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Country presentation

by

THE GOVERNMENT OF ERITREA

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**THIRD UNITED NATIONS CONFERENCE  
ON LEAST DEVELOPED COUNTRIES  
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**PRESENTATION OF THE STATE OF ERITREA'S  
DEVELOPMENT ACTION PLAN FOR THE  
YEARS 2001 - 2005**

**February 23, 2001**

**Note:** This report was prepared under the responsibility of the Eritrean Ministry of Trade and Industry following consultations with members of the National Preparatory Committee (NPC) consisting of representatives of fifteen (15) Ministries, Bank of Eritrea, the Chamber of Commerce, National Union of Eritrean Women (NUEW), as well as with the Resource Person to the NPC, Ato Michael Beyene. Support, in terms of making available relevant published documents, was provided by the UNDP, UNIDO, the European Union (EU) and the World Bank offices in Eritrea. This report has been approved by all ministers responsible for macro-economic guidance of the country and is endorsed by the government.

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**ACRONYMS**

ACI	=	Airport Council International
ATTI	=	Asmara Teacher Training Institute
CHS	=	Community Health Services
DOE	=	Department of Environment
DOT	=	Department of Trade
ECD	=	Early Childhood Development
EDHS	=	Eritrean Demographic and Health Survey
EEA	=	Eritrea Electric Authority
EIC	=	Eritrean Investment Centre
EPI	=	Expanded Program of Immunization
EPLF	=	Eritrean People Liberation of Front
ERREC	=	Eritrean Refugee and Rehabilitation Commission
ESI	=	Eritrean Standards Institute
ESMG	=	Eritrean Social Marketing Group
FIR	=	Flight Information Region
GER	=	Gross Enrollment Ratio
HRDP	=	Human Resources Development Project
ICS	=	Inter-Connected System
IDD	=	Iodine Deficiency Diseases
IMR	=	Infant Mortality Rate
MHC	=	Mental Health Care
MIS	=	Management Information Systems
MLWE	=	Ministry of Land, Water and Environment
MMR	=	Maternal Mortality Rate
MOH	=	Ministry of Health

MSMEs	=	Micro, Small and Medium Enterprises
NACP	=	National Aids Control Programme
NEMP-E	=	National Environmental Management Plan for Eritrea
NEPF	=	National Economic Policy Framework
NER	=	Net Enrollment Ratio
NGO	=	None Government of Organization
NUEW	=	National Union of Eritrean Women
PCU	=	Project Co-ordination Unit
PHC	=	Primary Health Care
PID	=	Pelvic Inflammatory Diseases
PRP	=	Public Reform Programme
SCS	=	Self - Contained System
STD	=	Sexually Transmitted Diseases
UOA	=	University of Asmara
USI	=	Universal Salt Iodization
WRD	=	Water Resource Department



**INSTITUTIONS**  
**involved in the preparation of**  
**THE ERITREAN ACTION PLAN**  
**FOR THE YEARS 2001 - 2005**

**I. DEVELOPMENT MINISTRIES**

1. Office of the President (MPIC)
2. Ministry of Trade and Industry
3. Ministry of Finance
4. Ministry of Agriculture
5. Ministry of Fisheries
6. Ministry of Mines and Energy
7. Ministry of Lands, Water and Environment
8. Ministry of Public Works
9. Ministry of Labour and Human Welfare
10. Ministry of Education
11. Ministry of Transportation and Communication
12. Ministry of Health
13. Ministry of Local Government
14. Ministry of Tourism
15. Ministry of Justice and
16. Ministry of Information

**II. GOVERNMENT AGENCIES**

1. Bank of Eritrea
2. Eritrean Investment and Development Bank
3. Eritrean Human Resource Development Project (EHRDP)

**III. DEVELOPMENT PARTNERS**

1. European Union (EU)
2. World Bank (WB)
3. United Nations Development Programme (UNDP/UNIDO)

**IV. NON GOVERNMENT ORGANIZATIONS (NGOs)**

1. Chamber of Commerce
2. Employers' Federation
3. National Union of Eritrean Women (NUEW)

## INTRODUCTION

The total land area of Eritrea is 124,300 sq. kms, with a coastline of more than a thousand kilometers, and some 112 main islands in the Dahlak archipelago. It is divided into six Administrative Regions with 51 Sub-Regions and 2,685 major villages, and an estimated population of 3.5 million. In 1994 the Human Development Index (HDI) for Eritrea was reported to be 0.269, but, later in 1997, it improved to 0.346 and to 0.408 during 1998 as compared to an average of 0.464 for Sub-Sahara Africa during that particular year.

Following the liberation of the country in May 1991, the Provisional Government of Eritrea was faced with the task of rehabilitating a war-damaged economic and social infrastructure, as well as providing support to demobilized ex-fighters, refugees returning from abroad, war-disabled veterans and internally displaced people. In addition, the government had to formulate economic and social development policies in order to provide guidance to public and private sector efforts to promote short-term and long-term economic growth and development. The Government, therefore, adopted a prioritized and phased approach of tackling these problems. During Phase One (1991-93), it focused its attention mainly on mobilizing qualified and experienced Eritrean manpower, from home and abroad, in order to embark emergency economic rehabilitation programmes with priority given to the development of social service delivery system.

Phase Two (1994-97), was a time when the institutional, legal and policy frameworks required to put the country's long-term economic, social and political development on a firm footing were laid down. During this period, a macro-policy document outlining the government's broad development objectives, policies and strategies and specially indicating its desire to establish a modern, outward-oriented, private sector-led market economy was formulated and adopted. An investment code that encourages private sector investment in the economy was promulgated. Broad-based fiscal, monetary and trade policies regimes aiming at maintaining macro-economic stability, mobilizing government revenues, and facilitating efficient allocation and utilization of resources were introduced. In order to remove infrastructural and institutional constraints to private sector development, the government upgraded and expanded transport (roads, ports and air ports), communications, power and water supply facilities. Capacity building in areas such as health, finance and education; and restoring the productive capacity of the economy, particularly in agriculture and fisheries, tourism, construction, mining and manufacturing industries were also undertaken. Further measures that were taken during Phase Two included: -

- A major restructuring of the government machinery involving decentralization and devolution of powers to local governments at Regional levels was proclaimed and a civil service reform that resulted in a reduction of the public sector workforce by 30% was effected.

- Demobilization and re-integration of over 65,000 former combatants into civilian life, supporting the families of up to 34,000 martyred combatants and about 10,000 disabled combatants, and resettlement of over 190,000 Eritrea's refugees returning home.
- A major reform of the tax system and its administration, which involved a substantial reduction in the number of tax brackets, broadening the tax base, lowering external tariff rates on development inputs and essential consumer goods; and a one-stop Business License Office was also established.
- Initiation of privatization of public enterprises through international competitive bidding.
- Promulgation of the proclamation of the Bank of Eritrea and other Financial Institutions as well as issuance of other decrees including the one that terminated the Ethiopian Birr as legal tender in Eritrea and the introduction of the Nakfa as a legal tender in November 1997.
- Enactment of a Land Law and a legal notice incorporating rules and regulations for implementing it.
- Ratification of Eritrean Constitution in May 1997.

Phase Three (1998 up to...), is aimed at sustaining growth and development in the country through further expansion and upgrading of infrastructural facilities and the consolidation and further refinement of policies, strategies and institutional measures designed to promote private sector activities, as indicated in the National Economic Policy Framework Paper drafted by the Government in April 1998. Although the construction of major infrastructure projects is going according to plan, implementation of the third phase, as a whole, has been hampered by the sudden eruption, in May 1998, of the war with Ethiopia.

## **PART ONE - PERFORMANCE ASSESSMENT (1992-1999)**

### **1.0 PERFORMANCE OF ECONOMIC AND SOCIAL SECTORS DURING THE 1990s**

#### **1.1 MACRO-ECONOMIC PERFORMANCE INDICATORS**

The impact of the policies and measures taken during the eight years between 1992 and 1999 can be summarized by some of the following macro-economic indicators.

During 1992 - 97, the economy showed considerable recovery and growth. Real GDP (at 1992 constant factor cost) grew from NKF 1,957 million in 1992 to NKF 3,496 in 1999, with an annual average growth rate of 8.2%. Later in 1998, annual economic growth rate substantially declined to 3.9% and then to 3% in 1999, largely because of the adverse impact of the war with Ethiopia that affected most sectors of the economy, especially port operations, tourism and small-scale industries.

The average annual inflation rate for the period 1992-97 was a moderate 6.4%; but, in 1995 it increased to 13.5%; and, later in 1996 and 1997, it declined to 3.9% and 1.8%, respectively. The decline was mainly due to the rapid recovery of domestic output and the government's liberal import policy which resulted in an equally rapid growth of imports and, hence, in an abundantly supplied domestic market. Nonetheless, in 1998, the annual inflation rate again shot up to 16.6%, largely, on account of the negative impact of the war; but, it, then, slowed down to slightly over 8% in 1999.

Gross domestic investment proceeded to grow at high level throughout the period 1992-1997; from NKF 165 million in 1992, it gradually climbed to a peak level of NKF 2,313 million in 1997; the large and sustained growth of investment during that period is attributed the government's liberal investment policy, and the banking system's ability to avail credit to the public and private sectors at low and stable interest rates, the increased external grants, and loans, and the expansionary fiscal policy which resulted in rapidly growing government capital expenditure. During the years 1998 and 1999, however, it declined by 6% and 10% respectively. Investment ratio expressed as percent of GNP, at current market prices, reached a peak of 37% in 1996, but, gradually declined to 26.8% in 1999. The average gross domestic investment for the whole period (1992-99) proved to be 26.5% of GNP, at current market prices, almost evenly divided between investment in construction works and in importation of capital goods.

Total government revenue from domestic tax and non-tax sources grew from about NKF 489 million in 1992 to NKF 2,046 million in 1997, registering an annual average growth rate of 33.2%. In 1998 government revenue fell to NKF 1,901 million, again, mainly

because of the adverse effects of the war on non-agricultural output and incomes during that year. But, during 1999, it shot up again to NKF 2,076 million. The average annual government revenue for the whole period (1992-99) was NKF 1,422 million, with 52% coming from taxes and 48% coming from non-tax revenues.

Total government expenditure grew from NKF 554 million in 1992, to NKF 3,472 million in 1999. The major factors, which contributed to the rapid growth of expenditure during the past eight years was the need to meet the society's urgent demands for basic commodities; remove bottlenecks by investing in critical areas such as water, power, communication, transport, education and public health; and, re-integrate returning refugees and internally displaced people, demobilize and re-integrate ex-combatants into the mainstream Eritrea society, and support the families of martyred and disabled combatants.

In 1993, the overall government budget deficit of NKF 522 million constituted 18.2% of GDP; it then grew progressively for the ensuing years until it reached to an amount of NKF 2,924 million in 1999; during 1999, government deficit, excluding grants, constituted about 10% of the GDP. From 1993 up to the first quarter of 1998, the Bank of Eritrea has extended credit to the government a total amount of NKF 2,775 million. In addition, between 1993 and 1999 a total of \$ US 246.6 million of external outstanding loans was registered. As of end of 1997 debt repaid was 22.5% of debt outstanding. Furthermore, between 1993 and 1997, the government received NKF 1,356.4 million in form of foreign grants.

Total imports progressively increased from NKF 1,184 million in 1993 to NKF 3,397 million in 1997; exports also increased modestly from NKF 209 million in 1993 to NKF 375 million in 1997. Hence, the Eritrean balance of payments has always been on the deficit. From a deficit of NKF 2,263 million in 1995, it slightly grew to a deficit of NKF 3,143 million in 1997. At the end of 1997, gross reserves in convertible currency stood at NKF 2,227 million, which implied 7.6 months of imports.

## **1.2 SECTORAL CONTRIBUTIONS TO GDP**

The agricultural sector's (crops, livestock, fishing and forestry) contribution to GDP moderately increased, in absolute terms, from NKF 598 million during 1992 to NKF 896 million during 1999, with an average annual growth rate of 5.9%. But, in terms of percentage contribution to GDP, it declined from 30% during 1992 to 26% in 1999. Given the population growth rate of 2.7%-3.0% per annum, the performance of the agricultural sector during the period was fairly good.

The industry sector (mining and quarrying, manufacturing, small-scale industry and handicraft, construction, electricity, and water) contribution to GDP significantly increased, in absolute terms, from NKF 308 million during 1992 to NKF 1,005 million

during 1997. And, in terms of its percentage contribution to GDP, it rose from 15% during 1992 to 22% during 1997.

The distribution sector (wholesale and retail trade, hotels and restaurants, and transport and communication) contribution to GDP grew from NKF 693 million during 1992 to NKF 1,612 million during 1997. In percentage terms, its contribution to GDP rose, modestly, from 35% during 1992 to 36% during 1997.

The contribution of other services (banking and insurance, public administration, real estate and housing, education, health, domestic services and others) to GDP increased, in absolute terms, from NKF 402 million during 1992 to NKF 1,136 during 1997. In percentage terms, its contribution rose from 20% during 1992 to 25% during 1997.

After independence, the transport sector has received high priority in government expenditure. The Government privatized the road transport service and developed regulatory institutional and legal infrastructure. With the establishment of domestic telecom network and the installation of digital switching system all the Regional capitals are now connected; but, the need to extend that network up to Sub-regional level still remains. Recently internet service was introduced in the capital city Asmara.

## **1.3 SOCIAL INDICATORS**

Government expenditure to social sectors increased notably from NKF 63.7 million in 1992 to NKF 841.8 million in 1999. The average annual expenditure in social sectors was 9% of the GDP.

### **1.3.1 EDUCATION**

Government expenditure in the Education Sector progressively increased from NKF 31 million during 1991 to NKF 199 million during 1999; this is excluding expenditure incurred for the University of Asmara which grew from about NKF 4 million during 1992 to about NKF 26 million during 1999.

The educational sector showed considerable progress in terms of expansion of access to education at all levels and steady improvements in the quality of education. Since independence, 385 schools were renovated and 380 new ones constructed. Thus, the total number of schools at all levels grew from 293 in 1991 to 738 in 1998. The expansion of the school system resulted in an increased student enrollment in elementary, middle and secondary levels at the rate of 15% per year from 198,068 in 1991/92 to 376,571 during 1998/99 academic year.

By 1998/99 academic year, the total number of students in Primary Schools was 261,963, in Junior Secondary Schools 67,021, and in Secondary Schools 47,533; about

56% of the total student population in these schools were males while the rest were females. During that same academic year, Gross Enrollment Ratio (GER) was 52% for Primary Schools, 40% for Junior Secondary Schools and 17% for Secondary Schools, while the Net Enrollment Ratio (NER) was 33%, 10% and 11% respectively. The number of teachers also grew from 5,188 during 1991/92 to about 10,376 in 1998/99 academic years, i.e. an increase of 100%.

Today, there are seven (7) Skill Development Centres that provide short vocational courses at a basic level to adults with low educational background, as well as eight (8) intermediate and two (2) advanced level technical schools. Female participation, during 1991-1999, in these training institutions averaged to about 27% of the total enrollment.

During the first two years after Liberation, 2,230 teachers were trained at the Asmara Teacher Training Institute (ATTI). During the year that followed, a total of about 1,900 additional new teachers and 190 school directors graduated from that Institute. These efforts have reduced the number of unqualified teachers at the primary, middle and secondary levels to about 27%, 62% and 27% respectively.

There are about 80 privately-owned kindergartens that enroll only about 4% of children in pre-school age, most of them located in the capital city. However, a good start has recently been made to re-enforce that line of activity through the launching of a nationwide Early Childhood Development project (ECD) supported by the World Bank.

Capital expenditure in the **Education sector** was almost nil in 1992, but Nakfa 22.03 million in 1999. The annual growth rate was tremendous. Its share in the total social services expenditure was zero in 1992, and 5.0% in 1999. It averaged 5.5% per annum for the period. Its share in GDP at market prices was zero in 1992, and 1.62% in 1998 and 0.36% in 1999. It averaged 0.86% annually for the period.

### 1.3.2 HEALTH

In 1991, at the time of liberation, vast number of the country's population had no access to basic health services. The protracted war for independence, recurrences of severe drought, the spread of epidemics and massive internal displacement of people resulted in high mortality and morbidity rates, and heavy dependency on international aid. There was an acute shortage of basic medical inputs especially drugs and appropriately trained health personnel.

A National Health Policy was developed after independence of the country; and it is, based on the concept of Primary Health Care (PHC), which follows broad programs, namely Health Promotion, Diseases Prevention, rehabilitation and Curative Services.

During the last ten years, the Ministry of Health concentrated on the establishment and operating a health delivery system which emphasised on primary health care, community involvement in health services and the promotion of inter-sectoral



cooperation. The Ministry places special emphasis on the needs of the less privileged rural population and urban poor, as well as on the more vulnerable population groups, which include mothers and children. During the period, the coverage of the health delivery system considerably expanded through the renovation and rehabilitation of war damaged health facilities. At independence, there were only 12 hospitals of various sizes in the country. By the end of 1990s, this number rose to 23, i.e. an increase of 92%. During the same period the number of health centers increased from 31 to 49, i.e., a 58% change. The growth in the number of health stations was even more impressive; their number increased from 72 to 191, i.e. an increase of 165%. Since liberation, more than 1,500 health workers graduated as nurses, health assistants, nurse-midwives, and technicians in various fields of medicine. Currently, government is also establishing a domestic drug manufacturing industry, including associated drug quality control facilities and laboratory. As a result of such efforts, access to health services (within 10 km. radius or less than 2 hours walk) improved from 46%, in 1991, to about 70% in 1999. Currently, more than half of Eritrean population live within a radius of 5 km. a health service facility. The number of health workers also increased by 46.3% from 3,176 in 1995 to 4,648 in 1999. Immunization coverage rose from 10% in 1991 to 70% in 1999. The percentage of immunized children (DPT<sub>3</sub>) increased from about 10 % in 1991, to about 60% in 1999. By 1999, about 93% of children under 5 years of age are immunized against polio. Hence, polio has virtually been eliminated from Eritrea. The last polio case reported in Eritrea was in 1997; since then, no report to that effect is filed. And, since 1998, polio surveillance is being conducted regularly. A system of surveillance of basic health and nutrition indicators, including an effective health information system and a mechanism to detect disease outbreaks and other health and nutritional emergencies, has also already been established.

Malaria is a major health problem in Eritrea; and, nearly 67 % of the estimated population of the country reside in malarious areas. Children under 5 years old and pregnant and lactating women are more susceptible to malaria. The disease now accounts for over 30% of all out-patients at health facilities and over 28 % of all patients admitted to the health facilities. Malaria is the number one cause of death in adults and as the third commonest cause of deaths in children below 5 years. It also accounts for over 10% of all annual deaths. In 1998, average life expectancy in Eritrea was reported to be 51 years.

Eritrea has been implementing Universal Salt Iodination (USI), since the last quarter of 1995, in order to combat Iodine Deficiency Diseases (IDDs). The results of the 1993 MOH micro-nutrient survey revealed urinary iodine excretion levels of 36% severe, 25% moderate, and 22% mild iodine deficiency (i.e. a total of 83 %). The study conducted in 1998, however, indicated 3.6% severe, 8.5% moderate and 13.2% mild levels of iodine deficiency in the urine. To this end, the MOH, through a program of iodination, USI (Universal Salt Iodination) partly financed by UNICEF, undertook to iodize salt produced in two main salt producing center in Massawa and Assab. At the moment more than 80% of the salt is iodized. Hence Iodine Deficiency Disorders (IDD) in the urine has been reduced from 83 % in 1993 to 25.3% in 1998. The Government is aiming at virtual elimination of iodine deficiency by 2004.

The MOH developed the Eritrean National Drug Policy in 1995, and was endorsed by a national workshop and submitted for government approval in October 1997.

The nominal cost sharing scheme, introduced in 1996 was designed in a sliding scale with the lowest fees being paid at the Health Centers and Health Station and the highest at the Secondary and Tertiary hospital levels. Health centers and Health stations charge only flat nominal registration fees which are valid for one month. Central and Regional hospitals charge patients for investigation, procedures, registration and treatment at a rate close to nominal fee. Emergency services are provided free of charges for the first 24 hours in all health facilities. Exemptions are being made for certain chronic illness and some PHC services. People who are unable to pay and confirmed as poor by the Ministry of Local Government (MoLG) are provided free health care services.

In recognition of the importance of integrating the private sector into the nation's health system, the MoH developed a private sector health policy first in 1995 and then a revised, draft in 1998. During the past few years, work permit were given to a large number of urban and rural pharmacies, private clinics, drug suppliers, and some hospitals which are contributing to the overall health service of the country. Nonetheless, shortage of drugs and medical equipment as well as inadequate quality and number of health manpower still remain major constraints. In addition, the recent Ethiopian military invasion in Eritrea brought about the destruction of over eighty (80) health facilities, and internal displacement of about 1.1 million people requiring basic health care and other social services.

Maternal Mortality Rate is reported to be (MMR) as high as 998/100,000 live births, IMR is 72 deaths per 1,000 live births under five mortality is 136/1000 live births. Contraceptive use is 8%, with only 45% using modern contraceptive methods. With low female education being negatively correlated with fertility, infant mortality and child malnutrition, it is not surprising that health indicators are so poor. Malnutrition is common in Eritrea; latest statistics indicate that 38% of children between 6-36 months of age are stunted, while 15% of children in the same age range are wasted, and 44% are underweight.

About one third of water sources in Eritrea dry up during the dry season; hence, water consumption in the rural areas of the country is as low as 3 litres/capita/day as compared to the WHO standards of 20-45 litres/capita/day. At national level, only 5-7% of the rural population is presently supplied with clean drinking water.

Eritrea's water supply coverage is 22% of the total population, and only about 8% of the rural population have access to safe and adequate water supply sources. This is due to poor national water resources, low annual rainfall, absence of perennial streams and rivers, low investments in the sector, poor management of water supply facilities, inadequate human resources for operation and maintenance of facilities, poor planning, inadequate institutions and their collaboration. Human excreta, and other solid and liquid waste management and, in particular, containment and disposal in Eritrea indeed leave much to be desired. Sanitation coverage in the rural areas is deplorably low with only

less than 1% of the population have access to some form of sanitary facility such as a pit latrine and the rest of the population defecate in the open field.

Capital expenditure in the **Health sector** was Nakfa 0.23 million in 1992, and Nakfa 18.1 million in 1999. Its share in total capital expenditure of the country was 0.04% in 1992, and 4.6% in 1999. It averaged 4.65% annually for the period. Its share in GDP, at market prices, was 0.01% in 1992, and 0.30% in 1999. It averaged 0.80% annually.

### 1.3.3 OTHERS

Eritrea joined International Labour Organization in 1993. In 2000, Eritrea ratified the Basic Human Right Conventions which, among other things, deal with freedom of association and protection of the right to organize, to collective bargaining, and to abolition of forced labour, and discrimination (employment and occupation).

The Ministry of Labour and Human Welfare deals with employment, labour standards, protection of children from labour and other abuses, occupational safety and health of workers and development of peaceful labour relations. It also deals with the social welfare of disadvantaged groups such as orphans, persons with disability, marginalized women, the aged, poor family and juvenile delinquents. The introduction and maintenance of social security is also one of its responsibilities.

A new Labour Law is already drafted, while a study is underway to develop a labour policy. Up to the present, population census has not been carried out; and hence, it is very difficult to express, in statistical figures, the rate of unemployment and underemployment, as well as the total work force. Nonetheless, to enhance employment, the Ministry has provided employment exchange offices in the six Administrative Regions and urban centers. The employment services are mostly engaged in registering job seekers and notifying vacancies offered by the employers. On the average, about 10,000 job seekers are reported to join the labour market annually. At present, there are no private employment exchange services in the country. Hence, based on the new drafted labour law and experience of other countries, a study has been conducted to establish private employment exchange service.

Since independence, inspection of working condition on 14,947 establishments was undertaken. During the inspection process, 28,288 infringements were apprehended. However, due to shortage of qualified inspectors and lack of appropriate inspection equipment, it is difficult to conclude that labour inspection services are being carried out properly.

The existing transitional Labour Law gives right to workers to form their own associations limits the minimum number to be 20, but, for employers, there exist no limitations. At present, there are about 230 trade unions, structured in 5 federations and one confederation with 23,364 members (15,522 male and 7,842 female). There, presently, exist 97 collective agreements registered at the Ministry. Between 1992 and

2000, there were about 67,588 cases of labour dispute, out of which about 91% were individual cases that were settled through conciliation.

The Ministry of Labour and Human Welfare (MoL&HW) is also mandated to handle social security issue. Social security is provided through series of public measures against the economic and social distress which may result from sickness, maternity, employment injury, unemployment, invalidity, old age, death in addition to provision of medical care and subsidies for families with children.

Before the independence of Eritrea, the Ethiopian government was practicing social insurance pension scheme (old age, invalidity and survivors benefit) to government employees. However, after the independence the pension scheme has been terminated immediately. But, the former pensioners continued to get their benefit from the Ethiopian government until the boarder conflict started. At present the government of Eritrea is covering all the expenses that were supposed to be paid by the Ethiopian government. Currently a comprehensive study is under way to introduce a new social security scheme, including the introduction of a provident fund, in Eritrea; this is because of the complexity of the old pension scheme, especially when a large part of the civil service is composed of former combatants or experts brought from abroad.

It is estimated that the population of Eritrea is about 3.5 million. Children under the age of 15 years are estimated to be 46% of the total population; i.e. about 1,610,000. Statistics provided by the MoL&HW indicate the existence of over 90,000 orphans in country. The orphan issue is a growing problem due to returnees from Sudan, natural calamities, health problem including HIV/AIDS and the war with Ethiopia.

Capital expenditure on Information and Cultural Affairs was zero in 1992 and Nakfa 5.00 million 1999. Its percentage share in the total capital expenditure was 0.00% in 1992 and 1.85% in 1999. It averaged 1.86% annually for the period under consideration. It is note worthy that this sub-sector's capital expenditure dropped down from Nakfa 21.06 million 1994 to Nakfa 5.0 million in 1999 by 76.33% per annum. Its share in GDP at Market Prices was zero in 1992 and 0.08% in 1999. Its share averaged 0.92% per annum for the period.

Capital expenditure on Labor and Social Affairs was Nakfa 11.94 million in 1992, and Nakfa 9.71 million in 1999. Its share in the total capital expenditure was 13.0% in 1992, and 0.50% in 1999. It averaged 2.95% per annum for the period.

## **2.0 ASSESSMENT OF FACTORS THAT HAVE FACILITATED OR CONSTRAINED THE COUNTRY'S DEVELOPMENT**

### **2.1 DOMESTIC OPPORTUNITIES AND CONSTRAINTS**

#### **2.1.1 PEACE AND STABILITY**

The sudden eruption of an emergency situation caused by armed conflict between Eritrea and Ethiopia starting from May 1998, has resulted in the deportation from Ethiopia of Eritreans and Ethiopians of Eritrean origin. In June 1998, the government of Ethiopia officially adopted a policy of expelling ethnic Eritreans residing in Ethiopia. Currently more than 76,000 people are reported to have already been deported to Eritrea. Moreover, the present border conflict with Ethiopia has resulted in continued massive displacement of families from the boarder areas. About 350,000 are reported to be displaced as a result of the war. Since the conflict 770,000 children have been displaced and 48,750 children expelled by Ethiopian government. In September 1998, ERREC requested UNFPA support for its programme of reintegration of vulnerable groups of the deportees.

During the 30 years of Ethiopian occupation over 150,000 people have been killed, 600,000 became homeless within the country and 600,000 more were driven out of country as refugees all over the world. Over 1,000 villages have been destroyed, crop fields mined and napalmed and hundreds of thousands of livestock looted and killed. The consequences of such action by the Ethiopian forces on the livelihoods of the Eritrean population were further complicated by episodes of recurrent drought, especially since 1983/84.

In 1993, the Eritrean government presented to a pledging conference in Geneva a comprehensive refugee repatriation programme with a total funding requirement of US\$ 262.2m. Although the government's policy on repatriation and reintegration presented to the conference had the full support of the participants, the subsequent financial pledges were not adequate to run the program. To give a clue to the enormity of the resources needed, it may help to mention that the budget for the repatriation and reintegration of refugees from the Sudan was set at US\$ 262.00 million; the assistance pledged by international partners was only \$ US 13 million. About 175,000 Eritreans have returned in most cases spontaneously from the Sudan during the past ten years.

One special form of occupational and physical displacement was depicted by the flow of young people joining the liberation fronts during the thirty years war. After independence, these combatants, who formed the most active force of the society, had to be demobilized and reintegrated into the society. After 1993, some 65,000 ex-combatants were demobilized from the army and civilian departments. Demobilization payment for the 65,000 ex-combatants was, largely covered by the Eritrean Government. The contribution of international partners to the reintegration of ex-combatants did not exceed US\$ 10 million.

Regarding the present internally displaced persons and expellees from Ethiopia, a programme of reintegration has not yet been worked out due to the abruptness and magnitude of the phenomenon. Hence, the activities in that line are limited to provisions of emergency relief supplies and services. Should the armed conflict between Eritrea and Ethiopia drag on, the need emergency assistance will, without doubt, be great. Even with the cessation of hostilities, rehabilitation of the Internally Displaced People (IDPs), expellees, and the drought-affected will become an urgent task. Similarly, the repatriation and re-integration of the 163,000 Eritrean refugees in the Sudan and Yemen prepared in cooperation with UNHCR started at the end of May 2000. Furthermore, the demobilization and re-integration of large numbers of soldiers deployed to defend the nation against the Ethiopian military invasion and other various categories of national service recruits is already on the agenda.

## **2.1.2 ECONOMIC INFRASTRUCTURE**

### **2.1.2.1 Energy and Mines Sector**

Eritrea faces acute shortage of energy. The National Comprehensive Energy Survey which was conducted in 1996 was updated 1998. According to the up-dated survey, the estimated total national energy consumption is 619,580 tons of oil equivalents, out which bio-mass constituted 66.3%, oil Products 31.7% and electricity 2.04%. The excessive and unmanaged traditional use of bio-mass as a source of energy stands a serious threat to the country's fragile environmental conditions. In view of that situation, the energy efficiency of the traditional *Mogoggo*, a local cooking stove, has been improved from the current low 10% to 20% level.

In Eritrea, all electricity is generated by thermal power stations that use imported oil. Most of the power utilities in the country are owned and operated by the Eritrea Electricity Authority (EEA). The total annual power generation capacity relatively small amounting to only 70 MW.

The Hirgigo Power Expansion and Transmission Project, at a total cost of about NKF 1.5 billion, was nearly completed installing additional 84 MW power, 80 Kms of 132 KV and 165 of 66 KV and their associated sub-stations when it became the target of Ethiopian fighter jets in May 2000; however, rehabilitation works are currently underway.

The depletion of wood-fuel resources, coupled with the demand for the growth in the supply of commercialized energy, resulting of economic and population growth, more dependence of imported oil is expected in the future. This, in turn, would drains a sizeable portion of the country's foreign exchange earnings.

Eritrea has a favourable geology, which hosts various metallic and non-metallic deposits. There are a number of already known occurrences mainly for gold, base metals and high quality industrial minerals.

Promulgation of the Mining Law was a turning point since it opened the door for foreign investors. The Law attracted many foreign exploration/mining companies. After careful evaluation of the proposals submitted by the companies and their track records, seven were granted ground for prospecting and exploration in 1996. Consecutive licensing increased the number of companies operating in Eritrea to ten. In 1997 exploration work intensified and more companies showed eagerness to invest in Eritrea.

Even though the Mining Law, promulgated in 1995, in general has been attractive and considered as one of the most liberal laws in Africa, some of its provisions negatively affect foreign company's readiness to invest in the country. Hence, government participation in mining operations was minimized, income tax was lowered, and royalties were reduced.

Capital Expenditure on Energy and Mines sector was Nakfa 0.74 million 1992, Nakfa 181.0 million in 1999. The annual growth rate was 3480.0%. The percentage share in Economic Services Capital expenditure was 81% in 1992, and 10.7% in 1999. It averaged about 11.0% per annum. In terms of percentage share in GDP at Market Prices, it was 0.03% in 1992, and 3.0% in 1999. It averaged 2.1% per annum for the period.

#### **2.1.2.2 Transport and Communication Sector**

Prior to the liberation of Eritrea on May 24, 1991, transport and communications services were in poor conditions. Soon after liberation, large investment funds were allocated for this key sector to rehabilitate and develop the basic infrastructures which had been heavily damaged during the thirty years of war of liberation. These included roads, bridges, air and sea ports, telecommunication networks and telephone lines.

Today, this sector is one of the most important sources of non-tax revenue to the Government. In the fiscal years of 1996 and 1997, its share accounted for 13.5% of the GDP. Moreover, it is one of the largest economic sectors that employs several thousand Eritrean professionals, sub-professionals, technical, clerical and non-clerical workers. In terms of investment, a great deal has already been accomplished in the transport sub-sector. Yet, an investment constraint is particularly visible in the sub-sectors of commercial air and sea transport (including the requirements for the expansion of air ports and sea ports). Moreover, the Ethio-Eritrean Border Conflict has, to some extent, negatively affected the smooth continuation of air, land and sea transport, communication and trade exchange between Eritrea and the outside world.

In July 1991, Asmara Airport resumed operation; and the Eritrean Civil Aviation Authority became a full member of the World Meteorological Organization (WMO), and the International Civil Aviation Organization (ICAO) in 1993; the Airport Council International (ACI) in 1994; and also the African Civil Aviation Commission (AFCAC) in 1995. At present, Eritrea has two main airports (Asmara and Assab) and ten airfields. With the exception of the two main airports, all of the airfields need major repair and

rehabilitation. A new International Airport is under construction in Massawa, which is designed to serve the anticipated tourist and export processing demands.

The current road network in the country is 6,990 km of which paved, gravel and rural roads comprise; 736 km (10%), 888 km (13%) and 5,366 km (77%) respectively. With a total area of 124,300 sq. km and a population of 3.5 million, the road density indicators are 0.06 km per sq. km and about 2 km per 1,000 population. The level of motorization has increased significantly from a total vehicle fleet of 8,669 in 1991 to 38,655 by the beginning of year 2000, which is a growth rate of about four and half times over a period of eight years. Nonetheless, the demand for inter-urban transport services growing consistently. The number of registered buses in Eritrea increased from 267 in 1991 to 1,562 in 1999 representing an annual average increase of 161 buses (26 %) per year.

Like the transport and communications sub-sector, the infrastructures of the maritime transport Sub-sector have also been severely damaged during the war. Thus, from 1992 to 2000, the main focus of activities in this sub-sector was on the rehabilitation and reconstruction of the two major ports (Massawa and Assab), which are strategically located in the Red Sea coastline. Massawa Port handled about 709,000 tons of cargo per annum from 1992-2000 on the average, out of which 94% was discharged and only 6% loaded cargo. The trend is showing a significant growth. Further breakdown of the data also shows that out of the total cargo, 90% was national and 10% transit cargo. The cargo traffic for the Port of Assab from 1992-1997 was about 2.62 million tons on the average, out of which, 83% was discharged and 17% loaded cargo. Cargo handled in the port of Assab has declined since 1998 due to the war with Ethiopia.

The containerization of the commercial cargo is still on a minor scale in the Eritrean ports. Recently, both ports have acquired new mobile container handling cranes with a capacity of 75 tones each, and ,as a result, container-handling performance of both ports has increased from 5 boxes to 15 boxes per gang/hour.

In 1992 the Eritrean Postal Telecom Authority was established with the aim of administering, rehabilitating and reconstructing the existing Telecom and Postal infrastructure. In 1998 Communications Proclamation No. 102/1998 was published forming the Communications Department in the Ministry of Transport and Communications as the regulator and Telecommunication Services of Eritrea and Postal Services of Eritrea as the operators.

The total number of tele-service subscribers in the country was around 10,000 in 1992; this increased to about 21,194 in 1997. The penetration ratio increased from 0.52% in 1992 to 0.80% in 1997. Though the number of customers more than doubled during 1992-97, the waiting list has now increased to 40,000 all over the country. The service provided was only voice and fax. Hence, in order to satisfy such a high level of demand and to introduce new modern services, deregulation, privatization and restructuring are currently underway.

Capital expenditure in transport and communication sector was Nakfa 5.03 million in 1992, Nakfa 64.3 million in 1999. The annual growth rate was 168.3%. Its percentage



share in Economic Services capital expenditure was 5.5% in 1992, and 3.3% 1999. In terms of percentage share in GDP at Market Prices, it was 0.23% in 1992, and 1.05% in 1999. It averaged a growth of 1.39% per annum during the period 1992-1999.

### **2.1.2.3 Public Works**

Since Independence, developing actively and steadily building construction was primarily undertaken by the private sector, while the government-run institutions undertook the road projects. It was only during the last 3-4 years that the private sector was involved in the rehabilitation and construction of new roads. However, the domestic private sector is still in its infancy with a very low investment capacity, especially in the major fields of roads, airports, and sea ports.

The Ministry of Public Works registers and issues licences to the private sectors enterprises, that wish to participate in the construction industry. The number of local and foreign contractors and consultants registered in the Ministry increased from, practically zero at independence time to 430 and 50 respectively in year 2000. Out of total number of contractors, only 16% are capable of handling projects costing over five million Nakfa.

### **2.1.2.4 Lands, Water and Environment**

The Ministry of Land, Water and Environment (MLWE) was established in March 1997 following the government's second round restructuring process that took place in early 1997. In light of the government's current administrative policy, the MLWE is concerned with developing policies, strategies and regulatory instruments for land, water and environmental issues. In line with this policy guideline, the MLWE, over the last three, years, has been intensively working in defining its roles, and responsibilities and in adopting proper organizational structures for executing its planned activities.

The MLWE is still on the process of developing regulatory instruments that would ensure the proper use and management of land, water and environment. Monitoring the implementation process of proclaimed land laws is also one of its main functions.

The management of land in Eritrea has been effected by several centuries of colonization; during that period, colonial powers introduced different types of land laws designed to serve their interests. In addition the negative effects of the war for liberation and the recurrent draughts had resulted in environmental degradation, as well as serious conflicts related to land issues among different ethnic groups in the country.

The new Land Law, which was proclaimed in 1994, states that all land is owned by the government in the name of the people of the country. Land is not a private property, and hence cannot be bought and sold save the infrastructural investment made over it; citizens exercise only usufruct right over land. The Law accords free land for all citizens above eighteen (18) years of age for residence in their home villages. It also accords free (tax paid) land to farmers whose livelihood is based on farming and for residential

purposes, industries, business and commercial institutions, commercial agriculture as well as for government offices.

Low rents are charged for residential, commercial, industrial leases and institutional uses. However, the rent fees charged for commercial agricultural land, 5-10 cents/m<sup>2</sup> or 500-1000 Nakfa/hectare, has been deemed too expensive.

After independence the Department of Water Resources undertook the rehabilitation and maintenance of all urban water supply systems as its priority program. After rehabilitation, the water supply services were handed over to the respective Town Administrations; at the same time, 610 wells were constructed; in rural areas, and water committees were established in 243 villages.

Climatic, hydrological, and hydro-geological data collected before independence were inadequate, both in quality and quantity, to properly assess the water resources of the country. The Water Resources Department, thus, established a monitoring network to update the existing data and collect fresh data. The network comprises 30 class IV rainfall gauges; 14 river gauges; 8 automatic self-recording weather stations; and 12-ground water monitoring stations. In terms of national coverage the network is still inadequate and plans to expand it are in place.

In 1995, an interim secretariat was established to prepare a National Environmental Management Plan for Eritrea (NEMP-E). Following the publication of the NEMP-E an Eritrean Environmental Agency was established, as an autonomous body under the umbrella of the Ministry of Local Government. Following the Government's administrative restructuring that took place in 1997, the Agency became the Department of Environment (DoE) within the newly created Ministry of Land, Water and Environment.

#### **2.1.2.5 Fisheries**

The waters of the Red Sea are highly productive, supporting substantial populations of diverse marine species, with around 1,000 known species of fish and 220 species of corals. The commercially important ones can be categorized into five groups, viz., demersal, pelagic, ornamental, crustacean, and cephalopods. Based on this classification, there are 104 demersal, 79 ornamental, 26 pelagic, 2 crustacean and 2 Cephalopod genere of fish.

The volume of fish catch has increased from 780 tons in 1997 to 9,070 in 2000 (only 8 months) and is expected to reach 14,000 by the end of the year. This is mainly due to increased inputs and incentives provided by the Ministry of Fisheries towards improving local industrial and artisanal fisheries, as well as increased involvement of foreign licensed vessels in fishing activities.

Domestic fish markets are longely confined to the main cities along the coast areas where fish is the only source of protein for the coastal population. The Ministry of Fishery

has instituted a marketing program for promoting fish food for the internal market. Restaurants specializing in fish food are very rare and only operate in Asmara and Massawa. There is a strong preference of meat and, as a result, fish consumption is very low i.e. 0.25kg/y/capita. There is, however, an increasing trend of local fish consumption. The total national fish consumption rose from 634 tons during 1998 to 1,2821 during 1999. Nearly 80% of this amount is consumed in Asmara. Only 5% of the total population include fish in their regular diet.

So far, five companies have been temporarily authorized to export fish from Eritrea: LEDA Fisheries, ERIFISH, Red Sea Fishing and Marine and Thomas Fisheries. The Ministry guarantees the quality of the products, which inspects all the fish due for export and allow only for the E grade to be exported. The amounts of fish exported rose from 266 tons during 1993 to 5,789 tons during 1999.

### **2.1.2.6 Trade and Industry**

Currently, the Trade and Industry sector has become one of the important sectors of the Eritrea's economy both in terms of employment and contribution to the GDP. The share of the industrial sub-component in GDP has increased from 12% in 1992 to 19.5 in 1999.

In the early days of liberation, the immediate task facing the sector was the jump starting and gradual transformation of trade and industrial activities which have been crippled by war and draught. A number of bold measures were taken to liberalize trade, thereby ensuring the supply of basic consumer goods in the domestic market. Prices were deregulated and distribution was decontrolled phase by phase.

Under the Reconstruction and Rehabilitation Programme of Eritrea, investment funds were made available to public and private manufacturing enterprises for the procurement of raw materials and spare parts. At the same time factories that were out of operation resumed production after due rehabilitation and maintenance.

Wholesale trade has also increased from 485 million Nakfa in 1992 to 655 million Nakfa in 1999, but its percentage share in GDP has declined due to higher performance in other sectors.

To develop trade, specific promotional activities have been carried out in coordination with trade facilitating sectors, i.e. transport and communications, finance (including central, Investment and Commercial banks). The gradual elimination of tariff and non tariff barriers and the easing of licensing procedures also encouraged foreign trade.

In 1992, the issuance of permanent domestic and foreign trade licenses coupled with trade liberalization measures resulted in the expansion of volume of trade.

In 1994, licensing procedures were radically improved, so that the time taken to issue a license was reduced from two weeks to about 3 days. The licensing system was further

revolutionized, when the Office of Business License was established in 1995 and a "One stop shop" licensing system started operation.

The Cumulative effect was that the value of imports soared from Nakfa 367 million in 1993 to Nakfa 3,128 in 1999. Exports also grew from Nakfa 46 million in 1992, to Nakfa 394 million in 1994 and then declined to Nakfa 163.5 million in 1999. Imports declined after 1998, but the decline of exports was drastic following the Eritro-Ethiopian war.

When Eritrea gained its independence, the Provisional Government of Eritrea inherited an industrial sub-sector consisting of 42 public manufacturing enterprises and around 645 small scale private sector enterprises. It was weakened by years of centralized direction and control. Private sector manufacturing enterprises were characterized by low capitalization and undeveloped marketing and business management skills. Many enterprises, both public and private were not operating due to lack of raw materials, spare parts and, above all, a serious shortage of skilled personnel.

Capacity utilization in public enterprises increased from about 55% in 1991 to nearly 73% in 1994, sales increase by 42% while the productivity of labour force in the enterprises increased by about 20% annually. Employment also increased from 4,600 in 1991 to 6,900 in 1994.

Through the establishment of the Board of National Agency for Supervision and Privatization of public enterprises in 1995, the government paved a way for privatizing public enterprises. In the period 1997-2000, out of 39 enterprises, 35 have been sold and the rest are in the process of divestiture.

The number of manufacturing enterprises creased from 645 in 1991 to more than 1,900, in 1999, with the total work force of over 20,000 employees. Gross value of industrial output increased from Nakfa 419 million in 1992 to Nakfa 1102 million in 1998, thus registering an annual growth rate of over 40%.

Realizing the critical role of private capital could play in the country's development process, the Government promulgated the Investment Proclamation in 1991 which reflected its preliminary policy preferences towards domestic and foreign investments. But, it was revised by a more liberal Investment Proclamation (1994) that created attractive, conducive and supportive environment for local and foreign investors. The existing Investment Proclamation is fully liberal according equal treatment to domestic and foreign investors in all sectors of the economy. In order to build up overall confidence, investors are offered full guarantee regarding the security of their assets and can freely remit foreign exchange out of Eritrea. Moreover, Eritrea is a signatory and full member of MIGA, WIPO and other international organizations.

During the last eight years the Eritrea Investment Center (EIC) has approved 791 industrial projects with a total of investment capital outlay of NKF4.54 billion, out of which 38.1% (NKF 1.7 billion) was foreign investment inflows including Eritreans in the Diaspora. The annual growth rate of FDI inflows during the last eight years was 17.8%.

The objectives of the Eritrean Standards Institute (ESI) are to formulate national product quality standards acceptable at international level. So far, 434 standards have been legally published in the areas of food chemicals, building materials, mechanical and electrical engineering as well as textiles and leather.

### **2.1.2.7 Tourism**

Capital expenditure in the tourism sector rose from almost nil for the period between 1992-1995 to Nakfa 1.39 million in 1999. Its share in GDP at Market prices for that latter year, on the average, accounted for 0.02% for the said period.

With the assistance of UNDP and World Tourism Organization (WTO) a twenty-year prospective development plan is already in place. As the industry functions in a multi-sectoral context, the Ministry of tourism (MOT) is, currently, discussing the plan, on priority basis, with relevant ministries and organizations.

The MOT is member of the World Tourism Organization (WTO), and is in the process of making its Hotel and Tourism Training Center a member of international association of such training centers. Efforts are under way to form Eritrean Tourism Association in order to promote the private sector actively play its role in the development and management of the sector.

### **2.1.3 POLICY REFORMS**

Eritrea inherited not only a shattered economy, but an economy with inherent structural defects and vulnerabilities. The introduction of new macroeconomic policies, financial sector reforms, investment and trade policies and taxation policies were, therefore, imperative. In short, Eritrea is, nowadays, in a better position than during the early 1990s in terms of having policies that promote growth and development in place. The objectives of Eritrean National Economic Policy Framework and Programme for 1998-2000 (NEPF) were the acceleration of economic growth rate, employment generation, improvement of education and health sectors, and introduction of protective measures for environmental resources. Over the period 1992-1999, the fiscal and monetary sectors of the Eritrean economy also witnessed development of institutional framework. In addition to the above institutional developments geared to promote Private sector-led, outward-looking and market-oriented economy, two important components of the phenomenon are worth mentioning.

To promote competition, the Government opened up all the economic sectors to greater private participation including foreign investment. The Bank of Eritrea has licensing procedures for financial institutions with guidelines required to regulate them. As new banks and other financial intermediaries enter the market, the Eritrean banking and financial system is expected to be more competitive and able to create a wider range of financial services. Subsequently, interest rates will be determined by market forces

without the need for formal consultations between the Bank of Eritrea and commercial banks.

The Health policy introduced in 1996 was highly subsidized; it was revised in 1998, basically, in order to avoid the practice of subsidy and formulate an health financing system that introduces cost sharing mechanisms. The MoH aims to prevent or, at least, minimize reductions in health service utilization following the fee increase as indicated in the 1998 policy. To do so, first a mechanism must be established to ensure that a portion of the funds thus collected is ploughed back for the improvement of health services themselves. Secondly, careful public consultation and information is necessary because if fee increase is made without adequate publicity, there could be widespread confusion. Finally, with higher fees, a clear policy on exemptions becomes necessary, i.e., access by those who need the service most, but couldn't afford it should be ensured.

As previously stated, the Government of Eritrea is committed to pursue fiscal, monetary, trade and investment policies that are capable of maintaining investor confidence and stimulating economic growth. A summary of the most important aspects of Eritrea's economic policy framework is given below:

### **2.1.3.1 Fiscal Policy**

Fiscal Policy objectives of the Government aims at enhancing the revenue yield of the tax system in line with the growth rate of GNP; this aim is planned to be realized mainly through controlling government expenditure strengthening tax compliance and administration, promotion of optimal allocation of scarce resources; provision of adequate incentives for domestic saving and investment of national and foreign origin, and financing of investments in areas where the private sector is not willing or unable to venture.

A tax structure that substantially improves mobilization of revenues, efficient use of resources, and achieves greater equity has been established. The new tax structure broadens the tax-base and spreads the burden of taxation. The overall tax-rates structure levied on different sources of income and wealth has been substantially narrowed to ensure neutrality of its effects in resource allocation. The Government's efforts to improve tax and customs administrations have also been reasonably successful. The tax collection rate has been improving steadily, exceeding 19.0 percent of GDP in 1997. During the period 1994 to 1997, tax revenues as a percentage of total government revenue averaged 54%. The tax regime is designed in such a way as to meet fiscal adequacy, and internal and external efficiency (time required to process tax transactions by the authority and that required by tax payers to file and pay taxes). However, it needs to be enriched by transparent and easily understandable legal Proclamations and Notices. It also needs to be characterized by effective and efficient relationship between the Central Government and the Local Administrations in terms of revenue-generating responsibilities and revenue-sharing arrangements.

### **2.1.3.2 Monetary Policy**

Having introduced its own currency - the Nakfa - the Bank of Eritrea is now well positioned to devise and implement its own monetary policy to promote macroeconomic stability and to facilitate economic growth.

The Bank of Eritrea uses its monetary policy instruments to maintain price stability while influencing credit and interest rates. Bank credit is managed so as to ensure that the economy is adequately financed without unacceptable price fluctuations. The Bank makes sure that credit to the public sector does not crowd out private investment. With only three banks currently operating in Eritrea, the financial market is far from being developed and competitive. In terms of deposits, one bank, the state-owned Commercial Bank of Eritrea, controls over 90% of the market. Interest rates for lending to the various sectors of the economy are determined by the two banks, the other being the Housing and Commercial Bank, based on periodic consultations with the Bank of Eritrea.

Eritrea inherited an overvalued Ethiopian Birr and a fixed exchange rate system with an active parallel market for foreign exchange. In order to improve the management of foreign exchange resources and the competitiveness of Eritrean export products, the Government, immediately after liberation, introduced a number of liberalization measures. These measures included the introduction of a preferential exchange rate, allowing the informal sector to operate freely, eliminating foreign exchange declaration requirements for visitors coming into and leaving Eritrea, and allowing full retention of foreign exchange earnings for exporters.

With the introduction of the Nakfa, Eritrea has adopted a managed float exchange rate system. Under this system, banks and foreign exchange bureaus are free to set their own exchange rates. The Bank of Eritrea monitors exchange rate movements closely and intervenes from time to time, to smoothen adverse foreign exchange rate fluctuations. Using the US Dollar as the intervention currency, the Bank of Eritrea influences exchange rate movements by buying or selling dollars in the foreign exchange market. The floating exchange rate system was adopted because it was considered to be consistent with Eritrea's overall market-based, export-oriented, and private sector-led development strategy.

### **2.1.3.3 Trade Policy**

Eritrea is committed to pursue an open and liberal trading policy and regional economic cooperation. To encourage rapid expansion of trade and free mobility of capital and people, the Government has eliminated or substantially reduced trade barriers. To promote competitiveness in domestic production, nearly all quantitative restrictions and prohibitions on imports have been eliminated. The import tariff structure has been rationalized by narrowing the tariff bands and reducing rates substantially. The customs administration has been streamlined by reducing and simplifying the steps and procedures that importers have to go through to obtain clearance. As far as exports are concerned, procedures have been simplified and all taxes have been eliminated.

In addition to these unilateral steps that have been taken or are being taken, Eritrea is working with countries in Eastern and Southern Africa to enhance free movement of goods and services among them. Eritrea is a member of both IGAD and COMESA, and it is actively working for the elimination of trade barriers. It is committed to facilitate inter-country resource mobility, thereby creating the basis for economic integration. Both IGAD and COMESA countries have agreed to expedite the elimination of all trade barriers between them, and are working through their respective secretariats to encourage member states to undertake the necessary policy and administrative measures to implement the agreement.

#### **2.1.3.4 Investment Policy**

Consistent with its strategy to develop an outward looking, private sector-led market economy, Eritrea has adopted very liberal investment policies. The Eritrean investment and Macro-Policy documents, as articulated in 1994, open up the economy for private participation. Foreign investment is encouraged in all sectors without restrictions related to ownership or capital structure.

Eritrea's investment policy treats domestic and foreign investors equally in getting access to land, utilities and other production inputs. There are no controls for repatriating dividends and capital gains, and foreign investors are free to repatriate their profits and capital gains through the domestic foreign exchange market. The Eritrean Government views foreign investment and collaboration as an important vehicle by which to supplement its limited supply of production technology, capital, and management and marketing skills. Investors are encouraged to bring in capital and other production inputs upon payment of a minimal customs duty. Employment of expatriate staff whose skills are in short supply in the Eritrean market is allowed.

#### **2.1.4 CONDUCTIVE ENVIRONMENT FOR PRIVATE SECTOR DEVELOPMENT**

The Macro Policy of November 1994 defined the leading and active role of the private sector vis-à-vis the proactive role of the public sector as well as objectives, policies, strategies and priorities of development for the first time. Proclamation No. 54/1994 improved Proclamation 18/1991 and which established the Investment Center to promote, encourages and guides investment. Proclamation No. 76 of July 3, 1995 provided membership of Eritrea in International Finance Corporation and the Multilateral Investment Guarantee Agency.

Eritrea's overall development strategy aims at facilitating the establishment of a dynamic private sector-led market economy. Consistent with this, the Government initiated privatizing all the public enterprises it inherited from the Ethiopian Government. While the process of privatization is continuing, all public enterprises are subjected to market discipline. They are operating on a commercial basis without recourse to the



government budget. At the same time, steps have also been taken to ensure efficiency and accountability in all the remain public enterprises.

The Government has limited its role to maintaining law and order, sound macroeconomic policies, and to undertaking critical investments in strategic sectors of the economy where private sector investors are either unwilling or unable to make optimal levels of investment. The Government's position is that the creation of production capacities will be left to the private sector both domestic and foreign. Promotion of competition through greater reliance on market forces in all segments of the economy is the hallmark of Eritrean economic management strategy.

Private investors have been duly encouraged to invest their capital in the fisheries sector - the country's most un-exploited resource. In 1997, there was no foreign company operating in the sector. But, the last three years (1998-2000) have shown a proliferation of joint venture and private investments in the sector unlike the previous three to four years. In 1998 about 40 companies showed interests to get fishing licenses, and other operations. However, the border conflict became a major stumbling-block to getting investment underway and as a result only 6 of them became operational.

At the time of independence in 1991, a mass of inefficient and mis-managed State-owned enterprises were, literally, thrown at the doorsteps of the Eritrean Government. At that time, there was, as such, no private sector to talk about in Eritrean, as it had already been deactivated, decimated or even blustered out of existence and replaced by a command economic structure. Consequently, the government had no alternative other than to shoulder the responsibility of managing such enterprise and, thereby, assume leadership in re-activating the country's private sector economy. However, through the years, in pursuit of its policy of establishing a market-driven, private sector-led economy, the Government progressively released its previous intervention and control of the economy. This process of privatization culminated in the successful transfer of 35 State-owned enterprises to private ownership. Presently, with the relative mobilization of the private sector, the government is fast withdrawing away from public enterprise management. And as a logical consequence, an over-sized civil service, largely redundant, that once was an attribute and a *sine-qua-non* in a command economy, became unwarranted and expendable. Thus, in order to eliminate the "ghost worker" problem, the need for a lean, efficient, affordable, accountable and transparent civil service corps emerged as the watchword of the Government.

### **2.1.5 GOVERNMENT FINANCE AND DOMESTIC RESOURCE MOBILIZATION**

In Eritrea, total revenue (total domestic revenue plus external grants) increased from Nakfa 488.8 million in 1992 to Nakfa 2,081.5 million in 1999. The average annual growth rate was 20.0% for the period. Total domestic revenue mobilized increased from Nakfa 488.8 million in 1992 to Nakfa 1,820.9 million in 1999. The annual growth rate was 20.7% for the period. The average percentage share of domestic revenue in GDP, at

market prices, was and 29.7% in 1999. The percentage share of domestic resources mobilized in total revenue was 100.0% in 1992, and 87.5% in 1999.

As component of total domestic revenue, tax revenue increased from Nakfa 297.6 million in 1992 to an estimated Nakfa 967.7 million in 1999 accounting for annual growth rate of 18.3%. Its percentage share in the total domestic resource was 60.9% in 1992 to 46.5% in 1999 averaging 54.8% annually.

In a developing country like Eritrea, many of the services rendered by the Government play an important role in the development process. Expenditure on administrative and general services is a necessary component in creating an appropriate environment for development. Expenditures on economic sectors are part and parcel of capital formation, and so are expenditure on education, health, sanitation and housing.

Government recurrent expenditure increased from Nakfa 462.3 million in 1992 to Nakfa 2,042.7 million in 1999. The annual growth rate registered was 37.1% for 1992-1999. The percentage share of recurrent expenditure in the total Government expenditure was 83.5% in 1992, and 40.4% in 1999, averaging 64.9% per annum.

The annual growth rate capital expenditure registered for 1992-1999 was 289.4%. The ratio of capital expenditure to GDP, at market prices was 0.05 in 1992, and 0.88 in 1999. The ratio increased by 237.0% during the period. Capital component of External Grants increased from zero in 1992 to Nakfa 1,437.6 million in 1999. The total expenditure of External Grants was zero in 1992, Nakfa 458.2 million in 1998. The Loan component of capital expenditure increased from Nakfa 1.0 million in 1992 to Nakfa 515.4 million in 1999. The annual growth rate was 2,188.6%.

Major factors that contributed to the increase of total Government expenditure from domestic and external sources during the period were the creation of new institutions, of line Ministries and Agencies and strengthening of their capacities. Rehabilitation and recovery expenditure was required in order to strengthen the inherited weak economic infrastructure and social service delivery systems. Other factors that contributed to the progressive increase in total government expenditure include incurring payments to demobilized ex-fighters and families of martyred fighters, expenditure made to provide assistance to returning refugees and internally displaced Eritreans, and finally the introduction of a new and more remunerative salary and wage scale and payment system for the civil service.

The overall deficit was Nakfa 65.1 million in 1992, and Nakfa 1,260.2 million in 1999. The overall deficit percentage shares in GDP at market prices, were 2.97% (1992), and 20.6% (1999); it averaged to i.e. an increase of about 12.3% per annum during the period.

Overall expenditure increased from Nakfa 553.9 million in 1992, to Nakfa 3,471.8 million in 1999, with an annual average growth rate of 30%. Its percentage share in GDP at market prices was 25.3% in 1992, and 56.7% in 1999; it averaged to about 51.3% per annum during that period.

Gross domestic investment from both internal and external sources increased from Nakfa 92.6 million in 1992 to Nakfa 6,467.5 million in 1999; with an annual growth rate of 983.5% for the period. Total domestic resources mobilized was Nakfa 296.5 million in 1992, and Nakfa 7,219.5 million in 1999, with an annual growth rate of 333.6%. The ratio of domestic resources mobilized (DRM) to GDP at market prices was 0.135 in 1992, and 1.179 in 1999. The average domestic resources mobilized was 75.5% of GDP, at market prices. The ratio of DRM to Official Development Assistance (ODA) was 296.5 in 1992, and 8.1 in 1999.

The above figures suggest that Eritrea was on the path of self-sustained growth; it also means that it has increased its investment outlay greater than consumption expenditure.

## **2.1.6 GOVERNANCE**

Good governance as a process of designing and administering public policy is increasingly recognized as a precondition for private sector development. The indices of the quality of governance include a) amount of red tape, b) corruption, c) efficiency of judicial system, d) contract enforceability and e) risk of expropriation. Domestic and foreign investors perception regarding government credibility, stability, transparency of the legal framework and confidence in enforcement agencies is of paramount importance. The two main challenges of governance are a) ensuring efficient and affective public sector management, and b) creating a legal framework that accommodates private sector development.

### **2.1.6.1 Local Government System**

Early during 1994, the Eritrean Government launched a bold programme to reform the civil service structure and performance system. The central objective of the reform programme was, and still is, to create a lean, efficient and effective civil service corps that is transparent to the public, as well as to establish institutional working procedures that function with minimum or no bureaucratic red-tape. With the aim of rationalizing and establishing a system of governance that fulfills national goals and objectives, the Government initiated the implementation of a process of restructuring of all public organizations and institutions, including the composition of the civil service. The task is currently well in progress along three fronts: a) retrenchment and re-deployment of public servants, b) restructuring of government institutions, and c) regionalisation, and decentralization. Furthermore, later in 1996, a new system of local government was promulgated which divided the country into six Regional Administrations each having subsidiary Sub-regions and Area Administrations. This three-tier administration system was accompanied by a gradual introduction of functional decentralization and devolution of decision making powers and responsibilities.

All development Ministries are planned to decentralize their operational functions to the six Regional Administrations, with the exception of only five ministries (Ministries of Foreign Affairs, Defense, Justice, Finance and Information) which will maintain their central functions intact. This raises the thorny question of double subordination and accountability of the regional line ministry representatives. A Regional Administrator demands compliance to his/her executive directives by all regional line ministry representatives in his/her Administrative Region; but such regional line ministry representatives are custodians of sector plans charged with the task of implementing them in line with the norms and directives set by their respective central line ministries. The solution adopted by the Government is that ministries that devolve their operational function be limited to providing general backstopping services in the areas of policy making, technical performance standards and regulatory tasks, development research, and human resource development. In Eritrea, the sum total of the regional plans appear to constitute the national plan. Each of the regional representatives of the line ministries are expected to present their sector plans and budget proposals. But, sector budget preparation and approval, along with their regional allocations, is formulated by the concerned line ministries/agencies at central level. And the Ministry of Local Government, as represented by the Regional Administrators, is wholly responsible for the co-ordination and implementation of the various line ministries' programmes at regional level. However, national programmes and projects whose implementations require crossing the formal Regional Administrative boundaries continue to be run by concerned central ministries/agencies.

Another delicate issue that remains to be carefully considered is the fiscal impact of the Eritrean strategy of decentralization. As stated above, despite the current move towards decentralization, the Ministry of Finance will be exempted from decentralizing its functions to Regional levels, i.e. it will maintain fiscal control from the centre. But, the Proclamation on Regional Administration confers the Regional Assemblies to raise revenues by levying regional taxes. And the type of taxes and other revenue instruments that will be devolved to the Regional Assemblies, as well as the level of revenues generated, will have implications on the amount of transfers of centrally collected revenues to these regions. Given the resource imbalance between the Regions, the government will, by imperatives of development economics, assume the responsibility of interregional allocations and transfers of resources. Hence, it is clear that the success of the whole decentralization programme will crucially depend on the actions taken by the government to strengthen the implementation capacity of the Regional Administrations.

The goal of national unity has clearly guided the establishment of the new six Administrative Regions in the sense that the delineation of administrative boundaries were made to follow, not ethnic or cultures groupings, but rather economic and geo-climatic homogeneity. And the principle of self-reliance has set the point of departure, pace, tempo of the country's move towards development in all fronts. However, that system and process of governance is being closely monitored, and has not been allowed to run faster than the Government's ability to control it. Long-term perspective planning aiming at results having sustainable impact, and not quick fixes, dominates the government's development design.

The MOLG, through its Eritrean Community Development Fund (ECDF) financed by World Bank loan, is actively involved in economic development and social service delivery activities at Regional and Sub-regional levels. During the fiscal years of 1992-1999, on the average, Nakfa 140-150 million has been utilized by the Regional Administrations on development work every year; and this is excluding expenditure made by other line ministries in their respective areas of intervention. During those years, the Ministry spent Nakfa 1,186 billion, out of which 21% went to school construction, 16% to agriculture, 15% to road construction, 14% to health, and 11% to water supply.

#### **2.1.6.1.1 Retrenchment**

The objectives of the civil service retrenchment programme is to create a lean, accountable and transparent civil service corps capable of formulating and implementing public policies and delivering public services in an efficient and effective manner. To that effect, three-rounds of retrenchment of government employees has already been conducted. That meant the laying off of about 11,500 redundant government employees, at one to three months notice and with a compensation of three months' salary payments; in other words, the civil service core was reduced by 34%; this move was accompanied by job re-descriptions, salary adjustments as well as a process of recruitment of new and competent senior civil servants. After an extensive manpower inventory, 1,686 vacant posts were identified, requiring personnel with qualification starting from grade 12 all the way up to Ph.D. academic degree holders. Subsequently, the Human Resource Development Project (HRDP), financed by IDA loan, was initiated after the identification, in 1997, of acute shortage of skilled manpower within the Eritrean civil service sector.

#### **2.1.6.1.2 Restructuring**

The second component of the process of reform of public organizations and institutions was the restructuring the government ministries and agencies; it had the following two main objectives; i.e. a) the creation of robust civil service institutions that can house the national goals, policies, plans and programmes, and b) the establishment of an effective and efficient public sector management system by launching a comprehensive national human resources development programme, and by designing, developing and implementing a Management Information System (MIS) capable of serving the diverse needs of the public service sector.

The new institutional framework is a short and flat three-tier pyramidal organizational structure. Job standardization, classification, description, and determination of the skill standards have been completed during mid-1990; and a salary system based on the principle of equal pay for equal work is now in full force. Merit and productivity are the

two corner-stones for developing the civil service compensation system, as well as for recruitment rules and procedures. Policy aspects of public service sector appear to be well thought out, analyzed and formulated. However, there still exists a wide gap between the actual present civil service output and the performance standards the Government desires to introduce.

### **2.1.6.1.3 Objectives of Decentralization**

The process of decentralization in Eritrea has the objective of creating a comprehensive, uniform efficient and effective decentralized Regional Administration systems. In line with this objective, the Eritrean Constitution, clearly calls for the devolution of powers within a unitary State. That is made abundantly clear by the specifics of the Proclamation for the Establishment of Regional Administrations, which deals with the scope of devolution and the role of central line ministries, Regional Assemblies and Area level of Administrations. The strategy adopted appears to constitute a dynamic, not static, mix of both the principles of deconcentration and devolution. And, it is closely related with institutional reforms, capacity building and popular participation, as well as the unequivocal goals of national unity and self reliance.

The system is expected to function by linking regional government institution in two main ways. The first linkage is through the co-ordinating function of the Regional Administration led by an Administrator with generalist credentials and the second is to bring the local level communities, and their representatives, the local government and the line ministries together at that levels. The restructuring of the ten previous provinces into six Regions, obviously, increased the span of control of the Regional Administrations; but, the reduction of the Regional administrative levels from a four-tier to a three-tier system cuts short the chain of command. In other words, the new Regional Administrations will have a shape of a flat but short pyramidal organizational structure. The choice for such an organizational design has the objective of strengthening the Regional Administrations, and, thus, shorten the period for the completion of the decentralization process.

However, the central government is aware that speedy transfer of responsibilities and operational authority to local government units is constrained by shortage of adequately trained manpower at sub-national level. In recognition to that fact, the central government is visibly cautions not to overload the local governments with functional responsibilities that exceeds their capacity. Hence, for many years to come, it may face the task of releasing and balancing central control to the Regional and Sub-regional levels of Administration. In addition, given the presently known resource base of the Eritrean economy, the possibility for Regional authorities to collect public revenues for their own regional use to enhance decentralization is extremely meagre; resource disparity between the Regions also exist. Still more, decentralization requires removing the existing weak communication infrastructure in the country, which, in turn demands time and massive capital expenditure outlay. Therefore, the realization of the whole process of decentralization in a sustainable manner will take a gradual approach and might require a long time.

### **2.1.6.2 Administration of Justice**

Soon after independence, the Ethiopian legal codes that were in force since the early 1990s were, after necessary adjustments, accepted to continue to be in force on transitional basis; these include the Civil, Civil Procedure, Penal, Criminal Procedure, Commercial and Maritime Codes. When adopted, they were amended essentially mainly to restore habeas corpus and include certain crimes omitted from the Ethiopian Penal Code.

The newly emerging laws in Eritrea take into account the experiences gained during the war for liberation, laws from previous regimes, and the Eritrean customary laws. At present, the Ministry of Justice gives top priority to legal reforms, restructuring of the courts, and training of legal personnel. To that effect, the Ministry established three expert committees to study and present draft proposals for the country's legal codes; these Committees started their work on January 15, 1997, and some of these codes are now on their final stages of preparation.

The Eritrean Constitution, ratified by the Constituent Assembly on May 23, 1997, is based on the principles of national unity, equality, justice, balanced development, respect of human rights and democracy. As regards to the fundamental rights and freedoms (human rights), the Constitution devotes considerable part of its provisions to principles of equality under the law and, right to life and liberty, human dignity, access to fair trial, privacy, as well as to freedom of conscience, religion, expression of opinion, movement, assembly and form political organization, elect and be elected, and to own property that excludes land. The constitution is currently being implemented; two special National Committees are now appointed and working to establish the electoral and party formation laws.

### **2.1.6.3 Mass Media**

The main task of the Ministry of Information is to establish and administer government newspapers, magazines, radio and TV stations, and introduce government policies to the public for discussions and comments. It also provides a forum for the public for free expression of views and opinions. In addition, it provides and disseminates educational programmes aimed at promoting public awareness and assisting development programmes in cooperation with concerned organizations.

A press code which allowed the private sector to appear in print media was issued in 1997. There are, currently, 11 newspapers and 5 magazine in circulation. The newspapers are weekly and the magazines are quarterly. There are also several magazines, which are issued on different occasions. The private newspapers' and magazines' circulation is, currently, hampered by the high cost of printing and lack of skilled manpower. Currently there are around 45 journalists working at 11 private newspapers including 4 with magazine Hiwyet, 5 with magazine Gizena and 2 with Dehay Adulis private newspapers.

### **2.1.7 WOMEN**

The National Union of Eritrean Women (NUEW) was founded in 1979, in the liberated areas of the country. During the liberation struggle prior to 1991, it used to organize women in various literacy, health and political awareness campaigns. In 1991, with the end of the struggle, the Head Office of NUEW moved to the capital city, Asmara. Then in 1992 the NUEW was registered as a local non-governmental organization. It is the only women's organization in the country and has a national membership of about 200,000 women. It is organized from village level to Sub-regional, Regional and national level. It has offices in each of the six Regions of the country.

NUEW acts as a focal point to ensure the full range of development policies and programs in all sectors by lobbying and incorporating strategies to include women in the equitable share of the benefits of the development. Advocacy, sensitization and gender awareness for women and society at large is another major strategy to NUEW. The NUEW as an NGO, is a machinery for advocacy, lobbying and monitoring for the implementation of programs leading to the advancement of women. It strives to institutionalize a gender perspective in the government's development strategy. The NUEW plays a key role in supporting the sector ministries to develop gender - sensitive programs.

The ratification of the constitution in 1997 favors the right of women and their participation in political economic, social and cultural aspects of the country; the constitution revised articles of the Civil Code and Penal Code and added protective measures for women. The Proclamation of Land that entitles women equal ownership is also a major step that articulate the need for women's empowerment.

Although the gender gaps remain high, it is possible to highlight some areas in which there has been positive change in the situation of women, since the Beijing Conference in 1995. In the political arena, two of the seventeen ministers are women, and out of one hundred and fifty members of parliament, thirty three are women. This is a result of the government policy that reserves 30% of the assembly seats to women. In private sector, during 1998, the share of women in the total labour force engaged in manufacturing, trade and services was about 30%. During 1999, women held about 17% of administrative/managerial posts, 21% of parliamentary seats, and 30% of the professional and technical jobs in the public sector.

### **2.1.8 HUMAN RESOURCE**

The Ministry of Labour and Human Welfare (MOLHW) has a multi-faceted responsibilities which include, among other things, attaining high employment, promoting harmonious labour relations in all sectors of the economy, ensuring safety and health and social security of workers, community development, rehabilitation of senior citizens and disabled persons, child care, protection and family welfare. The Department of Labour of that ministry is working in cooperation with concerned



government bodies to introduce occupational skill standards, testing and certification and to develop vocational and technical education. It is also collecting, analyzing and compiling labour market information to be used not only by job seekers but also by employers and training agencies. To create harmonious relationship between employees and employers, on labour relations policy and regulations are currently being worked out. For the promotion of collective bargaining, an amended draft Labour Law that takes ILO conventions in consideration is waiting ratification. Studies are underway to introduce, labour inspection standards and special inspection will be enforced so that hazardous working conditions could be eliminated.

In spite of significant achievements, the national school accessibility rate at the elementary level is one of the lowest in sub-Sahara Africa. In 1998/99, the average Net Enrollment Ratio (NER) for Sub-Sahara Africa was 57%, but, for Eritrea it was as low as 33%. There are also wide regional, gender and rural/urban disparities, although significant improvement has been made since the pre-liberation era. Eritrea has a very low adult literacy rate of about 30%. A very important aspect of this challenge is the spreading of literacy among nomadic population. At the same time, the problem of relapsing to illiteracy need to be addressed carefully and efforts need to be made in promoting post-literacy education.

A Human Resource Development Project (HRDP), financed by IDA loan, was initiated after the identification, in 1997, of acute shortage of skilled manpower within the Eritrean civil service sector. After an extensive manpower inventory, 1,686 vacant posts were identified; these civil service posts required personnel with qualification starting from grade 12 all the way up to Ph.D. academic degree holders.

The HRDP is only a small part of the government's overall human resource development effort. The primary objective of the Project is to contribute towards improving the quality of the country's civil service sector. It was, specifically, designed to build the capacity of the training institutions falling under the Ministry of Education (Secondary Schools, Teacher Training as well as Technical / Vocational Schools), and the (UOA) itself. Secondly, the HRDP aims at building the capacity of the civil service organs in formulating policies, regulatory procedures and standards, as well as in identifying and forecasting qualified human resource development needs. As such, the Project gives priority to providing skilled manpower for those vacant civil service posts already identified by accelerating staff development, and, thereby, alleviating excessive dependency on foreign consultants; such staff development is being under taken through establishing linkages with foreign institutions of higher learning. In addition, the project recruits senior expatriate professionals assigns them in various ministries and government agencies.

Each ministry has its own Human Resource Development Unit and a strategy. These Units are charged with the responsibility of making assessment of specific human resource needs of their respective ministries, and of analysing key areas of priority for intervention by the Project. In line with the need assessments established by these Units, programmes for national staff training in foreign universities and recruitment of expatriate specialists are, subsequently, developed. Based on need assessments made

the ministries, so far, about 300 expatriate experts have been recruited and about 200 students sent abroad to peruse under-graduate, graduate and past-graduate studies. Currently, additional 200 nationals are preparing to leave the country for training abroad.

### **2.1.9 AGRICULTURE AND THE RURAL SECTOR**

Eritrea has an area of about 12.4 million hectares, out of which, about 3.2 million hectares (26%) is suitable for agricultural use. But, only about 500,000 ha is under cultivation. Hence, if properly studied and planned, large areas of land can still be put under cultivation. Agriculture accounts for about 19% of the GDP (1992-1997 average). More than half of the population earn their living from farming and livestock production. Agricultural production is, largely, based on rainfall and traditional production methods. Average yields of most crops do not exceed 10 quintals per hectare. Low rainfall amount and bad distribution is the major constraint to agricultural production. Eritrea is prone to drought with an average annual rainfall ranging between 200 mm to 700 mm, except on the green belt of the eastern escarpment which receives over 900 mm. The coastal plains and the southern part of the eastern escarpment have a very slight winter rainfall (November through March) that supports little agricultural production. Hence, if growth in production is to be achieved and be sustained in this sector, it will largely depend of the capacity of the government to conserve water and soil resources, combat land fragmentation and introduce modern techniques of production.

In Eritrea, specific constraints to rural development are defined as a) low resource productivity; b) high resource degradation; c) high level of required investment; and (d) the low level of human capital; consequently, Eritrea's rural sector generates less than one-quarter of the national exports.

The official government strategy focus on raising production to improve food security. But it acknowledges that poverty and high output variability put many of the rural poor at a sharp risk of food insecurity, and that this risk is very unlikely to diminish for the foreseeable future. The government therefore has additional stabilization policies to improve food security for those at greatest risk. The Grain Board (under the Ministry of Trade) has the mandate to stabilize seasonal prices by intervening in the market, and to monitor market price developments in collaboration with the National Food Information System (under the Ministry of Agriculture). It does so by buying and selling grain and by maintaining food reserves. Nonetheless, Eritrea is highly likely to continue to require food aid for some time to come.

### **2.1.10 HIV/AIDS and STD**

Although not systematically studied, reports from health service centers indicate an increasing trend of HIV/AIDS and STD. By the end of June 2000, a total of 9,599 AIDS cases were reported. Seventy percent of the cases reported fall in the age range of 20-

39 years, 60% are males and 40% females. Pediatric AIDS cases are reported to be progressively increasing from 1.5% cases in 1992 to 6% in 2000. The main mode of transmission of HIV/AIDS in Eritrea is heterosexual (90%-95%), while 5% are perinatal. The epidemic is spread mainly in the urban centers of Eritrea, especially in the capital city Asmara and the port cities of Assab and Massawa. Limited sero survey was conducted in these urban areas which showed 2.02% AIDS prevalence among antenatal attending pregnant women and 3% among blood donors.

Since liberation 1991, blood for transfusion is being screened for HIV, and all hospitals are equipped with HIV testing assays. In mid -1998, a National Blood Bank was established in Asmara. Since then non-remunerated volunteer blood donation was introduced among the high school students, university students, industrial workers civil servants etc.

In 1999, a total of 9,103 cases of sexually transmitted diseases /STD/ were reported to Health Management Information System (SEMISH), out of which Pelvic Inflammatory Diseases (PID) account for 35.6%, Gonorrhoea accounts 29.6% and Genital Ulcer diseases for 8.4%.

At the end of 1992, a National AIDS Control Programme (NACP) was established as a unit in Ministry of Health under the Communicable Disease Control division. The NACP has short term plan in 1995, which help to identify priority strategies and interventions. In 1997, a 5-year strategic plan was developed to prevent and control HIV/AIDS in Eritrea. In this plan foundation for multi-sectoral collaboration and coordination was laid down to cope the growing epidemic.

## **2.2 THE EXPORT SECTOR**

Given the government's strong commitment to market-based economic growth, Eritrea has the potential for achieving rapid and sustainable economic growth. It has no external debt problem of major significance. There are credible geological indications that Eritrea might be endowed with significant mineral deposits including gold, base metals, ferro-manganese and industrial and construction minerals such as granite, marble and limestone. Furthermore, prospects for commercially recoverable natural gas deposits are also promising.

Provided that Eritrea's arable land and water resources are effectively developed, the agricultural sector has considerable potential for growth. Raising agricultural productivity through the use of modern methods, and establishing irrigation-based commercial farms can produce a variety of high-value crops and livestock products for exports. Similarly, exploitation of Eritrea's considerable potential of coastal and deep-sea fishing in the Red Sea, and value-adding processing of fish and other marine resources can generate significant foreign exchange revenues. Eritrea's strategic location provides an easy access to European and Middle Eastern markets. This advantage, together with further

improvements in infrastructure such as in transport and communications network, enhance Eritrea's comparative advantage in exporting manufactured products.

Eritrea is well placed to offer competitive services for international clients, i.e. of tourism, transport, and financial services. Its pleasant and diverse climatic conditions, its Red Sea gateway, and its proximity to major tourist origins in Europe, and the Middle East offer substantial potential for the development and export of tourism and transport services. Similarly, it has potentials for developing offshore banking and other financial services.

Export industries are expected to make significant contributions to the Eritrean economy in the coming years, especially those of hides and skin. Another area of export growth is the live shipments of sheep and goats to nearby regional markets.

## 2.3 DEVELOPMENT CONSTRAINTS

The most critical constraints that must be tackled to expedite the country's economic recovery and create the basis for sustainable development are the following;

**The shortage of qualified manpower:** This is a major constraint to development effort in both the private and public sectors. The Government is tackling the problem by recruiting foreign experts on a temporary basis, by encouraging Eritreans in the Diaspora to return home and by sending Eritreans, in mass, abroad for advanced education and training. However, the long-term solution lies in a concerted national effort aimed at increasing domestic educational and skill development opportunities for all Eritreans consistent with the absorptive capacity of the economy.

**Low per capita income and widespread poverty:** The country's ability to mobilize sufficient domestic savings to finance required investments is limited. Its export earnings are also inadequate to provide the foreign exchange necessary to import capital goods. During 1992-1997, Eritrea's merchandise export earnings financed only about 15.0 percent of total imports.

**Inadequate volume and quality of physical infrastructure:** Power supply, water supply and transport and communication services have, since independence, undergone tremendous improvement. Nonetheless, in most cases, they are observed not to catch up in step with the needs of the country; and this was especially true in the remote parts of the country. The government is intent to overcome such constraints, but the required huge capital expenditure clearly calls for the participation of international development partners.

Finally, during the decades of Ethiopian occupation and the 30-year war for independence, there was little or no infusion of new production technology. Hence, the government undertook extensive efforts to upgrade whatever technological base it has inherited in order to permit efficient utilization of resources, and achieve international

price competitiveness. But, there is still more to be desired in that line in order to reduce poverty and external dependence, and to create wealth and prosperity with social justice.

The years between 1991 (year of independence) and 1998 were times when the people of Eritrea enjoyed a degree of peace, social stability and relatively sound economic progress that has never occurred before. It was a time when the government was slowly but steadily being formed and when the destroyed physical, economic, social and institutional infrastructure was being rehabilitated and reconstructed. The participation of the people in that task was unprecedented and gave a jump-start to the economy of the country. That enabling environment for sustainable development was, however, interrupted and disrupted on May 13, 1998 when the Ethiopian government declared war on Eritrea. The war proved bloody and continued well into year 2000 costing both sides human life, money, destruction of economic infrastructure and time that should have been spent for development work. At present, the two countries have signed a peace agreement mediated by the OAU and the UN. The effects of the war are some of the most serious external constraint to development that the country is currently facing. Private sector activities were, primarily, adversely affected by it; hence, post-war development problems and needs will be tremendous, and would require concrete short- and long-term of international development partners.

Another domestic constraint is the relatively high costs of delivering social services given the largely rugged terrain in the highlands and scattered and dispersed settlements in the lowlands.

Besides the natural constraints, such as farmers' dependence on the vagaries of rainfall and weather conditions, other domestic constraints include traditional methods of agricultural production, small industrial sector, narrow domestic revenue base, and limited energy sources.

## **PART TWO - ACTION PLAN (2001 - 2005)**

### **3.0 HEALTH SECTOR**

In view of the low socio-economic condition of the population and the pervasive prevalence of preventable and curable pattern of diseases, provision of Primary Health Care (PHC) has, for the last eight years been, and still remains to be, the main focus of the Eritrean Ministry of Health. The following major plans are, therefore, now still in place for the years between 2001-2005;

- Rehabilitate the infrastructure of health facilities and construct new ones.
- Ensure the availability of essential drugs and medical equipment.
- Continue to carry out full-scale nation wide immunization programs against vaccine-preventable diseases.
- Conduct communicable diseases control programs, especially of Malaria, HIV/AIDS/STD, TBC, diarrhea, ARI, and water borne-diseases.

In order to translate the above plans into action, the Ministry of Health formulated the following separate but related programmes.

### **3.1 ENVIRONMENTAL HEALTH, HYGIENE AND SANITATION PROGRAMME**

only about 8% of the rural population have access to safe and adequate water supply sources. This is due to poor national ground and surface water resources, low investments in the water sector, and inadequate human resources for the operation and maintenance of water supply facilities. Disposal of human excreta and other solid and liquid waste management in Eritrea remain much to be desired. Sanitation coverage in rural areas is deplorably low with only less than 1% of the population having access to pit latrines while the rest of the population defecate in the open fields. Hence, the main goal of this particular programme is to increase sanitation service coverage from the current 1% to 10% by the year 2005.

### 3.2 EDUCATION INFORMATION AND COMMUNICATION (EIC) AND NUTRITION

Eritrea's health indicators are among the lowest in the world. It is reported that the Maternal Mortality Ratio (MMR) is 10 per 1,000, and the Infant Mortality Ratio (IMR) is 72 deaths per 1,000 live births. Under five years of age mortality is reported to be 136 per 1,000 children, which means that one in seven children born in Eritrea die before reaching her/his fifth birth day. Of those who survive beyond five years of age, many suffer from diseases that are preventable at relatively low cost through changes in human behavior. But, this can only be achieved through intensive communication activities at community level.

Malnutrition is common in Eritrea; 38% of children between 6-36 months are reported to be stunted (below 2 SD height for age), while 15% of children in the same age range are wasted (below 2 SD weight for height), and 44% are underweight (below 2 SD weight for age). Inadequate breast-feeding is also observed. In the 1993/94 micro-nutrient survey conducted in the country, 7% of children less than 12 months were found to be deficient in Vitamin A, 55% suffered anemia while 23% children 9-11 years had palpable goiter indicating the presence of iodine deficiency disorders.

Studies indicate that 13% of deliveries were underweight, while 41% of adult women had chronic energy deficiency. Maternal Mortality Ratio (MMR) as result of pregnancy, unsafe abortion and childbirth in Eritrea is estimated to be 998/100,000 live births. Many of those who survive suffer long lasting disability. To reduce these consequences the Eritrean Ministry of Health focuses on improving antenatal care, delivery care, neonatal care, post delivery care, accessibility of health care, availability and use of family planning services and create community awareness to avoid harmful traditional practices.

In Eritrea, It is estimated that, without immunization, 3% of children die from measles, 2% die from whooping cough, 1% die from tetanus and 0.5% be crippled by polio for the rest of their lives. The Expanded Programme on Immunization (EPI) is in place as a corner-stone in the Primary Health Care (PHC) strategy. It is a cost-effective intervention that attempts to prevent the six common child diseases measles, poliomyelitis, diphtheria, neonatal tetanus, whooping cough and tuberculosis; the specific objectives of the Programme are to: -

- Achieve and maintain immunization coverage of at least 90% for all antigens by the year 2004,
- Reduce measles morbidity by 90% and mortality by 95%, by the year 2004,
- Reduce the rate of NNT to less than one 1000 live births by the year 2004,
- Eradicate poliomyelitis by the year 2003, and
- Introduce HPB vaccine in EPI routine service by the year 2003.

Sixty-seven percent, i.e., 1.7 million, of the Eritrea population live in malaria endemic areas. Eighteen percent of them, i.e. about 306,000, of the risk group are children less than five years of age, and 22% (374,000) are women at child-bearing age between 15-

45 years old. The death rate of children dying in hospitals due to malaria is reported to be 7.4%; these two target groups are the most vulnerable. Available data indicates that malaria accounts for about 31.5% of the total outpatient morbidity, 28.4% of all admissions in hospitals and 10% of all annual deaths. In Eritrea, malaria is the number one killer of people above 4 years and a number three killer of children less than five years old; and it is expected to spread even more with the construction further new micro-dams and the development of irrigation schemes. The plan, therefore, is to reduce malaria related morbidity and mortality by 80% during the 5 years between 2001-2005.

The prevalence of tuberculosis (TB) in Eritrea is estimated to be about 10,00 cases every year. It ranks fifth amongst the top 10 diseases that cause high morbidity and third in mortality. The linkage between TB & HIV/AIDS is well known; one fuels the other. HIV/AIDS is spreading in alarming rate in Eritrea, though low compared to neighboring countries. To curtail that epidemic, the government adopted a HIV/AIDS policy that calls for a) extensive campaign of public awareness, b) full involvement of communities, and c) cooperation and collaboration of all government and non-government agencies. Activities to reduce the transmission of HIV/AIDS is integrated in a project known as HAMSET; this project is designed to control and prevent the spread of four major transmittable diseases, namely HIV/AIDS, Malaria, TB and STD. The major actors in the project are the ministries of Health, Local Government, Education, Labor and Social Welfare, National Union of Eritrean Women, National Union of Eritrean Youth, and the six Regional Administrations of the country.



ANNEX 1  
MINISTRY OF HEALTH  
REQUESTED AND PLANNED CAPITAL BUDGET

In NKF 000'

Programme/Project Name	2001		2002		2003		2004		2005		TOTAL	
	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External
<b>CONSTRUCTION ACTIVITIES</b>												
Orotta Hospital		36 000,00		15 300,00		2 700,00					-	54 000,00
Barentu HSI		4 189,68		785,56		261,86					-	5 237,10
Med. Stores in 3 Zobas		8 145,58		428,72							-	8 574,30
Assab MCH Center		1 490,83									-	1 490,83
Rehabilitation of Barentu Hospital		458,86									-	458,86
Rehabilitation of Central Work Shop		1 356,55									-	1 356,55
Nursing School extension		1 287,94		1 287,94							-	2 575,88
VIP Latrines		148,04									-	148,04
Water Supply Project area A		1 361,55		793,14							-	2 154,69
Water Supply Project area B		3 093,47		2 361,43							-	5 454,90
Medical store Halibet Hospital		172,02									-	172,02
SRS Construction of Laterine in Tio		419,00									-	419,00
Gash Barka Provision of Water SS in 12 Health facilities		4 000,00									-	4 000,00
Gash Barka Provision of Solon power in 14 Health facilities		666,00									-	666,00
Gash barka Furnish 20 Health facilities	321,00	749,00	321,00	749,00	321,00	749,00	321,00	749,00	321,00	749,00	1 605,00	3 745,00
Gash barka Renovation of 2 H/C & 3 H/S		2 625,00		2 625,00		2 625,00		2 625,00			-	10 500,00
Gash barka 13 Fencing of 6 H/C & 24 H/S		2 238,00		2 238,00							-	4 476,00
Gash barka Painting of 4 H/C & 8 H/S		350,00		350,00		350,00		350,00			-	1 400,00
Construction of boarding facilities for CE		1 620,00										1 620,00
Construction of Burn Patient Center Project	400,00	0,00	2 200,00	400,00	100,00	100,00	100,00	100,00			2 800,00	600,00
Rehabilitation of Cardiac Center Project	600,00	2 000,00	500,00	600,00	400,00	50,00					1 500,00	2 650,00
Rehabilitation of Neonatal ICU Project	200,00	500,00	50,00	100,00							250,00	600,00
Construction of Cancer Center Project			100,00	0,00	3 000,00	900,00	400,00	600,00	500,00	500,00	4 000,00	2 000,00
<b>Sub-Total</b>	<b>1 521,00</b>	<b>72 871,52</b>	<b>3 171,00</b>	<b>28 018,79</b>	<b>3 821,00</b>	<b>7 735,86</b>	<b>821,00</b>	<b>4 424,00</b>	<b>821,00</b>	<b>1 249,00</b>	<b>10 155,00</b>	<b>114 299,17</b>
<b>In NKF Millions</b>												
Environmental Health		6,75		6,21		6,17		7,49		8,45		35,07
Nutrition	0,52	4,48	0,82	0,84	1,33	1,25	1,01	3,87	3,02	5,16	6,70	15,59
IEC Unit	3,39	2,20	1,37	0,86	0,85	0,51	0,59	0,33	0,59	0,33	6,78	4,22
Clinical Services	29,10	12,30	12,44	6,63	18,71	16,90	8,90	25,10	15,10	30,00	84,25	90,93
EPI Project		5,04		5,67		2,11		2,21		2,30		17,33
Family and Community Health Services		3,17		3,17		3,17		3,17		3,17		15,85
Research and Human Resources Development	17,70	4,40	8,96	4,60	3,50	1,45	3,29	1,55	3,36	1,45	36,81	13,45
Pharmaceutical Services	12,30	21,34	10,22	8,13	19,37	8,07	12,37	6,78	13,26	4,83	67,51	49,14
<b>Sub-Total</b>	<b>63,01</b>	<b>59,67</b>	<b>33,82</b>	<b>36,10</b>	<b>43,75</b>	<b>39,63</b>	<b>26,15</b>	<b>50,49</b>	<b>35,33</b>	<b>55,69</b>	<b>202,06</b>	<b>241,57</b>
<b>Total</b>	<b>64,53</b>	<b>132,54</b>	<b>36,99</b>	<b>64,12</b>	<b>47,57</b>	<b>47,37</b>	<b>26,97</b>	<b>54,91</b>	<b>36,15</b>	<b>56,94</b>	<b>212,22</b>	<b>355,87</b>

## 4.0 EDUCATION SECTOR

The government's education policy gives special emphasis on the elimination of illiteracy, and on primary education. The expansion and promotion of technical and vocational training also receives a high priority. As such, the sector has the following goals and objectives: -

- Ensure the provision of pre-school education.
- Eliminate illiteracy.
- Enforce the use of mother tongue as a medium of instruction at the primary level and English language at all other levels of education.
- Cater education for children with learning difficulties.
- Develop work-oriented secondary education.
- Ensure post-secondary school participation in the various skill development centres for further training.
- Ensure the parallel development of public and private schools.
- Ensure a growing role of communities in the development, management and cost sharing of education.
- Encourage decentralized leadership in educational development, organization and management
- Ensure the development of sports in scope and type by encouraging the participation of society.
- Enhance the role of culture and arts in the welfare of society by effectively organizing this sub-sector.

The following are the major projects for the next five fiscal years (2001-2005): -

- Improvement of enrolment targets.
- Curriculum development and textbook publishing.
- Construction of 28 schools (18 elementary, 8 junior and 2 senior secondary schools).
- Rehabilitation of 8 elementary schools
- Undertaking a design and first phase construction of 1 boarding school.
- Accomplishment of the first phase construction of Tsabra Secondary school

The main policy issues to be promoted within the coming five-year period are finalization of the HRD policy and strategy (both at the national and sectoral levels), and drawing up policy guidelines on educational research and teacher education. In teacher education, the curriculum for Asmara Teacher Training Institute (ATTI) will be revised, and it will continue to produce about 600 teachers per year; and the Keren Teacher Training College will be established, producing the first batch of 500 graduates by the year 2006. It has also been planned to set up a new Teacher Training Institute with a capacity of about 500 trainees.

The following plans are in place regarding technical and adult education;

- Increasing the enrolment of female participants in the Technical and Vocational Education Training (TVET) programme by 20% by the end of the academic year 2005.
- Expanding literacy and post-literacy activities so that 420,000 thousand adults can participate in their mother tongues; this is expected to reduce the illiteracy rate to about 35-40%.
- Establishing 4000 centers for conducting the literacy programmes.
- Establishing 43 basic skills training centers.
- Improving and expanding the extension evening program.
- Strengthening the literacy centers by establishing radio listening centers (purchasing and distributing 4000 radio sets to the 4000 literacy centers).
- Establishing 200 rural libraries.
- Establishing a minimum of 3 formal basic level vocational schools at each zone by the year 2005.
- Establishing 2 new intermediate level technical schools.
- Establishing 2 full-fledged community colleges at advanced level.

**ANNEX 2**  
**Ministry of Education**  
**Summary of Planned Capital Budget 2001-2005 (NKF 000')**

Programme/Project Name	NKF 000'												
	2001		2002		2003		2004		2005		TOTAL		
	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	
Construction of Senafe Junior Secondary School		1 648											1 648
Construction of Decamhare " " "		1 680											1 680
Construction of Mendafera " " "		1 333											1 333
Construction of Adi Quala " " "		1 504											1 504
Construction of Agordat " " "		1 915											1 915
Reconstruction of Book store (Barentu)		327											327
Reconstruction of Book store (Massawa)		146											146
Road construction & parking for C. Book Store.		559											559
Construction of Tio JSS		3 000											3 000
Construction of Igrulli P School		1 500											1 500
Construction of Haren P School.		1 500											1 500
Construction of Mai Shegli & Adimentai P Schools.		296											296
Construction of Mai Gorzo & Agara		1 000											1 000
Construction of hostels at Agordat & Massawa		4 608											4 608
Massawa TCS			2 070	9 877		17 920		21 483				2 070	49 280
Expansion of the school system (Elementary)	6 320	25 280	12 515	50 061	14 515	58 061	18 437	73 747	19 637	78 547	71 424	285 696	
Expansion of the school system (Junior)	5 120	20 480	6 867	27 469	8 888	35 552	11 512	46 048	13 432	53 728	45 819	183 277	
Alternative Strategy of Access & Continuity (Elem.)	-	1 029	-	1 304	-	1 500	-	2 100	-	2 400			8 333
Alternative Strategy of Access & Continuity (Junior)	-	5 000	-	8 000	-	7 000	-	3 000	-	-			23 000
Mother tongue Teaching	-	1 405	-	2 580	-	2 266	-	741	-	560			7 552
Early Childhood Education	981	5 037	2 490	12 786	4 560	23 417	5 214	26 772	5 721	29 379	18 966		97 391
Consolidating the participation of Girls	-	2 557	-	2 505	-	2 000	-	2 000	-	2 000			11 062
Curriculum Review	-	2 076	-	1 808	-	4 256	-	103	-	84			8 327
Textbook Printing (Elementary)	200	-	-	-	-	28 969	-	-	-	-	200		28 969
Textbook Printing (Junior)	200	-	-	-	-	8 547	-	-	-	-	200		8 547
Consolidation of the Publishing	-	1 407	-	1 154	-	-	-	-	-	-			2 561
Name Improve School Management (Elem)		754		754		754		754		753			3 769
Prof of Co-curr & Practical Activities (Elem)	3 320	681	3 896		3 896		3 896		3 895		18 903		681
School Health and Sanitation (Elem)	1 879	485	1 879		1 879		1 879		1 879		9 395		485
Expansion Of Support System (Elem)		6 469		5 653		5 800		5 747		5 461			29 130
<b>Sub-Total</b>	<b>18 020</b>	<b>93 675</b>	<b>29 717</b>	<b>123 951</b>	<b>33 738</b>	<b>196 042</b>	<b>40 938</b>	<b>182 495</b>	<b>44 564</b>	<b>172 912</b>	<b>166 977</b>	<b>769 076</b>	

Programme/Project Name	NKF 000'											
	2001		2002		2003		2004		2005		TOTAL	
	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External
Improve School Management (Junior)		168		168		168		168		167		839
Expansion of Support System (Junior)		8 955		9 012		8 955		8 955		9 158		45 035
Consolidation of N/ Exam System (DGE)		468	100		100		100		100		400	468
Publishing Seven Children's Literature Books		680		141								821
Prepare an Inventory of Folklore in Eritrea		131										131
Preparation of Geez - Tigrinya Dictionary		58		58								116
Dvlpt of ATTI Curr		317		500		400		1 376				2 593
Train of Trainers		810		810		810						2 430
Dist Edu for Teac		1 973		1 831		2 120		2 500		2 454		10 878
Adv Train Teach		1 843		1 843		1 843		1 843		1 843		9 215
Train of local Trnrs		658		658		658		658				2 632
Female Education		1 200		1 200		1 200		1 200		1 200		6 000
Mgt Tr of Dir & Spr		2 400		2 000		1 500		1 500		1 266		8 666
Mgt Trag MOE staff		969		912		911		912		855		4 559
Refresher Dir		410		559		559		559				2 087
Train of Librarians		468		492		492		492				1 944
Train of Lab Techns		785		742		742						2 269
Train of Rsrc Cen Co		507		638		638						1 783
Train of PreSchl Tea		260		260		260		260		260		1 300
Keren TTC		5 943		79 351		17 526						102 820
Scholarship		12 000		7 000		4 000		4 000		4 000		31 000
L Schls in Asm U		240		600		1 200		1 200		1 200		4 440
CDvpt Prct - UNDP	4 800	12 932	4 800	12 932							9 600	25 864
Establishing A Doc Unit	370	130	250		250		250				1 120	130
Support Education Research	41	421	41	421	41	421	41	421	41	421	205	2 105
Human Capacity Building II		978		978		978		978		978		4 890
Sub-Total	5 211	55 705	5 191	123 107	391	45 381	391	27 022	141	23 802	11 325	275 015
TOTAL	23 231	149 380	34 908	247 058	34 129	241 423	41 329	209 517	44 705	196 714	178 302	1 044 091

## 5.0 AGRICULTURAL SECTOR

The objectives of crop production programme for the years under consideration is to increase output through both intensive and extensive agricultural activities; this would be achieved through a) Expanding rain-fed and irrigated agriculture b) Promoting appropriate an improved agricultural practices c) Making optional use of available water resources for irrigation schemes d) Encouraging private commercial agriculture, and e) Developing appropriate control methods to minimise soil and water resource depletion.

Since 1986, the Sasakawa Global 2000 (SG-2000) has supported programs that aim at reducing malnutrition and poverty in Africa. Its activities focus on introducing modern crop production methods to the small-scale farmers of the Sub Sahara Africa. The origin of Integrated Agriculture in Eritrea is the SG-2000 project which started to be implemented, on experimental basis, in 1996, on plots of peasant farmers; initially, the total area covered under the SG-2000 was 60 hectares. The focus of the project was mainly on practical training of farmers on the application of modern agricultural inputs and on the adoption of better agricultural practices through demonstration plots owned by the farmers themselves and by conducting farmer field days.

Following the encouraging results of the project effort during 1996 and 1997, the government decided to expand this package of production system, in 1998, under the name of Integrated Agriculture (IA). The three main objectives of Integrated Agriculture are a) to enable the peasant farmers make the best use of modern agricultural inputs, b) to promote mechanized agricultural production, and to combat land fragmentation and promote land consolidation conducive for mechanized agriculture.

The Integrated Agriculture programme is different from the SG 2000 package in that it includes tractor ploughing services provided by the MOA. The main components of Integrated Agriculture are a) Provision of seed, fertilizer and tractor service on credit, b) Selection of good seed from farmers plots for further multiplication and distribution to other farmers, c) Selection and training of contact farmers, and d) Consolidation of farmers' plots into larger blocks

During year 2001, 133,790 hectares of farmland are expected to cultivated under Integrated Agriculture farming system only with emphasis in cereal production. Furthermore, 160,000, 175,000, 190,000 and 200,000 hectares of farmland are expected to be cultivated during the four years between 2002-2005 respectively.

The plan for the year 2001 is to cultivate an area of 298,770 hectares under the Traditional Farming system. In this farming system the Ministry of Agriculture plans to subsidize 10% of the seed, pesticides and fertilizer requirements. And under the SG-2000 scheme, 29,000 hectares of land area are planed to be brought under cultivation during that year. In this farming system, the Ministry of Agriculture intends to subsidize the provision of seed, pesticides and fertilizer. During the ensuing four years (2002-2005), area under cultivation are expected to increase progressively.

The total area to be brought under cultivation in all the three farming systems during the year 2001 is expected to be 461,557 hectares. Aside from the promotion of small scale irrigated agriculture based on groundwater sources, plans to expand spate schemes are also in place this activity will require the construction of permanent diversion infrastructure, canal networks and other water controlling structures and embankments. Three major such projects already are under way, and they are expected to cover 21,789 hectares of land area.

Related to the promotion of crop production activities, the Ministry of agriculture is charged with three major related tasks, namely, soil and water conservation and afforestation activities. By the end of year 2005 a total of 23 micro-dams, 75 ponds and 149 wells are planned to be constructed; in addition, fifty four (54) degraded sites are already selected where, during the course of the five years, extensive catchment area management programme will be launched.

There already exist 47 forest nurseries in the country and nine (9) more are planned to be established during the coming five years. The total expected tree seedlings output is about 40 million out of which 30% is for fuel wood, 5% for construction wood, 10% for edible fruits, 10% for fodder, 25% gum Arabic and gum olibanum, and 15% for ornamental trees.

Livestock products provide about 5% of the GDP. The main goal is, therefore, to promote livestock production by upgrading animal health services, increasing the supply of animal feed, and establishing small and large scale livestock processing plants. The MOA has three major programme with regard to livestock development activities, viz., the National Livestock Development Project (NLDP), the Rangeland Development Project (RDP) and the Livestock Marketing Promotion Project. In addition, 3,000 bee colonies are planned to be distributed to about 1,500 households during the year 2001. During the same year, 36 breeder stocks, 36 hatcheries and 36 poultry feed-mills will be established; the rural households in each village will be organized, trained and each will be handling a flock of 100 layers.

ANNEX 3

MINISTRY OF AGRICULTURE  
Ministry of Agriculture Summary of Request of Capital Budget (2001-2005)

In NKF 000'

Department	Requested for											
	2001		2002		2003		2004		2005		TOTAL	
	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External
Land Resources & Crop Production	249 509,25	60 709,88	254 304,19	61 876,58	279 028,74	67 892,48	310 395,49	75 524,55	324 074,15	78 852,81	1 417 311,82	344 856,30
Animal Resources	60 101,24	73 903,76	43 563,25	53 567,75	27 253,01	33 511,79	33 961,68	41 761,12	34 153,68	41 997,22	199 032,86	244 741,64
Research Human Resources Dev	24 711,55	41 663,83	27 576,36	46 493,90	26 530,82	44 731,13	29 601,04	49 907,54	31 616,23	53 305,15	140 036,00	236 101,55
<b>TOTAL</b>	<b>334 322,04</b>	<b>176 277,47</b>	<b>325 443,80</b>	<b>161 938,23</b>	<b>332 812,57</b>	<b>146 135,40</b>	<b>373 958,21</b>	<b>167 193,21</b>	<b>389 844,06</b>	<b>174 155,18</b>	<b>1 756 380,68</b>	<b>825 699,49</b>



## 6.0 FISHERIES SECTOR

In a country like Eritrea with fragile environment and erratic rainfall, exclusive dependence on domestic agricultural production for food security is always risky. Emphasis is, therefore, given to the proper development and utilization of the fisheries sector. Aside from providing protein-rich sea-food for domestic consumption, the sector has extremely high export potential; and the hard currency thus earned could be used, among other things, for importing food items. Nonetheless, in Eritrean communities, there is a strong preference for meat rather than for fish consumption; fish consumption is as low as 0.25kg/capita, and the total annual consumption amounts to only 500 tons of which nearly 80% is consumed in Asmara. As stated in earlier paragraphs only 5% of the population include fish in their regular diet. Hence, the Ministry of Fisheries instituted a fish marketing research program for promoting fish consumption.

The main objectives of the Eritrean fishery sector are to increase fish catch by introducing new fishing technologies, constructing adequate fisheries infrastructures in different coastal areas and island villages, increasing the number of fishing boats, increase ice production, and, encouraging joint-ventures undertakings with national and international investors.

The Ministry of Fisheries main programmes/projects for the five years between 2001 and 2005 are, therefore, the following;

- Allocation of licenses to foreign fishing Vessels
- Local Industrial Fishing Fleet Development Programme, which is implemented through the Beilul Fishing Fleet Project.
- Artisanal Fishing Development programme, which is implemented through the fishing Cooperative Development Project.
- Productivity Increasing Programme, which is implemented through four separate but related projects.
- Integrated Sea-water Farm Programme.
- Inland Fisheries Development Programme.
- Upgrading the two existing fish processing plants.
- Establishing two new fish processing plants.
- Establishing a new fish research and laboratory in Asseb port.
- Implementing a Market Research Program, both domestic and foreign.
- Development of coastal fisheries infrastructure (construction of cold stores, refrigeration, desalination plants, and fishery boats workshops).
- Strengthening of the MCS of the Ministry of Fisheries (establish 5 MCS stations with each having one patrol boat).

By the year 2001, a new ice plant with a production capacity of 25 tons per day is planned to be installed; additional three ice plants are also planned to be installed in the year 2002 with production capacities of 45 tons of ice per day each. With the development of these infrastructures it is expected that the small-scale or artisanal fishers would increase in number while the need for issuing licenses to foreign fishing

trawlers would, at the same time, decrease. By the year 2005, a total of Two hundred fishing boats are also planned to be constructed locally.

The private sector will be encouraged to invest in the fisheries sector. Up to the present, the Ministry has been able to attract and establish the following joint ventures and independent private enterprises: -

- ERIPEARL Share Co. has been established in 1998 for the collection, processing and exporting of seashells and finally for the production of mother of pearl in Eritrea.
- Seawater Farms Eritrea (SFE) jointly formed with the Phoenix, Arizona based American Company, Seaphire International, is an integrated seawater farm for the production of commercial shrimps and tilapia and the farming of Salicornia, and an associated industry has started production on commercial scale.
- Seachrome Marine Eritrea (Harena Boat Yard) has been established jointly with an Australian Company engaged in building fiberglass boats for fishing and various purposes.
- LEDA Fisheries Processing Company has been established by the Ministry in joint venture with Dutch and Eritrean private investors and operates processing plants in Assab and Asmara.
- Beilul Fishing Company has been established by the Ministry itself.

The fishery sector is planned to be, gradually, privatized, including the investment already undertaken by the government, with the ministry taking the role of a regulatory body.

Fish is air-freighted from Asmara International Airport to European markets, but, mainly to Netherlands, Germany, and the United Kingdom (UK). Saudi Arabia and Egypt are among other destinations of fish harvested from Eritrean fishing grounds by licenced companies. In addition, strong evidence of illegal fish export to Yemen is also reported. Five companies are, presently, authorized to export fish from Eritrea, namely, LEDA Fisheries, ERIFISH, Red Sea Fishing, Marine and Thomas Fisheries; and the Ministry guarantees the quality of the products by inspecting all fish due for export.

**ANNEX 4**

**MINISTRY OF FISHERIES  
REQUESTED AND PLANNED CAPITAL BUDGET (2001-2005)**

In NKF 000'

Program/Project <i>ONGOING PROJECTS</i>	2001		2002		2003		2004		2005		TOTAL	
	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External
Fisheries Infrastructure Development	6 340	51 270	5 372	61 270	5 372	41 270					17 084	153 810
Sahel project	1 950	1 949	992	992	3 060	3 059					6 002	6 000
CMIBD		17 120		13 900		12 990						44 010
Manzanar mangrove Initiative	2 000			2 000		2 000		2 000		2 000	2 000	8 000
Hergigo Fisheries Training	2 010	13 000	1 700	11 000	1 700	11 000	1 700	11 000	1 700	11 000	8 810	57 000
<b>SUB-TOTAL</b>	<b>12 300</b>	<b>83 339</b>	<b>8 064</b>	<b>89 162</b>	<b>10 132</b>	<b>70 319</b>	<b>1 700</b>	<b>13 000</b>	<b>1 700</b>	<b>13 000</b>	<b>33 896</b>	<b>268 820</b>
<b><i>NEW PROJETS</i></b>												
Massawa Industrial Port Development		105 000										105 000
Dahlak Desalination Plant		10 000										10 000
Massawa Cold Storage		1 000										1 000
Fish Marketing studies & Promotion	424			3 000	3 000						3 424	3 000
Creadit & Cooperative Development		10 000										10 000
MCS		8 000										8 000
EU Technical Assistance		1 159										1 159
Capacity Building Pilot Project		6 175										6 175
Mangrove Afforestation		750		360		1 240		180		400		2 930
Research labouratory		500		5 240								5 740
Procurement of Equipped Research Vessel		9 030										9 030
Procurement of Fishing Trawlers		30 000										30 000
<b>SUB-TOTAL</b>	<b>424</b>	<b>181 614</b>		<b>8 600</b>	<b>3 000</b>	<b>1 240</b>		<b>180</b>		<b>400</b>	<b>3 424</b>	<b>192 034</b>
<b>TOTAL</b>	<b>12 724</b>	<b>264 953</b>	<b>8 064</b>	<b>97 762</b>	<b>13 132</b>	<b>71 559</b>	<b>1 700</b>	<b>13 180</b>	<b>1 700</b>	<b>13 400</b>	<b>37 320</b>	<b>460 854</b>

## 7.0 TRANSPORT AND COMMUNICATION SECTOR

The four main objectives for the development of the Sector are to:-

- Upgrade the existing transport and communication services through government budget, private investment, long-term loan and foreign aid.
- Collaborate with regional and international cooperating partners to improve and harmonize transport and communication standards in order to maintain efficiency, safety, and competitiveness service delivery.
- Develop modern seaports, airports and terminals and upgrade telecom and information communications.

Hence, during the five years between 2001-2005, the Transport and Communication Sector plans to focus on the development of the following infrastructures:-

**Aviation:-** develop international and domestic air services and facilities and work toward making Eritrea a hub for regional air services;

**Land Transport:-** develop land transport infrastructure and transport services for a comprehensive domestic and regional transport activities in collaboration with the pertinent entities;

**Maritime Transport:-** develop Massawa and Assab Ports as transshipment and bunkering ports for regional and international maritime services.

**Communications:-** develop telecom projects for digital transmission to link various cities and towns in Eritrea, install digital switches and outside plant and pursue postal reform program.

In the short-term, priorities are given to investments that improve road infrastructure and ports infrastructures, and air transport operations at Asmara, Assab and Massawa.

The specific plans to be undertaken by the sector in the coming five years (2001-2005) are highlighted in the following paragraphs.

The need to establish an Aeronautical Fixed Telecommunication Network (AFTN) emanates from an ICAO requirement to ensure aviation security and safety of flights. Eritrea is now without an AFTN link. Construction, upgrading and maintenance of Asmara, Massawa, Assab Airports and domestic aerodromes and facilities is essential to meet the growing passenger and cargo demands. There is an international requirement to have specification of Eritrean airports' coordinates (WGS 84) and to conduct a let-down procedure for airports to meet navigation safety standards. Because of the growing meteorological activities, the Government plans to establish a National Meteorology including Headquarters building, training facilities with the required

equipment. The implementation of Global Navigational and Management System (CNS/ATM) is an International Civil Aviation Organization (ICAO) requirement for safe air navigation. Finally, implementation of Asmara FIR will enhance safety, security, efficiency, and availability of air transport. Hence,

During the five years between 2001-2005 and beyond, the following programmes and projects will, therefore, be undertaken by the Eritrean Civil Aviation Department;

- Finalize the construction of Massawa International Airport including associated facilities to make it operational as per ICAO requirements.
- Pursue implementation of Asmara Flight Information Region (FIR).
- Build basic infrastructure at other aerodromes based on their viability.
- Pursue implementation of Asmara/Cairo AFTN Link. Furthermore, coordinate with other international organizations in implementing CNS/ATM Programme.
- Introduce WGS 84 Coordinate System for the entire airports and airfields and Global Navigation Satellite system (GNSS) to accommodate modern air-crafts.
- Pursue and finalize the Aviation Code and subsidiary Acts including Aviation Security Programme (AVSEC), Search and Rescue (SAR), Facilitation Programme, and Airport Emergency Program.
- Facilitate and finalize Safety Audit Programme.
- Establish National Meteorology Organization to serve various users adequately.

The trend in the use of regular buses which includes rural transport, inter-urban transport, city transport, dry cargo freight is on the increase requiring additional roads and infrastructural development. In addition, major studies are already completed, and others are on their finalization stage, regarding road transport safety, protection and legislation. Installation of weigh-bridges is expected to ensure infrastructure protection from overloaded vehicles (control axle-load and vehicle size). The Eritrean Department of Land Transport plans to install information boards, traffic signs and road safety reflectors (1760 kms asphalt, 465 gravel roads) that would assist to minimize traffic accidents. The planned Land Transport Database is also expected to foster a better understanding of the level of road network and the vehicle fleet in existence.

This sub-sector is geared to improve the passenger and cargo transport facilities through the implementation of the following programmes during the coming five years:-

- Initiate weight and size control activities (installation and operation of weigh-bridges and introduction of mobile weight and size control services);
- Develop a National Road Traffic Safety Programme;

- Build land transport database;
- Broaden the mechanism whereby road transport service users can share expenses that are now covered solely by the government;
- Harmonize and facilitate inter-state transport service.

High priority is given to infrastructural rehabilitation and development of both Eritrean sea ports namely, Massawa and Assab. This would enhance services in terms of efficiency, cost effectiveness and competitiveness and ensure the establishment of Free Trade Zones. This is expected to improve the Containerization Programme in minimizing the turn-round time of ships and cargo delivery. There is a need to improve the small and obsolete Massawa Ship Repair Yard. Cargo handling efficiency is planned to improve through procurement of port equipment. Hence, a Master Plan for Massawa and Assab Ports is imperative for the future development of both Ports. There is also a need to improve communication and safety facilities and a plan to maintain navigation aids equipment to ensure the smooth and safe movement of ships and to prevent and control marine pollution and to carry out search and rescue operations. Finally, updating of Eritrean Coastal and Ports Hydrographic Charts need be made to ensure safe navigation of ships in the Eritrean territorial waters. A summary of the five year plan of the Eritrean Department of Transport, therefore, include:-

- Rehabilitation, modernization and expansion of port facilities;
- Upgrade the Massawa Ship Repair Yard through the participation of private investors;
- Improve navigational and safety aids to ensure smooth navigation in the coastal areas of Eritrea.
- Modernize the existing light houses and install new to enhance smooth navigation in the coastal areas of Eritrea;
- Install radio communication facilities (GMDSS) for navigation and rescue as well as prevention of pollution;
- Procure navigation, port equipment and patrol and rescue boats;
- Develop master plan for Eritrean ports and identify other potential port areas;
- Establish National Maritime;
- Establish Free Trade Zone (FTZ) facilities in both ports;
- Establish port information tracking system;

- Develop the national merchant fleet to facilitate the sea trade transport.

The main focus of the development plan of the Communication sub-sector is two fold: first to give automatic Voice and Data Services to rural areas by linking 52 sub-zone capitals and other important towns; and second to introduce Data, Mobile and Internet services. Thus, deregulation, liberalization and privatization processes will be introduced step by step. In the coming five years, there will be 87,000 new lines, fixed and mobile with outside plant for all new lines. The transmission link is SDH/PDH digital microwave of different capacities. Hence, the following communications projects/programmes are planned to be implemented during 2001-2005;

- Expansion of voice, data and internet services in Urban Areas (Asmara, Massawa, Keren and Assab);
- Rural population is over 80% of the whole country but the tele-density is 0.17%. Only two rural towns/ villages have automatic voice service and some 20 towns/ villages are served by old VHF/HF radios and manual SWBDs. Hence, transmission links are planned to be extended to several rural towns.
- To be compatible with the traffic growth after the introduction of the new services in the urban and rural areas and in order to enhance the flow of traffic and accommodate new services, a new, modern and upgraded ISC is planned to be ready for service. Telephone density of the country is expected to increase from 1% to 3% and the number of customers would increase from 28,000 to 115,000. Moreover, the spread of Internet all over the country will need an ISC of at least 2,000 trunks.
- The existing 166 international channels are costing annually US \$700,000, which is unbearable with the increase of the international traffic. So, Broad Band Fiber Optic will be the logical replacement for the expensive, and narrow band satellite links. Hence to reduce the cost and to give wide band service a 1 Gb/s fiber optic landing point will be installed at Massawa. Massawa will be the future international outlet to the whole world for Eritrea to support the new Internet and multimedia services.
- Build an efficient, robust and reliable infrastructure, Eritrean Telecom Master Plan is planned to be worked out. This will assist to avoid interfacing problems among the switches, transmission systems, and outside plant facilities as well as to accommodate the different voice, data, video, Internet, and multimedia services.
- To render mail, parcel, money order, etc services to rural areas of Eritrea, the Postal Reform Program shall be conducted.

**ANNEX 5**  
**MINISTRY OF TRANSPORT AND COMMUNICATIONS**  
**SUMMARY OF PLANNED CAPITAL BUDGET EXPENDITURE (2001-2005)**  
**CIVIL AVIATION, MARITIME, TELECOM AND POSTAL**

In NKF Millions

Project/Program Type	Year 2001		Year 2002		Year 2003		Year 2004		Year 2005		TOTALS	
	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External
<b>Ministry of Transport &amp; Communications</b>												
Head Quarters Building	10,0		9,5		12,8							32,3
<b>Civil Aviation Department</b>												
Masswa Airport	10,9	3,5		100		100		46			10,9	249,5
National Meteorolgy Establishment		36,2		12,0								48,2
Human Resource Development (HRD)				9,7								9,7
Communication Navigation, Surviellance (CNS/ATM)								10,0		15,0		25
Resurfacing Runway (Asm)			27,0	18,0							27,0	18
Assab Airport			5,2	3,5		20		37,1			5,2	60,6
Parallel Taxiway (Asmara Airport)							26,2	17,4	24,0	16,0	50,2	33,4
<b>Maritime Department</b>												
Construction-bulk grain handling silo Massawa Port	24,4	16,2	16,2	10,8							40,6	27
Procurment & Install Radio Communication Facilities	0,5	6,5	0,5	6,5							1,0	13
Updating Coastal and Ports Charts			2,4	41,9	2,4	20,9	2,4	20,9	2,4	20,9	9,6	104,6
Rehabilitation of Massawa Causeway	3,7	2,5	16,3	10,8	5,0	3,3					25,0	16,6
<b>Telecom Project</b>											0,0	
Wireless Access for Asmara Suburbs (Cap. 2000)	2,2	9,7									2,2	9,70
Wireless Access for Z. Debub, Maekel, Anseba (9 PBXs)			7,4	13,1							7,4	13,10
Expansion & Upgrading services A/Keyih, Senafe			26,7	35,5							26,7	35,50
Computerization of TSE Applications	0,3	1,3									0,3	1,30
Expansion of services in Asmara (35,000)			59,1	59,1	59,1	59,1	35,5	118,9			153,7	237,10
Expansion/upgrading services Mendefera, Dekemhare (9,000)			46,1			64,4					46,1	64,40
Expansion/upgrading Ghinda, Assab (6,000)							39,7			61,4	39,7	61,40
Public phones Asmara, Assab, Massawa +3 others	0,9	3,9	0,9	3,9	0,9	3,9	0,8	3,8	0,9	3,9	4,4	19,40
International Submarine cable at Massawa (1 Gb/s)			2,4	145,5							2,4	145,50
Rural Wireless access (for 21 sites) (21 PBXs)			12,5			21,6					12,5	21,60
Rural Telecom services (30 payphones) (12,000/2000 trks)					3,3			7,3		7,2	3,3	14,50
TSE/ERITEL Head Quarters							14,5	67,9			14,5	67,90
Main Warehouse in Asmara					11,8		17,8	20,1			29,6	20,10
Human Resource Development		11,5		11,4		11,5		11,4		11,5	0,0	57,30
<b>Postal Project</b>											0,0	
Training		0,1		0,2		0,2		0,3		0,3	0,0	1,10
Postal Reform Program				32,3		32,3		32,4			0,0	97,00
<b>TOTAL</b>	<b>52,9</b>	<b>91,4</b>	<b>232,2</b>	<b>514,2</b>	<b>107,1</b>	<b>337,2</b>	<b>154,7</b>	<b>413,6</b>	<b>27,3</b>	<b>136,2</b>	<b>574,2</b>	<b>1 492,6</b>

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## 8.0 TRADE AND INDUSTRY SECTOR

The government of Eritrea, as outlined in its macro economic policy, has a national development objective of creating a modern, technologically advanced and internationally competitive economy within 20 years. In line with this long-term objective, it developed policies and strategies that remove obstacles to domestic and external trade and market expansion as well as enhance competition in price and quality of commodities and services. It does this by fostering liberal internal and external trade regimes with limited or no government intervention and by promoting capital intensive and export oriented industries. The government fosters private sector led industries and services through recommending them for preferential bank loan financing, and providing them with assistance in international market penetration. It also provides information about investment opportunities in the country and promotes regional and international economic cooperation and integration. The main plans laid down for the five year between 2001-2005 for developing the sector are, therefore, to: -

- Support the establishment of domestic association of manufacturing enterprises and assist it to be productive and effective.
- Establish Export a Trade Promotion Center that provides incentives and information to exporters
- Open trade and investment offices abroad and create a trade Development Fund.
- Conduct regional, bilateral and multilateral and economic cooperation agreements.
- Conduct studies on selected industrial sub-sectors for the establishment of industrial estates.
- Undertake an Investment Promotional video Film

The world Trade Organization (WTO) has put the year 2006 as a deadline for least developed countries to put in place rules and regulations on TRIPS. Passing this deadline might pose a problem to a country like Eritrea, whose trade policy is export oriented. In addition, so many intellectual property disputes are appearing requiring legal solutions.

In line with its policy of decentralized industrialization, Department of Industry plans to carry out opportunity studies in several sub-sectors and in all regions of the country; these studies will embrace leather-based industries, agricultural machinery and tools sub-sector, and food processing, handcraft, and chemical industry sub-sectors.

The government plans to establish a Quality Assurance and Testing Laboratory In order to the protect of consumers from poor quality products, promote the country's competitiveness in export markets by assisting manufacturers to upgrade the quality of their products and introduce quality assurance and certification systems. It also plans to establish a Legal Metrology Centre (LMC).

## ANNEX 6

MINISTRY OF TRADE AND INDUSTRY  
SUMMARY OF PLANNED CAPITAL BUDGET EXPENDITURE - 2001 - 2005

(NKF '000)

Program / Project Type	Year 2001		Year 2002		Year 2003		Year 2004		Year 2005		TOTAL	
	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External
<b>DEPARTMENT OF TRADE</b>												
Trade and Export Development study		10,00		30,00		30,00		20,00		10,00		100,00
Trade Point Establishment		0,99		0,63								1,62
Sub-Total		10,99		30,63		30,00		20,00		10,00		101,62
<b>DEPARTMENT OF INDUSTRIES</b>												
<b>I. Project Studies Sectorial Studies</b>												
Chemical Processing Ind	485	150									485	150
<b>II. General Studies</b>												
Reviving Traditional Handcrafts	699	2900	62	5307	62	797	62	410	62	355	947	9769
Sub-Total	1184	3050	62	5307	62	797	62	410	62	355	1432	9919
<b>DEPT. OF ERITREAN INVESTMENT CENTER</b>												
Medium Term Strategy Plan Study	0,480	3,201	0,218	1,455							0,698	4,656
Sub-Total	0,480	3,201	0,218	1,455		0,000	0,000	0,000	0,000	0,000	0,698	4,656
<b>DEPT. OF ERITREAN STANDARDS INSTIT.</b>												
Equipment		3,00		2,50		5,00		3,00				13,50
Transport Equip. & Spare P.		0,50										0,50
Consultancy		0,35		3,48		2,535		1,830				8,20
Sub-Total		3,85		5,98		7,54		4,83				22,20
<b>TOTAL</b>	<b>1 184,48</b>	<b>3 068,04</b>	<b>62,22</b>	<b>5 345,07</b>	<b>62,00</b>	<b>834,54</b>	<b>62,00</b>	<b>434,83</b>	<b>62,00</b>	<b>365,00</b>	<b>1 432,70</b>	<b>10 047,47</b>

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## 9.0 ENERGY SECTOR

The primary objective of the government with regard to the energy sector is to develop an efficient, environmentally sound and dependable energy production and supply system capable of supporting the country's economy in an affordable way. This implies a) modernizing and expanding the country's power generation, distribution and conservation system, b) improving fuel-oil supply and distribution system, and c) striving towards building and consolidating national capacity in developing indigenous energy sources. In addition, the government encourages private sector investment in the energy sector while regulating energy supply prices in order to avoid all forms of subsidies. The energy sector is composed of three sub-sectors, namely, Power Generation, Oil Supply and Renewable Energy Sub-sectors.

The central objective of the power sub-sector is to raise the existing per capita electricity consumption from the existing 54 to 85 kWh, and increase the electricity generation capacity by 8 %, i.e. from 132 MW, at present, to 142 MW by years 2005; this will be accomplished through: -

- Consolidation and expansion of the power grid system and generation capacity; and consolidating Centralized National Grid;
- Application of appropriate technology, promoting economically and environmentally sound energy production, conservation and usage optimization;
- Encouraging private investment in the energy sector development;
- Implementing a policy of appropriate energy pricing structure that avoids all forms of subsidies;
- Diversifying sources of energy, in order to minimize the dependence on the dwindling bio-mass energy resources and imported oil, i.e., promoting the utilization of economically and technically viable renewable energy resources as well as promotion of the assessment and development of domestic energy resources potential;
- Expansion of urban electrification;
- Improving the efficiency of power distribution system;
- Consolidating the capacity of the Self Contained Systems (SCS) power generation and distribution system in rural downs, and;
- Implementing National a Rural Electrification Programme.

The Primary objective of the oil sub-sector for the years under consideration is to ensure efficient and sustainable supply and distribution of oil products throughout the country. This would be achieved through constructing additional national oil depot of 67,000 M<sup>3</sup> capacity; at present there exist 814,000 M<sup>3</sup> oil depot capacity. The existing oil depots at Assab port will also be upgraded for international transit service.

During years 2001/2005 the renewable energy resource assessment studies will be finalized and installation of wind- and solar-based technologies will be expanded. Solar energy equipment will be installed in 35 rural water supply systems, 15 Rural schools, and 20 Health centers. Bio-mass based energy such as bio-gas, energy recovery from liquid and solid waste and briquetting will also be developed.

## 9.1 MINERAL SECTOR

In Eritrea, all mineral resources are public property, with the government ensuring the employment of acceptable exploration and mining practice, and promoting national capacity building through training and transfer of technology; but, the private sector, national as well as foreign, is encouraged to participate in all types of mining operations. The three principal government objectives, for the years 2001–2005, regarding the mineral sector are to a) promote the extractive industry through proper inventory of mineral wealth, b) carry out geological mapping aiming to attain 50% coverage of the whole country by the end of year 2005, and c) ensure the optimum utilization of the mineral wealth and minimization or mitigation of negative impacts of mining operations to people and environment. These objectives set above will be realized through a) pursuing systematic mapping at a scale of 1:250,000 a) issuing prospecting and exploration licenses, c) facilitating the development of the already established mining deposits in at least two blocks by year 2005 d) evaluating the already known and assessing new potential for industrial mineral deposits e) conducting market research for export, and e) enhancing a proper monitoring mechanism. The specific programmes for the years 2001/2005 include: -

- Extension of regional geological mapping;
- Geological mapping and geothermal exploration;
- Geological mapping and mineral exploration;
- Air-borne geophysical survey;
- Inventory of industrial and construction mineral deposits and market research for export; and
- Accommodate license proposals for both large and traditional mining operations;

**ANNEX 7**  
**Ministry of Energy and Mines, Department of Mines**  
**Requested and Planned Capital Budget, 2001-2005**

In NKF 000'

Programme / Project Title	Planned for											
	2001		2002		2003		2004		2005		TOTAL	
	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External
<b>Department of Mines</b>												
Extention of Regional Geological Mapping in Zoba Gash Barka including Ketina Shilalo Mineral Exploration Project		820	30	1 774	30	2 366	30	3 549	30	1 774	120	10 283
Danakil Horest ( Zula Adaelo) Geo. Mapping & Geothermal Explor...			35	887	40	1 479					75	2 366
Geo Mapping & Mineral Explor'n in North'n Daero Hara Shear Zone			40	1273	40	1 273					80	2 546
Regional Geological Mapping of Southern Escarpment					25	946	25	828			50	1 774
Keren - Nakfa Regional Geological Mapping							40	1 526	45	1 526	85	3 052
Airborne Geophysical Survey , 28,400KM <sup>2</sup>				3 057		539					-	3 596
Capacity Building in Geophysical Investigation	320	1810,41	213,4	873							533	2 683
Capacity Building in Environmental Inspection	238,5	1565	78,75	390							317	1 955
<b>Sub-Total</b>	<b>559</b>	<b>4 195</b>	<b>397</b>	<b>8 254</b>	<b>135</b>	<b>6 603</b>	<b>95</b>	<b>5 903</b>	<b>75</b>	<b>3 300</b>	<b>1 261</b>	<b>28 255</b>

**Eritrean Electric Authority**  
**Requested and Planned Capital Budget, 2001 - 2005**

In NKF 000'

Programme/ Project Title	Planned for											
	2001		2002		2003		2004		2005		TOTAL	
	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External
1 ICS Power Generation & Transmission Expansion Project	6 757	200 000		156 209							6 757	356 209
2 Asmara Distribution line Rehabilitation and Voltage Conversion.	610	4 797	610	4 797	610	4 797	610	4 797	606	4 764	3 046	23 952
3 Massawa - Gindae Transmission Line & Massawa Distrib'n Line Rehab.	6 270	63 919	50	59 271	50	57 392					6 370	180 582
4 Gindae Electricity Supply Substation Construction.	400	7 204									400	7 204
5 Extension of 66KV transmission line from Dekemhare to Adi Keih			100	615	100	4 059	4 700	25 116	100	1 250	5 000	31 040
6 Extension of 66 KV Transmission line from Keren-Agordat, Keren- Barentu			100	1 025	100	7 770	4 700	45 000	100	5 860	5 000	59 655
7 Assab Electricity Supply System Rehabilitation			50	2 425	50	2 425	5 000	25 000	5 000	75 000	10 100	104 850
8 Rural Electrification Programme *1												
8.2 Himberti Area; 8 villages	327	2 787									327	2 787
8.3 Dekemhare Area; 30 villages			913	4 258							913	4 258
8.4 Keren Area ; 14 villages			615	2 939							615	2 939
8.5 Mendefera Area ; 17 villages	277	3 618									277	3 618
8.6 Mekerka Area ; 12 villages	434	4 287									434	4 287
9 Modernization of the Accounting System	245	10 226									245	10 226
10 Reconstruction Program of War Damaged Electricity Supply Systems												
10.1 Hircigo Power Generation Plant Reconstruction	19 000	190 000									19 000	190 000
<b>Total</b>	<b>34 320</b>	<b>486 838</b>	<b>2 438</b>	<b>231 539</b>	<b>910</b>	<b>76 443</b>	<b>15 010</b>	<b>99 913</b>	<b>5 806</b>	<b>86 874</b>	<b>58 484</b>	<b>981 607</b>

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Ministry of Energy and Mines, Department of Energy  
Requested and Planned Capital Budget, 2001 - 2005

In NKF 000'

Programme/ Project Title	Planned for											
	2001		2002		2003		2004		2005		TOTAL	
	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External
Energy Master Plan	125	3105,2	250	6210,4	125	3105,2					500	12420,8
Seismic Processing and Interpretation		1 655										1655
National Wind and Solar Resource Assessment	50	866									50	866
Wind Energy Application in Southern Coastal Areas	2 541	26 780	179,2	25 708	210	25 300					2930,2	77788
Energy conservation Measures in Industries	30	437									30	436,5
Dissemination of Improved Traditional Wood-Stove (m	767	273	1534,4	546,15	2 302	820	3 197	1 138	3 836	1 365	11636,4	4142,15
Installation of Renewable Energy Technology	300	3 880	300	3 880	300	3 880	300	3 880			1200	15520
Capacity Development for Energy Research and Traini	200	3 182	200	1 270	200	1 193					600	5645
<b>Total</b>	<b>4 013</b>	<b>40 178</b>	<b>2 464</b>	<b>37 615</b>	<b>3 137</b>	<b>34 298</b>	<b>3 497</b>	<b>5 018</b>	<b>3 836</b>	<b>1 365</b>	<b>16 947</b>	<b>118 473</b>

## 10.0 PUBLIC WORKS SECTOR

The prime task of this sector is to implement public work policies, programmes and plans formulated by the Eritrean government in co-operation and collaboration with the private sector construction industry. As a regulatory body, it also issues regulations, formulate standards and supervise all public and private infrastructural works. The objective is to ensure the creation and maintenance of service giving public works structures aiming at stimulating a sustainable socio-economic development of the country. Since the Ministry of Public Works is largely a regulatory and supervisory its programmes depends on the programmes of the other line Ministries. As such, it has adopted the following policies;

- Promote the availability of professionally competent personnel and establish a in-service training scheme that consolidates their professional skills.
- Introduce well-developed and technologically viable building materials in every sector.
- Establish on national level Building Construction Information Centre, which could prepare regulatory framework, give advice and guidance and disseminate information in the promotion of the construction building industry.
- Encourage the upgrading of contractors and consultants in order to acquaint themselves with modern techniques and know-how.
- Permit the participation of foreign firms in construction activities

In Eritrea, this sector constitutes of three sub-sectors as follows;

The Department of Infrastructure at the Ministry of Public Works is responsible for formulation of the sub-sector's policy and strategies. The department aims to ensure an integrated an coordinated national infrastructure development plans. Infrastructural works include roads, highways, bridges, railways, and airports all water supply projects, fisheries infrastructure development, seaports and overall management of projects under consideration.

The main objective of the department is to establish an efficient and effective institutional framework that regulates the study and execution of infrastructural works in the country. It ensures that public as well as private sector's investment in infrastructure is sustainable, cost effective and that the public is provided with reliable high quality and cost effective infrastructural services.

Establishment of national standards is another important part of strategy pursued by the infrastructure department. Establishment of National standards shall be on the basis of long-term research studies and accumulation of experience. Although, the standards and norms adopted as mechanisms of regulations shall be of international standard, these shall be compatible with country's local and regional conditions.



The Department of Engineering Works at the Ministry of Public Works is charged with the task of ensuring a) the safety, sustainability and cost-effectiveness of all buildings, b) encouraging, the participate and development of professional skill, and c) promoting the use of local building materials. As such, the Department a) issues regulations regarding quality and safety of all construction under takings b) Keeps track of all professional individuals and firms engaged in the construction industry, and c) encourage the private sector in the construction industry to participate in the development of cost effective and aesthetically accepted and structurally sound buildings.

The Department of Urban Development at the Ministry of Public Works main task is to find ways and means of constructing housing schemes affordable to low income groups.

The department focuses on housing and urban policy development, issuance of standards and regulations, preparation of TOR and contract documents for the national international consultants, approve urban housing projects, as well as monitor and evaluate them.

Plans for expanded construction of new roads, residential and public buildings, airports, ports, dams and creation of new rural towns are in place for the five years between 2001/2005; however, the focus of the action plan for those years is roads construction with the Ministry assuming, mainly, a regulatory and supervisory role.

The government with the assistance of international community, has already established temporary settlement areas. These areas need to be accommodated with safe shelter, sufficient water supply, and people deported from Ethiopia and for those internally displaced due to the war with the two countries. There is a manifest and urgent need for upgrading the already existing and constructing of new access roads to these temporary camps; hence, 1,318 Kms of new access roads will be constructed and 40 Kms will be rehabilitated during year 2001 only. Moreover, about 1,250 Kms of dry-weather roads and 380 Km of asphalt roads are planned to be constructed before year 2005. This is in addition to the construction/ rehabilitation of 16 micro-bridges.

## ANNEX 8

### MINISTRY OF PUBLIC WORKS

#### SUMMARY OF PLANNED CAPITAL BUDGET EXPENDITURE (2001 - 2005)

(In NKF millions)

Program/Project Type	Year 2001		Year 2002		Year 2003		Year 2004		Year 2005		Totals	
	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External
Road Construction	31.45	31.45	56.07	56.07	100	100	91.75	91.75	70.75	0.75	350.02	280.02
Road Study	---	6.2	---	5.11	---	---	---	---	---	---	---	11.31
Bridge Construction	0.85	3.55	1.2	1.2	---	---	---	---	---	---	2.05	4.75
<b>TOTAL</b>	<b>32.30</b>	<b>41.20</b>	<b>57.27</b>	<b>62.38</b>	<b>100</b>	<b>100</b>	<b>91.75</b>	<b>91.75</b>	<b>70.75</b>	<b>0.75</b>	<b>352.07</b>	<b>296.08</b>

## **11.0 WATER SECTOR**

The Department of Water at the Ministry of Lands, Water and Environment is charged with the responsibility of formulating the sector's policies, strategies and programmes. The government's main objective with regard to this sector is to develop and manage the water resources of the country in order to secure an adequate and reliable supply water for human and animal consumption as well as for agricultural and industrial purposes. Three main objectives are planned to be achieved before the year 2005, viz., a) a minimum of 20 liters per capita per day to be delivered to 75% of the rural population, b) 40 liters per capita per day to be delivered to 100% of the urban population, and, c) the water supply facilities be 75-85% effective and functional. To that end, 26 water supply projects are planned to be completed by the year 2005. The Department of Water Resources has a plan to conduct a National Well Inventory study during year 2001 that requires NKF 762,000 from domestic sources and NKF 1,339,000 (\$ US 138,041) from external sources.

## **12.0 LABOUR AND HUMAN WELFARE SECTOR**

This sector is a deliberate and conscientious creation by the government; it was organized as a sector in order to challenge and alleviate the immense social problems thrown at the doorsteps of the EPLF at independence time. Such social problems include, among other things, general unemployment, hazardous working conditions; dismal situation of the aged and the invalid; economically and sexually exploited children, youth, women and men; in-coming refugees from the Diaspora; appalling situation of internally displaced people; hankering out-of-school destitute and orphaned children; as well as other social evils including prostitution, begging, drug and alcohol addiction and crime. Hence, the Ministry of Labour and Human Welfare was created, in 1995, to achieve the following main objectives;

- Reduce and, eventually, eliminate open unemployment.
- Eliminate child and forced adult labour.
- Protect the safety and health of workers.
- Create harmonious employees and employers relationship.
- Provide financial assistance to the aged and the invalid.
- Promote integrated community development programmes, especially those of the disabled and the elderly.
- Combat, prevent and control social evils.

In order to achieve the above stated main objectives, the ministry, in collaboration with other concerned ministries, therefore, adopted the following major programmes for the five years between 2001-2005;

- Expand youth employment, in both rural and urban areas, particularly focussing on disadvantaged women in the formal sector.
- Encourage traditional social security and community self-help schemes.

- Introduce social security system for public and private sector employees.
- Provide legal protection to children, youth, women and men from economic, sexual and other forms of exploitation.
- Provide support to victims of war, disadvantaged people and households, including demobilized combatants, refugees and displaced people, as well as conduct continuous sensitization programmes to solicit the participation of communities in the care of these vulnerable groups.
- Amend the existing labour law in line with the country's development objectives, and develop and enforce a labour policies.
- Develop, enact and enforce laws on child labour and forced labour
- Co-operate with the concerned government bodies to introduce occupational skill standards development, testing and certification
- Prepare regulations for the development of public and private employment services.
- Collect, analyze and disseminate labour market information and provide that information to job seekers, employers, and training agencies.
- Develop vocational training, guidance and counseling service to job-seekers.
- Undertake awareness raising activities on occupational accident and diseases to workers employers and the society at large
- Develop an inspection system for industrial workers working conditions
- Facilitate registration of laborers' associations
- Introduce Social Insurance Scheme.
- Introduce Provident Fund Scheme.
- Introduce Compulsory Private Insurance.
- Introduce community-based social assistance scheme.
- Introduce Unemployment Benefit and family Allowance.
- Train volunteer community change-agents in skills of community work.
- Organize and provide technical assistance to self-help associations.
- Support youth organizations to become productive citizens.
- Undertake counseling for families in dispute, victims of HIV/AIDS, STD and other people with chronic diseases.
- Provide informal skill training for out-of-school street children, and destitute children as well as the orphaned ones.
- Provide probation and community service for adolescent children in conflict with their families and the law.
- Undertake public education in communities on the prevention and control of prostitution, drug and alcohol addiction, as well as in various forms of crimes.

## ANNEX 9

### MINISTRY OF LABOUR AND HUMAN WELFARE SUMMARY OF PLANNED CAPITAL BUDGET EXPENDITURE (2001-2005)

Program / Project Type	(NKF Millions)											
	Year 2001		Year 2002		Year 2003		Year 2004		Year 2005		TOTALS	
	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External
Construction of Orthopaedic W/shop	---	---	---	1.500	---	2.000	---	2.450	---	---	---	5.950
Credit and Saving	---	0.377	---	0.387	---	1.4006	---	1.4006	---	1.4006	---	4.9658
Rehabilitation of Street Children	---	1.2196	---	1.749	---	1.734	---	1.869	---	1.699	---	8.2706
Conduct a survey on child labour	---	1.3162	---	---	---	---	---	---	---	---	---	1.3162
Conduct a survey on persons with disability	---	1.6246	---	---	---	---	---	---	---	---	---	1.6246
Conduct study on unemployment problem	---	---	---	---	---	---	---	---	---	1.8767	---	1.8767
Research on poverty alleviation	---	---	---	---	---	---	---	---	---	0.400	---	0.400
Urban youth employment and poverty eradication	---	2.336	---	---	---	---	---	---	---	---	---	2.336
Employment creation in rural and urban informal sector and small scale enterprises	0.055	---	---	---	---	190.952	---	---	---	---	0.055	190.952
Development of occupational skill standards testing and certification system for Eritrea	0.055	---	---	---	---	4.880	---	---	---	---	0.055	4.880
Vocational training strategies and employment creation	0.055	---	---	16.611	---	---	---	---	---	---	0.055	16.611
<b>Sub-Total</b>	<b>0.165</b>	<b>6.8734</b>	<b>---</b>	<b>20.247</b>	<b>---</b>	<b>200.9666</b>	<b>---</b>	<b>5.7196</b>	<b>---</b>	<b>5.3763</b>	<b>0.165</b>	<b>239.1829</b>

Programme/ Project Type	Year 2001		Year 2002		Year 2003		Year 2004		Year 2005		TOTAL	
	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External
Improvement and development of employment services	0.055	---	---	---	---	0.2665	---	---	---	---	0.055	0.2665
Employment promotion of disadvantaged women in poor urban community	0.215	---	---	0.980	---	0.980	---	0.980	---	---	0.215	2.940
Inspection Instruments/Equipments	0.2004	3.915	---	---	---	---	---	---	0.025	1.960	0.2254	5.8750
Special Inspection for special group	0.030	0.075	0.0505	0.080	---	0.085	---	0.090	---	---	0.0805	0.3300
Periodical reports for ratified conventions	0.055	0.995	---	---	0.001	0.020	---	---	0.001	0.020	0.057	1.035
Unratified conventions report	0.023	0.132	0.0130	0.073	0.0130	0.073	0.0130	0.073	0.0130	0.073	0.075	0.424
Introduce Social Security for public and private sector employees	---	1.2446	---	1.3524	---	---	---	---	---	---	0.00	2.597
<b>Sub-Total</b>	<b>0.5784</b>	<b>6.3616</b>	<b>0.0635</b>	<b>2.4854</b>	<b>0.014</b>	<b>1.4245</b>	<b>0.0130</b>	<b>1.143</b>	<b>0.039</b>	<b>2.053</b>	<b>0.7079</b>	<b>13.4675</b>
<b>TOTAL</b>	<b>0.7434</b>	<b>13.235</b>	<b>0.0635</b>	<b>22.7324</b>	<b>0.014</b>	<b>202.3911</b>	<b>0.0130</b>	<b>6.8626</b>	<b>0.039</b>	<b>7.4293</b>	<b>0.8729</b>	<b>252.6504</b>

## 13.0 LOCAL GOVERNMENTS

It has only been 4 years (1996-1999) since the government started adopting a decentralized administrative system. The fact that decentralization is a process and not an event implies that it can only be fully realized in the long-run. This is mainly because, there is a need, among other things, for continuous strengthening of the institutional and human resources capacities at Regional and Sub-regional levels. Towards this end, measures planned to be taken to effectively and efficiently realize decentralization include placement of proficient personnel, provision of incentives (housing, attractive salaries), institutional capacity building (computers, vehicles, communication radio networks), development of various management systems and procedures, and personnel training. In addition, the Ministry of Local Government is charged as the main implementing organ of all plans and programmes of the development line ministries of the country. These include activities related to water supply and drainage systems; construction and maintenance of feeder roads; construction of health facilities, schools, market places and slaughter houses; rural electrification; and sanitation. These latter activities are financed through the Ministry's own budget and through the Eritrean Community Development Fund (ECDF) financed by IDA loan of \$ US 50.92 million; ECDF is a social fund with the main of selecting, appraising and financing the implementation of projects which: a) supports the rehabilitation and development of basic social and economic infrastructure and b) improves the income earning capacity of poor people and households. ECDF achieves these objectives through supporting community-based initiatives designed to respond to the immediate rehabilitation and development needs of the communities. It promotes the active participation of the people in planning, implementing, monitoring and evaluating projects.

The Eritrean Integrated Early Childhood Development Program, (EIECD), is another programme falling under the Ministry of Local Government; it is financed by from IDA (World Bank) credit amounting to \$ US 40 million with a program duration of five years-starting from year 2000 up to 2005. The program will cover high-risk groups of children in selected areas of all the six Administrative Regions with gradual expansion to attain a nationwide coverage. The main objective of the program is to promote the basic needs for a healthy growth and holistic development of children under six years of age, children in primary school age, and children in need of special protection; through the provision of services and support in health care, early education, cognitive stimulation, protection and affection. It will be implemented in co-operation with several other development ministries. The Programme is currently under preparation to be launched.

ANNEX 10

MINISTRY OF LOCAL GOVERNMENT  
SUMMARY OF PLANNED CAPITAL BUDGET EXPENDITURE (2001-2005)

In NKF 000'

Programme/Project	Planned for											
	2001		2002		2003		2004		2005		TOTAL	
	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External
Water Supply Projects	2 979	43 123	22 311		47 798		16 275		19 471		108 834	43 123
City Plantation		2 210	825	2 145	699	2 145	380		308		2 212	6 500
<b>TOTAL</b>	2 979	45 333	23 136	2 145	48 497	2 145	16 655		19 779		111 046	49 623



## **14.0 NATIONAL UNION OF ERITREAN WOMEN (NUEW)**

There are five main projects formulated by the NUEW to achieve their five year plan. The projects aim to achieve the short-term objectives of the organization, these are:

- Gender and Law, legal literacy on women's rights.
- Women Entrepreneurs and Producer Groups Developed and Upgraded in food processing, garment manufacturing, crafts and business.
- Advocacy/Communications
- Extension Services for Micro-Credit Scheme. Operational Support to the micro-credit scheme; start-up and growth oriented women industrial entrepreneurs supported in the rural areas.
- Women's Clubs established in seven (7) sub-regions as the centres for training programmes.

The Strategic Plan for NUEW formulated from the Review Study of 1999 detailed a long list of areas for interventions; but priority areas for its five year plan are as follows:

The first priority area for the NUEW in the next five years is to enhance economic activity for women, particularly female headed households and poor women. The aim is to provide an opportunity to women to have access to economic activity through training programmes, and access to credit. The establishment of the Women's Clubs centres for training activities is, therefore, paramount.

The second priority area for the organization is legal literacy, for both the men and women, on women's rights under the law. The third priority area is Advocacy and Communication to continue to promote measure for the advancement of women's rights, through training in leadership, negotiation skills, encouragement of women to engage in the political activities at the local and national level.

**ANNEX 11**

**WOMEN'S CLUB**

**SUMMARY OF PLANNED CAPITAL BUDGET EXPENDITURE  
(2001-2005)**

In NKF "Millions"

Program / Project Name	2001		2002		2003		2004		2005		TOTAL	
	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External	Domestic	External
New Buildings (7)	-	2.00	-	4.00	-	4.00	-	2.00	-	2.00	-	14.00
Televisions (5)	-	0.03	-	-	-	-	-	-	-	-	-	0.03
Video Cassette Recorders (5)	-	0.03	-	-	-	-	-	-	-	-	-	0.03
Photocopiers (5)	-	0.02	-	-	-	-	-	-	-	-	-	0.02
Computers (5)	-	0.15	-	-	-	-	-	-	-	-	-	0.15
Printers (5)	-	0.06	-	-	-	-	-	-	-	-	-	0.06
<b>TOTAL</b>	-	<b>2.29</b>	-	<b>4.00</b>	-	<b>4.00</b>	-	<b>2.00</b>	-	<b>2.00</b>	-	<b>14.29</b>

**SUMMARY  
CAPITAL EXPENDITURE PLAN  
(2001 - 2005)**

(In NKF Million)

No.	MINISTRYIES / AGENCIES	DOMESTIC	EXTERNAL
		NKF	NKF
1	Ministry of Health	211.63	355.58 (\$ US 36.66)
2	Ministry of Local Government	111.05	49.62 (\$ US 5.12)
3	Ministry of Public Works	352.07	296.08 (\$ US 30.52)
4	Ministry of Fisheries	37.32	460.85 (\$ US 47.51)
5	Ministry of Energy and Mines	76.70	1 128.34 (\$ US 116.32)
6	Ministry of Education	178.30	1 044.09 (\$ US 107.64)
7	Ministry of Trade and Industries	1.43	10.05 (\$ US 1.04)
8	Ministry of Transport and Communications	574.20	1 492.60 (\$ US 153.88)
9	Ministry of Agriculture	1 756.38	825.70 (\$ US 85.12)
10	Ministry of Land, Water and Environment	0.76	1.34 (\$ US 0.14)
11	Ministry of Labour and Human Welfare	0.78	252.65 (\$ US 0.26.05)
12	National Union Eritrean Women	-	14.29 (\$ US 1.47)
	<b>TOTAL</b>	<b>3 300.62</b>	<b>5 931.19 (\$ US 611.46)</b>
	<b>PERCENTAGE</b>	<b>36</b>	<b>64</b>

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