

The past decade has witnessed growing diversity in income levels and growth across Africa. Sixteen countries grew by more than 4.5 percent a year over this period, and several of them (including Ghana, Mozambique, Senegal, Tanzania, and Uganda) also diversified their economies and exports. The fastest-growing group of non-oil-producing African countries, which together represent 36 percent of the population in Africa, grew at an average rate of 5.5 percent. In contrast, the 13 slowest-growing countries, which represent 20 percent of the region's population, saw average growth of only 1.3 percent. Growth for the region as a whole reached an estimated 5.3 percent in 2006.

Solid growth has helped to improve human development outcomes, especially in primary education. Gross primary school enrollment rates in the region rose from 72 percent in 1991 to 96 percent in 2004. Health outcomes are more varied, but they, too, are improving in many countries, and progress in preventing and treating malaria and HIV/AIDS has accelerated.

Despite these positive signs, Africa is not growing rapidly enough to substantially reduce income poverty. The World

Bank is well positioned to mobilize private and public development finance to increase annual growth to 7 percent, the minimum necessary to have a significant impact on poverty reduction.

WORLD BANK ASSISTANCE

The Bank is the largest provider of development assistance to Africa, with a record \$5.8 billion in credits, grants, and guarantees in fiscal 2007. In total, the Bank approved 93 projects, up more than 20 percent from fiscal 2006. It also continued its nonlending activities, completing 194 analytic and advisory services. Sixteen African countries benefited from the Multilateral Debt Relief Initiative in fiscal 2007, and another 17 will become eligible when they reach their completion points under the Heavily Indebted Poor Countries Initiative (see "Debt Relief," chapter 3).

Over the past two years, the Bank's strategy for assisting Africa has been implemented under the Africa Action Plan (box 2.1). The plan—based on accelerating shared growth, building capable states, sharpening the focus on results, and

AFRICA FAST FACTS

Total population:	0.8 billion
Population growth:	2.3%
Life expectancy at birth:	47 years
Infant mortality per 1,000 births:	96
Female youth literacy:	64%
2006 GNI per capita:	\$842
Number of people living with HIV/AIDS:	24.8 million

TOTAL FISCAL 2007

New Commitments
IBRD \$38 million
IDA \$5,759 million

TOTAL FISCAL 2007

Disbursements
IBRD \$32 million
IDA \$3,852 million

Portfolio of projects under implementation as of June 30, 2007: \$21.1 billion

Note: Life expectancy at birth, infant mortality rate per 1,000 live births, and female youth literacy are for 2005; HIV/AIDS data are from the May UNAIDS 2006 Report on the Global AIDS Epidemic; other indicators are for 2006 from the World Development Indicators Database.

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Angola	Chad	Gabon	Malawi	São Tomé and Príncipe	Togo
Benin	Comoros	The Gambia	Mali	Senegal	Uganda
Botswana	Congo, Democratic Republic of	Ghana	Mauritania	Seychelles	Zambia
Burkina Faso		Guinea	Mauritius	Sierra Leone	Zimbabwe
Burundi	Congo, Republic of	Guinea-Bissau	Mozambique	Somalia	
Cameroon	Côte d'Ivoire	Kenya	Namibia	South Africa	
Cape Verde	Equatorial Guinea	Lesotho	Niger	Sudan	
Central African Republic	Eritrea	Liberia	Nigeria	Swaziland	
	Ethiopia	Madagascar	Rwanda	Tanzania	

strengthening the development partnership—has already had positive impacts. For example, in fiscal 2007, Ghana and Tanzania were ranked among the top 10 countries reforming the climate for doing business; with Bank Group support, Madagascar moved up eight places in the global rankings for ease of starting a business. Such successes result primarily from strengthened commitment by African countries to reforms, as well as from strengthened collaboration among IDA, IFC, and MIGA in private sector development, infrastructure, and skills development.

Nearly 40 percent of Africa's population lives in landlocked countries, many of which are also resource rich. The continent is also highly segmented geographically, and it has the highest density of countries of any developing region. Regional projects are therefore needed to close the infrastructure gap. The West Africa gas pipeline and the Eastern Africa Submarine Cable System—both of which are public-private partnerships supported by the Bank Group—are landmarks in regional approaches to relieving infrastructure bottlenecks. The Multi-Country AIDS Project for Africa, another Bank-supported regional program, operates in 31 African countries. It has reached 173 million people with

prevention messages and has helped prevent mother-to-child transmission of HIV/AIDS among 1.5 million women.

The Africa Catalytic Growth Fund (ACGF), which the World Bank established in March 2006, provides rapid, targeted support to countries with credible programs for accelerating growth, reducing poverty, and attaining the Millennium Development Goals (MDGs). The fund is highly selective, focusing on a few countries at a time in which an infusion of capital can augment the impact of IDA assistance to produce results. The Trust Fund Agreement for the ACGF was signed in August 2006. Three projects were selected to begin in fiscal 2007. Each project falls within one of three work areas supported by ACGF—high-performing countries, transformation countries, and regional integration—and each addresses a hard-to-reach MDG—water supply and sanitation in Mozambique, child mortality in Sierra Leone, and HIV/AIDS prevention and treatment in the Horn of Africa.

OUTLOOK FOR AFRICA

African policies and institutional arrangements have improved substantially over the past decade, particularly in

BOX 2.1

THE AFRICA ACTION PLAN

In March 2007, the World Bank's Executive Directors discussed an assessment of the first 18 months of implementing the Africa Action Plan. Progress was rated broadly satisfactory, with results appearing faster than expected in developing the private sector, closing the infrastructure gap, and addressing HIV/AIDS and malaria, areas in which the Bank Group has also increased its support.

Despite the plan's general success, however, its impact would have been even greater if it had aimed to achieve fewer objectives and had focused more sharply on results. Going forward, the Bank will therefore concentrate on eight key "flagship" business lines: strengthening the private

sector, increasing the economic empowerment of women, building skills for increased competitiveness, raising agricultural productivity, improving access to and the reliability of clean energy, expanding and upgrading road networks and transit corridors, increasing access to safe water and sanitation, and strengthening health systems to prevent and treat malaria and HIV/AIDS. The country-based model that guides IDA partnership efforts and country strategies will be strengthened. Three cross-cutting areas will support this effort: building more capable and accountable governments, improving environmental management, and strengthening the development partnership.

FIGURE 2.1

AFRICA

IBRD AND IDA LENDING BY THEME | FISCAL 2007
SHARE OF TOTAL OF \$5.8 BILLION

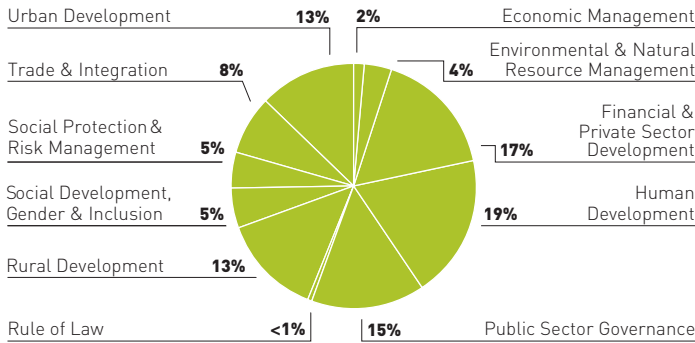
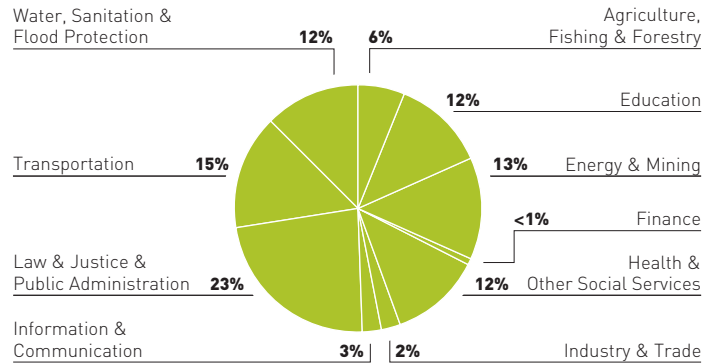


FIGURE 2.2

AFRICA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2007
SHARE OF TOTAL OF \$5.8 BILLION



macroeconomic management and trade policy, according to the World Bank’s Country Policy and Institutional Assessment ratings. Africa now needs to sustain such gains by continuing to improve the policy environment, in particular by ensuring macroeconomic stability and improved market efficiency. Doing so will require greater openness to trade as well as the formation of strong market institutions. Removing behind-the-border constraints and establishing a procompetitive domestic business environment would enhance international competitiveness and strengthen domestic capacity to respond to the changing demands of the global economy (box 2.2).

African countries continue to benefit from increased aid effectiveness, in keeping with the March 2005 Paris Declaration. The declaration calls on all development partners to ensure that aid is coordinated among donors, that donor

agencies harmonize their requirements to minimize transaction costs, and that aid matches the country’s development needs. Countries have taken the lead in developing baselines and action plans for implementing the declaration with development partners.

Africa has shown that it can sustain shared economic growth. In supporting African governments and people, the World Bank continues to play a pivotal role in advocating the need to increase aid flows to Africa and for African goods to have better access to world markets. The Bank will increase the leverage of IDA by using the Bank Group’s analytic skills and operational and country knowledge to identify areas in which an infusion of sequenced and predictable financing can help support results-oriented national programs. (See www.worldbank.org/afr.)

BOX 2.2

TAKING ADVANTAGE OF NEW SOUTH-SOUTH CHANNELS OF TRADE AND INVESTMENT

Trade and investment flows between Africa and Asia—South-South commerce—have risen dramatically since 2000. According to *Africa’s Silk Road*, published by the World Bank in 2007, Africa’s exports to Asia today are almost on par with Africa’s traditional commerce with the United States and the European Union. Asia’s exports to Africa—which are increasing at a rate of about 18 percent a year—are growing more rapidly than exports to any other region. Asian foreign direct investment in Africa is also soaring.

With this newest phase in world trade and investment, Africans cannot afford to be left behind, especially if opportunities for trade and investment with traditional

partners continue to be limited. Trade between Africa and Asia’s two largest countries, China and India, represents an enormous opportunity because it involves far more than natural resources and is opening the way for Africa to become a competitive processor of goods and services to these countries. But for Africa to proactively seize these opportunities within the developing world, it is imperative that countries pursue rigorous reforms not only at their borders but, more important, “behind their borders.” In particular, they must adopt reforms that strengthen domestic governance, foster competition among domestic businesses, and create flexible and mobile labor and capital markets.

TABLE 2.1

WORLD BANK LENDING TO BORROWERS IN AFRICA BY THEME AND SECTOR | FISCAL 2002–2007
 MILLIONS OF DOLLARS

THEME	2002	2003	2004	2005	2006	2007
Economic Management	138.7	37.8	68.0	46.5	31.4	94.6
Environmental and Natural Resource Management	159.9	227.0	195.2	217.2	250.6	212.0
Financial and Private Sector Development	780.7	383.6	810.9	768.2	979.1	962.7
Human Development	739.0	811.4	618.2	620.2	673.3	1,104.5
Public Sector Governance	851.9	432.4	818.4	708.0	964.7	859.2
Rule of Law	22.5	34.5	28.3	30.9	179.7	13.1
Rural Development	329.2	384.1	360.7	537.2	528.6	780.0
Social Development, Gender, and Inclusion	347.4	420.0	374.3	221.8	198.5	314.3
Social Protection and Risk Management	98.3	543.7	209.2	294.3	262.7	272.3
Trade and Integration	46.4	37.2	371.5	232.0	413.1	449.7
Urban Development	279.6	425.5	261.1	211.4	304.9	734.5
Theme Total	3,793.5	3,737.2	4,115.9	3,887.5	4,786.6	5,796.9
SECTOR						
Agriculture, Fishing, and Forestry	210.4	303.4	268.5	215.3	585.5	369.7
Education	472.6	423.6	362.9	369.0	339.3	706.6
Energy and Mining	490.3	324.4	365.8	509.5	524.5	773.0
Finance	192.8	67.2	165.7	68.6	142.3	26.3
Health and Other Social Services	616.6	775.9	723.1	590.3	614.0	687.3
Industry and Trade	266.7	92.7	95.4	253.8	348.4	144.2
Information and Communication	33.8	41.4	52.9	20.0	5.0	146.0
Law and Justice and Public Administration	906.9	721.8	1,004.2	1,077.5	1,263.0	1,352.5
Transportation	491.1	690.5	716.6	507.2	602.7	870.8
Water, Sanitation, and Flood Protection	112.2	296.3	360.8	276.2	361.9	720.5
Sector Total	3,793.5	3,737.2	4,115.9	3,887.5	4,786.6	5,796.9
Of which IBRD	41.8	15.0	0.0	0.0	40.0	37.5
Of which IDA	3,751.6	3,722.2	4,115.9	3,887.5	4,746.6	5,759.4

Note: Effective fiscal 2005, lending includes guarantees and guarantee facilities.