

Addendum 1 to ACTION DOCUMENT

THE EUROPEAN UNION EMERGENCY TRUST FUND FOR STABILITY AND ADDRESSING THE ROOT CAUSES OF IRREGULAR MIGRATION AND DISPLACED PERSONS IN AFRICA

1. IDENTIFICATION

Title	Reference: T05-EUTF-HOA-ER-88 Strengthening Eritrea's National Statistics and Macroeconomic Statistics Systems (SENSS)			
Zone benefitting from the action / Localisation	Eritrea			
Total cost	Total estimated cost: 1 017 283.76 EUR Total amount drawn from the Trust Fund: 1 017 283.76 EUR			
Aid modality(ies) and implementation modality(ies)	Indirect management with UNDP			
DAC – codes	160 - Other Social Infrastructure & Services 16062 - Statistical capacity building			
Main delivery channels	UNDP - 41114			
Markers	Policy objectives	Not targeted	Significant objective	Principal objective
	Participatory development / good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and empowerment of women and girls	X	<input type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	X	<input type="checkbox"/>
	Reproductive, maternal , newborn and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	X	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	X	<input type="checkbox"/>	<input type="checkbox"/>
	Disability	X	<input type="checkbox"/>	<input type="checkbox"/>
	Rio Markers	Not targeted	Significant objective	Principal objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
Migration marker	<input type="checkbox"/>	X	<input type="checkbox"/>	
SDG	Goal 16: Peace, Justice and Strong Institutions Goal 17: Partnerships for the goals			
Valetta Action Plan Domains	1. Development benefits of migration and addressing root causes of irregular migration and forced displacement			
Strategic objectives of the Trust Fund	1. Greater economic and employment opportunities 4. Improved governance			
Beneficiaries of the action	Duty-bearers: The Government of the State of Eritrea, in particular the National Statistical Office, the Ministry of Finance and other Ministries, Departments and Agencies, as well as international and domestic private sector operators.			

	Rights-holders: Ultimately, the entire Eritrean population will benefit from improved policy making based on quality data.
Derogations, authorized exceptions, prior approvals	None

2. RATIONALE AND CONTEXT

2.1. Summary of the action and objectives

The **overall objective** of the proposed Action is to strengthen the economic governance capacity of the Government of the State of Eritrea (GSE) by: improving the availability and access to timely, reliable, comprehensive and quality statistics for planning sound economic sectoral policies and development goals (specific objective 1); and strengthening the cohesion of the National Statistics System (NSS), both at central and local level (kebab/village), and the institutional and coordination capacities of the National Statistics Office (NSO) (specific objective 2). The proposed Action aims at correcting the identified current shortcomings and ensuring by the end of the programme Eritrea would have a sound, capable and self-reliant NSS. Statistical data is the foundation for development policy, through which investment and private sector development can be encouraged. This programme is targeting a core issue that has an end goal of improving development outcomes for all Eritreans. Strong data collection capacity will contribute to promotion of economic growth and good governance.

The Action will be implemented in the framework of priority pillar 3 - "Economic reforms/Governance" - of the new Development Cooperation Strategy 2019/20 between the European Union (EU) and Eritrea. The indicative implementation period of this action is 48 months.

The overwhelming reason for using the EUTF is to allow speed and flexibility to implement programmes that could support Eritrea in the new regional context, following the rapprochement with Ethiopia. In addition, the programme will support the GSE in generating timely, complete, and quality macro-economic statistics which is key to informing evidence-based policy formulation. This could ultimately lead to economic and social development, including the creation of job opportunities, benefiting from the positive regional context following the end of the 'no war no peace' situation through the July 2018 peace agreement with Ethiopia.

The four years programme will be implemented through a Contribution Agreement with UNDP, an organization that is already providing statistics related support to the GSE. The EU's financial support through this Action will thus contribute to a comprehensive, systemic intervention, agreed upon by the GSE.

In summary, the programme will deliver:

- Prototype National Accounts, including early initial estimates of GDP based on the production measure approach and existing sources of data and a phased expansion towards a more integrated approach based on balancing production, expenditure and income sources;
- Reviewed and updated versions of the Draft Statistical Proclamation (2005) and National Statistics Office Masterplan (SMP) (2009-2012) as well as a draft National Strategy for the Development of Statistics (NSDS);
- Significant improvements in the flows and accessibility to administrative data sources in various government levels and financial institutions, including Ministries and the Banks;
- The introduction of a business survey designed to improve the timeliness of economic indicators;

- The development of an integrated business register that combines the best data available from various government institutions with auxiliary data from administrative sources and from surveys, avoiding duplication and preventing gaps thus ensuring the Register's quality as a sample frame for future business surveys; and
- Improved capacity of the GSE for planning sound economic sectoral policies and development goals with the production of sector statistics including input coefficients of key sectors.

2.2. Context

2.2.1. National context

Eritrea is a young nation in the northern part of the Horn of Africa (HoA). It achieved independence on 24 May 1991, after 30 years of armed struggle with Ethiopia. Following a short period of peace, stability and reconstruction, a second border war erupted between the two neighbouring countries (1998-2000), which had a negative impact on the socio-economic development of the country. However, since the advent of a new government in Ethiopia in 2018, peace has prevailed and the prospects of socio-economic development have been restored. Following the peace agreement with Ethiopia, Eritrea has actively engaged in enhancing its diplomatic relationship with countries in the HoA region. This could indeed be the start of a new chapter for both the country and the region. New opportunities arise, linked with the advancement of regional economic cooperation, economic partnership and integration.

At the same time, numerous structural challenges remain and need to be addressed, such as the need to absorb a young and growing population into the labour market, ensure not only economic growth but also diversification to avoid dependence on few sectors potentially vulnerable to shocks (i.e. mining, agriculture), attract foreign investors and develop domestic private initiatives, combat irregular migration and brain drain.

The peace between Eritrea and Ethiopia as well as the positive regional dynamics has to be consolidated and practical measures need to be put in place to advance economic cooperation. There is now a need for a paradigm shift and for dedicating more attention and resources to development related priorities.

The Government of the State of Eritrea is focused on facilitating economic and social development of the country in order to meaningfully and equitably impact on the living conditions of Eritreans. To achieve this, the generation of timely, complete, and quality statistics is key to informing evidence-based policy formulation, planning and assessment of development changes.

2.2.2. Sector context: policies and challenges

The importance of statistics is recognised in the Sustainable Development Goals, particularly Goal 17 target 18 which states: "By 2020, enhance capacity-building support to developing countries, to increase significantly the availability of high-quality, timely and reliable data". The importance of building effective, accountable and inclusive institutions at all levels is targeted by goal 16 and specifically with objectives 16.6 "Develop effective, accountable and transparent institutions at all levels" and 16.7 "Ensure responsive, inclusive, participatory and representative decision-making at all levels". Statistics plays a vital role in nearly all fields of human activity, be it economic, social, environmental, or political. For example, statistics can

give an existing position of wealth, per capita income, social progress, unemployment, population growth rate, housing, schooling, medical facilities, etc., in a country. National accounts are mainly used for: monitoring the behaviour of the economy; informing economic policy and decision-making processes; economic analysis and research; international comparisons; and as a co-ordination framework for economic statistics. Other key macroeconomic statistics include Balance of Payments (BOP); Government Finance Statistics (GFS) and Monetary and Financial Statistics, Prices (e.g. CPI, Producer Price Index (PPI), Import and export prices, construction prices). Gross domestic product (GDP), a key indicator of economic performance and wealth of the country, is the most frequently quoted national accounts statistic.

As indicated and agreed in the former National Indicative Programme 2014-2020 under EDF 11 for Eritrea¹, Eritrea recognises the importance of enhancing economic governance, rule of law, transparency and accountability.

The New European Consensus on Development emphasises the need to “boost the statistical capacity of developing countries, including through strengthened capacity for the production and analysis of data, to inform policy and decision-making”. The New Consensus also refers to the Rights Based Approach and gender mainstreaming to achieve these objectives. The Action also contributes to the EU’s Gender Action Plan 2016-2020 priorities on “Equal rights and ability for women to participate in policy and governance processes at all levels” (objective 17).

Activities towards these objectives encompass supporting the production and dissemination of timely and reliable statistics and data for defining, planning and monitoring the implementation of sound public policies and development goals. In Eritrea, published statistics and especially economic statistics are generally either not available or outdated. There is a strong demand for national accounts in Eritrea within the Ministries, Departments and Agencies (MDAs), research institutions, academic institutions, private sector, development partners, community, international organizations, and the general public at large.

The National Statistics System (NSS) of any country comprises all producers of official statistics, operating within a coherent and integrated structure. In Eritrea, producers of official statistics would comprise: (i) the National Statistics Office (NSO), a Department in the Ministry of National Development (MND); and (ii) MDAs responsible for key functions of government such as finance and investment, economic planning, agriculture, industries, trade, mining, education, justice, health, labour, environment and local government; central bank; revenue authority; and academia.

There is no promulgated statistical legal framework specifying the role, the responsibilities and the powers of the NSO in relation to its requirements for statistics from the Ministries responsible for the key functions of government. There is only a draft statistical proclamation (order/decre) from 2005 and there is a draft 2009-2012 National Statistics Master Plan (SMP) prepared by NSO, with assistance from Statistics Norway, but it requires a review and implementation.

The GSE, through MND, recognises that the present capacity and status of the NSO and the NSS do not provide a sound base for the development of timely, complete, consistent and high quality official statistics to inform government decisions on economic and social development and to prepare comprehensive economic sector and national development plans.

In the past, the activities of NSO have been hindered by a number of factors, which can be summarized as follows:

¹ Eritrea-EU cooperation, 11 EDF, National indicative Programme (201-2020), page 14 and 15

- (i) Inadequate capacity, e.g. human resources (there is high manpower turnover in NSO mainly due to inadequate remuneration); and
- (ii) Inadequate data and information sharing systems and limited consolidation of the NSS, which hinder the establishment of a balanced demand and supply of national statistics.

Additionally, due to the absence of regular National Accounts based on international classification systems and on a recognised System of National Accounts, the Government is unable to measure and monitor the impact of its economic and fiscal initiatives. National accounts provide an overview of economic processes, recording how production is distributed among consumers, businesses, government and neighbouring countries creating the conditions to strengthen the inflow of Foreign Direct Investments (FDIs) stimulating the private sector, that would be in the medium term the biggest employer of the country and main producer of wealth.

There is general recognition within the Government and the Central Bank of Eritrea, at the highest levels, that fundamental change in the NSO and the NSS is essential to remedy this situation.

The GSE intends to produce and disseminate timely, complete, and quality statistics that reflect the true value of what is intended to be measured, with the primary objective of achieving the following six dimensions: accuracy, validity, timeliness, consistency, completeness and accessibility. The GSE is interested in compiling GDP, current account surplus/deficit, exports, imports, consumption, and inflation, among other economic statistics. In the medium to long term, the GSE is keen to establish a robust NSS. The proposed action will support this vision.

Review has been done and came up with the following key recommendations:

1. Full compilation of GDP estimates is achievable in three years backed by sound technical commitment, strong political-will, adherence to strict timelines, and compliance with international standards;
2. Focusing substantial attention on institutional and human capacity building as well as accelerating partnership building on statistical system; and
3. Implementation of priority actions in the short, medium and long terms. Short term priority actions (1 – 2 years) include: Finalization of Statistical Master Plan and making it ready for the Policy Making Body; Development and implementation of a statistical capacity building plan; Production of national accounts; Deepening social statistics; and Publication and dissemination of statistical journals. The medium to long term actions are consolidation and deepening of short term actions, leading to an established robust NSS.

All these will inform the implementation of this action, which will extend beyond national accounts and will focus on other eight sectors (trade & industry, banking & finance, agriculture, transport, mining & energy, construction, health, and education), thus enhancing the quality of official statistics and planning across the NSS and economic sectors.

2.2.3. Justification for use of EUTF funds for this action

The overwhelming reason to use the EUTF is to allow speed and flexibility to implement programmes that could support Eritrea in responding to emerging needs in the new regional context, following the rapprochement with Ethiopia, in line with the new dual track approach for the relationship between the EU and Eritrea that was endorsed by the European Council Africa Working Group (COAFR) on 12 December 2018. By supporting the GSE in generating timely, complete, and quality macro-economic statistics, the programme will also

strengthen the basis for evidence-based policy formulation. This could ultimately lead to economic and social development, including the creation of economic and job opportunities, which respond to strategic objective 1 of the EUTF (Greater Economic and Employment Opportunities), benefiting from the positive regional context following the end of the 'no war no peace' situation through the July 2018 peace agreement with Ethiopia.

2.3. Lessons learnt

Universal experience shows that a robust NSS is founded on an efficient and well-functioning NSO. The capacity of a NSO determines the quality and credibility of national statistics and this is ensured through continuous building and enhancement of human and technological resources, adopting modern managerial practices and adhering to international statistical standards. It also implies close collaboration and partnership between national and international organizations on statistical development.

The Eritrean NSO benefitted in the past from external technical assistance from Canada, USA and most recently from Norwegian NORAD. Each intervention has been successful at the time, but NSO has failed in the past to maintain and sustain the benefits. In recent years the NSO has lost key staff and resources and so has struggled to produce reliable statistical outputs.

There is a clear high-level recognition from the GSE that this programme represents a unique opportunity to return to and even exceed the levels achieved with the previous assistance interventions by adopting a more comprehensive, systemic and longer-term approach which will build up resilience.

Based on past experiences, positive and negative, some lessons learned will be applied:

A **policy framework** should be put in place, setting out the roles and responsibilities of various actors, thus ensuring a coherent and sustainable approach, in a gender sensitive and rights-based way, to building up and maintaining a viable NSS. Therefore, the 2005 draft Statistical Proclamation and the 2009-2012 National Statistics Masterplan will be reviewed and updated as necessary and a National Strategy for the Development of Statistics will be drafted.

The **capacity of various stakeholders** involved and in particular of the NSO **needs to be developed** across the system. That requires joint efforts by the GSE, to hire and retain adequate personnel, and the development partners who would have to mobilise expert technical assistance. It is important that MND will make the necessary staffing resources available to the NSO in order to implement the compilation of national accounts and to the various Ministries in order to implement the sector improvement plans. This capacity building programme includes a gender sensitive approach for improvement and upgrading of staff capacity, production of data for development planning, and provision of facilities and equipment such as IT.

In addition, for the NSS to be effective it is needed to establish a proper **data and information sharing and consolidation system** between the different MDAs. **Coordination among several partners** is also fundamental to avoid overlapping and a dispersion of efforts. An integrated action could be more beneficial to the modernisation of Eritrean economic governance.

A **phased approach** presents some advantages since it allows assessing and evaluating the results of the previous phases and adjusting the action according to the emerging needs and constraints. A phased approach is envisaged for the implementation of this action, where priority actions in the short, medium and long terms will be identified and pursued.

2.4 Complementary actions and synergies

In developing this Action Document detailed discussions have been held with the Ministers of Finance, Agriculture and of National Development; with the Governor of the Central Bank of Eritrea; with senior planning officials in the Ministries of Trade and Industry and of Local Government². The Action Document further reflects and prioritises recommendations set out in the United Nations Country Team Eritrean Report 2015-19; United Nations Population Fund Country Programme Action Plan 2013 -16 and the NSO Masterplan 2009-2012.

The GSE has formally requested the EUD to harmonise its action with UNDP in the context of an existing multiannual (5 years) programme aiming at building the capacity of the NSO and enhancing the NSS overall. Thus, any potential overlapping risk would be avoided.

Several development partners have been contacted by the GSE to develop interventions in this field and have already started providing and/or have shown their willingness to provide support to GSE in compiling macro-economic statistics and strengthening the NSS.

The coordination approach and the concentration method will eventually pave the way to further donors' initiatives. For example, the World Bank (WB) and the International Monetary Fund (IMF) are assessing the opportunities for restarting their development assistance and/or provision of technical support to the Country. The two IFIs recently concluded exploratory missions to assess the political willingness of the GSE the restart dialogue and eventually cooperation programmes. The recent (May 2019) Article IV IMF mission has identified the lack of reliable data and statistics as a concern that requires immediate attention.

IMF EAST AFRITAC provided some training and capacity building on real sector statistics and still has some capacity building activities foreseen for Eritrea under this domain in its regional action plan for 2019 and the following years.

The African Development Bank (AfDB) is also offering assistance through its PFM and Statistical capacity building project, which has a component on Strengthening Capacity for production of socio-economic statistics through the NSO. There are areas under this project that may be complementary or overlap with the Action, therefore coordination with AfDB is also needed.

The UN Economic Commission for Africa (ECA) has also started re-engaging with GSE after the rapprochement with Ethiopia. Statistical development is among the areas identified for possible support from ECA, especially capacity development for generating macro-economic and energy sector statistics. Again, there is a possible complementarity or overlapping with the Action proposed and therefore the EU Delegation has consulted and it is coordinating with ECA.

Finally, as already mentioned, UNDP has already engaged on an Economic and Social Data Development Programme, which provides the framework for the recently (9 June 2019) agreed bi-annual Action plan.

2.5 Donor coordination

There is consensus amongst donors and stakeholders regarding the need to place the development of macro-economic statistics on a stronger, more reliable, consistent and sustainable basis for defining, planning and monitoring the implementation of sound public policies and development goals. Similarly, there is recognition among the Ministries that this

² Some discussions were held in 2017 during the design of the Support to National Statistics programme in the framework of the NIP – EDF 11.

development needs to lie within the framework of a co-ordinated NSS in which both NSO and the various Ministries work together to improve the flow of data not only for macro-economic, but also for social statistical purposes and formulating sound economic sector and national development plans. There is acknowledgement that this will involve scrutiny and formalisation of data and metadata currently collected in various Ministries and Zobas and that a significant benefit could accrue from review of these sources by NSO, supported by this programme. In addition, considering the plurality of actors and development partners involved in the sector, there is a strong need to deepen the level of coordination, working under a common action plan and framework.

Considering that the EU has already allotted EUR 5 million to assist the GSE in strengthening the NSS and producing National Accounts and Macro-economic statistics, it has been decided in consultation with the main partners involved to put in place an informal coordination structure aiming to identify synergies and ensure a proper division of labour. For this purpose, an informal working group among development partners on data collection, quality and analysis is being established within the framework of the broader mechanism for donors' coordination, the Eritrea Development Partners Forum led by the UN. The EU Delegation is playing a leading and coordinating role.

The Action will produce the win-win effect of concentrating the efforts of different development partners (under UNDP coordination) in a single coherent action which will eliminate the risk of overlapping. In fact, the EU financial support will be directed to a programme already kicked-off by UNDP, thus building up synergies. The participation of other development partners (for example UN ECA) in this single coherent action, is currently being examined together with the GSE. Such an integrated action will be a fundamental step towards the modernisation of Eritrean economic governance.

3. DETAILED DESCRIPTION

3.1. Objectives and expected outputs

The proposed Action aims at addressing the current shortcomings and ensuring that at the end of the programme Eritrea would have a sound, capable and self-reliant NSS. Thus the economic governance capacity of the GSE would be strengthened, creating the premises for sustainable economic growth. The proposed actions will develop the capacities of stakeholders to design policies based on up to date statistical information that will be made accessible to the public.

The overall objective (expected impact) of this action is: **strengthen the economic governance capacity of the Government of the State of Eritrea.**

The specific objectives (expected outcomes) are the following:

- **Specific Objective 1:** Improving the availability and access to timely, reliable, comprehensive and quality statistics for planning sound economic sectoral policies and development goals;
- **Specific Objective 2:** Strengthening the cohesion of the NSS, both at central and local level (kebab/village) and the institutional and coordination capacities of the NSO.

The expected outputs are:

- **Result 1.1.** A system of national accounts and other macro-economic statistics is in place for evidence-based planning, implementation and monitoring of policies and development programmes (*linked to specific objective 1*);

- **Result 1.2.** Data collection, transmission and dissemination in a wide range of sectors (in particular with regard to generating GDP and related economic statistics, social and development indicators) is improved at all levels (*linked to specific objective 1*);
- **Result 2.1.** The policy framework for the NSS is developed and operational (*linked to specific objective 2*);
- **Result 2.2.** Human, organizational and institutional capacities of the NSO and associated departments at national and regional level are strengthened (*linked to specific objective 2*).

An indicative logical framework reflecting objectives and results is included in Annex of this Action Document.

3.2. Main activities

The **inception phase** has already started, with financing from UNDP, and mainly consists in a needs assessment and preparatory work paving the way for the next phase(s) that will be implemented utilizing the financial resources provided by the EU.

The following activities, conducted in close coordination with the GSE's relevant Ministries and departments (NSO) are expected to be finalised before the commencement of the EU financed intervention:

- Conduct an overall assessment of the functioning of the NSO and NSS in terms of human capacity (data disaggregated by sex, age, education, position, available resources, coordination structure and mechanisms for data collection and analysis). The assessment should involve all the levels of the NSS, from central to village/kebabi level;
- Produce a report presenting the main strategy for the subsequent activities, methodology and work-programme for year 1 with key milestones;
- Draft Terms of Reference (TORs) to be a basis for the hiring of technical assistance (training services) and ITC equipment supply contracts required during the main implementation phase;
- Define indicators and benchmarks through detailed analysis of the current situation.

Under the proposed **phased approach**, various activities will be implemented at various stages, in a timely manner, reinforcing and building on each other. A detailed work plan for the following phase(s) will be defined by the end of the inception phase (year 1). The results of phase 1/inception phase will be summarised in a report which will detail the reforming steps to be implemented in Phase 2. The programme not only seeks to build procedures for compiling national accounts but also aims, through the draft legal framework for the NSS, to establish during phase 1 a thorough analysis of the constraints in the sources of data across the Ministries.

International and national experts will be recruited by MND (NSO) in collaboration with UNDP to secure technical assistance (TA) to the NSO throughout the implementation of the programme. NSO will give due consideration to its long time technical partners, such as the Norwegian FAFO, during the inception phase and the rest of the project period. The needs and roles for the TA will be further defined during the inception phase.

3.2.1. Activities associated with each result

Result 1.1. A system of national accounts and other macro-economic statistics is in place for evidence-based planning, implementation and monitoring of policies and development programmes (linked to specific objective 1)

- Produce a prototype set of national accounts including estimates of GDP based on production approach by the end of the first year. Input coefficients for all key sectors should be produced as part of this process;
- Produce the methodology for the compilation of national accounts based on the production approach and record in a manual. The methodology should allow for the production of input coefficients for each key sector with a clear indication of data requirements;
- Identify current sources of data and compile national accounts as well as input coefficients for key sectors;
- Produce a strategy for future improvements to the compilation of National Accounts including plans for an integrated production, expenditure and income system of National Accounts based on supply and use tables (or input output tables if possible), setting out the wider range of data sources that will need to be introduced and the approaches for collecting this data;
- Develop an integrated business register.

Result 1.2. Data collection, transmission and dissemination in a wide range of sectors (in particular with regard to generating GDP and related economic statistics, social and development indicators) is improved at all levels (linked to specific objective 1)

- Examine and analyse sources of data for estimating GDP, using the production approach and including estimates of input coefficients, which are either currently or potentially available for each of the various Ministries and in the banking sector, covering the key sectors;
- Develop plans in the form of service level agreements between NSO and the various Zobas and Ministries for the efficient and effective transfer of data. These plans will be fully documented and contain metadata defining the data; the timetable for delivering these data; the staff requirements; the IT and communications technology; the training requirements. The plans may propose incremental year on year improvements in the access and transmission of the required data;
- Implement sectoral improvement plans;
- Introduce sector analyses and macroeconomic statistical indicators;
- Publish statistical data, sector analyses and macroeconomic statistical indicators.

Result 2.1. The policy framework for the NSS is developed and operational (linked to specific objective 2)

- Review and update, as necessary, the 2005 Draft Statistics Proclamation;
- Review and update, as necessary, the 2009-2012 National Statistics Masterplan (SMP) at central and local (kebab/village) level;
- Draft National Strategy for the Development of Statistics.

Result 2.2. Human, organizational and institutional capacities of the NSO and associated departments at national and regional level are strengthened (linked to specific objective 2)

- Realize a comprehensive competency assessment of the NSO personnel, taking into consideration gender dimension;
- Develop a national capacity development plan;
- Train staff of NSO and other NSS stakeholders (ministries, departments, regional administrations) by providing approximately 1600 and 360 staff days of training respectively, from central up to village/kebab level, including the training on the importance and interpretation of gender disaggregated data and on community-based data collection;
- Strengthen the capacity of NSO personnel to successfully implement the objectives set in the SMP;
- Contract experts (short and long term) to provide technical assistance;
- Develop and publish manuals, guidelines and related data capture instruments for macro-economics, socio-economics and event registration;
- Assess and prioritise the ICT needs of NSO and NSS;
- Supply ICT equipment.

3.2.2. Target groups and final beneficiaries

Target group of the Action is the entire Government of Eritrea which will be supported in evidence-based policy formulation, including the Ministries, Departments and Agencies, which will implement policies based on up to date statistical data.

The private sector and interested investors also are target groups of the Action. This Action constitutes one of the bases for the improvement of the business and investment enabling environment.

Final beneficiaries of the programme are the citizens of Eritrea, whose living standards will be improved based on evidence-based policies which will address the needs of the population more efficiently.

3.3 Risks and assumptions

Risks	Level of risk	Mitigating measures
Policy/statistical units in Ministries are uncooperative due to pressure to meet other government targets	Medium	Ministers have indicated strong support of the programme and that will strengthen the powers of the NSO. It will be important for the MND to maintain a close and regular supervision of progress and to this end should establish a project management team (PMT) with special responsibility for monitoring not only this risk but also the general progress of the programme.
Staff turnover in NSO and in the policy/statistical units in Ministries	High/ Medium	The technical expertise recruited for the Action will provide well documented reports and

leads to delays and losses of experienced staff		develop manuals of procedures based on the results of the analysis, planning and implementation phases of the programme. This will include reports on the analysis of current data sources and data flows including metadata, plans for improving data flows, national account manual, prototype business surveys etc. All training contracts will include a requirement to produce internal training manuals to facilitate the training of new staff.
Lack of policy framework limits progress on other parts of the programme	Medium /Low	The EU Delegation/UNDP supported by other development partners will closely monitor this issue and, if required, raises it for discussion with GSE.
Input of the key technical expertise is not continuous during the entire programme	Medium	It will be highly desirable for the technical expertise recruited for the Action to a) recognise the importance of continuity in this input, and b) to explain what steps would be taken in the event of an unavoidable break in continuity.
Delays arise at any procurement stage of the Phase 2 actions in the programme, particularly the procurement of training which will be an essential component of the implementation phase.	Medium	It will be important for UNDP to closely coordinate with NSO and MND to maintain a close and regular supervision of progress and ensure a timely implementation of the procurement plan.
Analyses and indicators are available but access still remains difficult	Medium	Develop a roadmap to ensure that data analysis and sector statistics are published and stakeholders informed.

The **assumptions** for the success of the project and its implementation include:

- GSE makes available the relevant source data to prepare the statistics and analysis.
- GSE fully commits itself to strengthen the sustainability of the statistics system of Eritrea (especially after the end of the support from donors) and to an increased use of statistics in planning and policy development.
- GSE maintains a centralised statistics office in the form of the NSO which is empowered to undertake its mandate independently.
- GSE remains committed to maintain and increase the number of NSO and NSS staff to be adequately and periodically trained.

3.4. Mainstreaming

As sound statistics systems generating quality and consistent data are crucial for sound policy formulation, implementation and monitoring in all areas, the successful implementation of this action will indirectly contribute to progress towards achievement of all SDGs, thus having an indirect yet positive impact on, *inter alia*, gender and environmental issues.

Gender equality: There will be a clear methodological approach to collect and produce sex-disaggregated data. The project management team will make sure that female staff working

for the NSO and NSS will have equal opportunities to participate in training and other capacity building actions.

Environment: Since among the MDAs there are also the Ministries of Agriculture, Energy and Mines, Local Government, and Trade and Industry, data on environmental issues will be collected and analysed. Moreover, the availability of reliable data will also guide the elaboration of policy, for example on the use of renewable energy.

Human rights: In line with the EU core values, a rights-based approach will be adopted during the implementation of Action³.

3.5 Stakeholder Analysis

The key stakeholders are: the NSO, which lies within the MND, and the other members of the NSS which includes the relevant statistics departments in line Ministries (Ministries of Finance, Agriculture, Trade and Industry, Energy and Mines, Local Government, Education and Health), the Central Bank of Eritrea and statistical and planning units located within the Regional Administrations levels (the Zoba/provinces and kebabi/villages). The NSO is at the centre of this system with the role of compiling and providing availability and access to timely, reliable, comprehensive and quality statistics from various sources to international standards.

The NSO is currently working under the auspices of the MND; however it is the Government's future plan to elevate it as an independent legal entity via parallel institutional development programmes. The NSO is headed by a Director General, with a Director of Economic and Financial Statistics, a Director of Demographic and Social Statistics, a Director of Technical Services (methodology & IT) and a Director of Geo-Cartographic Services. The total NSO staff declined from about 91 in 2010 to 67 in September 2019. This decline is mainly due to a reduction of activities in the office and other economic challenges.

The capacity of the NSO to absorb technical assistance is key to the long term sustainability of this Action. Together with the development of a Civil Registration System feeding Vital Statistics and with the conduct of an Eritrean Population Household Survey, the NSO, with its present staff, would struggle to absorb the input from this Action. However, plans are in place for a significant increase in staffing resources. There is a clear commitment from the MND to achieve these plans.

For the proposed action to be successful, it is needed that the GSE retain a keen interest in strengthening its statistics system and in increasing the use of statistics in planning and policy development.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement, if relevant

Not applicable.

4.2. Indicative operational implementation period

The implementation period will be 48 months from the date of contract signature.

³ The Government of the State of Eritrea has ratified six of the nine international human rights treaties: the Convention on the Rights of the Child (1989) and its Optional Protocols (both 2000); the Convention on the Elimination of All Forms of Discrimination Against Women (1979); the International Convention on the Elimination of Racial Discrimination (1965); the International Covenant on Economic, Social and Cultural Rights (1966); the International Covenant on Civil and Political Rights (1966); and the Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (1984).

4.3. Implementation modalities

The action will be implemented in indirect management through a Contribution Agreement with UNDP. GSE has proposed UNDP as implementing partner, based on its proven capacity and expertise in implementing statistics and economic governance programmes in the Country, as well as due to a good working relationship established with UNDP Country office. UNDP has already agreed with the Government on the work plan for the first year of implementation of the programme supporting the national statistic system and macroeconomic statistics. The inception phase has already started with financing from UNDP, preparatory work paving the way for the next phases. The EU financial support through this Action will contribute to a comprehensive, systemic intervention, agreed upon by the GSE.

UNDP will assist the NSO, under the auspices of MND, in the implementation of the Action using the National Implementation Modality consistent with the standards for UN/GSE cooperation in Eritrea.

The budget for communication and visibility, and monitoring, evaluation and audit will be managed in direct management.

Organisational set-up and responsibilities

A governance and coordination structure will be put in place to oversee the overall programme and progress in the implementation, consisting of a Project Board bringing together representatives of the NSO/MND, the EU Delegation and UNDP. It will conduct regular meetings to expedite the implementation of the project. Other stakeholders may be invited as observers. Progress and information about the programme will be also shared through the informal sector working group on data and statistics (described in section 2.5).

UNDP will be responsible for the overall implementation of the Action and coordination with other initiatives. A UNDP Programme Officer will be appointed to hold the project assurance role. UNDP will work in partnership with the MND which will coordinate the different programme components. MND will assign a Programme Manager responsible for running the programme on a day-to-day basis and for liaising with the other members of the NSS.

Moreover, communication and visibility component will be contracted through a competitive negotiated procedure or the EU framework contract.

4.4. Indicative budget

Component	Amount EUR
INDIRECT MANAGEMENT through a Contribution Agreements with UNDP	1 017 283.76
Total	1 017 283.76

4.5. Monitoring and reporting

The implementing partner must establish a permanent internal, technical and financial monitoring system for the action and prepare regular progress reports and final reports.

In the initial phase, the indicative logical framework agreed in the contract and / or the agreement signed with the implementing partner must be complemented with baselines, milestones and targets for each indicator. Progress reports provided by the implementing partner should contain the most recent version of the logical framework agreed by the parties

and showing the current values for each indicator. The final report should complete the logical framework with initial and final values for each indicator.

The final report, financial and descriptive, will cover the entire period of the implementation of the action.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

The implementing partner(s) will report on a number of common EUTF indicators of the selected results for this Action⁴.

Project Implementing Partners will be required to provide regular data, including the evolution of the actual values of the indicators (at least every three months) to the contracting authority, in a format which is to be indicated during the contract negotiation phase. The evolution of the indicators will be accessible to the public through the EUTF website (<https://ec.europa.eu/trustfundforafrica/>) and the Akvo RSR platform (<https://eutf.akvoapp.org/en/projects/>).

Any monitoring and evaluation will be gender-sensitive, assess gender equality results and implementation of rights-based approach working method principles in terms of implementation of the project and project outcomes. Key stakeholders will be involved in the monitoring process. Monitoring and evaluation will be based on indicators that are disaggregated by a minimum sex, age.

4.6. Evaluation and audit

If necessary, ad hoc audits or expenditure verification assignments could be contracted by the European Commission for one or several contracts or agreements.

Audits and expenditure verification assignments will be carried out in conformity with the risk analysis in the frame of the yearly Audit Plan exercise conducted by the European Commission. The amount allocated for external evaluation and audit purposes should be shown in EUR. Evaluation and audit assignments will be implemented through service contracts, making use of one of the Commission's dedicated framework contracts or alternatively through the competitive negotiated procedure or the single tender procedure.

Where relevant, the provisions of the Financial and Administrative Framework Agreement (FAFA) between the European Union and the United Nations of 29 April 2003 and its adaptation of 31 December 2018 shall apply.

4.7. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, which will be developed early in the implementation. The measures are implemented by the Commission, the partner country, the contractors, the beneficiaries and/or the entities responsible in terms of legal obligations regarding communication and visibility. Appropriate contractual obligations will

⁴ EN : https://ec.europa.eu/trustfundforafrica/sites/euetfa/files/eutf_results_indicators_41.pdf
FR : https://ec.europa.eu/trustfundforafrica/sites/euetfa/files/eutf_results_indicators_41_fr.pdf

be included in the financing agreement, purchase and grant agreements and delegation as well as contribution agreements.

Communication and visibility requirements for the European Union are used to establish the communication and visibility plan for the action and the relevant contractual obligations. The Financial and Administrative Framework Agreement between the European Union and the United Nations as well as the Joint Visibility Guidelines for EC-UN actions in the field will inform the drafting and implementation of this action-specific Communications & Visibility Plan.

List of acronyms

AfDB - African Development Bank

ECA - United Nation Economic Commission for Africa Programme

GDP - Gross domestic product

GSE - Government of the State of Eritrea (GSE)

HoA - Horn of Africa

IMF - International Monetary Fund

MDA - Ministries, Departments and Agencies

MND Ministry of National Development

NSDS - National Strategy for the Development of Statistics

NSO - National Statistics Office

NSS - National Statistics System

SMP - Statistics Office Masterplan

TA - Technical assistance

UNDP – United Nation Development

WB - World Bank

Annex: Indicative Logical Framework Matrix

Additional note: The term "results" refers to the outputs, outcome(s) and impact of the Action (OECD DAC definition).

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources and means of verification	Assumptions
Impact (Overall objective)	The overall objective of this action is: strengthen the economic governance capacity of the Government of the State of Eritrea	Number of statistics annually published (4 years after the start of the action) National Strategy for the Development of Statistics approved, published and systematically applied	Annual and periodical publications by GSE	GSE maintains interest in improving its economic governance.
Outcome(s) (Specific Objective(s))	<ul style="list-style-type: none"> - Specific Objective 1: Improving the availability and access to timely, reliable, comprehensive and quality statistics for planning sound economic sectoral policies and development goals; - Specific Objective 2: Strengthening the cohesion of the National Statistics System (NSS), both at central and local level (kebab/village), and as duty bearer the institutional and coordination capacities of the National Statistics Office (NSO). 	<ul style="list-style-type: none"> Number of institutions (ministries, Zobas, central bank) providing the NSO with statistics on a regular basis Number of official requests for macroeconomic and sector statistics fulfilled by the NSO Number of NSO staff trained on and using statistics software (data disaggregated by sex and age) Number of mechanisms for monitoring and coordination established 	<ul style="list-style-type: none"> - Monitoring data to be collected by NSO; - Programme and training reports - NSO/MSN periodic and annual reports 	GSE confirms keen commitment in strengthening the statistics system of Eritrea and in the increased use of statistics in planning and policy development.

<p>Outputs</p>	<ul style="list-style-type: none"> - Result 1.1. A system of national accounts and other macro-economic statistics are in place for evidence-based planning, implementation and monitoring of policies and development programmes (<i>linked to specific objective 1</i>) - Result 1.2. Data collection, transmission and dissemination in a wide range of sectors (in particular with regard to generating GDP and related economic statistics, social and development indicators) is improved at all levels (<i>linked to specific objective 1</i>) - Result 2.1. The policy framework for the NSS is developed and operational (<i>linked to specific objective 2</i>) - Result 2.2. Human, organizational and institutional capacities of the NSO and associated departments at national and regional level is strengthened (<i>linked to specific objective 2</i>) 	<p>Produced a prototype set of national accounts including estimates of GDP by the end of the first year;</p> <p>Methodology for the compilation of national accounts and recorded in a published manual;</p> <p>Identified the sources of data;</p> <p>Strategy for future improvements to the compilation of National Accounts published</p> <p>Integrated business register Developed.</p> <p>Published Agreements between NSO, Ministries, and peripheral zobas for the efficient and effective transfer of data;</p> <p>Number of sector analyses and macroeconomic statistical indicators published.</p> <p>Issued a reviewed and updated of 2009-2012 National Statistics Masterplan (SMP) at central and local (<i>kebab/village</i>) level;</p> <p>Drafted National Strategy for the Development of Statistics.</p> <p>Realized a comprehensive competency assessment of the NSO personnel and Developed national capacity development plan; Number of Trained staff of NSO and other NSS stakeholders (disaggregated by sex, age, position, structures, ministries, departments, regional administrations)</p> <p>Number of Service contract for Technical Assistance Contracted: 1 resident expert (coordinator); and 2 resident experts;</p> <p>Assessed ICT needs for NSO and NSS and related equipment supplied.</p>	<p>National accounts produced by NSO</p>	<p>The GSE maintains a centralised statistics office in the form of the National Statistics Office which is empowered to undertake its mandate independently.</p>
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