

# Industrial Development in Eritrea in Post-Liberation Era: A Study

## Abstract

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Eritrea, a young nation (1991 independence), is located in the extreme North East of Africa. Its north east side is surrounded by beautiful Red Sea (1000 Km coastal line). In the absence of population census, actual data on population are not available. Different estimations have been made by different organizations like Government of Eritrea and World Bank etc. According to World Bank's publication of "World Development Indicators" 2005, the population of Eritrea was 4 million in 2003 with a surface area of 118,000 square kilometers. Density of population is comparatively low as it is only 43 persons per square kilometers. Per capita income is also low 190 US D in 2003. Eritrea got its' independence in 1991. In fact it was a colony of Italy from 1887 to 1941, subsequently ruled by British and Ethiopia. The country consists of six regions (provinces), locally known as Zoba. Capital of Eritrea is Asmara. Its currency is known as Nakfa, which in US Dollar value is equal to 15 Nakfa. (1 US \$ = 15 Nakfa approx.)

Modern manufacturing establishments in Eritrea began with the advent of Italian colonialism. Before the Italian rule (1887) the traditional mode of production was the mainstay of the Economy in Eritrea. The majority of the people were dependent on pastoralism and caravan and other forms of petty trade. They (Italians) established a number of manufacturing units in between 1887 and 1930. During Second World War British occupied Eritrea in April 1941. Industrial firms started operation within five months. The end of British rule in Eritrea was followed by ten years of federal rule under Ethiopia (1952-1962). During this period manufacturing units established by the British and Italian continued to function. Ethiopia annexed Eritrea in 1962. They "followed policies that were hostile to Eritrea's economic growth". According to Business Licensing Office (BPO) of Eritrea, total number of licensed industrial manufacturing establishments was 2241 in 2004. Out of these, 276 were medium and large scale establishments.

The medium and large scale establishments are not only helping Eritrea to increase gross domestic product (GDP) but also providing employment. To get an idea about the conditions of workers a study was conducted in only tea packaging industry in Eritrea. The findings of the study are presented in this article.

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Eritrea, a young nation (1991 independence), is located in the extreme North East of Africa. Its north east side is surrounded by beautiful Red Sea (1000 Kms coastal line). In the absence of population census, actual data on population are not available. Different estimations have been made by different organizations like Government of Eritrea and World Bank etc. According to World Bank's publication of "World Development Indicators" 2005, the population of Eritrea was 4 million in 2003 with a surface area of 118,000 square kilometers. Eritrea got its independence in 1991. In fact it was a colony of Italy from 1887 to 1941. The country consists of six regions (provinces), locally known as Zoba. Capital of Eritrea is known as Asmara. Its currency is known as Nakfa, which in US Dollar value is equal to 15 Nakfa. (1 US \$ = 15 Nakfa approx.).

## Some basic particulars on Eritrea:

To get an idea about the socio-economic conditions of the people of Eritrea, a few particulars are presented in **table-1**.

**Table 1: Eritrea: Basic Information**

Particulars	Statistics (2003)
Population	4 millions
Surface area	118 thousand Sq. Kms
Population density	43 people per Sq. Km
GNP	0.9 \$ Billions (Rank 175)
GNI per capita	190 \$ (Rank 198)
PPP Gross National Income	\$ 4 billions
PPP Gross National Income per capita	\$1,020 (Rank 190)
GDP - % growth (2002-03)	3.0
GDP - per capita % growth (2002-03)	0.8
Female population (% of total)	50.4
Life expectancy at birth	Male (50) Female (52)

**Source:** World Development Indicators 2005, World Bank, 2005.

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## **Manufacturing Units in Eritrea before Liberation: An Overview**

Modern manufacturing establishments in Eritrea began with the advent of Italian colonialism. Before the Italian rule (1887) the traditional mode of production was the mainstay of the Economy in Eritrea. The majority of the people were dependent on pastoralism and caravan and other forms of petty trade. Of course various cottage industries such as blacksmith, pottery, weaving, and wood working co-existed with the traditional mode of production.

Italian colonization brought both exploitation and modernization into Eritrea. The Italians generally organised the Eritrean economy according to their own needs. They (Italians) established a number of manufacturing units in between 1887 and 1930. These manufacturing establishments were classified in fifteen groups, namely pasta making (food), button making, flour milling, salt works etc. This industrial growth led to the development of infrastructure.

There was a substantial growth in public investment between 1913 and 1937 of which a significant portion was invested in industries as flour mills, pasta factories, tanneries, textile mills and electrical workshops. During Second World War British occupied Eritrea in April 1941. Industrial firms started operation within five months. From 1941 to 1943 a continuous mushrooming of new manufacturing establishments were witnessed. After 1943, industrial production started falling due to the closure of some industries. In 1946 the British began to dismantle and transfer many industries and projects by selling off and scraping important infrastructure installed by Italians. (Census of Manufacturing Establishments, 2004).

The end of British rule in Eritrea was followed by ten years of federal rule under Ethiopia (1952-1962). During this period manufacturing units established by the British and Italian continued to function. For example cotton manufacturing, brewing, meat packing, glass manufacturing, button making, match producing and agro-industrial estates were exploited optimally.

Ethiopia annexed Eritrea in 1962. They “followed policies that were hostile to Eritrea’s economic growth. An economic policy of slowing down the economic activities inside Eritrea was implemented, and as a result, the expansion of existing enterprises and investing in new ones was totally discouraged. Subsequently, the relocation of Eritrean firms into Ethiopia was carefully executed, while skilled Eritrean labour was exiled to Ethiopia and other parts of the world.”

During Ethiopian communist regime (1975-91), a deliberate policy of destroying the economic foundation of Eritrea was pursued by Ethiopia government. All major industrial establishments were put under state ownership and their planning and marketing activities were subjected to centralized direction and control.

## **Manufacturing Units after liberation**

On 24<sup>th</sup> May 1991, the Eritrea was liberated and a Provisional Government was installed. All the public enterprises were made the property of the Provisional Government of Eritrea.

After independence in 1991, Eritrea inherited 42 public and 645 private manufacturing units which were almost in a non-operating condition. However, many of these units were later on revived. According to Business Licensing Office (BPO) of Eritrea, total number of licensed industrial manufacturing establishments was 2241 in 2004. Presently there are 276 Medium and

Large Scale Manufacturing Establishments (MLSMEs) in Eritrea. Henceforth in this article the word MLSMEs will be used. Based on UNIDO's recommendation if employment size in any establishment is 10 persons and above, it is considered as MLSMEs. The number of MLSMEs based on type of ownership is presented in **table-2**.

**Table 2 Number of MLSMEs based on type of Ownership 2004**

<b>Legal Formation</b>	<b>Individual (Sole Proprietorship)</b>	<b>Partnership</b>	<b>Private Limited Co</b>	<b>Share Company</b>	<b>Others</b>	<b>Total</b>
No. of Establishments	110	13	110	21	22	276
<b>Percentage</b>	<b>39.9</b>	<b>4.6</b>	<b>39.9</b>	<b>7.6</b>	<b>8.0</b>	<b>100.00</b>

**Source:** Eritrea Industrial Statistics 2004, Ministry of Trade & Industry, 6 Statistical Bulletins, Nov, 2005, Asmara, Eritrea

The above table shows that out of total MLSMEs, lion share goes to sole proprietorship and private limited companies.

#### **Region wise (Province) MLSMEs**

As mentioned already there are six regions in Eritrea. Number of Medium and Large Scale Manufacturing Establishments (MLSMEs) are presented in the following **Table-3**.

**Table 3 Distribution of MLSMEs by regions, 2004**

<b>Administrative Region</b>	<b>No of Establishments</b>	<b>Percentage of Distribution</b>
Anseba	11	4.0
Debub	43	15.6
Gash Barka	7	2.5
Maekel	204	73.9
Northern Red Sea	11	4.0
Southern Red Sea	0	0
<b>Total</b>	<b>276</b>	<b>100.00</b>

**Source:** Eritrea Industrial Statistics 2004, Ministry of Trade & Industry, 6 Statistical Bulletins, Nov, 2005, Asmara, Eritrea

It is evident from the above table that region wise distribution of MLSMEs is not only un-balanced but also un-even as around 74 per cent of total establishments are located in Maekel Zoba region against nil MLSMEs in Southern Red Sea region.

Statistics show number of MLSMEs is increasing in recent years. For example in 2002 total number of MLSMEs was 250, went up to 252 in 2003 and 276 in 2004. This has helped to enhance employment also. A detailed picture may be seen in **table-4**.

**Table 4 Major Economic Indicators of MLSMEs (2002-2004)**

<b>Major Economic Indicators</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Number of Persons Engaged</b>	<b>13,413</b>	<b>13,842</b>	<b>14,818</b>
Eritrean Male	6,983	7,176	7,732
Eritrean Female	6,243	6,486	6,857
Non-Eritrean Male	152	148	196
Non-Eritrean Female	35	32	33
<b>Number of Persons Engaged by Occupation</b>	<b>13,413</b>	<b>13,842</b>	<b>14,818</b>
Administration employees	721	774	817
Technical employees	843	921	884
Production workers	9,892	10,067	10,956
Clerical	770	834	883
Other office workers	858	932	945
Unpaid workers (working proprietor, family workers, etc.)	329	314	333
<b>Total Number of Employees by Nationality</b>	<b>13,413</b>	<b>13,842</b>	<b>14,818</b>
Eritrean Male	6,983	7,176	7,732
Eritrean Female	6,243	6,486	6,857
Non-Eritrean Male	152	148	196
Non-Eritrean Female	35	32	33
<b>Unpaid workers (working proprietor, family workers, etc.)</b>	<b>329</b>	<b>314</b>	<b>333</b>
Eritrean Male	225	216	254
Eritrean Female	86	85	73
Non-Eritrean Male	12	8	3
Non-Eritrean Female	6	5	3
<b>Annual wages and salaries ('000 Nakfa) (A)</b>	<b>127,021</b>	<b>146,240</b>	<b>170,768</b>
Administration employees	15,858	17,495	21,189
Technical employees	12,349	14,580	15,935
Production workers	82,630	96,109	112,788
Clerical	9,334	10,207	12,810
Other office workers	6,846	7,844	8,046
<b>Total Annual Benefits ('000 Nakfa) (B)</b>	<b>5,471</b>	<b>7,989</b>	17,128
<b>Total Annual Compensation ('000 Nakfa) (A+B)</b>	<b>132,492</b>	<b>154,229</b>	<b>187,896</b>

**Source:** Eritrea Industrial Statistics 2004, Ministry of Trade & Industry, Nov, 2005, Asmara, Eritrea

A few important points derived from the above are:

- i. Over a period of three years employment for both male and female of Eritrean population has increased.
- ii. Besides Eritreans, non-Eritreans have also been engaged.
- iii. Increase of production workers (directly associated with production) is more than administration, technical and clerical staff.
- iv. Workers are paid both as compensation (wage and salaries) and in the form of benefits like bonus etc.

### **Compensation (wages) of Employees**

Wage paid to workers is an important indicator of living standard. In this case, compensation paid to employees of different industrial groups is discussed. Total compensation paid to employees in 2004 was about 188 million Nakfa, of which about 171 million Nakfa was paid as wages and salaries, and remaining 17 million Nakfa consists of other benefits such as

commission, bonus, professional hardship, allowances etc. Besides, employees are paid pension, life and causality insurance also.

Annual compensation of employees varies in different industrial groups; data for the compensation per employee is presented in the **table-5**.

**Table 5 Employees Compensation – Industry groups**  
(In '000 Nakfa)

Industry Group	2003			2004		
	No. of employees	Compensation (wages)	Compensation per Employee	No. of employees	Compensation (wages)	Compensation per Employee
Food	2,472	24,180	9.782	2,627	28,860	10.986
Beverages & Alcoholic Drinks	1,083	17,147	15.833	1,321	25,645	19.413
Tobacco	49	2,065	42.143	44	2,065	46.932
Textile	2,924	28,130	9.620	2,991	26,596	8.892
Leather & Shoe	974	10,104	10.374	934	10,087	10.800
Paper and Printing	517	6,326	12.236	556	8,897	16.002
Chemical Products	542	7,315	13.496	585	9,284	15.870
Rubber& Plastic Products	578	4,414	7.637	582	5,689	9.775
Non-Metallic Mineral Products	1,952	21,011	10.764	2,233	27,202	12.182
Metal Products	1,083	12,788	11.808	1,088	15,754	14.480
Furniture	1,354	20,749	15.324	1,524	27,817	18.253
<b>TOTAL</b>	<b>13,528</b>	<b>154,230</b>	<b>11.401</b>	<b>14,485</b>	<b>187,896</b>	<b>12.972</b>

**Source:** Eritrea Industrial Statistics 2004, Ministry of Trade & Industry, 6 Statistical Bulletins, Nov, 2005, Asmara, Eritrea

Number of employees is more in textile followed by Food and Non-Metallic mineral products. Annual compensation of employees in 2004 ranges from the lowest ratio 8.89 Nakfa per employee in Textile Industry and the highest is 46.93 Nakfa per worker in Tobacco Industry. Compensation per worker in 2004 has increased in all industrial groups (except in Textile Industry) in comparison to 2003. The compensation in Tobacco industry is higher than any other industrial groups due to higher salary scales of administration and technical employees. The compensation per employee in the manufacturing of Beverage and Alcoholic drinks and Furniture stands in the second and third ranks respectively.

### **Productivity**

Analysis of gross input and gross out put of each industrial group show that in the case of some industries ratio is not favourable, but in some cases favourable ratio is observed. Gross input and gross output in absolute term vis-à-vis in ratio may be seen in **table-6**. It may be mentioned that relative growth of both output and input has shown a substantial increase of 26 and 31 per cents respectively from 2003 to 2004.

**Table 6 Gross Output to Gross Input (Returns on Input) by Industrial groups**

Industry Group	2003			2004		
	Gross Output (A)	Gross Input (B)	Gross O/p to Gross I/p (A÷B)	Gross Output (A)	Gross Input (B)	Gross O/p to Gross I/p (A÷B)
Food	461,570	550,323	0.84	532,607	597,178	0.89
Beverages & Alcoholic Drinks	591,839	226,545	2.61	877,549	450,225	1.95
Tobacco	163,491	42,962	3.81	185,685	81,439	2.28
Textile	92,913	45,605	2.04	115,816	59,136	1.96
Leather & Shoe	82,671	55,189	1.50	98,329	60,857	1.62
Paper and Printing	57,179	27,171	2.10	75,917	36,053	2.11
Chemical Products	151,565	90,022	1.68	176,648	109,423	1.69
Rubber& Plastic Products	55,424	34,866	1.59	86,077	57,834	1.49
Non-Metallic Mineral Products	178,534	115,369	1.55	226,076	142,784	1.58
Metal Products	138,640	83,502	1.66	181,386	113,588	1.60
Furniture	220,635	121,922	1.81	210,522	115,962	1.82
<b>TOTAL</b>	<b>2,194,459</b>	<b>1,393,476</b>	<b>1.57</b>	<b>2,766,612</b>	<b>1,824,479</b>	<b>1.52</b>

**Source:** Eritrea Industrial Statistics 2004, Ministry of Trade & Industry, 6 Statistical Bulletins, Nov, 2005, Asmara, Eritrea

The above table reveals that the gross input of MLSMEs was 1.39 billion Nakfa in 2003 increased to 1.82 billion Nakfa in 2004. On the other hand the gross output increased from 2.19 billion Nakfa in 2003 to 2.77 billion Nakfa in 2004. Food and Beverage and Alcoholic drinks contributed the highest percentage to the total gross input in both years.

To get an idea about the workers working in MLSMEs, an in-depth study was conducted among the workers of a tea packaging unit. This is the only tea packaging unit in entire Eritrea. The tea is distributed and sold only for domestic consumption. This unit is popularly known as ERTEPA. The unit imports tea from Kenya and then packaging is done in Eritrea. The unit has set up after liberation that is in the year 1998, near Asmara (capital of Eritrea).

### **Study period and Methodology:**

The study was conducted in June, 2006. Of the total workers, about 25 per cent of workers numbering 23 were contacted randomly for which structured schedule was prepared. Both male and female workers were contacted, however 19 women workers were interviewed against 4 male workers. Besides the workers, some basic information was collected from the management.

### **Findings of the study:**

The tea packaging unit ERTEPA is a MLSME under private sector. It was established in the year 1998. Altogether 90 workers work in the unit. Out of the total workers, 81 are female and 9 are male. Again skilled and unskilled distribution of workers reveals that 5 are skilled against 85 unskilled. The unit is basically using labour intensive technology as a result more unskilled persons are employed.

The women workers are in the age group of 18 to 29 years. On the other hand age of male workers ranges from 18 to 65. The unit provides dress to the workers, which is blue in colour. According to the management this brings sporting attitude and feeling for oneness among the workers. All the unskilled workers interviewed are educated - schooling to junior college level. The wages of women unskilled worker per month ranges in between 500 and 800 Nakfa, depending upon their nature of job and experience. For skilled women workers the same is 1500 to 2000 Nakfa per month. On the day of study only one woman was working as skilled worker. For male unskilled and skilled workers minimum and maximum wages are 1000 and 1300 Nakfa per month respectively. It has been reported that, works of skilled workers occasionally required. On the other hand, unskilled work is regular and full time. Moreover unskilled workers have to do heavy works like lifting of heavy tea cartons etc. So wages for male skilled and unskilled are same. With respect to wages and poverty in Eritrea mention may be made that the poverty in Eritrea, as per Government report, is 240 Nakfa per person/ month. That is anyone earning less than 240 Nakfa per month is considered as living below the poverty line (BPL). In view of this it can be said that workers are paid wages which is above the poverty line category. Moreover most of the workers interviewed revealed that either husband or father/mother or both parents work in different institutions - Government/Private etc. So minimum of two earning members exist in each family (whom interviewed). Apart from wages, workers are paid bonus three times in a year. Total amount of bonus ranges in between 600 to 2000 Nakfa per year. Besides bonus, everyday the workers are provided tea and bread (two times) and monthly 200 grams of tea at free of cost.

It was reported that there is no trade union among the workers. The workers are not unhappy also as there is no trade union. In fact the authors did a study in textile manufacturing unit in Asmara in May 2006 where more than 200 workers are engaged and it was observed that no trade union operates among the workers. In spite of this, workers in both cases had no grievance against management. It is heartening to note that in both units (where authors did the study) workers reported that if unit is closed down then they have to beg for survival. According to them running of a manufacturing unit means earning of bread for the workers. No worker has been terminated till the day of study. Regarding the problems of the workers, the workers revealed that due to high price of vegetables, and food articles they find it difficult to manage their families, otherwise with management they have no problem. Query was made with the management about their problem in running of the industry. It was reported that non-availability of electricity hinders production otherwise the management is having no problem. Both the labour and management are in good relation. They are not having any logger-heads.

### **Conclusion:**

This study reveals that after liberation of Eritrea industrial scenario has been changed in the country. More and more MLSMEs are being established in every year. As a result many persons are getting employment. This helps for eradication of poverty also. The country with 66 per cent of its total population living below the poverty line is surely a not good indicator. Such employment opportunity definitely is helping to eradicate poverty from the country.

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