy and some international NGOs have provided modest support for the installation of solar- and motor-powered water supply systems in the region.

84. USAID, through its monetised food aid programme, is currently funding the construction of the Keren-Halhal road.

3.3. INSTITUTIONAL ISSUES

3.3.1. Regional and local government

(i) Administration

85. Zoba Anseba is divided up into 11 sub-Zobas (one of which is Keren town administration). The sub-Zobas vary in terms of population size: Sela'a, the smallest, has a population of just over 11,000, while Hagaz (the largest rural sub-Zoba) has a population of over 60,000. Sub-Zobas are, in turn, made up of villages/areas or Kebabis, which vary considerably in size: in Sela'a the average population size of a Kebabi is about 1,500; in Halhal, the average Kebabi population is over 6,000.

86. In line with the provisions of PERA, the administration of Zoba Anseba is hierarchically structured into three levels: the regional administration, based in Keren; the sub-regional administrations, based in their respective sub-regional capitals; and the village/area administrations, based in the Kebabis. Anseba also includes the important municipality of Keren, as well as the much smaller (3rd class) town administration of Hagaz.

Structure

87. The regional administration, headed by the Regional Administrator (appointed by the President), is managed on a day-to-day basis by the Executive Director or Chief Executive (appointed by MoLG). The regional administration is broken down into four departments:

- economic development, covering agriculture, finance, trade & industry, mining, business licensing, tourism, and public transport. The department also handles water resource issues;
- social services, covering health, education, relief & refugees, human welfare and labour;
- infrastructure, which deals with engineering services (project management and technical planning);
- administration, responsible for personnel management, regional finance, general services, and communications/public relations.

Each department has a head and, in some cases, a deputy head. Within the economic and social services departments, divisions are made up of line ministry units; infrastructure and administration have their own divisions, staffed by MoLG personnel.

88. Sub-Zobas are headed by administrators and their immediate deputies, appointed by MoLG. They are generally supported by the following sub-regional departments and units:

- administration (including finance);
- economic development (beneath which come the line ministries);
- social services (beneath which are the line ministries);
- public relations;
- Kebabi "follow-up".

The extent to which all these departments are correctly staffed varies. In Halhal sub-Zoba, for example, there are currently vacancies for the economic development and social services departments' heads; in Kerkebet sub-Zoba, on the other hand, no MoLG posts are currently vacant.

89. At the village/area level, Kebabis are headed by administrators and deputy administrators. Kebabi administrators and their deputies are local residents, appointed by MoLG after regional nomination. They are paid regular salaries by MoLG. Kebabi administrations do not

have any departments but work, *de facto*, with a variety of sectoral committees at the village level.

Staffing, skills and resources

90. MoLG staffing levels are reasonable under the circumstances. In all, MoLG employs some 600 staff in Anseba. In the sub-Zobas, staffing levels are variable: in Elabered, for example, there are 19 MoLG employees in the sub-regional office and a further 26 Kebabi administrators and deputy administrators; in Halhal, there are only 10 MoLG staff in the sub-Zoba office and 16 Kebabi level staff. However, a number of key posts are vacant at the moment, notably for engineers and other highly skilled jobs. This appears to be due to two factors:

- o the difficulty in recruiting qualified technical staff (e.g. civil engineers, works supervisors ..) in Eritrea – there are few on the market anyway, and government salary scales are not competitive with those elsewhere;
- o many Zoba staff have been seconded to the military effort.

91. Many of the administrators, at all levels, are ex-EPLF fighters. Their educational levels vary, but many have been educated to 12th grade. All staff (including Kebabi administrators) are literate in Tigrinya (the language in which the administration works). Some of the regional staff in the technical departments are university-educated. MoLG has provided a number of regional and sub-regional staff with formal training in management⁶.

92. Resources and equipment are available to the regional and sub-regional administrations. In Keren, a new and substantial office block for the regional administration is nearing completion⁷. The regional administration has several functioning computers, e-mail, telephones and fax machines. Sub-Zoba administrations also seem to be relatively well-resourced: they all appear to have adequate office space, typewriters, and radio or telephone communication with Keren; some (such as Kerkebet) have generators, others (such as Elabered) have access to main line electricity; and, as far as is known, all have functioning vehicles⁸.

93. The following table provides basic information on MoLG expenditures for 1999 and 2000.

Table 6: Anseba region MoLG expenditures (US\$)* 1999-2000 (rounded up)

Item	1999	2000
Salaries	532,120	466,290
Other recurrent costs	385,100	422,360
Baito & National Service payments**	1,689,320	2,976,030
Capital expenditure	485,900	282,940
Other expenditure	12,820	-
Totals	3,105,260	4,147,620

* = calculated using an exchange rate of 10 nakfa = US\$ 1.00.

⁶ sub-regional administrators in both Kerkebet and Halhal confirmed that they have benefited from three-month management training courses at the University of Asmara.

⁷ the regional administration hopes to move into its new offices by the end of March 2001.

⁸ for example, Kerkebet sub-Zoba has 3 vehicles, while Halhal and Elabered each have 2 vehicles.

** = of this, about US\$ 80,000 is for Baito members' allowances and Baito recurrent costs. The remainder (by far the largest item in the regional accounts) is for payments to National Servicemen's and Servicewomen's families.

(ii) Representational bodies

Regional Baito

94. Anseba's regional Baito, elected in 1997, consists of 67 members of whom 19 (just under the statutory 30%) are women. Baito members have sub-Zoba, rather than Kebabi, constituencies. The following table indicates sub-Zoba representation in Anseba's regional Baito.

Table 7: sub-Zoba representation in Anseba regional Baito

Sub-Zoba	No. of Baito members	No. of women Baito members	% of total Baito members	% of total regional population
Adi Tekelezan	6	2	8.9	6.5
Asmat	6	2	8.9	9.3
Elabered	7	2	10.4	10.6
Geleb	5	2	7.5	9.1
Habero	5	1	7.5	9.5
Hagaz	11	4	16.4	12.5
Halhal	5	2	7.5	7.4
Hamelmalo	3	-	4.5	6.5
Keren	10	3	14.9	19.0
Kerkebet	5	1	7.5	6.7
Sela'a	4	-	6.0	2.9
Totals	67	19	100	100

As can be seen from the table, there is no unequivocally linear relationship between the population size of a sub-Zoba and its degree of representation in the regional Baito. In addition, not all sub-Zobas have female Baito representatives.

95. All members of the Baito are literate in Tigrinya or Arabic, while many of the members from Keren and Hagaz are also literate in English. The age of Baito members ranges from 36 to over 75 years old. Baito members are usually farmers, agro-pastoralists or from the local business community; only 2 are civil servants (both are teachers). Only 2 Baito members are known to have been EPLF fighters. It should also be noted that some Baito members are also Kebabi administrators. With the exception of the Chairman and Secretary, Baito members live in their respective sub-Zobas.

96. Like other regional Baitos, Anseba's benefited from a week-long training course provided by MoLG's department of Baito affairs in 1999; the training covered a number of subjects, including legislation, internal organisation and report-writing.

97. The Baito has a Chairman and a Secretary, chosen by the membership as a whole. Both the Chairman and the Secretary receive full-time salaries from MoLG, while other Baito members receive a monthly tax free allowance of 1,000 nakfa. The Baito has adequate offices in Keren and a small secretariat.

98. Anseba's Baito, in line with internal regulations drawn up by MoLG and approved by the Baito, has four standing committees:

- economic development, with 16 members;
- social services, with 16 members;
- infrastructure, with 16 members;
- cultural affairs, with 17 members.

Each Baito member, apart from the Chairman and Secretary, is a member of one of the four committees. These committees are expected to discuss issues related to their respective fields.

99. Baito members are expected to interact with their sub-Zoba constituents on a regular basis. As and when issues emerge, they will then take them up with the sub-Zoba administration. In the event that problems cannot be resolved at the sub-Zoba level, Baito members will table them at the monthly Baito meeting in Keren. From there, issues can be presented to the regional administration. It is clear that Baito members feel that their primary function is to ensure that their constituents' needs and problems are communicated to the administration.

100. The extent to which the Baito genuinely approves the regional budget (an important function mandated by PERA⁹) is far from clear. In March 2001, for example, the Baito had yet to approve any budget presentation by the region, despite the fact that the regional administration considered that its budget had been approved by MoLG and MoF.

Village/area Megabaayas

101. According to the provisions of PERA, villages/areas are represented by Megabaayas, assemblies of all adult residents of the Kebabi. Whilst this type of "Athenian democracy" can only be viewed as a laudable effort to ensure popular participation in public affairs, it is clearly a somewhat impractical method of doing so. And, in practice, there is evidence that many Kebabis use representative systems of one kind or another. In Melopso (a village/area in Halhal sub-Zoba), for example, the 24 villages or hamlets which make up the Kebabi send representatives to any Kebabi meetings with the local administrator. In Kerkebet sub-Zoba as a whole, each Kebabi has an "elected" eight-person (generally male) "baito", which discusses issues or raises problems with the administration.

102. In addition to such semi-permanent representational arrangements, Kebabis may also have a range of sectoral committees, which manage local public goods and services (e.g. town-cleaning, water, schools, agricultural needs assessments, ..).

3.3.2. Line Ministries

103. The main line Ministries involved in rural development activities (Agriculture, Education, Health) are well-represented in Anseba region, both in Keren and in the sub-Zobas. Only the Ministry of Land, Water Resources and the Environment is poorly represented in the Zoba, particularly with regard to water resources. Significantly, the Zoba's economic development department has adopted an active role in the coordination and planning of water resource development.

104. The MoA in Anseba has a total staff of 129, of whom 102 are technical personnel. In Keren, the MoA has two main sections: the Land Resources and Crop Production section and the Animal Resource section. The former implements (among other activities) watershed management projects, soil and water conservation activities and irrigation projects. It has one

⁹ it is worth noting that the Baito office in Keren does not have a copy of the Proclamation. Instead, the Baito tends to operate on the basis of its internal regulations.

irrigation engineer and a range of other qualified technicians. The MoA also has an administration and finance unit, which manages the regional budget. All MoA vehicles (most of which are allocated to specific donor-assisted projects) are based in Keren.

105. MoA has 48 staff based in the sub-Zobas, some of whom are university-educated. Sub-Zoba MoA staff do not have their own vehicles, but rely on the sub-regional administration for transport.

106. The Ministries of Health and Education are represented at both Zoba and sub-Zoba levels in Anseba (see § 73 and § 74 above).

107. Expenditures estimates for 2000 for the MoA, MoH and MoE are included in annexe 1 of this paper.

3.3.3. Private sector

108. In the absence of a regional office of the Eritrean Chamber of Commerce, it is difficult to determine the level of private sector capacities in Anseba. Nonetheless, there do appear to be local contractors, based in Keren (and probably in Hagaz), who are judged to be capable of building schools and basic health centres. In the water sector, however, local capacity is probably limited to the construction of hand-dug concrete lined wells; the only drilling contractors (two Eritrean and one Chinese) are based in Asmara.

3.3.4. Processes and procedures

(i) Planning and budgeting

109. There are clear signs that efforts are being made, at all levels, to plan development activities on a bottom-up basis in the Zoba, although much of what passes under the label of “planning” would more accurately be described as needs assessment with a certain degree of prioritisation.

110. At the Kebabi level, there is regular contact between village/area administrators and local communities (often through their representatives). Local priorities are usually well-known at this level, even if they are not articulated in a formal planning process. In turn, there is regular (monthly) contact between the sub-Zoba administration and the Kebabis and their administrators. In addition, Baito members also regularly meet with sub-Zoba administrations to discuss problems and identify local needs. Individual sub-Zobas appear to undertake planning in different ways. In Halhal sub-Zoba, for example, the administration claims to have a kind of projects committee, made up of MoLG staff, which prioritises needs. In Kerkebet, on the other hand, there does not appear to be any committee; there, the administration, on the basis of consultations with Kebabis, Baito members and technical staff, has drawn up a prioritised development plan for the sub-Zoba.

111. Such sub-Zoba plans (which are often multi-sectoral) get translated into more regional plans through what would appear to be a largely sectoral process. Sub-Zoba agricultural projects are integrated into MoA planning, for example. The same goes, as far as can be understood, for education and health projects. Partly on the basis of sub-Zoba level needs assessments (but also on the basis of ongoing donor-assisted projects and central government concerns), regional line ministries draw up their own plans and budgets, which are then submitted to Ministry offices in Asmara for approval, and copies sent to the Zoba administration.

112. The regional administration has two budget committees, one for the recurrent budget (composed of the administrative department’s head and division heads) and another for the capital budget (composed of the four department heads). As far as can be understood, the capital

budget committee deals with capital expenditure related to the regional and sub-Zoba administrations (office construction, vehicles, etc.).

113. At the Zoba level, where no formal regional planning unit exists, there appears to be little in the way of any integrated planning, through which sub-Zoba plans are analysed, appraised and then combined into a wider regional plan. Zoba departments (such as economic development or social services), which are mandated to coordinate activities in their respective fields, do not appear to do so in a meaningful way. The economic development department, for example, is principally involved in coordinating water supply projects (which it appears to be doing successfully) in the absence of a regional water resources department, rather than in coordinating/planning agricultural and other activities in Anseba as a whole.

114. Nowhere does planning take place within the framework of pre-determined and known budget ceilings. At all levels – Zoba, sub-Zoba, line ministries – plans and budgets are prepared for eventual approval (and cuts) by central government in Asmara. The Ministries of Education and of Health in Keren insist that they can only prioritise capital investments – and that the last word lies with Asmara. In addition, in neither case do they manage capital expenditure, which is managed by central ministries in Asmara. MoA in Keren, although it does actually manage capital expenditure, appears to be in much the same kind of situation. For recurrent expenditure budgets, however, there appears to be a greater degree of certainty.

115. MoF is in the process of drafting a new budget law, which, it is hoped, will provide clearer guidelines for both central and local government.

(ii) Financial management

116. The regional administration and line ministries in Keren all have financial departments or divisions which manage payrolls, keep bank accounts and disburse funds. While payrolls are usually computerised, other expenditure items are handled manually. Currently, transfers of funds from central government are requested on a quarterly basis from MoF's regional office. Zoba and line ministry accounts are audited by their respective central ministries, as well as by external auditors employed by the Auditor General.

117. Sub-Zoba administrations do not have important financial management functions. Most of their expenditures are managed by the Zoba administration or, in the case of sub-Zoba line ministries, by their regional headquarters. Sub-Zoba administrations do, however, manage petty cash floats (of upto 10,000 nakfa) in order to pay for small recurrent expenditure items. The Zoba's finance division controls sub-Zoba petty cash expenditure as and when requests are made for new funds. No sub-Zoba administration has bank accounts, not because they legally cannot, but because there are no banking facilities outside of Keren.

118. Kebabi administrations have no financial management functions as far as can be understood. All their expenditures are handled by the sub-Zoba or Zoba.

(iii) Procurement and micro-project implementation

119. A manual of procurement procedures for public expenditure was written by the MoF in 1994. It is only available in Tigrinya, although there are unofficial English translations. At the moment, MoF is in the process of drafting a new "Directive for Procurement and Administration of Government Property", which should be finalised during the course of 2001.

120. The regional administration's procedures for procurement are as follows:

- all expenditures of less than 1,000 nakfa (US\$ 100) can be made without the presentation of proforma invoices;

- expenditures of between 1,000 and 10,000 nakfa require prior comparison of proforma invoices before they can be approved;
- expenditures of greater than 10,000 nakfa need to be put up for tender. Bids are reviewed by either the recurrent expenditure tender board (made up of administrative department staff) or the capital expenditure tender board (made up of all Zoba department heads).

There is no limit to the expenditure which can be handled by the Zoba administration, although the successful bid for large investments (e.g. the construction of major office blocks) is submitted for final approval to the Ministry of Public Works.

121. Although the sub-Zobas do not manage procurement at the moment, there is no *a priori* reason why they could not. The regional administration argues that sub-Zobas currently do not have the capacity to handle bids, but that as and when this capacity is built up, the sub-Zobas should be able to become involved in procurement.

122. At sub-Zoba level, the capacity to implement a range of small-scale investments appears to exist. In Halhal, for example, the local agricultural officers have supervised the construction of concrete micro-dams to reduce erosion and recharge the water-table. In addition, there is widespread knowledge of terracing and other soil & water conservation techniques as well as considerable experience in managing and organising CFW-funded programmes. However, the payment of CFW remains in the hands of MoA at Zoba level.

(iv) Monitoring of implementation

123. There is much evidence to indicate that sub-Zobas and Kebabis provide informal monitoring of project implementation. In Elabered, for example, local committees are routinely established to monitor the construction of schools and health stations – and on more than one occasion, such committees have signalled faults (to sub-Zoba and then Zoba authorities).

(v) Revenue mobilisation

124. PSMP studies of municipal finance in Eritrea have shown that town administrations are able to mobilise sometimes significant revenues from a variety of sources (property “taxes”, fees for services, etc.). However, this is not the case for rural sub-Zobas in Anseba or for the Zoba as a whole; both levels are almost entirely dependent on central government transfers. The only revenues collected in Halhal and Kerkebet sub-Zobas are nominal “taxes” on livestock sold at local markets (of between 1 and 5 nakfa per animal). These revenues are collected by sub-Zoba cashiers and are usually used to top up petty cash floats.

3.3.5. Institutional strengths and weaknesses: synthesis

125. Within Anseba region, several aspects of local institutional capacities and arrangements must be seen as encouraging:

- there is a generally impressive organisational capacity at regional and sub-regional levels. Staffing levels – with the exception of certain key posts – appear to be relatively generous (by international standards);
- regional and sub-regional administrations are relatively well-endowed with logistical hardware (offices, vehicles, communications, office equipment, etc.), thus enhancing the productivity of staff;
- regular contact takes place between sub-Zoba administrations and local communities. There is also regular contact between the sub-Zobas and the Zoba administration;

- considerable technical capacity exists for managing certain types of investment at regional and sub-regional levels (CFW-based NRM activities; small-scale irrigation; minor feeder road maintenance, ...);
- procurement procedures appear to be well-established and well known at regional level;
- most actors demonstrate a pragmatic attitude to problem-solving.

126. Nonetheless, there are also a number of areas where local institutions and practices can only be described as deficient or in need of improvement:

- many staff functions are currently duplicated – for example, each Zoba line department maintains its own financial management and accounting function – thus representing a waste of scarce technical and budgetary resources;
- although there is a great deal of effort put into annual planning and budgeting in the Zoba, and at feeding input from Kebabis, sub-Zobas and Baito representatives into the process, there are several problems with the current process:
 - it is undertaken on a sectoral basis, and dominated by the respective line departments. While regional administration officials are involved to a certain extent, there is no effective integrating mechanism at Zoba level where inter-sectoral priorities can be weighed together or coordinated;
 - the sector domination of the process is a reflection of the fact that the bulk of budget resources are still transferred to the Zoba on a sectoral basis, down through the line departments;
 - while individual Baito representatives are apparently involved during the planning and budgeting process, the Baito itself is only able to review the budget submission at the end of the process, and there seems to be little scope or incentive for their substantive input at that point;
 - Zoba priorities are established (September-October) well before announcement of the annual Zoba budget allocations – this lack of a “hard budget constraint” during the budget process discourages serious local prioritising of scarce resources;
 - there is no overall medium term strategic plan for Zoba development to serve as framework for the annual planning and budgeting exercise.
- there are staff shortages in some critical areas, such as civil engineering, which raise issues about the Zoba’s capacity to ensure technical appraisal and oversight of certain types of infrastructural investment;
- except for the municipalities, local government in the Zoba has a disappointing track record of revenue mobilisation, implying an over-dependence on central government budget transfers.

In general, these findings echo those of the PSMP studies of Eritrean municipalities and Zoba Maekel referred to in § 27-29 above.

4. CHALLENGES, OPPORTUNITIES AND PROBLEM TREE

127. The problem tree in figure 1 tries to show the major factors that contribute to poverty and food insecurity in Anseba.

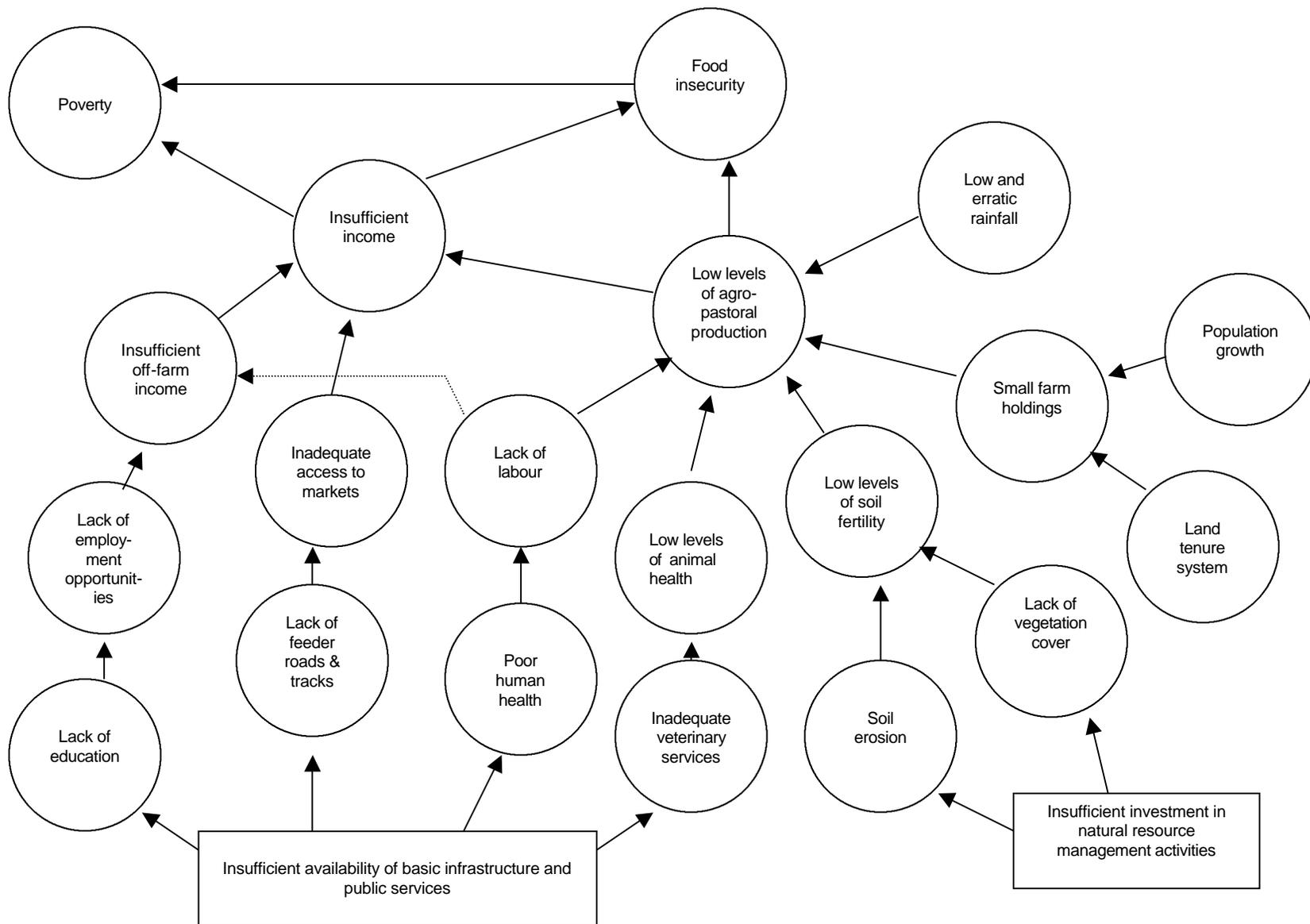
128. As the problem tree shows, the causes of poverty and food insecurity in Anseba are many and varied. Reducing poverty and improving food security in rural Anseba thus requires a multi-sectoral (or integrated) approach, which seeks to build up local people’s assets in order to make them less vulnerable to external shocks (such as drought) and thus more resilient. The assets base out of which rural households in Anseba make a living is composed of five main types of capital – natural, physical, financial, human, and social – and interventions and investments should logically try to build up as many of them as possible.

129. At the heart of the problem lies the insufficient availability of basic infrastructure and services, as well as insufficient investment in natural resource management. Regional and local government in Anseba, because it is proximate, permanent, and more downwardly accountable to local communities and people than most other governmental institutions, is best-placed to deliver (or to ensure delivery of) appropriate asset-building services, goods and infrastructure on a sustainable basis. Local provision of such services and goods can better match real local needs and priorities, and is more likely to be sensitive to highly variable contexts and site-specific problems and issues.

130. However, delivering such asset-building activities and services requires adequate local capacity – to identify priority areas, to plan and budget coherently and efficiently, to implement, and to monitor and evaluate – and appropriate institutional arrangements – for downward accountability, for local participation, and for integrated planning. Whilst there are clear signs that some of these capacities and arrangements exist in Anseba, it remains the case that there is a need to strengthen them and to improve the institutional framework within which they operate.

131. Moreover, the kinds of institutional and capacity issues which are evident in Anseba are equally pertinent to other Zobas in Eritrea. By trying to tackle such issues in Anseba – and thus improve regional and local delivery of asset-building goods and services – it is clear that many lessons of nation-wide relevance would probably be learnt. Striving to ensure that those lessons are learnt and that their implications are incorporated into national policy should therefore represent a significant contribution to country-wide poverty reduction and improved food security in the long term.

Figure 1: Anseba poverty and food security problem tree



B. PROPOSED STRATEGY AND OPTIONS FOR UNCDF

1. OVERVIEW AND PRINCIPLES

132. The proposed project aims to address certain root causes of the problems highlighted above. It will provide technical and financial assistance with a dual objective:

- direct poverty reduction impact: to provide direct remedies for poverty and food insecurity problems throughout the Zoba;
- capacity building & institutional development: to build Zoba, sub-Zoba and community capacities for improved service and infrastructure financing, planning, management and delivery, and support to NRM, and to central capacity to monitor this. An important element of this capacity building will be to pilot systems, procedures and guidelines (i.e. institutions) within the Zoba which may be adopted more widely within Eritrea, to support implementation of decentralisation.

The proposed project thus aims to address the major government concern to move ahead in implementing the decentralisation of functions and resources to the Zobas; and it will complement and build on UNDP support provided through PSMP. The following sections provide an overview of the two main components of the proposed project.

1.1. DIRECT IMPACT ON POVERTY AND FOOD SECURITY PROBLEMS IN THE REGION

1.1.1. Types of Support

133. An investment funding mechanism will be established to enable Zoba & sub-Zoba authorities, and communities, to address specific local causes of poverty and food security through small-scale investments in:

- improved delivery of basic social infrastructure & services for education, health, water;
- improved delivery of basic economic infrastructure, such as rural roads/tracks, markets, livestock & veterinary facilities, storage facilities;
- improved long term productivity of the natural resource basis through small irrigation/diversion or water harvesting schemes, soil & water conservation activities, nursery or afforestation schemes, and the like;
- various human capital (software) investments, such as productive skills training, and public health awareness campaigns.

The specific investment activities to be funded will be determined by communities, sub-Zoba & Zoba authorities in the course of bottom up annual planning/budgeting exercises (see below). All such investments must be (a) determined in response to locally determined priorities and (b) subjected to prior appraisal of their technical, financial and economic feasibility.

134. In line with a commitment to local level identification of priorities and needs, specific investments will not be pre-determined in the project identification or preparation missions, nor reflected in the project document. Nonetheless, there will however be certain exclusions which cannot be funded from this investment funding mechanism:

- administrative buildings & related facilities/equipment (e.g. vehicles, offices, police stations, etc.);
- recurrent expenditures – e.g. teachers' salaries; vehicle running and maintenance costs;

- investments which fall outside of Zoba or sub-Zoba mandated responsibilities (such as research and credit provision);
- investments which benefit one or a few individuals rather than a wider section of the local community.

1.1.2. Underlying Principles

135. Institutional development: the funding facility will be designed so as to explicitly promote institutional development. The investment financing facility will be established as annual capital budget support to the Zoba rather than as an extra-budgetary micro-project facility. It will be managed, channelled and accounted for through institutional procedures to be piloted, but which will be consistent with GoSE budget and finance regulations, and which will aim to support the Capacity-Building and Institutional Development (CB&ID) component, set out below.

136. Timeliness: capital budget support announcements will be timed to allow budget priorities to be established in knowledge of the funding level forthcoming. This will enable regional and local authorities to plan and budget on an informed basis and thus to genuinely prioritise capital expenditure items.

137. Sustainability: the levels of such capital budget support allocated to the Zoba will be such that they can be sustained in the long term, through central government transfers and/or through support from other donors.

138. Subsidiarity: to reinforce the principle of maximum feasible decentralisation, some part of the Zoba capital budget allocation will be further allocated to sub-Zobas to enable them to plan and budget for local small-scale investments within their capacities.

1.2. CAPACITY BUILDING AND INSTITUTIONAL DEVELOPMENT

1.2.1. Functional Areas

139. Assistance will be provided to build capacities at a variety of levels and for a variety of purposes. Project support will therefore be targeted at:

- Zoba & sub-Zoba authorities (including regional Baitos) in order to strengthen their capacity to:
 - undertake local sub-regional & regional inter-sectoral planning & budgeting;
 - implement and monitor plans and budgets;
 - design, appraise, implement and manage investments;
 - manage procurement and contracting;
 - ensure sound financial management, accounting and control;
 - mobilise local revenues/resources;
 - provide basic administration;
 - communication with the public.
- Kebabis and local communities in order to build up their capacity to:
 - identify poverty- and food security-related problems and plan appropriate responses;
 - monitor sub-Zoba and Zoba service delivery performance and contractor performance;
 - implement, contract, operate and maintain schemes, as well as ensure basic accounting where necessary;
 - improve and regulate natural resource management.

- Central Government (MoLG) in order to strengthen its capacity to:
 - learn lessons from Anseba, to ensure exchanges of experience and information dissemination between Zobas, to incorporate lessons into official training programmes, to prepare procedural and other manuals, etc;
 - monitor the performance of the six Zobas so as to obtain information on the status of decentralisation, on Zoba budget/expenditures (through the regular inspection of financial management), and on general compliance with national policy and procedures;
 - develop policy in a range of areas: options for fiscal decentralisation (local taxation and fees, centre-local transfers, etc.); options for Zoba reorganisation; for clarifying the role and mandate of Baitos; for defining Zoba relations with the centre and with sub-Zobas; and the like.

1.2.2. Types of Assistance

140. The project will provide assistance in a number of basic ways:

- through training & awareness raising in PERA, and in related legislation, regulations, and standard administrative and financial procedures;
- by developing and testing innovative pilot procedures to facilitate implementation of broad PERA provisions and other national decentralisation policy directives, such as intersectoral planning & budgeting, local revenue mobilisation, and financial management;
- through the preparation of manuals/tools and training & awareness raising in these pilot procedures.

1.2.3. Underlying Principles

141. A number of principles will inform the project's CB&ID activities:

- institutional consistency: all CB&ID activities will aim to be supportive of PERA implementation and be consistent with other legislation, and the broader institutional and regulatory framework of government. The aim is to pilot and to develop procedures and practices which are consistent with the overall institutional environment;
- building on existing practice: CB&ID activities, rather than "re-invent the wheel", will build on existing practice. For example, the project will seek to use and adapt ECDF micro-project appraisal & implementation procedures and tools;
- replicability and cost-effectiveness: procedures to be developed by the project will aim to be replicable and cost-effective. As such, their design will consistently bear in mind the need to ensure that they are appropriate to other regions and require a minimum of additional resources;
- transparency and public involvement: generally, CB&ID activities will aim to foster and pilot decision making processes which are both transparent and allow for the fullest possible public involvement.

2. THEMATIC STRATEGY FOR POVERTY REDUCTION

142. The project will not adopt a sector-specific focus as its strategy for poverty reduction and improving food security. This is for a number of reasons:

- Anseba region is very diverse in terms of the range of rural livelihoods. In the northwestern lowlands, livelihoods are dominated by strategies based on livestock production. Elsewhere, rural communities practise rainfed farming, irrigated farming, and

- engage in a range of off-farm strategies. Limiting substantive project investments to only one sector would clearly not take into account this diversity;
- there are also substantial differences in the social infrastructure endowments of sub-Zobas. In the central highland and midland areas of the region, local populations have relatively better access to schools, health and water supply facilities than they do in the lowlands and northern highlands. Needs are therefore very different;
- poverty reduction and food security improvement, as shown in the problem tree in § 127, require a multi-faceted approach and a broad range of interventions.

Project funded investments will therefore be contingent upon the outcomes of regional and local level planning processes, which will have the latitude to identify investments capable of satisfying site-specific needs.

143. Nonetheless, it is probable that such regional and sub-regional planning processes would identify the following types of investment as appropriate:

- provision of basic social infrastructure (schools, improved water supply facilities, health stations, etc.), particularly in the northwestern sub-Zobas of Kerkebet, Sela'a and Asmat;
- provision of economic infrastructure (irrigation schemes, micro-dams, markets, feeder roads/tracks, etc.), particularly in the central highlands, midlands and around Hagaz.

144. The project will, however, seek to encourage local investments in three particular areas, for specific reasons:

- human capital investments, such as training for community hand-pump mechanics and public health awareness campaigns, which are often neglected in local planning processes, precisely because of their "software" character;
- investments in natural resource management, such as soil and water conservation, watershed management, and common property regulation. As long term investments in productivity, such activities are often overlooked in local planning processes, despite their importance;
- investments complementary to ongoing CFW schemes in the region. Because CFW schemes often lack the ability to finance the implementation of non-labour related items (such as culverts for roads, tools for terracing, concrete spillways, micro-dams and the like), there would be considerable value in using project funds to cover such costs. It would also foster the notion of project funding being a capital budget support facility, rather than simply a micro-project fund.

3. INSTITUTIONAL & CAPACITY BUILDING STRATEGY

145. The proposed project's CB&ID strategy will focus on five main areas:

- strengthening regional and local planning and budgeting processes;
- reinforcing regional and local capacity to implement and monitor plans and budgets;
- undertaking action-research aimed at improving regional and local revenue mobilisation;
- strengthening the capacity of the regional Baito to fulfil its role as mandated by PERA;
- reinforcing the MoLG's capacity to monitor institutional and other innovations and to develop appropriate national policies as a consequence.

3.1. PLANNING & BUDGETING STRATEGY

3.1.1. Zoba level

146. The proposed project will aim to promote a regular regional planning & budgeting process with the following features:

- overall responsibility for regional planning/budgeting being held by a broad-based platform/committee, chaired by the regional Chief Executive, and made up of key department heads, Baito members (Chairman and representatives of the Baito's four committees), and other persons appointed by the regional administration (line ministry staff, NUEW representatives, etc.);
- an established and functional regional Planning, Monitoring & Evaluation Unit (PMEU), which would provide technical support to the planning/budgeting committee, for which it would also operate as a secretariat. The PMEU would be directly accountable to the regional Chief Executive;
- the role of the regional committee would be to oversee the planning and budgeting process allowing (a) as much consultation as possible with sub-Zobas and Kebabis and (b) a maximum degree of transparency in the prioritising/approval process (by using a range of tools, guidelines, or checklists);
- the regional committee would plan and budget on the basis of all available financial resources, and not just with regard to the project's funding facility. The planning and budgeting process would therefore operate within the framework of a funding matrix for priority investments, thereby allowing the region to exploit the "comparative advantage" (earmarked/discretionary, flexible/rigid, etc.) of each and every source of funding. In addition, in order to ensure as much coherence as possible, the committee would prepare budgets for both capital and recurrent expenditures at the same time;
- the regional committee would operate on the basis of a rigorous timetable, which would allow for timely submission of proposals, adequate appraisal, realistic costing and design, prioritisation, and final budgeting. The prepared budget would be submitted to the Regional Administrator for approval, before being submitted to the regional Baito (which, in line with PERA provisions, would have the authority to amend the budget provided that amendments are fully funded). Following approval by the Baito, the regional budget would be forwarded to MoLG for endorsement (within a pre-determined period). An indicative annual planning and budgeting timetable¹⁰ would be as follows:

Task	Deadline
Determination of resources and setting of priorities by regional budget committee	March/April
Preparation of instructions and call for estimates of costs	May
Deadline for submissions to the budget committee	End of July
Consideration of submissions by budget committee and discussions with relevant	August

¹⁰ adapted from PSMP recommendations for Zoba Maekel (see UNDP 2000).

agencies

Submission of budget to
Regional Administrator

By mid-September

Submission of budget
to regional Baito

By mid-October

Submission of budget
to MoLG

By mid-November

- the regional committee would also be responsible for drafting a brief, multi-year, strategic plan for the Zoba, outlining areas for priority investment and their rationale. This strategic plan would be drawn up with as much involvement as possible of sub-regional and Kebabi authorities, as well as with substantial input from the Baito committees. It would then act as an overall framework within which annual planning and budgeting will take place;
- the regional committee would also ensure adequate monitoring of budget implementation throughout the year;
- contingent upon the provisions of the new Budget Law (still in the process of being drafted) regional budgets would be published, posted, communicated to sub-Zoba administrators (for information) and made available to citizens upon request.

The project will undertake a range of activities in order to support such a planning and budgeting process: training, developing tools and methods, organising study tours, drafting procedural manuals, and the like.

3.1.2. Sub-Zoba and Kebabi levels

147. At the sub-Zoba and Kebabi levels, the project will promote a similar kind of planning and budgeting process, which would include the following elements:

- the establishment of a sub-regional committee, with the responsibility for planning and budgeting activities and investments within the remit of the sub-Zoba. This committee would be chaired by the sub-Zoba administrator and would include sub-regional department heads, Kebabi administrators, and regional Baito representatives resident in the sub-Zoba. Given that not all sub-Zobas have women Baito members, it would be appropriate to ensure women's representation in the sub-Zoba committees through the local branch of NUEW;
- the establishment of Kebabi committees, responsible for the identification of priority actions and investments within their respective villages/areas. Kebabi committees would be chaired by the village/area administrator, and would be composed of a representative of each of the hamlets/sub-communities making up the Kebabi. In addition, local representatives of NUEW would be members of the Kebabi-level committees;
- Kebabi-level committees would undertake an annual planning exercise, aimed at identifying local priorities. Kebabi priorities, once identified, would be communicated to the sub-Zoba committee, which would then, using project-developed tools and methods and within the framework of the sub-Zoba annual capital budget ceiling, undertake a final prioritisation of investments. Prioritisation would include due consideration of technical, financial and economic feasibility, which would be assured through the use of prescribed procedures and with assistance – if necessary – being provided by Zoba-level authorities and technicians. Sub-Zoba committees would also be responsible for prioritising investments which would not be within their direct remit to make, but which would be

- regional responsibilities. Such investments would be communicated to the Zoba planning and budgeting committee for potential inclusion in the region's annual capital budget;
- once finalised, sub-Zoba annual plans and budgets would be submitted for approval to the Regional Administrator (in accordance with PERA provisions). Following approval, sub-Zoba plans and budgets would be posted and made public, as well as communicated to all Kebabi administrations and planning committees;
 - Kebabi-level committees would be specifically empowered to identify NRM-related priorities in their respective jurisdictions. Those priorities which have CFW implications would be taken into consideration by sub-Zoba authorities in their planning of CFW schemes;
 - the annual planning and budgeting exercise at sub-Zoba level would occur within the framework of an indicative timetable such as the following:

Task	Deadline
Determination of resources available to sub-Zoba	March/April
Setting of priorities by Kebabi committees	March/April
Communication of Kebabi priorities to sub-Zoba committee	May/June
Appraisal, prioritisation and drafting of sub-Zoba budget	June/July/August
Submission of projects for Zoba-level investments	End of July
Submission of sub-Zoba budget to Regional Administrator	By mid-September
Submission of budget to regional Baito	By mid-October
Submission of budget to MoLG	By mid-November

- sub-Zoba planning and budgeting committees would also draw up brief, multi-year strategic plans in which the main developmental priorities of the sub-region would be identified and the rationale for future investments/activities made explicit.

Again, the project will provide support for sub-Zoba and Kebabi planning processes through activities such as training, developing tools and techniques, and establishing procedures.

3.2. IMPLEMENTATION & MONITORING STRATEGY

148. The proposed project will strengthen the capacity of regional, sub-regional and village/area authorities to implement and monitor annual plans and budgets. Such project support would include the following elements:

- providing training in GoSE procurement procedures for regional and sub-regional authorities. At sub-Zoba level, the project will facilitate the establishment of procurement committees and tender boards. Where GoSE regulations do not make specific provision for local government procurement processes, the project – with MoLG permission – will pilot acceptable and appropriate procedures;
- provision of training in contracting procedures for regional and sub-regional authorities;
- setting up of sound financial management and reporting systems at both regional and sub-Zoba levels, including regular auditing;
- strengthening/setting up of implementation monitoring committees at regional, sub-regional and Kebabi levels in order to provide for careful tracking of contractors' commitments. Provision would also be made for backstopping from "higher" levels to "lower" levels in order to ensure adequate technical oversight of implementation;
- setting up of local-level committees for the management and maintenance of infrastructure investments, with training provided when necessary in simple accounting techniques;

3.3. REVENUE MOBILISATION STRATEGY

149. The project would adopt an action-research approach in the area of revenue mobilisation within Anseba region. This approach would include the following elements:

- the use of short term technical assistance to analyse existing revenue mobilisation strategies and the legislative framework governing regional and sub-regional fiscality;
- the development of a menu of options for improved revenue mobilisation, along with analyses of the legislative, financial and management implications of specific options;
- following in-depth discussions with MoLG, regional and sub-regional authorities (including Baito members) and the identification of the most appropriate options for revenue mobilisation, the piloting of new strategies in a number of sub-Zobas, accompanied by training of local and Kebabi authorities in the collection and management of revenues;
- systematic and highly focussed monitoring of revenue mobilisation pilots in order to ensure adequate lesson-learning and subsequent fine-tuning;
- the organisation of workshops with broad-based local and national participation in order to present and discuss revenue mobilisation experiments and to identify "best bets" for future policy.

3.4. REGIONAL BAITO STRATEGY

150. In close collaboration with MoLG's Department for Council, Municipal and Cooperative Affairs, the project would seek to strengthen the capacity of the regional Baito to fully play its role as mandated by PERA. This would be particularly important in the likely event that new Baito elections take place during 2002 and that new members will be voted in to the Baito. The strategy would include the following elements:

- training of all Baito members in the provisions of PERA, their role and responsibilities. Such training would also include representatives of the regional administration;
- training of the Chairman, Secretary and the chairmen of the Baito's standing committees in a number of specific fields (e.g. budget appraisal, analysis of development plans, etc.);
- piloting of new mechanisms for Baito deliberations (such as hearings for budget approval sessions);

- organisation of study tours for key Baito members.

3.5. MINISTRY OF LOCAL GOVERNMENT STRATEGY

151. In order to strengthen the capacity of MoLG to learn lessons from Anseba, to ensure adequate monitoring of regional government and to develop policy, the proposed project will:

- make funds available to MoLG for the commissioning of studies in areas of strategic importance to GoSE's decentralisation policy (regulatory frameworks, revenue mobilisation, centre-local transfers and relations, ...);
- organise annual workshops during which project progress and findings would be presented and discussed. Participants at such workshops would include regional actors from Anseba and other Zobas (administration, Baito members, line ministries), as well as MoLG officials representing the Ministry's main operational departments;
- maintain regular contact with MoLG;
- provide technical assistance as and when required in order to support the setting up of a regional monitoring function within MoLG;
- organise study tours to other countries where important lessons about decentralisation have been learnt.

4. FINANCING STRATEGY

4.1. MAIN FEATURES OF THE FUNDING FACILITY

152. The proposed project's funding facility will include the following main features:

- funds will be made available to Zoba Anseba on the basis of annual block grant allocations, conceived of as support to the region's annual capital budget (and not as a micro-project facility). The value of annual allocations will be announced at the beginning of the annual budgeting process, so as to allow regional and sub-regional authorities to make decisions about priorities within the context of a hard budget constraint;
- the annual allocation will be made up of two main components: (i) an allocation to the Zoba's annual capital budget and (ii) an allocation to sub-Zoba annual capital budgets. Both allocations will be made to the Zoba administration, which will then ensure the transfer of funds to sub-Zoba administrations. The value of sub-Zoba allocations will be announced to them at the beginning of their annual planning & budgeting process;
- all allocations to Anseba will be made according to standard GoSE procedures for transferring funds to MoLG regional administrations;
- all allocations will be announced to the general public in an effort to ensure maximum participation and transparency;
- although project funds will be made available to regional and sub-regional government as discretionary capital budget support, they are to be used for financing an agreed range of investments and activities (see below). Within regional and sub-regional budgets, then, the value of such types of investment/activity would be equivalent to or greater than the value of project funds;

4.2. ALLOCATION & INVESTMENT ISSUES

4.2.1. Funding allocations

153. A number of principles and considerations will guide the process by which funds are allocated to Zoba Anseba and to sun-Zobas within the region:

- allocations will only be made to rural sub-Zobas. UNCDF's mandate does not permit it to provide support to urban areas. Thus, of the eleven sub-Zobas in the region, only ten will be eligible for financial support from the project funding facility (the town administration of Keren not being eligible);
- subject to sub-regional units meeting certain minimal conditions (see below) allocations will eventually and progressively be made to all ten rural sub-Zobas in Anseba. This therefore implies the need to maintain a separate funding pool for the Zoba and the sub-Zobas. The following schedule sets out a (very) indicative breakdown for this:

Table 8: Indicative allocation of project funding facility between Zoba and sub-Zobas (US\$ 000s)¹¹

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Zoba	400	400	400	400	400	2,000
Sub-Zobas	-	200	400	600	800	2,000
Total	400	600	800	1,000	1,200	4,000

- allocations to sub-Zobas will be made on the basis of their population size (as agreed by the regional administration). However, there is some evidence that costs of investments may be somewhat higher in the sub-Zobas lying in the northern highlands and northwestern plains than in the central highlands/midlands; if this is verified, a differential cost coefficient may need to be factored into the sub-Zoba allocation in order to ensure equity in allocations;
- sub-Zoba allocations will be contingent upon them meeting certain minimum conditions of access to the project's funding facility. These conditions will be agreed with sub-Zoba authorities beforehand and reviewed at the outset of the annual planning/budgeting process by Zoba authorities. Minimum conditions will be simple and easily/objectively verifiable (e.g. sub-Zoba accountant in place, accounts for previous year inspected by Zoba authorities, sub-Zoba development plan drawn up and approved, ...), and are intended to ensure that sub-Zobas have the minimal capacities to implement and monitor their own development programmes;
- in addition, the project funding facility will include provisions for the adjustment of individual sub-Zoba allocations in accordance with their performance, which will be measured on the basis of agreed measures (e.g. budget discipline, compliance with the agreed range of possible investments/activities, etc.). Sub-Zobas whose performance is deemed to be good would therefore be able to benefit from increments in their

¹¹ this assumes: (i) a rural population of roughly 400,000 in the region as a whole; (ii) annual allocations of US\$ 1/capita for the Zoba and US\$ 2/capita for the sub-Zobas; (iii) an incremental "uptake" by qualifying sub-Zobas over project life, with all eligible sub-Zobas qualifying for allocations by the beginning of year 5 but none doing so in year 1.

- subsequent allocations. The aim of this is to provide greater incentives for parallel capacity-building activities;
- in principle, allocations from the project funding facility will require the mobilisation of local matching funds and/or community contributions. However, this element of local participation needs to be carefully defined so as to take into account different types of investments, the scale of poverty in rural Anseba, equity issues and the fact that the project funding facility is intended to provide capital budget support, rather than be a micro-project financing scheme. The project will therefore explore innovative ways of encouraging local contributions, by either treating their mobilisation as a “performance” issue (and thus by increasing annual block grants on the basis of the levels of previous contributions) or by understanding “local contributions” within the context of overall capital budget resources.

4.2.2. Investment menus

154. Project funds will be made available as capital budget support for a variety of investments at Zoba and sub-Zoba level. Investment menus will be characterised by the following elements:

- for both Zoba and sub-Zoba levels, certain kinds of investment will be excluded (see § A.1.1.1. above);
- at Zoba level, investments will be those which involve some wider externalities, which may involve some significant maintenance requirements or extra staff recruitment, but which are within the power of the regional administration to deal with. Zoba level investments should, as far as possible, respect the principle of subsidiarity – and thus not include items best dealt with at sub-Zoba level. Table 9 contains an indicative list of Zoba-level investments;
- at sub-Zoba level, local authorities will have the latitude to use project funds to finance investments which are characterised by limited externalities, have few implications in terms of recurrent budgets and staffing levels, and which can be maintained and managed locally. Examples of this kind of investment are provided in table 9 (below);
- at sub-Zoba level, local authorities will also be able to fund productive investments (such as small-scale irrigation schemes, enclosure of common property lands for purposes of regeneration, hillside terracing, tree plantation, etc.) provided that it can be clearly demonstrated that benefits will not be confined to a few individuals. In general, this will often imply that productive investments be confined to improvements in common property resources to which access is community-wide.

Table 9: indicative list of investments for Zoba and sub-Zoba levels

Zoba	Sub-Zoba
Construction of an elementary or junior high school	Construction of simple water supply facility for existing elementary school
Construction of a health station	Rehabilitation of an existing health station
Construction of a feeder road	Construction of a small culvert for an existing feeder road
Organisation of a region-wide AIDS awareness programme	Organisation of sub-Zoba wide training programme for village hand-pump mechanics
Construction of a veterinary clinic	Construction of a Kebabi livestock vaccination enclosure
Construction of a market-place with a catchment area covering two or more sub-Zobas	Hillside terracing and construction of a small check dam Construction of hand-dug well for irrigation purposes

- o provided project-derived funds are used according to agreed principles, Zoba and sub-Zoba authorities will have the latitude to use them in conjunction with other funds. For example the impact of CFW schemes (based on GoSE funds generated by monetised food aid), such as the construction of small feeder roads or hillside terracing, may be greatly enhanced by small-scale injections of capital (such as for building culverts or purchasing tools. In addition, investments complementary to those funded from other sources (such as ECDF) would also be made through the project's funding facility.

5. PARTNERSHIP STRATEGY

5.1. MINISTRY OF LOCAL GOVERNMENT

155. There appears to be strong support from MoLG for the proposed project in Zoba Anseba. MoLG is actively seeking to drive GoSE's decentralisation agenda forward, largely through a fuller implementation of PERA. In doing so, MoLG is keenly aware of the need to develop practical strategies for implementing the Proclamation and to ensure that local actors – both administrative and representative – are able to meet their mandated responsibilities and exercise their prescribed powers. Officials from the Department for Regional Affairs and the Department for Council, Municipal and Cooperative Affairs have thus expressed their interest in the proposed project in Zoba Anseba, both as a way of addressing food security and poverty issues and also as a pilot for implementing decentralisation, the positive lessons from which would be replicated elsewhere in Eritrea. The Ministry of Local Government is therefore a key partner in the project.

5.2. UNDP

156. UNDP will be a major partner in the project. UNDP believes that support to local governance and decentralisation will remain a major component in its next CCF cycle, although this will depend on discussions and negotiations with government in the coming months. Assuming that the CCF process does identify decentralisation as a major part of the next cycle, there are likely to be two main UNDP inputs for the proposed project in Anseba region:

- direct budgetary support to cover some of the capacity-building and institutional development activities of the project;
- wider support at the national level to GoSE and MoLG for fuller implementation of PERA, perhaps through a follow-up to ongoing PSMP activities.

UNDP is in strong position to help the project achieve its objectives, particularly those linked to the wider policy environment.

5.3. WORLD BANK

157. Through its funding of ECDF, the World Bank is a major provider of public services and goods in Eritrea. Up until now, ECDF has operated as a fairly orthodox social fund, administered by a semi-autonomous unit of MoLG in Asmara, with relatively centralised procedures. In its next phase (which will be appraised during 2001), ECDF is likely to be reoriented and to become more concerned with strengthening regional (and perhaps sub-regional) capacity to identify, implement and monitor infrastructural and other investments. However, it seems unlikely – given GoSE concerns with existing capacities at Zoba and sub-Zoba levels – that the second phase of ECDF will evolve into an overt programme of support for decentralisation.

158. The World Bank is nonetheless sensitive to the need for pilot projects, such as the proposed project in Zoba Anseba, to test out ways of building up regional and local capacities and to experiment with institutional development. It is therefore positive about the potential of the Anseba project to provide valuable lessons for greater decentralisation and for providing procedures and strategies capable of wider replication within Eritrea.

159. The Bank has also recently conducted a review of the agricultural sector – for which it is likely to provide increased support over the coming years. The sector review noted the need for the MoA to decentralise many of its operational functions. Again, the proposed Anseba project should be in a position to provide MoA with some valuable insights into decentralised planning, budgeting and development management.

5.4. DANIDA

160. DANIDA is currently in the process of designing the second phase of its agricultural sector support programme. Like the World Bank, DANIDA is also keen to see MoA devolve some (or most) of its operational responsibilities to the Zobas and thus to foster a greater degree of decentralised service delivery in the agricultural sector. This is clearly in line with MoA's declared aim of decentralising budgets by 2003.

161. Like the World Bank, DANIDA is looking for ways of encouraging decentralised planning and budgeting in the agricultural sector. The proposed project in Anseba, which will make specific attempts to increase local level planning of NRM activities (as well as of CFW schemes, for which there is ample evidence of local-level management capacity), will provide MoA and DANIDA with potentially valuable insights into decentralised planning processes.

6. STRATEGY FOR POLICY IMPACT & REPLICATION

162. The proposed project has considerable potential to have a major impact on policy and in piloting strategies and procedures which can be usefully replicated elsewhere in Eritrea. Decentralisation in Eritrea, itself an independent country for less than a decade, is in its early stages and much remains to be done before existing policy prescriptions will be fully implemented. There are also apparent inconsistencies in the current legislative framework, which will become clearer in the course of project implementation.

6.1. POLICY IMPACT

163. The project's policy impact strategy will be based around a number of key elements:

- the project will include work aimed at strengthening MoLG's capacity to monitor and evaluate pilot activities in Anseba and thus to learn lessons from a specific attempt to implement PERA within one Zoba. It is to be expected that such lessons would inform further policy formulation within MoLG, particularly with regard to the drafting of regulatory frameworks (governing planning, budgeting, financial management and allocation systems, centre-local relationships, revenue mobilisation, etc.) and in terms of reviewing and clarifying the extent to which representative bodies (such as regional Baitos) are involved in local planning and budgeting process;
- the project, by making some funds available to MoLG for the commissioning of studies into various aspects of the decentralisation process, will further strengthen MoLG's capacity to formulate policy;
- in a more general way, the project's focus on piloting overall regional planning and budgeting (rather than a limited focus on micro-project funding, design and implementation) will inform GoSE and others about how best to proceed with the devolution of line ministries' operational functions to regional and local authorities.

6.2. REPLICATION

164. In terms of replication¹², the project's strategy will be based on three types of activity:

- ensuring that all training components of the CB&ID strategy be conducted, from the outset, with Eritrean national institutions, such as the University of Asmara, the Eritrean Institute of Management, and MoLG's Mai-Nefhi training centre. By doing so, the project will be able to "mainstream" new methods and practices into national training curricula;
- regularly circulating information about project activities and achievements (as well as failures) to other donor agencies. This information would be transmitted both orally and in the form of a six-monthly briefing paper, prepared by UNDP/UNCDF;
- with UNDP support, working towards the setting up of an MoLG-chaired "panel" on decentralisation issues, which would include representatives of other donor agencies. Such a "panel" would allow agencies to share experiences in the field of decentralised delivery of services and goods, with a view to replicating promising approaches.

¹² which is not that easily distinguished from policy impact, but can nonetheless be dealt with separately.

7. IMPLEMENTATION ARRANGEMENTS

7.1. PROJECT SUPPORT TEAM

165. The proposed project would be implemented by Zoba and sub-Zoba authorities in Anseba region, with substantial initial support being provided by a small project support team (PST). The Anseba PST would report to the Regional Chief Executive in Keren and provide support to the regional administration's existing departments (economic development, social services, infrastructure, and administration), to sub-Zoba administrations, and to the regional Baito, as well as to the newly-established Planning, Monitoring and Evaluation Unit (PMEU). The PST's task would be to oversee the implementation of the proposed project's main strategies (as detailed in § 3 – 6 of this paper).

166. Given the need to develop pilot procedures, methods and tools, Anseba PST will consist of a core staff of two senior national professionals, recruited by UNDP (under NEX arrangements). They would have the following profiles:

- the team leader will have a background in and experience of planning and budgeting in the public sector, as well as good knowledge of implementation procedures;
- the second team member will have a background in the social sciences and experience of participatory approaches to local development, as well as some knowledge of local governance.

167. The PST will have access to a budget allowing it to draw upon short term assistance for particular tasks and areas (e.g. revenue mobilisation, training of regional and local government staff, training of Baito members, etc.). In addition, in the first year of project implementation, UNCDF/UNDP will provide substantial inputs in order to provide the PST with a solid foundation in LDPs. It is proposed that the PST will have a lifetime of three years, during which general procedures will be developed/tested and regional and sub-regional capacities strengthened, and after which direct project implementation will be entirely the responsibility of the Zoba administration with backstopping from short term technical assistance as and when required.

168. The Anseba PST will be based in Keren, with offices provided by the regional administration. The team will have an administrative assistant, two vehicles (plus drivers), and a budget to cover the purchase of basic office equipment and running costs.

7.2. FINANCIAL ARRANGEMENTS

169. The project funding facility will be disbursed by UNCDF to Zoba Anseba in accordance with existing GoSE arrangements for transfers to regional administrations. Allocations to sub-Zoba administrations will be channelled through the regional administration, which will make annual allocations on the basis of agreed levels and amounts.

7.3. COSTS & FUNDING

170. The proposed project will cost a total of between US\$ 6.25 – 6.75 million, over a period of five years. Total project costs will be met out of the following indicative contributions:

- Belgian Survival Fund: US\$ 3 million;
- UNCDF: US\$ 2 million;
- UNDP: US\$ 0.5 – 0.75 million;
- GoSE (for regional staff and other costs): US\$ 0.25 – 0.5 million;
- community contributions: US\$ 0.5 million

171. The main programme cost will be the regional and sub-regional financing facility, which is expected to absorb approximately US\$ 4 million. Remaining external funds will be used for the capacity-building and institutional development component of the project.

8. EXIT STRATEGY

172. From the outset, the proposed project is designed with a view to its own exit. In institutional terms, the project will be implemented through and by permanent statutory bodies (Zoba administration, regional Baitos, sub-Zoba administrations, Kebabis, ..), which will remain in place after the end of the project. The project is not creating new, parallel, structures which are unsustainable in the long term. Secondly, the project will explicitly set out to strengthen institutional capacities and to develop procedures and arrangements which can be adopted by existing statutory bodies – every effort will be made to ensure that project “innovations” are tailored to local capacity. Thirdly, the project support team – with its mandate to build capacities and pilot institutional development – will have a largely advisory role; the PST will also be phased out after a period of three years.

173. In financial terms, the project's exit strategy revolves around a number of design principles. Firstly, the project will explicitly set out to develop centre-regional-local transfer mechanisms which will be adopted by GoSE and its development partners; such mechanisms, moreover, will be firmly anchored in the existing financial architecture of GoSE. Secondly, the level of subsidy afforded by the project's financial facility will be sustainable and replicable. Thirdly, through its action-research component and inputs to policy development, the project will contribute to increased local revenue mobilisation, thereby generating resources for a degree of long term, sustainable, self-financing.

9. RISKS AND UNDERTAKINGS

9.1. RISKS

174. There are a number of risks which can be identified. Of these, the most serious would be that the current process of reconciliation between Eritrea and Ethiopia breaks down, and that – as a result – Eritrea returns to a *de facto* war footing. This would not only have detrimental effects on the macro-economic outlook of the entire country (with obvious negative implications for poverty and food security) but would also significantly reduce the likelihood of further decentralisation. In the present circumstances, it is extremely difficult to predict how likely or unlikely such an outcome would be; however, it is clear that it would seriously jeopardise the project's chances of attaining its objectives.

175. Independently of this, there is also the risk that GoSE may scale back its efforts to drive forward the decentralisation agenda. By devolving responsibilities and powers to regional authorities, line ministries and others may see themselves as shedding prerogatives and thus seek to limit decentralisation. In addition, there is the risk that Zoba authorities will be unwilling to devolve responsibilities to sub-regional administrations and to representative bodies. However, while this would have a serious impact on the project, it seems unlikely that GoSE will slow down the process of decentralisation. Several significant political reforms (implementation of the constitution, new electoral laws, new party formation laws, etc.) are currently in the pipeline, all of which signal GoSE's commitment to incremental democratisation and, by extension, decentralisation.

176. Another risk for the project concerns the extent to which it will be able to mobilise capacity-builders within Eritrea. GoSE and many of its development partners are understandably concerned about the lack of capacity within the country – and this obviously raises questions

about how far national human resources are themselves able to strengthen capacities. However, the project will be able to reduce the impact of such a risk by turning to external assistance if necessary (although at increased cost).

177. A further risk is that the existing institutional framework may prove inadequate or inconsistent. Although PERA – *grosso modo* – must be seen as providing an enabling legislative environment for decentralisation, its provisions are also somewhat inconsistent and even contradictory. This may prove an obstacle to its implementation. However, GoSE officials are highly pragmatic and appear more than willing to look for practical solutions/arrangements in the absence of clear policy guidelines. In addition, the project's focus on ensuring lesson-learning and policy development will reduce the risks of such legislative constraints in the medium term.

178. A final risk (common to all such projects) concerns the timeliness of funding. As part of its overall strategy of working within existing frameworks, the project will channel capital budget funds to Zoba Anseba through central government. The extent to which central government disbursement procedures are efficient is largely unknown at the moment; if they prove to be inefficient, then there is the risk that funds will not be made available on a timely basis.

9.2. UNDERTAKINGS

179. At Zoba level, two undertakings by the regional administration will be needed for the project. Firstly, the regional administration will undertake to establish a Planning, Monitoring and Evaluation Unit (PMEU), staffed by two MoLG civil servants. The Anseba PMEU is crucial to the development of an integrated, inclusive regional planning. The unit will report to the regional Chief Executive. Because the creation of a PMEU has staffing (and recurrent cost) implications, this undertaking will need to be endorsed by MoLG in Asmara. Secondly, the regional administration will undertake to provide the Project Support Team with offices in Keren; this should not be a problem given that the Zoba now has a new office block, as well as access to its old headquarters buildings.

10. NEXT STEPS

10.1. SEQUENCING

180. This Project Concept Paper (PCP) marks the first major step in the process of starting up a new UNCDF initiative in Eritrea. Subsequent steps are described in table 10 (see following page).

10.2. PROJECT FORMULATION MISSION

181. The Project Formulation Mission (PFM) will need to explore in greater depth and make specific proposals for the following areas among others:

- (1) Regional, sub-regional and local level planning & budgeting:
 - local planning & budgeting methods and processes (including: participatory and transparent procedures; timing/cycle; appraisal issues; mentoring by higher levels; more strategic, longer term, plans);
 - integration of sub-Zoba level plans and budgets into overall Zoba planning and budgeting processes;
 - scope for integrated planning & budgeting for overall resources;
 - scope for Kebabi-level planning and implementation;
 - planning/budgeting approval mechanisms

(2) Regional, sub-regional and local level Implementation & monitoring:

- financial management, accounting and monitoring;
- procurement procedures for sub-Zobas;
- mechanisms for technical backstopping.

(3) Ministry of Local Government:

- possibilities of support for MoLG planning/monitoring unit;
- national training strategy;

(4) Project funding facility:

- indicative investment menus (and exclusions) for Zoba and sub-Zoba levels;
- strategy for incremental coverage of all sub-Zobas;
- criteria for size of budgetary allocations;
- minimum conditions for sub-Zoba eligibility to funding facility;
- performance measures and levels of performance-based incentives;
- local, matching contributions;
- disbursement procedures to Zoba Anseba.

(5) Policy impact & replication :

- possibilities of establishing a national “panel” on decentralisation.

(6) Project implementation:

- budgets for capacity-building and institutional development;
- staffing and resource requirements for PST;
- GoSE undertakings in Zoba Anseba;
- project monitoring and evaluation mechanisms.

Table 10: next steps in project formulation

Timeframe	Step	Primary management responsibility
March-April	Circulation of the PCP to GoSE, UNDP/Asmara, UNCDF management, BSF and independent peer reviewers for feedback, comment, and criticism.	PM, TA
March-April	Redrafting of the PCP in the light of feedback and comments.	Consultant, TA, PM
April	Final approval of the PCP by UNCDF management.	PM
April	Preparation of the Project Formulation Mission (PFM):	PM
	- collection of data/information/documents for the PFM (set of legislative and regulatory texts – PERA, draft electoral and political party laws, draft budget law, translated GoSE procurement procedures, translated internal Baito regulations; budget data for Zoba Anseba; ...);	PO/Asmara, PM
	- drafting of Terms of Reference for the PFM;	
	- recruitment of consultants for the PFM;	PM/TA
	- obtaining clearance from GoSE, Zoba authorities and UNDP for PFM (including clearance of ToRs, PFM members, and timing).	PM/TA PM, PO/Asmara
April-May	Determination of indicative UNDP/Asmara budget ceiling.	PM, PO/Asmara
May	Fielding of PFM in Eritrea.	PM, PO/Asmara
May	Organisation of stakeholder workshop in Keren for PFM wrap-up	PM, PO/Asmara, PFM
May-June-July	Drafting (and re-drafting) of Project Document	PFM
June-July	Review and initial approval of Project Document by GoSE, UNDP, & UNCDF.	PM, TA
July	Submission of Project Document to BSF	PM, UNCDF management
August	Final approval of Project Document by UNCDF and UNDP	PM, TA
September-October	Project start-up	PM, PO/Asmara, TA

PM = programme manager; PO = programme officer; TA = technical adviser.

Annexe 1: expenditures in Zoba Anseba

Ministry of Health Recurrent Expenditure Only

Item	1999 Nakfa	US\$	2000 Nakfa	US\$
Salaries	5,179,596	517,960	5,068,339	506,834
Other admin. expenditure	1,195,188	119,519	1,217,403	121,740
Purchase of fixed assets	8,120	812	-	-
Totals	6,382,904	638,291	6,285,742	628,574

Ministry of Education Recurrent Expenditure Only

Item	1999 Nakfa	US\$	2000 Nakfa	US\$
Salaries	n/a	n/a	11,562,104	1,156,210
Other admin. expenditure	n/a	n/a	965,607	96,561
Other	n/a	n/a	4,950	495
Totals	n/a	n/a	12,532,661	1,253,266

Ministry of Agriculture Recurrent & Capital Expenditure

Item	1999 Nakfa	US\$	2000 Nakfa	US\$
Salaries	n/a	n/a	1,843,999	184,400
Other admin. expenditure	n/a	n/a	495,736	49,574
Capital expenditure (GoSE)	n/a	n/a	5,732,771	573,277
Danida	n/a	n/a	17,420,891	1,742,089
Self-Help	n/a	n/a	1,866,287	186,629
Other projects	n/a	n/a	4,702,054	470,205
Totals	n/a	n/a	32,061,738	3,206,174

Regional Administration
 Recurrent & Capital Expenditure

Item	1999 Nakfa	US\$	2000 Nakfa	US\$
Salaries	5,321,230	532,123	4,662,941	466,294
Other admin. expenditure	3,851,011	385,101	4,223,573	422,357
Baito & National Service	16,893,149	1,689,315	29,760,323	2,976,032
Capital expenditure	4,859,042	485,904	2,829,423	282,942
Other	128,228	12,823	-	-
	31,052,660	3,105,266	41,476,260	4,147,626

Exchange rate: 10 nakfa = US\$ 1

Annexe 2: Documentation consulted

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