



AFRICA

Africa's economy grew by 4.4 percent in 2004, with virtually all countries reporting positive growth. The region is projected to grow by 4.1 percent in 2005 as the benefits of past reforms and a more peaceful environment continue to translate into expanded economic activity. But the region faces serious challenges. More than 314 million Africans live on less than \$1 a day—nearly twice as many as in 1981. The continent is home to 34 of the world's 48 poorest countries and 24 of the 32 countries ranked lowest in human development. The HIV/AIDS pandemic costs Africa 1 percentage point of per capita growth a year, while malaria kills about 2,800 Africans a day. (See www.worldbank.org/aids and www.aidsmedia.org.)

Some progress toward improving human development was made during the past year, but the challenges remain enormous. To address them, several global development initiatives were launched in fiscal 2005. Key among them were calls for a doubling of aid, fairer trade, and greater debt relief.

Since the establishment of the New Partnership for Africa's Development (NEPAD) and the Poverty Reduction Strategy

Paper (PRSP) process, African countries have taken much more effective ownership of their own development. Both NEPAD and the PRSP process are based on partnerships with donors, dependable financial flows, measurable results, empowerment of poor people, participation by civil society and local communities, and accountability of recipient governments to their own people. The Bank has endorsed the Commission for Africa report, which emphasizes accelerated economic growth and the participation of poor people in economic expansion.

WORLD BANK ASSISTANCE

The World Bank is the largest provider of development assistance to Africa, and it has increased its support dramatically in the past five years. IDA commitments of \$3.9 billion in fiscal 2005 represented an increase of more than 80 percent compared with fiscal 2000, and disbursements of \$4 billion, more than double the fiscal 2000 figure. Africa has also benefited from a total of \$3.1 billion of relief from the Heavily Indebted Poor Countries Initiative. (See chapter 3.)

AFRICA FAST FACTS

Total population:	0.7 billion
Population growth:	2%
Life expectancy at birth:	46 years
Infant mortality per 1,000 births:	101
Female youth literacy:	77%
2004 GNI per capita:	\$600
Number of people living with HIV/AIDS:	25.2 million

TOTAL FISCAL 2005

New Commitments
IBRD \$0 million
IDA \$3,887.5 million

TOTAL FISCAL 2005

Disbursements
IBRD \$24.1 million
IDA \$3,994.6 million

Portfolio of projects under implementation as of June 30, 2005: \$16.5 billion

Note: Life expectancy at birth and infant mortality rate per 1,000 births are for 2003; female youth literacy is for the most recent year available from 2000 to 2002; HIV/AIDS data are from the June 2004 UNAIDS Report on the Global AIDS Epidemic; other indicators are for 2004 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	Congo, Republic of	Guinea	Mauritius	Sierra Leone	Zimbabwe
Burundi	Côte d'Ivoire	Guinea-Bissau	Mozambique	Somalia	
Cameroon	Equatorial Guinea	Kenya	Namibia	South Africa	
Cape Verde	Eritrea	Lesotho	Niger	Sudan	
Central African Republic	Ethiopia	Liberia	Nigeria	Swaziland	
		Madagascar	Rwanda	Tanzania	

The Bank's strategy for assisting Africa is outlined in the Strategic Framework for IDA's Assistance to Africa, which draws on the report *Can Africa Claim the 21st Century?* The framework focuses on reducing conflict, improving governance, increasing economic growth, enhancing competitiveness and trade, and improving aid effectiveness. The strategy is complemented by a vision of "hopeful realism" about Africa's capacity to reduce poverty. This vision focuses on five areas: developing the private sector, increasing regional integration, building capacity, doubling aid flows, and increasing Africa's share of world trade.

In June 2005 the Bank sponsored a conference in Cape Town, South Africa, to focus on the challenge of financing Africa's huge infrastructure needs. More than 200 policy makers, financial experts, and private sector and civil society representatives attended.

(See also the IFC and MIGA annual reports.)

REDUCING CONFLICT

Conflict is estimated to cost affected African countries 2.2 percentage points of economic growth each year. In collaboration with NEPAD, the Bank is working to achieve peace and stability. These conditions are needed if countries in the region are to attract foreign investment and increase their exports.

In fiscal 2005 the Bank provided assistance to 17 conflict-affected countries and low-income countries under stress (see chapter 3). It also worked to increase transparency and reduce incentives for illegal trade in commodities linked to conflict, such as oil, gas, diamonds, timber, and precious metals.

A key objective of NEPAD is to help build capable and effective states that provide basic services, promote equity and security, and create an enabling environment for investment, wealth creation, and wealth sharing, particularly through the peer review mechanism. In support of this objective, the Bank directs more than 20 percent of its new lending toward public sector governance. Interventions cover expenditure management, civil service reform, decentralization, accountability mechanisms, and legal and judicial reform.

The Bank also provides catalytic grants to the Partnership for Capacity Building in Africa and assistance for the establish-

ment of the African Institutes for Science and Technology, which seek to increase scientific and technical achievement through regional approaches.

INCREASING ECONOMIC GROWTH, COMPETITIVENESS, AND TRADE

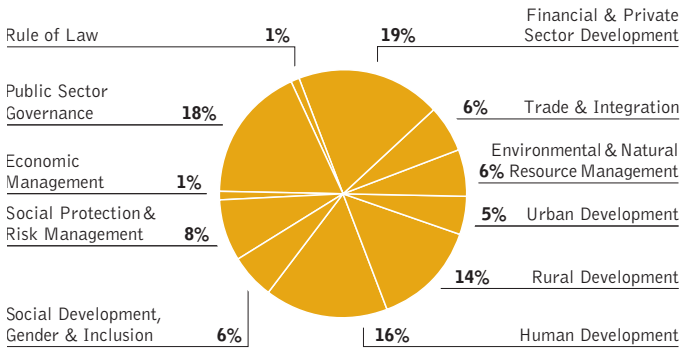
Fifteen African countries averaged economic growth of 5 percent a year over the past decade, but their success was not enough to offset the continuing drop in Africa's share of world trade. Trade expansion requires strengthening the agriculture sector, which employs 70 percent of Africa's labor force and accounts for 40 percent of its exports. The Bank is promoting efforts to meet the objective of NEPAD's Comprehensive



FIGURE 2.1

AFRICA

IBRD AND IDA LENDING BY THEME | FISCAL 2005
SHARE OF TOTAL OF \$3.9 BILLION



African Agricultural Development Program of increasing agricultural output by 6 percent a year through 2015. It is working to liberalize intraregional trade, set up capital markets, eliminate cascading tariffs that penalize African products, and help ensure the successful conclusion of the Doha Round of trade negotiations.



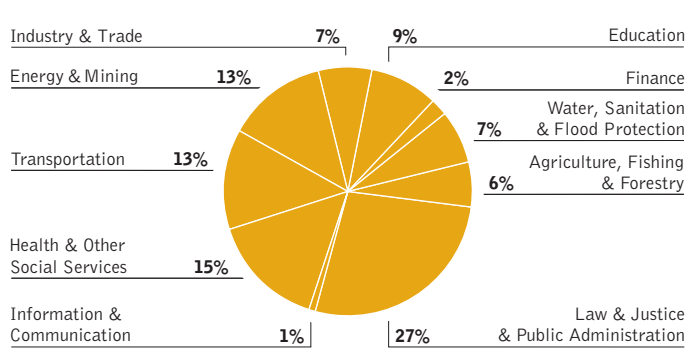
INCREASING REGIONAL INTEGRATION

With 15 landlocked economies and a gross domestic product the size of Belgium's, Africa needs more effective regional integration to prosper. In July 2004 the Bank established a Regional Integration Department that will fund multicountry pilot projects worth about \$500 million by fiscal 2007. Since fiscal 2001 the Bank has supported 11 similar projects total-

FIGURE 2.2

AFRICA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2005
SHARE OF TOTAL OF \$3.9 BILLION



ing about \$550 million. The programs cover trade facilitation, regional approaches to HIV/AIDS, private sector development, regional power systems, telecommunications, transport, tertiary health and education, agricultural research, migratory pests, food security, transnational environmental issues, and the weather-related vulnerability of rural communities.

BUILDING THE PRIVATE SECTOR

The private sector has the potential to be the engine for growth and job creation, but changes in the business environment are needed if that potential is to be realized. Africa is a high-cost, high-risk place to do business, according to the Bank's *Doing Business in 2005* report. As a result, it received just \$9 billion of the world's \$135 billion in foreign direct investment in 2003. To help make Africa more attractive to foreign investors, the Bank is promoting constructive and practical partnerships between Africa's private sector and national governments. It also facilitates innovative approaches to financing. For example, the Bank, IFC, and MIGA are working together to support increased private participation in priority infrastructure projects. The Bank and IFC have also jointly begun a micro, small, and medium enterprises initiative.

SIMPLIFYING AND HARMONIZING AID FLOWS

Africa requires substantial increases in assistance to reach the 7 percent annual economic growth needed to achieve the Millennium Development Goals, to finance \$17 billion in annual infrastructure investments, and to fund the \$2.1 billion needed to attain the goal of Education for All. The Bank, which chairs the Strategic Partnership with Africa, is working to simplify, harmonize, and reduce the cost of providing aid to Africa. It is urging international partners to honor the promises they made in 2003 at the Monterrey Summit to increase assistance by \$12 billion a year and to fulfill the commitments they made in the Commission for Africa report.

TABLE 2.1

WORLD BANK LENDING TO BORROWERS IN AFRICA BY THEME AND SECTOR | FISCAL 2000–2005
 MILLIONS OF DOLLARS

THEME	2000	2001	2002	2003	2004	2005
Economic Management	78.2	138.5	138.7	37.8	67.8	46.5
Environmental and Natural Resource Management	172.4	110.0	159.9	227.0	195.3	217.2
Financial and Private Sector Development	466.7	625.8	780.7	383.6	810.9	768.2
Human Development	208.5	399.4	739.0	811.4	618.2	620.2
Public Sector Governance	495.3	429.6	851.9	432.4	818.5	708.0
Rule of Law	26.7	34.0	22.5	34.5	28.3	30.9
Rural Development	151.8	296.3	329.2	384.1	360.7	537.2
Social Development, Gender, and Inclusion	210.5	491.8	347.4	420.0	374.3	221.8
Social Protection and Risk Management	140.5	376.4	98.3	543.7	209.2	294.3
Trade and Integration	53.7	261.5	46.4	37.2	371.5	232.0
Urban Development	154.9	206.1	279.6	425.5	261.2	211.4
Theme Total	2,159.1	3,369.6	3,793.5	3,737.2	4,115.9	3,887.5
SECTOR						
Agriculture, Fishing, and Forestry	111.5	212.0	210.4	303.4	268.5	215.3
Education	189.8	209.5	472.6	423.6	362.9	369.0
Energy and Mining	176.3	198.0	490.3	324.4	365.8	509.5
Finance	118.4	200.1	192.8	67.2	165.7	68.6
Health and Other Social Services	183.1	889.9	616.6	775.9	723.1	590.3
Industry and Trade	104.7	170.6	266.7	92.7	95.4	253.8
Information and Communication	17.3	21.1	33.8	41.4	52.9	20.0
Law and Justice and Public Administration	838.2	880.8	906.9	721.8	1,004.0	1,077.5
Transportation	263.9	229.8	491.1	690.5	716.6	507.2
Water, Sanitation, and Flood Protection	155.9	357.8	112.2	296.3	360.8	276.2
Sector Total	2,159.1	3,369.6	3,793.5	3,737.2	4,115.7	3,887.5
Of which IBRD	97.7	0.0	41.8	15.0	0.0	0.0
Of which IDA	2,061.4	3,369.6	3,751.6	3,722.2	4,115.7	3,887.5

Note: Fiscal 2005 includes Guarantees and Guarantee Facilities. Numbers may not add to totals due to rounding.