



Eritrea

Combined Agenda 2063 scenario

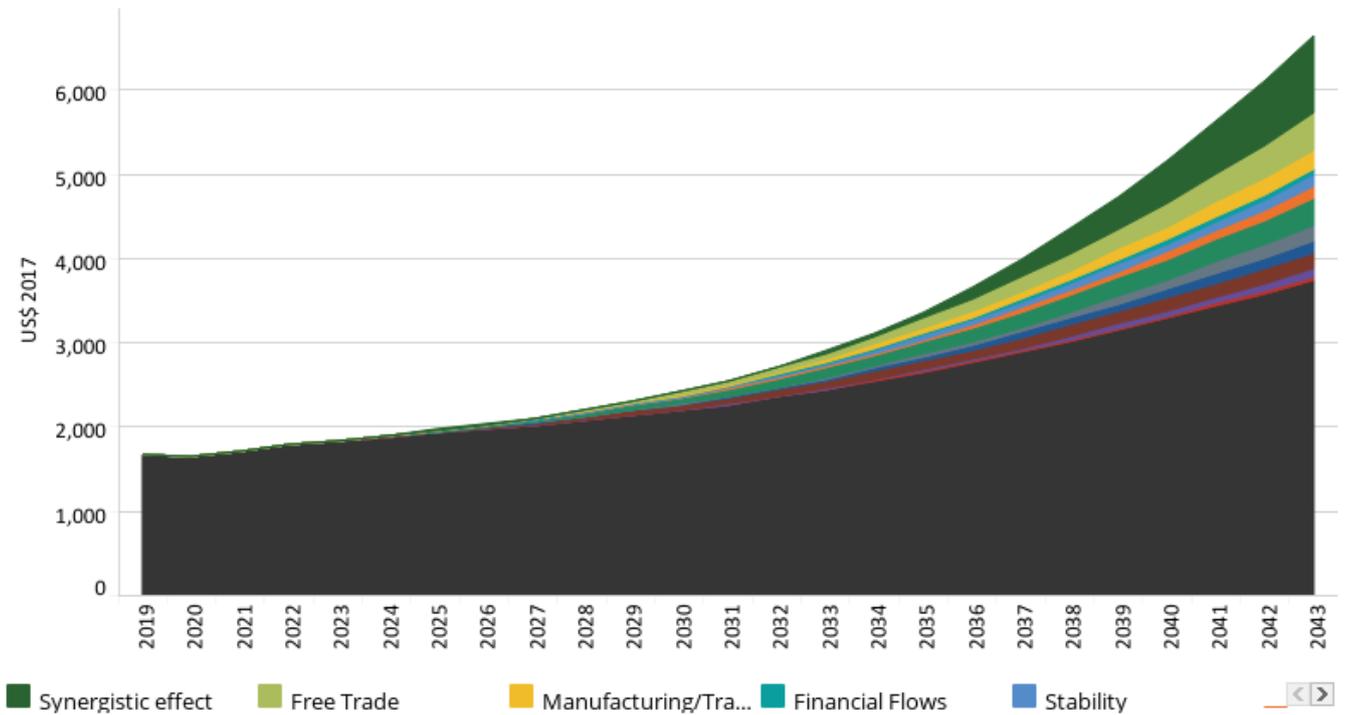
Kouassi Yeboua

Last updated 13 December 2023 using IFs v7.63

Chart 55: GDP per capita in CP and scenarios, 2019–2043
 Additional GDP per capita per scenario, purchasing power parity



Eritrea



Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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The Combined Agenda 2063 scenario consists of the combination of all 11 sectoral scenarios presented above, namely the Stability, Demographic, Health/WaSH, Agriculture, Education, Manufacturing/Transfers, Leapfrogging, Free Trade, Financial Flows, Infrastructure and Governance scenarios. The cumulative impact of better education, health, infrastructure, etc. means that countries get an additional benefit in the integrated IFs forecasting platform, which we refer to as the synergistic effect. Chart 55 presents the contribution of each of these 12 components to GDP per capita in the Combined Agenda 2063 scenario as a stacked area graph.

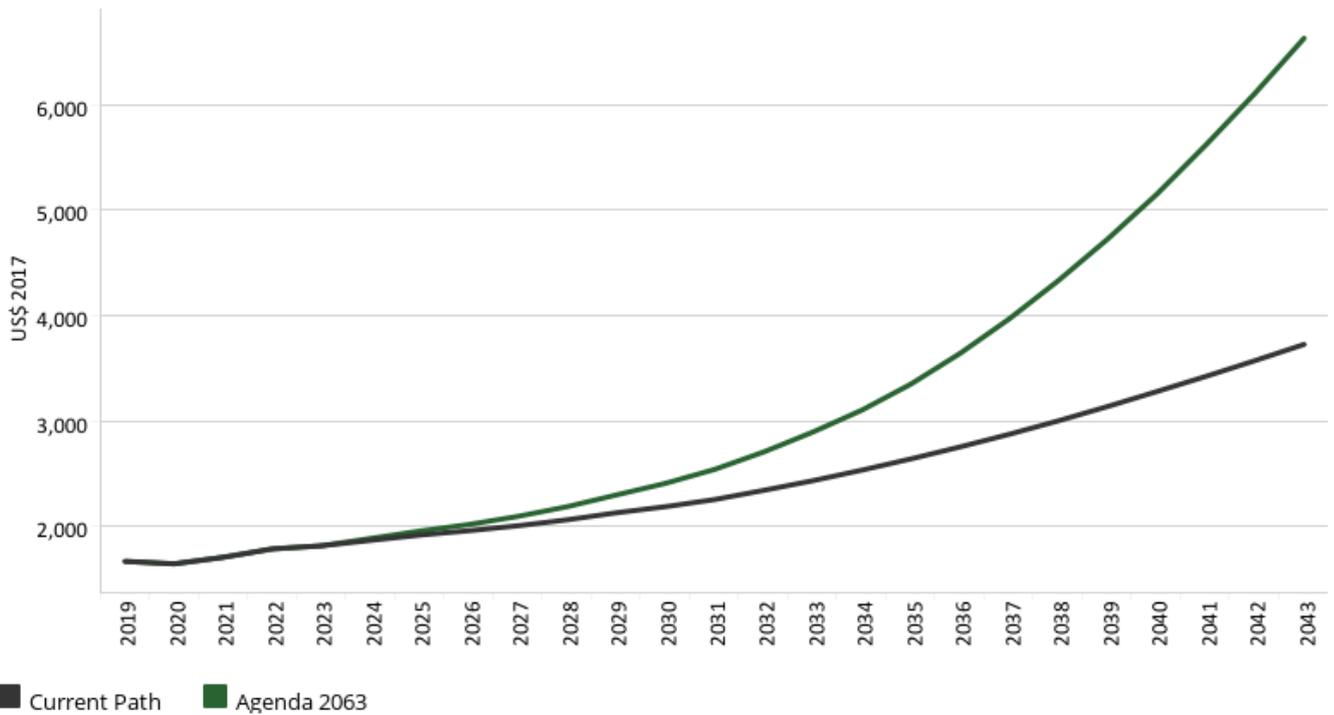
The synergistic effect of all the scenarios on GDP per capita is US\$906.8 in 2043.

The scenario with the most significant impact on GDP per capita by 2043 is Free Trade, followed by Leapfrogging. The Demographic scenario has the least impact on GDP per capita. This suggests that opening the country to trade and improving access to electricity and broadband Internet will improve human and economic development the most in Eritrea.

Chart 56: GDP per capita in CP and Combined scenario, 2019–2043
Purchasing power parity



Eritrea



Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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Whereas Chart 55 presents a stacked area graph on the contribution of each scenario to GDP per capita as well as the additional benefit or synergistic effect, Chart 56 presents only the GDP per capita in the Current Path forecast and the Combined Agenda 2063 scenario.

In the Combined Agenda Scenario, the government of Eritrea makes a concerted effort to remove the binding constraints on inclusive growth and development. This scenario has a much greater impact on GDP per capita than the individual thematic scenarios.

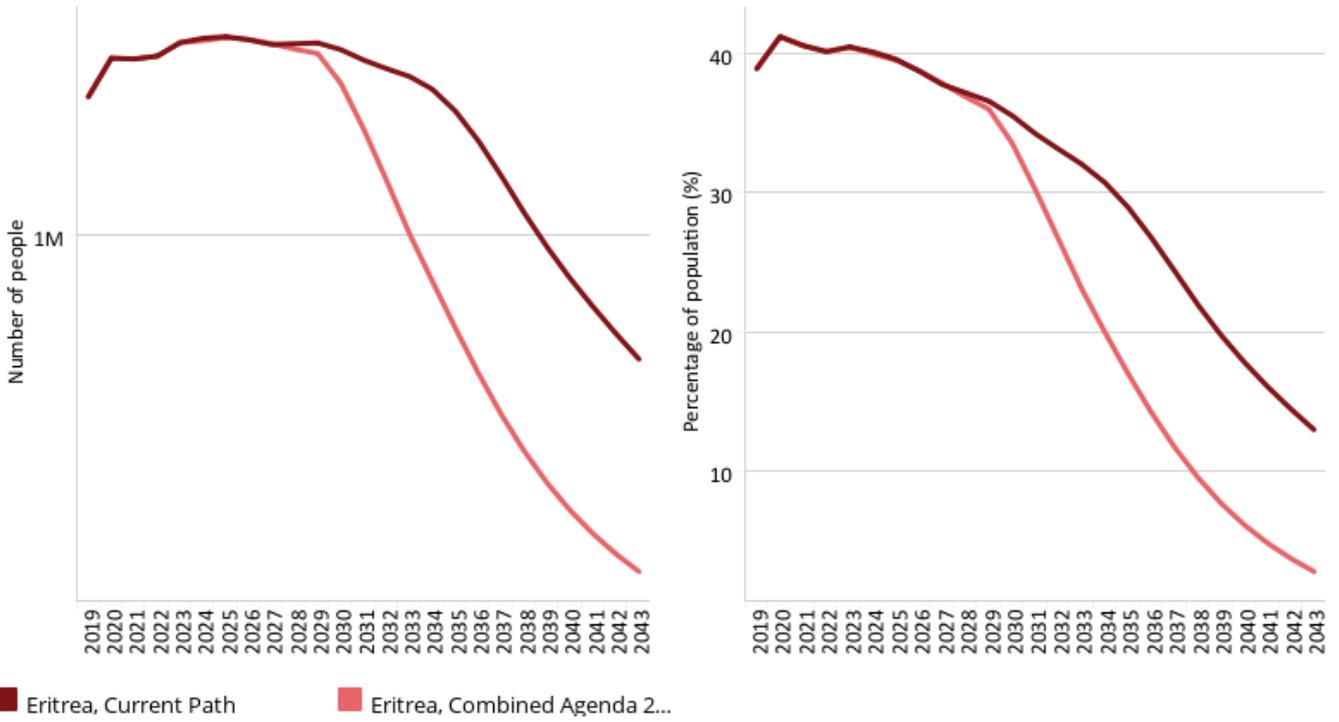
By 2033, GDP per capita in the Combined Agenda 2063 scenario is US\$552 larger than in the Current Path forecast, and by 2043 it is expected to reach US\$6 630, US\$2 900 more than in the Current Path forecast for that year.

The Combined Agenda 2063 scenario shows that a policy push across all the development sectors is necessary to achieve sustained growth and development in Eritrea.

Chart 57: Poverty in CP and Combined scenario, 2019–2043
 Millions of people and % of total population



Eritrea \$1.90



Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and DevPalNat World Bank data

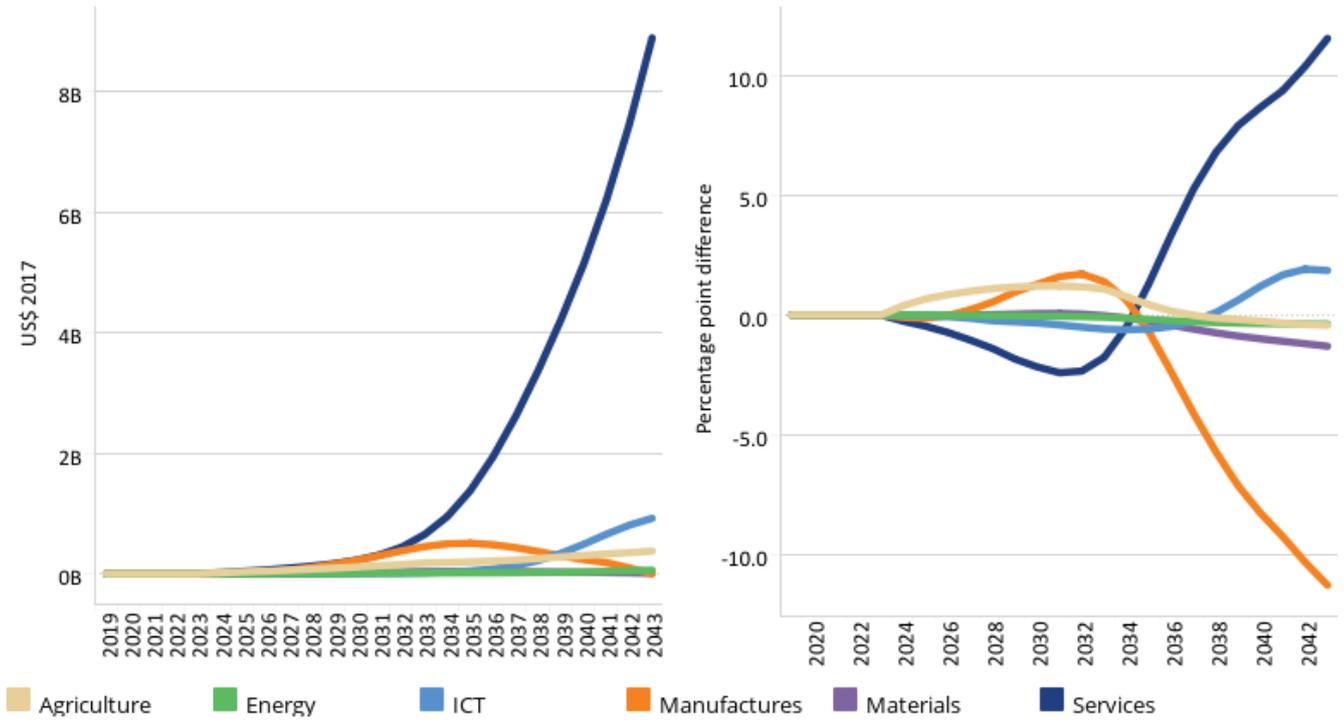
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In the Combined Agenda 2063 scenario, 23.1% of the Eritrean population will be living in extreme poverty by 2033, compared with 32% in the Current Path forecast. This represents about 270 000 fewer poor people than in the Current Path forecast. By 2043, the extreme poverty rate (at US\$1.90) declines to 2.8% (140 000 people) compared with 13% (680 000 people) in the Current Path forecast. This represents a reduction of 10.2 percentage points, or 540 000 people, compared with the Current Path forecast. The Combined Agenda 2063 scenario shows that a concerted policy push across all the development sectors could significantly reduce poverty in Eritrea.

Chart 58: Value added by sector in CP and Combined scenario, 2019–2043
 Absolute and % point difference GDP



Eritrea



Source: IFs 7.63 initialising from International Monetary Fund World Economic Outlook database

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See [Chart 8](#) to view the Current Path forecast of the sectoral composition of the economy.

As a percentage of GDP, the contribution of the service sector records the largest improvement compared with the Current Path forecast by 2043. Its contribution in the Combined Agenda 2063 scenario is forecast to be 11.5 percentage points larger than on the Current Path, while the contribution of the manufacturing sector is 11.3 percentage points below the Current Path forecast.

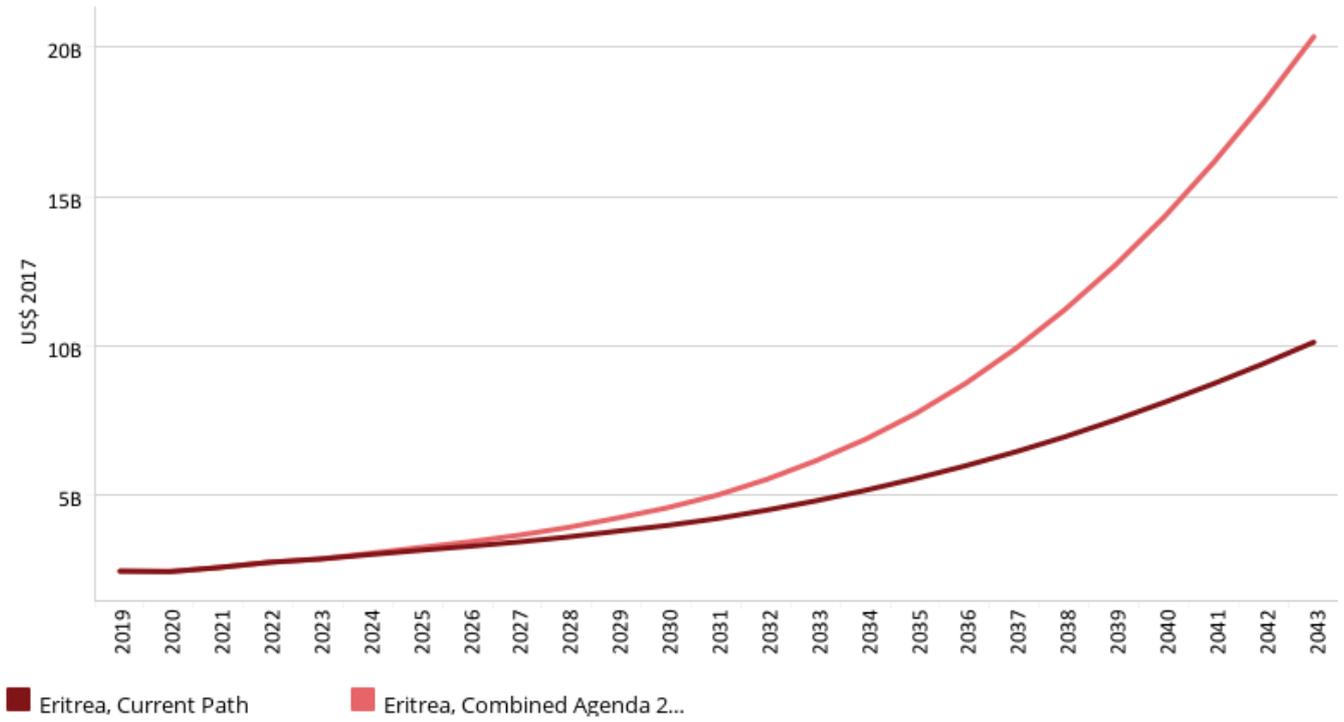
In absolute value, the service sector improves the most compared with the Current Path. Its value in the Combined Agenda 2063 scenario is US\$8.9 billion larger than in the Current Path forecast for 2043. The service sector is followed by ICT, with its value in the Combined Agenda 2063 scenario US\$900 million larger than in the Current Path forecast. The respective contributions of agriculture and energy to GDP are US\$400 million and US\$100 million larger in the Combined Agenda 2063 scenario than in the Current Path forecast by 2043. Going forward, the service sector will continue to dominate the Eritrean economy.

Chart 59: GDP in CP and Combined scenario, 2019–2043

Billions US\$ 2017, market exchange rates



Eritrea



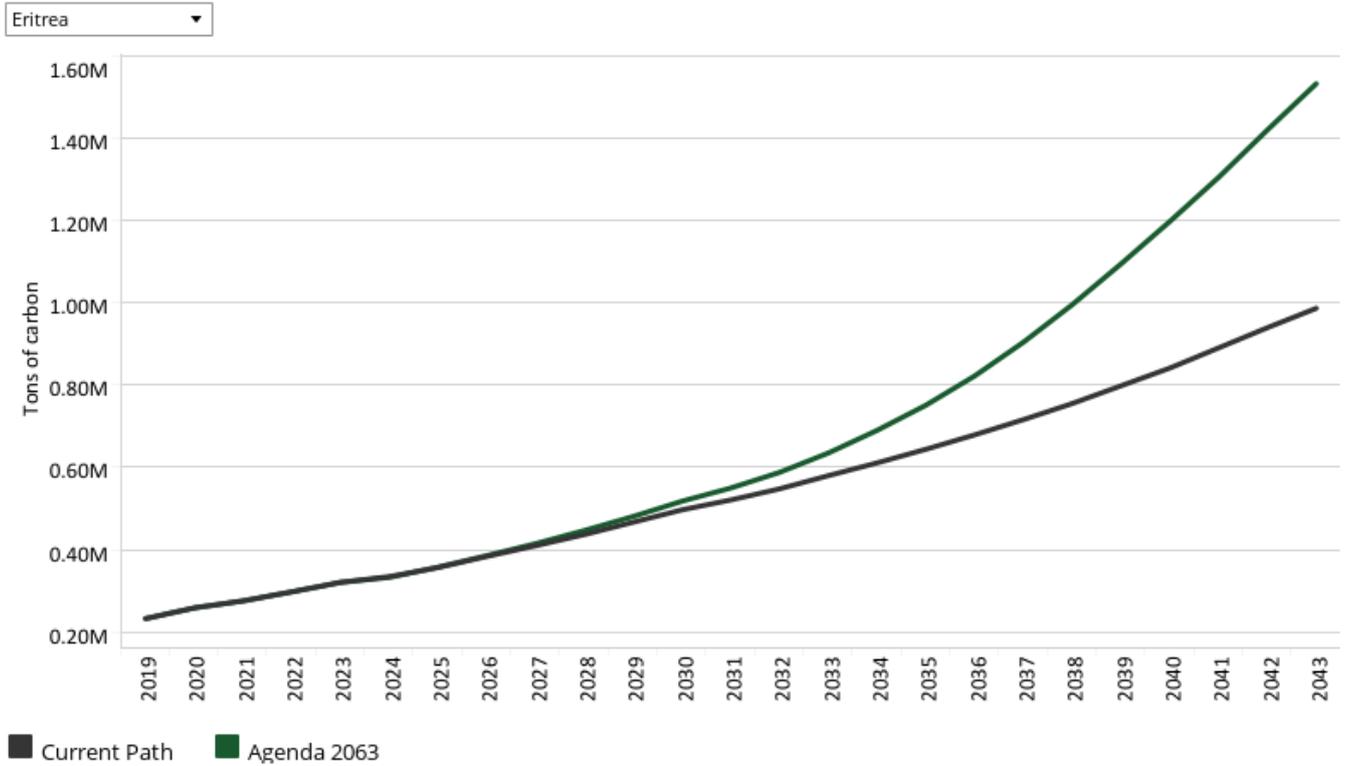
Source: IFs 7.63 initialising from International Monetary Fund World Economic Outlook database

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The Combined Agenda 2063 scenario dramatically impacts Eritrea's economic (GDP) expansion, with the size of the economy projected to expand from US\$2.4 billion in 2019 to US\$20.4 billion by 2043. This translates to an increase of 750% compared with 321% in the Current Path forecast.

By 2043, the GDP of Eritrea is US\$10.3 billion larger in the Combined Agenda 2063 scenario than in the Current Path forecast. This shows that a policy push across all development sectors is a viable approach to achieving sustained growth in Eritrea.

Chart 60: Carbon emissions in CP and Combined scenario, 2019–2043
 Million tons of carbon (note, not CO₂ equivalent)



Source: IFs 7.63 initialising from Carbon Dioxide Information Analysis Center data

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The Combined Agenda 2063 scenario significantly impacts carbon emissions, albeit from a very low base, owing to the increased economic activity it stimulates.

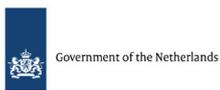
In this scenario, carbon emissions increase from 200 000 tons in 2019 to 1.5 million tons by 2043, an increase of 650% compared with 400% in the Current Path forecast for the period.

By 2043, carbon emissions in the Combined Agenda 2063 scenario are at 500 000 tons, higher than on the Current Path.

If the Combined Agenda 2063 scenario were to materialise, it would stimulate high economic growth and significantly reduce poverty in Eritrea, but the cost in terms of environmental degradation will be relatively high.

To mitigate the environmental impact of the Combined Agenda 2063 scenario, its implementation should be accompanied by concrete steps to accelerate the green energy transition.

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Dr Kouassi Yeboua is a senior researcher in African Futures and Innovation programme in Pretoria. He recently served as lead author on ISS studies on the long-term development prospects of the DR Congo, the Horn of Africa, Nigeria and Malawi. Kouassi has published on various issues relating to foreign direct investment in Africa and is interested in development economics, macroeconomics, international economics, and economic modelling. He has a PhD in Economics.

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