

# BTI 2010 | Eritrea Country Report

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scale: 1 (lowest) to 10 (highest)    score    rank    trend

This report is part of the Transformation Index (BTI) 2010. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 128 transformation and developing countries are evaluated.

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**Key Indicators**

Population	mn.	4.8	HDI	0.47	GDP p.c.	\$	626
Pop. growth	% p.a.	3.1	HDI rank of 182	165	Gini Index		-
Life expectancy	years	58	UN Education Index	0.54	Poverty <sup>2</sup>	%	-
Urban population	%	20.3	Gender equality <sup>1</sup>	-	Aid per capita	\$	32.0

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.

Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than \$2 a day.

## Executive Summary

Neither the political nor the economic agenda of the Eritrean government changed during the past two years, and the country's economy remained under stress. Eritrea is a dictatorship characterized by the impossibility of public political participation, the absence of civil rights and the freedoms of expression and assembly, an extremely poor human rights record, an educational system that provides no opportunity for meaningful higher education and deteriorating levels of lower education, and an extremely high and even increasing degree of militarization. The economy is controlled by the ruling party, the People's Front for Democracy and Justice (PFDJ), and the military, which has tightened its grip on agricultural cash crop production and trade, including contraband trade. As a result, its political power has been augmented. The country has continued along a destructive path running contrary to democratization and economic liberalization.

The government, which is dominated by the president and a small group of advisers, has been able to maintain a monopoly of power in spite of rising levels of frustration and dissatisfaction among the population. The military holds excessive economic power. Eritrea has remained a one-party system ruled by the PFDJ. During the review period, civil liberties were totally absent, and the country ranked last worldwide in press freedom in both 2007 and 2008. Arbitrary arrests remained common, as did religious persecution, and it was impossible to leave the country without an exit visa. Such visas are virtually unattainable for persons eligible for national service aged 18 to 45, and for persons considered to be potentially disloyal to the government. In spite of these restrictions, tens of thousands of Eritreans risked their lives to flee the country illegally.

Members of the general public had no ability to communicate civic interests without the risk of being immediately arrested, and there was no progress towards democratization. The economy was state controlled via the military and the ruling party. Both institutions were involved in the increasing levels of contraband trade, increasing their own profits while the general population suffered from a general scarcity of consumer goods and extremely high price levels. There was no demobilization, and military recruitment of citizens aged 18, male and female, continued. Large segments of the society (more than 600,000 people) were forced to serve in the army or

perform national service, as part of the so-called Warsay-Yikealo Development Campaign. These individuals were used as a low-cost work force for military and party enterprises, while the private business sector was further disabled. The government showed no intention of liberalizing the economy, while industrial production decreased significantly due to a shortage of hard currency and raw materials, and the small size of the skilled labor force. Members of the diaspora, in spite of rising levels of dissatisfaction with the government, continued to send money to the country, partially in the form of the 2% tax imposed on them by the government, and partially in private transfers aimed at supporting their extended families still in the country.

Poverty and malnutrition were widespread, while consumer goods such as grain, sugar, milk and rice remained scarce. Price levels exceeded world market prices by two to three times. Bread was scarce and of poor quality, while a growing scarcity of kerosene for cooking purposes drove people to use charcoal and wood, a practice leading to environmental degradation. Social services and the state of the educational sector remained poor.

Foreign relations with regional neighbors (with the exception of Sudan) and international donors remained poor. Eritrean-U.S. relations degraded further, as the United States considered placing Eritrea on its list of states sponsoring terrorism.

## History and Characteristics of Transformation

Eritrea gained independence from Ethiopia de facto in 1991 and de jure in 1993 after an independence struggle that lasted for 30 years (1961 – 1991). Since the early 1980s, the struggle was dominated by the EPLF (Eritrea People's Liberation Front) which later formed the government of the independent State of Eritrea. In 1994, the Front held its third and last organizational congress and changed its name to the PFDJ. The former secretary general of the EPLF, Isaias Afewerki, has ruled the country as president since independence without ever having been confirmed in his office by popular vote. He managed to solidify his power base by his tough style of authoritarian rule with totalitarian tendencies, although his popularity has sharply declined due to continuous deterioration in the economic situation, gross human rights violations, forced military conscription of large parts of the population of productive age and the country's complete lack of civil liberties.

In recent years, relations with Western donor nations were strained as the government showed a lack of transparency, refused with very few exceptions to accept NGO activities in the country, and even rejected emergency aid, claiming to be almost self-reliant in food production (an assertion which is obviously not true). The European Commission, in spite of concerns related to the poor condition of human rights, maintained some aid projects in the country. Relations between Eritrea and the United States were tense, and in 2007 the United States considered putting Eritrea on its list of states sponsoring terrorism. Eritrea accused the U.S. administration of supporting the Ethiopian position on the Eritrea-Ethiopia Border Commission's (EEBC) border decision. Ethiopia has refused to acknowledge this decision, thus violating rules of international law. The Eritrean government also condemned the United States for supporting

Ethiopia's military engagement in Somalia in support of the transitional government there. During the past two years, Eritrea intensified its relations with Iran, a fact raising further suspicions within the community of Western states. The conflict between Eritrea and Ethiopia remained unresolved. In 2007, the EEBC ended its mandate, as it was unable to demarcate the border on the ground; since then, Eritrea has regarded the border line as "virtually demarcated," while the Ethiopian government has persisted in its refusal to accept the EEBC decision. Beginning in late 2007, the Eritrean government refused to provide United Nations Mission to Ethiopia and Eritrea (UNMEE) troops with fuel supplies, thus rendering them immobile. As a consequence, UNMEE left Eritrea in early 2008, and the mission was officially terminated in July 2008. As in the past, the government has used the border stalemate as an excuse to maintain an extremely high level of military mobilization, coupling this with the use of national service recruits as an unpaid labor force for infrastructure projects conducted by the military and party-owned enterprises. Internal political reforms have not been mentioned even as a vague possibility for the future.

The constitution ratified in 1997 was not implemented. There are no apparent plans by the president and the small ruling elite composed of high-ranking PFDJ cadres and military officers to move toward democratic reforms. On the contrary, the military has stabilized its political and economic power, and there are signs that it might even develop into an actor capable of challenging the president's absolute power. Discrepancies and tensions between Afewerki and leading military commanders have increased, particularly in 2008. As there is an absolute lack of press freedom in the country – Eritrea ranked last worldwide in the Reporters Without Borders' press freedom index in 2007 and 2008 – such developments are not reported by the state-owned media, which are allowed only to write stories concerning the alleged successes of the country's development endeavors.

Levels of state and military intervention in the economy remained high and even increased during the past two years, while the private business sector continued to be severely restricted by import-export regulations and a lack of hard currency. The degree of political suppression remained extraordinarily high and arbitrary arrests without due process of law were common. The political dissidents arrested in 2001 remained in incognito detention. It was not possible for the majority of the population to leave the country legally, but the rising degree of frustration, especially among members of the younger generation forced into military or national service for unlimited periods of time, led to a sharp increase in the number of refugees (at least 60,000) crossing the borders to Ethiopia and Sudan. Thousands risked their lives to reach European countries by boat, or sought to enter Israel, risking deportation by Egyptian authorities. Religious persecution of the Christian minority churches and Muslims adhering to the Wahabi faith remained strong. In 2008, a number of traditional and religious elders were arrested for unknown reasons. The political and economic decline that started in 2001 continued, as did the obsession of the president with control of all aspects of society.

## Transformation Status

### I. Democracy

During the past two years, the Eritrean government showed not the slightest intention to introduce steps towards democratization. The PFDJ remained the sole political party and political power rested in the hands of a president who ruled by decree, with few advisers, while the military stabilized or even extended its political influence. There was no separation between legislative, executive and judiciary. The National Assembly remained defunct, and there was only one change within the cabinet of ministers: In February 2007, the vacant post of minister of foreign affairs was filled by former Minister of Education Osman Saleh, who in turn was replaced by former Central Zone Governor Semere Russom.

#### 1 | Stateness

The state's monopoly of the use of force remained in place nationwide, but militant opposition movements operating from Ethiopia committed acts of sabotage such as the planting of mines in western lowland regions close to the border. Due to improved relations between the Eritrean and Sudanese governments, it was difficult for opposition movements to operate from the Sudan. The Sudanese government banned the activities of Eritrean opposition parties operating inside its borders. The illegal mass exodus of army and national service recruits significantly increased, and many professionals such as teachers and engineers joined them in fleeing the country.

Monopoly on the use of force

The Eritrean nation-state per se is still ascribed a high value by the population, as it is the legacy of the common independence struggle. However, there is a growing feeling that state institutions are illegitimately controlled by the small leading group, while people not belonging to the dominant Tigrinya ethnic group – in other words, more than half of the population – feel increasingly excluded from administrative jobs and economic activities. The feeling prevalent in the early years of independence, that state, ruling party and society form an inseparable unity, now seems to be diminishing.

State identity

The state is defined as a secular order and in theory there is a strict separation between state and religion. Customary law based on the Muslim Shari'ah code and the law codes of the Orthodox Christians still play an important role in the judiciary, but the state keeps a close eye on religious authorities to prevent the slightest intervention in political and social affairs.

No interference of religious dogmas

The state's administrative structure covers the whole country, but the quality of services it provides is declining in spite of numerous infrastructure projects carried out by national service recruits. The administration is increasingly unable to enable basic consumer needs such as food and energy for cooking, while the infrastructure projects such as roads and buildings constructed by national service recruits are of poor quality and are not linked to economic development processes.

Basic administration

## 2 | Political Participation

Since Eritrea's independence in 1993, there have been no elections on the national or regional (zoba) levels and no free elections on the subregional or local levels. The state has no implemented constitution and there are no plans to hold elections in the foreseeable future. The PFDJ is the only party admitted in the country.

Free and fair elections

There are no democratically elected rulers in Eritrea. The only possible veto power is the military, whose political influence has increased during the past two years. There is no independent civil society which might resist measures taken by the government. Eritrea is an authoritarian and despotic system with totalitarian tendencies.

Effective power to govern

There are no independent political and civic groups in the country, and there is an absolute lack of freedom of association. Even private assemblies such as meetings of religious groups for prayer are forbidden. The National Union of Eritrean Women, the National Union of Eritrean Youth and Students, and the Confederation of Eritrean Workers are puppets of the government.

Association / assembly rights

There is absolutely no freedom of expression in the country. All media are state owned and controlled by the Ministry of Information. Eritrea ranked last in the world in Reporters Without Borders' 2007 and 2008 press freedom indexes. There are no independent journalists who have not been jailed or escaped the country, and even state media journalists are under constant threat of arrest. A close network of government informants directed by the state and military security apparatuses has been established to monitor private conversations.

Freedom of expression

### 3 | Rule of Law

Separation of powers is still nonexistent. There is no parliament in the country (the National Assembly has not convened since 2002). Legislation is in the hands of the president, who rules by decree. The executive is also controlled by the president, although the cabinet of ministers seems to play a minor role. Commanders of the military operational zones and to a lesser degree some regional administrators have some impact on government policies. The judiciary is controlled by the executive and there has been no chief justice since 2001.

Separation of powers

The formal judiciary is poorly organized and in no way independent from the government, while a system of military or special courts handles matters related to alleged corruption and business criminality. An informal, but well-organized and efficient sector of customary juridical institutions addresses civil, but to some extent even criminal cases, and is tolerated by the government. The modern judiciary system is inefficient and prone to intervention by the executive or by powerful interest groups close to the government.

Independent judiciary

There is a strong policy ostensibly aimed at fighting corruption, but there is no due process of law in doing so. It seems that tolerance for or prosecution of corrupt behavior depends on the alleged perpetrator's degree of political loyalty to the president. Corruption is widespread within the high ranks of the military, although there are periodic crackdowns on corrupt individuals within the administration (e.g., officers accepting bribes for issuing exit visas or employees of party enterprises who practice self-enrichment). Those accused of corruption are tried by the special courts without the right to defense by a lawyer or the right to appeal.

Prosecution of office abuse

There is absolutely no protection of civil rights in Eritrea. Civil rights are not guaranteed by any law, as no constitution exists in practice. There is no freedom of the press, no right to habeas corpus, and no freedom of expression and assembly. Religious freedom continues to be severely restricted and there is no right to leave the country without first obtaining an exit visa; these are rarely provided to those aged between 18 and 45, and are also withheld from persons suspected to be critical of the government.

Civil rights

### 4 | Stability of Democratic Institutions

Democratic institutions do not exist in Eritrea. The president came to power as a guerilla leader in 1991 and his position has never been confirmed by elections. There have been no democratic parliamentary elections, and the National Assembly, consisting of appointed members drawn mostly from the politburo and central committee of the PFDJ, has not convened for the past seven years. The PFDJ is the only legal party, but there have been no party congresses since 1994, and it is

Performance of democratic institutions

dominated by a few individuals with a total absence of inner-party democracy. The power of the military with respect to control of the economy and influence in political affairs seems to have augmented in recent years.

The country's most relevant political actors appear determined to obstruct the emergence of democratic institutions. The former supporters of political pluralization (the dissidents within the PFDJ) remain in detention, while many potential promoters of democratic change have either left the country or have been silenced by serious threats to their and their families' security.

Commitment to democratic institutions

## 5 | Political and Social Integration

The formation of political parties is suppressed by the government. Therefore, there are no political parties except the PFDJ.

Party system

There are no associations or interest groups permitted which might act as mediators between society and political system. Societal groups are deprived of all possible channels to express their interests. The only exception is a network of traditional elders who are close to the people, and might in some individual cases be accepted by government representatives as mediators in conflicts between social groups (in cases such as land conflicts) in order to avoid violence; however, their impact on government policies is virtually nil.

Interest groups

Not applicable.

Consent to democratic norms

There is no social security network provided by the state, with the exception of some limited support to the families of martyrs killed in the liberation struggle, some limited health care and subsidized food. Therefore, much responsibility rests on the traditional institutions of social self-organization, which are mostly based on ethnicity/descent or religion. These networks serve as a substitute for the absent social security systems aimed at the elderly, widows, the disabled and other vulnerable populations. The ongoing strategy of socializing youth within the military apparatus, beginning from the 12th school year, has presented a serious threat to the thus far well-functioning system of traditional social self-organization.

Associational activities



## II. Market Economy

The decline of Eritrea's economy since the 1998 – 2000 war with Ethiopia has continued. There has been further consolidation of the command economy controlled by the military apparatus and the ruling PFDJ party, allowing very little room for private businesses with the exception of a few individuals who show extraordinary loyalty to the government and cooperate with government and/or military institutions. The free labor market is seriously undermined by the mass recruitment of the younger generation into the military and national service under the pretext of a development campaign. Eritrea has one of the highest per-capita recruitment rates worldwide. The recruits are involved in forced labor in military and party enterprises, and do not receive salaries. Thus, private investment has almost come to a halt, as free market competition is severely disrupted. In the agricultural sector, the situation has deteriorated further during the past two years, as farmers are now forced to sell cash and even subsistence crops and cattle to military agents at prices below the cost of production, which is almost certain to hamper production in coming years. There is still an extreme lack of hard currency, and its possession is highly restricted. The command economy has led to a severe lack of consumer goods and energy, while basic consumer goods available in the free market are sold at prices twice or three times as high as world market prices due to a network of profiteers engaged in contraband trade, including government and military officials. The level of industrial production is extremely low and many private and even government-owned factories have ceased to operate. The government's policy of infrastructure development is not linked to a policy of industrialization.

### 6 | Level of Socioeconomic Development

As Eritrea remains one of the world's poorest countries, poverty remains endemic throughout all population groups in the countryside and increasingly in urban areas. The majority of the population (around 80%) lives from subsistence agriculture. Wealth is more and more concentrated in the hands of military commanders and party officials who control the economy and trade, while private businessmen suffer from government restrictions. Due to the cultural norms and values of the society, poverty does not lead to social exclusion, but access to education is unequally distributed. The enforced militarization of the society in theory affects all groups of society, as every woman between the ages of 18 and 27, and all men between the ages of 18 and 45, have to perform national service. In reality, the wealthier parts of the population are able to buy false exemption papers or can find other means such as paying bribes to officers to evade the service. While income gaps causing social exclusion are still limited compared to other African societies, there seems to be a politically motivated process to exclude members of the non-Tigrinya ethnic groups from professional careers in the administration and military.

Socioeconomic  
barriers

Economic indicators		2004	2005	2006	2007
GDP	\$ mn.	631.2	1161.5	1281.7	<b>1374.1</b>
Growth of GDP	%	1.5	2.6	-1.0	<b>1.3</b>
Inflation (CPI)	%	-	-	-	-
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	-1.2	-0.1	0.0	<b>-0.2</b>
Export growth	%	-7.4	-0.1	-1.1	<b>-2.3</b>
Import growth	%	-14.6	-1.2	-1.0	<b>-1.5</b>
Current account balance	\$ mn.	-	-	-	-
Public debt	\$ mn.	704.0	723.0	781.4	<b>855.7</b>
External debt	\$ mn.	718.2	735.5	799.9	<b>874.8</b>
Total debt service	% of GNI	3.1	1.8	1.0	<b>0.4</b>
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	52.9	37.2	35.9	<b>31.4</b>
Public expnd. on edu.	% of GDP	3.7	-	2.4	-
Public expnd. on health	% of GDP	1.7	1.7	1.7	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources: The World Bank, World Development Indicators 2009 | UNESCO Institute for Statistics | International Labour Organization, Key Indicators of the Labour Market Database | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security.

## 7 | Organization of the Market and Competition

Market-based competition is virtually absent in Eritrea. Following the war with Ethiopia (1998 – 2000), the government introduced a command economy and today holds a firm grip on all import-export activities, which are mostly handled by the PFDJ-owned Red Sea Corporation. The military has played an increasingly important role in the economy, especially in cash-crop production but also in trade (legal, semi-legal and illegal contraband activities). Private business activities are restricted and foreign investment is discouraged. During the review period, farmers were forced to sell their crops and cattle to military agents at reduced prices. The role of industrial production decreased due to shortages of raw materials, affecting private and government-owned enterprises. Both the military and the PFDJ used national service conscripts as a low-cost labor force, severely disrupting free competition in the labor market.

Market-based  
competition

The ruling PFDJ and the military have continued to serve as an economic oligopoly which controls trade and production. They have started to extend this control to subsistence agricultural production by forcing producers to sell their products to military agencies at reduced prices. The private sector is much too weak to form any kind of monopoly.

Anti-monopoly  
policy

Foreign trade is heavily state controlled via the ruling party and the military, and the government tries to exert total control over foreign currency transfers. However, it has so far been unable to eliminate the black market for currency, especially in relation to diaspora remittances, as it offers far better exchange rates than the official one. During the review period, the government continued its strategy of self-reliance, thus discouraging foreign trade, but there is a wide gap between theory and practice. As the country is not in reality self-sufficient with respect to food, food is often imported by means of contraband trade, leading to exceptionally high prices for basic consumer goods such as cereals, cooking oil and fuel.

Liberalization of  
foreign trade

There are only state-owned banks in Eritrea (including the Bank of Eritrea, Commercial Bank and the Commercial and Housing Bank) along with the PFDJ-owned Himbol Financial Services, which is involved in handling most official transfers from members of the diaspora via overseas consulates and embassies. Foreign currency has still to be declared on arrival, and the illegal possession of hard currency carries the threat of harsh punishments. There is no free capital market in the country.

Banking system

## 8 | Currency and Price Stability

During the review period, the government continued to pursue a policy aimed at fighting inflation, mainly by unsuccessful attempts to control the amount of money circulating in the country by controlling imports of hard currency. Inflation rates remained high, mainly due to restrictions on free trade that have led to a sharp increase in contraband trade. Illegally imported goods from the Sudan, Ethiopia and Arab countries are sold in the market at prices far exceeding world market price levels. The foreign exchange rate remained fixed and the local currency, the nakfa, overvalued. The central bank (the Bank of Eritrea) is controlled by the government.

Anti-inflation /  
forex policy

Macroeconomic stability remained an official aim of the government. Policies to this end were centered on the national development campaign, itself based on infrastructure improvement and agricultural production performed by national service conscripts, with the aim of achieving self-reliance. This policy was unsuccessful, as it has had a negative impact on private production initiatives and has led to decreasing per capita incomes, while inflation rates remained high. High spending for military purposes continued.

Macrostability

## 9 | Private Property

During the review period, private property rights remained restricted by tight government controls. Land rests largely under government ownership. While farmers in the highlands have retained usufruct rights, their allocation being based on customary law, the state and the military have seized areas in the western lowlands for the purpose of commercial farming, further depriving pastoralists and agro-pastoralists of rights to use the land for grazing their herds. In urban areas, houses were confiscated for unclear reasons and given to ex-fighters, high-ranking military members and party personnel. The government continued to encourage diaspora Eritreans to buy houses and pay with hard currency, often demanding advance payment. However, the diaspora community's interest in purchasing property in the country seems to be decreasing due to the deteriorating economic and political situation.

Property rights

The government's policy has remained hostile towards the private business sector, and very few private companies remain operational in the country. In 2008, the owner of the Omo detergent factory was murdered under undisclosed circumstances, a fact which points to the hostility of government agents (who seem to have been involved in the crime) toward private entrepreneurs. Existing state companies did not undergo privatization.

Private enterprise

## 10 | Welfare Regime

There is no social safety net managed by the state, except for the mainly diaspora-funded “martyr’s fund” supporting the families of fallen ex-fighters and soldiers. There is no state-organized pension system in the country; a law introducing such a system was approved in 2005, but has not been implemented. Social safety nets remain based on extended family networks and associated with customary law. Private remittances from members of the diaspora are an indispensable source of income for a large number of Eritreans residing in the country.

Social safety nets

In principle, all social groups have the same access to the limited services provided by the state, such as basic health services, education and subsidized food available by means of coupons. In fact, parts of the population, mainly those belonging to the Muslim faith, ethnic minorities and women, are less likely to be found in institutions of higher education, the middle and higher level of administration, and in higher military ranks. Jehovah’s Witnesses are still denied all civil rights and other religious minorities (Christian and Muslim) face persecution.

Equal opportunity

## 11 | Economic Performance

Eight years after the end of the war with Ethiopia, per capita GDP has remained stagnant. The availability of statistical data and their reliability remains unsatisfactory, as there is a lack of transparency on the part of the government. During the period of review, the budget deficit further increased, there was an extreme lack of hard currency and the shortage of daily consumer goods continued. During 2008, there was an extreme scarcity of kerosene for cooking purposes, forcing the population to rely on charcoal and wood, which will have a long-term negative impact on the environment. As the extremely high rate of militarization was maintained (at least 600,000 conscripts serve in the army or perform national service), the labor market was severely disturbed, and it was impossible to produce accurate unemployment rates. There are still no statistical data on unemployment. Undermining the government’s claim of self-reliance, the population was partially malnourished and relied much on imported consumer goods sold at prices as much as two or three times as high as world market prices.

Output strength

## 12 | Sustainability

In theory, the government promotes environmental protection and engages in measures to upgrade the environment such as planting trees and terracing, activities sometimes performed by national service conscripts. The rising number of commercial farms in the western lowlands is likely to have a negative impact on the environment. The same is true for the forced growth of the use of wood and

Environmental policy

charcoal for cooking purposes, stemming from the lack of kerosene. As there is virtually no industrial growth and very limited exploitation of coastal and marine resources, the degree of environmental pollution is low, but it is questionable whether the government would adhere to its environmental standards in the case of real economic growth.

During the period of review, the primary education sector continued to stagnate. Instruction began to suffer from a lack of teachers, as a growing number of them have left the country illegally out of growing frustration. Secondary education remained integrated with the military apparatus, as all 12th year students had to pass their final school year at the Sawa military training camp before being transferred to the tertiary educational sector (technical colleges), also under military supervision, or to military training. The University of Asmara remained closed, and no tertiary education meeting international standards was available in the country. The mass exodus of the young generation, a consequence of the militarization of the society including the educational sector, will have unforeseeable negative consequences for the human resources development of the country and its future competitiveness in a globalized world.

Education policy /  
R&D

# Transformation Management

## I. Level of Difficulty

Eight years after the end of the war with Ethiopia, during a period of relative peace with its other neighbors, the government appears to be doing little to overcome the structural constraints it inherited at the time of independence or those created by the border war. Rather, one can assume it is creating new and unnecessary structural constraints by its misguided policy of militarization, by blocking the development of a market economy and by destroying the tertiary educational sector. Instead of trying to overcome the constraints inherited from its Ethiopian predecessor regimes (such as a decayed infrastructure and a centralized economy) as it did during the 1990s, the government is pursuing a strategy built on the Marxist ideology it followed during the independence struggle of the 1970s and 1980s.

Structural  
constraints

In Eritrea, there are only weak civil society traditions in the modern sense (such as NGOs, trade unions or organized interest groups), and the government has blocked their development since independence. The national unions, former mass organizations of the EPLF, have never been able to act independently of the government. On the other hand, there are traditional civil society forms which have been able to act as mediators between the government and society, although the government has recently started to increase its pressure on traditional mediators and religious elders. Traditional civic actors still play an important role in solving conflicts among members the population, thus contributing to internal stability and low levels of societal violence. However, traditional civil society leaders are deeply conservative, and can be seen only within narrow limits as agents of democratization and not at all as promoters of a free market economy.

Civil society  
traditions

In spite of ongoing government efforts to unify the population under the motto “one people, one heart,” regional, ethnic and religious loyalties continue to play an important role in the country. The government tries to downplay this fact. As there is no freedom of expression or assembly, official political organization along regional/ethnic or religious orientation is not possible, but might come to the surface once the government’s monopoly of power is shattered. Incidents of sabotage were mostly carried out by insurgent groups with an ethnic orientation (Kunama, Afar). The large Muslim segment of the society (about half of the population) feels disadvantaged due to underrepresentation in the government and administration, and the dominance of the Tigrinya language over Arabic. The

Conflict intensity

government has sought to expand its ideal of nationalist conformity among the youth during their period of socialization in the military, but this has led to growing levels of frustration among the young, and has motivated them to leave the country whenever possible. Thus, open conflict intensity is low in Eritrea, but there is a very high latent conflict potential.

## II. Management Performance

### 14 | Steering Capability

The government has long-term goals and strategic priorities and tries to implement them, but these goals are contrary to the establishment of democracy and a market-based economy. Rather, they are founded on a system of autocratic leadership, with the goal of turning citizens into a hard-working mass deprived of any individualistic characteristics. The means used to develop economic progress and self-reliance are based on primitive work campaigns resembling those implemented under Mao during the period of the “Great Leap Forward.” Independent or intellectual thinking is defamed as “anti-nationalist.” All groups in the country who are possible promoters of reforms have been effectively silenced (including reformers within the PFDJ arrested in 2001, intellectuals, progressive entrepreneurs and others).

Prioritization

There are no plans for a reform policy based on market reform or democratization. The aim of the government seems to reach goals diametrically opposed to such reform programs.

Implementation

The political leadership continues to insist on an obviously mistaken and harmful policy, both for ideological reasons and in order to stay in power. The deteriorating economic situation and the mass exodus of young people are either denied, or ascribed to the negative impact of “sinister powers” like Ethiopia and the United States and their “agents.” It is absolutely impossible in Eritrea to discuss reform proposals or suggest even minor improvements without being condemned as a “traitor.” The government claims to know the absolute truth and to be infallible in its policy measures and political actions, as well as in interpreting international political and economic issues.

Policy learning

### 15 | Resource Efficiency

The government wastes human resources by employing the majority of the labor force in infrastructure projects based on primitive manual labor methods instead of

Efficient use of assets



leaving space for the development of a market economy. The wave of illegal immigration among the young this has produced also generates a huge waste of manpower – traditionally, the most educated and ambitious elements of society are those most likely to flee the country under conditions that leave no space for the fulfillment of personal goals. Immense resources are spent for military purposes instead of on human development, and high-ranking military officers have developed a mentality of corruption and self-enrichment which was formerly not widespread in the country. Efficient use of resources can be observed only in the field of primary health care, as child mortality rates have fallen in recent years.

In spite of the president's efforts to unite the coordination of all political and economic measures in his own hands, the level of disunity among the ruling elites has grown during the past two years. The military leadership in particular has begun raising its voice and demanding more power. It is possible that the military will demand more economic freedom, but only to increase the role it is already playing in this sector; meanwhile, it is unlikely that calls for political reform will come from this source. The coherency of the government's policy is currently based on the absolute power of the small ruling elite, which rests on coercion rather than on the consensus of social groups in the country.

Policy  
coordination

During the period under review, the government continued to contain corruption through the use of harsh punishments. However, large segments within the ruling elites, particularly the commanders of the military operation zones, were exempted from corruption charges despite undoubtedly being engaged in practices of self-enrichment. As the government still maintains a complete lack of transparency (no state budget has been published since independence), as do the PFDJ-owned business and trade enterprises, corruption is immanent in the system. It is likely that prosecution takes place only when an individual involved in corruption is suspected to be disloyal to the president.

Anti-corruption  
policy

## 16 | Consensus-Building

The aims of Eritrea's main political actors remain diametrically opposed to democracy and the development of a market economy. During the period of review, they followed their doctrine of achieving self-reliance by pursuing a so-called development campaign based on forced labor by military and national service conscripts, and a command economy. Democratization remains a principle alien to the ruling elite. Political actors supporting democratic change or liberalization have either been arrested, silenced, or have left the country. In the Eritrean diaspora, there are forces that might be in favor of a market economy and democratic change, but the political agenda of the opposition in exile is unclear and it suffers from fragmentation and lack of a clear political program.

Consensus on goals

During the review period, Eritrea's government remained deeply antidemocratic, while potential reformers remained under arrest, silenced, or exiled. The military has gained more power in recent years, as the country's development policy has been closely intertwined with the high level of militarization, thus turning the military into a powerful economic actor. Military commanders do not support democratization, but might possibly act as proponents of economic reforms, as the current economic mismanagement hampers their own ambitions as entrepreneurs. There are no large landowners or influential economic actors in the country apart from the military and the ruling PFDJ party. The political agenda of the Eritrean opposition is unclear, and it is far from having any impact on developments inside Eritrea.

Anti-democratic  
veto actors

The existence of cleavages between different population groups as well as within the military, party or government is officially denied. On the other hand, growing tensions between military leaders and the president were unofficially reported both in 2007 and 2008, and within society there are latent tensions due to feelings of exclusion held by about half of the population, mainly Muslims and minority ethnic groups. As these conflicts are currently taboo to discuss or act upon, they might turn violent once a political crisis erupts.

Cleavage /  
conflict  
management

Civil society in the modern sense is absent in Eritrea, as its development has been suppressed since independence. The National Union of Eritrean Women, the National Union of Eritrean Youth and Students, and the Confederation of Workers are government-controlled organizations which can only follow orders from above. The traditional civil society, which includes respected elders and mediators, continues to play an important role in solving conflicts within all different groups of society, but its prominent figures are excluded from giving advice to political leaders. In 2008, 40 elders of the Saho ethnic group were arbitrarily arrested and remain in custody without due process.

Civil society  
participation

Not applicable

Reconciliation

## 17 | International Cooperation

During the review period, the government did not recall the international NGOs it ousted from the country in 2005. It continued its cooperation with UNDP, the United Nations Children's Fund (UNICEF) and the World Bank, actors who seem willing to refrain from intervention in the country's internal affairs. The government seems to have approached European ambassadors in 2008 seeking fresh support due to its desperate financial situation, but at the same time it denied that a food crisis was looming in the country, and refused to accept emergency aid from various donors ready to provide it. As there are no domestic reform policies, there is no chance for domestic partners to support them.

Effective use of support

In the past, the government has often acted unpredictably and has ceased cooperation with development partners after short periods of time. In 2007, it arbitrarily denied fuel supplies to the United Nations Mission to Eritrea and Ethiopia (UNMEE), thus rendering the peace mission's staff immobile and finally forcing them to leave the country. Recently, the government has sought to present itself as a reliable partner, especially in its role as a mediator within the Horn of Africa region, mostly in intra-Sudanese conflicts and in the conflict between Chad and Sudan. However, it can be assumed that the international community, with some exceptions such as Libya, Iran and China, remains suspicious of the Eritrean government. The European Union has not given up on cooperation with Eritrea, but remains critical of the country's poor human rights record.

Credibility

The political leadership cooperates selectively with individual states, mostly for strategic reasons. During the past two years, Eritrean-Sudanese relations improved substantially, while those with Djibouti deteriorated, leaving the countries at the brink of war. Relations with Ethiopia remained hostile. The government continued its support for the Somali opposition (especially the al-Shabab militias), as its enemy Ethiopia continued its military engagement to support the Somali provisional government through the end of 2008. Eritrea suspended its membership in the Intergovernmental Authority on Development (IGAD) in 2007. To sum up, the political leadership does not entirely reject international cooperation, but acts unpredictably and defines Eritrea as a nation that suffers from external conspiracies (mainly from the United States and Ethiopia) rather than presenting itself as a reliable actor in the field of international cooperation.

Regional cooperation

## Strategic Outlook

Since 2007, the Eritrean government has continued its destructive path of blocking democratization, exerting a strong grip on the economy and maintaining an extremely high level of militarization by refusing to demobilize citizens who have been in the national service for 10 or more years, while recruiting new rounds of conscripts every year. It has continued to its policy of destroying the higher education sector, as the country's only university remains closed and the only opportunity for tertiary education is provided by so-called technical colleges under military supervision. The government did not react in any positive way to the growing mass exodus among the young, as military recruits and professionals fled the country in the tens of thousands despite the risk of being shot at the border or being arrested at military camps. The growing scarcity of goods and rising consumer prices has prompted no reversal in the government's so-called policy of self-reliance, which is itself interlinked with the attempt to attain food security through infrastructure projects carried out by primitive means making use of unpaid, unmotivated national service recruits. Industrial production has been completely neglected and is on a steady decline. The government continued to suppress all sorts of private entrepreneurial activities and blame businesspeople for the failing economy, while the military increased its grip on national resources, spreading a culture of self-enrichment once alien to the people of Eritrea. The rulers continued their cynical approach towards human rights and liberties, spreading their ideal of the Eritrean citizen as a hard-working individual without any intellectual ambitions. The government maintained its hostile attitude towards the donor community, building its foreign policy around allegations of conspiracies led by the United States and the Ethiopian Tigrayan People's Liberation Front (TPLF) government instead of engaging in skillful diplomacy.

Against this background, domestic actors committed to democratic change and market economy do not exist or have been muted. The diaspora opposition will not play any meaningful role in discrediting and efficiently lobbying against the government unless it overcomes its internal divisions, creates an efficient administrative structure based on democratic procedures, and develops a consensus on a political agenda which could bring peace and democracy to the country following a change of government.

Since coming into existence as a liberation movement in the 1970s, the EPLF/PFDJ has maintained its critical and suspicious approach toward the international community, which has never supported Eritrea's position in regional conflicts, especially with Ethiopia. As to the border conflict between Eritrea and Ethiopia, the international community has so far failed to put any pressure on Ethiopia, which continues to refuse to accept the Eritrea-Ethiopia Border Commission verdict of 2002, which awarded territories to Eritrea that are still administered by Ethiopia. The current Eritrean policy of militarization of the society, the perpetuation of a command economy and a lack of democratization is justified by the no-war, no-peace situation resulting from this stalemate. Only if the international community puts real pressure on Ethiopia to implement the border decision and to improve its political relations with Eritrea will the justification for the current Eritrean policy be shattered. In this case, the government might be forced by growing internal and external pressure to implement reforms. Providing the Eritrean government with aid beyond emergency relief should be linked to conditionalities focused on improvements in transparency and the human rights situation.