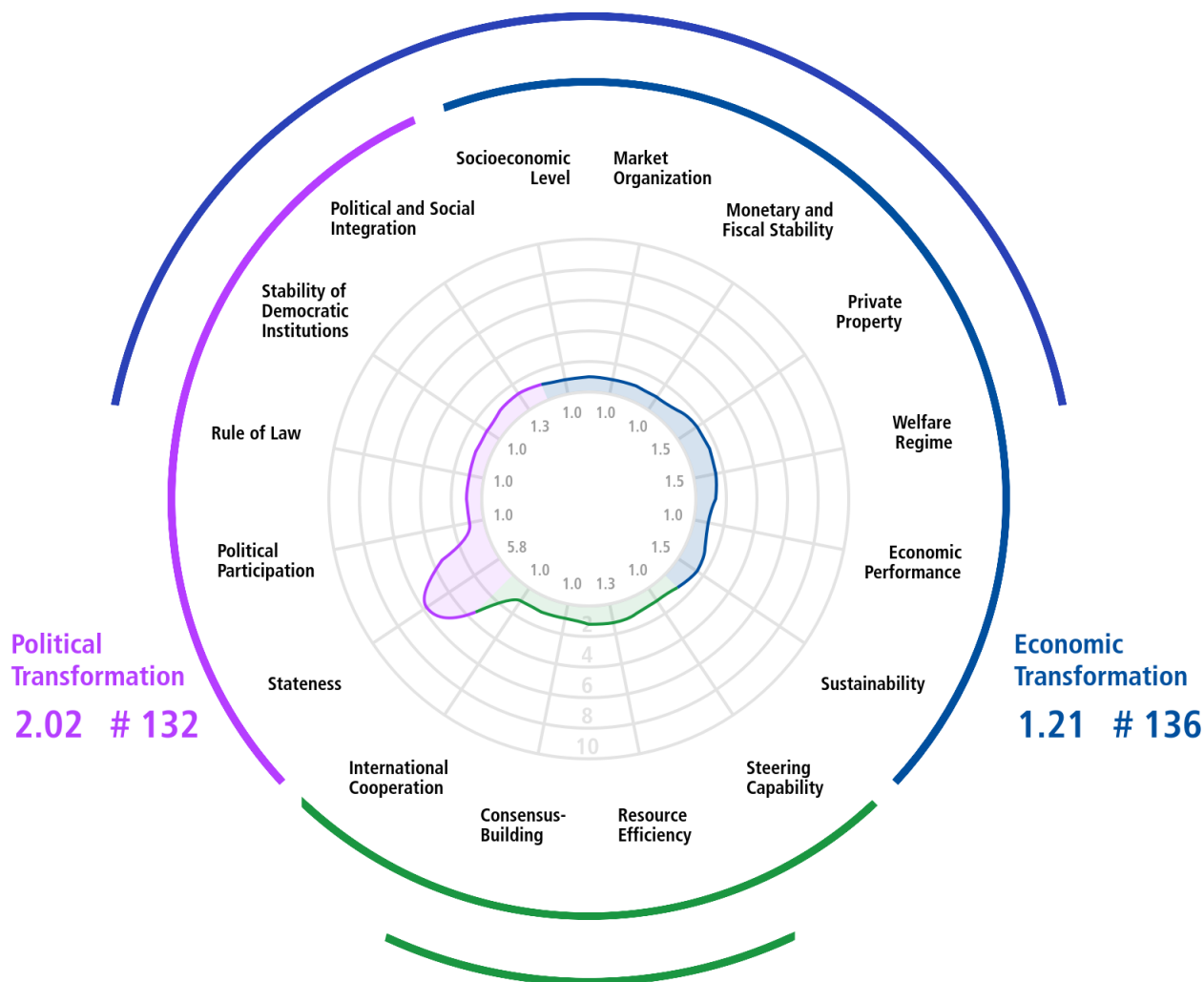


Eritrea

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on 1-10 scale out of 137



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This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	3.7	HDI	0.492	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	1.7	HDI rank of 189	176	Gini Index	-
Life expectancy	years	66.5	UN Education Index	0.387	Poverty ³	% -
Urban population	%	42.6	Gender inequality ²	-	Aid per capita \$	11.4

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Following the peace agreement with Ethiopia in 2018, the Eritrean government made no changes to its political and economic agenda. It continues to function as a surveillance state and adhere to a command economy and an autocratic political system. Additionally, the government actively participated in the war against the TPLF in Ethiopia's northern Tigray region from November 2020 to November 2022, collaborating with Ethiopian federal forces and Amhara militias. This collaboration has resulted in a humanitarian catastrophe, with an estimated half a million casualties. Despite a truce agreement between the Tigray People's Liberation Front (TPLF) and Ethiopia's federal government, Eritrea has not completely withdrawn its military presence from Tigray.

The economy remained under the control of the ruling People's Front for Democracy and Justice (PFDJ) and the military. High-ranking military officers were involved in illegal activities, including goods smuggling and the human trafficking of Eritreans seeking to leave the country. They also engaged in massive and systematic acts of plundering goods and materials in Tigray. As of January 2023, no trade agreements with Ethiopia had been established. Smuggling across the border with Sudan has continued with the involvement of corrupt Eritrean and Sudanese officials.

The economy remained in a poor state, and chronic electricity blackouts continued alongside shortages of fuel and drinking water. In late 2020, the government lifted all COVID-related restrictions but did not offer vaccines to the population. The nutritional situation in the country also remained poor. The government has not invested revenues from mining activities or politically motivated funds received from countries such as Saudi Arabia and the UAE to improve the situation of the population, which suffers from scarcity of goods, decaying infrastructure and a lack of access to potable water. Military officers apply their own regulations in the administrative

regions under their control, while the civilian administrative apparatus is powerless. Military and PFDJ leaders continue to run their own shops. In autumn 2022, a general mobilization into the military was announced, and many houses of families with draft dodgers were sealed, turning them homeless.

Politically, Eritrea remains a dictatorship, rendering political participation impossible for the general public, while civil rights, freedom of expression and assembly are absent and human rights are routinely violated. The old constitution of 1997 has not been implemented, and no new constitution has been drafted. The national service, an unlimited-term obligation that U.N. agencies have labeled as institutionalized forced labor, continues to be enforced without any reforms, exacerbating the situation. Men aged 18 to 60 and women aged 18 to 27 are compelled to serve in either the military or the national service. Since November 2020, they have been coerced into participating in the civil war in Tigray, wherein countless atrocities against the civilian population have occurred.

Government functions are executed by the president and a small group of advisers, with Yemane Gebreab playing a decisive role. The ruling PFDJ is the sole political party permitted to exist, and, along with the military, it maintains a monopoly on the economy. All state enterprises are controlled by the party-owned Hdri Trust Fund, and external financial monitoring is not permitted. Despite the European Union's anti-refugee measures, the exodus from Eritrea has persisted. State institutions and social services remain weak, and arbitrary arrests and religious persecution continue.

During the period under review, there was no progress toward democratization, as ruled out by the president. The public is unable to communicate civic interests without the risk of arrest. In the absence of free market mechanisms, the import-export trade has remained under the firm grip of the ruling party's elite, while the military has engaged in large-scale contraband and looting activities.

There is no public welfare system, and traditional social safety networks based on extended family structures have been weakened by the national service. However, most diaspora Eritreans support their families inside Eritrea financially, and many of them voluntarily or under coercion pay the 2% tax imposed on them by the government. This financial support and tax contribution aid in stabilizing the regime.

Malnutrition and poverty remain endemic in Eritrea, and the general military mobilization has further aggravated the situation. The continuous use of charcoal for cooking purposes has accelerated environmental degradation. In general, Eritrea has continued to follow a destructive path that runs counter to democratization and economic liberalization for more than two decades.

History and Characteristics of Transformation

Eritrea gained de facto independence in 1991 and de jure independence in 1993 after a 30-year struggle for independence (1961 – 1991). The Eritrea People's Liberation Front (EPLF) dominated the struggle since the early 1980s and later became the government of the independent state of Eritrea. In 1994, the EPLF held its third and final organizational congress and changed its name to the People's Front for Democracy and Justice (PFDJ). Isaias Afewerki, the former secretary-general of the EPLF, has been the president of Eritrea since independence, never having been confirmed in his office by a popular vote. He has solidified his power base through his tough and authoritarian style of rule with totalitarian tendencies, although his popularity has sharply declined due to the continuous deterioration of the economic situation, gross human rights violations, the forced military conscription of a significant portion of the productive-age population, and the complete absence of civil liberties in the country.

In recent years, relations with Western donor nations have become strained as the government has displayed a lack of transparency, refused to accept NGO activities in the country, and even rejected emergency aid, asserting self-reliance in food production, which is evidently untrue. The European Union terminated development cooperation with Eritrea due to the country's involvement in the Tigray conflict and the government's perceived disinterest in EU funding.

Relations with all neighboring countries were dominated by Eritrea's engagement in the civil war against the TPLF in Ethiopia's Tigray Region, alongside the Ethiopian federal government. The 2018 peace agreement with Ethiopia was not implemented, and instead of establishing trade relations, the Eritrean army carried out vast looting activities in Tigray. The border was not demarcated, and border crossings remained closed. The leaders of Eritrea and Djibouti were also unable to solve their border problem peacefully. The Eritrean government extended the extremely high level of military mobilization in the national service through a general mobilization call in autumn 2022. The use of national service recruits as an unpaid labor force for party and military-owned enterprises continued, while parts of the military were forced to serve as soldiers in Tigray.

Eritreans living in the diaspora have to pay a 2% diaspora tax, and most of them send remittances to their relatives in Eritrea to ensure their survival. The UAE closed its military base in Assab in 2021, but in 2023 Eritrea entered into negotiations with Russia about the establishment of a military base in Massawa.

There were no internal political reforms during the period under review, and the constitution ratified in 1997 was not implemented. The small ruling elite, composed of high-ranking PFDJ cadres and military officers, continued to dominate political and economic affairs. The military was given a free hand to pursue all kinds of illegal activities, including human trafficking, plundering, and committing atrocities against the civilian population in Tigray, including massacres. Leading PFDJ cadres, particularly Yemane Gebreab, played an important role in political decision-making. Eritrea ranked second-last worldwide in Reporters Without Borders' assessment of press freedom during the period under review.

Levels of state and military intervention in the economy have remained consistently high in recent years, while the private business sector continues to be severely restricted by import-export regulations and a lack of hard currency. Additionally, local cash circulation has remained limited. The degree of political suppression is extraordinarily high, with arbitrary arrests occurring without due process of law. Furthermore, the political dissidents and journalists who were arrested in 2001 are still in detention, and hundreds of Christians and Muslims remain in jail for alleged religious extremism without formal accusations or court appearances. In 2022, a Catholic priest and other clergymen were temporarily detained.

The mass exodus of the younger generation has continued due to the widespread frustration and disillusionment related to the unlimited scope of national service obligations, which have made it difficult for the majority of the population of productive age to support their families, and the absence of anticipated political reforms following the 2018 peace agreement with Ethiopia. The military campaign in Tigray and the overall mobilization have further exacerbated the situation, and it is unlikely that Eritrea's president will pursue peace in the future.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state's monopoly on the use of force exists in principle. Supposedly, the commanders of the military administrative zones continued to enjoy unconstitutional executive and judicial rights, and the civilian administration was powerless. The post of defense minister remained vacant during the period under review, and the army lacked institutionalized power.

Human trafficking and smuggling of goods involving the military persisted, including the trafficking of looted goods from Ethiopia's Tigray Region. The Eritrean army's participation in the ongoing war spanned from the end of 2020 to the end of 2022. Additionally, certain East Sudanese officials were engaged in smuggling operations.

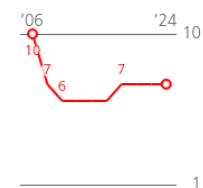
The mass exodus of the younger generation continued, and many young people went into hiding after a general mobilization was announced in the autumn of 2022. The continuous loss of large numbers of educated individuals weakened the administrative capacities of the state.

The legitimacy of the nation-state is rarely questioned because most Eritreans see it as the legacy of a 30-year liberation struggle (1961 – 1991) that took a heavy toll on all segments of society. However, the ruling People's Front for Democracy and Justice (PFDJ) enjoys very little support and credibility among the population, especially among the youth. The unlimited national service requirements imposed on the younger generation have led to increasing levels of alienation from the state, especially since no national service reform was announced following the peace declaration with Ethiopia in July 2018. On the contrary, national service conscripts were forced to fight in Eritrea's undeclared war in Tigray along with the Ethiopian Defense Forces for two years, with high numbers of casualties on both sides.

Question
Score

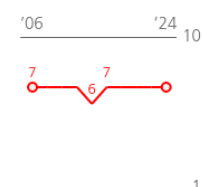
Monopoly on the
use of force

7



State identity

7



Therefore, most young Eritreans continued to believe that fleeing the country was the only option for leading a meaningful life and starting a family, in contrast to fulfilling the extensive demands of the state without enjoying rights and benefits in return.

Ethnic and religious minorities continue to be under-represented in higher education and state institutions. Jehovah's Witnesses do not enjoy citizenship rights, such as owning businesses.

The state is defined as a secular order in which religion and state are separated. The PFDJ ideology prioritizes "martyrdom for the nation" over spiritual values and demands that citizens act accordingly. The government considers religion to be a highly politicized issue and tries to maintain strict controls over religious practice. Members of Christian minority churches, such as Pentecostals and Jehovah's Witnesses, as well as Muslims considered "radical" (particularly adherents of Wahabi Islam), continue to be under the scrutiny of the state.

The Catholic Church remained under special scrutiny due to its critical stance toward the government, and in October, three Catholic clergymen were arbitrarily arrested and released in December without any legal procedures.

Religious leaders of all "legal" communities in Eritrea are controlled by the state, specifically the Orthodox, Catholic and Lutheran churches, as well as Sunni Islam. However, the government shows greater sympathy toward Orthodox Christians, who belong to the Tigrinya ethnic group, compared to Muslims, who are perceived as critical toward the government. The Orthodox Church was led by an aged cleric named Kerlos from 2021 until his death in late 2022 at the age of 96. He, along with Eritrea's Grand Mufti, Sheikh Al-Amin Osman Al-Amin, were considered puppets of the government.

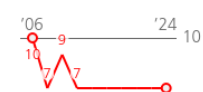
However, the government accepts the application of customary and religious law – Shariah and Orthodox Church-related customary laws – in civil jurisdiction and conflict mediation in the absence of a functioning secular judiciary system.

The state's administrative structures continue to cover the entire country, but the quality of the provided services has been continuously declining, both in rural areas and urban centers, due to the massive outflow of qualified personnel. Ethnic minorities residing in rural areas are notably marginalized and excluded from administrative services. The economy continues to suffer under the control of the state, particularly the PFDJ and the military, resulting in minimal output during the reviewed period.

The banking sector has remained severely underdeveloped, and in the absence of electronic payment methods, the use of checks is the most "modern" form of money transfer.

No interference of religious dogmas

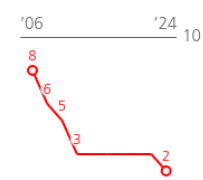
7



1

Basic administration

2



1

Judicial services are inadequate, with civil litigation primarily handled by customary law institutions, and corruption levels are high. Basic services and commodities, such as electricity, cooking fuels and staple foods, remained scarce throughout the reviewed period. Asmara faced a severe shortage of potable water. Eritrean troops, involved in the war in Tigray, engaged in extensive looting activities and transported substantial quantities of stolen goods from Tigray to Eritrea.

Eritrea is the only country that has remained without a COVID vaccination program.

2 | Political Participation

Since Eritrea gained independence in 1993, no elections have been held at the national or regional (zoba) levels, and there have been no free elections at the subregional and local levels. The only legal political party has been the PFDJ, and President Isaias Afewerki, who has been in power since independence, has shown no willingness to accept elections or any change in the country's political status quo. He governs alongside a small group of advisers from the PFDJ leadership, notably including Yemane Gebreab (recently referred to as “presidential adviser”), Hagos “Kisha” Gebrehiwot (head of PFDJ's financial affairs), and Yemane Gebremeskel (the minister of information). The military remains influential in politics, a power that has grown since Eritrea's involvement in the military conflict in Ethiopia's Tigray region. The defunct National Assembly has not convened since 2002. Isaias' plans to draft a new constitution have not come to fruition, and the 1997 constitution remains unimplemented. The cabinet of ministers has not officially met in the past two years. The 2018 political rapprochement with Ethiopia has not resulted in any internal reforms.

Political decision-makers in Eritrea are not democratically elected or restricted in their policymaking by constitutional constraints. Thirty years after its independence, the country still has no implemented constitution. Veto powers that undermine democratic procedures do not exist, as democratic procedures are alien to Eritrea's policymaking process. High-ranking military officers have maintained their influence. They might have the ability to prevent the government from making political decisions that could threaten the profits they make through contraband trade, the exploitation of national service conscripts and plundering of goods in Tigray since the conflict began in late 2020. The Eritrean army was involved in severe looting of health stations, universities, factories and private houses. These goods are being sold in Eritrea, most certainly for the profit of the military leadership.

Free and fair elections

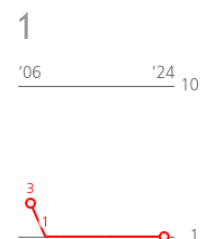


Effective power to govern



Association and assembly rights are completely denied in Eritrea. Independent civic groups are prohibited, and the PFDJ is the only political party allowed in the country. The National Union of Women, the National Union of Youth and Students, and the Confederation of Eritrean Workers are government-controlled satellites of the ruling party and mostly inactive. Assembly rights are severely restricted, and even gatherings of religious groups such as Pentecostal Christians, reformist Orthodox Christians, followers of Wahabi Islam and others are prohibited. There is an atmosphere of general suppression, surveillance by security agents and widespread use of force by the police, the military and the state security services. In autumn 2022, the government ordered a general military mobilization, which further increased the level of surveillance, and families with draft evaders were evicted from their houses.

Association /
assembly rights



Freedom of expression is completely denied in Eritrea. The private press has been banned since 2001, and the state media continues to be controlled by the Ministry of Information. According to RSF's 2022 Press Freedom Ranking, Eritrea is ranked 179 out of 180 countries. Journalists who were imprisoned in 2001 remain detained, and the state media is limited to reporting on the supposed progress of development projects and government welfare recipients. Furthermore, private conversations in bars, cafés, social gatherings and religious celebrations are monitored by a nationwide network of agents employed by the government and the military's security apparatuses. These agents also search for individuals evading military draft obligations throughout the entire country.

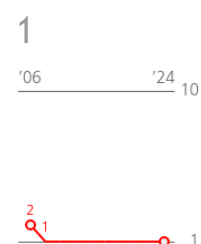
Freedom of
expression



3 | Rule of Law

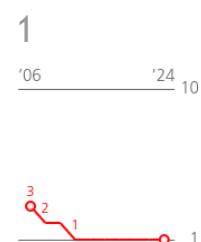
The separation of powers, including checks and balances, is nonexistent both de jure and de facto in Eritrea, as there is no implemented constitution. A monolithic power apparatus is formed by a small number of high-ranking cadres from the ruling PFDJ and the government, while the parliament is not convened. The president hand-picks the cabinet of ministers, who have very limited decision-making power in their respective portfolios. Most ministers have held their positions for many years without challenging the president's decisions. The president, who rules by decree, controls the legislative, executive and judicial branches of government. As a result, state power is not subjected to the law. Military officers still exercise juridical functions over their conscripts, blurring the lines between civilian and military rule.

Separation of
powers



The formal judiciary is poorly organized and dependent on the government, which often means that the president interferes directly. The Supreme Court has been defunct since 2002. The special courts, headed by military officers acting as lay judges and operating without standard procedures, have become defunct and replaced by even more informal and arbitrary activities of power holders. High-ranking military officers continue to exercise juridical power over army recruits. The police, state security and military personnel often arrest people, hold them for several months or years, and release them without ever launching formal charges or bringing them

Independent
judiciary



before a court of law. The weakness of the formal judiciary has increased because there has been no possibility to study law since the closure of Asmara University in 2006, after which many former judges left the country. Therefore, informal customary juridical institutions remain the backbone of juridical practice in civil matters and, to a certain extent, in criminal cases. These institutions decide cases based on traditional law, which focuses strongly on mediation and reconciliation between the conflicting parties. There are also government-controlled community courts that are supposed to provide rulings based on customary law, but these institutions enjoy less confidence from the public than the informal customary institutions.

Corruption in the civil administration and particularly in the military is widespread. High-ranking officers persist in illegal activities like smuggling goods, and their engagement in human trafficking persisted during the period under review, involving human trafficking activities between Eritrea and Sudan.

Army commanders have encouraged the Eritrean military to commit severe human rights abuses in Tigray during their ongoing involvement in the armed conflict. Soldiers have regularly engaged in looting activities. There is a high probability that these goods are being sold at Eritrean markets for the benefit of army officials who act with impunity.

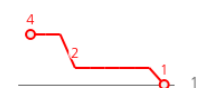
There is no protection of civil rights in Eritrea. The country has never implemented a constitution, and civil rights are not guaranteed by law. Top government officials, including the president, openly express their disregard for internationally accepted civil rights and due process of law. There is no freedom of the press, no right to habeas corpus, and no freedom of expression or assembly. Religious freedom is restricted to the four officially accepted faiths: Orthodox Christianity, Roman Catholicism, Lutheran Protestant Christianity and Sunni Islam. Even representatives of these religions are subject to surveillance, intimidation and arrests.

The rights to life and security are disregarded, and torture is prevalent in prisons and army prison camps. The lack of civil rights affects the entire population, but ethnic and religious minorities often receive relatively harsher treatment. Furthermore, large segments of the population are still conscripted into unlimited-term national service and coerced into forced labor by party-owned companies like Seghen Construction. Recruits were also compelled to participate in the armed conflict in Tigray as soldiers, and draft dodging is severely penalized. Even family homes were seized, and entire families were left homeless if one of their relatives evaded military service and went into hiding.

Prosecution of office abuse

1

'06 '24 10



Civil rights

1

'06 '24 10



4 | Stability of Democratic Institutions

There are no democratic institutions in Eritrea. The president's position has not been confirmed by elections since he came to power as a guerrilla leader in 1991, and no parliamentary elections have been held since independence. The only party allowed in the country is the PFDJ, and its leadership is not subject to intraparty elections. The party held its last congress in 1994. The National Assembly, a parliamentary body comprised of members of the former politburo and central committee of the PFDJ, has not convened since 2001 and is obviously defunct. Many of its members are either in jail, deceased, or forced into exile. Political power rests solely with the president and a few of his advisers within the PFDJ leadership. Three decades after formal independence, the country still lacks an implemented constitution. High-ranking military officers have broad decision-making powers in the regional administrations, and they control legal and illegal economic activities. In the absence of democratic procedures, the economy is controlled by a highly interlinked conglomerate of the PFDJ elite, the government and the military. The president, who is aware of the generals' power base, continues to use divide-and-rule strategies to limit the potential threat they pose to his monopoly on power.

All of the few relevant political actors remain determined to obstruct the emergence of democratic institutions. The former supporters of political pluralization within the PFDJ (the so-called G-15) have been in detention since 2001, and many are believed to be dead or in poor health due to unbearable conditions and the denial of medical treatment. Other potential proponents of democratic change have either been arrested, forced into exile, or silenced by fear for their own and their family's lives. Showing political dissent inside Eritrea usually leads to immediate arrest and prolonged jail without trial. The political opposition abroad is fragmented and lacks a clear agenda for political change. Several youth movements in the diaspora have been struggling for human rights and political change without success. The latest movement, called Global Yiakl ("enough" in Tigrinya), emerged in 2019 and involved a social media campaign demanding change in Eritrea, albeit without success.

5 | Political and Social Integration

The PFDJ has been the only permitted party since independence. The political leadership has no intention of allowing a multiparty system to develop in the foreseeable future. Over the past decade, the population has become progressively alienated from the ruling party, which had initially been welcomed as the liberator of the country. It is now perceived as a "mafia organization" rather than a political party by the majority of Eritreans, with the exception of the considerable number of PFDJ supporters in the diaspora. The PFDJ, as the only existing party, has been severely weakened by the president. It is not in a position to articulate and aggregate societal

Performance of democratic institutions



Commitment to democratic institutions



Party system



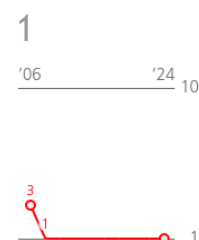
interests, and it has lost its former interconnections with at least some parts of society. The PFDJ has also not taken any steps to develop a road map for reforms following the declaration of peace and friendship between Eritrea and Ethiopia in 2018, and the development of policy strategies is entirely up to the president.

Associations and interest groups acting independently of the PFDJ are prohibited. The party claims that the Eritrean people are a single mass sharing the same interests and that it is the only organization representing the interests of all societal groups. It has suppressed the emergence of civil society organizations from the beginning and firmly controls the organizations that do exist – the unions of women, workers, youth and students. In reality, the party and the military are groups that represent their own narrow self-interest, while the social interests of the vast majority of the population are unrepresented. Among the population, local elders are highly respected and have acted as mediators when social groups' interests have collided – for example, in cases of land conflict. However, they are barred from intervening in political affairs.

There are no surveys conducted in Eritrea.

Social trust is rooted in networks based on customary law, common descent and religion. These networks have historically alleviated social hardships, but they have been steadily weakened by the structural militarization of society through the national service requirement. This requirement deprives a significant portion of the population of the opportunity to earn sufficient income to support their extended families. Additionally, existing local networks like “equbs” (saving clubs) have been infiltrated by government agents, leading to further mutual mistrust. However, there are social networks that connect Eritreans in the diaspora with those residing within the country. In fact, the primary goal of many Eritreans who flee their homeland is to establish themselves in the diaspora and send remittances back to their extended families. This practice greatly contributes to the stability of the struggling economic system. Nonetheless, mutual mistrust remains prevalent in Eritrean society due to the extensive networks of informants employed by the national security services and the military. The alleged involvement of Eritrean soldiers in crimes such as looting, weaponized rape and massacres during the military engagement in Tigray has further deteriorated social trust.

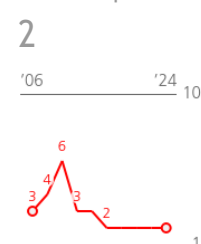
Interest groups



Approval of democracy



Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

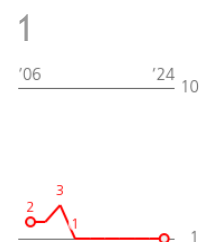
Eritrea remains one of the world's poorest countries, and poverty is endemic. The Global Hunger Index did not rank Eritrea's nutritional situation in 2022 due to insufficient data. UNICEF also did not publish data concerning the number of malnourished children. As usual, the government did not provide details about the nutritional situation in the country. The prolonged national service continues to impede subsistence farming and pastoral activities, from which an estimated 80% of the population earns a living. This situation was worsened by the general mobilization declared in autumn 2022. There were no longer COVID-19 restrictions in place, but the lack of public transport persisted. The supply of basic consumer goods, such as potable water, cooking fuels and electricity, in urban areas was consistently inadequate.

Statistical data is either unavailable or unreliable due to the complete lack of government transparency. Rankings on the Gender Inequality Index and Gini Index are also unavailable, as is the poverty rate. According to the UNDP's 2019 Human Development Index, Eritrea was ranked 174th out of 189 countries with a score of 0.492, indicating a very low level of socioeconomic development. This low level is attributed to the unlimited-term national service, which has been in place for 20 years, forcing the majority of the adult population to serve as recruits in exchange for pocket money. As a result, the poverty rate is very high, and many Eritreans rely on support from relatives in the diaspora to survive. Consequently, the majority of the population is structurally excluded from opportunities to earn a decent living, leading to a continuous mass exodus.

Most vocational training centers, colleges and health centers are located in the capital and the Southern Region, which is predominantly inhabited by the Tigrinya ethnic group. Other groups have limited access to education and are typically conscripted into the Sawa military training center at the age of 18. Subsequently, they are utilized as forced laborers in PFDJ and military-owned enterprises, or in the civil service and administration. Ethnic minority groups such as the Saho, Afar, Kunama, Nara and Hedareb tend to be more vulnerable and poorer, experiencing more frequent instances of malnutrition. Additionally, these communities face a high child mortality rate, given the limited financial support from family members residing in industrialized countries.

Question
Score

Socioeconomic
barriers



Wealth is concentrated in the hands of a few corrupt army officials and PFDJ cadres who control the command economy, engaging in contraband trade, illegal activities such as human trafficking, and looting in Tigray. There is a belief that significant amounts of money have been transferred to Chinese bank accounts under the names of the president and his son. Gender inequality persists, particularly in educational settings, as well as indirect discrimination against citizens who do not belong to the dominant Tigrinya ethnic group.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	-	-	-	-
GDP growth	%	-	-	-	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	5.7	7.3	6.8	6.6
Foreign direct investment	% of GDP	-	-	-	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	260.4	-	-	-
External debt	\$ M	771.7	788.5	744.7	-
Total debt service	\$ M	21.2	21.6	21.9	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	0.8	0.8	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

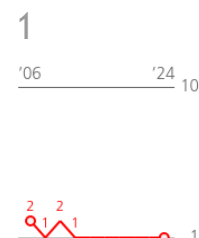
In Eritrea, the conditions for market organization are extremely weak. Starting a business is nearly impossible, and most existing private businesses have been forced to cease operations because of severe cash-flow restrictions. According to the World Bank's 2021 Doing Business subindex on starting a business, Eritrea ranks 185th out of 190 countries. The reason for this poor result can be attributed to the government's maintenance of a command economy, where government activities dominate over private enterprise. There is a noticeable absence of government commitment to structural reform, and the small ruling elite views Eritrea as their personal ownership. Until now, the government has not implemented specific measures to reform the command aspects of the economy or to promote broad-based growth and market development. It has also failed to facilitate private business practices. The legal and regulatory frameworks for economic activities are underdeveloped, and Eritrea's judicial system lacks the necessary independence to safeguard contract integrity. Moreover, weak enforcement of property rights and the absence of the rule of law have pushed many individuals into informal sectors. However, even micro-businesses have faced increasing restrictions in recent years. The public sector, which operates inefficiently, remains the primary source of paid employment, but most public servants are unpaid national service recruits. Subsistence agriculture has been further weakened by movement restrictions during the COVID-19 pandemic and by significant recruitment into the armed forces, culminating in a general mobilization in autumn 2022 due to the country's involvement in the armed conflict in Tigray.

Market-based competition was absent in Eritrea during the period under review. Eritrean traders had to adhere to strict monetary controls, with the government, through the PFDJ and the military, exerting dominance over the economy. The state and the PFDJ continue to maintain control over trade, production and cash-crop agriculture. In the construction sector, private sector activities have been prohibited since 2006, leading to a monopoly by PFDJ-owned companies like Seghen Construction.

The scarcity of consumer goods and kerosene for cooking purposes, as well as regular blackouts due to electricity shortages, persists. Illegal activities by military officers – such as contraband trade and human trafficking – as well as excessive looting of public and private goods were common in Tigray and tolerated by the government. Eritrean-Sudanese cross-border trafficking networks continue to engage in their activities.

Foreign investment, including from diaspora Eritreans, remains low. Rather, the government relies on remittances from the diaspora and continues to levy a 2% diaspora tax on all Eritreans living abroad. Diaspora Eritreans also contribute significantly to the survival of their relatives by sending private remittances.

Market
organization



However, opportunities to make a living through business activities have become almost nonexistent, and remittances can only be used for consumption purposes instead of productive investments.

In Eritrea, there is no separate agency to protect competition and review transactions for competition-related concerns. The country does not have a domestic competition law regime and thus lacks a legal framework for competition policy. However, Eritrea is a member of the Common Market of Eastern and Southern Africa (COMESA). As part of the effort to promote economic integration, COMESA has adopted a competition law regime to address anti-competitive business practices and to exert merger control. The competition regulations established by COMESA are binding for all member states. Enforcement of the regime is entrusted to the COMESA Competition Commission, which is located in Lilongwe, Malawi. The Commission's responsibilities include enforcing prohibitions against anti-competitive business practices and overseeing merger control.

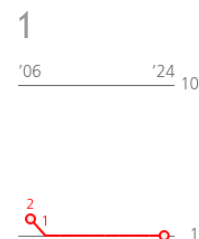
Through its membership in COMESA, a regional competition law regime has indirectly introduced competition law in Eritrea. However, the Eritrean leadership consistently ignores these laws, resulting in the continued control of Eritrea's economy by the ruling PFDJ and its enterprises in various sectors such as trade, retail, construction, cash crop, and mining of copper and other precious metals. The PFDJ also maintains exclusive joint-venture agreements with Chinese cooperation for mining activities in the country. This monopolistic conglomerate, formed by the government, PFDJ and the military, leaves no room for fair competition. The Hdri Trust Fund, overseen by PFDJ Financial Director Hagos Ghebrehiwet "Kisha," controls all relevant companies operating in Eritrea. The government has not implemented any measures to prevent the emergence of monopolies and has made no effort to rectify the inefficiencies in the monopolistic structures it has established.

Eritrea is the sole African country that has not joined the African Continental Free Trade Area (AfCFTA).

All foreign trade and trade in foreign currencies are under the supervision and control of the state. The withdrawal of local cash (nakfa) and foreign cash from bank accounts has been severely restricted. The import-export trade is controlled by the PFDJ-owned Red Sea Corporation, while contraband activities, mainly run by the military, persist.

Eritrea is the sole country that did not join the African Continental Free Trade Area (AfCFTA). In 2020, Eritrea established a Horn of Africa Cooperation Agreement with Somalia and Ethiopia, however, this did not lead to an enhancement in trade relations. There has been no trade between Eritrea and Ethiopia since Eritrea closed its borders in early 2019. Nevertheless, Eritrean troops have engaged in looting goods in Tigray throughout the Eritrean army's participation in the armed conflict.

Competition policy



Liberalization of foreign trade



Farm laborers and local merchants are prohibited from transporting agricultural goods from one zoba (region) to another; any attempt to do so carries the risk of confiscation. These restrictions have been further tightened under the pretext of the COVID-19 pandemic. The military plays a role in seizing these goods and subsequently selling them on the black market for significant profits. Tessenei, a town situated on the border with Sudan, continues to serve as a major smuggling hub, where corrupt Eritrean and Sudanese officials collaborate in the illicit trade of goods.

The government continues its policy of alleged self-reliance and isolation from global free market trade.

There are three state-controlled banks in Eritrea – the Bank of Eritrea, the Commercial Bank, and the Commercial and Housing Bank – while the PFDJ runs Himbol Financial Services. Himbol is in charge of handling remittances and tax payments from diaspora Eritreans, which are channeled through Eritrean embassies and consulates abroad or through appointed government “money collectors.” Private banks are prohibited, and there is no free capital market. Eritrean banks operate in a severely outdated manner; there are no ATMs in the country, and online banking is not available. Checks are the most modern money transfer method allowed.

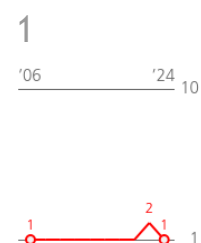
The local currency, the nakfa, remained artificially fixed to the U.S. dollar at a severely overvalued rate of ERN 15 to \$1, a policy that has been in place for decades. In 2015, the government implemented a currency reform that required all citizens to exchange their nakfa notes for new ones. Since then, access to cash notes has been greatly restricted. The currency black market, which employs the “hawala” system, still serves as a means for diaspora remittances, but the black market has become inactive due to the severe limitation of cash flows.

8 | Monetary and fiscal stability

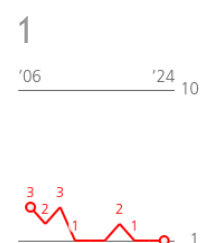
The government continued to pursue an irrational financial policy during the period under review, fixing the nakfa to the U.S. dollar at a rate of 15 to 1. This decision has severely overvalued the nakfa for decades. The government maintained firm control over import-export trade and the foreign currency market.

According to the IMF, Eritrea’s inflation rate was 6.4% in 2022. Hard currency reserves remained very low, and there was a high dependence on diaspora remittances. As a result of the chronic scarcity of hard currency and the limitations on importing essential consumer goods and spare parts, numerous corrupt government and military officials engaged in illegal contraband activities that undermined the official austerity policy. There were reports that the Eritrean army was involved in looting activities in Tigray and transported multiple truckloads of stolen goods to Eritrean territory. The government continued to deny any food scarcity in the country and rejected food aid from the international community.

Banking system



Monetary stability



Statistical data on Eritrea's macroeconomic stability is either nonexistent or unreliable, as the country has not published a budget since independence. Additionally, all economic enterprises of any significance are controlled by the PFDJ or the military, and they are not subject to financial oversight, including the mining sector.

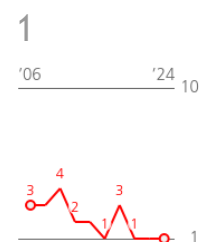
The African Development Bank estimates that the national debt-to-GDP ratio stood at 174.3% in 2018, at 165.1% in 2019, and at 175.6% in 2021, which means that the country is in severe debt distress. The prevailing shortage of basic consumer goods continues, and the government has neither invested in the existing state-run factories nor created new business opportunities. The government has been unable to import sufficient fuel to generate a stable electricity supply. The use of national service conscripts as forced laborers in return for only minimal pay continued during the period under review. Due to Eritrea's involvement in the armed conflict in Tigray, a general mobilization was announced in autumn 2022, which further fueled the ongoing mass exodus. The continuous large outflow can be largely attributed to the poor macroeconomic situation and the impossibility of making a decent living in Eritrea for the majority of the population. The current situation is a vicious circle in which the government's misguided economic policies, including the recruitment of the workforce into the national service, fuel the exodus. This damages macroeconomic stability even more severely in the long term and cements the government's dependence on remittances. Hopes of political and economic reforms as a result of the reconciliation with Ethiopia in 2018 did not materialize – on the contrary, the alliance between the federal government of Ethiopia and the government of Eritrea facilitated the latter's participation in the war against the Tigray People's Liberation Front in Tigray.

9 | Private Property

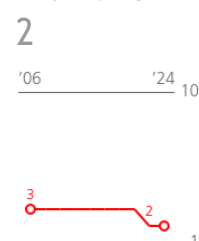
Property rights and regulations are formally defined by law; however, due to the lack of a constitution or the rule of law, there is no protection against arbitrary confiscation of land and property. Despite the 1994 land reform, which declares that all land belongs to the state, highland farmers are usually granted usufruct land rights based on customary law. There have been no major resettlement projects during the period under review, but in general, people are not safe from being arbitrarily expelled from land over which they enjoy usufruct rights.

The western lowlands have been the focus of several previous resettlement programs in which the indigenous population was not compensated for their loss of land. Similarly, the eastern lowlands and highland escarpments on the Red Sea coast have also undergone resettlement programs in which members of the indigenous Saho population group were not compensated. This lack of compensation also extends to those who have lost their land to the military, which has established cash-crop farms run by conscripts, primarily in the Gash-Barka region. The government's handling of property rights lacks transparency and is unpredictable.

Fiscal stability



Property rights

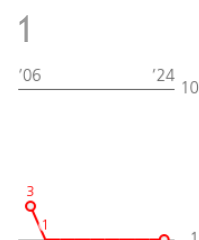


In 2022, Australian company Danakali Ltc. sold its share of the Colluli Mining Share Company (CMSC) to a Chinese company. This decision was prompted by the fact that plans to construct a potassium mine in the Southern Red Sea region, covering an area of 400 square kilometers, had not been realized. Concerns have been raised by the local Afar population about the potential disregard for their customary land usufruct rights once the joint venture project with Eritrea's mining company ENAMCO becomes operational.

In spite of a truce agreement regarding the conflict in Tigray, Eritrean troops have reportedly remained in Tigray and currently occupy various areas along the border.

The government's hostile policy toward the private business sector continued during the period under review, and all economically significant companies are still owned by the PFDJ, the government or the military. Foreign companies active in the exploration of gold and other precious metals or raw materials are forced to enter into joint ventures with government companies to obtain a license. Currently, China is the only country still active in Eritrea's mining sector, while companies based in democratic countries have left the country. Outside the mining sector, foreign investment is discouraged. The government has a record of extracting money from diaspora Eritreans for investment projects that fail to be finalized, for example, in the housing construction sector. There are hardly any private companies left in Eritrea. Those that are there are mainly small enterprises and shops, and it is impossible for them to convert profits into hard currency to purchase spare parts and other materials. Tessenei, a city at the border with Sudan, continues to serve as a contraband trade hub. The smuggling business is run by high-ranking military personnel and PFDJ cadres.

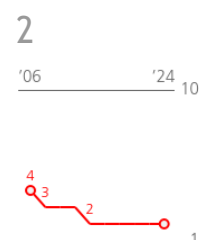
Private enterprise



10 | Welfare Regime

The state does not provide a social security system that covers risks such as unemployment, illness, old age or disabilities, except for the Martyr's Trust Fund, which raises money from diaspora Eritreans for the benefit of the relatives of fighters and soldiers killed in action. The funds are distributed in a nontransparent manner, and many potential recipients have passed away due to old age. The provision of social security is left to traditional solidarity networks based on clan and enda (extended family) structures. However, these traditional security networks have been weakened substantially by the unlimited-term national service program, which has now been in place for twenty years. Most male and many female Eritreans of working age (18 to 50 years and above) are conscripted. They are prevented from earning a sufficient enough income to care for themselves and their nuclear families, let alone their extended families. The state does not provide compensation for the relatives of conscripts. Even the traditional solidarity networks are under the scrutiny of the ruling elite because they are based on ethnic, clan and religious affiliations, which could

Social safety nets



develop into political resistance movements in collaboration with the diaspora's political opposition movements. Consequently, the only options left for many Eritreans are fleeing the country to sustain themselves abroad or depending on diaspora remittances from their relatives to survive. Meanwhile, a transnational network has evolved in which the diaspora is responsible for caring for their relatives at home to compensate for the lack of social security provided by the state.

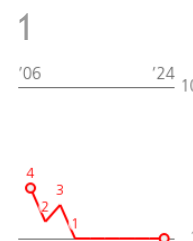
Eritrea has a functioning basic health care program, including malaria prevention. According to the World Bank, 4.46% of GDP was spent on health care in 2019. However, the system is plagued by increasing institutional weakness as a result of a significant exodus of doctors and other qualified medical staff in recent years. Additionally, the government failed to implement a vaccination program during the COVID-19 pandemic.

In principle, all social groups have equal access to the limited services provided by the state, including basic health care, education and food coupons in urban areas. Schools and a limited number of health care centers are concentrated in cities and towns dominated by the Tigrinya ethnic group, while other ethnic groups – especially pastoral and agropastoral social groups – are excluded from many services. Food coupons are often withheld for political reasons. In practice, women, Muslims and ethnic minorities are under-represented in higher education and in the administration, which is dominated by Tigrinya men. Gross enrollment rates were 69% at the primary level in 2019 and 46% at the secondary level. The tertiary rate was just 2% in 2016 (latest years with data provided by the World Bank). The literacy rate was allegedly 77% but is likely much lower due to low school enrollment rates. All these numbers are highly unreliable.

The number of girls attending school is significantly lower than that of boys. Structural disparities exist between urban and rural areas. A large number of qualified teachers have left the country, as they would otherwise be forced to work without payment as national service recruits. They were regularly replaced by young college graduates lacking technical qualifications, motivation and experience, who were attempting to leave the country instead of serving as unpaid teachers for indefinite periods. This situation has contributed to a steady decline in the quality of instruction. During Eritrea's involvement in the armed conflict in Tigray, many young people have gone into hiding to avoid conscription, resulting in dropping out of school.

Jehovah's Witnesses are denied all civil rights, while Christian and Muslim denominational minorities face persecution. The 12th year of schooling takes place at the Sawa military training camp for all students nationwide, where female students often experience sexual harassment. This unfortunate reality discourages female students from attending school. Only a small minority of students who pass the 12th grade are granted access to tertiary education at what are known as colleges, while the majority are directly conscripted into the army and national service. As a result, a significant number of citizens are deprived of the opportunity to pursue personal

Equal opportunity



careers. According to the World Bank, in 2011, the female labor force comprised 46.7% of the total labor force (no more recent data is available). However, the Eritrean Ministry of Labor and Social Welfare has never released any data regarding the labor market. Many women either serve in the military as national service conscripts or engage in informal sector labor, such as domestic or service work.

11 | Economic Performance

The command economy controlled by the PFDJ and the military remained in very poor shape. The copper mining activities at the Bisha mine (a joint venture of the Chinese Zijing Mining Company and the Eritrean National Mining Corporation) were the only source of stable income. The World Bank has not given any figures for the economic growth rate in Eritrea since 2011 due to a lack of data. It seems that the government is still supported financially by Saudi Arabia and the UAE, which relinquished its military presence at the port of Assab in 2021.

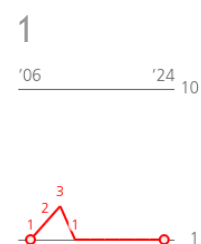
Shortcomings in electrical supply and infrastructural neglect, which resulted in a shortage of potable water supply in the capital, Asmara, continued during the period under review, with no maintenance measures applied.

Asmara was declared a UNESCO World Heritage Site in 2017, but no action was taken to halt the deterioration of the historic structures in the city center. Essential consumer goods remain scarce, with most imports consisting of contraband trade of consumer goods and fuel by the military, or the pillaging of private and public properties in Tigray. The formal economy is restricted to small businesses, and there is a complete dearth of reliable statistical data due to the utter lack of transparency and the government's failure to produce a state budget and other statistical information. The ongoing militarization of society, which compels the majority of the adult population to either work in the national service for meager compensation or serve as soldiers, has distorted the labor market and continues to drive the mass departure of young people and educated individuals, thereby further weakening the state's institutions.

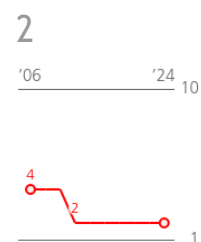
12 | Sustainability

The government's environmental policy remained unchanged during the period under review. While environmental protection is promoted in theory, it does not seem to be a government priority in reality. Pollution levels are low due to the very limited levels of industrial production and the limited exploitation of marine and coastal resources. However, chronic shortages of fuel and kerosene force the population to use firewood for cooking for extended periods, even in urban areas, which has resulted in country-wide deforestation. The contraband trade of illegally harvested wood with the involvement of the military is common. The informal production of charcoal for sale

Output strength



Environmental policy

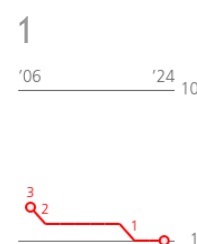


by poor households is still widespread and is largely tolerated by the government. It is unknown if the pollution created by the activities of the Bisha mine in the Gash-Barka region is dealt with appropriately because access to the area is heavily restricted. Plans to use alternative sources of energy, such as solar panels, have progressed slowly due to import restrictions.

Data related to public expenditure for education was not available for the period under review, but it has likely remained low at about 2% of GDP. The U.N. Education Index rates Eritrea as one of the worst countries worldwide in terms of school enrollment. Particularly, enrollment ratios are significantly low among disadvantaged minority groups who attend mother-tongue primary schools, particularly pastoral and agro-pastoral groups. These mother-tongue schools are situated in remote rural areas and suffer from severe shortages in personnel and facilities. They are primarily managed by unqualified and unpaid national service teachers, many of whom have since fled the country. The military tends to target and conscript numerous underage students in rural regions without seeking consent from their parents. In both urban and rural areas, the rates of early school withdrawal have been consistently rising. All students are required to complete their 12th school year at the Sawa military camp in order to conclude their secondary education. Approximately 2% of each age cohort then proceed to tertiary education, while the remainder are compelled to join the open-ended national service, which offers vocational training to some individuals. Consequently, a considerable number of Eritrean youths prefer to drop out of school or flee to neighboring countries as unaccompanied minors before reaching the age of 18, to evade conscription.

Due to the Tigray war, there has been an even greater number of students going into hiding in late 2020 to 2022 to avoid being conscripted as soldiers. In 2019, the literacy rate was estimated at 6.6%, but functional literacy is likely much lower. Caretakers and educators of Eritrean refugees who have recently arrived in Germany frequently express concerns about the very poor reading abilities of these young individuals. The absence of paid employment opportunities, attributed to the implementation of the open-ended national service, has negatively impacted students' motivation to pursue their studies. No investments were made in research and development during the period under review, and the University of Asmara remained closed. Research is regarded as a risky and challenging undertaking, requiring scholars to obtain permission from the president's office before engaging in any research activities. Furthermore, the subject must align with the authorities' approval. Tertiary education is limited to what are known as colleges, which do not confer internationally recognized degrees, and only a small number of students have access to these educational facilities.

Education policy /
R&D



Governance

I. Level of Difficulty

When the current government came to power in 1991, it inherited structural constraints related to the 30-year struggle for liberation, such as poor infrastructure, widespread poverty and illiteracy. Another structural constraint is the dry climate, which limits the productivity of rain-fed agriculture. However, it also inherited a fairly developed and diversified industrial sector that had been created under Italian colonization and continues to form the heart of the country's industrial production.

However, these developments came to an end with the outbreak of the Eritrean-Ethiopian war (1998 – 2000), when the population paid a heavy toll and parts of the newly erected infrastructure were destroyed. Since the end of the “border war,” the government has made no moves to loosen political, social, or economic restraints and has shown no interest in pursuing policies leading to democratization or the construction of a market economy. Indeed, the government is actively working against democratization by claiming that the educated and merchants are the primary enemies of the government's development strategy. It has imprisoned or exiled hundreds of thousands of citizens who have criticized the government's economic policies.

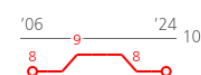
Because of the misguided economic policies, lack of democratic transformation, and militarization of society, Eritrea has continuously created new constraints that hinder sustainable development. The government has now been forcing its population into unlimited-term national service for two decades, a requirement that has resulted in widespread poverty and has driven hundreds of thousands of Eritreans into a mass exodus. The continuous mass exodus of the past two decades has resulted in a severe lack of an educated labor force and has decisively weakened state institutions and public services.

The continuous mass exodus of the past two decades has decisively weakened state institutions and public services. Even the reconciliation with former “archenemy” Ethiopia in 2018 has not triggered a reform process, but on the contrary, has led to Eritrea joining the war in Tigray against the TPLF as a warring party.

The government's policies create additional constraints by strictly limiting opportunities for entrepreneurship, tolerating contraband trade and human trafficking by military officers, and severely hampering higher education and, increasingly, the rest of the education sector too. Through these failed policies, the government is

Structural
constraints

8



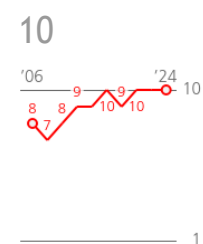
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increasing the risk of state failure from year to year and depriving generations of Eritreans of the ability to make a dignified living inside their home country. Revenues created by the mining sector are not used for the benefit of the population or for investment purposes. They probably end up in the coffers of government and military officials, including those of the president himself. The sanctions imposed by the United Nations Security Council in 2009 and 2011 were lifted in late 2018 after Eritrea's reconciliation with Ethiopia and Djibouti. Due to the peace agreement with Ethiopia and the lifting of the sanctions, the level of structural difficulties has decreased. However, despite making use of these new opportunities, the government is rather engaged in the war against the TPLF, the archenemy of President Isaias, in Ethiopia's neighboring region of Tigray. Despite a cessation of hostilities declaration achieved between the TPLF and the federal government of Ethiopia in November 2022, Eritrean troops have maintained a presence in certain areas of Tigray.

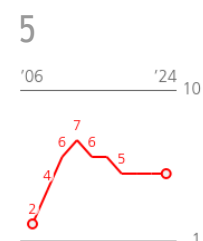
Civil society organizations such as NGOs, labor unions and organized interest groups of all kinds are prohibited in Eritrea. Attempts to create independent civil society organizations have been suppressed since the state's inception. The national unions for women, youth and students, as well as the worker's confederation, remain remnants of the former mass organizations of the Eritrean People's Liberation Front (EPLF) and are effectively branches of the government. They have become increasingly inactive in recent years. On the other hand, traditional civil society networks, which rely on elaborate mediation procedures conducted by religious and local elders, have deep roots in Eritrean culture and continue to serve as a means of resolving conflicts between different interest groups in the absence of a democratic judiciary system. Additionally, these networks have acted as the main support system owing to the absence of a state-run welfare program. However, the establishment of PFDJ-loyal community courts in 2004 has somewhat weakened these traditional mediation networks, particularly in urban areas. Furthermore, the militarization of society through the compulsory national service program, which has spanned a decade and a half, has eroded traditional civil society networks within Eritrea by disconnecting individuals from their social ties and preventing them from establishing and caring for families. Nevertheless, a significant number of Eritreans living in the diaspora still feel obligated to send remittances to their extended families in their homeland. These private remittances serve as the sole existing social security network for Eritreans and provide a lifeline for an increasing number of households.

According to government dogma, there are no conflicting interests between the various ethnic and religious groups in Eritrea, and the people are unified under the PFDJ's doctrine of "one people, one heart." In reality, there are cleavages between the dominant ethnic group, the Tigrinya and smaller ethnic groups who feel disadvantaged and excluded from the limited services provided by the state, such as education and employment in the state administration. The existing tensions between different segments of society are officially denied by the government; however, informally, it applies a divide-and-rule strategy to strengthen its power base. Muslims

Civil society traditions



Conflict intensity



also feel discriminated against since Arabic, their lingua franca, is suppressed in educational institutions and is not used in the state administration. The Tigrinya ruling elite and President Isaias portray any kind of criticism and protest from Muslim PFDJ leaders and intellectuals as jihadist or terrorist resistance attempts, and some Christian intellectuals in the diaspora follow this line of argumentation.

II. Governance Performance

14 | Steering Capability

The government's goals and strategies are solely focused on regime survival. Its long-term goals and implemented strategies run counter to the establishment of democracy and a market-based economy. President Isaias has made it clear several times that he has no intention of standing for election or giving up power in the foreseeable future. It is still unclear how his succession will be organized. There are rumors that he plans to install his eldest son, Abraham Isaias, as his possible successor.

Eritrea's political leadership has ruled out the market economy as a viable model for the country. Instead, the government's ideology is based on militarism, state control over the economy, and collectivization of the population within the framework of the unlimited-term national service. The inherent lack of sustainability in this system has led to growing levels of corruption and a decline in values among the leadership, the high- and middle-ranking military officers, and segments of the population. The military involvement in the war in Tigray, where Eritrean soldiers committed severe atrocities against the civilian population and engaged in large-scale plundering activities, has worsened the situation. The government has continued to ignore the negative impacts of its policies, such as the steadily declining economy, the lack of essential consumer goods, widespread poverty and an ongoing mass exodus. Despite that, the leadership seems to be unaware of or heedless of the long-term consequences of its policies – a fact that may result in state failure if policies are not changed in the near future.

The government lacks clear policies for implementation. Daily politics are contingent upon the shifting moods and attitudes of President Isaias and his small circle of advisers, who appear to be oblivious to the unsustainability of their “development model.” Despite the deteriorating economy and the mass exodus of people from the country, the government has no plans to reform its policies by introducing a market economy or pursuing a path of democratization. It continues to adhere to its policy of achieving development and social justice solely through self-reliance and the sacrifices of the population. The primary instrument for the government's development policy remains the recruitment of the working-age population into

Question
Score

Prioritization



Implementation



unpaid, indefinite-term national service. These recruits are expected to enhance the country's infrastructure by constructing dust roads, micro-dams and similar projects. By employing this policy of compulsory labor while simultaneously suppressing any private sector economic initiatives, the government has not only failed to accomplish its objective of developing the country, but it has also driven the nation into a profound economic and social crisis. The government has increasingly tolerated the mass exodus of individuals fleeing the national service and has regarded Eritrean refugees abroad as a reliable source of income, coercing them to pay a 2% diaspora tax imposed on all Eritreans overseas. Eritrean embassies worldwide compel deserters from the national service to sign a "letter of regret," in which they promise to pay the tax, which is also levied on social welfare benefits provided by Western governments. The government depends on private remittances sent by refugees and diaspora members abroad to compensate for the absence of a welfare system and income opportunities. Periodically, the government utilizes the mass exodus as a political tool in relation to Western donors who have expressed a willingness to finance aid programs in Eritrea in order to curb the outflow of refugees. Moreover, Saudi Arabia and the UAE supply the government with significant resources due to their strategic interests in the region.

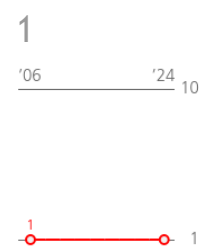
Since the 2001 political crisis, the government has demonstrated no willingness or ability to engage in policy learning. The policymaking process is controlled by the president and a small group of advisers. There is no constitution, functional parliament, independent press or NGOs. The cabinet of ministers has no decision-making power. Thus, the leadership has not been challenged in its decision-making and continues to ignore the serious problems arising from its failed development policies and the militarization of society.

The peace agreement with Abyi Ahmed did not result in demobilization. On the contrary, both leaders engaged in a protracted conflict with the TPLF in Tigray from late 2020 to November 2022. President Isaias and his followers in the diaspora still consider Eritrea a model for other African countries, ignoring the dire straits of a population forced to flee the country en masse.

The regime has perfected its capacity for learning only with regard to compensating for its economic failure by deriving income from foreign sources seeking advantages for their own political agendas. During the so-called refugee crisis, European governments were the major financiers of Eritrea. Later, Saudi Arabia and the UAE became the major financiers, compensating the government for their temporary use of a military base in Assab in their war against the Houthis in Yemen and consolidating their influence on both sides of the Red Sea coast.

Currently, the Eritrean regime is showing support for the Russian government by voting in favor of Russia's invasion of Ukraine in U.N. votes. Reportedly, Russia is interested in building a military base at a port city in Eritrea, potentially Massawa, which would result in financial advantages for the Eritrean government.

Policy learning

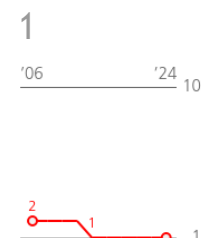


15 | Resource Efficiency

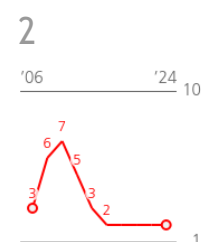
Substantial portions of the state administration are staffed by national service recruits who are compelled to work for pocket money. Since 2002, the government has been enlisting high school graduates into the national service, employing them in the administration to carry out routine tasks on a daily basis, while the top levels of administration are occupied by aged ex-combatants who often have only a basic education. This situation has significantly hindered the efficiency of public services. Increasing numbers of qualified personnel, including teachers and doctors, who are trapped in the national service program have fled the country, leading to a continual weakening of state institutions and public services. Despite their advanced age and lack of necessary skills, veterans from the struggle for independence continue to be employed in the administration, while a considerable portion of the younger generation is denied vocational training or higher education and instead utilized as a low-cost labor force for infrastructure projects, military-run cash-crop farms or within the administration itself. In recent years, it has been reported that every college graduate has had to serve as a teacher for one or more years, often instructing subjects for which they are not qualified, in order to compensate for the severe shortage of teachers as the previous generation of educated teachers grows older. Eritrea has not made its state budget public since achieving independence, and there is absolutely no auditing of government expenditures. Regional administrations operate in a decentralized manner, with civilian administrators and military commanders overseeing the country's four military command zones. Each zone is intended to be self-sufficient, gathering funds both legally and illegally through land and trade taxation, as well as through the illicit trade of consumer goods and spare parts across borders. While a basic public health service exists, a significant number of qualified personnel have departed the country, further diminishing its effectiveness. The mass exodus resulting from the mandatory national service represents an enormous waste of human resources, as educated individuals attempt to leave the country rather than endure forced labor within the current system. Financial proceeds from copper mining have not been properly accounted for, neglecting to address urgent problems such as energy shortages and the availability of affordable food items.

Policymaking is concentrated in the hands of the president and a select group of PFDJ advisers. Key figures in this group include presidential adviser Yemane Gebreab and the head of the PFDJ's financial department, Hagos Gebrehiwot "Kisha." The government's policy objectives have become increasingly uncertain since the 2001 political crisis, when Isaias cracked down on PFDJ reformists and the free press. The military maintains significant influence and plays crucial roles in the economy, contraband trade and the human trafficking of Eritreans seeking to escape the country. Its importance has grown even further following Eritrea's involvement in the armed conflict in Tigray. It is now evident that the peace agreement with Abiy Ahmed was merely a pretext for initiating the war against the TPLF.

Efficient use of assets



Policy coordination



The government's overall policy is coherent in principle, but only in a negative way: its core policy – the militarization of society within the framework of a command economy based on forced labor – has had adverse effects on all other policies, such as economic development and social welfare, and has triggered an alarming population outflow. Coordination between the various ministries is poor, and there have been no official meetings of the cabinet in recent years. The president's unpredictable decision-making often depends on his unstable moods, and most state institutions are affected by corruption. The post of Minister of Defense was still vacant in January 2023. The president's office continued to appease high-ranking military officers by tacitly tolerating all of the generals' methods of self-enrichment, including contraband trade, human trafficking, the use of forced labor to reap private profits, and bribes of all kinds.

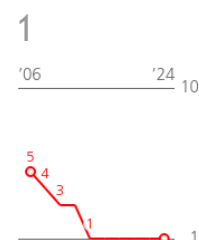
The government's official goal of containing corruption has been effectively abandoned, and military personnel and civil servants are usually not prosecuted for corruption. There is no auditing of state spending or income due to a complete lack of checks and balances. This includes the revenues derived from the mining of copper and other precious metals, which began in 2011. All major companies in the country (trade, construction, retail, etc.) are controlled by the PFDJ's Hdri Trust Fund, which is "audited" by a single person, the financial head of the PFDJ. Eritrea is ranked second to last worldwide in terms of press freedom, and state media sources are prohibited from reporting any negative developments. There is no public accountability for mismanagement or corruption, and even the military-headed special courts, which are supposed to deal with cases of corruption, have remained largely inactive. High-ranking military officers continue to be engaged in contraband trade and human trafficking. They accept bribes to smuggle young Eritreans out of the country and cooperate with corrupt Sudanese officials and members of the Rashaida tribe to traffic goods and refugees. They also took advantage of Eritrea's involvement in the armed conflict in Tigray to carry out extensive looting activities, including public infrastructure as well as private household materials.

16 | Consensus-Building

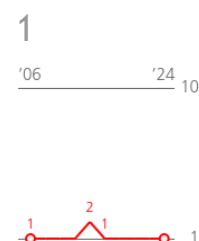
None of the few political actors who have remained in a decision-making position in Eritrea want democracy; on the contrary, they seem determined to continue the autocratic style of government. Consequently, Eritrea was ranked second to last worldwide in terms of press freedom during the period under review, preceding only North Korea, and state media sources are prohibited from reporting any negative developments. There is no public accountability for mismanagement or corruption, and even the military-headed special courts, which were intended to handle corruption cases, have become largely inactive.

The government continues to operate a command economy based on the systematic forced labor of national service recruits and has no plans to liberalize the economy, which remains firmly under the control of the military and the PFDJ elite. Additionally, there are no plans to reform the national service and reduce its length

Anti-corruption policy



Consensus on goals



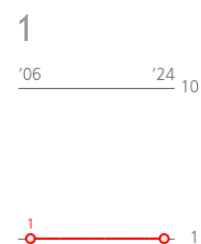
within a demobilization program. On the contrary, Eritrea has been involved in the armed conflict in Tigray for the past two years. The reconciliation with the federal government of Ethiopia did not lead to any economic reforms. Borders remained closed during the period under review, and no trade agreements were reached. Instead, the Eritrean armed forces engaged in acts of plundering in the neighboring Tigray Region of Ethiopia. Eritrea is the only country that did not join the African Continental Free Trade Area (ACFTA).

The country's key political actors – meaning the president and his top PFDJ advisers – remained strictly opposed to the establishment of a democracy during the period under review. Political actors who had promoted reform from within the PFDJ (the so-called G-15 group) were still in jail without any access to the due process of law, and most probably, few of them are still alive. Other critics of the government's policy were forced into exile or remained silent due to the authoritarian political system. Former Minister of Finance Berhane Abrehe, who published a book in which he criticized the president's policies and was arrested in 2018, remained in jail without a trial.

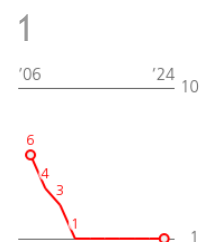
The opposition in exile is fragmented, and there is no opposition party that has developed a political program addressing the implementation of democracy in a convincing manner. The underground resistance group known as "Freedom Friday," founded in the diaspora and gradually gaining support within the country, was significantly inactive during the period under review. Eritrea's four Catholic bishops continued to express criticism of the government. In retaliation, the government closed all Catholic health clinics and arrested and detained one bishop and two priests for two months in 2022. Generally, it is believed that the government has suppressed any potential resistance within the country.

The government denies the presence of cleavages along ethnic and religious lines in Eritrea. By claiming that all societal groups have equal rights and form an inseparable unity of Eritrean nationalists, the state conceals the structural discrimination faced by ethnic and religious minorities. The administration, the educational system and the military are dominated by the Tigrinya ethnic group, which comprises around 50% of the population. While the entire population is subject to political oppression and human rights abuses, there is structural discrimination against the other eight ethnic groups, which are predominantly Muslim. The political leadership instrumentalizes ethnic and religious cleavages to maintain its power and political control. It also plays individual clans within ethnic groups against one another by dividing them into alleged government loyalists and alleged opponents. On one hand, the political leadership declares existing cleavages to be taboo, while on the other hand, it exacerbates them by marginalizing pastoral groups, using the western and eastern lowland regions for large cash-crop agricultural projects, suppressing the Arabic language in the administration and as a medium of instruction, and pursuing a controversial mother-tongue policy. The existing cleavages manifest themselves in the diaspora, where most newly arrived refugees organize themselves into religious or regional/ethnic-based communities.

Anti-democratic actors



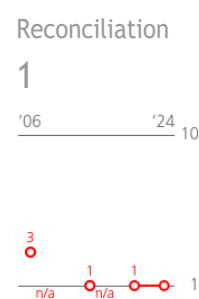
Cleavage / conflict management



The government has prevented the emergence of an independent civil society since coming to power, and it has banned all NGOs and other civic groups, with the exception of the former EPLF mass organizations (the National Union of Eritrean Women, the National Union of Eritrean Youth and Students, and the Confederation of Eritrean Workers). However, these organizations are under strict government control, and they do not play any role in representing the interests of the groups they should theoretically represent. Their purpose is to impose the government’s ideology on their members, yet they did not engage in any significant activities during the period under review. Traditional civil society, represented by religious and local elders and mediators, is still excluded from political decision-making. Private charities and religious civil society groups are all prohibited. The PFDJ claims to be the only representative of society and denies the existence of other interest groups.

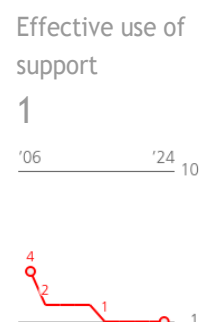


Historical injustices are attributed to the time of Ethiopia’s annexation of Eritrea and the period of the independence struggle between 1961 and 1991. The present regime has also committed numerous atrocities against the population, some of which have been partially documented by the U.N. Commission of Inquiry on Human Rights in Eritrea. A future government will need to reconcile the current victims of the regime with the perpetrators.



17 | International Cooperation

The government aims to achieve economic and social development through a strategy of self-reliance – a status it evidently intends to reach by recruiting the working-age population into the unlimited-term and poorly paid national service program, where recruits perform coerced labor for government- and military-led enterprises. Generally, the leadership considers international cooperation to be undesirable, believing that it creates dependency. One purpose of the government’s refusal to cooperate with international donor organizations is to deny expatriates access to the countryside, thus hiding the effects of its misguided policies, such as malnutrition, mass displacements and the use of forced labor in infrastructure projects. Foreigners, including diplomats, are not allowed to leave Asmara without prior permission from the Eritrean authorities. The government accepted funds provided by the EU Emergency Trust Fund for Africa, which are not subject to conditionalities such as civil society involvement and good governance in the past, but during the period under review, the European Union ended cooperation due to Eritrea’s involvement in the Tigray war. Foreign investment is tolerated in the mining sector, but companies from Canada and Australia sold their shares to Chinese enterprises. Mining companies are required to enter into joint ventures with the Eritrean National Mining Corporation (ENAMCO) and abide by its rules and regulations.



The Eritrean government has no policies oriented toward democratic and market reforms. It has severed all relationships with bilateral and multilateral donors and expelled all foreign NGOs from the country. In the mining sector, a few Chinese companies have invested, while Canadian and Australian firms have withdrawn; otherwise, there are scarcely any foreign investors. The sole official investment agreement is with Italy, yet it appears to be outdated.

In 2018, Ethiopia's Prime Minister Abiy Ahmed and Eritrean President Isaias Afewerki signed a peace and friendship agreement, pledging to work together for the development of the region. As a result, the U.N. Security Council terminated all sanctions against Eritrea in November 2018, and the country regained its full membership in the regional organization IGAD. However, the borders between the countries were closed again by the end of that year, and no economic cooperation agreements have been established. Instead, Abiy and Isaias formed a strategic military partnership against their common adversary, the TPLF in Tigray, which had once held significant power in Ethiopia's government prior to Abiy's rise to power.

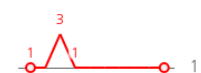
Since November 2020, Eritrea has been involved in Ethiopia's war against the TPLF leadership. This conflict has evolved into a civil war, resulting in a human catastrophe with approximately half a million casualties due to mass killings and forced starvation. Scholars from Ghent University have extensively documented these tragic events.

Eritrea was not involved in the peace negotiations that led to the permanent cessation of hostility agreement in November 2022, and as of January 2023, Eritrean troops remained present in some parts of Tigray.

Relations with Djibouti remained poor due to the unresolved border conflict and Eritrean support for armed groups, while President Isaias continued to be involved in internal Sudanese affairs, particularly in the eastern regions bordering Eritrea.

Eritrean relations with the European Union were strained due to Eritrea's military engagement in Tigray and its support for Russia's invasion of Ukraine. However, European politicians still showed interest in engaging with Eritrea in order to control the flow of refugees from the country.

Credibility



Regional cooperation



Strategic Outlook

Since 2001, the Eritrean government has pursued a destructive strategy that has blocked democratization, strangled the economy due to control by the ruling PFDJ and the military, and militarized society to an extremely high degree. The practice of unlimited-term conscription into the army and national service has continued unabated, and hundreds of thousands of Eritreans have been serving for up to two decades without earning noteworthy salaries. Since November 2020, they have been forced to participate in the civil war against the neighboring Tigray region as allies of Ethiopia's prime minister. In practice, however, the ruling elite has consolidated its stranglehold on political and economic power through what are ultimately only a façade of democratic institutions and mechanisms.

The government has consistently refused to abolish the open-ended national service or to pursue a policy of demobilization and economic liberalization. The regime has utilized the refugees who have joined the expanding diaspora as a support base for the state budget through a 2% diaspora tax that is often obtained through coercion. Diaspora remittances are remarkably high and constitute over one-third of the national budget.

The ongoing exodus has resulted in weakened state institutions and deteriorating services. The health and education sectors have suffered greatly as teachers, doctors and nurses have fled. The government has emphasized that, even during peacetime, it expects the population to make sacrifices as a remnant of the struggle for independence, while high-ranking military officers and other officials from the People's Front for Democracy and Justice (PFDJ) directly benefit from the forced labor of national service recruits. Moreover, the mass departure of economically active youth hinders any uprising against the government. Despite the peace declaration with Ethiopia in the summer of 2018 and the current involvement in the war in Tigray, there has been no overt unrest or demands for demilitarization. However, some Eritreans in diaspora have organized protests in democratic countries.

Despite deriving income from the mining industry and undisclosed funds from Saudi Arabia and the UAE, the government has been unable to provide reliable services. It has also been unable and unwilling to contain widespread poverty and malnutrition or to provide basic consumer goods at affordable prices. Additionally, the private economy has remained suppressed.

It is unclear if the underground "Arbi Harnet" (Freedom Friday) movement continues to exist. The president's popularity has remained extremely low, especially among disadvantaged minorities and the youth.

The diaspora remains divided between staunch PFDJ supporters and a fractured opposition camp. The opposition in exile is still fragmented and lacks a convincing program for democratic change and economic liberalization.

Eritrean authorities have not developed any road map for development in recent years due to a severe lack of state functioning. Conversely, the diaspora tax and private remittances from Eritreans abroad aid in stabilizing the regime. The president's physical health appears stable, and no mechanisms for his succession were in place at the time of this writing.

The mass exodus of the younger generation has been causing a severe brain drain for almost two decades, and Eritreans inside the country increasingly depend on their relatives overseas for their survival.

The international community's impact on the internal policies of Eritrea is very limited, and there has been no consistent pressure on the government to reform its economic policies, end its strategy of militarization, and introduce democratic reforms. The attempts of EU policymakers to motivate the authoritarian government in Asmara to engage in a reform process through dialogue and by offering financial support have failed. However, the international community has condemned the war in Tigray and Eritrea's involvement, and the European Union terminated economic cooperation under the EUTF, partially due to a lack of interest from the Eritrean side. Instead, the government of Eritrea keeps cooperating with the authoritarian governments of China, Russia and the Gulf monarchies. Since Russia's invasion of Ukraine in February 2022, the Eritrean regime has firmly sided with Russia, which reportedly has plans to establish a military base at Massawa. It voted against all U.N. resolutions that condemn Russia's invasion of Ukraine. In January 2023, Russia's foreign minister, Sergey Lavrov, visited Eritrea and met with President Isaias with the intention of strengthening bilateral cooperation. Details about the talks remained confidential, but it is probable that Russia's strategic interests in the African continent and the Eritrean government's desire to gain financial and military support played a role.