

Mid-Term Review of Cooperation between National Statistics Office in Eritrea and Statistics Norway

NORAD COLLECTED REVIEWS 7/2007

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Norad collected reviews

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ISBN 978-82-7548-202-8

MID-TERM REVIEW

of

**Cooperation between National Statistics Office in
Eritrea and Statistics Norway**

January 2007

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List of Abbreviations

AWP	Annual Work Plan
BEC	Broad Economic Categories
COICOP	Classification of Individual Consumption by Purpose
CPI	Consumer Price Index
DHS	Demographic and Health Survey
EDHS	Eritrea Demographic and Health Survey
EEBC	Eritrea-Ethiopia Boundary Commission
EU	European Union
FAO	Food and Agriculture Organisation
GDP	Gross National Product
HDI	Human Development Index
HRD	Human Resource Development
IMF	International Monetary Fund
LSMS	Living Standard Measurement Survey
MDG	Millennium Development Goals
mn	Million
MP	Master Plan
MTR	Mid-Term Review
NGO	Non-government organization
NORAD	Norwegian Agency for Development Cooperation
NSO	National Statistics Office (Eritrea)
PD	Project Document
SBR	Statistical Business Register
SITC	Standard Industrial Trade Classification
SN	Statistics Norway (Statistisk Sentralbyrå)
SNA	System of National Accounts
SUT	Supply and Use Tables (National Accounts)
ToR	Terms of Reference
UNDAF	UN Development Framework
UNDP	UN Development Programme
USD	United States Dollar
WB	World Bank

1 Summary and Recommendations

Main Findings

1. The Project has made good progress since it started in June 2004, and is considered to be on track.
2. The Project is implemented in a challenging political and economic context. Because of the lack of progress on the border demarcation issue, Eritrea considers herself in a state of conflict with her neighbour Ethiopia, and this view permeates large parts of the political landscape.

Results and Achievement of Objectives

3. The development of the IT system has taken longer time and more resources than initially anticipated, but has rendered good results. A server system is built, and software is successfully installed. Data security is high.
4. The work on general economic statistics has followed the Master Plan for economic statistics, with deviations relating to the availability of data and to difficulties in ensuring regular access of data from government institutions.
5. Work on the consumer price index and the foreign trade statistics has given tangible results. The CPI has been more or less extended to the whole country, and is ready for publication month by month. Foreign trade statistics have been compiled for 2003 and 2004, will shortly cover 2005 and are ripe for publication. The establishment of a statistical business register has been delayed, however.
6. The work on the national accounts has proved to be heavy but is basically on track. The work follows the approach of using supply and use tables with the purpose of establishing a comprehensive set of accounts that are balanced from the outset. There have been two complications. First, the availability and quality of source data proved to have substantial shortcomings. Second, substantial training of staff that were mostly completely new to this demanding undertaking has been necessary.
7. A key data cooperation issue is the limited capacity in the ministries and regional administration regarding data collection and statistical work. Several of them appear in need of strengthening of their capacity to be able to provide data to the NSO of the necessary detail, quality and coverage.
8. However, the ensuing results are promising. The present plans show the first set of national accounts, for 2003, will be completed at the end of this year with the accounts for 2004, both at current and fixed prices, planned for completion before August 2007. If realised, this would be an achievement fully in line with the Master Plan.

9. While the project on economic statistics thus promises to show good results, it should not be forgotten that the sustainability of economic statistics for Eritrea remains fragile. Continued progress depends on the availability of skilled and dedicated professional staff which is indeed a very scarce resource.
10. The Project has been based on a Master Plan for the development of economic statistics. However, the NSO does not have an overall plan that merges all the economic, social and other statistical tasks that the NSO is charged with. Making such a comprehensive master plan is becoming steadily more important as the NSO is faced with an increased array of demands for provision of statistics.

Management and Human Resource Development

11. The current management at NSO needs to be further developed, and NSO will need external support in the building of the management team until the Project ends in 2008.
12. With the benefit of hindsight, the human resource development part of the Project could have been given higher priority from the beginning. While substantial on-the-job training has taken place, a more formal training schedule within an agreed HRD plan has not been implemented as of yet. Recent plans and initiatives try to address this issue.

Publishing and Dissemination

13. The publication of statistics by the NSO has been largely missing. This is partly due to the fact that the Project is just beginning to render tangible results. Assuming normal circumstances, it is essential that the available statistics are disseminated in a regular and orderly manner.
14. The CPI is for instance now mature for general dissemination on a monthly basis, and the annual foreign trade statistics will soon be. Similar considerations apply to other NSO activities. NSO should issue a release calendar for publications, and this will act both to increase confidence in the activities of the NSO and as a tool to plan internally. To make statistics easily accessible, they should be made available over the internet.

External Framework

15. The Statistical Proclamation (the equivalent to a Statistical Act) has been submitted to government, but the formal issue is still pending. The delay may have hampered the delivery of raw data and statistics from some of the Government ministries, but we are told that most cooperation happens according to the spirit of the Proclamation.
16. The Statistical Proclamation would establish NSO as a formal body and as the national statistical centre. This would strengthen its authority and shield its professionalism, neutrality and integrity, which will be all-important when the NSO starts publication and dissemination of its official statistics.
17. There is great interest among external parties for learning more about NSO. We see little harm and only great benefit from a more public NSO.

Administrative Issues

18. As at the end of 2006, the estimate is that NOK 12.3 mn will have been spent on the Project out of a total budget frame of NOK 15.3 mn according to the initial plan. The under spending is explained by a slightly delayed start up, the fact that some surveys anticipated at the outset have not been carried out, and slower than anticipated work on items like the Business Register. This has also reduced the number of short term visits from Statistics Norway.
19. When the contract of the long term national accounts adviser expires in August 2007, the technical assistance on the national accounts might be changed into medium term visits. It might then also be possible to embark on technical assistance in related areas, such as balance of payments. Any extra funds available at the end of the initial project period in August 2008 could also be used to extend the Project in time.
20. Moving from project to programme based aid is currently a key principle in international development assistance. It is important that the stakeholders recognise the programme nature of this Project by starting to report overall information on NSO operation in addition to the project progress per se.

Recommendations

21. The Project is basically on track, and should largely be continued according to the agreed plan, with a few adjustments.
22. The NSO should start to draw up and follow a publication plan/release calendar, setting advance dates for regular releases of statistical findings as well as target dates for each major statistical publication. This should go in parallel with establishing web based dissemination systems and procedures. This should be given increased priority as it will be of growing importance to make the official statistics accessible over the internet.
23. For the statistical business register, more active assistance from Statistics Norway is required. Technical training of the NSO staff involved is needed, as well as development work on behalf of the Business License Offices and the Inland Revenue Department.
24. Government ministries and institutions should do their utmost to ensure that sufficient priority is given to the regular collection of statistical and administrative data for use by the NSO. Support to data providers should be seriously considered.
25. It is imperative that the NSO and the Project continue to develop the Human Resource Development functions, aiming at systematic improvements of staff capacity. The idea of establishing an internal training unit/school should be realised with assistance from the Norwegian experts.
26. NSO is encouraged to support, nurture and further develop its female staff. The HRD plan should pay particular attention to how women can be encouraged to stay and develop their expertise in the organisation
27. Planning for securing a sound long term management team at the NSO should start now.

One external long term adviser should continue to focus on coordination of the Project and management team building until the end of the Project. On the other hand, the position of the long term adviser in national accounts might be changed into intermittent medium term support when the current contract expires in August 2007. This opens the possibility for embarking upon technical assistance in other related areas.

28. The NSO should start to prepare a comprehensive Master Plan covering all its statistical activities. Drawing on the experience gained from the plan for economic statistics, this could be prepared with assistance from the Project.
29. In light of the impending cooperation and participation of international organisations in several areas in economic and social statistics, the NSO is encouraged to liaise with them on these issues as well as informing them of project progress on a regular basis.
30. The NSO should in the Annual Project Progress Report include a section on the overall performance of NSO, to encourage an integrated institutional focus of the Norwegian support.
31. The sustainability of Eritrean official statistics depends largely on the stability and the enhancement of the much specialised statistical staff at the NSO and other government institutions. We recommend that full attention is given to this fragile situation regarding its human resources. In this connection, the need for securing the future institutional building of the NSO needs to be emphasised, not least by supporting the long term needs for the continued education and professional specialisation of key staff.
32. Given current plans, it is likely that the Project will have funds unspent at the end of the initially planned project period in August 2008. We recommend that these funds be used for an extension of the Project, provided it continues to show good progress. As a basis for this, it is recommended that the twinning partners present an updated project plan and a budget – taking into account the MTR recommendations – at the next Annual Meeting in March 2007, for the consideration of the Eritrean and Norwegian governments.

2 Background

The Governments of Eritrea and Norway signed an agreement for assistance to the Eritrean National Statistics Office (NSO) in October 2003. The support Project is organised as a twinning arrangement between NSO and Statistics Norway, involving both long term and short term expert assistance, with a clear emphasis on capacity building and institutional strengthening. The Project focuses on Economic Statistics, with the national accounts as a prioritised area.

The Project started officially in June 2004, and the two long term advisers were in place from September the same year. Their work has been supplemented by a number of shorter term visits of other Norwegian experts in the years following. All of these have worked with the staff at the NSO, transferring professional knowledge and technical skills to the largely young staff in the economic statistics department.

A Mid Term Review was planned and budgeted for in the initial project documentation, and was finally scheduled for autumn 2006. NORAD, Statistics Norway and National Statistical Office of Eritrea appointed one team member each, comprising Professor Abraham Kidane, Economic Advisor to the Government, Ministry of National Development, Hallgrímur Snorrason, Director-General of Statistics Iceland, and Erlend Sigvaldsen from Nordic Consulting Group (Team Leader). The draft report was edited by all three members of the Review Team and any mistakes and misunderstandings are exclusively their responsibility. Director Halvard Lesteberg from NORAD followed the team the first week.

The field work started on the 1st November, and team adjourned on the 11th of November after nearly two weeks in Asmara. A summary of findings and recommendations was presented at the debriefing meeting at the Norwegian Embassy on the 10th of November (ref. annex 2). A first draft of the Report was forwarded for comments on the 15th of December, and the final report was ready at the 8th of January 2007.

We would like to take this opportunity to extend sincere thanks to all involved, for their unrelenting enthusiasm, friendly discussions and great hospitality.

The structure of the report basically follows the Terms of Reference (ToR), with each section relating to a particular issue raised in the Scope of Work. To make the report brief, we have tried to avoid repetition of issues that are already well covered in for instance progress reports. We have in such cases rather used references.

2.1 The Current Context

The Project is implemented in a challenging political and economic context. Politically, the lack of progress on implementation of the ruling from the Eritrea-Ethiopia Boundary Commission (EEBC) is the dominating feature. While Eritrea's relations with Sudan and Yemen have improved substantially, there is no sign of movement in relations with Ethiopia. Due to the border demarcation issue, Eritrea considers herself in a state of conflict with her neighbour Ethiopia, and this view permeates large parts of the political landscape. In the current climate, this limits the flexibility of what institutions can do, as the security concern of the country is the number one priority.

The economic situation appears equally difficult, with several macroeconomic imbalances. This includes a high level of government expenditure, low growth rate, high inflation, rising public debt and a large trade deficit. The government has introduced restrictions regarding for instance imports and foreign exchange, to try to stem the imbalances. Moreover, increasing limitations on private sector business activity have been introduced. The IMF estimates the GDP per capita at approximately USD 200, while UNDP ranks Eritrea 161 out of 177 in its Human Development Index in its 2005 Human Development Report. The Government has produced an Interim Poverty Reduction Strategy Paper (I-PRSP 2004), but has not officially adopted it.

Being a young nation, there is a general scarcity of statistics and data for Eritrea. This impedes sound development planning. The project is thus considered highly relevant in relation to current development challenges.

3 Project Progress and Results

The aim of the twinning arrangement between the NSO and SN is to organise and develop economic statistics at NSO. There are two main components in this programme, a general economic statistics component and a national accounts component.

The general economic statistics component contains sub-components that are common to the whole project, and also to specific branches of other economic statistics. The main sub-components have involved the establishing of an IT infrastructure, and gaining cooperation with other government institutions for data collection for statistical purposes. The main individual projects comprise the

- development of a consumer price index,
- foreign trade statistics and
- a statistical business register.

Furthermore, there have been plans for specific surveys for collecting data for national accounts purposes. Staff training and implementation of appropriate classifications and nomenclatures have also been important factors of the technical assistance.

The national accounts component relies on all the components outlined above. Following UN recommendations, the national accounts project is designed around the establishment of Supply and Use Tables (SUT) which will allow the drawing up of a comprehensive and balanced set of accounts. This work involves establishing the relevant classifications and definitions of the System of National Accounts, and putting in place a specific software system. At the same time, the Project has had to teach and train the staff in working on the tables in particular and the accounts in general. As most staff was junior with little experience, this has been a major undertaking.

3.1 Project Progress

We have split the assessment of progress according to the two main fields of work, namely the economic statistics, and the national accounts

3.1.1 General Economic Statistics

The work on general economic statistics has – with some delays - generally followed the initially agreed Master Plan for economic statistics. In some instances, limited capacities, lack of data or insufficient access to data held at government institutions have slowed down the process. The cooperation with government institutions has on the whole been reasonably good and with a few exceptions access appears to have been granted to most of the data sources needed.

The IT system.

The development of the IT system proved to be a larger undertaking and more complicated than originally envisaged. The task has been to install an IT system of sufficient strength to carry the whole of the economic statistics as well as providing necessary infrastructure for the NSO. This involved not only acquiring hardware and building a server system, but also installing the necessary software and systems specific to the different activities. The main examples of these are the programme for the CPI and the so-called SNA-NT which is the software utilised by the national accounts. Particular features of the system are that it ensures full data security from the outset, and that it caters for a file sharing system for the whole of the NSO.

The development of the IT system has involved considerable training of relevant NSO staff, both in the IT unit and of the experts working with the various applications. After a somewhat difficult start in 2004, the work progressed well from early 2005. The IT system is now considered to work very well and is reported to be among the safest and most efficient of its kind in the country.

There are yet some outstanding tasks to be carried out in the near future, such as the design and development of an NSO website and the development of a software for a statistical business register as discussed below. The IT experts seem well capable of generally managing the system and handling the software installed.

The NSO website will be important for the dissemination of statistics by the NSO. However, it is also important that NSO staff can access the internet themselves. Library facilities are almost nonexistent at the NSO, but this may be compensated for by the use of the internet. That would make it possible for the staff to access statistical literature on sources, methods, classifications and definitions, to view websites of similar institutions in other countries in order to find examples of good practices and presentations, and to access websites of international organisations in order to gain insight into the use of the data or statistics from the different countries of the world. Unfortunately, the present internet connection is very slow, but this is more the result of insufficient capacity of the Eritrean internet connections to the outside world than difficulties at the NSO.

Cooperation with other institutions.

This is not strictly speaking a sub-programme of the formal economic statistics master plan, but has proven to be a core prerequisite for the work in this area. The programme thus envisages maximum utilisation of secondary data, in particular data from ministries, government institutions and the regional administrations, gathered for both administrative and statistical purposes. NSO is almost completely dependent on good cooperation from these institutions to make its own set of planned statistics.

There are generally three main objectives for this cooperation:

1. Making sure that their existing data can be delivered to the NSO and used for official statistics, the national accounts in particular;

2. Working on the reorganisation of the data collection of the various institutions to better fit statistical purposes;
3. Ensuring that the data collection activities are of sufficient quality and regularity to comply with the needs of the economic statistical activities of the NSO, the national accounts in particular.

The NSO and the Norwegian long term experts have spent considerable effort on establishing such cooperation. Many of these efforts have been successful and have in some cases gone beyond the goal of collecting data, i.e. involved closer institutional cooperation on issues like common training, consultations on planned surveys and more. In some instances, however, data have not been delivered as requested nor access given to the source data. There appear to be several reasons:

- One reason cited is that ***a comprehensive legal framework is lacking***, a framework that would both oblige the institutions to grant full access to the data, and oblige the NSO to ensure full confidentiality and guarantee that the data was used solely for statistical purposes, as well as storing the data and the ensuing statistics in a safe and sound environment. We believe that it is critical that the proposed Statistical Proclamation be promulgated soonest possible. However, this should *not* be an excuse for not granting access to data. Most government institutions do now cooperate as best they can, in the spirit of the pending Statistical Proclamation. For those that still hesitate, a solution may be to sign formal agreements on access to and use of data. This may be the way forward for instance with regard to the Ministry of Industry and Trade.
- Another reason cited for reluctance to granting access to data is that ***the available data are not of sufficient quality*** and can therefore not be handed over for statistical purposes. This reasoning is not convincing. On the contrary, even if data are thought to be of inferior quality they and their sources have to be fully opened for professional scrutiny. Otherwise, neither their strengths nor weaknesses can be gauged in any satisfactory manner. The NSO is an expert institution and one of its main specialities is to value all the data it receives, judge whether they are fit for use, and undertake necessary control and editing to make them fit for use.
- There might be ***security reasons*** for not departing with or not granting access to data. However, to any statistician who is brought up and trained in the tradition of fully respecting all aspects of data confidentiality and security, this is a hardly acceptable. Statistics which are generated and used properly and honestly can never be harmful, quite the contrary. Only misuse of data for dishonest purposes can make them harmful. Such misuse is irreconcilable with ethical considerations and good practices of official statistics and should not be possible in a well managed and guarded system of official statistics.

In general, while good progress is made on data cooperation, it can be further improved, and developed as a win-win framework for all involved.

The statistics eventually produced by NSO are as good or weak as the data that is put

into its system. A crucial data cooperation issue is thus the limited capacity in the ministries and regional administration regarding data collection and statistical work. Several of them appear in need of strengthening of their capacity to be able to provide data to the NSO of the necessary detail, quality and coverage. Some state that they need to improve “credibility” of their own data before it can be used by NSO. Such credibility is unlikely to be established, however, without the handling and dissemination as an integral part of the official statistical activities of the NSO. NSO – and the Project – should seriously consider including government suppliers of data in its internal training courses, to improve cooperation and quality of source data.

Consumer Price Index (CPI)

Until recently, a consumer price index has only been available for the Asmara area. In the last two years the whole methodology and production process of the CPI have been renewed. Data collection has been established on a regular monthly basis in 5 cities besides Asmara. Thus, the CPI has been more or less extended to the whole country.

The index is now clearly based on what is considered current methodology and practices. It uses the COICOP classification of household expenditures. The index weights are derived from the LSMS survey of 2002 (living standards measurement survey). Data are collected from different kind of outlets, and the prices collected are market prices, irrespective of whether they are controlled prices in government outlets or market prices in other outlets.

The CPI is ready for publication month by month. Publication should be started without delay. At the same time, the NSO would be well advised to do two things:

1. Prepare and issue a release calendar for the CPI for 6-12 months ahead, specifying on which dates and at what time in the day the CPI will be released. This is considered to be good practice by statistical offices in most parts of the world; another such good practice element is to maintain the exact time of release fixed from one release to another.
2. The press release marking the beginning of regular releases of the CPI should be accompanied by an explanatory note on methods and sources. This needs neither be long nor complicated but should mention main features of the CPI practices.

Foreign Trade Statistics

Foreign trade statistics have been one of the main branches of economic statistics developed under the Project. These have now been established and fully compiled for the years 2003 and 2004. Most of the basic data are obtained from the Customs Department which has cooperated well with the NSO on this. Another data provider is the Ministry of Fisheries which provides information on fish exports. Service trade statistics are compiled by the Bank of Eritrea and will soon be shared with the NSO for national accounts purposes under a service level agreement with the bank.

The foreign trade statistics are organised for direct use in the national accounts, and for compiling independent information on Eritrean trade. For the development of the trade statistics, all the current international sets of definitions and nomenclatures have been adopted. Thus, the basic classification is the Harmonised System (HS), using 6 digits of the HS plus 2 digits for a more detailed break down, with full linkages to the UN SITC (Standard Industrial Trade Classification) and BEC (Broad Economic Categories) classifications. In-house, a production and tabulation process has been developed based on a standard database with full checks for duties, fees and taxes in the customs data.

The foreign trade accounts for the years 2003 and 2004 have now been completed and closed. Work on the 2005 accounts is well underway. When the 2005 trade accounts have been completed, the three year series of foreign trade statistics 2003-2005 should be published without delay. As in the case of the CPI, we recommend NSO to include a short explanatory note with the first release of the trade statistics. Furthermore, the foreign trade data are expected to allow issuing quarterly statistics on imports and exports. When that has become possible, a release calendar for the next 6-12 months ahead should be published. This would conform fully to international practice, enhance the confidence of the users, and be a strong instrument for planning.

Statistical Business Register

The establishment of a statistical business register (SBR) was from the beginning a specific component of the master plan for economic statistics. The creation of such a statistical business register would be valuable for both the collection of data for use in the national accounts, and as a sampling frame for various surveys on economic activities. The plans for this register have been based on assumptions that the register might be fed through links with existing administrative registers, in particular the Business License Register as well as the Inland Revenue Department.

However, the development of the SBR has been slower than planned. The main reason appears to be lack of programming capacity at the NSO. For that reason instructions and technical specifications from SN have probably been insufficiently detailed, as SN has assumed greater understanding of these issues than what was actually the case. Moreover, technical developments at the regional Business License Offices and the Inland Revenue Department have been slower than anticipated. The present plans are thus to first establish a pilot register, which might then become the basis for analysis of data from the institutions mentioned above. It is anticipated that this work will be carried out in early 2007, but we understand there are still both technical and cooperation challenges to resolve for this project.

If this component is to be made operational in the near future, more active assistance from Statistics Norway is required. Further, special efforts on the technical training of the NSO staff involved are needed, as well as development work on behalf of the two institutions (Business License Register and Inland Revenue Department) which are the main data providers. These might in fact be candidates for technical assistance in this respect.

Various surveys

The Project Document plans for several sector surveys, to both provide input to and complement the National Accounts. Few have been done so far, but the possibly most crucial, the Agricultural Survey, will now take place in 2007/2008. Other surveys that are scheduled for the near future are a Hotels & Restaurants survey, and one for Wholesale and Retail Trade. Surveys of Manufacturing & Industry have so far been carried out by the Ministry of Trade and Industry. However, these have not rendered sufficient data for NSO, and access to the source data has not been granted to the NSO.

In general, the work on other economic surveys has been delayed as compared with initial plans, but this does not appear to have had any major negative impact on the Project so far. Future surveys in for instance agriculture are important, however, to improve the accuracy of the National Accounts.

3.1.2 National Accounts

The work on the national accounts has proven to be heavy, but is basically on track. The work follows the approach recommended by the Inter-Secretariat Working Group on National Accounts which is the main international forum for implementation of the System of National Accounts of the United Nations – the so-called SNA. This involves establishing the national accounts on the basis of supply and use tables (SUT) which makes for the creation of a comprehensive set of accounts which are balanced from the outset. This approach has been applied by Statistics Norway in developing national accounts in several countries.

Establishing national accounts is a very complicated undertaking. You need on one hand sound economic knowledge and specialised staff skills, and on the other a large amount of detailed source data. While the SUT approach has the advantage of ensuring that the accounts are drawn up balanced, this demands more detailed data than what would be required in a more simplistic approach. For this reason, it is not unexpected that the national accounts work has proved to be both difficult and time consuming.

Two main complications have been encountered.

- First, the availability and quality of source data have had substantial shortcomings.
- Second, the national accounts work has involved substantial teaching and training of staff that were mostly completely new to this very particular and demanding undertaking.

The compilation of the supply and use tables (SUT) and the national accounts has been based on special software developed at Statistics Norway, but now maintained by a private German firm. Both national accounts experts from SN and a computer expert from the German firm have been involved in installing the system, testing it, and training the staff in its use. The system is, however, relatively complex reflecting the

complexity of the national accounts and the SUT. Also, the number of products chosen for the SUT at the beginning is very large. This has the advantage that it is relatively easy to attach prices to the detailed products which is important in updating the supply and use tables from the base year. The disadvantage is, however, the ensuing demands on detailed source data. The very high need for source data is clearly a problem in an underdeveloped statistical system like the one in Eritrea. The system itself will then be all the more complex to handle, owing to the very large amount of detail that has to be entered and treated correctly in the SUT.

In spite of the difficulties and the complexities of this undertaking the draft accounts as they now look are promising. We have been given a presentation of the system and the present state of affairs, and we conclude that the work is on track and should be continued as planned. The staff which have previously had little if any experience of economic statistics, let alone national accounts, seem dedicated to their work and have gained the basic level of understanding necessary.

According to the present plans, the first set of accounts, for 2003, should be completed at the turn of this year. At the same time the work on the accounts for 2004 is in the pipeline with quite a lot of the data already in-house. The accounts for 2004, both at current and fixed prices, are planned to be completed around mid-2007 or before the term of the Norwegian long term adviser expires in August that year. If realised, this would be an achievement fully in line with the Master Plan.

If the work on the 2004 national accounts is delayed, however, specific measures ought to be taken to ensure that the departure of the long term expert on national accounts does not cause any major disruption in the work. If completed, the twinning partners have to make every effort to ensure that the national accounts project is continued and consolidated. This will require guidance from SN, with regular visits to Asmara and continuous backup from Oslo. If there is no long term expatriate national accounts expert in place at the NSO, short term visits of durations of 2-4 weeks is considered necessary. Special consideration should also be given to the possibility of organising expert courses on national accounts and related subjects in economic statistics.

It is imperative that the continued training and teaching of staff is ensured, both through the medium term missions and the continuous contacts. It is the NSO staff currently in place that are the real institutional carriers of Eritrea's national accounts, and this knowledge must be nurtured and protected.

3.1.3 Publishing and Dissemination

The publication of economic statistics at the NSO has been largely missing. This is partly due to the fact that the economic statistics programme is just beginning to render tangible results. Assuming normal circumstances, it is essential that the available statistics are disseminated in a regular and orderly manner. Four main reasons may be cited for this:

1. **Official statistics are a public good.** Hence, the knowledge imbedded in them should be distributed to all without delay; that is the fundamental purpose of the statistical activity.
2. It is essential for **the producers of official statistics to receive feed-back** on their production as regards the relevance, the coverage and the quality of the statistics.
3. The Eritrean economic statistics are to a large extent based on data from various government institutions. It is imperative that this is acknowledged **by publishing the ensuing statistics as well as confronting these institutions** with the strength and the weaknesses of their data.
4. Carrying out data collection and **statistical production without publication undermines** both the cooperation of the data providers and the morale of the statisticians involved in the generation of official statistics.

As discussed above, the CPI is now mature for general dissemination on a monthly basis and it is recommended that plans for the regular press releases thereon are finalised and the monthly index published without delay, the first time with an appropriate explanatory note. Furthermore, the foreign trade statistics will shortly cover 2003, 2004 and 2005. At that time, it would be a considerable achievement to publish the trade accounts for the three year series 2003-2005. Similar considerations apply to other activities when applicable, both those under the Project discussed here (national accounts, economic surveys) and other official statistics (social and household surveys, the main aggregates of the population census of 2005-6).

International good practice now demands that national statistical offices and other producers of official statistics disseminate their findings according to a release calendar which is issued well in advance. This puts all users on equal footing concerning their access to statistics, many of which are very sensitive for instance with regard to financial and money markets. The CPI and the foreign trade statistics are among the best examples of such market sensitive statistics.

Publishing a release calendar makes the users much more aware of the importance of official statistics, and increases the confidence in the statistics producer and the statistics themselves. At the same time, the publication plan has proven to be a very important tool for internal planning and prioritisation in statistical offices. We thus recommend that the NSO should start drawing up and following a publication plan or a release calendar in line with common good practices in most NSO's around the world.

To make statistics easily accessible, they should be made available over the internet. That is nowadays by far the preferred method of users of accessing statistics. The infrastructure at the NSO should allow this already. As for the current project, the work plans for 2007 include activities related to establishing a website for the NSO and organise web based dissemination. This will be very important for the confidence building of the NSO and its relations to the users. At the same time, it enhances the image of the NSO in the eyes of its own staff, showing the NSO to be a modern and progressive place of work of a highly specialised and important nature.

For all these reasons, it is recommended that this activity is given increased priority in the remainder of the project.

3.1.4 Training and Human Resource Development

One of the main functions of the long term advisers is to provide guidance and training to NSO staff on systems, methods, applications and practices relevant to their jobs. Their training activities have been supplemented by the training provided by the visiting short term experts. Through this, the staff has gained insight into the main sub-projects, such as the building up of SUT, the compilation of the CPI and the foreign trade statistics.

Human Resource Development (HRD)

There are, however, undoubted challenges in the field of human resource development at NSO. First of all, almost all staff started fresh from University with very limited – if any – experience from practical statistical work. Secondly, there was substantial staff turnover in the first year or so. Thirdly, the difficult economic situation in the country combined with salary caps at public institutions make it hard for young people to earn a decent living, thus at times diverting their attention to other activities. The current salary structure makes it difficult to provide monetary incentives to well performing staff.

One of the biggest challenges seems related to organising and structuring the work. The progress reports from the Project make this eminently clear, and further development of management skills, team work and task planning are desired at all levels of NSO. Indeed, the Progress report from October 2006 warns that if management skills are not developed, NSO might not be able to take proper advantage of the technical capabilities that the installed systems allow for.¹

With the benefit of hindsight, the HRD part of the Project could have been given higher priority from the beginning. While substantial on-the-job training has taken place, a more formal training schedule within an agreed HRD plan has not been implemented as of yet. This is about to change, however, and a draft HRD plan is in the workings. Further, there have been discussions with Hedemark University College to run specialised courses within teamwork and management, and the issue of staff development is now clearly on the agenda.

The plans of the project for 2007 foresee an increased activity as regards formal courses in methods and techniques. Thus, courses are planned in several fields, such in information technology, in use of main office software, in questionnaire design, data analysis, survey methodology and sampling techniques, etc. This emphasis on increasing the tempo of training is important in view of our finding that staff development is possibly the most vulnerable spot at NSO today. The investment done in NSO is to a

¹ ”Masterplan. Update and Progress Report 2006-2007.” NSO, October 2006 (page 5)

large degree in staff, and this investment will be under threat unless staff competence and work environment is continuously developed and protected.

An idea already floated is to establish a more formal training unit/institution within NSO that could specialise in HRD issues and in teaching the “nitty-gritty” of basic statistical tasks. These plans appear still on hold though, but should be revisited as part of a more pronounced drive for developing staff and the organisation.

Management

The current Head of NSO has been working with statistics for a long time, and is now a highly experienced and valuable person for the institution. However, a strong management team is needed to support him.

One of the current long term advisers from SN plays an important role in the daily management of the NSO, coordinating and supervising working teams and staff in the economic statistics department. We find that he has been able to strike a mostly sound balance between direct involvement, and the more indirect role as a facilitator. Due to the inexperience of much of the staff at NSO, he has had to involve himself more in operations than what his initial ToR specifies. It is clear, however, that it is the Head of NSO that makes the final decisions, and the two appear to have found a sound division of responsibilities. To us, the main issue is rather what happens after the current long term advisers finalise their contracts in August 2007.

The current NSO management needs a strong and experienced team in support. While some of the junior staff may take on more responsibilities in the years to come, they do not seem to possess as yet the senior management capacities that we believe are desired. Thus, planning for establishing a good long term management team should start now. Due to the immediate shortage of skilled senior statisticians in Eritrea today, we conclude that at least one expatriate long term advisor should continue as supporter of the building of the management team, and follow the project to its end in 2008.

Gender

One advantage with starting with a young staff without a long institutional CV is that there is more flexibility with regard to positions and tasks. It is comparatively easier to organise activities based on merit and performance than in organisations with fixed structures. In NSO, it is our impression that this has led to a number of promising and enterprising women being given key expert and leadership positions. We were given full fledged presentations by NSO of the work on the CPI, the Foreign Trade statistics and the National Accounts during the review, and about 85% of those presentations were done by women.

This is a highly welcome development, and NSO is encouraged to support, nurture and further develop its female staff. The HRD plan should pay particular attention to how women can be encouraged to stay and develop their expertise in the organisation.

3.2 Achievement of Project Objectives

The ToR ask us to assess “...to what extent the project’s objectives can be expected to be achieved”. Unfortunately, the initial Project Document does not provide time bound, measurable indicators for assessing performance or indeed the attainment of objectives. The following assessment is thus qualitative, and can certainly be discussed. However, we believe there is enough information on the project to allow for a reasonably balanced assessment, as summarised in the table below.

Table 1: Attainment of Objectives

<i>Objectives</i>	<i>Assessment</i>
<p>Intermediate Objective 1</p> <p><i>Strengthen the ability and capacity of NSO for economic statistics, including to adapt international standards and definitions; to establish and maintain a business register; to undertake industry surveys and censuses within different sectors as formal production, formal service, informal industry and agriculture; to combine information from different register and survey sources; to undertake consumer and expenditure surveys also in rural areas; and to develop and maintain consumer and producer price indices</i></p>	<p>The capacity and ability of NSO to perform the tasks listed in the Objective 1 have clearly improved. At the end of the project in August 2008, NSO is likely to be able to perform these tasks without external assistance, with the possible exception of the business register and some industry surveys.</p> <p>Full attainment of the objective will depend on positive developments in external factors, like the capacity at, and cooperation with, other Government institutions.</p>
<p>Intermediate Objective 2</p> <p><i>Strengthen the ability and capacity of NSO to develop statistical infrastructure, including a Master Plan for NSO, statistical training, statistical standards, statistical registers, statistical methods, publishing and dissemination and the data producer-user dialogue,</i></p>	<p>The basic infrastructure is undoubtedly strengthened, and staff has increased capacity in statistical subjects. However, NSO lacks a systematic structure that can ensure continued institutionalisation of the subjects mentioned in Objective 2.</p> <p>However, renewed efforts within HRD, and plans for establishing of a formal training unit make it possible that also this objective can be largely met at the end of the Project.</p> <p>The most critical element is publishing and dissemination. If this is not done by August 2008, the project will not have attained one of its most important objectives.</p>
<p>Intermediate Objective 3</p> <p><i>Strengthen the ability and capacity of NSO for National Accounts, including an ad-hoc approach, and national accounts without and with input-output matrixes</i></p>	<p>Good progress has been made on a highly complex issue. There is now a very good chance that NSO will be able to fully run the National Accounts from 2008 themselves. Ready 2003 accounts by the end of the year, and 2004 accounts at the end of August next year, will indicate that the Project is on track in this regard.</p>

<p>Overall Objective</p> <p><i>Strengthen the ability of NSO to identify the needs and then to produce and disseminate economic statistics and national accounts information to users within the Government, to other public organisations, to private businesses and non-business organisations, and to the public at large”</i></p>	<p>The Project is basically assessed to be on track with regard to meeting the overall objective. As stated above, the critical test is the successful dissemination of economic statistics.</p>
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While the Project thus promises to show good results, it should not be forgotten that the sustainability of economic statistics for Eritrea remains fragile. On the one hand, the problems of securing a regular flow of source data of sufficient coverage and quality will continue to require constant attention. On the other hand, the continued work depends on the availability of skilled and dedicated professional staff which is indeed a very scarce resource. All efforts have to be taken to guard and enhance the newly professional work force in economic statistics at the NSO.

3.3 Project Strategy and Use of Resources

The Project has gone through a few changes in basic strategy, with implications for the use of resources. Firstly, *the IT part of the project was expanded* and extended to ensure a quality system with modern safeguards and functionality. This resulted in increased investments – approved by all parties – and increased time spent on getting the system operational. We fully condone this strategic decision, as the IT system has proven to be not only an indispensable internal platform for statistical work, but also an important argument for ensuring cooperation from external partners.

Secondly, another strategic decision of importance was to *stay with the initial SUT strategy* also after it became obvious that Eritrea had more limitations on source data than what was envisaged in the Project Document. The National Accounts has thus been a very resource intensive exercise. While the Project now appears to have overcome much of the initial difficulties, the final judgment on whether this was a sound strategy or not, is still pending. If the accounts for 2003 and 2004 are presented in accordance with the above mentioned timetable, the conclusion would be that it was justified.

However, it is necessary to point out that a shift to alternative methods now is not believed to be a resource efficient choice, and NSO should stay the course. Rather, if the accounts in a year’s time prove to be too complex to handle, one may assess reducing the number of SUT items to a more manageable level.

The Project has saved resources in that *fewer sector surveys* have been done than planned, and that several short term SN missions have been postponed as a result. There are several reasons, both external as missing capacity and/or cooperation from other institutions, and internal, as waiting for a functional IT infrastructure in place. Given the Eritrean environment, none of these delays are considered to be serious.

The main criticism of the strategic choices done by the Project *relates to HRD*. A systematic approach to HRD should have been planned for at an earlier stage, and possibly been given higher priority. We understand that the Project was completely filled up with other tasks, but still believe that HRD should have been advanced on the Project agenda. However, this is now clearly recognized by the Project partners, and the renewed emphasis on development of staff and management is encouraging.

Long term external assistance from Statistics Norway

As stated above under management, we believe that one of the long term experts should continue until the end of the Project as Project coordinator and management support.

On the other hand, the position of the long term adviser in national accounts might be changed into intermittent medium term support when the current contract expires in August 2007. The trigger for this would be successful completion of the 2004 National Accounts. This might then open the possibilities for embarking upon technical assistance in related areas, such as developing balance of payments accounts, both at the Bank of Eritrea as regards the accounts as such, and at the NSO as regards imbedding these into the national accounts. If feasible, the cooperation of East AFRITAC might be sought for this purpose.

Master Plan for the statistical sector

The Project has been based on a Master Plan for the development of economic statistics. However, the NSO does not have an overall plan that merges all the economic, social and other statistical tasks that the NSO is charged with. Making such a comprehensive statistical Master Plan is becoming steadily more important as the NSO is faced with an increased array of demands for provision of statistics, from internal as well as external stakeholders. This particular NORAD supported Project should not “live its own life” sheltered from other demands placed on NSO. At the same time it will also be highly important for the Project that a more encompassing plan is made for the statistical sector in Eritrea at large, taking into account also the providers of data to NSO. The whole statistical supply chain needs to be assessed in a common strategy document.

The NSO will need to allocate its scarce resources between these demands and set clear priorities. Hence, it is recommended that a national statistical master plan should be drawn up, outlining the general strategies that will direct the NSO in this regard. The Paris 21 donor arrangement is another option for funding the development of a masterplan.

4 NSO and the External Framework

Good statistics are normally the product of a combination of input from a number of suppliers, that all have to cooperate well to produce the necessary quality output. The Eritrean statistical scene is no exception.

4.1 *Priority of Eritrean Authorities*

All indications are that Eritrean Authorities prioritize the NSO and its operation. The general shortage of official data and statistics in Eritrea compared with many other countries induce a high level of interest from external and internal stakeholders alike. There are both anecdotal evidence about the NSO priority through for instance direct interest from the Presidents Office, and more concrete evidence through budget allocations. All Ministries met during the field visit confirmed the continued high priority of establishing a professional national statistical office.

NSO Budget

The Ministry of Finance has now established NSO as a separate budget entity with its own recurrent budget, split from the Ministry to which it reports. The approved recurrent budget for NSO has steadily increased, from about Nakfa 1.4 mn in 2005, to Nakfa 1.7 mn in 2006, to a budget of Nakfa 2.6 mn for 2007. This last figure is now also the approved figure as far as we understand, and even though inflation eats some of the increase, it still represents a sizable budgetary boost.

Staff Capacity and Competence

Securing and keeping staff is a challenge in Eritrea today, as the country has pressing needs for young men and women in other areas. About 40 of NSOs staff are in National Military Service or University Service, and these persons risk being transferred at short notice. However, during the last year, such transfers appear to have been few and far between, and NSO has been allowed to keep most of its experienced staff. We believe this is an indication of NSO being given priority by the Eritrean government.

4.2 *The Statistical Proclamation (Act)*

The Statistical Proclamation constitutes the basic foundation on which development of Eritrea's official statistics will rest. The proclamation's status is as "draft revised by legal authorities", and is thus ready for approval. It has been submitted to government,

but the formal issue of the Proclamation is still pending. This is also the case with a number of similar proclamations in other areas, and there is no indication that there are any complicating issues attached to the Statistical Proclamation in particular. Rather, it appears to be the tense political situation with the unresolved border demarcation that has delayed official approvals in general.

We believe that the delay may have hampered the delivery of raw data and statistics from some of the Government ministries, in particular from the Ministry of Finance and the Ministry of Trade and Industry. However, we are also told that most inter-government cooperation has happened according to the spirit of the Proclamation, and that NSO has been able to secure necessary source data from most institutions.

Nonetheless, the undoubted authority of the NSO for professional statistical production and dissemination foreseen in the Proclamation is certainly needed. The Statistical Proclamation would establish NSO as the formal body and as the national statistical centre. This would strengthen its authority and shield its professionalism, neutrality and integrity, which will be all-important when the NSO starts publication and dissemination of its official statistics. This aspect of the Statistical Proclamation may actually be as important as the data cooperation aspect. Thus, it is to be hoped for an early approval of the Proclamation.

4.3 Other Support to NSO

The European Union and the NSO have recently concluded an agreement that envisages support to an agricultural survey in 2007 and 2008. The project will involve technical assistance and support from FAO. There was initially disagreement about the extent and content of the support to be given by FAO, but the parties seem to now have reached a consensus. According to the present plans, a pilot agricultural survey will be carried out in 2007 to be followed by a full scale survey in 2008. The FAO will provide technical assistance to the planning and the preparations of the surveys but the surveys themselves will be carried out by the NSO's own staff in cooperation with the Statistics Division of the Ministry of Agriculture. There is need to reconcile this EU support with the assistance given by the Project, as there is a budget item for conducting precisely this survey in the initial project plan. As the Project Document for the EU support is to be redrafted after the recent negotiations, we have few additional details about the expected support. We do, however, expect that NSO will fully inform NORAD about the design, content and extent of the final EU project, to avoid any potential overlap between the two support projects.

The other main projected support will probably come from the United Nations, in accordance with their UN Development Assistance Framework (UNDAF) for Eritrea. One of five strategic areas of future cooperation is "National Capacity Development for Attaining MDGs." Within this area, one of the targets is that "*By 2011 capacity is improved and a system established within NSO and sectoral ministries to conduct surveys, collect and disseminate data and update the national database.*" NSO is

foreseen to be the main implementing agency, ensuring linkages with the various data systems in the country. This process will start with a mapping analysis to identify the current gaps in data and information with regard to the MDGs, to be followed by a more detailed work plan. The UNDAF sets a mobilization target of USD 7.7 mn for this component, with UNDP and UNFPA being the main contributors. UNFPA has for some time been a sizable supporter of NSO on social and population statistics, and knows NSO well.

Looking at the whole of NSO

In general, we miss an overall overview of all support given - and projected for the future - to NSO. This is not only for administrative purposes, to harmonize support between different donors, but also to ensure that NSO is treated as a single entity.

Moving from project to programme based aid is currently a key principle in international development assistance. For a technical assistance programme like this, the idea is to look at the whole of NSO and not just the part that is covered by the Project. International experience indicates that donor projects run the risk of being sub-optimal islands of performance within a larger institution, unless designed with the whole institution in mind.

Sustainability of project results is precarious in such cases. There is no indication of that in the case of NSO. We believe, however, that it is important that the stakeholders recognise the programme nature of this Project by starting to report overall information on NSO operation in addition to the Project progress per se. The Annual Report should thus include for instance the total budget of NSO split on different funding agents, and a brief description/analysis of how NSO in general is doing.

Improving Stakeholder Collaboration and Information

During our review we came across a number of interested parties that would like to know more about NSO and the development of statistics in general in Eritrea. There is thus a need for not only improved contact between the current donors to NSO, but also with regard to other potential stakeholders. We see little harm and only great benefit from a more public NSO, and a good start could be to repeat some of the same presentations that were given to us on key statistical subjects like the CPI and the National Accounts. This would be an excellent preparation before the official publishing of the same statistics, and potentially give vital feedback to NSO.

The NSO is in general encouraged to increasingly liaise with international organisations, in light of the impending cooperation and participation of these organisations in several areas in economic and social statistics. Establishing a regular forum for discussion of statistical subjects is one possible idea in this regard.

5 Administrative Issues

The Project is governed by primarily two sets of agreements, namely one between the Governments of Eritrea and Norway, and the other between NSO and Statistics Norway. There are in our view currently no major issues in relation to these contracts, even though there are a few deviations from what can be called the main norm, plus a few missing formalities.

5.1 Financial Status

The total budget for the Project is NOK 23 mn over four years. As per the end of 2006, the estimate is that NOK 12.3 mn will have been spent out of a total budget frame of NOK 15.3 mn according to the initial plan, as seen from table 2.

Table 2: Financial Status of the Project 2004 – 2006 (NOK ‘000)

	Actual Costs			Actual Cumulative	Budget Cumulative
	2004	2005	2006		
Economic Statistics	592	1996	1980	4568	6453
National Accounts	464	1619	1599	3682	4142
Statistical infrastructure	1512	1199	1321	4032	4720
Total	2568	4814	4900	12282	15315

The under spending of NOK 3.0 mn is partly explained by a slightly delayed start up, the postponement of some of the planned surveys, as the agricultural survey, and slower than anticipated work on items like the Business Register. This has also reduced the number of short term visits from Statistics Norway.

Current estimates from NSO and SN for spending in 2007 and 2008 following the current work plan summarises to about NOK 8.5 mn, indicating a cumulative spending of about NOK 20.7 mn at the end of the Project in August 2008. There thus appear there will be roughly NOK 2.3 mn left of the approved budget at that time.

There are also other potential changes to the work plan that may have budgetary consequences. As alluded to above, we believe that when the contract of the long term national accounts adviser expires in August 2007, the technical assistance on the national accounts might be changed into medium term visits (i.e. visits of perhaps 2-4 weeks each time) with continuous back up from Statistics Norway. It might then also be possible to embark on technical assistance in related areas, such as balance of payments, for a part or the remainder of the program period.

“Free” budgetary funds can either be used to increase the content of the current Project, or used to extend the Project period, or a combination. We would initially recommend that extra funds available at the end of the initial project period should be used to extend the Project in time, given that the good performance seen so far continues. However, this is for the two partners to decide, and we thus recommend that an updated budget and project plan are presented at the next annual meeting, taking the Mid-Term Review recommendations into account.

5.2 Procurement

The ToR asks for an assessment of whether the procurement regulations have been followed. The Agreement specifies that Eritrea undertakes to effect all procurement of good and services for the Project (Article V.1), and that it should be “... *in accordance with Eritrea’s procurement regulations*” (Article V.2)

In practice, however, large parts of the procurement of technical equipment have been done through Statistics Norway’s own framework contracts with technical suppliers in Norway. This is not strictly in accordance with Article 5, but the rationale behind this procedure is found sound and in line with the intention and spirit of the Contract. Both money and crucial time has been saved, and the procedure has at all times been open and known to the partners. SN has on its part followed Norwegian procurement regulations with full tender before they selected their technical suppliers.

Both Article V.4 and Article VI.4 in the Agreement alludes to exceptional cases where Norway may undertake purchase of equipment if considered necessary for the progress of the Project. If Eritrean procurement had been used, the preliminary quotations received by NSO indicated almost double the cost of using the SN framework contract, and the delays would in all likelihood been substantial given Eritrea’s current import and foreign exchange restrictions. Thus, the procedure can be defended under the above mentioned paragraphs 4 in Article V and VI.

5.3 Administrative Terms and Procedures

The Project follows quite standard procedures for this type of projects. There has recently been an Administrative Review of the Norwegian Embassy in Asmara, and some of the major issues it noted was as follows:

- **Harmonisation** between external donors to the NSO is not documented. We concur that this is an issue to address, and we thus recommend (as mentioned above) that NSO reports on this issue in the Annual Progress report, and that better liaison between NSO and external stakeholders is established.
- **SN has been paid directly** from NORAD, which is allowed in the contract, but where a formal approval from the Norwegian Embassy of this procedure seems

missing. However, letters sent to and from the Embassy make it clear that this procedure is both known and agreed to by the Norwegian Embassy. The missing formal approval letter is thus not considered a serious issue, but this could very easily be addressed if deemed necessary by NORAD head office.

- A **formal approval from the Norwegian Embassy** of the contract between SN and NSO was also noted as missing, but this is again not considered a serious issue as all parties at all times have known the content and practice of the contract.
- The **auditing of the Project** has been late, and it has not been easy to compare the project budget with the project costs, under the current NSO accounts reporting system. Indeed, there is need for a new format for financial reporting which facilitates easier understanding of the project accounts. This has now been done with assistance from NORAD during the Mid-Term Review. The delayed auditing has been due to limited capacity at Eritrea's Auditor General.

The ToR asks us to assess the reporting from the Project, and we find this generally acceptable and in accordance with the Agreement. The financial reporting should be improved – as noted above – but we believe NSO now has a better financial budgeting and tracking tool to facilitate this. The Annual Progress reports could perhaps put the more technical assessments in an Annex, and rather expand the overall strategic analysis of the Project, to ensure a clear focus on key issues at the Annual Meeting. In addition, we recommend that the progress reports in the future include a section on the status of the operation at the whole of NSO, and one with an overview of all donor support to NSO.

Annex 1: Terms of Reference

Mid-term Review of the Cooperation between the National Statistics Office in Eritrea and Statistics Norway

1. Introduction

The Governments of Eritrea and Norway signed an agreement regarding Assistance to Statistical Cooperation between Statistics and Evaluation Office, later renamed the National Statistics Office (NSO), and Statistics Norway (SN) on October 6, 2003. According to the Agreement, the Norwegian financial contribution to the project is in the amount of NOK 25 million. On May 19, 2004, NSO and SN entered into a Contract whereby SN will provide services to NSO for the fulfilment of the project objectives. The overall objective of the project is to:

- “strengthen the ability of NSO to identify the needs and then to produce and disseminate economic statistics and national accounts information to users within the Government, to other public organisations, to private businesses and non-business organisations, and to the public at large”.

Three intermediate objectives were identified:

- strengthen the ability and capacity of NSO for economic statistics, including to adapt international standards and definitions; to establish and maintain a business register; to undertake industry surveys and censuses within different sectors as formal production, formal service, informal industry and agriculture; to combine information from different register and survey sources; to undertake consumer and expenditure surveys also in rural areas; and to develop and maintain consumer and producer price indices,
- strengthen the ability and capacity of NSO to develop statistical infrastructure, including a Master Plan for NSO, statistical training, statistical standards, statistical registers, statistical methods, publishing and dissemination and the data producer-user dialogue,
- strengthen the ability and capacity of NSO for National Accounts, including an ad-hoc approach, and national accounts without and with input-output matrixes.

2. Background

In the Agreement it is stipulated that a mid-term review of the project should take place 2 years after the project implementation. At the annual meeting in March 2006, it was agreed that the review should take place towards the end of 2006. It was also agreed that the review findings and recommendations should be ready well in time before the next annual meeting in February 2007 in order to have it discussed at the meeting.

3. Purpose

The institutions involved in the project will, on basis of the findings and recommendations from the review, consider any need for changes in the implementation of the project. The review may also form a basis for a dialog between Norway and Eritrea in terms of a follow-up of the project after it has been finalised.

4. Scope of Work

The work shall comprise, but not necessarily be limited to, the following tasks:

- a) Review how the terms and procedures related to administrative arrangements in the agreement between Norway and Eritrea have been followed;
- b) Review progress and results so far and to what extent the project's objectives can be expected to be achieved;
- c) Assess the priority given by the Eritrean authorities to the project, hereunder the issue of own funding, staff capacity and competence;
- d) Review the use of resources in terms of efficiency and intended use;
- e) Assess whether agreed procurement regulations have been followed;
- f) Assess to what extent agreed reporting and auditing procedures have been followed;
- g) Review the extent of cooperation between different producers of statistical information in Eritrea important for the project execution and the coordination between donors active in the statistical sector;
- h) Assess the consequences of the fact that the Statistical Act has not yet been approved;
- i) Review any unexpected factors that have occurred that may prevent achievement of expected results. This should include institutional and organisational aspects, financial aspects and technological aspects or any other aspect that could influence the project negatively;
- j) Based on the reviews and assessments, make recommendations that may be regarded as important for the continued implementation and fulfilment of the objectives of the project.

5. Implementation and reporting

NSO, SN and Norad/Embassy shall appoint one consultant each to the review team. The consultant appointed by Norad/Embassy shall be the team leader. A senior adviser from Norad may assist the team. The team members should not have been heavily involved in the preparation or implementation of the project on the ground. All practical arrangements with the consultants chosen by NSO and SN (contract, payment, etc.) shall be the responsibility of the two institutions. As stipulated in the Agreement, the costs involved by the review shall be covered from the Grant.

The team members should familiarize themselves with all relevant project documents, reports etc. that shall be provided by the involved partners. The team should meet and interview staff in NSO, MND, other Eritrean ministries, institutions and business to be decided, SN, the Royal Norwegian Embassy and Norad. Other donor representatives or other stakeholders, may

also be interviewed. The Royal Norwegian Embassy will assist the team in making appointments.

The Consultant team shall present preliminary findings and recommendations in a debriefing note to be presented at a meeting in Asmara at the end of the field visit.

The consultants are expected to start preparations for the review in mid-October 2006. The interviews and meetings in Eritrea should take place in first half of November 2006. In the budget it has been assumed that the consultant selected by Norway will need a total of 200 work hours for the review. This includes preparation, document reading, travel, field visit, draft and final report. For the consultants selected by NSO and SN a total of 120 work hours each has been assumed.

A draft report in Word format in English shall be submitted to NSO, MND, SN and the Royal Norwegian Embassy not later than two weeks after the end of the field visit. Any comments shall be submitted to the consultants within two weeks and the Consultant team shall submit their final report to the above institutions ten days thereafter and not later than December 18, 2006.

6. Budget

Any costs related to the consultant selected by Norad/Embassy or the senior adviser from Norad, will be carried by Norad on a separate budget.

The costs related to the consultants selected by NSO and SN, will be covered by the Project budget in accordance with a specific budget agreed between NSO and the Embassy.

Asmara, 12.09.2006

Annex 2

Main Findings and Recommendations

11 November 2006

Main Findings

General

- The Project has made good progress since it started in June 2004. Two long term advisers from Statistics Norway started working at the National Statistical Office (NSO) in September that same year and their work has been supplemented by a number of shorter term visits of other Norwegian experts in the years following. All of these have worked with the staff at the NSO, transferring professional knowledge and technical skills to the young staff in the economic statistics department. The main objective has been to raise the professional capacity to a level necessary for sustainable generation of economic statistics of good coverage and quality.
- Work was from the beginning focused on making the NSO capable of producing trustworthy national accounts and other major economic statistics. A pre-requisite for this work was to establish a functional IT infrastructure. During the first half of the Project substantial resources were spent on getting such infrastructure in place. This turned out to be more complicated and time consuming than anticipated which to a certain degree slowed down the planned activities in economic statistics.
- The Project is implemented in a challenging political and economic context. Because of the lack of progress on the border demarcation issue, Eritrea considers herself in a state of conflict with her neighbour Ethiopia, and this view permeates large parts of the political landscape. In the current climate, this limits the flexibility of what institutions can do, as the security concern of the country is the number one priority.

Results and Achievement of Objectives

- The development of the IT system has rendered good results. It has involved the building of a server system and the implementation of software and systems specific to the different branches which have been developed under the Project. Particular features of the system are that data security is taken care of from the beginning and that it caters for a file sharing system for the whole of the NSO.
- The work on general economic statistics has followed the Master Plan for economic statistics, with deviations relating to the availability of data and to difficulties in ensuring regular access of data from government institutions. However, such access is with a few exceptions improving and producing results.

- The introduction and implementation of international classifications and sets of definitions have been accomplished as planned. Of the individual areas which the project planned to tackle, the work on the consumer price index and the foreign trade statistics has already rendered tangible results. The methodology and the production process of the CPI have been renewed and the data collection has been established on a regular monthly basis in 5 cities besides Asmara. Thus, the CPI has been more or less extended to the whole country. The CPI is ready for publication month by month. Foreign trade statistics have been established on the basis of current international classifications and methods. These statistics have now been compiled for 2003 and 2004, will shortly cover 2005 and are ripe for publication. The establishment of a statistical business register has been delayed, however, owing to limited professional capacity at the NSO and difficulties encountered in obtaining linkages and data from the two major data sources, the Business Licence Register and Inland Revenue Department.
- The work on the national accounts has proved to be heavy but is basically on track. The work follows the approach recommended by the Inter-Secretariat Working Group on National Accounts of establishing the accounts on the basis of supply and use tables which makes for the creation of a comprehensive set of accounts which are balanced from the outset. This approach has been applied by Statistics Norway in developing national accounts in several countries. The project can be said to have met two obstacles or complications. First, the availability and quality of source data has proved to have substantial shortcomings as was expected to some degree. Second, the national accounts work has involved very substantial teaching and training of staff that were mostly completely new to this very particular and demanding undertaking. However, the ensuing results are promising. The present plans show the first set of accounts, for 2003, having been completed at the turn of this year with the accounts for 2004, both at current and fixed prices, being planned completed before the term of the Norwegian long term adviser expires in August 2007. If realised, this would be an achievement fully in line with the Master Plan. We find that if this milestone is achieved, one of the long term advisers may be withdrawn, and/or the position used for related assignments as for instance developing balance of payments accounts.
- While the project on economic statistics thus promises to show good results, it should not be forgotten that the sustainability of economic statistics for Eritrea remains fragile. On the one hand, the problems of securing a regular flow of source data of sufficient coverage and quality will continue to require constant attention. On the other hand, the continued work depends on the availability of skilled and dedicated professional staff which is indeed a very scarce resource. All efforts have to be taken to guard and enhance the newly professional work force in economic statistics at the NSO.

Management and Human Resource Development

- One of the current long term advisers plays an important role in the daily management of the NSO, coordinating and supervising working teams and staff in the economic statistics department. It is clear, however, that it is the Head of NSO that makes the final decisions, and the two appear to have found a sound division of responsibilities. To us, the main

issue is rather what happens after the current long term advisers finalise their contracts in August 2007.

- The current NSO management needs a strong and experienced team in support. While some of the junior staff may take on more responsibilities in the years to come, they do not seem to possess as yet the senior management capacities that we believe are desired. Thus, planning for establishing a good long term management team should start now. Due to the immediate shortage of skilled senior statisticians in Eritrea today, we conclude that at least one expatriate long term advisor should continue as supporter of the building of the management team, and follow the project to its end in 2008.
- With the benefit of hindsight, the human resource development (HRD) part of the Project could have been given higher priority from the beginning. While substantial on-the-job training has taken place, a more formal training schedule within an agreed HRD plan has not been implemented as of yet. Although recent plans and initiatives try to address this issue, plans for a formal training unit within NSO are still on hold.

Publishing and Dissemination

- The publication of statistics by the NSO has been largely missing. Clearly, this is partly due to the fact that the economic statistics programme is just beginning to render tangible results. Assuming normal circumstances, it is essential that the available statistics are disseminated in a regular and orderly manner. Four main reasons may be cited for this:
 5. Official statistics are a public good. Hence, the knowledge imbedded in them should be distributed to all without delay; that is the purpose of the statistical activity.
 6. It is essential for the producers of official statistics to receive feed-back on their production as regards the relevance, the coverage and the quality of the statistics.
 7. The Eritrean economic statistics are to a large extent based on data from various government institutions. It is imperative that this is acknowledged by publishing the ensuing statistics as well as confronting these institutions with the strength and the weaknesses of their data.
 8. Carrying out data collection and statistical production without publication undermines both the cooperation of the data providers and the morale of the statisticians involved in the generation of official statistics.
- The CPI is for instance now mature for general dissemination on a monthly basis. The foreign trade statistics have been brought up to 2003 and 2004 and will shortly have covered 2005. At that time, it would be a considerable achievement to publish the trade accounts for the three year series 2003-2005. Similar considerations apply to other activities when applicable, both those under the Project discussed here (national accounts, economic surveys) and other official statistics (social and household surveys, the main aggregates of the population census of 2005-6). We are of the opinion that the NSO should start drawing up and following a publication plan or a release calendar as this is most commonly called; this will act both to increase confidence in the activities of the NSO and as a tool to plan and prioritise the internal work of the institution.

- To make statistics easily accessible, they should be made available over the internet. Project work plans in 2007 include activities related to establishing web based dissemination, and this activity should get increased priority.

Administrative Issues

- As at the end of 2006, the estimate is that NOK 12.3 mn will have been spent on the Project out of a total budget frame of NOK 15.3 mn according to the initial plan. The under spending of NOK 3.0 mn is partly explained by a slightly delayed start up, the postponement of some of the planned surveys, as the agricultural survey, and slower than anticipated work on items like the Business Register. This has also reduced the number of short term visits from Statistics Norway.
- As alluded to above, we believe that when the contract of the long term national accounts adviser expires in August 2007, the technical assistance on the national accounts might be changed into medium term visits (i.e. visits of perhaps 2-4 weeks each time) with continuous back up from Statistics Norway. It might then also be possible to embark on technical assistance in related areas, such as balance of payments, for a part or the remainder of the program period. Further, we recommend that any extra funds available at the end of the initial project period in August 2008 should be used to extend the Project in time, given that the good performance seen so far, continues. There is thus need for an updated budget and project plan.
- Large parts of the procurement of technical equipment have been done through Statistics Norway's own framework contracts with technical suppliers in Norway. While not strictly in accordance with Article 5 in the Contract - which specifies Eritrean origin of procurement - the rationale behind this procedure is found sound and in line with the intention and spirit of the Contract. Both money and crucial time has been saved, and the procedure has at all times been open and known to the partners.
- A related procedure, namely the direct payment of Statistics Norway at the request of Eritrea, is also found to be in accordance with the Contract. The recent Administrative Review of the Norwegian Embassy in Asmara noted that such a procedure should have been approved by the Embassy, and that such an approval seems missing. However, letters sent to and from the Embassy make it clear that this procedure is both known and agreed to by the Norwegian Embassy. The missing formal approval letter is not considered a serious issue.
- The auditing of the Project has been late, and it is not easy to compare the project budget with the project costs with the NSO accounts reporting system. Indeed, there is need for a new format for financial reporting which facilitates easier understanding of the project accounts. This has now been done with assistance from NORAD during the Mid-Term Review.
- Moving from project to program based aid is currently a key principle in international development assistance. For a technical assistance program like this, the idea is to look at the whole of NSO and not just the part that is covered by the Project. International experience indicates that donor projects run the risk of being sub-optimal islands of performance within a larger institution, unless designed with the whole institution in

mind. Sustainability of project results is precarious in such cases. There is no indication of that in the case of NSO. We believe, however, that it is important that the stakeholders recognise the programme nature of this project by starting to report overall information on NSO operation in addition to the project progress per se. The Annual Report should thus include for instance the total budget of NSO split on different funding agents, and a brief description/analysis of how NSO in general is doing.

Legislative and Planning Issues

- The Statistical Proclamation (the equivalence to a Statistical Act) has been submitted to government. However, the formal issue of the Proclamation is still pending. The delay may have hampered the delivery of raw data and statistics from some of the Government ministries, in particular from the Ministry of Finance and the Ministry of Trade and Industry. We are told that most cooperation happens according to the spirit of the Proclamation; nonetheless the undoubted authority of the NSO for professional statistical production and dissemination foreseen in the draft Proclamation is certainly needed.
- The main data cooperation issue is rather the limited capacity in the ministries and regional administration regarding data collection and statistical work. Several of them appear in need of strengthening of their capacity to be able to provide data to the NSO of the necessary detail, quality and coverage. Some state that they need to improve “credibility” of their own data before it can be used by NSO. Such credibility is unlikely to be established, however, without the handling and dissemination as an integral part of the official statistical activities of the NSO.
- The Statistical Proclamation would establish NSO as a formal body and as the national statistical centre. This would strengthen its authority and shield its professionalism, neutrality and integrity, which will be all-important when the NSO starts publication and dissemination of its official statistics.
- The Project has been based on a Master Plan for the development of economic statistics. However, the NSO does not have an overall plan that merges all the economic, social and other statistical tasks that the NSO is charged with. Making such a comprehensive master plan is becoming steadily more important as the NSO is faced with an increased array of demands for provision of statistics, from internal as well as external stakeholders. The NSO will need to allocate its scarce resources between these demands and set clear priorities. Hence, it is recommended that a national statistical master plan should be drawn up, outlining the general strategies that will direct the NSO in this regard.

Summary of Recommendations

- The Project is basically on track. Hence, we recommend that it should largely be continued according to the agreed plan. However, in the following we would like to suggest some changes in emphasis to be addressed by all the relevant parties, the twinning institutions and the Eritrean authorities.
- Planning for securing a sound long term management team at the NSO should start now. One of the positions as external long term adviser should continue to focus on

coordination of the project activities and management team building until the end of the Project in August 2008. On the other hand, the position of the long term adviser in national accounts might be changed into intermittent medium term support when the current contract expires in August 2007. This might open the possibilities for embarking upon technical assistance in related areas, such as developing balance of payments accounts, both at the Bank of Eritrea as regards the accounts as such, and at the NSO as regards imbedding these into the national accounts. If feasible, the cooperation of East AFRITAC might be sought for this purpose.

- It is imperative that the NSO and the Project continue to develop the Human Resource Development functions, aiming at systematic improvement of staff capacity. The idea of establishing an internal training unit/school should be realised with assistance from the Norwegian experts.
- The NSO should start to draw up and follow a publication plan/release calendar, setting advance dates for its regular releases of statistical findings as well as target dates for each major statistical publication being planned. This should go in parallel with establishing web based dissemination systems and procedures. This should be given increased priority as it will be of growing importance to make the official statistics accessible over the internet.
- The NSO should start to prepare a comprehensive Master Plan covering all its statistical activities. Drawing on the experience gained from the plan for economic statistics, this might be prepared with assistance from the Project.
- In light of the impending cooperation and participation of international organisations in several areas in economic and social statistics, the NSO is encouraged to liaise with the relevant organs on these issues as well as informing them of project process on a regular basis.
- The NSO should in the Annual Project Progress Report include a section on the overall performance of NSO, to encourage an integrated institutional focus of the Norwegian support.
- Government ministries and institutions should do their utmost to ensure that sufficient priority is given to the regular collection of statistical and administrative data for use by the NSO. Support to data providers should be seriously considered.
- The sustainability of Eritrean official statistics depends largely on the stability and the enhancement of the much specialised statistical staff at the NSO and other government institutions. We recommend that full attention is given to this fragile situation regarding its human resources. In this connection, the need for securing the future institutional building of the NSO needs to be emphasised, not least by supporting the long term needs for the continued education and professional specialisation of key staff.
- Given current plans, it is likely that the Project will have funds unspent at the end of the initially planned project period in August 2008. These funds can be used for an extension of the Project, provided it continues to show good progress. However, it is recommended that the twinning partners present an updated project plan and a budget – taking into account the MTR recommendations – at the next Annual Meeting in March 2007, for the consideration of the Eritrean and Norwegian governments.

- Finally, the team proposes that the recommendations and issues raised here be discussed at the Annual Meeting in March 2007.

Annex 3: People Met

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Kidane Tsegai	Ministry of National Development
Woldeyesus Elisa	Ministry of Labour and Human Welfare
Hailu Asfaha	Ministry of Education
Temesgen G. Mariam	Bank of Eritrea
Fessehaye Haile	Ministry of Finance, Customs Department
Tadesse Woldeyohannes	Ministry of Trade and Industry
Dr. Gebremariam Michael	University of Asmara
Haile Alazar	Ministry of Tourism
Hassen Saleh	Ministry of Fisheries
Mebrahtu Iyassu	Ministry of Land, Water and Environment
Raimondo Bussi	European Union
Alexander Seferiades	European Union
Chris Lovelace	World Bank
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