



AFRICA NOW

BUILDING A
BETTER FUTURE



THE WORLD BANK



*"...Let me invite Africa to cast her eyes
beyond the past and to some extent the
present, with their woes and tribulations,
trials and failures, and some successes,
and see herself an emerging continent,
bursting to freedom..."*

— Chief Albert John Lutuli, Nobel Laureate
1960 and former President of the African
National Congress, South Africa

A Continent of Change

Sub-Saharan Africa defies easy definition. Encompassing 48 countries and 741 million people, Africa has lagged other developing regions of the world and been held back by political instability, conflict, and economic shocks. More recently, though, a far more hopeful vision for the region is emerging: fewer conflicts, more democratic elections, and economic growth rates that are catching up with those of other developing economies. African leaders and their international partners increasingly understand the continent to be at a crossroads, responding to real opportunities as well as urgent needs. Here are some signs of an Africa that is redefining itself even as it works to overcome a legacy of hardship.

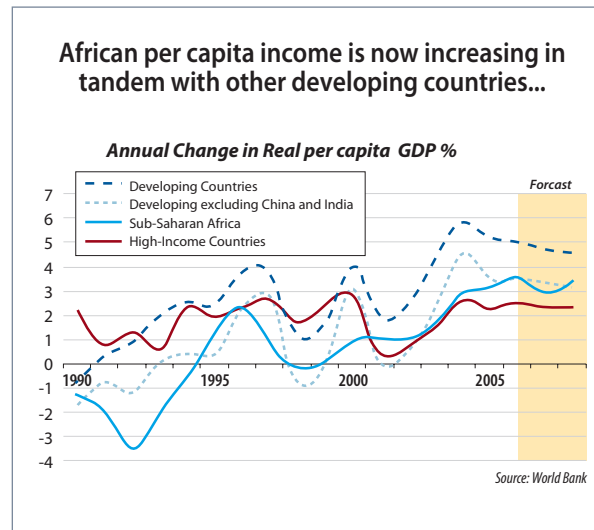
■ **Growth has been sustained in Africa over the past decade.**

Some 17 countries, home to 36 percent of Africa's population, have been growing at an average rate of 5.5 percent for 10 years.

Another seven countries, representing 29 percent of the population, enjoyed increased income from natural resource revenues, with growth averaging 7.4 percent for the decade. Thus, 65 percent of Africa's population lives in countries that would be categorized as high-growth by any international measure. African growth in 2006 is estimated to be 5.3 percent, with evidence of sustaining that level in 2007.

■ **Far more African children are in school.**

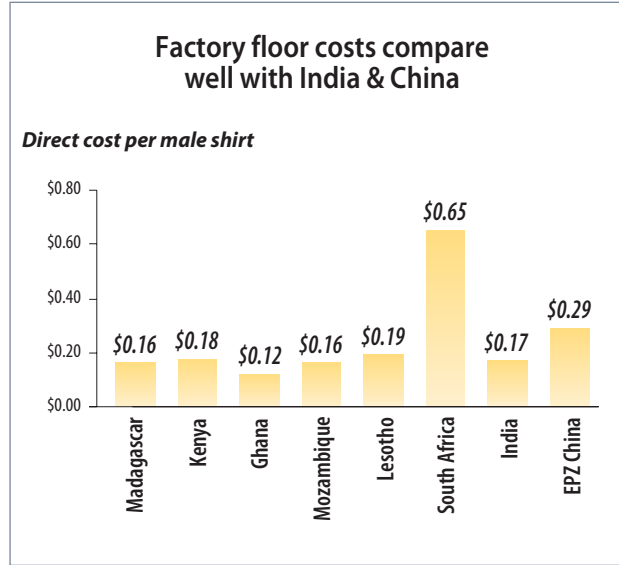
The gross primary enrollment rate surged to 96 percent in 2004 from 71.5 percent in 1991.



“The key factor has been Africa’s own efforts...What Asia has done, Africa is capable of doing as well,”²

— Donald Kaberuka,
Rwandan Economist
and President of
the African
Development Bank

- **Africa can compete.** Productivity in many African factories is on a par with other developing economies; factory floor costs compare well with those in India and China.
- **Poverty is being rolled back—albeit slowly.** In 1990, 45 percent of Sub-Saharan Africans were living in poverty. At current trends, the level will fall to 37 percent by 2015. However, some individual countries have shown more dramatic reductions: In Uganda, for example, poverty dropped to 31 percent in 2006 from 56 percent in 1992.
- **Africa is reforming.** The World Bank’s indicators show a decade of improvements in policies and institutions. Africa’s investment climate—as measured by the Bank’s *Doing Business* rankings—is also improving: in 2005-2006, 67 percent of African countries adopted at least one regulatory change to cut the cost and red tape required of firms, making the region a more active reformer than the Middle East, Latin America or Asia.



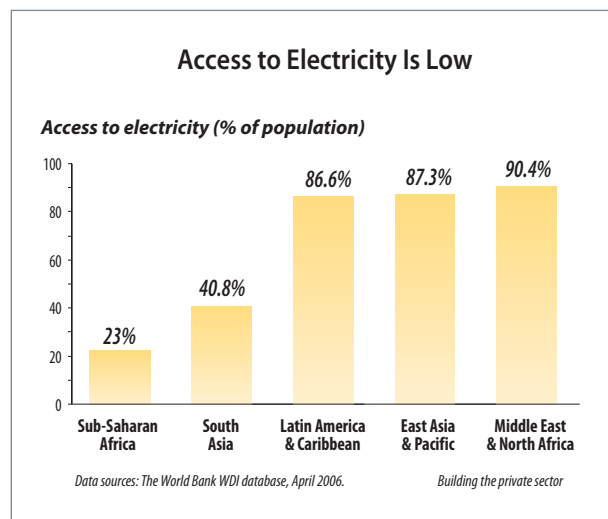
- **Conflicts have diminished across the continent.** The resolution of conflicts in Liberia, Sierra Leone, Angola, DRC and North and South Sudan are opening up opportunities for development and investment. Democratic elections in a number of post-conflict states have helped to solidify the benefits of peace.
- **The New Partnership for African’s Development is promising.** Through this partnership, African leaders are taking responsibility for the continent’s future, while counting on donors and international institutions to play a supporting role.

Africa's measurable improvements over the past decade have opened the way to a more hopeful vision. If a handful of countries could push growth levels to 7 percent, and ensure that the fruits of growth are widely shared, the direct gains and spillover effects would benefit tens of millions of Africans.

However, Africa presents not only opportunities, but pressing needs. Most African countries will fall short of achieving most of the Millennium Development Goals by 2015. Millions of Africans either live in countries where improved living standards are limited to a thin layer of elites, or where conditions lead to an outward migration of capital and talent. The urgent need to address these persistent hardships before they worsen is evident in an array of indicators:

- Twenty-one African countries, home to 36 percent of the population, have been growing at an average rate of 2.1 percent of the last decade. With population growth well over 2 percent, the weak growth figure suggests that in these countries, human welfare is actually declining.
- Only 23 percent of Africans have access to electricity; 28 of 48 Sub-Saharan countries are affected by an energy crisis that limits growth and worsens poverty.

- Africa is home to more than 60 percent of all persons living with HIV/AIDS, and Africa accounts for 80 percent of the 1.1 million deaths each year attributable to malaria.
- Despite recent reductions in red tape, it takes just over two months to register a new business in Africa, more than any region except Latin America and the Caribbean.



- Only 30 percent of Africa's rural population has access to an all-season road; all told, Africa is covered by fewer roads today than 30 years ago.

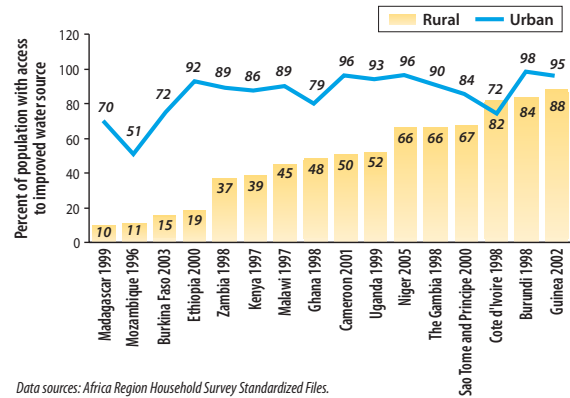
- Only 65 percent of Africans have access to safe water and 37 percent to improved sanitation.
- The Group of Eight industrial nations in 2005 committed to double development assistance to Africa, reduce debt levels, and open the markets to African exports. Since then, debt relief has been substantial, but global trade talks have foundered, and the promised increase in new development assistance has yet to materialize.

Because there is no single Africa, there is no single strategy for Africa. Today, each country takes the lead in setting its development strategy, based on a unique set of needs and opportunities. The World Bank, working closely with Africa's other international partners, defines a coordinated assistance plan. Programs vary according to the diverse reality of contemporary Africa.

Countries enjoying a surge in natural resource income face the challenge of using this windfall to finance long-term development needs. Countries with a more diverse economic base are focusing on drivers of

The gap in services between towns and the countryside remains huge

Rural-urban divide in access to improved water source



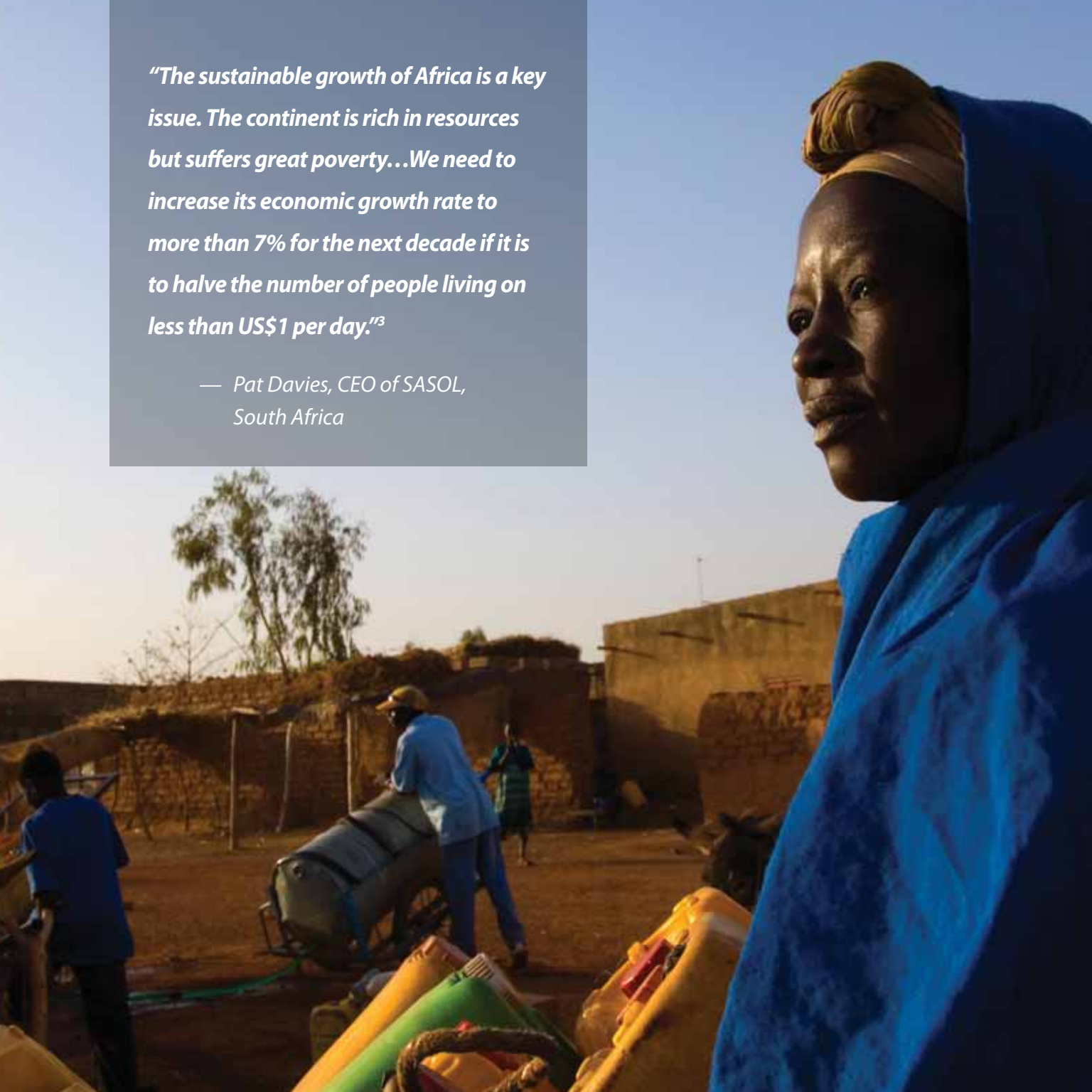
Data sources: Africa Region Household Survey Standardized Files.

economic growth and job creation. Countries recovering from civil conflict or stranded in patterns of stagnant growth are pushing to reignite economic activity.

The urgency of both meeting needs—such as poor roads and unacceptable burdens of malaria and HIV/AIDS—and building on measurable successes make Africa a natural backdrop for debates over a glass half-empty or a glass half-full. Africans, for their part, are mostly optimists. A recent survey by Gallup International Association of 50,000 people across the world found that Africans are the most optimistic people anywhere: 57 percent of Africans polled in 2005 believed things would improve in 2006.

“The sustainable growth of Africa is a key issue. The continent is rich in resources but suffers great poverty... We need to increase its economic growth rate to more than 7% for the next decade if it is to halve the number of people living on less than US\$1 per day.”³

— Pat Davies, CEO of SASOL,
South Africa



Africa: A Priority for the World Bank

The World Bank has made the world's challenge—to reduce global poverty—its challenge. The work of the Bank focuses on achieving the Millennium Development Goals, which call for the elimination of poverty and sustained development. The Bank's mission is to help developing countries and their people reach the goals by working with partners around the world to eliminate poverty. To do that, the Bank concentrates on building the climate for investment, jobs, and sustainable growth and on investing in and empowering poor people to participate in development.

Africa and its challenges are a key priority for the World Bank. The Bank is working with African countries and development partners to accelerate growth and improve the lives of their people by investing in better health and education, supporting agriculture and private-sector development, closing the gap in infrastructure and expanding access to power, water, and transportation.

The Bank is also working closely with middle-income countries in Africa—like South Africa,

Botswana, Mauritius and Namibia—which are key economic drivers in the region. These countries generate nearly half the GDP in Africa, even though they represent less than 8 percent of the population. While these countries still face important development challenges, they are the most significant sources of growth in Africa and provide other countries with technology, knowledge, and development lessons. For these countries, the Bank's focus is on knowledge-sharing and partnering with governments, as well as other stakeholders, to support their

SOUTH AFRICAN INVESTMENT IN SUB-SAHARAN AFRICA

South Africa's foreign direct investment into the rest of Africa has risen six-fold between 1996 and 2004, with improving trade balance. South African companies are investing across the continent in a broad range of sectors, such as banking, mining, energy, agriculture, manufacturing, and tourism. This investment is creating jobs, improving productivity, transferring technology, and fostering entrepreneurship across all of Sub-Saharan Africa.

development agenda. The Bank does this in a number of ways, using its own staff as well as other international experts, with the overall objective of contributing where it can to development solutions.

Today, the Bank is the largest provider of development assistance to Africa and over the past five years, it has increased its support to the region dramatically. In 2006, the World

Bank's International Development Association (IDA)--which provides interest-free loans and grants to the poorest countries--provided \$1.1 billion in grants and \$3.5 billion in credits to Africa, which represented a doubling of aid from 2000. The International Bank for Reconstruction and Development (IBRD), the lending arm of the World Bank for middle-income countries, provided two loans totaling \$40 million.

WHAT ARE THE MILLENNIUM DEVELOPMENT GOALS?

Good economic growth and sustained efforts by governments and development agencies have contributed to better progress on the Millennium Development Goals, although the Sub-Saharan Africa region, like South Asia, is not expected to reach most of these goals by 2015.

Progress is varied among African countries with regard to achieving these goals. Mauritius has met four goals, Botswana has met three and will likely meet one more, and South Africa has met three. On current trends, nine countries are on track to meeting two goals, 13 will meet one, and 23 countries will not attain any of the goals.

In 2000, at the United Nations Millennium Summit, the member countries of the UN, the World Bank and other development partners, signed the Millennium Declaration that set forth the following goals for the international community to meet by 2015.

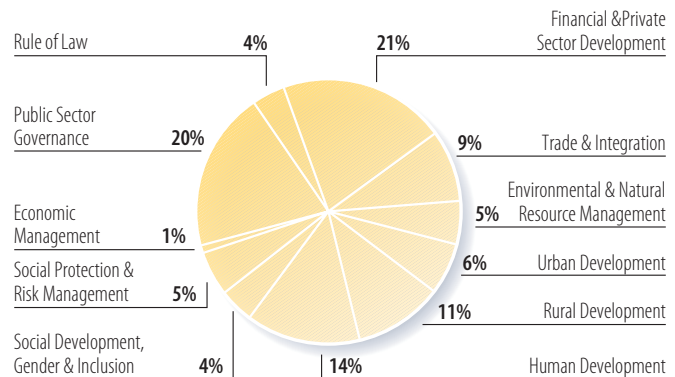
- Goal 1:** Wipe out extreme poverty and hunger.
- Goal 2:** Get all children a primary school education.
- Goal 3:** Help women get equal rights and empower them.
- Goal 4:** Reduce the death rate of young children.
- Goal 5:** Improve the health of mothers.
- Goal 6:** Combat HIV/AIDS, malaria, and other diseases.
- Goal 7:** Help countries protect their environments.
- Goal 8:** Promote a global partnership for development.

Two other agencies that form the World Bank Group are also stepping up their efforts in the region. The International Finance Corporation (IFC), the arm of the World Bank Group that works directly with the private sector in developing countries, has expanded its work in Africa, focusing on improving the business environment, increasing support to small and medium enterprises, and proactively developing additional projects to support investments. Last year, IFC committed \$700 million to projects in the region, a jump of almost 60 percent from a year earlier. IFC has also expanded its reach to new markets and to other areas of private-sector development through the IFC Private Enterprise Partnership for Africa and other advisory services.

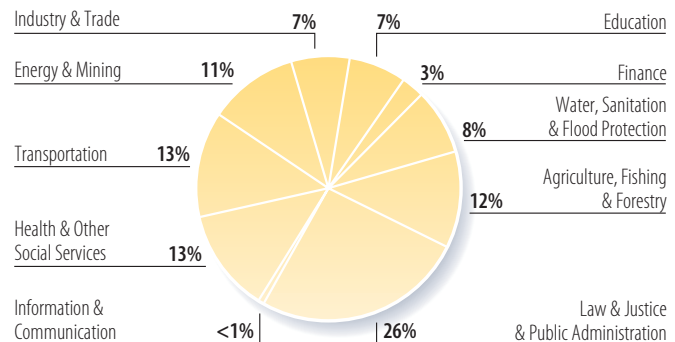
The Multilateral Investment Guarantee Agency (MIGA), the arm of the World Bank that provides guarantees and underwrites private-sector investments in developing countries, has also made Sub-Saharan African its most important priority. In the last fiscal year (2006) MIGA issued 21 guarantees and undertook 13 technical assistance projects in the region. Projects supported by MIGA have delivered significant development benefits, ranging from the rehabilitation of sugar plantations to the establishment of fixed line, state-of-the-art broadband wireless access in a nation with one of the lowest teledensities in the world.

Africa: Share of IBRD and IDA Funding

IBRD and IDA Lending by Theme — Fiscal 2006
Share of Total of \$4.8 Billion



IBRD and IDA Lending by Sector — Fiscal 2006
Share of Total of \$4.8 Billion



Making a Difference: Results on the Ground

The projects the World Bank Group supports have...

- Reached 15,000 beneficiaries in programs for micro, small, and medium enterprises in three countries and trained 4,000 managers.
- Provided 1.3 million people with access to water and delivered 7,200 water distribution points.
- Built systems to irrigate 15,524 hectares of land in four countries.
- Prevented mother-to-child transmission of HIV for 1.5 million women.
- Reached 173 million people with HIV prevention messages.
- Trained 86,116 teachers
- Built or rehabilitated 46,058 classrooms.

“It took me a lot of days and nights to convince people that women could improve their environment without much technology or without much financial resources.”⁴

— Wangari Maathai,
Nobel Laureate 2004
and founder of the
Green Belt Movement,
Kenya

Empowering Women

To make a dent in poverty, African women will need to be empowered, especially since they play a big role in their countries' economies. Women in the rural areas of Madagascar are among the poorest in the country. At the beginning of the 1990s, all of Madagascar's banks were state-owned and failing. Some of the banks tasked with providing loans to small clients were no longer serving the poor or people living

in the countryside. A pilot project supported by the World Bank helped establish networks of savings and loans associations in two



provinces of Madagascar, as a means of getting credit to poor people. In 1999, this effort was built upon by a Microfinance Project that expanded the networks to other provinces.

Because women make both better borrowers and better savers and because women often lack much-needed access to credit and other

financial services, the project supported a special outreach program that increased women's membership in the cooperatives. Within six years, this project provided 40 percent more people with access to financial services, and by the end of 2006, more than 150,000 people (45 percent of them women) were active members of five microfinance cooperative networks and 150 financial cooperatives.

Increasing Access to Education

Following independence in 1957, Ghana expanded its basic education, but by the mid-1970s the number of children attending primary school had fallen. Government spending on basic education as a percentage of GDP dropped. By the 1980s, school buildings were dilapidated, classrooms had few desks, and in several cases, a single textbook was shared by the whole class.

Through the Basic Education Sector Improvement Program, the Bank provided support for Ghana's policy of free, compulsory, universal basic education and its goal to improve the quality of education. 2,300 classrooms were rehabilitated, 344 four-unit teacher accommodation blocks were built, and 101 primary schools and 50 secondary schools were constructed. The project also allowed the government to distribute 11 million textbooks, which played an important part in improving the quality of instruction. From 1996 to 2001, 130,000 additional students in Ghana were enrolled in junior secondary schools. With



increased teacher training and more textbooks, test scores in math and English showed big improvements.

Building a Skilled Workforce

Africa needs more and better-trained workers to compete in the global economy and to build government capacity. The Higher Education Project in Mauritania helped improve the quality of the learning environment and the relevance of education to the job market, while also supporting

the university and institutions of higher education develop professional links with key employers in different sectors of work. The University Master Plan financed the construction and equipment of a new central library and a distance learning center to serve as the focal points for

internet access and for university-wide dissemination of information.

This approach has paid off in Mauritania: 1,800 employees are now enrolled in vocational training programs and 1,056 post-secondary students in science and technology courses. 733,600 textbooks have been distributed, and 900 teachers were recruited for secondary education.



“If a country can establish a good higher education system, development is ultimately assured.”⁵

— Peter Okebukola,
Executive Secretary,
National Universities
Commission, Nigeria

Improving Agricultural Productivity

As long as the majority of Africans live in rural communities and depend on agriculture, improvements in agriculture will be key components of any effort to eliminate poverty in the region. In Zanzibar, Tanzania, the Mtwango Irrigation Project helped build a concrete irrigation canal to replace an earlier earthen canal, which was losing water to evaporation and seepage. The protected canal—about 2.5 km in length—now irrigates around 78 hectares of rice paddies.

The project has shown some immediate benefits: With more water available for irrigation, most of the farmers can plant more than once a year, increasing agricultural productivity. Annual yields have almost tripled from 2.5 tons to 6 tons per hectare. Households have been able to sell about one-third of their produce to pay for education and meet other expenses.



“Today, Africa needs a hand of solidarity to address its poverty and to develop its own potential for feeding a population which will almost triple by 2025.”⁶

— Jacques Diouf,
Senegalese Agronomist
and Director General
of FAO

Connecting People and Communities through Better Roads

“...It costs \$1,000 to ship a 20-foot container to the United Kingdom. You need \$2,300 to transport the same container just next door to Liberia. By road, our drivers can be stopped five times in Ghana, six times in Togo, six times in Benin and easily 20 times within Nigeria alone...”

— Matthew Ackun,
General Manager, Doxa
Worldwide Movers,
Ghana

Ethiopia’s development has been held back by a large infrastructure gap – it has one of the lowest road densities in Africa. Since 1991 the Bank has been working with Ethiopia to address this challenge. A road sector development project supported the formulation of Ethiopia’s 10-year roads program and helped establish a dedicated road fund for financing maintenance work and building capacity at many levels.

Working in partnership with other donors, including the European Commission, Germany, Japan, the Scandinavian countries, and the United Kingdom, the Bank’s IDA facility helped increase both the size and quality of Ethiopia’s



road network from under 23,500 km of roads in 1995 to over 37,000 km in 2005. By 2004, 64 percent of paved roads were found to be in good condition, up from a mere 14 percent in 1995.

Providing More Access to Water

In 1995, more than half of Senegal’s population lived in urban areas, primarily in the capital, Dakar, where water shortages were chronic, leaks persistent, and sanitation barely existed in poor peripheral neighborhoods. Only 58 percent of the households were connected to safe, piped water. The Senegal Water project approached long-term development of the sector by focusing on increasing the water supply and supporting the emergence of an economically viable water company, capable of providing affordable water and sanitation

services to the population without depending on government subsidies.

By 2006, the project had helped deliver 140,000 new connections at subsidized rates for poor families, plus 400 public standpipes; all of this translates into safe water supply for about 1.6 million people who did not previously have reliable access. In 2006, thanks to the establishment of a subsidized social connections program for poor neighborhoods in Dakar and the surrounding areas, 76 percent of households were connected—the highest rate in sub-Saharan Africa.

Restoring Normal Life in Post Conflict countries

Following nine years of civil war, Sierra Leone immediately undertook a reintegration and rehabilitation program in 1999 after the peace agreements were signed. Its efforts focused on disarming, demobilizing, and reintegrating ex-combatants and on helping war-affected communities reintegrate the huge numbers of people returning after conflict had ceased.

The Bank's Community Reintegration and Rehabilitation Project supported Sierra Leone's efforts by financing the training and employment of former combatants and rebuilding destroyed villages. Using 16 demobilization centers in 12 districts and seven interim care centers, 72,000 fighters were

disarmed and almost 50,000 ex-combatants were trained. 84 schools and 28 health centers are back in operation, 200,000 people now have access to drinking water, and 9,000 hectares of land are back under cultivation.

By breathing new life into agriculture, local government, schools, and health outposts, these investments made it possible for residents to return to their normal lives. More than 220,000 internally displaced people are back in their locations of choice. To date, more than 1 million people in Sierra Leone are estimated to have benefited directly and indirectly from programs designed to restore social stability and economic activity.

"I believe that the minimum, the absolute minimum that we can give to help consolidate the peace and security we now enjoy is what I can refer to as 'the gift of hope'.. 'The gift of hope' is affordable. Everyone, rich and poor, old and young, male and female, can afford it. 'The gift of hope' implies something positive..."¹⁸

— Tejan Kabbah, President of Sierra Leone



Mobilizing Support to Fight Malaria

“Malaria is such a terrible waste...We say that 3 lives are lost to malaria every minute, most of them children, but it is still only a figure. Malaria kills the future. In such a silent way. But in a way that could be stopped.”

— Jane Kengeya-Kayondo, Malarial Researcher, World Health Organization

Malaria kills over one million people every year —most of them children under five years old. More than 80 percent of these deaths occur in sub-Saharan Africa. Add to this the high economic costs: in Africa alone, the total yearly economic burden of malaria is estimated at about \$12 billion. To respond to country demands and support efforts to fight this deadly disease in 21 of the most seriously affected countries, the World Bank launched in 2005 the Booster Program for Malaria

Control in Africa. The Booster Program is a sustained, multi-year effort that began with a three-year intensive phase.

Since the Booster Program's start, the Bank has supported 11 projects in the Democratic Republic of Congo, Eritrea, Niger, Nigeria, Zambia, Benin, Burkina Faso, Senegal, Ethiopia, Malawi and in the Senegal River Basin as part of a larger Senegal River Basin Water Resources Development Project. At

the end of March 2007, the Program's commitments stood at US\$357 million, a more than seven-fold increase since the Booster Program began. Other countries have requested support, and more projects are on the way.

Results have been heartening: An indoor-spraying campaign has begun in Zambia, and at least 1 million treated mosquito nets will be distributed by May, 2007. All told, the program will finance over 19 million nets and 42 million doses of new anti-malarial drugs in African countries over the next 3 years, with a strong focus on accountability and results.



Developing the Private Sector

In Mozambique, the World Bank Group (through IFC and MIGA) has been instrumental in attracting and retaining large investments, including \$2.8 billion in the single largest industrial investment in Southern Africa—the aluminum smelter, Mozal. Large enterprises often serve as a catalyst for other investments, and after Mozal, other large foreign direct investments flowed into Mozambique.

The project also sparked investment in local small and medium businesses. The World

Bank has worked with Mozal to link with these businesses, investing over \$14 million in upgrading their workers' skills. And as part of the larger "linkage" program, the Bank matched Mozal with small and medium enterprises, securing these companies \$65 million in contracts. Mozal has helped demonstrate that investments can be successful in Africa, including in countries that are emerging from years of conflict.

***"In the beauty parade for investment, we're learning the catwalk, but we're probably not yet wearing the best dresses."*¹⁰**

— Strive Masiyiwa,
Founder of Econet.



Taking Action against HIV/AIDS

In 2002, Rwanda was classified among the 10 African countries most severely affected by HIV/AIDS. The country had recently emerged from civil war and genocide and was facing severe capacity constraints. Funding was inadequate to address the scope and scale of the epidemic. With strong leadership from the Government of Rwanda, the country adopted a national HIV/AIDS strategic plan that included a full range of preventive, medical and support services for those living with HIV/AIDS and sought to strengthen capacities to manage the epidemic.

The government received a \$30.5-million IDA grant under the Multi-Country Action

Program (MAP) against HIV/AIDS in Africa to support the strategic plan. Most activities had a nationwide focus and were funded on a demand-driven basis. Civil society organizations, faith based groups, and grass-roots associations were heavily involved in the implementation of the IDA grant. Today, access to AIDS care and treatment in Rwanda has expanded to rural areas where the majority of the population lives on less than a dollar a day. With IDA funding some 5,000 patients have benefited from life saving antiretroviral therapy (roughly 60 percent of those in need, most of them women). According to UNAIDS HIV infection rates among youth in Rwanda are beginning to decline significantly.

“I don’t know whether [HIV/AIDS] will be defeated in my lifetime but I know it will surely be defeated if we keep up the momentum.”¹¹

-- Reverend Gideon
Byamugisha, AIDS
Activist, Uganda



Paving the Way for Good Governance

In Burkina Faso, 80 percent of the population lives in the countryside, and a little over half of them lives below the poverty line. To tackle poverty here, the government undertook a long-term decentralization effort that groups villages into self-governing communes with capacity to plan and manage their own development programs and mobilize the necessary resources through increased local revenues and government fiscal transfers.

With support from the Bank's Community-Based Rural Development Project, new municipalities were created and community-driven investments in physical and social infrastructure received direct funding. To date, the project has reached more than 3,000 villages (one-third more than planned), located in 26 of the country's 45 provinces. Half of Burkina's villages have established village committees and built local capacity for planning, implementation, and monitoring. About \$39 million has been disbursed for 12,000 micro-projects, hundreds of social

infrastructure projects have been completed, and the construction of classrooms and lodgings for teachers and nurses has allowed villages to attract quality personnel and create functioning schools and clinics. Successful capacity-development activities have resulted in realistic and high-quality local development plans, and in investments at community level that demonstrate strong local ownership.

“Nothing, simply nothing, is more important for Africa than good governance.”¹²

— Mohamed Ibrahim,
Founder of the Mo Ibrahim Foundation
and the Prize for Achievement in African Leadership





“Ministers commend the African Action Plan, describing it as comprehensive, appropriate, and providing a good balance between ambition and realism...”¹³

— Trevor Manuel, Minister of Finance, South Africa

Meeting Africa at the Crossroads: the World Bank's Strategy

The World Bank recognized that Africa represents a unique development challenge and devised a Strategic Framework for Assistance in Africa in 2004. The plan drew on lessons of four decades of involvement in the continent and presented four major areas of engagement: improving governance and reducing conflict; investing in people; increasing growth and enhancing competitiveness; and advancing a more effective partnership model, where donor support would be well coordinated and aligned with national development programs and national budget cycles.

Building on that foundation, the Bank's Africa Region devised a more specific program for delivering tangible results in Africa—the Africa Action Plan. This blueprint was approved by the board in September 2005 and updated in March, 2007. The Action Plan sets out concrete objectives that African leaders and funding partners will be accountable for delivering.

The Africa Action Plan builds on a country-based model for development and emphasizes measurable results. Development strategies are being defined not in terms of funds committed to roads projects, but to the number of kilometers of roads that will be in place to connect farmers to markets, children to schools, and patients to health care. Some early results are already in evidence—particularly in the complex task of closing Africa's infrastructure gap.

The average penetration rates for telecommunications doubled between 2004 and 2006, for example. In transport, Bank-financed projects supported 28,000 kilometers of roads.

The Action Plan carries the overriding objective of accelerating growth that benefits the population, including those who are marginalized or trapped in poverty. Responding to demands expressed by countries, and taking into account the Bank's core areas of expertise, the plan contains eight thematic areas, covering issues ranging from safe water to an improved business climate. The emphasis and mix of programs will vary from one country to another, with each country taking the lead in defining its own path to shared growth.



1. Strengthening the African Private Sector



Private capital flows are an important source of funding for all developing countries. Africa alone attracted about \$12 billion in foreign direct investment in 2004, which is only 3 percent of the global total for a continent that has more than 10 percent of the world's population.

To create jobs and grow, African countries will need to attract more investment—both foreign and domestic—and create a favorable climate for business. Private enterprises are an important source of jobs and growth, as they employ 90 percent of people in developing countries. Jobs with local companies are the most promising path out of poverty for Africans. These businesses also represent a source of sorely needed tax revenues for African governments, which would allow them to invest in health and education for their citizens—71 percent of whom are under the age of 25. However, Africa remains a high-cost, high-risk place to do business: Six of the 10 countries worldwide with the most difficult environment for starting a business are in Africa.

Micro, small, and medium enterprises dominate in Africa, and they are constrained by limited access to credit or basic financial services. Businesses face many regulatory barriers and red tape, which lock them into the informal sector and outside of the law. As much as 42 percent of the GDP in Sub-Saharan Africa is in the informal sector.

The World Bank Group and its partners are working to improve the investment climate and empower African entrepreneurs through relevant skills, access to credit, and efficient information flows. IDA support to small and medium enterprises is growing, and the IFC contributed \$30 million to the Investment Climate Facility for Africa, which is supporting a business climate reform program. And there are signs of change: Africa has moved up from the slowest developing region to the third fastest in the pace of reforms, according to the *Doing Business* international rankings. About two-thirds of the countries in Africa have made one or more business reforms in 2006, and Ghana and Tanzania rank among the top 10 reformers in the world. Various Bank-supported analyses have helped countries identify changes that directly lower the costs and risks involved in running a business.

Although financial depth remains low, signs of recovery are encouraging. Real private-sector credit as a share of GDP reached almost 13 percent in 2005, which is about a third higher than it was 10 years ago. The Bank launched a Global Trade Finance Program to meet the crucial need for export finance in Africa. Demand for this type of financing was so high that the projected portfolio had to be revised from \$5 million to nearly \$200 million. IFC will increase equity investments through the creation of a focused equity team in the region, provide equity capital for small-to-medium enterprises, and invest in early-stage development equity.

“If there was any more of Africa, we’d be investing in it,”¹⁴

— *Graham Mackay, CEO, SABMiller plc.*

2. Increase the Economic Empowerment of Women

Gender differences lead to men and women playing substantially different economic roles—an important issue, since much of Africa’s economic activity is in the hands of women. Women-owned businesses account for many of Africa’s micro and small firms, but they face greater obstacles than men do in growing and expanding their businesses. In Kenya, for example, 48 percent of the owners of micro and small businesses are women, yet they own only 1 percent of the land, which squeezes their ability to get credit and expand.

Much remains to be done in empowering women, although there are positive signs of change for women in Africa: 31 countries have increased the number of women parliamentarians, and several countries have made progress in the rights of women under the law. The World Bank is focusing on helping grow women-owned businesses and strengthen the enforcement of laws affecting women. Under the Action Plan, the Bank is pushing a 10 percent increase in the number of women-owned businesses by 2009. Several joint IDA and IFC initiatives were directed at reducing barriers for women, which include gender assessments and identification of legal and regulatory obstacles to women’s entrepreneurship and women-owned businesses.

IFC’s GEM (Gender, Entrepreneurship, Markets) program will be enhanced, and components of it will be included in World Bank private sector development projects to encourage the participation of women in business and employment. For example, countries will receive IFC lines of credit for on-lending to women entrepreneurs. And by the end of 2008, 25 countries will ratify the Women’s Rights Protocol—up from 15 in 2005. Women also benefit from initiatives to increase girls’ access to education and to improve the quality and availability of health services.

“In a country where only men are encouraged, one must be one’s own inspiration.”¹⁵

— Tegla Loroupe, Kenyan Marathon Runner and 1994 New York City Marathon Champion



3. Build Skills for Competitiveness in the Global Economy

“Education is the great engine of personal development. It is through education that the daughter of a peasant can become a doctor, that a son of a mineworker can become the head of the mine...”¹⁶

— Nelson Mandela, *South African Statesman*

Higher education is fundamental to building an entrepreneurial base and retaining skilled young people. African countries must invest in educational systems and institutions that can train a new generation of professionals. Although the numbers of students enrolled in secondary school rose from 19 percent in 1990 to 34 percent in 2004, only 30 percent of them completes junior secondary school and 12 percent completes senior secondary school. The quality of education is also low in many countries.

To succeed in the global economy, African producers will have to approach technological parity with their global competitors, adapting technologies that will underpin growth. This will require significant investments in revitalizing Africa’s universities and research institutes. Such investments can pay big dividends as they unite Africa’s lower costs of production with technology. Although higher education enrolment has increased at 15 percent a year, fewer than 5 percent of people attend university—the lowest among developing regions of the world.

While the Bank reaffirms the importance of universal primary education, it is also working with countries to expand access to secondary education, vocational training and higher education. The World Bank has 33 projects and programs in 26 countries that support

secondary and higher education and research institutes. These programs are generating results. For example IDA’s \$60 million 10-year higher education program in Mozambique has expanded higher education from 9 to 23 institutions and increased enrolment from 13,952 students to almost 30,000 students (a third of whom are women).



4. Raise Agricultural Productivity

As long as most Africans live in rural communities and depend on agriculture, improvements in agricultural land and labor productivity will be crucial for growth. Although growth in agricultural productivity has been a high priority of African leaders, sufficient progress has not been made. Land productivity rose in 38 of 46 countries, but only six countries have a rate of increase over 5 percent. Labor productivity has increased in 29 countries, but only 10 are achieving annual increases of at least 3 percent. The pace of improvements is slow in soil fertility management, adoption of better seeds, and irrigation. Spending for agricultural research and technology remains sluggish. On the positive side, water management techniques, such as water harvesting and reduced tillage, are more widely used.

Development assistance for agriculture has held steady at approximately \$1 billion per year since 1996. Donors are piloting a mechanism for pooling their efforts and working together in Burkina Faso and Tanzania. The World Bank Group is well positioned to work with African leaders to identify comprehensive approaches to agricultural development, to bring in partners to finance funding gaps, and to support agri-business. It can also help identify the costs and consequences of distortions in the agricultural sector and the problems



caused by farmers having limited access to international markets.

The Bank's IDA facility has increased its commitments for agriculture from \$104 million in 2000 to \$278 million in 2005, and \$654 million in 2006. Projects in Burundi, Ethiopia, Malawi, Niger, Rwanda, Senegal, and Zambia aim to expand irrigation and improve water management to increase irrigated land by 75,000 hectares. Eighteen projects now support improvements in agricultural technology, up from 12 in 2005. These efforts are expected to improve both land and labor productivity in agriculture.

“We must recognize the centrality of communities and farmers and in particular their empowerment, as key to addressing the issues of food security...”¹⁷

— Babagana Ahmadu,
Director of Rural Economy
and Agriculture, African
Union Commission

5. Improve Access to and the Reliability of Clean Energy

“One of the growing concerns of the international community is the persistent ‘energy poverty’ that is seriously impeding socio-economic development, particularly in sub-Saharan Africa...”¹⁸

— Kofi Annan, former UN Secretary-General and Nobel Laureate 2001.

Following years of underinvestment, Africa’s power sector faces acute challenges. Africa has the lowest access to electricity—23 percent of the population—of any region in the developing world. In addition, there are frequent disruptions in the power supply, which have made life difficult for businesses, schools, and hospitals. The crisis has many causes, which include inadequate tariff levels, drought in East Africa, destruction of power systems during conflicts, and poor utility management. Today, the pent-up needs in Africa for power investment are huge.

The Bank Group’s recently completed Investment Framework for Clean Energy and Development predicts that Africa will need to invest \$4 billion per annum to bring power access rates up from 23 percent today to 35 percent by 2015 and 47 percent by 2030. The current IDA portfolio is designed to deliver an additional 1,384 MW of generation capacity in seven countries

by 2012. Private-sector interest in power is reviving, and the Bank is working with IFC and MIGA to negotiate risk-sharing terms that will elicit private interest as well as to seek private-sector participation in the sector.

The Infrastructure Consortium for Africa estimates that the resources for energy have increased to \$700 million in 2005 from \$642 million in 2004. Resources for 2006 are expected to be \$1.2 billion, with greater participation of the private sector. Commitments were made to increase the generation capacity of independent power producers in Nigeria and Uganda, and to set up concessions to operate existing plants and equipment in Cameroon and Uganda. In addition, member governments made binding commitments in 2006 to set up a West Africa regional power pool, where energy-poor countries can import electricity from energy-rich neighbors for much lower prices per kilowatt hour. Initiatives targeting clean cooking fuels for households are also being developed to reduce indoor air pollution.

In addition to raising access to electricity, these actions are expected to decrease the number of monthly power outages suffered by businesses in 20 countries, and reduce indoor air pollution in more than five countries.



6. Expand and Upgrade Road Networks and Transit Corridors

Roads are key to accelerating growth and promoting regional integration in Africa. Poor-quality roads make it harder to deliver products to markets. Africa has 7 km of navigable roads per 100 km² of land, compared to 170 km in Europe. Countries must target areas where transport improvements can bring the highest payoff in decreasing the cost and time to reach key international markets and improving their citizens' access to market via all-season roads.

The Infrastructure Consortium for Africa estimates that total resources available for transport (excluding South Africa) have increased from \$1.9 billion in 2004 to \$2.3 billion in 2006. Most of these investments are for roads. The bulk of financing is provided by three agencies, the European Commission, the Bank's IDA facility, and the African Development Bank. Regional and cross-border activity has increased with all three agencies taking the lead in different instances. Japan is also increasing its support for transport. So far, private finance has been limited and linked entirely to port and railway concessions in a few countries.

The Bank's IDA facility has 28 projects and another 34 programs that support transport. About 20 percent of the investments are for rural roads. IDA is increasingly addressing issues of transport in towns, such as traffic



congestion and mass transit. Trade corridor financing operations that connect land-locked countries to the sea (two in West Africa and one in East Africa) are looking to lower the cost and time it takes to reach ports.

The Bank Group will focus on strengthening support for transport in six countries and support three major regional transit corridors by 2008. It is expected that roads in at least eight countries will be improved and that people living in the countryside in five countries will be just 2 km away from an all-season road by 2012. These initiatives should also see a reduction of CO2 emissions in three towns.

“We need infrastructure, we need roads. The farmers don’t want money for education, they want roads so that they can trade and earn money, and then, they say, ‘we can pay tuition fees!’”¹⁹

— Ellen Johnson Sirleaf,
President, Liberia

7. Increase Access to Safe Water and Sanitation

Access to water, a basic human need, still eludes large proportions of our populace. Poor management of this precious gift of nature, therefore, continues to hinder our progress and is a major constraining factor in food production, health and industrial development.²⁰

— *K.Y. Amoako, Executive Secretary, Economic Commission on Africa*

African countries have shown considerable progress in delivering clean water to their citizens over the last 10 years. Since 1990, the share of households with access to an improved water supply has risen from 55 to 65 percent. Twenty of the largest countries in Africa have plans to reform water and sanitation or are doing so now. However, the challenge is to cover all villages and towns, implement proven reforms, and improve the management of water supplies.

The Infrastructure Consortium for Africa estimates that resources available for water have increased from \$787 million in 2003 to \$1.3 billion in 2006. Partners like the European Union Water Facility, the African Development Bank, and the World Bank have worked well together in planning and coordinating their activities in this area. The African Development Bank and the World Bank have prepared joint water assessments in 12 countries, leading to joint investment programs.

The World Bank is the largest donor in water in Africa. During the last

five years, the Bank's IDA facility increased its financing from 7 to 21 percent, and investments in water supply have increased from \$500 million to \$750 million, with the potential of future investments of as much as \$1.05 billion. These investments will also increase the number of people who are connected to water and sanitation from 1.7 million a year to 2.5 million, with the potential for 3.5 million, if future investments are realized.

With the proposed increase in IDA resources, at least 12 African countries are expected to be on track to meet the Millennium Development Goal for water supply and sanitation. This support would also help countries jointly manage water resources in the Nile, Niger, Senegal, and Zambezi river basins.



8. Strengthen National Health Systems to Combat Malaria and HIV/AIDS

Poor health threatens the ability of many Africans to hold a job or care for their family. In 2000, HIV/AIDS and malaria accounted for 30 percent of all disease-related deaths in Africa; therefore they are a central focus of the Action Plan. Sub-Saharan Africa has just over 10 percent of the world's population but is home to more than 60 percent of all people living with HIV. Malaria remains the leading killer of children in Africa.

Under the Action Plan, the Bank is committed to ensuring that national and local health systems can deliver quality treatment and prevention to combat malaria, HIV/AIDS and other health threats. That means that financing must be sustained and predictable, and that health systems must be capable of delivering services to the population.

Donors have significantly increase funds for malaria control. From 2006 to 2007, donors have pledged \$920 million for this purpose, with close to \$1.27 billion pledged for 2007-2008. The largest financiers are the Global Fund to Fight AIDS, Tuberculosis, and Malaria, the US President's Malaria Initiative, and the World Bank. Since 2005, Africa has made significant strides against malaria, especially in new drug treatments and bed net distribution under its Booster Program.

Global response to HIV and AIDS is unparalleled. Funding has grown from \$1.6 billion in 2001 to

8.3 billion in 2005—significant funding has come from African countries themselves, the Global Fund, the US President's Emergency Plan for AIDS Relief, and the Gates Foundation.

The World Bank's MAP funding has committed \$1.3 billion to 29 countries and four regional operations since 2000. Mother-to-child transmission has been prevented in 1.5 million women. The program is providing 1.3 billion male condoms and 4 million female condoms. It is helping train over half a million people in HIV-related services. MAP also supports education and income-generating activities through over 38,000 grassroots initiatives. Over the last year and a half, the Bank has made new commitments of \$120 million for HIV/AIDS.

By 2012, these HIV/AIDS initiatives are expected to lead to more condom use among people aged 15-29 and fewer people aged 15-24 having sex with multiple partners, which would allow for an overall decrease in new HIV/AIDS cases. For malaria, the efforts are expected to contribute to faster progress toward the internationally agreed Abuja targets, where 60 percent of young children will be using treated bed nets, and 80 percent of households in the 20 Booster countries will own at least one net, which will ultimately control this disease.



“The heavy burden of disease in developing countries, especially in Africa, seriously impedes economic development and causes unnecessary death and suffering...”²¹

— Paul-Samson
Lusamba-Dikassa,
Director of Programme
Management, World
Health Organization

Toward Regional Integration and Greater Prosperity

Equally important to Africa's future is a framework for regional integration that will encourage trade and promote economic efficiencies across the continent. Today, Africa's economies are too small and too fragmented, with heavy costs borne by landlocked countries, home to about 30 percent of Africa's population. The average economy in Africa is about the size of a small U.S. city, but its average geographical area is about the size of Texas.

"We must join hands to lift the continent... you can't drive development from the outside; it's got to come from within."²²

— Obiageli Ezekwesili,
Vice President of the Africa
Region, World Bank

Efforts to expand global exports, improve business conditions, and rebuild infrastructure go hand in hand with the vision of a more integrated Africa. Currently, intraregional trade amounts to only 10 percent of the total, a fraction of the portion of trade among the European Union members, and far lower than trade within other regional blocs.

A wider economic space for African companies would lower production and indirect costs while increasing the supply and reliability of energy. Regional customs arrangements, lower tariffs, and fewer roadblocks could speed the movement of goods and services within sub-regions in Africa and facilitate trade outside the region. By looking beyond the frontiers of small, fragmented economies, African firms can realize economies of scale, raise productivity, and as a result, attract additional domestic and foreign investment.

There have been a host of new initiatives in this area, ranging from regional power pooling arrangements to the West Africa Gas Pipeline. Regional activities are much more complex for donors, however, and the World Bank is prepared to invest the time required to design and implement programs that cut across national borders. These sorts of initiatives will be important for sustaining Africa's future growth and prosperity.



The Way Forward: The Hope for Africa

If the plans and hopes for Africa work out, what sort of continent would emerge and what sort of life could people in the region expect? We could see a continent that is diverse, where populations are less isolated, and nations far less fragmented. New revenues would be harnessed for development, and growth would be shared by all segments of society. Neighboring countries could trade easily, with goods moving easily along regional transit corridors. Africa would find innovative and beneficial ways to fit into the global economy. The energy and creativity of Africa's vast generation of youth would be channeled toward building new connections and new possibilities for the 21st century.

"The 20th century saw the stunning rise of countries such as Japan, China, and India...the 21st century could belong to Africa."²³

— Paul Wolfowitz, President
of the World Bank Group

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