

Southern African Regional Poverty Network

Primary documents series

OMEGA plan for Africa

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Note: SARPN posts these documents on its web site as a service to the community of analysts and civil society interested in poverty issues. By publishing these documents on the SARPN does not endorse their contents.

1. Since the 1970s, Africa has gone through economic and social difficulties that are gradually edging it out of the mainstream of world affairs. A few micro-economic indicators will show that its performance, on the whole, has been quite middling with stagnating economies characterized by double-digit chronic balance-of-payments and budget deficits, heavy indebtedness and weak growth. While Africa's average income accounted for 14 percent of the income of developed countries in the mid-1960s, this ratio had by 1997 been reduced to no more than 7 percent of the GDP growth rate. The average annual growth rate from 1965 to 1993 was a mere 0.5 percent and fell far below the population growth rate that increased from 2.9 to 4.1 percent per annum. As a result, Africa, which accounted in 1994 for 12 percent of the world's population, was producing less than 1 percent of global GDP

2. Agriculture and industry provide the best illustrations of such stagnation. Among other things, the agricultural sector is suffering from soil impoverishment, inclement weather, production instability and commodity price uncertainty, poor productivity and mechanization and limited irrigation. Subsistence agriculture still cannot cover the needs of a rapidly growing population and accelerated urbanization. There are three sets of reasons for this: unsuited land tenure policies which favour cash crop farming, low agricultural production levels and a weak technological and institutional environment. These factors prevent any African country from carrying out a genuine green revolution with selected high-yield crop and animal varieties that can raise productivity relative to area of land cultivated and to output per unit of the rural workforce.

3. The results of industrial development have also been modest. The import substitution industrialization strategy pursued had poor upstream and downstream linkages with agriculture and performance has proved rather disappointing.

4. In relations with the outside world, Africa's share of developing country exports in 1995 was 6.7 percent while its share of global exports was 1.8 percent that same year. The situation becomes even more alarming with regard to Sub-Saharan Africa, which accounted at the same time for 2.6 percent of developing country exports and 0.7 percent of global exports. Africa is virtually absent from world trade in the most dynamic branches of manufacturing and services.

5. The heavier burden of external debt has not helped development finance more specifically of industrialization and agriculture. Lending has gone to finance many unviable investment projects defying the capacity of the countries to repay and throttling their public finances.

6. The degree of social well-being has been eroded with burgeoning unemployment and poverty. According to the most recent statistics, Sub-Saharan Africa accounts for some 250 million poor people i.e. 45 percent of its population.

It would appear that the pace at which poverty is spreading outstrips that of incomes.

7. From 1980 to 2000, the Lagos Plan of Action sought a fresh approach nationally, sub-regionally and regionally to the major problems that African countries would be facing in the long run. That review led all participants to acknowledge that the strategy pursued in the 1960s and 1970s had brought no improvement in the economic and social situation of Africa. It was generally thought that the poor performance had been worsened by the world economic situation and the prevalence of an unfair international economic order. The Lagos Plan and its successor arrangements like the 1986-1990 African Priority Programme for Economic Recovery (APPER), the 1985-1995 Industrial Development Decade for Africa (IDDA), the 1978-1988 United Nations Transport and Communications Decade for Africa (UNT ACDA) did not chalk up any concrete achievement.

8. Following the debt crisis of the 1980s and rising macro-economic imbalances, African countries adopted structural adjustment programmes (SAPs) in concert with international financial institutions in the hope of achieving four objectives:

- Opening up their economies to the system of international and economic financial relations;
- Reducing the role of the State in making production and resource allocation choices;
- Eliminating distortions to the free play of market forces regarding goods and services, labour, capital and exchange controls;
- Promoting the private sector .

9. It was expected that SAPs would stabilize and reform the macroeconomic framework of national economies and also revitalize growth while laying the ground-work for long-term development and prosperity. Today, the major indicators are showing that the overall results have been rather mitigated with growth neither strengthened nor sustainable and poverty deepening and mainly affecting rural people and women, thus placing the entire social and political system at risk.

10. The upshot is that the pattern of development financing through the twin agencies of assistance and lending has proved totally inefficient. In addition to deficits, debt continues to grow out of proportion (despite many rescheduling and cancellation efforts) while official development assistance (ODA) continues to dwindle.

11. The debt overhang constitutes one of the major obstacles to African growth and economic development. While everybody agrees on the need for young nations to resort to foreign capital, lending to African countries has not

followed the normal cycle, which starts from initial borrowing and ends ultimately with becoming a creditor and net exporter of capital. Paradoxically too, African countries seem to have shifted from borrowing in order to finance growth to foregoing growth in order to repay their debts.

12. The drastic cut in ODA inflows is mainly affecting Africa, which used to be the major beneficiary of such resources. The global objective of devoting 0.7 percent of developed country GNP to ODA is increasingly becoming unattainable as witness the 0.22 percent of Development Assistance Committee (DAC) member countries. Financial inflows from all DAC countries have been steadily decreasing since 1990. From \$US 196 billion in 1996, they leveled off at \$US 187 billion in 1998.

13. By the mid-1990s, Africa's economic situation improved somewhat in terms of deficit reduction and a return of growth to about 4 percent in most of the countries. Upon analysis, what has happened is not so much a reversal of the trend as a combination of such factors as the picking-up of certain commodity prices by 30 percent and good weather, which made for an increase in agricultural production. Still, such growth is too low to reduce poverty and to resolve the many complex social problems engendered by excessive population growth and urbanization rates.

14. At a time when financial markets are globalizing and foreign direct investment is booming and both production networks and trade in goods and services are going transnational, Africa should be plugging into the new global economic deal. Globalization is a major challenge that should be met with a global and comprehensive vision of African development that will speed up the sustainable economic growth of African countries within a perspective of regional integration.

15. At the 19 July 2000 OAU Summit in Lome, and the more recent French-Africa Summit held in Yaounde from 17 to 19 January 2001, the African countries reaffirmed their position on the major issues facing the international community, more specifically globalization, liberalization, and privatization.

16. Africa made clear its full and total commitment to these principles and its intention not to be sidelined from the evolving, pattern of the global economy.

17. The Heads of State reaffirmed their belief that increasing international trade through liberalization would directly foster growth in the developed countries, raising their GNP and thus their capacity to assist the developing countries.

18. Given the current difficulties, Africa must, in order to keep pace with globalization, pursue a new strategic development vision based on a comprehensive and realistic programme which clearly sets out the priorities and the resources to be mobilized for strong and sustainable growth which benefits all strata of its population and the rest of the world.

19. The OMEGA Plan is an attempt to find just such an original approach drawing inspiration from the relevant principles of self-sustaining growth to formulate economic policies that would eradicate poverty and improve the well-being of the people. To do this, Africa will have to attain and maintain a mean annual growth rate exceeding 7 percent.

20. The new theories of more Africa-friendly growth are to a large extent proven by the historical development experiences observed worldwide, particularly in the United States of America from the 1950s to the 1970s, in Europe during the 30 years of economic miracle from 1945 to 1975 and in the emergence of vibrant Asian economies. The common denominator of these experiences is also the full and comprehensive use of major growth sources like:

- Physical capital including such basic infrastructure as roads, railways, harbours, airports, irrigation schemes, telecommunications and power-generation facilities.
- Human capital that was developed through education, health and nutrition.

21. What can be observed in both cases is that the colonial enterprise made the economy of the overseas dominions part and parcel of the metropolitan economy. Using that logic, infrastructure was built to evacuate primary commodities and human capital developed to replace the colonial administration.

22. The qualitative and quantitative gap resulting in terms of physical and human capital meant that to catch up with the developed countries, African countries had to incur investment costs, which were far beyond their means.

23. The OMEGA Plan makes a clean break with the vision of self-sustaining national development conducted by a developing State and relies principally on an economic construct built within the framework of regional integration. Regional integration logically becomes the basis of the Plan and requires the design of sub-regional plans emanating from each of the five sub-regions under the Joint Secretariat of the Organization of African Unity, the United Nations Economic Commission for Africa and the African Development Bank, and which are severally referred to as Central, East, West, Southern and North Africa.

Chapter I: Strategic directions and priority sectors

I. General guidelines

24. The stakes and challenges for Africa's integration in the world economy call for building a competitive economy undergirded by a reformed macro-economic framework, controlled budget deficits and curbed inflation, improved coverage and quality of basic infra-structural facilities and human capital developed through education and health access. An analysis of public investment shows that the bulk of domestic savings and multilateral as well as bilateral co-operation resources go into the financing of basic infra-structural, educational and health facilities. This means that had Africa the same basic structures as the developed countries, it could allocate resources to production and improve productivity to the point of withstanding international competition.

25. Obviously, the quantitative and qualitative deficiencies in basic infra-structural, educational and health delivery systems have combined with soil degradation to prevent the raising of productivity levels and the achievement of any competitive edge. This explains Africa's poor performance. A case in point is the fact that endemic tropical diseases not only adversely affect the quality of human capital, but lead to high health costs. Currently, 300 to 500 million cases of malaria are reported annually in Africa, causing about 1 million deaths and costing \$US 2 billion. The same is true of the scourge of AIDS. What is more, living in the tropics as they do, approximately 60 percent of Africans suffer from serious and debilitating diseases that have been eradicated in other regions of the world. Because 45 percent of the African population is under 15 years old, there is tremendous pressure on the educational and health delivery systems.

26. Finally, if the building of the infra-structural facilities is left to Africa alone, working through the lending and assistance institutions, we can be sure that the infra-structural gap will not be bridged for at least another 50 years, during which the growth of world trade would suffer.

27. The basic assumption in the OMEGA Plan is that all investment needs in the priority sectors of basic infra-structural, educational, health and agricultural facilities would be evaluated and brought under the purview of a single international authority. The financing mobilized would boost the growth of Africa and the world economy.

28. Once freed from such a labour of investment, the State would be able to devote itself to new tasks, which would build up the process of growth. Indeed, it would have more substantial budgetary resources for:

- creating an enabling macro-economic and institutional environment for private investment;
- formulating a more production-friendly fiscal policy;

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- managing monetary policy and exchange risk;
 - instituting amortization funds and recurrent expenditure management;
 - reforming trade policies;
 - managing social protection and social security funds.

II. Priority Sectors

29. The four priority sectors are:
- basic infra-structural;
 - educational;
 - health delivery; and
 - agricultural extension facilities.

2.1. Investing in basic infra-structure

2.1.1. Composition and type of basic infra-structure

30. Generally speaking, basic infra-structural facilities include:
- road networks (international highways linking countries to neighboring States, national and provincial highways, urban and feeder roads) and the support network;
 - port facilities and secondary port extension projects;
 - rail transport facilities;
 - telecommunication facilities;
 - water supply and power generation networks; and
 - airport facilities.

31. In nearly all African countries, the striking feature of such infra-structural facilities is their quantitative deficiency and advanced state of disrepair. Less than 30 percent of surfaced roads are in good condition. Most secondary ports no longer function and the frequency of electric power outages speak volumes about the obsolescence of the generating equipment.

32. The current state of the infrastructural facilities means that nothing can be said about common markets and the free movement of goods, persons and services. They constitute bottle-necks to the production and export businesses created and increase the cost of doing business in our countries as they divert the flow of foreign direct investment.

33. What is more, the paving of roads in the colonial past followed the logic of vassal hood rather than a modern economy, which would take the imperative principles of integration more into account.

34. For this reason, the development of basic infra-structural facilities revisits what African countries stand to gain from integration by way of expanded markets, a wider human capital base and improved allocation of productive resources. Indeed, the crucial problem facing companies established in Africa remains the limited nature of production outlets. This is both a result of weak domestic demand and of narrow markets for production factors, goods and services. By expanding and opening up national markets within a framework of indigenous growth, integration would become highly beneficial.

35. Now comes the question of determining who from the State or the market should provide for public infra-structural facilities.

2.1.2 Why the State provides public facilities.

36. Public facilities (except for mixed corporation facilities such as private radio stations and toll roads) can not be produced by the market, because private operators have no incentive to produce them given the difficulty of making a profit. What is more, not only can users benefit without paying the costs of access, the presence of public facilities does not make for efficient costsharing since the economic environment becomes indiscrete.

37. Not being overly concerned with the public good, the market has no incentive to provide such facilities as national security and defense, electrification and the like, since the investor who would have provided them would have only a marginal advantage in doing so compared to what the community as a whole stands to benefit from that endeavor. This makes it all the more necessary for the State to provide such facilities, given their positive impact on growth and development.

2.1.3 The state of infra-structure in Africa

38. In Africa, infra-structural facilities have mostly been developed by the public sector since the beginning of independence. Cases in point are national road networks, telecommunications and power generation facilities.

39. In Africa, the road infra-structure is poorly developed and its density generally falls far below that of Asian and Latin American countries. And yet, transport modes in Africa are dominated by roads particularly because of many geographical obstacles to navigation and the paucity of railway networks estimated at 73,000 km (of which South Africa alone accounts for 22,000 km). In 1996, surfaced roads accounted for as many as 311,184 km, half of which were in a poor state. In the rural areas, where un-surfaced roads dominate, 80 percent of the network is in disrepair. From 100 sq. km. per 1000 persons in 1984, the surfaced road density has been stagnating at 150 sq. km. since 1995.

40. The telecommunications sector is generally poor in terms of network penetration and ageing equipment. That leaves Africa with one of the lowest rates of coverage in the world (a mere 2 percent of the world's trunk lines). The number of telephone lines per 100 persons was originally 0.45 and was estimated at 0.74 in 1980. In 1986, the figure was 1.06.

41. In 1996, the telephone density was 2 lines per 100 persons, while the figures were 30.60 in Europe and 40.39 in Oceania. About 34 African countries still have a telephone density of less than 1 line per 100 persons while service demand remains very high. Then again, the telecommunications infrastructure has not kept pace with technological advances taking place in the sector internationally.

42. The installed capacity for electricity generation rose from 43 kilowatts per person in 1965 to 87 kilowatts per person in 1986, only to stagnate at that level. In the mid 1990s, the installed capacity in Africa was estimated at 350,000 gigawatts per hour but only a small part of the hydropower potential is used. Hydropower stations account for barely 15 percent of the total, alongside fossil fuel combustion plants. About 64.4 percent of the hydropower potential is concentrated in eastern and southern Africa, 32.2 percent in West Africa and 1.2 percent in North Africa with southern Africa generating the bulk of electricity (about 55 percent of Africa's power output).

2.1.4 The impact of the infra-structural disparity on the competitiveness of African economies

43. The lack of infra-structural facilities is symptomatic of Sub-Saharan Africa. Given the fact that several major economies in Africa are land-locked, transport costs are, on average, much higher in Africa than in other regions of the world. This has a heavy impact on import (CIF) and export (FOB) bills. The volume of business transacted clearly reflects the infra-structural deficit.

2.1.5 Basic infra-structural facilities and strengthening of African integration

44. After several schemes or attempts at integration, intra-community trade barely accounts for 10 percent of the total volume of trade mainly because national economies are compartmentalized. With access roads and telecommunications facilities, to galvanize the movement of people, goods, services, and information and, consequently intensify trade lacking on the ground, obstacles are created and markets fragmented. The fact that individual economies are not spared such fragmentation actually promotes an adverse selection in the production of tradeable goods.

45. Indeed, the increased transaction costs arising from dysfunctional markets has made access to certain markets quite expensive. Once such markets fall beyond their scope, most producers and business promoters tend to gravitate towards production sectors whose purpose is solely to satisfy local demand because of the relative attraction of the domestic market. The result is stagnation, if not actual decline of the volume of tradeable goods with obvious harm to the exportable goods sector in particular and a loss of export competitiveness.

2.1.6 Impact on the agricultural sector

46. Fairly significant in this regard is the situation of the agricultural sector, which continues to play a dominant role in Sub-Saharan Africa. Because of high transport costs and the general remoteness of rural areas, the cost for rural producers to transact business on the market tends to be higher than the expected benefits. Such weaknesses in the agricultural market have the effect of reducing the amount of producer cash flow. What producers often end up doing (particularly in the Sudano-Sahelian countries, which have a relatively short rainy season) is to resort to subsistence farming and look for alternative sources of income. The result is a tendential decline in marketable grain surpluses and the food import bill (particularly for grains) in the trade balance of most African economies becomes particularly edifying in this regard.

47. Then again, the cost of technical inputs for agricultural modernization in terms of feeder roads, electricity and water supply is closely linked to the sustained efforts for infra-structural investment.

48. In addition to wages, these costs increasingly determine how much private investment, especially FDI, can be attracted and adversely affect production and business competitiveness.

49. In many African countries, the unreliability and high cost of electric power supply deeply affect the degree of business productivity and competitiveness. A survey of small businesses has revealed that, second to taxation, power outages, transport costs and other infra-structural constraints are among the major problems encountered by businesses. All these types of infra-structural expenditure can account for as much as 15 percent of variable costs.

50. Water is also of crucial concern to African people because of the many ways in which it impacts their social conditions and livelihoods, particularly in the rural areas. Knowing the preponderance of women's contribution to rural economies since they more generally spend more of their time and resources fetching water when it is lacking or scarce, the opportunity cost to rural farming can be more easily understood. Then again, access to drinking water is indispensable to the health of people. A WHO study shows that the sinking of wells and health education has reduced by 85 percent the guinea worm infection

rate in parts of Togo, Mali, Nigeria, and Burkina Faso (See the 1999 African Development Report by ADB).

2.2. Investing in human capital

51. The concept of human capital means adding value to people through education and health. We might need to expatiate on the reasons underlying investment in human capital. Since it is now established that in a market where products, capital and technologies flow and are freely traded, human resources make the difference in country performance, investing in education becomes an essential component of economic policy. It is well established that to achieve a certain level of per capita GDP, countries with a high degree of education record a much higher growth rate than countries having a low degree of education.

52. In brief, developing human capital is both a way of ensuring economic growth and combating poverty. Even more so, in a world dominated by new information and communication technologies (ICTs), knowledge is a major determinant of individual and national productivity.

53. The spillover effects of learning by doing make it possible to enhance the productivity of the human capital so developed. At the global level therefore, the higher the quality of human capital, the greater the per capita output. Indeed, since education is the best means of building human capital, the public expenditure in this favoured sector becomes an essential contribution to the growth process. Then again, this dominant role of education is perfectly confirmed by econometric analyses, which attribute exclusively to it the source of self-sustaining growth. Empirical studies such as those conducted by Schultz in 1998 show that periods of sustained production growth often accompany improvements in education, health, nutrition and morbidity. They demonstrate the positive correlation existing in industrialized and developing countries alike between investment in education and economic growth.

54. Further, research work has shown that from the 1950s to the 1970s, the contribution of education to economic growth was 12 percent in the United Kingdom, 14 percent in Belgium and 16 percent in the United States of America. One World Bank study conducted in 1993 on 113 countries reveals that primary education is the factor which most contributed to the economic growth of East Asian countries in particular .

2.2.1 Education

55. Just like historical development experiences, the human capital theory shows that investing in education produces a whole range of positive effects on economic growth, resource allocation, and the performance of small and medium-sized businesses.

Macro-economic effects of education

56. Both theoretical and practical research find a positive correlation between education and economic growth. Indeed, education creates factors and behaviours which promote economic growth. Initially, education helps to improve worker productivity and subsequently provides the economy with a skilled work force. In these times, when technology has become a defining variable, education can determine economic performance and the degree of competitiveness. New techniques can only be applied by workers who have the required skills and qualifications. Secondly, education gives people the capacity to exploit every production, imaginative and creative opportunity. Equally, it develops the spirit of enterprise, competition and advancement. All these go to show that education impacts the technical effectiveness of people and empowers them to produce a greater volume of goods using specific resources.

57. All told, education promotes efficiency in behavioural changes and learning within an unstable environment as it develops people's capacity to innovate. For this reason, it is the major factor of economic growth.

58. In addition to its direct impact on growth, education indirectly induces effects that promote economic and social development.

Effects of education on the efficiency of resource allocation and the use of productive resources

59. Education influences the capacity of people to make optimum use of their resources.

Positive effects of education on the output of small businesses and family farms

60. Education has a strong effect on the productive efficiency of farmers. All the more so as farming is being practiced in a modern context. Investing in education should go hand-in-hand with the establishment of infrastructural facilities such as irrigation schemes and the propagation of new technologies in high-yield seed varieties and fertilizer use in the rural sector, not to mention control over modern techniques and irrigated land development, which become strategic problems after dams have been built.

61. In the final analysis, education for the greatest number of the people can be a way of maintaining economic growth through the creation of new skills and the transmission of new ideas. For this reason, African countries have invested tremendously (about 40 percent of their budget resources) in various levels of their educational system. From 1960 to 1980, the number of people in the educational system increased five-fold and the annual growth rate now averages 8.9 percent. This development has generated the crisis in African educational systems now reflected in three paradoxes:

- the implosion of school and university intake at a time when education is far from being universally accessible;
- the high costs and incidents of expulsion, when more than 80 percent of educational expenditure goes into paying for tuition, scholarships and student allowances;
- the fact that people are not trained for the job market with the result that some of the jobs available are not taken for lack of qualification;

62. Despite the spectacular progress African countries have variously made in terms of schooling and literacy since independence, the overall situation is still marked by the paucity of well-trained people. Access to education and training is generally inadequate to cope with Africa's needs and the requirement of equity notwithstanding, there is great potential for economic gains (in terms of greater efficiency in using production factors, enhanced work productivity, faster dissemination of technological innovations and stronger growth of national output) and non-economic gains (in terms of improved nutrition, health and fertility control).

63. Educational and training opportunities are unequally distributed by sex, region, social and even ethnic group.

64. Since the 1980s, the strong growth of school intake has been accompanied by a decline in the volume of resources allocated to education and training. Educational policies inherited from the colonial era have not been sufficiently readjusted to cope with the twin requirements of expanding access and raising the quality of education and training. They have failed in particular to improve efficiency in the allocation and use of resources mobilized for the sector. Wastage is combined with an attitude that is unfriendly to primary, technical and vocational education while giving pride of place to salaries at the expense of other teaching materials like textbooks.

65. The quality of the educational systems has deteriorated to such an extent that families (especially the poorest) have lost confidence in the economic value of education.

66. Decisive action to substantially increase, and raise the quality of human capital will have to be taken if Africa is to develop. The OMEGA Plan encourages educational policies aiming to provide universal education and to eradicate illiteracy by the year 2010. The plan goes further to stress the education of African elites highly trained and capable of innovating in every vital area of Africa's development over the coming decades and instituting appropriate policies. Only such a very high level of expertise can, in an increasingly complex world, influence African policy makers to make the right choices in the various areas of economic, social, political and cultural life.

Revitalizing universities for regional integration

67. After independence, each African country established its own university. Now that nearly all of the countries have achieved this objective, the quality and structures of the universities established no longer meet the development needs of these countries. Indeed, many countries suffer from the lack of qualified and competent lecturers who can provide quality teaching and conduct scientific research.

68. Nowadays, higher education is going global as reflected particularly in the development of distance education and the creation of virtual universities aimed at providing access to a larger number of students and improving the quality of training. Accordingly, basic knowledge can be transmitted automatically as and where the student prefers.

69. In such circumstances, African universities need to be revitalized in order to make them regional, competitive and mutually supporting. This would enable them to develop synergies through the institution of genuine and comprehensive university cooperation both in terms of curricular and research policies. Indeed, while each national university may legitimately aspire to become a center of excellence, it cannot hope to do so in isolation and still achieve the highest level in every area of knowledge. Consequently, to avoid marginalisation and to nurture excellence, universities must become genuinely regionalized and specialized.

70. The OMEGA Plan proposes the establishment of five main private universities, which would use the teaching and research methods of the greatest North American and European universities under a partnership arrangement including the exchange of faculty and joint issuance of degrees. Each of these new African universities would be sponsored by one or two world-renowned universities of the North.

71. In establishing these African universities, account will be taken of the existing sub-regional spaces and language differences.

2.2.2. The Health Sector

72. In keeping with the human capital theory, WHO defines health as a complete state of physical and mental well-being which contributes to labour productivity and therefore to economic growth. Indeed, good health enables people to exploit natural resources located in pathogene-infested areas, increase school attendance rates and to release resources which would otherwise have been spent caring for the sick. The most obvious effects of improved health on the work force are the reduction of days lost for reasons of illness, increased productivity, improved chances of securing better paid employment and a prolonged working life. Many recent studies show that workers in good health are better paid because

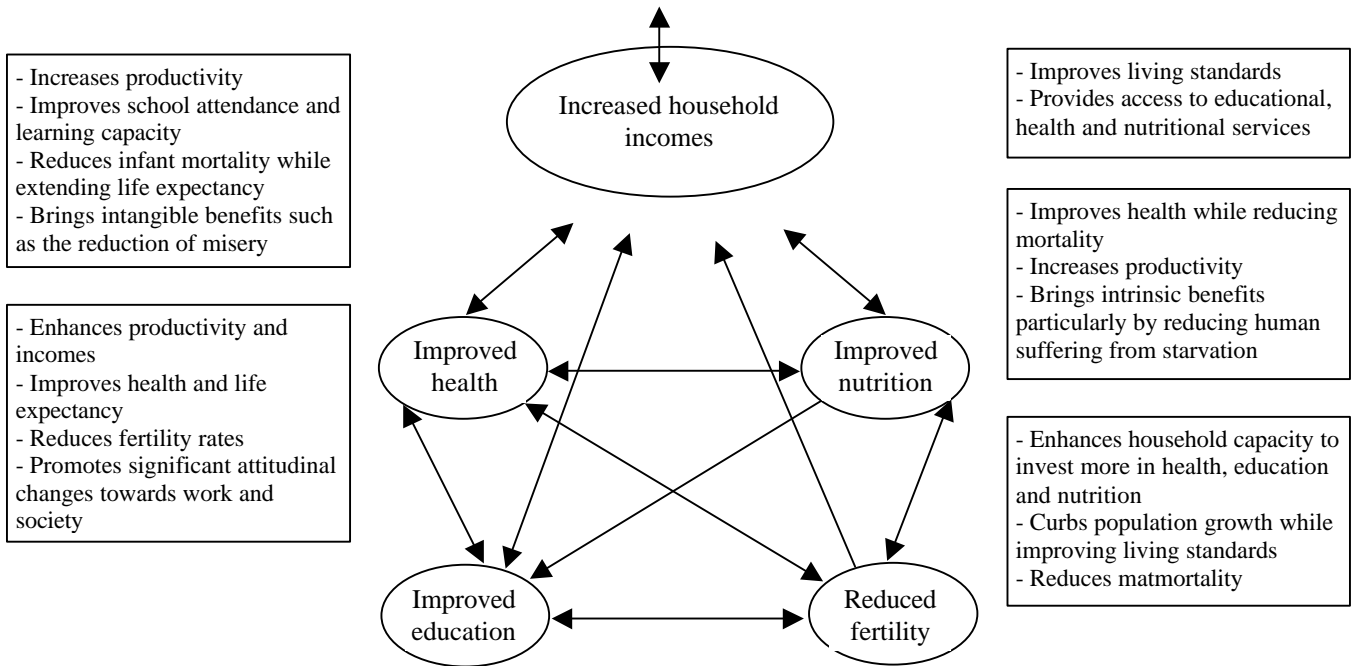
they are more productive and secure better jobs. When employers have healthy workers, they can cut costs and be more inclined to invest in staff training in order to improve productivity.

73. Both nutrition and income can be considered as health inputs. Infant mortality rates in low income countries were 7.2 percent as compared to 5.2 percent in middle-income countries and 0.8 percent in OECD countries. Life expectancy at birth is 63 years in the low-income countries, 68 years in middle-income countries, 77 years in high-income countries and only 52 years in Africa. Similarly, the average daily calory intake ranges from 2384 in the low-income countries to 2846 in the middle-income countries to 3390 in the OECD countries. This is to say that by raising incomes, economic growth promotes better access to health services and, in so doing, reduces mortality and mobility.

74. In the final analysis, improved health and nutrition directly raise living standards since illness is kept at bay, infant mortality is reduced, life expectancy is lengthened, labour productivity is enhanced and students can learn better. This establishes the link with poverty alleviation. The table below perfectly illustrates the correlation between education, health, nutrition and development and helps to identify those policies which must be instituted in order to develop human capital.

Correlation between the various components of human capital

Accelerated economic growth:
The benefits and challenges of human capital development in Africa



75. The African continent is rife with endemic tropical diseases. Viruses, bacteria and parasites carried insects and other vectors thrive because of an untamed environment and generally poor living conditions.

76. The health situation in Sub-Saharan Africa can be described as follows: out of 35 countries classified as having a low human development index, 29 are African and 22 of these are lowest in the ranking with infant and child mortality rates estimated at 105 and 169 per 1000 in 1997 as compared to 6 and 7 per 1000 in the developed countries. Life expectancy is 48.9 years compared to 77. 7 years in the developed countries. There are 16 doctors for every 100,000 persons as compared to 253 in the industrialised countries. On average, 1.7 percent of GNP is allocated to public health expenditure as compared to 6 percent in the high-income countries (See the 1999-2000 World Development Report). Annual per capita income is \$US480 as compared to \$US25,510 in the rich countries (50 times less). This shows that the people cannot meet their health needs.

77. All these factors explain why Africa has the lowest level of development compared to other regions of the world. The two causal factors of this situation are low rates of schooling and life expectancy.

2.3. Investing in agriculture

78. Most Africans live in the rural areas where land tenure is essentially made up of small farmer holdings generally cultivated by rudimentary methods which account for the low agricultural productivity. This specific land tenure system in Africa combines with external shocks created by inclement weather, unsuited economic policies, commodity price fluctuations and the like to constrain supply and, for that matter, income generation in the rural areas. This is the reason for the scope and magnitude of rural poverty.

79. Improved agricultural performance will therefore drive economic development. Indeed, the agricultural surplus arising therefrom will help to reduce the degree of poverty and increase that to which nutritional needs are met. By increasing the purchasing power of the people, Africa would be creating a significantly viable domestic market for its industries just like what happened in Asia (declining poverty, increased purchasing power and expanded markets) and boosting the economic growth of its countries.

80. That having been said, agricultural productivity cannot be improved without improving the farming environment. The structural constraints to working in the sector will have to be removed. Chief among those constraints is the risk that has to do with the vagaries of the weather. The risk factor in farming hardly favors promoting an intensive farming dynamic involving substantial flows of private investment. For that reason, it is important for the State to provide irrigation schemes and to develop irrigable land that would be difficult for private

producers to service. In addition to this public facility, it is equally important for the State to provide modern factor inputs along with rural electrification.

81. The institutional environment is yet another factor affecting the supply side of agricultural performance. Institutional support to the agricultural sector must be provided in the form of research centers/institutes and agricultural extension services which are basic to the success of any agricultural policy. Organizing agricultural fairs on a routine basis should become part of the institutional architecture on which the agricultural sector can rely to encourage the production of marketable surpluses. Nor should sight be lost of the role of regulatory instruments in the sector. It will be helpful, in this connection, to promote a decentralization policy that fosters the emergence of rural leadership and, for that reason, makes for purposeful involvement of agricultural sector players in shaping the instruments and objectives of local agricultural policy with the ultimate aim of building the demand base for agricultural supply.

82. In conclusion, the analysis of priority sectors has shown that African countries devote nearly all their domestic savings to financing infrastructural facilities such as roads, ports, airports, power generation and irrigation schemes as well as education. On a yearly basis, these sectors absorb more than 70 percent of budget revenue and a substantial share of international cooperation resources.

83. Despite these investment efforts, the sectoral deficiencies observed have fragmented the market, making it necessary to charge exorbitant commercial rates which hamper the growth of trade.

84. Consequently, if Africa can build its infra-structural facilities through specific modes of financing, it would be able to devote its resources to the quantitative and qualitative improvement of production and enhance its ability to compete more favourably on the global market. Such investments are all the more required since they have positive spill-over effects on the economy as a whole and make the genuine stakes of regional integration relevant.

85. The several benefits to be gained from regional integration come by way of factors like expanded markets, increased stock of human capital and a better distribution of productive resources. The crucial problem facing companies established in Africa remains the small size of production outlets resulting partly from weak domestic demand and partly from the cost of production factors. By expanding and opening up these markets within a perspective of endogenous growth, integration would become highly beneficial and would also boost the accumulation of physical and human capital while releasing substantial resources for the public good.

86. Growth becomes efficient with optimum allocation of productive resources but with such allocation dependent on the free movement of goods and production factors within integrated spaces, the foremost requirement is to have adequate communication structures at the regional and national level.

87. This is why the structural disparity which constitutes a major handicap should be addressed by the international community, more particularly by the industrialized countries through the mobilization of adequate financial resources. If the financing of these sectors is left to the two traditional structures of aid and lending, policy makers run the risk of not resolving this issue for the coming 50 years, at least.

Chapter II: NEEDS ASSESSMENTS

2.1. National, sub-regional and regional needs assessment procedures and techniques

1. The needs assessment exercise in these four priority sectors should be conducted in three stages :

- Nationally, to formulate the national sectoral plan;
- Sub-regionally, to formulate the sub-regional sectoral plan;
- Region-wide in order to formulate the OMEGA Plan for Africa

2. To walk ourselves through the process, let us take the country of Senegal and the Sub- regional space of ECOWAS composed of 16 West African States as an illustration.

Stage 1: National needs assessment

Method: Each member state of ECOWAS individually uses its own technical expertise to assess needs in the four target areas, indicating the location of infra-structural facilities which should be determined from a sub-regional rationalization perspective and subsequently articulated at the global level.

Stage 2: Sub-regional needs assessment

3. This assessment will go through three phases:

Phase 1: identification of overall sub-regional needs in the four sectors under consideration.

Phase 2: sectoral meetings in four cities of the sub-region to formulate the sectoral plans for:

- infrastructure (in Niamey);
- education (in Abuja);
- health (in Ouagadougou);
- agriculture (in Accra).

Phase 3: implementation of the integrated sub-regional plan which could be put together in Bamako under ECOWAS auspices with the three-fold objective of:

- building the national sectoral plans into sub-regional sectoral plans;
- preparing a comprehensive sub-regional plan;
- testing the cohesiveness of the sub-regional plan.

4. All the five sub-regions will follow the same procedures in preparing the sub-regional plan in a specific city of the sub-region.

2.2. Overall needs assessment and final preparation of the OMEGA Plan for Africa

5. By the end of this exercise, the total requirements under the OMEGA Plan can be assessed or added up as follows:

Nationally (six needs assessments on four priority sectors)

Sub-regionally (six PNS)

Regionally (the OMEGA Plan for Africa will comprise 6 PRS)

6. These needs should be evaluated in dollar value terms to be submitted for financing.

Chapter III. Financing

1. Africa should no longer bank exclusively on foreign assistance and lending to finance major infra-structural investment. The volume of its requirements call for the mobilisation of every source of domestic and external financing as well as the creation of special funds.

3.1. Financing requirements

2. The total financing required can be computed from the sum of national requirements in the four selected priority sectors:

3.2. The sources of financing

3.2.1. Domestic financing

3. The domestic sources of financing comprise:
- The level, growth pattern and specificities of Africa's domestic savings
 - The level, growth pattern and specificities of public savings
 - The level, growth pattern and specificities of private savings
 - Innovative strategies for resource mobilisation including the introduction and development of capitalization drawing systems; the propagation of decentralized financing systems and their co-ordination with the formal financing system; the issuance of treasury bonds for the financing of infra-structural investment; the pooling of financial resources available under inter-country structural adjustment programmes with a view to achieving economies of scale, coherence in the building of national road, rail and other networks with an eye on sub-regional integration; the use of part of national reserve holdings currently not obligated; the creation of special drawing rights; and the use of part of the economic resources available under the poverty reduction strategy to finance investment in selected sectors within the OMEGA Plan

3.2.2. External financing

4. This essentially comprises:
- Official borrowing;
 - Resources currently allocated to infra-structural and educational development in Africa and to which can be added new funds to be created or mobilized with a clear understanding that these would be the most substantial;
 - Foreign direct investment; and
 - The creation of drawing rights especially designed for Africa.

3.3. Plan financing approach

5. This exercise would be carried out in two stages:

Stage 1: This stage is for testing the coherence and practicability of the OMEGA Plan by economic and financial experts.

Stage 2: This is a meeting of funding agencies and donors such as the World Bank/IMF, other bilateral and multilateral agencies; the European Union; the United States of America; Japan; Canada and other countries.

Chapter IV: Spill-over effect assessment

4.1. Importance of this exercise

1. The volume of investment required in the four sectors calls for an assessment of spill-over effects on the entire national economy with a view to controlling every impact and especially making provision for the financing of recurrent expenditure.

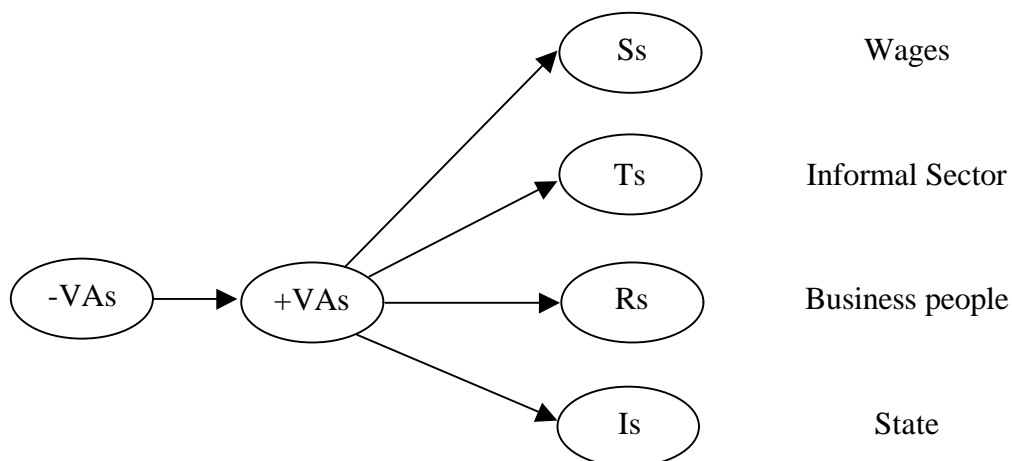
4.1.1. Elements of the effect assessment exercise

During the equipment phase

- The total amount of investment financing required by the project or cluster of projects (together with ancillary investment) broken down to reflect both the import requirements and value added requirements (including wages, revenue distribution in the informal sector, taxes, duties, and gross turnover)
- Secondary effects arising from the expenditure of these additional incomes by various agents.

During the operational phase

- Additional value added (reflecting foreign currency gains) and value added broken down by additional wages; revenue distribution in the informal sector; revenue of additional entrepreneurs (gross turnover); additional State revenue from taxes and duties as described in the following diagramme.



- Secondary effects arising from additional income expenditure.

4.1.2. Macroeconomic policy impact targets with regard to:

- absorption capacity;
- impact on the budget;
- impact on the balance of payments; and
- inflationary trends

4.1.2. Indirect effects

2. These are the effects the various projects will have on:

- The human environment;
- The physical environment; and
- Social structures.

4.2. Recurrent expenditure management

3. Because the infra-structural work required should be of high quality, two issues will have to be addressed, one having to do with their management and the other having to do with the financing of their maintenance.

4. According to the 1997 annual report of the World Bank, a substantial volume of research has been conducted in recent years to assess the performance of infra- structural investment. Many studies aimed at measuring the impact of infra-structural investment on GDP growth show that the returns have been very high. A number of inter-country studies on the correlation between the economic growth and infra- structural investment (a case in point being a study on public transport and communications investment and another being a study of road, rail transport and telephone facilities) also show a strong positive correlation between the degree of infra-structural development and the economic growth of developing countries. This will then mean that commercial management could be applied by subjecting infra- structural services to market forces with a view to recurrent cost recovery.

Chapter V: Launching and institutionalization of the OMEGA Plan

5.1. Management and administration

1. The administrative, follow-up and evaluation structures will comprise:
 - The international authority; and
 - The board of directors
2. There shall be created an international authority (managed by a director to be appointed by beneficiary States and investment creditors) which shall have all the authority to manage debt through various financial options such as sales, domestic purchasing among member countries, swaps and the like. It shall be responsible for executing the OMEGA Plan and managing the resources.
3. The board of directors shall comprise debtor and creditor representatives, a representative from each African sub-region, a representative of IMF, a representative of the World Bank, a representative of the European Union and a representative each from Japan, the United States of America and Canada.

5.2. Launching of the Plan

4. It is proposed that the OMEGA Plan for Africa should be launched at a special session of the United Nations attended by Heads of State and Government, bilateral and multilateral funding agencies.