

**ADMINISTRATION AND INDUSTRIAL
DEVELOPMENT IN ERITREA**

A Report to

The Ministry of Trade, Industry and Tourism

Robin Murray

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Report of visit by Robin Murray to the Ministry of Trade, Industry and Tourism in Eritrea, July 17th-30th 1993.

Terms of reference.

The visit was arranged as an exploratory mission to consider:

- the development of strategy for trade, industry and tourism
- the organisational structure and practises of MTIT,
- the place that aid could most usefully play in the short and medium term work of the Ministry

Conduct of visit.

The programme focussed on four areas:

- a) interviews and discussions with the Minister and civil servants within MTIT.
- b) interviews with other Government departments whose work was linked to industrial and commercial strategy, notably the Ministries of Finance and Planning, Education, and Agriculture, as well as with the provincial administration in Keren.
- c) visits to twelve industrial and commercial companies.
- d) discussions with officials in the two main multilateral aid agencies.

In addition to Asmara, visits were made to Massawa, Decamere, Elaboret and Keren. A list of those with whom discussions were held is given in Appendix 1.

Background.

The EPLF took power in Asmara in May 1991. They had already been administering rural areas and small towns for many years, particularly in the North. They operated a number of workshops and small factories in the field, as well as organising an extensive trading system, both for the supply of the EPLF army, and the populations of the liberated zones. The EPLF victory in May 1991, not only signalled the end of the war, but brought the bulk of the formal industrial economy under direct EPLF control.

1. Improvements in operating efficiency.

In recent years there has been a shift of emphasis in modern industrial thinking from fixed capital to the quality of labour and organisation. In this respect the Japanese approach to automation has been different to that followed in North America and Britain. Companies like Toyota have sought to identify operating and control problems, solve them within a given level of technology, and only then consider whether automation was worthwhile. Thus they reduced the changeover times of the dies in the press shop from fourteen hours to four minutes mainly through the organisation of the changeover process, and their general level of technology is still behind the main US car companies even though their productivity and quality levels are higher.

The North American and British tradition has been the other way round, to invest in machinery prior to considering organisational improvements in the process itself. This is one of the explanations behind recent research findings that General Motors was only able to achieve half the Japanese levels of productivity in cases where they had introduced similar automatic factory systems.

These considerations are particularly relevant to countries like Eritrea which have an acute shortage of foreign exchange but a cadre of educated, innovative labour, with the experience of working in disciplined large scale organisations - in the Eritrean case the experience of the field. Eritrea is in a position to learn from many other small developing countries which have invested scarce foreign exchange in machinery only to find it operated at low levels of capacity, with a poor quality of output, and high working capital costs. This applied, for example, to a significant portion of Ethiopian industry in the 1970's, both before and after the revolution in 1974.

In Eritrea at the moment, much of the industrial equipment and other fixed assets are very old. In only three of the plants visited was there relatively upto date equipment as the result of investment by the Dergue to mass produce food for the army, and in a fourth, the Eritrean salt works, a new washing plant is currently being erected. The tendency in such circumstances is to seek to solve problems through buying new machinery. But from my observations - though new equipment is of course required - the prime emphasis should be put on management and labour training and the establishment of effective systems of production. It is investment in software rather than hardware which is the most urgent priority.

I will confine myself to some illustrations of what is a more general point. One enterprise, with old machinery, saw its main strategy as raising enough finance to buy a new plant. The existing plant, however, was operating at only 40% of capacity because of electricity problems, and because the organisation of

Recommendation 1

A specialist in modern management should be invited to work with the senior management staff of the main state enterprises and hotels for a 6-12 month period. His or her work should include both specialist courses and also the conduct of case studies of two or three MTIT plants, which would involve managers in the analysis of each others problems.

Recommendation 2.

As part of the programme of management education, managers should draw up a programme of training for the employees. This training should cover technical issues, and also basic skills including group working, problem solving, and, where required, literacy and numeracy.

Management Information Systems.

One of the features of management which needs urgent attention is the system of financial accounting. None of the MTIT firms have monthly financial statements. Once a year they do a stock count, but some of the factories have not closed their books for two years. What is needed is to develop a system of perpetual stock inventory accounting, as part of a computerised system of management accounts, and then diffuse it to the industrial enterprises and hotels. As with training, this will lay a foundation for improved performance regardless of the ownership of the enterprises.

Recommendation 3

An O & M specialist be invited to work for three months with a selected enterprise (for example the Red Sea Flour Mills) to produce a system of computerised management accounts. Overall costs could be kept down to \$ 7,000 - 10,000 by utilising a personal computer for this purpose.

2. Ownership and the regulatory regime.

Privatisation.

The government is approaching the question of privatisation with cautious pragmatism, seeking to identify reliable prospective buyers and enterprises which do not have a critical monopoly position. In late July they were considering an initial tranche to put up for bidding, and were intending to

The second issue concerns specialisation and economies of scale, not only on the production side, but in the case of Barka particularly in marketing. What should be noted here is that the form of demerging can ensure that specialised facilities and services remain available for all plants in the sector, and that some - such as marketing - can be controlled by an association of plants, as is the case in much European exporting by small and medium firms..

The overall point is that industrial policy should seek to encourage a pluralism in each sector as rapidly as possible. At times this can appear as duplication, of a kind that can be ill afforded at an early stage of development. But in the field of ideas, initiative, and learning by doing - which are at the heart of any process of dynamic development - many heads are better than one.

ii) poles of development.

In any sector there are certain key poles of development, points which serve to organise and stimulate other firms in the sector. In some instances it is an assembly operation (as in the motor industry), in others a distributor or key purchaser, in others researchers or designers. What becomes critical from the viewpoint of development is the control of these poles, and the nature of their relationship to other parts of the sector. Any strategy for ownership must be considered in this light.

One example of such a pole is the milk factory in Asmara. It provides an outlet for the dairy production of 500 farmers. It sees one of its tasks as working with the farmers to improve productive efficiency and the quality of the milk. To this end it has worked with groups of farmers to discuss improved methods of milk collection, and with the veterinary service to improve cattle quality. These and other services could be provided by the support groups in the Ministry of Agriculture, but in the milk industry at least, milk processing plants have commonly occupied a critical position for upgrading because of their daily contact with farmers, their continuous batch testing, and their concern to maintain standards of quality. Particularly in the early stages of a sector's growth, where for example public health infrastructures are in the process of being established, public control of a production facility should be seen as a complement to other policy instruments in the development of the milk industry.

iii) nature of ownership.

The sharp distinction between public and private can obscure the many alternative forms of ownership which may be desirable. In the Italian food industry for example it is common for food processing plants to be owned by the suppliers, and associations of processing plants in turn have developed

performance assessment and so on. The time scale of the franchise would in these cases have to be long enough to amortize the franchised firm's investment, but short enough to maintain the discipline on the firm of effective performance and prospects of franchise renewal.

The key to the success of such a procedure in the Eritrean situation, particularly where local expertise is not available, is a widespread international search for prospective tenderers. Aid networks could contribute to this, but also a small search group, following Japanese, South East Asian and early Soviet practice, which would visit targeted firms and management groups abroad. This group would have the function both of promoting the idea of the tender, and assessing in situ any potential applicants. It would be an innovative use of aid funds not only to finance the writing of the tender document and the travels of the search team, but offer potential tenderers a contribution to the preparation of their bid.

There are then a wide range of ownership packages, and forms through which ownership can be transferred. The most desirable forms will depend on:

- the sector,
- the degree of competition,
- the significance of the enterprise in the development of the chain of production,
- the possibilities for regulation,
- the availability of potential buyers of substance.

It should be one of the tasks of sector strategies to draw up proposals for the ownership of assets in the sector.

Privatisation has become an international movement over the last decade. What started as a simple opposition between public and private has led to a re-examination of both, and the relationship between them. At times it has become a substitute for industrial policy. Like investment in machinery, it can be a way of not thinking about the specific problems of an industry, displacing these problems to the new owners. But if the issue is approached more broadly in terms of alternative forms of ownership and regulation, and approached pragmatically and experimentally - as the Eritrean Government is currently doing - then it could play an important part in the development of an appropriate organisational structure for economic reconstruction in contemporary Eritrea.

of health care. The productive requirements - whether water pumps or field hospitals, pharmaceuticals or cheap protein - follow from the path chosen.

The same would apply to transport, where, as with health care, production can be minimised through careful planning (the proximity between work and home for example, or the promotion of integrated local economies which avoid the need for long distance haulage of inputs and outputs). The danger of traditional forms of national income accounting, and performance indices is that they encourage the expansion of certain outputs (hospital beds, bus miles travelled) when what matters is health levels and access. It is for these reasons that it is important to start not from the existing productive units (or Ministerial responsibilities) but with final needs and the alternative ways of meeting them.

In each of these cases we can then trace back a productive sub-system. Figure 1 shows part of the sub system of food production. There are three main sections: primary producers, processors, and end users - caterers, hotels, institutions, wholesalers and retailers, as well as those involved in food preparation in the home. In addition there are many other tributaries - both industrial like fertiliser, pharmaceutical, and seed producers, and regulatory like public health departments and standards institutions.

Other parts of the sub system could be added to the diagram: education, for example, whether agricultural, agro-scientific, technical, or catering. Transport is also central particularly when food so quickly deteriorates. There is the fisheries sub sector, the agricultural and food processing machinery industry, and of particular importance to some of the food branches, the packaging industry.

The point of approaching a policy towards industrial production in this way is that, first, it is along sectoral lines that industry itself tends to be organised. The fact that firms identify themselves as a building materials group, for example, or as operating in the footwear industry, results from the fact that there are economies of flow and information which bring benefits from specialisation. An operator in any of the boxes in Figure 1 is to a greater or lesser extent dependent on or competitive with those in other boxes, for inputs and markets, for economic regulation or the supply of qualified labour. In many countries sectors will have their own institutions - for research, or industrial representation, for education or labour organisation. If public policy follows a sectoral approach it is then able to relate to the producers in that sector and the sectoral organisations which exist.

Secondly, tracing through a sub system in this way provides an industrial contour map. It highlights the bottlenecks in the domestic economy, the monopolies, the 'commanding heights' in the sector, and the places where the public sector plays a part. In the case of food for example, the key points of the sub system internationally lie outside immediate food production. They are those

boxes marked with a star: fertilisers and seeds, agricultural research and pharmaceuticals, and in many countries, retailing. In smaller, developing countries the animal feed producers occupy a critical place in the livestock sector, as do the milk processing plants. In the fruit processing sector, it is the availability of well designed glass jars which is key.

From the viewpoint of competitiveness what emerges is that on the one hand there needs to be a flow of the product from its first point of production to its final consumption. Current production management focusses on this issue within each plant or farm or shop, but much less attention has been given to how flow is maintained in the system as a whole. There is then the question of quality, its testing, and its maintenance. There is the question of innovation in products and production processes, often geared to the resources and requirements of a particular national economy.

Public policy cannot engineer all these things. What it can do is work with producers on a programme of improvement. The task of policy is in part to determine the most effective 'levers' for the improvement of the system. In the North, it is retailers who have been responsible for the upgrading of the food system. The large retailers have research and testing laboratories, they set demanding standards on the processors and provide consultancy advice to help the processors to meet them. Given the growing concern with food quality and safety, the retailers now investigate the quality of production of the primary foods producers supplying the processors. Their computer systems also serve to co-ordinate the flow of food in relation to the fluctuations in demand.

In Eritrea the retail and wholesale system is as yet weakly developed. Its role could initially be played by the hotel purchasing department, by the main airline caterer and the buyers for hospitals and other public institutions. The strengthened public health department could also play a critical part in improving food quality and the same applies to the new standards department, which has only recently begun working. Other key points for development in the sector include animal feed (we were only able to trace three small milling operations, in spite of the need to increase milk yields) and the animal breeding stock (targeted by the Ministry of Agriculture).

A further advantage of a sectoral approach is that it provides a means for those in the industry to have an overall view of the sector, to understand this sector in an international context, and see ways in which improvements can be made either individually or in association with others, irrespective of government policy. In this sense, the process of developing a strategy - if conducted with the involvement of all parties concerned - itself becomes the trigger for an immediate process of implementation.

b) geography.

The Government is committed to a policy of the spatial decentralisation of industry, in order to avoid the concentration of production and population in the capital. One reflection of the importance of this policy is the power given to the Provincial administrations. The question, however, is what economic strategies can achieve these aims.

Current policy has used the instruments of industrial licensing. Between late 1991 and July 1993 no industrial licenses for small and medium firms were issued for starts ups in Asmara, partly because of electricity shortages, partly to encourage location elsewhere. Applicants were told that licenses could only be granted if the plants were established in other towns. Only a minority have done so, other than the small grain mills.

The challenge is how to develop areas within the provinces which have their own economies of agglomeration to counteract the market pull and the supply advantages of Asmara. To this end, each province should aim to produce a provincial economic strategy, and then discuss with those responsible for sector strategies to see to what extent the sectors can contribute to the goals of decentralisation.

Over the past fifteen years there has been a growing concern with local economic development, in both the North and South. Eritrea's question has been asked in many other places, and the evidence suggests that decentralisation is possible under certain circumstances.

One such is the development of specialised 'industrial districts', towns where a network of small and medium firms concentrate on particular products. Some of the most competitive regions in the first and third worlds, have had economic structures of this kind, like the shoe districts of southern Brazil, the Egyptian furniture districts or the thriving metal machine industry in the district of Kumasi in Ghana. Their success appears to be due to the flexibility and creativity that derives from their decentralised industrial structures, while their specialisation helps them to realise some of the economies of size. These districts have also found ways of procuring the services normally provided by the head office of a large firm - such as market research, exporting, and technological information. In some cases they have provided these services collectively, in some instances local or national government has contributed. There have also grown up specialist firms, including machine shops which produce machines for their particular industry.

It is one thing to register the existence of such districts. It is another to know how they can be encouraged. Most of the districts have had a long and tortuous

visits to a range of development banks abroad, notably the Mondragon Casa Popular in the Basque country of Spain, and the Grameen Bank in Bangla Desh.

It would also be valuable for them to be in contact with Womens World Banking, a network of development banks for funding economic projects for women. WWB is aimed at those who are excluded from borrowing from commercial banks because of their lack of assets. It operates through local affiliates, which are required to raise their own start up capital of \$20,000, and the WWB centre then provides advice, training programmes, and support to the affiliate. The WWB office in New York advise that contact can be made through the African Regional Co-ordinator of WWB, Wanjiku Kibui, at the New York office, tel: 212 768 8513).

The task of a provincial industrial strategy would be to plan for the growth of such infrastructural institutions, and to identify potential opportunities and interconnections within the area. Apart from Asmara, the two provinces we visited had both started to think along these lines. In Massawa there is an active discussion, led by the Ministry of Marine Development, about the revival of the fishing industry, the establishment of a fish processing factory, of a marine research laboratory, and a specialist technical college. There is also a concern to see a revived local hotel and tourist industry acting as a shop window to overseas visitors for local production.

Likewise in Keren, there are plans to develop a hotel which would use local agricultural produce, and there have been lengthy discussions with the owner of a large estate who intends to re-start agro industry in the area.

Just as the sectoral plans can contribute to the provincial ones, so the provincial strategies should be asked to look at the local implications of the sectoral strategies. Each province could therefore consider the main sectors under discussion - food, building materials, energy, transport and tourism - and the local development which is needed to service and expand these.

The food industry offers particular opportunities. In the food grain sector there are a large number of flour mills, bakeries and pasta makers, for whom there will be some common economies and requirements at the provincial level. In the livestock sector, the Ministry of Agriculture already has a decentralised network of extension officers, and their work can extend into the industrial and distribution area - for example in the supply of animal feed using local materials. The municipal and provincial governments will also become increasingly important in enforcing health regulations and the yet to be prepared standards, as one means of raising quality in the sector.

Recommendation 7.

Where they do not exist, pilot industrial strategy teams should be formed, for the following:

- sectors: (food, building materials, tourism,)
- three provinces
- functions, (management education, training, and industrial finance)

The teams should be seen as temporary, charged with producing an initial strategic document within three months. This document should not only outline a strategy for the industry, province or function, but also identify how each promotes cross cutting aims. For example a building materials study should seek to have a section on the provinces, as well as one on management education, training and finance. The initial provincial strategies would consider the potential of the three pilot sectors within their province. Each strategy, whether sectoral, provincial or functional, should consider how it can promote the country's immediate social aims, for example the employment of those disabled by the war and of ex fighters more generally, or the promotion of economic opportunities for women. The documents would serve as an initial orientation for action, to be made more specific and extended as part of an iterative process.

The teams should be small, say two or three people, and where possible include members from the industry in question and representatives of one of the three pilot provinces. They should be able to call on international specialist advisers, whose skills should include an ability to draw local producers and other stakeholders into the discussion.

Recommendation 8.

It is recommended that a four week workshop be arranged for those involved in the pilot strategies. The purpose of the workshop would be to consider Eritrean experience in this field and lessons from elsewhere, to discuss methods of working, and, for the last two weeks of the workshop, to undertake an initial common case study.

government administration: finance and planning, personnel policy, and the organisation of information at a Government wide level. These will have an impact on MTIT as one of the line Ministries. The PSM report has one section of specific relevance to MTIT which is on public enterprise management and privatisation. Its recommendations are discussed in the appropriate section below.

The administrative problem.

Before discussing structure and job descriptions, it is necessary to clarify the administrative tasks currently required, as related to the Government's industrial, commercial and tourist strategies. One of the common problems with Ministries of Trade and Industry - in both the first and the third worlds - is that the forms of administration have not been sufficiently tailored to the nature of the tasks implied by policy. Governments have tended to fit policies to administrations rather than the other way round. Policy has been the dependent rather than the independent variable.

The main distinction to be drawn is between the regulatory and the developmental state. The regulatory state is focussed on the control of the economy through laws and regulations. The administrative task is to draw up these rules, and then apply them. Economic actors are classified by whether or not they fall into specified categories which are or are not allowed to do certain things, receive grants, import machinery and so on.

In terms of the current functions of MTIT, trade and industrial licensing is regulatory in this sense. Enterprises apply for licenses, and the application is considered in terms of a given list of criteria. The same is true of the administration of standards, of the operation of import licensing, of tariff protection, of tendering, of taxation and of many of the incentive schemes that characterise much contemporary industrial policy. In the latter case, the rules specify what kind of firms qualify for an incentive, or what kind of activity is permitted a tax rebate.

The administration of these policy instruments does not require detailed knowledge of an industry or an individual case. The detail that is needed is that which will allow a judgement to be made on classification. It is usually required on a form. The form standardises many disparate cases and makes them manageable from the viewpoint of the administrator.

The key qualities required of the administrator are closer to those of the lawyer: a knowledge of the rules, a capacity for classification, a distance from the economic actors, and the dispassion of a judge.

countries have been required to build a bureaucracy, with few resources, and with a much more extensive role for the state in a fraction of the time.

Secondly, many of the state's functions in relation to the economy have a developmental character: providing finance for small and medium firms not catered for by the commercial banking system; supplying information on the economy through statistics; promoting development projects; providing an educational and training infrastructure; managing certain key industries. Some of these can be administered by regulatory methods. Development banks can be organised to lend to strictly defined categories of firms. Development projects can be assessed by cost benefit analysis and decisions made according to budgets and criteria.

The problem is that in a rapidly changing economy this regulatory approach has proved much less effective than a developmental one. Instead of a disconnected administrator confined to the central office, and operating through classification and judgement, the developmental requirement is a front line worker, who knows the firms and the industries he or she is dealing with, is an actor on a par with them, and is capable of absorbing a large range of changing detail which is made manageable not through the standard boxes of a form but in relation to the developmental goal at hand.

The part played by the developmental state shifts from the distribution of finance or 'rights', to active participation in the process of production. By this I mean not the daily running of enterprises, but ensuring the effective operation of those public responsibilities which play a necessary part in production. It may be the transport system, or the clearance at customs, the operation of standard and the provision of information.

One public function mentioned above is the securing of an effectively operating sectoral system of production, and its strategic development. Another is playing a part in the training and orientation of those engaged in direct operations. I have called these productive functions, because they are central to effective production, and because the conditions of the economy and of production change so rapidly, that the state's economic administrators must have the capabilities and the culture to change with them.

The task for economic administration in Eritrea is first and foremost to create a developmental rather than a regulatory state. This is not to say that some regulations will not be needed. Rather it is to suggest that the culture, procedures, controls, staffing, finance, and administrative relationships should be shaped by the requirements of a developmental and not a regulatory administration.

circulate the final products. The skills required here are partly those of a traditional standards officer - scientific, legal, administrative - but they go wider to include the skills of animation, of management advice, and of links to other parts of the public sector whose work may bear on the improving of standards.

ii) statistics and economic information.

Statistics developed in the nineteenth century as part of a new system of public regulation. Twentieth century statistics still reflect these origins. International health statistics remain bound by the assumptions and specific diseases that preoccupied nineteenth century European health administrators. In the industrial field, there has been a growing disjunction between the formalised statistical information produced by the government and business information needed for running an enterprise. The former is largely gathered according to UN classifications. They are primarily used by those in government writing general reports on industry, or by visiting consultants and journalists. Business information is produced privately, sometimes within a large firm, or by a specialist information company, if it is produced at all. It is the area where small and medium firms, and countries at an early stage of development are at a particular disadvantage.

From the point of view of economic development the immediate priority is for improved business information. For this reason, MTIT's informational work could be best thought of as Industrial Intelligence rather than statistics. What is required within the Ministry is a deep knowledge of an industry, that develops alongside sector strategy, the kind of knowledge which in a developed economy is possessed by investment analysts. The knowledge will be that of greatest immediate relevance to firms - market research on the domestic market, intelligence on the sector internationally, its markets, sources of supply, and technology. This kind of knowledge has sometimes been collected and diffused in sectoral centres - such as those that operate in Spain and Italy by regional governments, or in technical colleges as in Denmark. As with standards, the task of an industrial intelligence unit is not simply to collect the information, but ensure that enterprises are geared up to collecting it, understanding it, knowing where to find it and so on. It is an enabling as much as a producing role, and it means that the industrial intelligence workers need to be out working with the enterprises in the relevant sectors, and not confined to the central office.

iii) project development.

When undertaken in a traditional Industry Ministry project development tends to follow the regulatory pattern, assessing projects initiated elsewhere against a set of criteria. It is preferable to establish separate small project development institutions, with their own capital, cultures, and relations with the industrial community. One vehicle would be local provincial developments banks as

Centralised control of finance gives the Industry Department like the Commercial Agricultural Department a source of funds to finance those revenue losses and capital projects which are considered priorities. Given the lack of a development bank, the Industry Department is having to act as a development finance agency of its own. The centralisation of finance gives the Department control over foreign exchange expenditure, and gives it the scope to implement sector strategies as in the textile industry.

But however high the calibre of people at the centre, as a system this is not satisfactory. The enterprises need to have greater autonomy, to take their own risks and make their own mistakes. What is needed for this to happen are the following:

- the centre should draw up the broad approach it expects to see its enterprises follow: these will include guidelines on conduct, on salary policy, on gender and women's employment, on environmental and locational decisions, on the developmental functions of an enterprise, and so on.
- an adequate structure of reporting needs to be set in place, not only for the Ministry itself, but for other stakeholders in the enterprise.
- an independent development fund should be established, financed partly through a share of profits from the surplus enterprises, and partly through low cost finance from other sources.
- the management education and training schemes outlined in Recommendations 1 and 2 above should be undertaken.
- the responsibility for sales should be lodged clearly with those managing production; where joint selling takes place this should be the result of agreement between autonomous enterprises rather than carried out by a section of any central Ministry.

In general, the centre should see its role as that of a trainer, adviser, trouble shooter, and enabler, rather than that of a day to day regulator.

The above four examples sought to bring out the contrast between the developmental and the regulatory models of administration. Other examples could be added in the fields of taxation and budgetary policy, of industrial promotion, systems of incentives, or the use of licensing. Rural development policy has pioneered developmental methods to a greater extent than Ministries of Industry. Eritrea has the historical background to apply successful rural development practise to trade, industry and tourism.

1. A strategy unit.

This would be responsible for progressing the strategies discussed earlier: sectoral, provincial and functional. Some of this work would be carried out at the departmental level by the strategy units, but a small central unit is needed to ensure:

- a) the strategic programme as a whole;
- b) support for the departmental units in their cross ministerial links - project teams, co-ordination across sectors, and provinces;
- c) negotiation with the Ministry of Finance and Economic Development and with aid agencies on funding and support for the strategies.

The aim of the central unit should be to support those actually doing the work, ensure adequate training and resources for their work, and through the Minister, represent them where appropriate to the central institutions of political and financial authority.

The staff/line distinction is not appropriate for dealing with the strategic planning role in the Ministry and the Departments. The strategic units in the centre and in the departments are part of a single programme of strategic work. It is parallel to the organisation of health or education in the field, where there was an overall health organisation, that had decentralised units attached to each front under front line command, but also responsible to their functional headquarters.

2. A personnel unit.

In the August report, responsibility for personnel issues is dispersed among a number of officers. Internal training is the responsibility of the head of Planning and Programming (in whose job description it is briefly mentioned as item 11). The head of Audit and Inspection is charged with Work study. The prevention of negligence and corruption fall under the Head of Audit and Inspection.

Day to day management of labour falls to the heads of staff units or line Ministries, Thus the head of the Department of Industry is required to "analyse grievances of employees... ensure that staffing of employees is in accordance with government employees regulations and/or labour law, supervise employees, approve promotions and execute other administrative duties." The only detailed requirement in the job description of the head of the Department of Trade is that he or she "shall examine cases of employees to be terminated and secure approval of dismissal from the Minister." The head of the Department of Tourism is required to ensure that the Department's "employees are

The second point is that the issue of personnel policy and staff development comes out as having a low priority in the overall batch of job descriptions. It is therefore unsurprising that responsibility for its effective functioning is so dispersed.

I would recommend addressing both these issues by forming a personnel unit which would be responsible for:

- an initial induction course for new staff at the Ministry (similar to that for new recruits in the field). It would involve the establishment of a particular orientation and ethic about how things are done, relations within the administration, and between the administration and the public. Without this, it will be difficult to reproduce the distinct working culture that is currently a mark of the Ministry, or to decentralise responsibility to people who lack the orientation learnt by fighters in the field. Some of this induction period could include working with former fighters as 'apprentices', case studies and exercises in typical administrative problems, a period working with those who are to be later 'administered' - for example the public enterprises, or hotels, or traders, so the apprentices understand the problems of the direct producers.
- supplementary training courses for existing Ministry staff, centred round particular problems such as strategy formation, means of monitoring public enterprise, the principles and practise of human resource development and so on. Some of these could be conducted as workshops with outside visitors.
- the active personnel management of the Ministry staff - in conjunction with senior management, to ensure support and guidance for the individual administrator.
- the arrangement of regular seminars (in conjunction with the main strategy workers) for staff in the Ministry, and the encouragement of an active intellectual culture in the Ministry. As part of this there is a need to identify people from abroad visiting Eritrea who could be invited to attend a workshop or give a presentation.
- working with senior managers in staff management and training in those areas falling within the Ministry's responsibility, including the directly owned enterprises, hotels and trading organisations. Each of these areas should have a training and orientation programme for all workers, geared to needs (in the case of factory and hotel workers this might be a programme of basic education and for managers a continuing series of workshops on different aspects of management.)

Performance is too often geared to the spending of the budget, rather than to the achievement of broad goals. In a market economy, there is a balance between the achievement of outputs (as measured by sales) and the use of inputs; profit represents a balance between the two. Extra costs may be justified by extra sales. In public administration there are no sales, so that the whole system comes to be led by the economies of the inputs (as specified in the budget), by struggles around the budget (budget allocations are a key part of intra-Ministerial politics) and in many states by pressure to expand the budget. Although this is all meant to encourage economy, it often does the opposite, resulting in wasted resources because the impact of the service is not being given due weight.

One answer - currently widely practised in the UK and spreading elsewhere - is to try and measure outputs. In contemporary British universities, the Government requires details of the number of articles written and hours of teaching done. In the health service it is the number of people treated in hospital beds. On the railways, indicators include the number of trains arriving on time. The trouble in all these cases is that the measurement begins to distort the service. In academic life there is the problem of measuring the quality of the articles and teaching. In hospitals, patients are turned out too soon, and come back - but are counted as new patients. On the railways, trains no longer allow people to make connections on their journey because each train is only judged on its own punctuality, not the effectiveness of the system as a whole.

There are other ways in which quality and performance can be assessed - involving external performance auditors, user groups, or peer group assessment, - which have helped improve quality and provide a counterweight to the budget.

For this reason there is a case for having finance, legal, public relations and any remaining administration within the quality unit, since they are aspects of operational control. Even if they remain separate, the important point is that they should not dominate. In the UK, financial departments at central and local government level have tended to rule administration (in UK local government the Treasurer often became the Chief Executive, along with the municipal lawyer). In British commercial management, financiers have also been dominant. In Japan, both accountants and lawyers have been kept as subordinate - often not even on the main management board, and the potential of this model is at last being recognised by Western private and public administrations. A number of British local authorities, for example, have appointed as Chief Executives people with a background in strategy and personnel, and this has had immediate consequences for administrative processes and culture.

and legal officers) can be invited to the committee for items on which their advice is required.

Administrative resources

It is not clear how many people are to be employed in the general 'overheads'; of the department - the finance, legal, administrative, programming, budgeting, and auditing sections. One of the purposes of the amalgamation of previously separate Ministries into MTTT was to economise on overheads, but the adoption of a regulative administration model will make it difficult to reduce the number of overhead staff required.

If there are scarce resources for administration, there needs to be a decisive shift towards the functions I have outlined. This will mean setting a tight budget constraint for the traditional administrative functions, and giving thought to how to use the given resources most effectively (not least because these functions are commonly the ones which can be 'mechanised' through the use of computers).

Some of the notable examples of private sector developmental organisation have reduced their overheads by decentralising administrative responsibility to operating groups, for such things as accounting, purchasing, training, and computerisation. Apparent diseconomies of such decentralisation have been found to be counterbalanced by economies of speed and flexibility, with the centre setting out the broad approach to be followed, and acting as adviser to the component units. Thus a developmental enterprise may have a general policy on training, but the details will be worked out by the sub units with central support. Similarly in the field of computers the most advanced companies have avoided imposing single unified systems on the organisation as a whole, but have rather developed open systems. These allow different units to adopt the hardware and software most appropriate to their needs (and escape supplier monopoly) but at the same time to retain the capacity to communicate with other parts of the organisation:

Formal versus informal qualifications

One of the most pressing issues for Eritrean administration is the respective roles of formal and informal qualifications. Until now the key roles in the administration have been played by former fighters. A few of them have formal qualifications, but the current quality of the administration depends far more on the military, economic and social administrative experience in the field.

This is in contrast to traditional government administration which places prime emphasis on professional qualifications. There are two problems with a focus on

Recommendation 9

That the Ministry hold a workshop to discuss the issues surrounding developmental administration as it relates to the structure and activities of the Ministry, the administrative arrangements, and training. It should include time for discussion of the broader issues raised by a shift from a regulative to a developmental model of administration, and then work through the issues raised in terms of the Ministry's immediate priorities: industrial and hotel administration, strategy formulation, project development, standards, industrial intelligence, and the organisation of the Ministry itself.

Robin Murray

Ministry of Marine Resources

The Minister

Provinces.

Lemma Hailemariam

Deputy Govenor, Province of Senhit

Public Enterprises

The General Manager

National Edible Oil Mills

Kidanemariam Testler

General Manager, Barka Canned Meat

Sium Yohannes

General Manager, Red Sea Flour Mills

Tseggai Gabremichael

Production Manager, Red Sea Flour Mills

Zere Mahari

Commercial Manager, Red Sea Flour Mills

Kebreab Behaimanot

General Manager, Asmara Wine and Liquor
Factory

The General Manager

Denden Glass Works

Semere Habte

Plant Manager, Alfa Food Products

Woldie Kidane

General Manager, Eritrea Cement Factory
and General Manager of Eritrean Salt
Massawa

Works,

Semenuli Bahri

General Manager of Asmara Milk and Meat
Factories

Zerou Haile

General Manager, Elaberet Agro Industries