

**ERI-PLATFORM**  
Enlighten, Engage, Unite



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# Rebuilding the Eritrean Economy

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Minneapolis, Minnesota (USA)  
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[www.eri-platform.org](http://www.eri-platform.org)

**My presentation  
will focus on:**



**1. The Current State of the Eritrean Economy**



**2. Some Key Performance Indicators**



**3. Measures to Rebuild the Eritrean Economy**



**4. Eritrea *Vision 2030***



# 1. The Current State of the Eritrean Economy

An economy in a shambles:

- 30 years war of independence
- 2 years of border war
- 20 years of *no war, no peace*
- Regional and international isolation
- UN Sanctions – Intern'l payments sys
- Pursuit of a distorted policy of self-reliance
- Imposition of a coupon-economy
- Squandering of national resources, both human and material
- Unable to produce essential public goods and services and provide for the basic needs of the people

**Dire macroeconomic situation and severe debt distress\***

- *Due to sustained period of high deficits, monetization, and external borrowing*
- *Dysfunctional financial & banking sector: tight monetary control, weak asset quality, scarce foreign currency*

*\*Source: IMF: Article IV Consultation 2019*



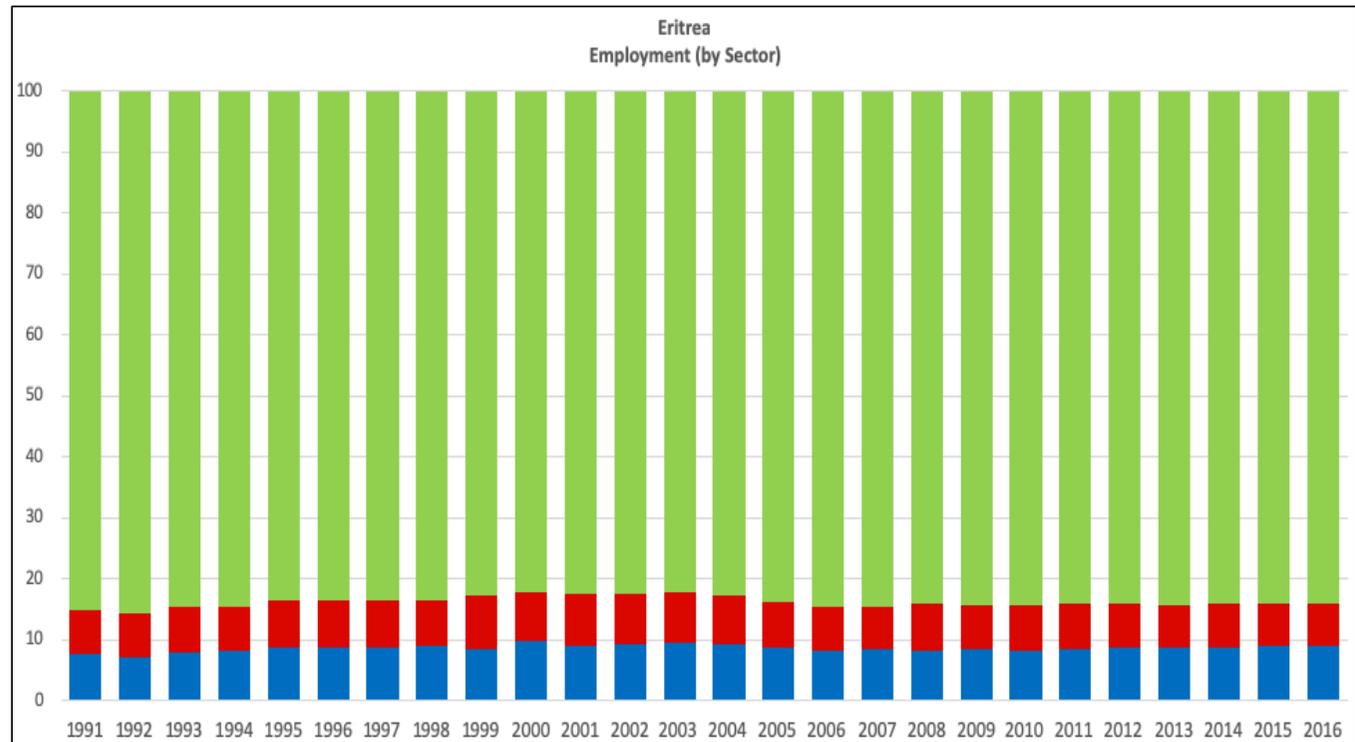
The economy driven primarily by:

- (1) extractive industry (mining): minerals such as potash, gold, copper, zinc
- (2) Agriculture (with 80% of pop. dependent on subsistence agriculture), accounting for 17.2% of GDP in 2016 (Africa Development Bank, 2016) .

*Both are highly vulnerable to shocks (environmental, currency fluctuations)*

Over 80% of the population engaged in agriculture producing 17.2% GDP  
An index of *low productivity*

- Employment in agriculture (% of total employment)
- Employment in industry (% of total employment)
- Employment in services (% of total employment)





# 1. The Current State of the Eritrean Economy

Suffocation of the private sector (small/medium businesses):

- Absence of a rules-based regulatory framework
- PFDJ monopoly and domination
- Imprudent fiscal and monetary policies
- Constant interference and harassment of the private sector
- Arbitrary measures and tight control

Large youth population trapped in indefinite national service:

- Absence of due remuneration
  - Disproportionate burden on elderly parents & single mothers
  - Disruption of nuclear family and unravelling of the community
- Stifling development and innovation
- Trivialisation of education
- Lack of investment in science and technology



## 2. Some Key Performance Indicators



UNITED NATIONS DEVELOPMENT PROGRAMME

### Human Development Reports



Eritrea

#### Human Development Indicators

Human Development Index

Index

**0.440**

Rank

**179**

Eritrea is 179 out of 189 in the Human Development Index



Eritrea

<b>96.4</b>	<b>17th</b>	<b>-0.8</b>	<b>0.9</b>	<b>6.1</b>
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FSI Score in 2019  
(Maximum 120)

FSI Ranking in 2019  
(178 Countries)

Points Change from  
Last Year

Points Change Over  
Five Years

Points Change from  
Ten Years



**COHESION**  
INDICATORS

C1: Security Apparatus  
C2: Factionalized Elites  
C3: Group Grievance

**ECONOMIC**  
INDICATORS

E1: Economic Decline  
E2: Uneven Economic Development  
E3: Human Flight and Brain Drain

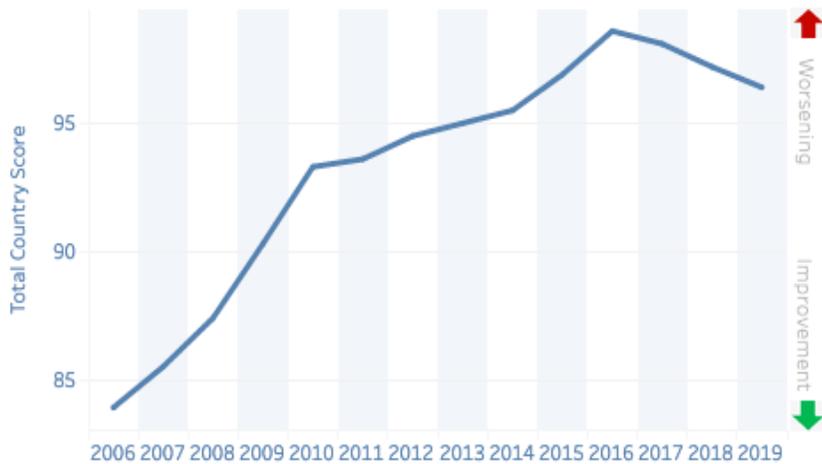
**POLITICAL**  
INDICATORS

P1: State Legitimacy  
P2: Public Services  
P3: Human Rights and Rule of Law

**SOCIAL**  
AND CROSS-CUTTING INDICATORS

S1: Demographic Pressures  
S2: Refugees and IDPs  
X1: External Intervention

OVERALL TREND, 2006-2019:  
Eritrea

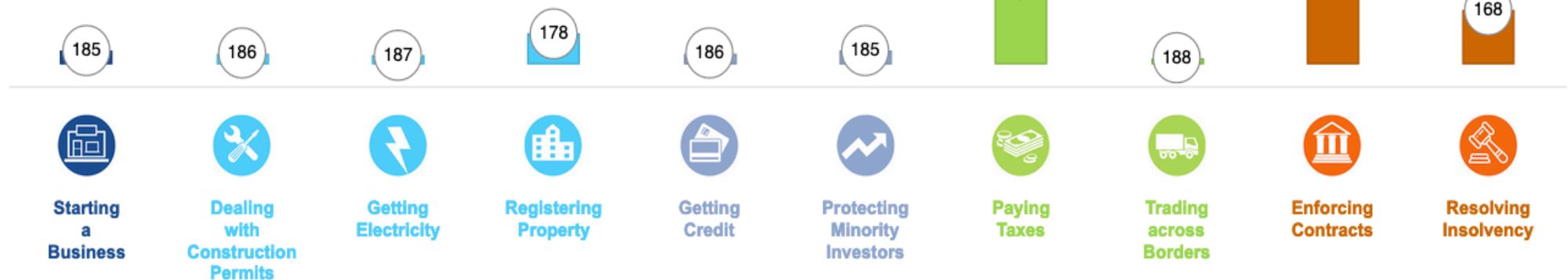


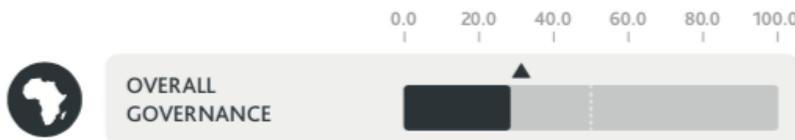
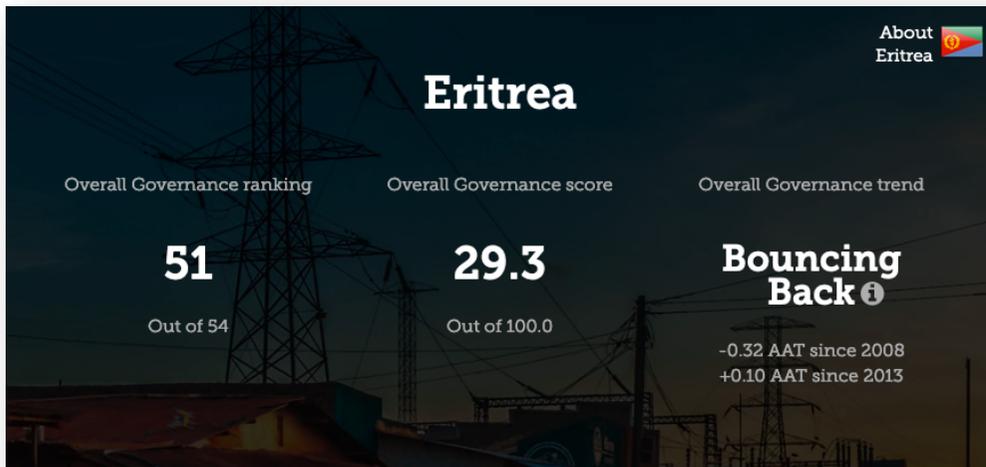
Rank	Total	C1 SA	C2 FE	C3 GG	E1 EC	E2 UD	E3 HF	P1 SL	P2 PS	P3 HR	S1 DP	S2 RD	X1 EX	
2019	17th	96.4	6.6	8.1	7.7	7.7	8.4	8.9	9.4	7.8	8.7	8.4	7.7	7.0
2018	19th	97.2	6.9	8.1	7.4	7.8	8.1	8.6	9.4	8.1	8.7	8.7	8.0	7.4
2017	19th	98.1	7.2	8.1	7.1	8.1	7.8	8.3	9.3	8.4	9.0	8.8	8.3	7.7
2016	18th	98.6	7.4	8.1	6.6	8.3	7.5	8.0	9.5	8.6	9.1	9.1	8.5	7.9
2015	24th	96.9	7.7	8.1	6.1	8.3	7.2	7.6	9.1	8.7	9.3	8.8	7.8	8.2
2014	23rd	95.5	7.6	8.1	6.4	8.0	7.2	7.5	8.8	8.4	9.2	8.5	7.3	8.5
2013	25th	95.0	7.5	8.1	6.1	8.3	6.9	7.3	8.7	8.4	9.1	8.7	7.4	8.6
2012	23rd	94.5	7.8	8.1	6.4	8.6	6.9	7.1	8.4	8.2	8.7	8.6	7.1	8.5
2011	28th	93.6	7.7	8.1	6.1	8.3	6.5	7.4	8.5	8.4	8.9	8.3	6.8	8.5
2010	30th	93.3	7.6	7.9	6.1	8.6	6.2	7.1	8.8	8.6	8.4	8.7	7.2	8.1
2009	36th	90.3	7.4	7.7	5.8	8.6	6.0	6.5	8.6	8.6	7.9	8.6	7.0	7.6
2008	44th	87.4	7.5	7.2	5.6	8.5	5.9	6.0	8.4	7.9	7.4	8.6	7.1	7.3
2007	50th	85.5	7.5	7.2	5.4	8.4	5.9	6.0	8.3	7.7	7.4	8.1	7.1	6.5
2006	54th	83.9	7.2	7.5	5.4	8.0	6.0	6.0	8.0	7.3	6.8	8.0	7.2	6.5



Ease of Doing Business Ranking:  
Eritrea is 189 out of 190

Rankings on Doing Business topics (1-190) - Eritrea

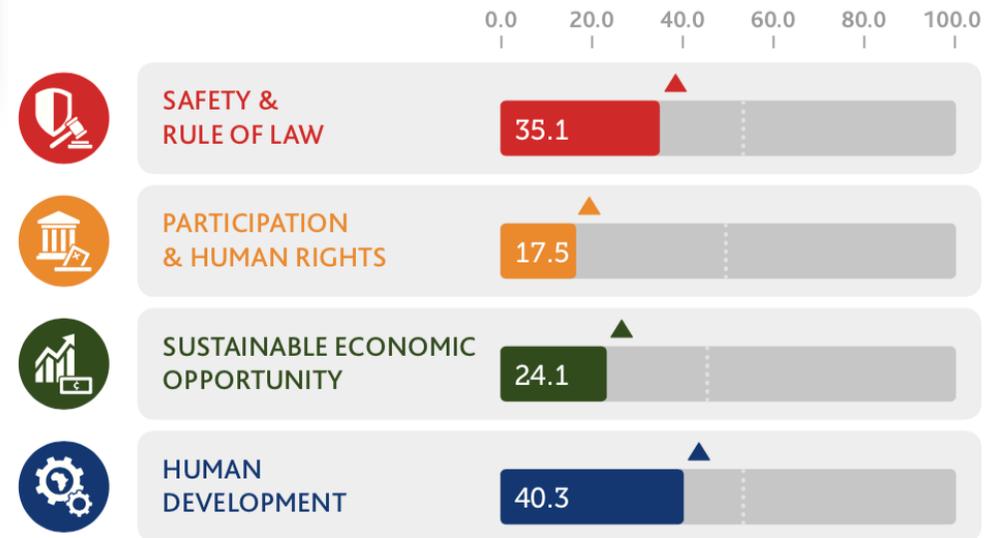




**Mo Ibrahim**  
FOUNDATION



## Category Scores



2017 score : 2017 African average score  





 2008 score



## 3. Measures to Rebuild the Eritrean Economy

### 3.1 Natural assets to jumpstart the economy (1991)

- 1) A united, resourceful, enterprising and hardworking people;
- 2) highly disciplined and dedicated cadres steeled in the crucible of the armed struggle;
- 3) well-educated and skilled professionals in a united and patriotic Eritrean diaspora;
- 4) zero national debt;
- 5) an ample reserve of goodwill and political capital at the national, regional and global levels;
- 6) a strategic location to transform Eritrea into a centre of services and a hub of transit trade;
- 7) abundant agricultural, mineral and marine resources;
- 8) a tradition of self-reliance refined and buttressed during the armed struggle; and
- 9) general confidence and resolve to deliver rapid development in peacetime akin to the victory in the war of liberation, against all odds.



## 3. Measures to Rebuild the Eritrean Economy

### 3.2 Immediate Action

*An economic policy of transition must address the most pressing needs of the people, create employment, generate wealth and lay the foundation for sustainable development.*

- 1) Immediate rehabilitation, revitalisation and development of the nine (9) key national assets
- 2) Urgent rehabilitation of the water and power supply systems
- 3) Immediate action to avail essential medicines and overhaul the public health sector
- 4) Immediate measures (supply side & demand side intervention) to stabilise the domestic market: deploy PFDJ parastatals, engage Eritrean businessmen at home & abroad, seek emergency aid, etc.
- 5) Rapid revival of the financial sector: empower the Bank of Eritrea: autonomy over monetary policy, forex and reserve management, supervision of the financial sector, due role in fiscal policy, etc.
- 6) Immediate restart of housing construction and launch of processing value addition industries
- 7) Rapid rehabilitation of education at the primary, secondary and tertiary levels + technical and vocational training



## 3. Measures to Rebuild the Eritrean Economy

### 3.3 Regional Level

Eritrea has an unexploited and undeveloped potential to serve as a key regional trade and transport hub due to its port facilities.



Communauté des Etats Sahélo-Sahariens

تجمع دول الصحراء والساحل

Community of Sahel-Saharan States

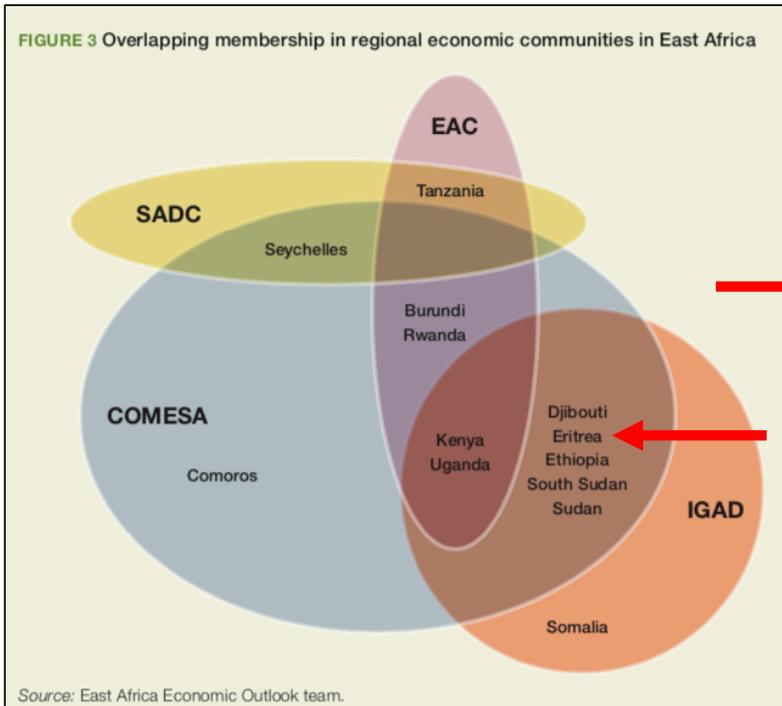




### 3.3 Regional Level

Eritrea has an unexploited and undeveloped potential to serve as a key regional trading and transporting hub due to its port access.

FIGURE 3 Overlapping membership in regional economic communities in East Africa



Source: East Africa Economic Outlook team.

TABLE 9 Intraregional trade in East Africa, 2012–17 (% of total exports)

Country	2012	2013	2014	2015	2016	2017
Burundi	8.9	8.3	9.5	10.2	9.8	6.6
Comoros	0.3	0.1	0.4	0.1	0.1	0.1
Djibouti	39.3	34.9	38.1	38.3	39.4	38.8
Eritrea	1.1	1.1	1.2	1.3	1.0	0.7
Ethiopia	16.1	25.6	21.9	21.2	20.7	21.0
Kenya	33.9	25.8	27.1	28.6	29.9	25.1
Rwanda	36.8	41.3	29.3	13.8	15.2	14.3
Seychelles	0.5	0.4	0.1	0.4	0.1	0.0
Somalia	0.1	0.5	0.0	0.2	0.3	0.6
Sudan	2.6	2.2	2.3	1.7	2.0	1.9
Tunisia	9.7	7.9	10.1	15.8	10.6	9.8
Uganda	41.0	42.2	45.9	47.4	37.1	40.2
East Africa	18.9	16.5	18.2	20.4	18.7	17.3
Africa	13.5	14.5	15.5	17.8	17.6	16.6

Note: South Sudan had no exports to East African countries, but its imports from other East African countries are included as intraregional trade in those countries' totals.

Source: UNCTADstat (<https://unctadstat.unctad.org>).

Source: East Africa Economic Outlook 2019, AfDB 2019

East Africa  
Economic  
Outlook  
2019



AFRICAN DEVELOPMENT BANK GROUP



## 3.3 Regional Level

Eritrea is on par with South Sudan with 1 product (mineral) accounting for ~97% of exports.

TABLE 12 Exports and imports in East Africa, by country, 2014–17 (exports) and 2017 (imports)

Country	Top exports, 2004–17 (% of total exports)	Number of products accounting for more than 75% of exports, 2014–17	Manufactured exports, 2014–17 (% of total merchandise exports)	Major imports, 2017 (% of total imports)
Burundi	Coffee, tea (48%) Gems, precious metals (12.4%) Milling products, malt, starches (4.6%) Beverages, spirits (4.6%) Tobacco, manufactured substitutes (4.3%)	5	13.8	Oil and mineral fuels (9%) Pharmaceuticals (21%) Motor vehicles and parts (11%) Electrical and industrial machinery (15%)
Comoros	Essential oils (26.0%) Cloves (19.6%) Vessels (17.7%)	5	8.9	Other furniture (11.7%) Used clothing (7.0%) Fruits (5.3%) Small iron containers (5.9%) Plastic housewares (4.0%)
Djibouti	Petroleum, noncrude (21.1%) Sheep (12.7%) Animals live (11.1%)	11	...	Raw sugar (4.8%) Palm oil (4.6%) Cars (3.4%) Mixed mineral and chemical fertilizers (2.8%) Other steel bar (2.6%)
Eritrea	Ores, slag, ash (97.0%) Gems, precious metals (1.1%) Clothing, accessories (not knit or crochet) (0.6%) Coffee, tea, spices (0.3%)	1	...	Milling products, malt, starches (16.3%) Machinery, including computers (15.2%) Animal/vegetable fats, oils, waxes (9.5%) Electrical machinery, equipment (7.1%)
Ethiopia	Coffee (33.6%) Vegetables (18.8%) Oil seeds (16.6%) Gold (10.1%) Chat/Kat (9.2%)	4	7.5	Consumer nondurables (22.1%) Industrial machinery (18.0%) Oil and mineral (9.6%) Electrical machinery, equipment (8.8%) Mineral fuel/petroleum (8.4%) Consumer durables (9.4%)

(continued)

Source: East Africa Economic Outlook 2019, AfDB 2019

TABLE 12 Exports and imports in East Africa, by country, 2014–17 (exports) and 2017 (imports) (continued)

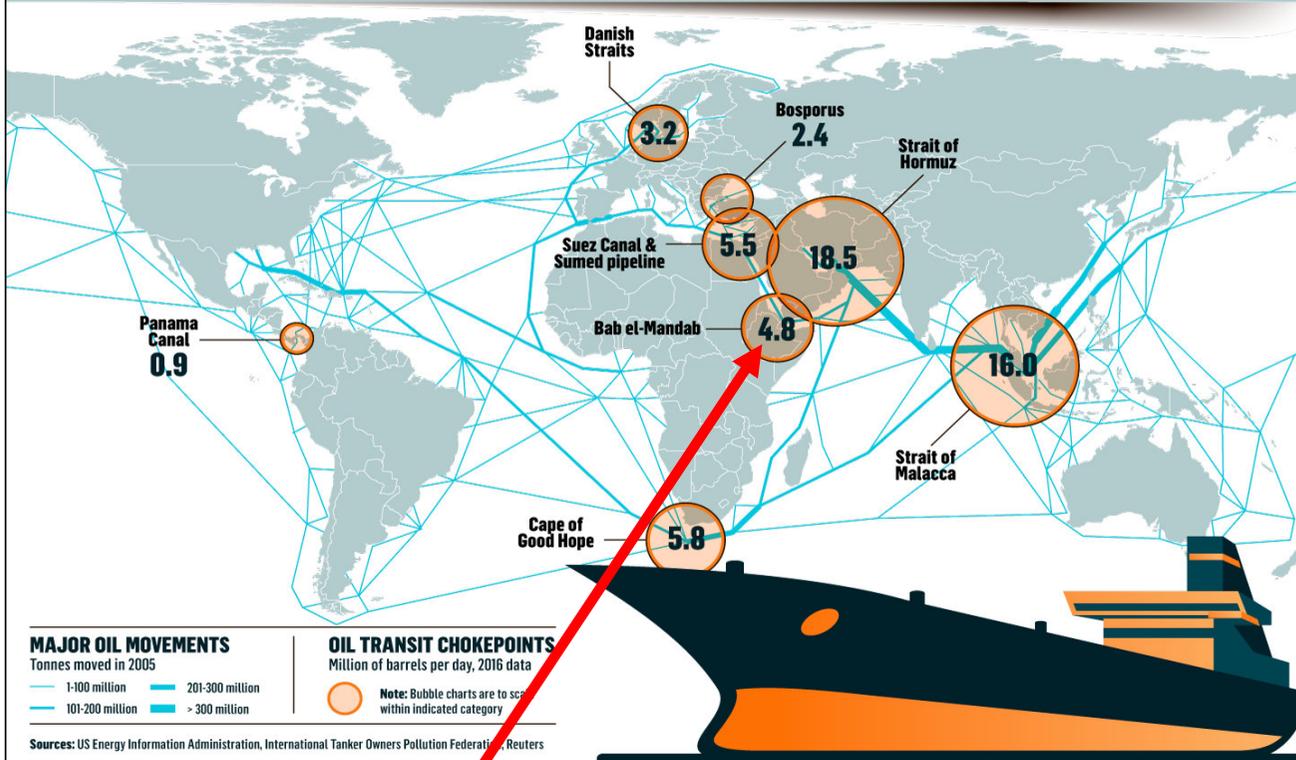
Country	Top exports, 2004–17 (% of total exports)	Number of products accounting for more than 75% of exports, 2014–17	Manufactured exports, 2014–17 (% of total merchandise exports)	Major imports, 2017 (% of total imports)
Kenya	Coffee, tea, spices (29.0%) Live trees, plants, cut flowers (10.4%) Mineral fuels including oil (6.2%) Vegetables (3.6%) Clothing, accessories (not knit or crochet) (3.3%)	13	33.9	Refined petroleum (8.1%) Packaged medicaments (3.1%) Cars (2.8%) Telephones (1.7%) Hot rolled iron (1.5%)
Rwanda	Ores, slag, ash (40.9%) Coffee, tea, spices (37.8%) Raw hides, skins not fur skins, leather (3.4%) Food industry waste, animal fodder (2.6%) Vegetables (1.1%)	2	6.3	Electrical and industrial machinery (22%) Motor vehicles and parts (19%) Cereals and food stuffs (5.7%) Chemical products (11%)
Seychelles	Tunas, skipjack and bonito (54.7%) Tunas, excluding frozen (8.8%) Yellow fin tunas (8.6%)	4	4.2	Ships and boats and transportation (38%) Animal products (13%) Oil and mineral fuels (11%) Foodstuffs (5%) Machinery (8.7%)
Somalia	Live animals (71.2% of total exports) Gums, resins, other vegetable saps (10.2%) Fish (9%) Raw hides, skins not fur skins, leather (1.8%) Ships, boats (1.7%)	2	...	Raw sugar (14.0%) Rice (5.8%) Rubber (4.1%) Concentrated mill (3.2%) Cars (2.7%) Waver fabrics, synthetic staple fibers (2.6%)
South Sudan	Mineral fuels, including oil (97.9%) Vegetables (0.8%) Wood (0.6%) Cotton (0.5%)	1	0.0	Raw sugar (15.3%) Packaged medicaments (3.6%) Cars (3.2%) Palm oil (3.1%) Cement (2.3%)
Sudan	Gold (57.4%) Crude petroleum (10.6%) Other oily seeds (9.9%) Insect resins (4.2%) Dried legumes (2.4%)	3	0.2	Wheat (4.1%) Packaged medicaments (4.0%) Cars (2.1%) Rubber footwear (1.7%) Raw sugar (1.0%)
Tanzania	Gems, precious metals (29.4%) Tobacco, manufactured substitutes (11.0%) Coffee, tea, spices (7.4%) Ores, slag, ash (6.3%) Fish (5.3%)	9	21.3	Motor vehicles and transportation (9.9%) Industrial machinery (21%) Mineral products (21%) Chemical products (12%) Metals (7.5%) Plastics (6.6%)
Uganda	Coffee, tea, spices (22.5%) Gems, precious metals (14.4%) Mineral fuels, including oil (6.4%) Cereals (6.3%) Fish (4.7%)	12	18.7	Oil and refined petroleum (14.2%) Mineral products (17%) Chemical products (14%) Machinery (17%) Transportation (9.5%) Textiles (5.2%)

... is not available.

Source: Geda (2013) and updates from <https://tradingeconomics.com> and <https://atlas.media.mit.edu>.

# OIL TRANSIT CHOKEPOINTS

About half of the world's oil production is moved by tankers on fixed maritime routes. The blockage of a chokepoint, even temporarily, can lead to substantial increases in total energy costs. Oil transit chokepoints are therefore a critical part of global energy security.



**4.8 million barrels per day of oil pass through the Bab el-Mandab strait\***

\*Source: US Energy Information Administration, International Tanker Owners Pollution Federation; Reuters



Eritrea could exploit its strategic and critical position at the nexus of the HoA and the Arabian Peninsula astride one of the busiest maritime trade routes in the world.

Potential to become a centre of maritime transport and transshipment ports for East-West bound container ships

## 4. Eritrea *Vision 2030*



### **Pillars of Vision 2030**

1. Peace and Security
2. Food Security
3. Basic Infrastructure
4. Job and Wealth Creation
5. Investing in the People
6. Urban Renewal and City Masterplans

### **A Macroeconomic Policy Framework: Why Eritrea *Vision 2030*?**

- Define a National Vision
- Establish Implementing Organs
- Position Eritrea Smartly
- Engagement, Diplomacy & Marketing
- Beyond 2030

*Given a conducive political and economic setting,  
I am convinced that Eritrea can join the First World within two decades.*

**ERI-PLATFORM**

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**Thank You!**

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