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*Full Length Research Paper*

# Foreign Aid Effectiveness and Development Strategies in Eritrea: A lesson for Sub-Saharan African countries

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**This study analyses foreign aid effectiveness and development strategies in Eritrea. It attempts to draw a lesson for Sub-Saharan African (SSA) countries. The study seeks to answer the following question: “what are the conditions for foreign aid effectiveness in SSA countries”? The data for this study was collected in 2015 in six months period from February to August. In this study, both primary and secondary data sources were used. Interviews were conducted with 45 key government officials and development partners. The study adopts a deductive approach to explaining aid and development in Africa. In this study, it is found that ownership, alignment, harmonization, result orientation, strong institutions and policies, accountability, and coordination and monitoring among aid agencies and partner institutions were the main conditions for aid effectiveness. The study further reveals that, in most SSA countries, absence of good governance was the main challenge for aid effectiveness. Aid is not effective when recipient countries do not have enough “absorptive capacity” as a result of their poor policies and/or weak institutions. Eritrea’s emphasis on self-reliance and national ‘ownership’ of development projects is of considerable interest given the aid dependence of much of SSA countries. Aid should be used to deepen country ownership of development policies; support and strengthen institutions; align more closely to national priorities; and strengthen the country’s ability to oversee, manage and coordinate incoming aid and donor activities. To this end, drastic and concrete changes should be made at national, sub-regional, regional, and international levels to pave the way towards sustainable development and economic growth.**

**Key words:** Foreign Aid, ODA, Eritrea, Self-reliance, Sub-Saharan Africa

## INTRODUCTION

Eritrea is an East African country, which is bordered with Ethiopia in the south, with Sudan in the north and the west, with Djibouti in the southeast, and with the Red Sea in the east. Eritrea, with an area of 124,320 square kilometers and a population of about four million, gained

its independence from Ethiopia following a 30 years of armed struggle in 1993. About 65% of the people live in countryside, and the population density ranges from 36.3 to 40.6 people per sq. km (World Bank, 2002). Eritrean economy is largely based on subsistence agriculture, with

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80% of the population depending on farming and herding. For the year 2010, the gross domestic GDP for Eritrea was estimated at US\$3.625 billion together with a per capita estimate of US\$681 (World Bank, 2010).

Eritrea is a young developing country, which is engaged in the development task of “nation building” and “socio economic progress”. As clearly indicated in the Macro-Policy Paper of 1994, in the National Economic Policy Framework and Program of 1998, and in the Transitional Economic Growth and Poverty Reduction Strategy of 2001, the Government of the State of Eritrea (GoSE) overriding national development objective is the creation of a modern, technologically advanced and internationally competitive economy<sup>1</sup>. The GoSE strives to achieve a sustainable economic growth based on social equity and justice with a special emphasis on issues of social justice, such as access to education, health, food and equitable access to services regardless of locality. The GoSE strongly feels that development can and should not be based on aid but on investment from development partners. Self-reliance and sustainable development are credos of the GoSE. The concept of self-reliance in the Eritrean context was developed during the liberation struggle not because of ideology but necessity. Considering the irregular supply of armaments, logistical and other supporting facilities, it is quite amazing what the liberation army achieved in a practical sense, having little else than human resourcefulness to hand. The idea of self-reliance conveys a strong will to control structural as well as social development and reliance primarily on one’s human and natural resources, and to be in charge of one’s own affairs, goals and decision-making but it does not mean to isolate oneself from the international community.

This study, therefore, deals with the analysis of foreign aid effectiveness and development strategies in Eritrea. It attempts to draw a lesson for Sub-Saharan African (SSA) countries. The study seeks to answer the following question: What are the conditions for foreign aid effectiveness in SSA countries? The study adopts a deductive approach to explaining aid and development in Africa.

## RELATED LITERATURE

Foreign aid to developing countries is a subject of heated debate among politicians, economists, and development specialists. The debate focused on whether aid promote economic growth and reduce poverty or not. Several studies based on cross-country regressions over large heterogeneous samples of countries have provided a

wide range of contradictory results. For instance, Roodman (2008) argued that foreign aid has no effect or barely affects growth; similarly many others such as McKinley (2005), Easterly (2005), Collier (2006), Auty (2007) and Moyo (2009) further argued that aid even undermines growth in recipient countries. On the contrary others such as Sachs (2005), Karras (2006) and Minoiu and Reddy (2006) had suggested that foreign aid has a positive influence on economic growth. Still others such as Akramov (2012) and Burnside and Dollar (2000) suggested that foreign aid has a positive impact on growth but this impact is conditional up on good institutional and policy environment.

Traditional development economics has long viewed foreign aid as a tool for overcoming the savings gap in developing countries. Based on this assumption, Abuzeid (2009) argued that the Third World is poor because it lacks the capital necessary for making income-generating investments. His argument is in line with mainstream economics literature that suggests aid helps developing countries by closing the financing gap that otherwise leaves them stuck in a poverty trap. The “big push” argument further portrays aid as the necessary catalyst for investment that would, in turn, lead to growth and presumably initialize an upward path to economic development.

As home to a large proportion of the world’s “bottom billion,” Sub-Saharan Africa (SSA) has attracted substantial amounts of foreign aid over the last fifty years. Since 1980, 13 SSA countries were receiving net aid at levels above 10% of gross domestic product (GDP) (Collier, 2007). By 1990, that figure had increased more than doubled, and 30 countries were receiving aid (IDA, 2007). In 1998, 21 countries continued to receive aid at that level. In a number of countries such as Malawi, Ghana and Zambia, aid has funded more than 40% of government expenditures, on average, for nearly 20 years (Abuzeid, 2009).

In 1999, 27 SSA countries were receiving at least 25% of net aid as a percentage of government expenditures (Kihara, 2012). Africa receives a greater share, at 36%, of total global aid than any other part of the world. Over the past four decades, aid to Africa has quadrupled from around US\$11 billion to US\$44 billion, with a net increase of almost US\$10 billion during the period 2005 to 2008 alone (Sachs, 2005). Official Development Aid (ODA) flows to the continent currently stand at around \$80 billion per annum (Abuzeid, 2009). In aggregate terms over the course of the last 50 years, foreign aid transfers to governments in SSA totaled a staggering \$1 trillion (Kasper, 2006).

However, half a century of historical evidence of foreign aid flows to SSA suggests that this “big push” paradigm does not actually work in practice. The record shows that foreign aid has failed to deliver in any meaningful way. According to most estimates, the West has spent close to \$600 billion on foreign aid to Africa between 1960 and 2000 (Akonor, 2008; Easterly, 2005). Despite a

<sup>1</sup> Following the country’s independence in 1991, the GoSE formulated and implemented socio-economic development policies and strategies that were directed at rehabilitation and reconstruction of the economy (see GoSE Macro-Policy of 1994, the National Economic Policy Framework and Program of 1998 and the Transitional Economic Growth and Poverty Reduction Strategy of 2001).

massive foreign aid flows the bulk of Africa's countries rank low on standard international comparisons. African countries occupy most of the bottom places in income per capita, percent of population living in extreme poverty (less than

a \$1 a day), life expectancy, infant mortality, human immunodeficiency virus infection and acquired immune deficiency syndrome (HIV/AIDS) prevalence, literacy, and the United Nations Development Programme (UNDP) human development index. Over the same period of time, growth of GDP per capita in Africa actually registered a marked decline and was for many years even negative. With exceptions of Mauritius, Gabon and Botswana, actual GDP per capita figures for most of SSA countries declined. During the 1990s, for example, countries in SSA received funding amounting on average to about 12% of their GDP, while their average growth rate per capita declined by 0.6% per year (IDA, 2007).

Further investigation shows that the progress made by the top nine ODA recipients in 2008 in SSA is not appealing (See Table 1). Except Ghana, the remaining all demonstrated low UNDP human development index, none of them approached life expectancy of 65 years at birth, infant and under 5 mortality rates are still high, satisfaction with health care and education quality are low and the percentage of people with intensity of deprivation are high.

The fact that a good number of the poor countries that have received the bulk of aid in history remain poor, and this raises a questions about the effectiveness of aid as a poverty-alleviating tool (Ali and Isse, 2005; Collier 2007). Decades of foreign aid have done little in changing the destinies of many African states, most of which are currently experiencing low growth rates. There is strong indication that a high level of aid dependence over an extended period of time-as is the case in much of SSA could have a retarding effect on growth and development due to harmful effects on the overarching governance structure and institutional quality of the recipient country (Abuzeid, 2009).

A study by Bräutigam (2000) identifies a negative and highly statistically significant relationship between high aid intensity and institutional quality, as measured by the International Country Risk Guide's 18-point index. The problem is that once aid is accepted; the ability of recipient governments to extricate themselves from implied political or economic obligations to donors and prevent donor government from interfering in their internal affairs can be greatly diminished. Most of the developing countries would like to have more aid in the form outright grants or long-term low cost loans with minimum of strings attached, which grants greater latitude to recipient countries to decide for themselves what is in their best long run development interests. In an era of global financial crisis and amidst concerns over the effectiveness of aid, this seems to be impossible. Hence, Africa is confronted with new challenges and opportunities regarding the use of aid for development.

## METHODOLOGY

The data for this study was collected in 2015 in six months period from February to August. Senior public Administration students were involved in the data collection process. As part of their senior research project, the students were advised to conduct research on foreign aid effectiveness in SSA countries. In this study both primary and secondary data sources were used. First, it reviews the literature on foreign aid and development in Africa. Secondly, the paper draws on documentary sources such as development policies, proclamations, and government and UN publications and reports, which give official views of development processes. Thirdly, interviews were conducted with 45 key government officials and development partners (15 project managers, 10 top level civil servants, 10 local government administrators and 10 UN officials).

The interviews were carried out to help analyze foreign aid effectiveness in Eritrea. It is always advisable to accompany secondary data with some in-depth interviews, even if time permits only a limited sample. The rationale for using multiple sources of data is the triangulation of evidence. Triangulation is a combination of methodologies in the study of the same phenomena. It increases the reliability of the data and the process of gathering. Through triangulation we can compare the results from either two or more different methods of data collection (for example, interviews and observation) or, more simply, two or more data sources (for example, interviews with members of different interest groups). Triangulation helps the researcher to develop patterns of convergence or to corroborate an overall interpretation (Habtom, 2014).

To check the reliability of information, data similar questions were asked to UN and government officials at different levels. As a further proof of reliability similar questions were asked also to the same informants at different times. Thus the interview questions were designed to support the reliability and objectivity of the data collected. Through such method, qualitative data was collected both from primary and secondary sources on foreign aid effectiveness and development strategies in Eritrea. Qualitative data helps the researcher to obtain detailed information about the case under investigation (Habtom, 2014).

## Defining foreign aid

The term "foreign aid," for the purposes of this study, refers only to Official Development Assistance (ODA). ODA is defined as the flow of official financing to the developing world that is concessional in character, namely grants and loans with at least a 25% grant component (World Bank 1998). ODA is generally administered with the objective of promoting the economic development and welfare of developing countries, and comprises both bilateral aid that flows directly from donor to recipient governments and multilateral aid that is channeled through an intermediary lending institution like the World Bank (Abuzeid, 2009). There are three categories of ODA given to Africa:

1. Economic
2. Social, and 3. Other, including emergency and food aid (Akramov, 2012).

Economic aid includes two major sub-categories: aid to production and aid to economic infrastructure. Aid to production sector funds projects in the agriculture, manufacturing, mining, construction, trade, and tourism



**Table 1.** Top nine ODA recipients in SSA, 2008.

Country	ODA receipts (Current US\$ Million)	HDI Rank	Life expectancy at birth	Infant mortality (per 1000 live births)	Under 5 mortality (per 1000 live births)	Satisfaction with healthcare quality (% satisfied 2007-2009)	Adult literacy (% age 15 and older)	Satisfaction with education quality (% age 15 and older 2005-2010)	Poverty Intensity of deprivation (%)
Ethiopia	3.327	173	58.7	68	106	19	39.0	-	64.6
Sudan	2.384	171	61.8	66	103	48	71.1	43.0	-
Tanzania	2.331	152	58.9	50	78	30	73.2	44.8	50.7
Uganda	1.657	161	54.5	63	99	48	73.2	48.8	52.5
D.R.Congo	1.648	186	48.7	112	170	-	66.8	39.3	53.0
Kenya	1,360	145	57.7	55	85	62	87.4	59.6	48.0
Ghana	1.293	135	64.6	50	74	74	67.3	57.2	46.2
Nigeria	1.290	153	52.3	88	143	56	61.3	47.4	57.3
Liberia	1.250	174	57.3	74	103	38	60.8	49.6	57.7

Source: United Nations, (2010), *MDG Gap Task Forced Report 2010*, United Nations, New York UNDP (2013), Human Development Report 2013, United Nations, New York.

industries.

Aid to economic infrastructure is directed to networks and services that facilitate economic activity, such as energy distribution, road and railroad construction, equipment for communication and electronic networks, and financial infrastructure. Social aid includes ODA to education, healthcare, sanitation, and drinking water supplies. Economic and social aid together account for roughly two-thirds of total ODA and are intended by donors to build additional physical and human capital in recipient countries and therefore have the potential to promote economic growth. The third category is primarily intended for consumption in emergency situations, and is unlikely to foster economic growth.

### Eritrea's development strategy

The GoSE development strategy emphasizes on self-reliance, active people's participation on development and balanced regional development. It strongly focuses on human capital formation,

development of the infrastructure, environmental restoration and protection, and promotion of the private sector<sup>2</sup> (GoSE, 1994, 1998). Accordingly the Eritrean government development and poverty reduction strategy is focused on securing opportunities for all citizens through accelerated and regionally balanced economic growth and encouraging participation by all members of the society in the process of development (GoSE, 2001).

The government believes that in the long-run, the solution to poverty lies in increasing the skills of the poor through education and training, and in generating sustainable employment and income generating opportunities through economic expansion.

In the Eritrean context, development involves

<sup>2</sup>Eritrea's national development priorities are clearly spelled out in its human resources, infrastructure and food security programs and policy statements (AfDB, 2012). The country focuses on self-reliance to a degree not seen elsewhere in Africa. The GoSE strongly argues that development should not be based on aid but based on trade and investment from development partners.

expanding capacity to determine one's future. Development as an increase in the capacity to influence the future has five implications for Eritrea. First, it involves greater concern for people's self-esteem, their ability to invest themselves in caring about and shaping their own future. Second, it means paying attention to capacity, to what needs to be done to expand the ability and energy to make change. Third, it involves equity; uneven attention to different groups will divide peoples and undermine their capacity. Fourth, it means empowerment, in the sense that only if people have some power will they receive the benefits of development. And finally it means taking seriously the interdependence in the world and the need to ensure that the future is sustainable.

This is in line to the 1980 Lagos Plan of Action for the Economic Development of Africa, which was designed to restructure the economy, based on the twin principles of national and collective self-reliance and self-sustaining development (ECA, 2003). Self-reliant development requires,

and indeed, demands universality in Africa, the politics of consent and consensus, the politics of conviction and commitment, and the politics of compassion and accountability (ECA, 1990).

The GoSE argues that aid is not panacea for all development problems in SSA. Aid affects the recipient countries in three ways: firstly, the excess demand for aid places the recipient countries in weaker bargaining position. The donor dictates a number of conditionalities under which aid is to be supplied. Secondly, the nature of aid provides the donor with the means for intervention in the recipient country for instance with program aid, it entails some intervention in the fiscal, monetary and development policies while project aid entails future reliance of the recipient on the donor for the servicing and maintenance of the particular project. Thirdly, repayment creates another situation where the recipient in weaker bargaining position since aid reduces the capacity of recipient countries to service their debts.

### Self-reliance

The concept of self-reliance surfaced in the continent of Africa in the early 1960s as a post independence reaction to the legacy of colonialism and its related economic order, the most important characteristic of which is the existence of centers and peripheries reflecting the international division of labor (Tefagiorgis, 1993). Many writers, of various ideological persuasions, have written on the center-periphery dichotomy. They have described the relationship between the two groups in such terms as colonialism, imperialism, neocolonialism or their equivalencies (ibid.). Regardless of the terms used, they have described an international economic system which favors the centers at the expense of the peripheries.

It was this situation which prompted African countries in the 1960s to search for new strategies of development as alternative to the traditional export-oriented approach that placed them at a perpetual disadvantage in their economic relations with the industrialized Western world. Self-reliance was articulated as one of the viable alternatives and remains so, at least in theory, as long as the situation that prompted it persists. Galtung (1983) identifies three important elements which are basic to understanding of self-reliance:

1. The idea that development should develop human beings, not things. This means, development theory and practice have to be rooted in fundamental human needs –both physical and mental needs;
2. The idea that development can only take place through autonomy, and thus the need to rely on one's own creativity, one's own land, raw materials and capital, however, limited they may be.
3. The idea that underdevelopment is primarily, though not exclusively, the product of an international structure, and that self-reliance becomes not merely an instrument

of growth but also an instrument of changing this structure.

The concept of self-reliance in Eritrea evolved in the long years of war of independence<sup>3</sup> as a result of necessity rather than pure ideology. The Eritrean people fought a difficult war for thirty years without any appreciable outside help, and against all odds. Eritrea relied on its own resources and people. There was no other way! During the long years of war for independence the most important set of factors for the success of self-reliance in Eritrea has been the human element. The dedication and competence of the young men and women involved in the struggle for independence, the effectiveness of the organization that led the struggle- the Eritrean People Liberation Front (EPLF), the skills and farsightedness by which the leadership guided the activities of the organization-all combined accounted for the success. During the war time, every visitor to the base areas of the EPLF commented on the ingenuity of the workers in the EPLF workshops. Not only were spare parts, cooking utensils, teaching materials, aid for the disabled, and hospital equipment put together from the captured debris of war, but EPLF was also constructing many of the machines necessary for producing these items. Every available material was put to good use or recycled. The principles of self-reliance that evolved and grew during the war of independence are still present more than ever in the newly independent country.

In the process of nation-building and creation of common identity, the idea of self-reliance is of a major importance, no matter the quality of its foundation. In the Eritrean context self-reliance is a necessary precondition for the establishment of an independent and developed economy. The idea of self-reliance is not all about practicalities; however, it also conveys a strong will to control structural as well as social development and activities, including foreign assistance (Simonsen, 2003). Literally, self-reliance means to depend primarily on one's own human and material resources, and to determine one's own course of development (Tefagiorgis, 1993).

As stated in the People's Front for Democracy and Justice (PFDJ) National Charter of 1994<sup>4</sup>: "self-reliance in all fields-political, economic and cultural-is a basic principle. Politically, it means to follow an independent line and give priority to internal conditions; economically, to rely on internal capabilities and develop internal capacities; and culturally, to have self-confidence and develop one's own cultural heritage. Self-reliance does not mean to isolate oneself from the international community. It only means being as independent and self-

<sup>3</sup> The struggle of the people of Eritrea for independence was one of the longest and bloodiest wars of national liberation in modern African history. The Eritrean people fought for three decades against Ethiopian occupation and paid a huge price and made enormous sacrifices: about 65,000 freedom fighters killed, and roughly about 20,000 others disabled; and an estimated 150,000 civilians killed and maimed (Weldegiorgis, 2010).

<sup>4</sup> PFDJ National Charter, Adopted by 3<sup>rd</sup> Congress of the EPLF/PFDJ, Nakfa, February 10-16, 1994. WWW.Shaebia.Org/PFDJ\_Charter\_1994. html

confident player as possible in the international community”.

In today's world, nobody seems to believe in the internal capabilities of the developing countries to solve their economic, social and political problems. As a result of these, the international community usually prescribes solutions for them but the cure has not been found yet. This small country is challenging that way of thinking. It is shouting and saying “we can do it on our own if you could only believe in us and give us the chance to do it on our own way!” This is why the Eritrean president said: “Aid should be a temporary dose, like aspirin, or a temporary drug with appropriate regulation to limit the time frame for its dosage or you will get a habit. It is better to take a bitter pill to cure the disease rather than have false drugs that will develop the habit of dependency (Eritrean Profile, March 21, 1998). In an interview in 1999, Mr. William Anderson former USAID head in Eritrea gave his impression by saying:

*“The government and the people have a very clear vision of where they want Eritrea to go and a strong determination to get there. In fact in my 25 years work in development, I don't believe I have seen any people who have more clear vision or a great determination to achieve that vision as well as optimism that they would be there”* (Eritrean Profile, June 5, 1999).

Nobody thinks of the fact that looking into one's own resources within one's own nation is a weakness. The Eritrean way of thinking and doing is to lay the foundation on self-reliance where aid could be an element to support the building of institutions and the development of skilled manpower by participating in the different projects and programs. It neglects the idea of aid as the foundation of development. The Eritrean leadership, trained pragmatically in the long wars of independence, find it unconvincing that aid with the strings attached to it could really solve their national problems. The Eritrean government sees aid as a temporary means to pave the way for self-sufficiency and independence where trade and not aid should be the centerpiece in the future<sup>5</sup>. The government firmly believes that aid will not lift developing countries out of poverty but it can play an important role in assisting governments committed to growth-oriented economic policies. The most important factor is the existence of a long-term growth strategy with a consistent macroeconomic framework to ensure that fiscal and trade deficits remain manageable and the exchange rate gives the right pricing signals (Lele and Nabi, 1995).

Eritrea has embarked on a unique course in dealing with questions of aid. This course promises to not only avoid the major pitfalls of the donor-recipient dynamic, but also serves as a new paradigm of donor-recipient

relations that are more equitable, less onerous, and thus much more beneficial to the recipient of aid. The Eritrean government does not want to talk about donor-recipient relations but prefer the term partners in development. The GoSE had demonstrated by its words and deeds that it will agree only to foreign aid projects where it can play the role of a partner rather than a passive recipient of foreign money and advice. It states that aid should not lead to dependency but contribute to sustainable independence. Freedom from dependence enhances people's independent thinking, innovativeness, perseverance and pride in work and struggle (Firebrace and Holland, quoting EPLF, self-reliance in Economic Field, 1992). The Eritrean government has recognized the danger posed by heavy reliance on foreign aid and by extension conditionalities, and undue influence that may be exerted by foreign governments and non governmental organizations (NGOs) in the internal workings of the government (Desta, 2009). Eritrea's caution reflects a desire to avoid donor policy conditionality, which is seen as incompatible with national independence.

Aid has always been seen as a tool of policy and a policy in its own right. Donor country governments give aid primarily because it is in their political, strategic, or economic self interest to do so. Aid serves as a vehicle for the distinctive domestic, regional, and global interests of all participants. It is a means by which one nation tries to get other nations to act in desired ways (Hook, 1995). Moyo (2009) argues that the notion that aid can alleviate poverty is a myth since “aid has been and continues to be, an unmitigated political, economic and humanitarian disaster” for most developing countries. Political motivations have been by far the more important for aid granting nations, especially for the largest donor countries such as United States, France, Japan, and Great Britain. Western donor countries have largely used foreign aid as a political lever to prop up or underpin friendly political regimes in developing countries, regimes whose continued existence they perceived as being in their national security interest (Todaro and Smith, 2003). There is no historical evidence to suggest that over long period of time, donor nations assist others without expecting some corresponding benefits (political, economic, military, counterterrorism, anti-narcotic, etc.) in return (Todaro and Smith, 2003).

### Popular participation

Popular participation is the empowerment of the people to effectively involve themselves in creating the structures and in designing policies and programs that serve the interests of all as well as to effectively contribute to the development process and share equitably in its benefits (ECA, 2003). The assumption here is that the more the community participates and possess control over the provision of public goods, the better off they will be. Decentralization combined with the improvement of local

<sup>5</sup>The GoSE is strongly committed to self-reliance. In this respect, it has a policy of limiting reliance on foreign assistance arguing that a sovereign country's development should not be based on aid, but investment from development partners (AfDB, 2014).

governance has been considered to be an effective instrument for poverty alleviation. Decentralization promotes greater awareness of local needs, the potential for popular participation in planning and implementation and the increased transparency and accountability of the local administration towards the local population. In Eritrea the local community discusses on the ways of provision and financing of public goods. In most of the cases the people contributes 10% of the funds for the construction and maintenance of public schools, health centers and participates also in the construction of dams, roads and afforestation programs through food for work programs.

The development of Eritrea's macroeconomic and sectoral development policies, strategies and programs are highly participatory, involving ministry staff at the central and local levels, members of the national assembly, and representatives of local government down to the community level (GoSE, 2001). It also involves the participation of nongovernmental, civil society organizations (National Union of Eritrean Women, National Union of Eritrean Youth and Students, National Confederation of Eritrean Workers, the People's Front for Democracy and Justice, and others) and the private sector (firms, Employer's Federation of Eritrea and the Chamber of Commerce) (ibid).

Additionally, Eritreans in the diaspora continue to play a crucial and exemplary role not only by channeling needed resources and remittances to Eritrea, but also by providing useful ideas; expertise in management, professions, science and many other fields; investment capital, and knowledge of and contacts with external markets. Top level Eritrean civil service officials appreciate the Eritrean development strategy.

In an interview in 2015, it was stated that Eritrea's development strategies, approaches and programs, the content and parameters are in line with the interest and aspirations of the Eritrean people, and incorporates Eritrean values and economic, social, cultural, political and environmental realities. The Eritrean government strongly believes that popular participation is, in essence, the empowerment of the people to effectively involve themselves in creating the structure and in designing policies and programs that serve the interests of all as well as to effectively contribute to the development process and share equitably in its benefits. To this end, the Eritrean government focused on:

1. Extending more economic power to the people through the equitable distribution of income, support for their productive capacity through enhanced access to productive inputs, such as land, credit, technology, etc., and in such a manner as to reflect the central role played by women in the economy.
2. Promoting mass literacy and skills training in particular and development of human resources in general;
3. Maintaining greater participation and consensus-

- building in the formulation and implementation of economic and social policies at all levels, including the identification and elimination of laws and bureaucratic procedures that pose obstacles to people's participation;
4. Increasing employment opportunities for the rural and urban poor, expanding opportunities for them to contribute to the generation of output and enhanced productivity levels and creating better marketing conditions for the benefit of the producers; and
5. Strengthening communication capacities for rural development, mass literacy etc.

Active public participation requires an opening up of political process to accommodate freedom of opinions, tolerance of differences, and building consensus on issues as well as ensure the effective participation of the people and their organizations and associations (ECA, 1990). Moreover, active public participation inquires commitment of the people, the state and the international community. Many African national authorities have not yet created favorable conditions that enable the community to participate and fully apply its energy, skills and creativity for their own benefit and for the benefit of their countries (ibid). Those conditions should, first and foremost, aim at enhancing the peoples participation in the decision making process on matters affecting their welfare. That situation will make them feel full responsible for their own development and hence motivate them to participate actively in the planning and implementation of their development activities.

African leaders in the *Arusha* conference in 1990 affirmed that nations couldn't be built without the popular support and full participation of the people, nor could the economic crises be resolved and the human and economic conditions improved without the full and effective contribution, creativity and popular enthusiasm of the vast majority of the people. Popular participation is both a means and an end. As an instrument of development, popular participation provides the driving force for collective commitment for the determination of people based development processes and willingness by the people to undertake sacrifices and expend their social energies for its execution. As an end in itself, popular participation is the fundamental right of the people to fully and effectively participate in the determination of the decisions, which affect their lives at all levels.

It was recognized in the *Arusha* conference, in 1990 that for people to participate meaningfully in their self-development, their freedom to express themselves and their freedom from fear must be guaranteed. This can be only be assured through the extension and protection of people's basic human rights, the implantation of African Charter on Human and People's Rights, the Universal Declaration of Human Rights, the Convention on the Rights of the Child, the ILO Convention No.87 concerning Freedom of Association and protection of the Right to organize and the convention on the Elimination of all

forms of discrimination against women. Furthermore, the leaders stated that the key conditions for ensuring people's participation throughout the continent are the bringing to an end of all wars and armed conflicts.

### Balanced regional development

Eritrea's development objective is to achieve rapid, balanced, home-grown and sustainable economic growth with social equity and justice, anchored on the self-reliance principle. Moreover, the Government places emphasis on community and individual rights as well as issues of social justice, such as access to education, health, food and equitable access to services regardless of locality (UN, 2012).

The Eritrean government views development as a complex process involving the social, economic, political and cultural betterment of individuals and of society itself (GoSE, 2001). The government is trying to reduce the urban-rural imbalances by promoting social and spatial equity<sup>6</sup>. The government intends to urbanize the countryside by extending electricity, health, education, transportation, telephone, housing, and water and sanitation services.

The regions are encouraged to develop their own resources and to establish their own commercial and industrial areas. The government changed the legacies of colonial policies that were urban biased in their development approach. In an interview in 2015 an official in the ministry of national development stated that no matter how "developed" an economy is, if only a small segment of the population benefits from it, development has not occurred.

The Eritrean people want the state and its public administration to act as a social and economic promoter, capable of ensuring equitable distribution of opportunities, sustainable management of resources and equitable access to opportunities (political, economic, social and cultural) (GoSE, 1994). A fair distribution of national resources among all regions of the country is the ultimate goal of the government. These goals are enshrined in the constitution of Eritrea in three key clauses:

*The state shall work to bring about a balanced and sustainable development throughout the country, and shall use all available means to enable all citizens to improve their livelihood to a sustainable manner, through their participation (Article 8, paragraph 2).*

*Every citizen shall have the right of equal access to publicly funded social services. The state shall endeavor, within the limit of its resources, to make available to all*

<sup>6</sup> In Eritrea about 80% of the poor live in rural areas and rely on low output agriculture and animal herding for their livelihoods, and about 36% of which live in the arid areas. Poverty is deeper and more pervasive among people living in the arid regions and in more densely populated highland regions (GoSE, 2001).

*citizens health, education, cultural and other social services (Article 21, paragraph 1).*

*The state shall secure, within available means, the social welfare of all citizens and particularly those disadvantaged (article 21, paragraph 2).*

The government has pursued economic development and poverty reduction through a strategy initially articulated in its Macro-Policy paper of 1994, and more recently in its National Economic Policy Framework and Program presented in 1998. The strategy involves three main elements:

1. Inducing widely-shared sustained economic growth by establishing a competitive environment in which efficient, export-oriented private firms thrive.
2. Raising the skills and well-being of people by investing in education, nutrition, healthcare, and water and sanitation systems.
3. Reducing rural poverty by investing in rural infrastructure, agriculture, management of livestock and pastures, and development of fisheries.

In the Eritrean context, development has both a micro and a macro aspect: it involves changes in the individual and the community as well as the nation. The key to both growth and equity is investment in human capital (Lele and Nabi, 1995). Access to universal primary and secondary education, health care, and water, together with adequate transport and communications networks, is essential for broad based balanced regional development in Eritrea. In an interview in 2015, local government officials said that development means to them increasing people's capacity to make choices about their future. In their view, development includes a long-range concern for the future, which is more of an issue of sustainability.

### Foreign aid effectiveness in Eritrea

The ultimate aim of aid effectiveness efforts today is to help developing countries build well-functioning local structures and systems so that they are able to manage their own development, and reduce their dependency on aid. To this end, foreign aid effectiveness, in Eritrea, is analyzed based on the following mutually reinforcing principles: ownership, alignment, harmonization, managing for results, enhancing national institutions and policies, maintaining adequate funds for maintenance, mutual accountability, and coordination in evaluation and monitoring. Most of these principles are addressed by the international community in the Paris Declaration in 2005 and the subsequent Accra Agenda for Action in 2008.

### Presence of good policies, national development plans and institutions

The notion that aid works better in countries with good policies and institutions has become conventional wisdom

in donor countries. Aid is not effective when recipient countries do not have enough “absorptive capacity” as a result of their poor policies and/or weak institutions (for example, macroeconomic policies, governance, legal system, financial system, business environment). The Eritrean government has a clear policy on aid. All aid channeled into the country are coordinated through the Ministry of National Development. The GoSE is in the process of finalizing the five-year (2013 to 2017) National Development Plan (NDP) around three strategic priority areas/pillars:

1. Human capital development
2. Food security
3. Infrastructure development (AfDB, 2014).

All aid packages will be synchronized with the NDP. The vision of the GoSE is to create the conditions for the emergence of a modern, technologically advanced, and internationally competitive economy (GoSE, 1994). Notable progress has been made in finalizing the sector plans. Most sector plans, covering the period 2013 to 2017, have been completed, in particular for education, agriculture, energy, water, sanitation and environment. The sector plans have been submitted to the Ministry of National Development for consolidation into the NDP. Existence of good plans, policies and institutions are sine qua non for aid effectiveness in Eritrea.

Burnside and Dollar (2000) provided empirical evidence that the impact of aid on GDP growth is positive and significant in developing countries with “sound” institutions and economic policies (that is, open trade, fiscal and monetary discipline); but aid has less or no significant impact in countries with “poor” institutions and policies. As economists at the World Bank, Burnside and Dollar advocated selectivity in aid allocation. They argue that aid should be systematically allocated to countries conditional on “good” policy. Majority of the respondents supports the idea that aid should be given to countries characterized by good governance; democratically elected with accountable governments and strong parliamentary systems capable of scrutinizing public finances and officials; a free press and a vibrant civil society; where the rights of minorities are protected and the rule of law is respected. Massive corruption is often cited as one of the main reason behind the failure of aid in Africa (Moss et al., 2005; Brautigam and Knack, 2004).

### **Ownership of development strategies**

The GoSE emphasizes that donor countries and aid agencies should support partner government ownership of development strategies. Eritrea’s emphasis on national ‘ownership’ of development projects is of considerable interest given the aid dependence of SSA. The GoSE is strict on its condition that foreign assistance should fit into the Eritrea development strategy and that the projects

should be owned by Eritrea. Emphasizing the importance of mutual foreign cooperation, many government officials in Eritrea stated that we need people to work with us not to work for us. The former Minister of Health, for instance says,

*“We believe that all projects must be nationally oriented. We have to set up our own priorities. Any foreign assistance must be supportive to our overall development strategy. Within this general policy framework, national and international NGOs alike are most welcome to participate in the public health service programs”<sup>7</sup>.*

In line with Eritrea’s principle of self-reliance, any assistance will focus on the national priorities and policy guidelines for bilateral and multilateral cooperation. Aid would be effective when it is linked more firmly to development strategies of recipient countries, hence, the balance of today’s aid allocations must change, and aid agencies in charge of the flows of financial and technical assistance must work cooperatively with policy instruments in the hands of other agencies to spur sustainable growth (Kharas, 2010).

### **Existence of adequate funds for maintenance**

One of the major challenges in recent aid trends in SSA countries is the chronic underinvestment in maintenance of infrastructure. Donors and the recipient governments have the incentive to build highly visible new roads, but less incentive to provide invisible maintenance. This is also a problem in the health and education sectors. In education for example, enrollments have expanded rapidly, but the quality of education is hampered by missing inputs like textbooks and other school materials, weak incentives for teachers, corruption in education bureaucracies, and disruption of schooling by political events (Filmer and Pritchett, 1997). Likewise, in health, some of the initial progress has slowed, possibly due to corruption in the health system (studies in Guinea, Cameroon, Uganda, and Tanzania estimated that 30 to 70 percent of government drugs disappeared before reaching the patients) and the more complicated health problems that cannot be solved with routine methods (Filmer et al., 2000; Pritchett and Woolcock, 2004).

Water supply and sanitation has been somewhat more of a success story, but even in that sector lack of maintenance causes boreholes to go out of service prematurely. The underfunding of maintenance reflects the donors’ elusive goal of “sustainability” (best summarized by the cliché about giving a man a fish vs. teaching him to fish). Other related problem observed in SSA was shortfalls in aid disbursements relative to pledges create major difficulties for the country

<sup>7</sup>Shaebia interview, (2002). HAMSET: A Novel Project to Save Life. ([www.shaebia.org](http://www.shaebia.org))

government in planning development projects and the delivery of vital services. As a consequence, the governments end up running to domestic banks for financing or being forced to make spending cuts. The Eritrean government addressed these problems by allocating operational and maintenance funds and by training local experts for maintenance and operation. Funds are also mobilized from the local people to fill shortfalls in aid disbursements.

### **Avoidance of proliferation and fragmentation of aid**

The “proliferation” of aid provided and the “fragmentation” of aid receipts prevent aid from achieving its attempted development impacts. The OECD (2009) warns against “aid that comes in small slices from too many donors, creating unnecessary and wasteful administrative costs and making it difficult to target funds where they are needed most. In an interview in 2015, about 75% of the respondents stated that there is a critical lack of coordination among aid agencies, either in sharing the lessons of experience or in promoting the coordination of aid as each agency watches over its own activities to greater or lesser effect, little attention is given to how they interact with other aid efforts, or the combined results of aid. The multiplicity of donors, the complexity of their separate procedures, and the procedural data requirements of project implementation and monitoring put intolerable burdens on the recipient’s administration (Casson, 1991). In most instances, the recipient’s budget process is inadequate to cope with the demand of multiple uncoordinated aid activities for domestic resources to complement the external ones supplied by donors.

### **Alignment with national priorities**

Decades of development have shown that if countries are to become less dependent on aid, they must follow a bottom-up approach, where they determine their own priorities and rely on their own systems to deliver that aid. Development programs should be largely determined by poor countries themselves and outsiders should play only a limited role. The Eritrean government emphasizes this point, but in the rich world it is often forgotten. It is highly unlikely when foreign aid is used to cover different motives. There are fundamental differences in attitudes and motivations between donor and recipient countries (Todaro, 1989). The Eritrean government had demonstrated by its words and deeds that foreign aid should be aligned to Eritrea’s national priority; and should lead to self-sufficiency and independence.

### **Harmonization between donors**

While some progress had been made in harmonizing the

work of international aid donors in developing countries, it was acknowledged that much more needed to be done.

The aid process was still too strongly led by donor priorities and administered through donor channels, making it hard for developing countries to take the lead. Aid was still too uncoordinated, unpredictable and un-transparent. Deeper reform was felt to be essential if aid was to demonstrate its true potential in the effort to overcome poverty.

In Eritrea, harmonization between donors was seen by most respondents as a difficult task. A major constraint is the divergent policies toward aid in Eritrea. Aid often underperforms because it flows through too many institutional channels. There are huge transaction costs associated with aid proliferation (an increase in the number of donors to a specific recipient country) and aid fragmentation (an increase in the number of projects and a decline in the amount per project) for both recipients and donors.

Donor countries in Asia such as China, Thailand, and Japan to a lesser extent have a policy of engagement with the government, and therefore have differing strategies for assistance from the majority of OECD countries. To bridge these differences, it is necessary to create a forum where donors can work towards shared development objectives or at minimum common principles.

### **Managing for results**

Aid can be worked better if it has been channeled into those sorts of initiatives which link aid inputs to simple, clear and tangible outcomes that materially and directly improve the lives of the maximum number of poor people as quickly as possible. This approach involves donors providing aid in discrete projects or providing sectoral aid to those activities whose benefits can be immediately seen, such as expanding school places, expanding immunization programs, expanding access to clean water, etc. Aid that is used for investment in health and education is a typical example. On the health front, smallpox has been eradicated, infant mortality rates have been lowered, and illnesses such as diarrhea and river blindness have been widely treated. Aid programs have improved women’s access to modern contraception in Bangladesh and Egypt and helped increase school enrollment in Uganda and Burkina Faso. Aid also pays for much of the (still-limited) access to AIDS medicines in poor countries.

In the last decade, aid has helped restore peace and order after conflicts in places including Bosnia, East Timor and Sierra Leone. What these successes share is that they were narrowly targeted at specific objectives. Assistance does work well, but only when the recipient countries do the right things to help themselves, and have the capacity and the leadership to spend the money wisely. Hence, foreign assistance to education and

health will have high returns<sup>8</sup> in Eritrea.

Eritrea has embarked on an ambitious program to build new health institutions and rehabilitate existing ones as well as to upgrade medical staff who received their basic education at the front during the liberation war. Some 70 health stations and 40 health centers were built between 1992 and 1996. The government is also encouraging private sector investment in health care as a complement to direct public provision. Public spending on health rose from 1.4 % of GNP in 1992 to 3% in 1995 and 1996 (World Bank 1998). Eritrea's achievements in the health sector were appreciated by former WHO country representative, Mr. Elmi Duwale, who said

*"I really think that the government of Eritrea has done a quantum leap in the development of health services in such a short period of time. I have personally witnessed the development of health services in Africa for the last 30 years – first in my home country and then with WHO for the last 25 years from the biggest country Nigeria to Tanzania, Uganda and now Eritrea. I believe that what Eritrea has done in eight years was not achieved in 20 years in most of these countries" (Eritrean Profile, May 8, 1999).*

Eritrea is one of four African countries that have achieved the Millennium Development Goals of 4, 5, 6 and 7<sup>9</sup>. The country has made significant progress in child and maternal health. The under-five mortality rate decreased from 136 per 1,000 live births in 1995 to 63 per 1,000 live births in 2010, and infant mortality declined from 72 per 1000 live births in 1995 to 42 per 1000 live births in 2010. The maternal mortality declined from an estimated 1,400 per 100,000 live births in 1990 to 486 per 100,000 live births in 2010, and antenatal care increased from 49% in 1995 to 88.5% in 2010 (EPHS, 2010).

The five major vaccine preventable diseases (poliomyelitis, measles, diphtheria, tetanus and whooping cough) no longer pose any major public health problem in Eritrea. The country has eliminated maternal and neonatal tetanus. Measles morbidity and mortality have been reduced to less than 90% of the 1991 levels. The country is heading towards achieving polio free status. This is evidence that the government has been able to meet the needs of its citizens, including improved infrastructure, food security, and transportation, with little foreign assistance." Many government officials said that with improved capacity building and promising economic

<sup>8</sup>To promote human capital development, the GoSE has prepared the Education Sector Development Plan (ESDP 2013-2017) and Strategy. The main objectives are the expansion of technical and vocational education and training; the promotion of education and skilled work force for the labor market, and the achievement of gender parity (AfDB, 2014).

<sup>9</sup>The Millennium Development Goals (MDGs) consist of a number of targets: (1) the eradication of extreme poverty and hunger, (2) achieving universal primary education, (3) promote gender equality and empower women, (4) reduce child mortality, (5) improve maternal health, (6) combat HIV/AIDS, malaria and other diseases, (7) ensure environmental sustainability, and (8) the development of a global partnership for development (EPHS, 2010).

prospect, the country is working to break the cycle of over-dependence on aid, which seems impossible for many SSA countries<sup>10</sup>.

### **Mutual accountability**

This refers to increased transparency in aid flows, broad participation in assessing national development strategies, and joint assessments of agreed commitments. Most respondents contended that foreign aid is likely to be more effective when it is combined with the accountability that comes from democratic governance. They have noted that donors should take into consideration the degree of a country's democratic governance in their aid allocation decisions. About 56% of the respondents further noted that in SSA countries, aid is not reaching the poor because of that it has little impact on poverty reduction. For the most part, governance in Africa has been marked by weak institutions. This study reveals that poor governments in developing countries were seen by respondents as the predominant cause of poverty.

About 37% of the respondents held even stronger views, believing that current forms of aid do not work even when it is properly managed, failing to address local needs and breeding dependency. This perspective was often supported by the view that aid had achieved little in terms of real development despite significant expenditures over long periods of time. About 55% of the respondents further stated that foreign aid is the main source of corruption in SSA since corruption has two sides-demand and supply. For every leader who demands a bribe, there is usually a multinational company or a Western official offering to pay it. About 78% of the respondents argued that for every pile of illicit wealth, there is usually a European or American financial institution providing a safe haven for the spoils. Even international organizations like the International Monetary Fund (IMF) and the World Bank that dispense multilateral aid do not show any discriminatory tendencies against corruption in the recipient country (Ajayi, 2000).

### **Avoidance of activities that undermine national institutions**

Donor worries over government corruption in African countries have led to the proliferation of nongovernmental organizations. These NGOs are seen as an alternative to aid recipient governments and sometimes even compete with governments for aid money. But in reality, aid should be channeled through local institutions and agencies. A recent World Bank study argues that when donors rely on

<sup>10</sup>Eritrea's economic prospects remain promising in view of Eritrea's geostrategic location and the recent increase in foreign companies investing in the mining sector. The successful exploitation of the mineral resources has the potential to boost Eritrea's socio-economic transformation and broad-based growth (AfDB, 2014).



their own systems to deliver aid, the effect is to undermine recipient-country systems (Riddell, 2014). Non-government organizations and charities that do the job on behalf of society and government abound crippling of dependence of national institutions hence reinforcing the cycle of dependence (Kifleyesus, 1999).

International actors should especially seek to avoid activities which undermine national institution-building, such as bypassing national budget processes or setting high salaries for local staff which undermine recruitment and retention in national institutions. In an interview in 2015, many government officials complained that in many developing countries a lion share of the aid money is spend on administrative costs. Donors tend to recruit capable bureaucrats from the donor and recipient governments by offering higher salaries to work for specific aid agencies and projects, which reduces the capacity of the government in question to handle huge volumes of aid. Developing countries direct only a portion of ODA toward actual development programs. An analysis of 2005 aid flows found that once other uses - such as debt relief, administrative costs for aid agencies, expenses for coordination, humanitarian aid and food security -were deducted, the actual aid for country programs was approximately 37% of ODA (Worthington and Pipa, 2010). Unlike other developing countries the Eritrean government demands donors that they should not spend more than 10% of the total project costs for administrative purposes. The expense incurred should be only those that are important and inevitable. And they should be directly related to the project. The number of expatriate has to be minimal so as to keep costs down, and the allowances made to the expatriates should not be more than the basic necessities.

### **Coordination of monitoring and evaluation systems**

In Eritrea, monitoring and evaluation system and coordination both within the donor agencies and between the implementing partner institutions remain to be adequate but need much improvement. Some improvement was made in joint programming and monitoring, and the move towards 'delivery as one' to bring about significant impact. The different mandates of the donor agencies often challenges coordination- in getting these agencies speak with one voice and deliver as one. Because of the political sensitivities around data, information sharing is limited among donor agencies and implementing partners. Partners are unwilling to share the information they collect from their own operations with each other. The result is disparate pieces of data spread amongst different agencies, often collected by differing methodologies. One way of moving towards better shared information might be to conduct joint analytical work in non-controversial areas or those where government has engaged.

### **Avoidance of conditionality and strings attached to development aid**

The various conditionality and strings attached to development aid undermines the effectiveness of aid in achieving development targets. This type of aid represents a large proportion of overall donor aid to Africa.

While donors often impose strings tied to aid in order to ensure that the money is not diverted, these funds in many cases end up sitting in bank accounts and are not utilized for a large part of the duration of the assistance. Rather than keeping these funds idle, donors should be more flexible in setting conditions tied to aid. In order to deal with the typical principal-agent fear of aid recipients not following through with the implementation of donor wishes, donors can innovatively involve civil society to improve transparency and accountability in the aid disbursement and utilization process.

The GoSE opposes the political conditions attached to the aid given in the general manner of "we will give you aid if you will do such-and-such". As it is well known, some conditions have been overtly political and have had little bearing on the development impact of aid. Indeed, a common criticism has been that too great a focus on political conditionality- "we will give you aid if you support our foreign policy". This perspective was important during the cold war but today has returned to aid -giving in today's post 9/11 world raising concerns that less attention would be paid to ensuring that the aid provided is used for its intended development purposes. The problem here is that if the political support of the recipient were so important as to completely dominate the relationship, then the issue of whether aid "works" in a development sense would become very much a secondary consideration.

### **Monetization of food aid**

To promote public participation in development activities, the Eritrean government prefers monetizing food aid rather than distributing it for free. When aid is provided for free to those who are able to work, it undermines the peoples' faith in themselves and the fact that they can make it on their own. Monetizing, therefore, reduces administrative costs; prevent food aid from undermining local production and marketing systems, and increase values and flexibility for agricultural and other development programs, and grants of cash to those who are unable to work. Monetization is increasingly gaining acceptance as it becomes clearer that this approach is far more efficient than the traditional approach of distributing food aid. A well-conceived food aid program can maintain consumption of poor and vulnerable groups while programs are implemented to increase popular participation in development (Lele and Nabi, 1995).

### Augmenting micro-credit institutions through aid

The GoSE introduces micro-credit schemes to alleviate rural poverty and to reduce food aid dependency. The Ministry of Local Government and the National Union of Eritrean Women provide loans to rural poor and female headed households and other vulnerable groups. The credits are accessible to poor people without collateral on group based lending system. The GoSE believes that poverty is not created by the poor. It is created by the institutions and policies which surround them. In order to eliminate poverty, all we need to do is to make appropriate changes in the institutions and policies, and/or create new ones. The GoSE believes that charity is not an answer to poverty. It only helps poverty to continue. It creates dependency and takes away individual's initiative to break through the wall of poverty. Unleashing of energy and creativity in each human being is the answer to poverty. Through its Micro-credit institutions, the GoSE, brought credit to the poor, women, the illiterate, and the people who pleaded that they did not know how to invest money and earn an income. The Micro-credit institutions are augmented by the World Bank, donors, and by the government, and enable the poor to build on their existing skill to earn a better income in each cycle of loans.

### Challenges to Eritrea's development efforts

Although the efforts of the government are encouraging and commendable, Eritrea is facing tremendous challenges in its development efforts, among them are drought, poverty, war and hostile US foreign policy. The most prominent challenges are the border war with Ethiopia (1998 to 2000) and the subsequent hostile US foreign policies towards Eritrea's self-reliance development strategies.

### The challenges of the border war with Ethiopia

A stable political environment is a necessary condition for aid to promote growth. Violence and political instability are the leading cause of poverty and underdevelopment in the African continent. In many African countries poverty rates are as high as 50 to 60 per cent. Eritrea is not an exception; war and recurrent drought are the major impediments on the nation's economic development. The Eritrean people have suffered through decades of war, occupation, and economic deprivation. Even after independence Eritrea faced subjective-internal and external challenges. Eritrea's initial promising growth was disrupted by the sudden out-break of the border war with Ethiopia in May 1998 and the continuation of the war until June 2000<sup>11</sup>. The war has

reversed the positive economic trends of the pre-conflict post-independence period of Eritrea. The war has left large areas of land unused due to unexploded landmines especially in the prime fertile southern and western agricultural regions of the country. The war had also devastating human and social impacts. As a result of the war, about 1.1 million people were driven from their homes, the great majority women and children, and over 70,000 Eritreans and Ethiopians of Eritrean origin have been forcibly deported from Ethiopia.

Over 250,000 men and women between the ages of 18 to 40 were also mobilized for national defense (GoSE, 2001:13). This widespread mobilization is costly to the economy both in terms of direct costs, as the government provides subsistence to the soldiers and financial support to their families, and indirect costs due to the divers in labor from productive activities to national defense (Habtom, 2014). The mobilized persons are workers, farmers, professionals, civil servants and business people, and are among the nation's most productive citizens. Many provide most of their family's income.

The real cost to the nation, however, is not limited to financial and economic sacrifices. The separation of family members for long periods due to deportation, internal displacement and mobilization has created social and psychological scars that are deep and serious (GoSE, 2001). Dependent children and the elderly are affected. No family has been spared from this tragedy, and the social and psychological impact of the trauma will take a long time to heal.

Before the outbreak of the war in May 1998, Eritrean economy was growing at an annual average of 7% of GDP. Significant progress has shown in education and health. A sharp decline in infant and child mortality rates was shown. Under five mortality rate declined from 203 to 89, and infant mortality declined from 135 to 47 (per 1000 live births) during the period 1993 to 2002, respectively. Polio and diphtheria are eradicated and all immunization diseases and malaria have declined. Primary and middle school enrolment dramatically increased from about 178,800 in 1991 to 92 to 370,000 in 2000 (GoSE, 2001). During that period, the world bank would almost certainly have wanted to lend more since Eritrea's government displays precisely the characteristic of policy 'ownership' that donors now emphasize as critical to aid's success (World Bank, 1998). The World Bank stated that with improved capacity building, Eritrea will break the cycle of over-dependence on aid in a short period of time. The coherence of the government's strategy clearly facilitated reconstruction and development of the health and education sectors from 1991 onwards<sup>12</sup>.

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economic and social impact and Eritrea's progress on the path of socioeconomic development suffered a major setback" (Desta, 2013). The two years of deadly war closed at least for the time being, by the Algiers Peace Accord of 2000 and its subsequent border ruling of 2002.

<sup>12</sup>Eritrea has registered significant achievements in life expectancy, health, education, food security, social harmony as well as the empowerment of women. Given the challenges it has faced its performance in the millennium

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<sup>11</sup>Eritrea and Ethiopia fought a destructive war during 1998-2000 in which 120,000 people perished from both sides. The war had an extremely painful

### The costs of self-reliance

The GoSE see self-reliance as a matter of self-respect and honor because it stands for self-confidence, and relies primarily on one's human and natural resources, and it also means to control one's destiny, that is, to be in charge of one's own affairs, goals and decision-making.

For Eritrea, self-reliance does not mean to isolate oneself from the international community. It only means to be independent and self-confident player in the international community. Self-reliance, however, is not without cost. Donors influence is tremendous and sometimes disastrous. Rejection of donors' conditionality might result in isolation and sanctions. Eritrea is a victim of Ethiopian war of aggression and US unfair foreign policy. Ethiopia's rejection of the final and binding decision of the Boundary Commission (Permanent Court of Arbitration in The Hague) clutch Eritrea in no peace no war situation. The UN Security Council didn't take any action against Ethiopia's non-compliance. To make things worse in 2009 the UN imposed sanction on Eritrea<sup>13</sup>, which was engineered by the US. Under the disguise of human right violation, the US has also tried to undermine Eritrea's swift action against a threat to her national security. Eritrea is paying the cost because of her rejection of conditionalities that undermines her national sovereignty.

Self-reliance has both economic and social costs, for instance, China was kept out of the world market from 1949 to 1978 because of Mao's self-reliance doctrine. Mao's self-reliance doctrine imposed a considerable economic burden on China because it ignored the economic benefits available as a result of economic specialization according to comparative advantage (and other benefits of economic exchange) and scale economies (Tisdell, 2013). The self-reliance doctrine totally excluded capital goods from circulation, and the bulk of consumer goods were strictly controlled by state commercial departments and distributed to households under a rigid rationing scheme (Cheng, 2004).

Agricultural households were not completely free to determine every aspect of their production and were not able to choose what and how much to produce (Tisdell, 1993). Workers were arbitrarily assigned work by the labor departments (Chai, 2011). Neither the enterprises nor the individual workers had any freedom of choice. In reality, there was no market and no private property. Eventually, the self-reliance doctrine resulted in low efficiency, poor labor productivity, stagnation in agriculture and continuous decline of living standards (Tisdell, 2013). Eritrea is not going to repeat Mao's self-

reliance doctrine. As clearly indicated in its macro policy document of 1994, the ultimate goal of the GoSE is the establishment of export-oriented private sector led market economy, and an open door for foreign direct investment.

Though the study is not suggesting for SSA countries to adopt Mao's style of self-reliance, but it is suggesting that SSA countries should stand on their own feet and avoid heavy dependence on aid, and design an exit strategy. Otherwise they will develop a habit of dependency and will remain dependent throughout their life. Aid should be used as a temporary dose or as a means for sustainable independence. A lesson can be learned from Eritrea for its success in the Millennium Development Goals. Eritrea is one of four African countries that have achieved the Millennium Development Goals of 4, 5, 6 and 7 with little ODA.

### DISCUSSION

The economic objectives of foreign aid are to alleviate poverty and increase savings, investment and rate of growth of GNP in developing countries. However, development assistance has not always succeeded in achieving these objectives because in many cases, donor motives for giving aid and recipient motives for accepting it conflict with the economic objectives of foreign aid. As noted in OECD 2005, many donor countries tend to focus their aid allocation on their priority areas or priority countries, which are specified in their country assistance strategies or partnership agreements.

In an interview in 2015, most local government officials contended that "priorities set by the government of Eritrea should come first. Most donors are used to finance projects where and when they want them according to their priorities. This can be quite harmful to the recipient nation's development process, especially when the donor's motives are more than just helping the developing country". Investment as well as the infrastructure development by foreigners, of course, could be a greater benefit to the economy. Yet when we see it the majority, in whose name that aid comes they have almost nothing to gain even more, they are away from the host government projects. And when the donors distract the government strategy every time, the development process cannot go smoothly and as planned and the development strategy cannot be effective.

Most government officials in an interview stated that financial aid and the further opening of wealthy countries' markets are tools with only a limited ability to trigger growth, especially in the poorest countries. The tremendous amount of energy and political capital expended on these efforts in official circles threatens to crowd out attention to other ways in which rich countries could do less harm and more good. About 67% of the respondents further argued that aid should promote independence, self-reliance and motivation for work. For Eritrea self-reliance means to depend primarily on one's own human and

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development goals (MDGs) is remarkable. Eritrea is on the way to meet the aspirations of its people-political, economic, social and cultural despite the huge natural and man made obstacles. The country is working hard towards developing the drought and war damaged economy and social services.

<sup>13</sup> United Nations Security Council Resolution 1907(2009), 23 December 2009. [http://www.un.org/apps/news/story.asp? News\\_ID=33337&Cr=somali&Cr1=](http://www.un.org/apps/news/story.asp?News_ID=33337&Cr=somali&Cr1=)

material resource and to determine one's own course of development. Foreign aid can be used to strengthen self-reliance provided that is used in the correct way and if it does not kill local initiatives. Over-dependence on aid may allow donors to impose inappropriate leverage over national policy and diminish national governments efforts to raise revenue independently; this may compromise the sovereignty of African states.

In an interview in 2015, many officials stated that aid reduces the recipient country competitiveness and the incentive to invest, especially when the recipient is assured that future poverty will call for more aid. About 60% of the respondents further argued that Africa's development will not materialize from outside sources because of this fact African leaders should take control of their countries' economic destinies and find creative ways to finance development other than reliance on foreign aid. Similarly, Riddell (2014) argued that for development processes to be durable it needs to be nationally owned, and thus built on approaches resulting from internal discourse to produce domestically--rooted policies and processes rather than external or imposed ones. Hence, Africa's leaders must break free from their aid dependency by harnessing the continent's collective resources for the benefit of their people.

Eritrea's attempt to avoid aid dependence, and emphasis on national 'ownership' of development projects is of considerable interest given the aid dependence of much of SSA countries. Most African countries are so dependent on aid that without it almost half of their yearly budgetary commitments cannot be fulfilled (Andrews, 2009). According to Baldwin (1980) dependency is reliance on others, lack of self-sustenance and self-sufficiency. Developing countries are dependent on the developed countries for capital, technology and markets. Dependency creates subordinate-superior relationship, in which the dominant party establishes a dependent relationship because it generates a degree of control or influence (Easterly, 2005). The dominant party actively perpetuates its influence by various means, which involves economics, media control, politics, banking and finance, education, culture, sport and all spheres of human resource development.

The Eritrean government contends that external trade and foreign investment, and not aid, should be the main sources of foreign exchange and capital inflow for SSA. Greater access to world markets would allow SSA countries to exploit their comparative advantage, while opening up to international competition. About 67% of the respondents stated that foreign aid is not a panacea for Africa's development woes.

They have argued that effective development requires appropriate macro-economic policy and good governance, and a healthy political environment. The critical elements of the later are transparency, accountability, freedom of speech and association, greater participation in political decision making, and due process (Allen, 1995).

## Lessons learned

1. Aid is only as good as the ability of a recipient's economy and government to use it prudently and productively. The fundamental dilemma is that countries most in need of aid are often those least able to use it well. The deepest challenge for countries in the poorest parts of the world, especially Africa, is governance. Most recipient countries lack the right mechanisms to use aid effectively and efficiently to improve their economic conditions. No matter how much aid the developing countries get, without better governments, it is impossible to help the poor. In many developing countries aid was used as a political instrument. Aid is seen by both donors and recipients as providing greater political leverage to the existing leadership. Understanding the potential implications of foreign aid for quality of governance is paramount because good governance and institutions are now recognized as a major determinant of economic performance. Good governance entails the presence of five critical qualities: accountability of government officials, transparency in procedures and decision making, predictability of government actions and behavior, openness in the provision of reliable flows of information, the rule of law, and permitting economic agents to operate without risking arbitrary action of the state. This can be done by directing technical assistance programs, first and foremost, to the strengthening of national capabilities for policy analysis and the design and implementation of economic reforms and development programs; supporting the decentralization of development processes, the active participation of the people and their organizations in the formulation of development strategies and economic reform programs and open debate and consensus-building processes on development and reform issues.

2. Assessment of the impact of technical assistances provided in the form of trained personnel, local capacity development, and institution building reveals two main outcomes. Firstly and positively, most technical assistance has succeeded in filling knowledge gaps and in training local personnel and imparting knowledge, though usually the costs have been high. Secondly, however, successive evaluations suggest that although there have been exceptions, aid has generally not been at all successful in its efforts to build capacities, encourage the retention of high level skills and strengthen public institutions in a sustainable manner.

3. Aid should be used to deepen country ownership of development policies; support and strengthen institutions; align more closely to national priorities; and strengthen the country's ability to oversee, manage and coordinate incoming aid and donor activities. To this end drastic and concrete changes should be made at national, sub-regional, regional, and international levels to pave the way towards sustainable development and economic growth. Hence, donors should concentrate all their effort on: the maintenance of the rule of law and social and

economic justice, including equitable distribution of income and the creation of full employment opportunities; strengthening democratic institutions such as political parties, trade unions, people's grass-root organizations and professional associations, and the guarantee of constitutional rights; ensuring the representation of the people and their organizations in national bodies; promoting the freedom of association, press and media freedom to facilitate public debate on major issues; and enforcing political accountability of leadership at all levels measured by the use of checks and balances, and decentralization of decision-making processes and institutions.

4. There is much that aid can take credit for, and much that needs improvement. The record shows that mixed results have occurred. Many countries such as Brazil, South Korea and Argentina, and a few others have had economic growth that has moved them to near the top of the least developed countries in terms of per capita income. Many other nations have not yet gained annual per capita income which is in three figures (Baker and Bruning, 1991). There are many reasons for the mixed performance of foreign assistance. On the donors side there is multiplicity and inconsistency of objectives, and imposition of a plethora of conditions on aid use and on the recipients' side there is lack of institutional capacity. Recipient countries are also affected by the natural volatility and uncertainty of foreign aid. Most development plans in SSA are drawn upon the basis of anticipated foreign aid, which in most of the cases never materialized. As the result, many governments in African countries cannot adopt policies which would lead them into economic independence that matches with the attainment of their political independence (Baker and Bruning, 1991).

5. African governments should play a role in improving aid effectiveness by passing and implementing important anti-corruption reforms. Fears about corruption and other forms of government abuse remain critical sources of concern for donor countries and their respective agencies. Many African governments have made substantial progress in good governance and in the war on corruption, but more progress needs to be made.

6. African countries should learn a lesson from the recent global recession that aid inflows are not going to be permanent. These lessons should be turned into plans of action to minimize their reliance on foreign aid and to strengthen their internal revenue generation capabilities; and to pursue policies that increase their levels of national savings.

Heavy dependence on aid made SSA countries vulnerable to sharp fluctuations in aid flows. In most SSA countries the health and education sectors are heavily dependent on aid; fluctuation in aid flows has severely affected these sectors. Furthermore, the volatility and unpredictability of aid flows made expenditures planning less effectively in recipient countries and affected composition of government spending as it is diverting

resources from capital investment towards recurrent expenditure.

## CONCLUSION

Aid effectiveness differs by region, country, and its policy and institutions. It has been empirically confirmed that aid works better in countries with good policy and governance. Better growth prospects and stronger aid effects can be observed in East Asia in comparison with those in SSA or tropical countries. SSA countries lack physical capital, human capital, technology, and well functioning institutions. International donors can help African countries build the capacity to take ownership of their development embodied in the World Bank's six guiding principles, namely, selectivity, results orientation, client orientation, cost-effectiveness, financial integrity and partnership. Recipient countries, on the other hand, are expected to have certain things in place to make aid more effective: transparency, public expenditure reviews, public investment programs, donor support of government programs and medium fiscal programming, and effective governance, including capable bureaucracies, has been suggested as key to Africa's development problems. Donors countries should take positive steps to directly benefit developing countries -specifically, by taking action against corrupt leaders and by addressing institutional deficiencies on the recipients' countries. To this end, donors should be more selective in choosing aid recipients; design aid activities with the participation of potential beneficiaries and implementing them in partnership with other development organizations; strengthen the capacity of recipients—whether central or local governments, private enterprises, or non-governmental organizations (NGOs)—charged with implementing programs; and restructure aid delivery mechanisms to make recipients responsible for development – while recognizing the interest of donors that resources be used effectively.

## Limitations of the study

This research can be considered to be the first exploratory research into aid and development in Eritrea. Owing to the sensitive nature of the topic, the author refrained from asking personal questions pertaining to age, education, salary, rank, party affiliation, place of work and type of work. Therefore, the author was unable to link the characteristics of individuals or groups of civil servants, local government officials and project managers. The data analysis was done at an aggregate level. The collected data was also a qualitative nature, hence not convenient for detailed statistical analysis.

## Conflict of interests

The author has not declared any conflict of interests.

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A young boy with short brown hair, wearing a white tank top and blue shorts with green and white stripes, is looking down at a tablet computer. He is standing outdoors, leaning against a light-colored wall. The background is a blurred yellow and green field.

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