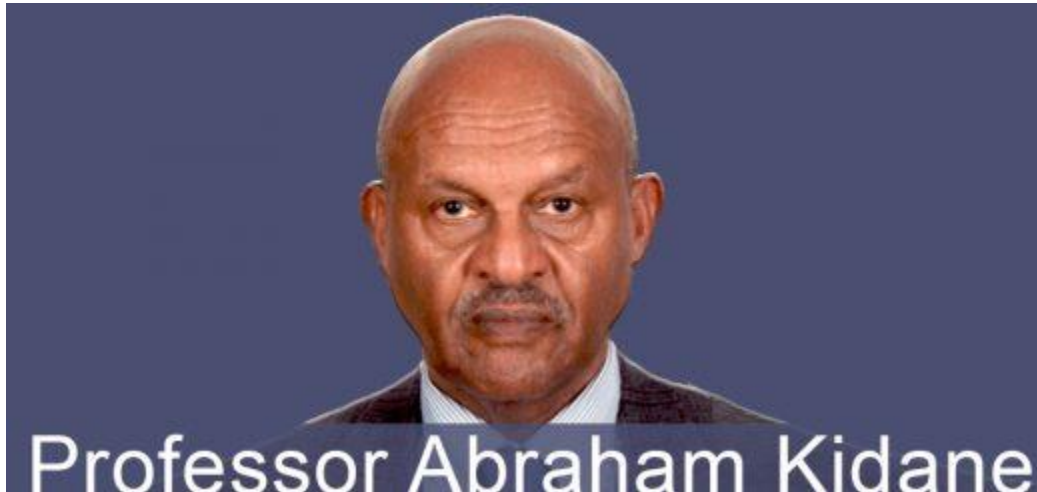


ERITREA'S DEVELOPMENT POLICY, ACHIEVEMENTS OF THE LAST 25 YEARS, CHALLENGES AND PROSPECTS



Economic Advisor, Ministry of National Development

DEVELOPMENT POLICY FORMULATION

Eritrea's 25th Independence Anniversary is an opportune event to undertake a sober reflection of the country's development policy, progress to date, and prospects. The following is a capsulated review of Eritrea's socio-economic development policy, progress, and a brief outlook of the near future.

At liberation in 1991, the Eritrean economy was in a sorry state. Indeed, an estimated seventy per cent of the population was poor. Abject poverty and deprivation were even greater in rural communities where the majority of citizens lived. Streets and artery roads were destroyed by war machinery, the once vibrant manufacturing sector was in disrepair, and plant machinery had been cannibalized for scrap metal. Furthermore, basic public services such as transportation, healthcare, education and sanitation were almost non-existent. Utilities such as

electricity, telephonic services, clean and safe water were in short supply. Only approximately 15 per cent of the national population had access to clean and safe water, government coffers were empty, and private deposits at banks had been hauled away by the fleeing enemy army. Under these circumstances, all indicators of wellbeing including health status, life expectancy at birth and consumption of goods and services indicated woeful inadequacy and societal distress.

Against this background and deeply rooted socio-cultural and historical values of societal cohesion, harmony, sharing, and a great sense of national dignity, a pragmatic and forward-looking development policy emerged. The government adopted what can be referred to as a pro-poor development policy anchored upon poverty eradication in all its forms, social justice, and sustainable development in an environment of social harmony and peace. These core elements of the national development policy are not simply popular ideas adopted by government. On the contrary, they are deeply rooted in the socio-cultural values and history of Eritrea as well as the bitter experiences of the long struggle for independence. They reflect the aspirations of Eritrean society, past and present the sacred wishes of the martyrs who sacrificed their lives so that Eritrea will be free not just from colonization and oppression but also from hunger, disease and ignorance. However long it takes, this freedom cannot be assured without sustainable development. In the words of Nobel Laureate Economist Amartya Sen “The development process is an enlargement of human freedom”.

To achieve this freedom, a widely consultative process resulted in the formulation of a socio-economic development policy that is articulated in both the National Charter and the Macro Policy document (both of 1994). The policy seeks to develop an economy in which opportunities and prosperity are widely and equitably shared. It seeks to foster socio-

cultural, economic and political life that is rich, diverse, harmonious and satisfying while maintaining equity and social justice for all. Through well vetted investment, trade, and financial policies, the Government further seeks to develop an economy that is open and actively supportive of regional economic integration and international cooperation.

Sustainable development is mainly the result of internal efforts that are anchored on high self-esteem, self-reliance and ownership of policies and programs. Eritrea espouses these fundamental principles. However, its emphasis on self-reliance is sometimes misconstrued as rejection of development partnership or even as voluntary isolationism. Self-reliance in the Eritrean context is none other than emphasis on, first and foremost, the effective utilization of national human and material resources before seeking external assistance or cooperation. Examples abound of national systems that have failed to alleviate poverty and deprivation of the majority of their populations due to corruption or the propensity and zeal of leadership at every occasion to plead for external aid. By the same token there exist examples of once poor small nations that have prospered based on policies of self-reliance in spite of the fact that their natural resource endowments were negligible. In simple terms, Eritrea's policy of self-reliance seeks to avoid the pitfalls of the insidious culture of dependency.

Empirical evidence of the sources of growth in most developed nations reveals that the single most important source of growth and development has been human capital. This continues to be the case in all economies regardless of their sizes and known physical resource endowments. Educated and skilled labour is not only productive but also enhances the productivity of all other factor inputs in the production system. To eradicate poverty and to secure sustained development with social

justice, Eritrea's priority development strategies include development of human resources, agriculture, infrastructure, and rural development.

Sustainable national development programs further require inclusion and wide participation of citizens in regard to gender, age or cultural identity and diversity of interest. Eritrea's development strategies are inclusive and diversity sensitive. Early during the struggle for independence, the Eritrean People's Liberation Front (EPLF) recognized the importance of women's emancipation and empowerment in development, and established the National Union of Eritrean Women (NUEW) in 1979. Ever since its establishment, NUEW has advocated women's equal participation in all aspects of Eritrean life including the honour of bearing arms side by side with men. Equally significant are the establishment, during the struggle, of the Confederation of Eritrean Workers (NCEW), the National Union of Eritrean Youth and Students (NUEYS), and the Cultural Affairs unit that includes music, arts, theatre and cinema. These and other professional associations promote the interests of their respective groups and play effective roles in educating and training their members for national development. Eritrea's recent and remarkable advances in social and cultural life through sports and athletics, music and the arts speak not only to the enrichment of Eritrean lives but also to the essence of development. Development is a multidimensional phenomenon that, in addition to economic growth, increments in real incomes and the meeting of basic needs, leads to satisfying lives for all citizens in an environment of peace and social harmony.

At the outset of these remarks, I noted that at the time of national liberation in 1991 the great majority of the Eritrean people were impoverished and haggard. At that time as at the present moment, the majority of citizens lived in rural areas that were neglected and

underserved, and they suffered from abject poverty. Moreover, even at the low level of incomes that was then national in magnitude, income and wealth distributions were unacceptably inequitable. Extreme inequality does not only make mockery of all other advances but it is outright dangerous, immoral and socially divisive. Currently, several countries including some that are otherwise growing fast are experiencing widening inequality. Few people, usually urbanites, get extremely wealthy often at the expense of the majority. Unless appropriate and timely policies and measures are applied, this can have deleterious effects that should be worrisome to policy makers. In the midst of widespread poverty, therefore, it was pragmatic and far-sighted for the Government of the State of Eritrea to have ranked food security and rural development as top priorities in its national development strategy.

This is a brief review of Eritrean cultural, social and political values as well as history that formed the basis of post-liberation development policy. It also provides a glimpse into how this socio-economic policy landscape evolved over time. In parts II and III we will briefly review the key achievements during the first twenty five years of independence, and the challenges and prospects, respectively.

1993-1998: Peace time Growth with Macroeconomic Stability

Immediately following independence in 1993, the formidable tasks of reconstruction, rehabilitation and the building of foundations for sustainable socio-economic development commenced in earnest. Among the most important were the establishment of public institutions and civil service, the creation of a legal and administrative environment that is conducive to sustainable development, and building capacity in a down-

sized and lean public sector. Consistent with this, approximately 65% of the liberation forces were demobilized and injected into both the private and public sectors. The demobilization program, the first of two phases following independence, is indicative of Eritrea's sole preoccupation at the time: *poverty eradication through sustainable socio economic development*. The period 1993-1998 was clearly a period of successful reconstruction and rehabilitation as well as the beginning of growth with macroeconomic stability. For instance, gross domestic product (GDP) grew at the rate of 10.9 per cent (1993-1997) (World Bank), inflation averaged approximately 6%, and fiscal deficit including grants averaged approximately 5.5% of GDP, and gross international reserves were equivalent to 3.5 months of imports of goods and services. These and other macroeconomic performance indicators ascertained that, absent distractions and uncertainties requiring diversion of human and financial resources away from development programs, the national development policy was able to trigger sustainable development. The period 1993-1998 was also a period of peace and stability that are essential conditions for accelerated growth and poverty elimination.

War Damages and Temporary Distraction (1998-2000)

The border war of 1998-2000 caused substantial damage to social and economic infrastructure in the conflict areas and entailed adverse consequences on the gains that were recorded during the preceding seven years. Among those that sustained heavy damage or complete destruction were schools, healthcare centres, manufacturing and industrial plants, agricultural resources, livestock and places of worship in the battle zone. Under these circumstances, the Government needed to divert some of the nation's human and financial resources to defence while maintaining the development effort. The conflict areas were also

sprinkled with land mines that rendered for some time, arable land in the border areas inaccessible and dangerous to human and animal lives.

In spite of the failure of the so-called Guarantors of Peace who pledged to effect implementation of the Eritrea/Ethiopia Border Commission(EEBC) decisions, and in spite of the numerous stumbling blocks that have been imposed against Eritrea – including sanctions - the nation has endured. Resilience and patience, hallmarks of the Eritrean people, have paid off in the past and they do now. The determination of the people and government to survive and thrive against all odds is unwavering, and Eritreans in the Diaspora unfailingly support their country of birth through remittances and political advocacy. Consequently, the pre-war focus on development is in place, and the economy is on an accelerated path of sustainable development and alleviation of poverty.

Economic growth has accelerated starting in 2010. Foreign direct investment (FDI) especially in mining is picking up and stimulating economic activity.

World Bank updates indicate that the Eritrean economy grew at the rate of 10.9% (1993-97) and by 9.0 % in (2011-12). Using a population estimate of 5.1 million (2014) and gross domestic product of USD2.61 billion at market prices, the Bank also estimates GDP per capita of \$544.5 (2011). The Government's estimate of the resident population is 3.7 million. Using this as a denominator, the GDP per capita will be even higher. The World Bank also reports that other indicators such as fiscal deficit including grants at 12.6% of GDP (2010-2012) and inflation (estimated single digit in recent years) are declining thus improving macroeconomic stability. The World Bank's estimates of real growth and stability are generally corroborated by the International

Monetary Fund's (IMF Report 2016) revised and updated assessment of Eritrean economic performance.

Other developments as in the areas of education, healthcare, transportation and communications, water supply, energy and environment indicate that basic needs of households are being met.

During the last twenty five years school enrolment has increased from 213,368 (1993) to 679,038 (2014), increase by 218%; college and university enrolment increased from approximately 1200 full-time students to 14,000 (2015), increase by 1067%; 26 hospitals including five referral, 52 health centres, 180 health stations, 77 clinics and 5 facilities specialized in maternal and child care; Asphalt, gravel and dirt roads constructed increased from 4,930 kilo meters (1991) to 14,500 kilo meters (2015), increase by 195%; buses used for public transportation in rural areas increased from 267 (1991) to 1,769 (2015), increase by 562%; airports in Asmara, Massawa, Assab, Nakfa, Tesseney, Dahlak Island, and Awget have been modernized to be suitable for domestic and international flights; energy generation capacity has increased from 30.1 Mega Watts (1991) to 141.70Mega Watts (2015) increase by 371%; deep water ports and container terminals have been constructed and modernized in Massawa and Assab; and dams and ponds with a capacity of over 300 million cubic meters of water have been built. This investment has already impacted the livelihood of the population positively.

To ensure access by all citizens, especially low income and rural communities, most of these social and economic services are provided to the public either free of charge or at highly subsidized rates. Further improvements of access to these services, especially water, energy and public transportation will require huge infrastructure investment. However, when implemented, the Government's infrastructure programs

are expected to secure sustainable access to these services by households as well as by social and economic establishments.

Table 1 presents some indicators of progress in development.

Indicators			
		1991/95	2015
1	Net Primary school enrolment	30%	85%
2	Population 15-24 year olds with some education	59%	94%
3	Under five mortality per 1000 live births	151	47
4	Infant mortality per 1000 live births	92	32
5	Proportion of children 12-23 months old with measles vaccination	51%	89%
6	Maternal Mortality ratio per 100,000 live births	1700	352
7	HIV prevalence per 1000		0.25
8	Malaria cases per 1000	(1998) 53.5	12
9	TB Prevalence per 100,000	484	74
10	Proportion of population without access to safe water	87%	33%
11	Electricity generation (Mega Watts)	30.1	141.70
12	Life expectancy at birth	46	63

Sources: Based on reports of sector ministries.

In several areas including life expectancy, HIV prevalence, and youth literacy (UNESCO, 2013, “Adult and Youth Literacy: National, Regional and global Trends) Eritrea has performed better than most sub-Saharan countries, all of which were independent states decades before Eritrea. As well, Eritrea shines in the area of healthcare. As of 2013, it was the only African country that achieved all three Health

Millennium Development Goals before the target year of 2015. In recognition of this remarkable achievement in healthcare, accolades have been expressed by the United Nations General Assembly (2014) and by the African Union, for success in malaria control (2016).

The above is a snapshot of development programs and results in the last 25 years. In Part III, a brief account of the challenges that Eritrea continues to face and the short to medium-term development prospects will be presented.

.