

In fiscal 2006, 15 countries, not including those with oil resources, extended a decade-long median annual growth rate of 5.3 percent. Additionally, five countries recorded sharp reductions in under-five child mortality, and one of the worst performers in expanding primary education, Niger, became one of the best. Yet Africa remains the world's biggest development challenge. More than 314 million Africans—nearly twice as many as in 1981—live on less than \$1 a day. Thirty-four of the world's 48 poorest countries, and 24 of the 32 countries ranked lowest on the United Nations Development Programme's Human Development Index, are in Africa. More than 3 million Africans are killed each year by HIV/AIDS and malaria, diseases that, combined, are estimated to cost more than 1 percentage point of Africa's per capita growth each year.

In mid-2005, the donor community committed to doubling aid to Africa to \$50 billion per year by 2010. The World Bank is a participant in the Multilateral Debt Relief Initiative, under which it expects to provide \$37 billion in debt relief over 40 years. The bulk of it will go to African

countries with sound financial management and a commitment to poverty reduction. The Bank also adopted its first Africa Action Plan, which is focused on improving governance, closing the infrastructure gap, and ensuring that the benefits of development are shared more equitably. To promote good governance, accountability, and a sustained focus on pro-poor programs, the Bank took decisive action in Chad, the Republic of Congo, Ethiopia, and Kenya.

During the past year, Africa experienced positive governance and leadership changes. The first female African president was elected in Liberia. Ghana and Rwanda became the first African countries to submit their governance programs to scrutiny by the African Peer Review Mechanism. [See www.nepad.org.] For the first time, a former African president was arrested and charged before an international tribunal for his role in violent conflicts. Cabinet ministers resigned or were jailed in Cameroon and Kenya. And a South African vice president was dismissed for alleged involvement in corruption.

AFRICA FAST FACTS

| | |
|--|--------------|
| Total population: | 0.7 billion |
| Population growth: | 2.1% |
| Life expectancy at birth: | 46 years |
| Infant mortality per 1,000 births: | 100 |
| Female youth literacy: | 77% |
| 2005 GNI per capita: | \$750 |
| Number of people living with HIV/AIDS: | 24.8 million |

Note: Life expectancy at birth, infant mortality rate per 1,000 live births, and female youth literacy are for 2004; HIV/AIDS data are from the UNAIDS 2006 Report on the Global AIDS Epidemic; other indicators are for 2005 from the World Development Indicators Database.

TOTAL FISCAL 2006

New Commitments

IBRD \$40 million
IDA \$4,746.6 million

TOTAL FISCAL 2006

Disbursements

IBRD \$4 million
IDA \$4,003 million

Portfolio of projects under implementation as of June 30, 2006: \$18.6 billion

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 | |

The positive developments leave Africans upbeat about their future. A Gallup Poll found that 52 percent of respondents expected 2006 to bring economic prosperity, and 57 percent expected the year to be better than 2005.

WORLD BANK ASSISTANCE

The Bank is the largest provider of development assistance to Africa, and it has increased its support dramatically over the past five years. IDA funding in fiscal 2006 of \$1.1 billion in grants and \$3.5 billion in credits represented a doubling of aid from fiscal 2000, and disbursements of \$4 billion represented an increase of more than 100 percent. Two IBRD loans totaled \$40 million.

The Bank's strategy for assisting Africa is outlined in the report titled *Strategic Framework for Assistance to Africa*, which draws on the report *Can Africa Claim the 21st Century?* The framework focuses on reducing conflict, improving governance, investing in people, improving aid effectiveness, and increasing economic growth through enhanced competitiveness and trade. It is complemented by the Africa Action Plan. (See chapter 1, "Africa Action Plan.")

The Bank maintained its focus on poverty reduction. Among other initiatives, it provided funding to improve basic service delivery in Niger; expanded access to financial services in Tanzania; funded labor-intensive public works and job creation programs in Benin, Burundi, and the Democratic Republic of Congo; mobilized local government and civic participation to preserve critical services in health, education, agriculture, and access to safe water in Ethiopia; built the capacity of key ministries in Kenya to fight corruption, and enhanced transparency and accountability; and improved governance in the forestry and mining sectors in the Democratic Republic of Congo.

The Bank teamed with development partners to launch programs including the Africa Stockpiles Program, which is aimed at eliminating stocks of obsolete pesticides, and the PROFISH Partnership, which addresses fisheries depletion and the degradation of marine habitats. Funds also went to Nigeria to combat avian flu, and to Zambia to increase the commercialization of smallholder agriculture. In Malawi, assistance was provided to feed people affected by the drought-induced famine. Program funding was also used to

develop irrigation and increase access to capital for agricultural investment, with the goal of raising agricultural production and incomes for some 200,000 households.

The Global Strategy and Booster Program for malaria control increased overall Bank funding to fight this deadly disease in eight countries by more than 300 percent over the previous year. In Benin, the Democratic Republic of Congo, Niger, and Zambia, the program focused on the rehabilitation of basic health infrastructure and the provision of insecticide-treated mosquito bed nets and malaria treatment. In four riparian countries of the Senegal River Basin—Guinea, Mali, Mauritania, and Senegal—malaria control will be part of a water resources development program funded by the Bank.

REDUCING CONFLICT AND FORGING ENGAGED SOCIETIES

Conflict is estimated to cost affected African countries 2.2 percentage points of economic growth each year. In collaboration with the New Partnership for Africa's Development (NEPAD), the Bank is working to achieve peace and stability, both of which are needed to accelerate growth, attract foreign investment, and increase exports. In fiscal 2006, the Bank began disbursements from two multidonor trust funds for the reconstruction of Sudan. Torn apart by 21 years of armed conflict, Sudan is one of the countries where the Bank works toward economic recovery and reintegration of former combatants into society under the Low-Income Countries under Stress Initiative. Throughout Africa, the Bank also has pursued its commitment to increasing transparency and reducing profits from the illegal trade in commodities linked to conflict, such as oil, gas, diamonds, timber, and precious metals.

BUILDING THE CLIMATE FOR INVESTMENT

The Africa Action Plan promotes expansion of public-private partnerships and innovative financing approaches. The Bank, IFC, and MIGA are working to combine the complementary skills of the World Bank Group to support additional private participation in priority infrastructure projects. The Africa Catalytic and Growth Fund—established in March 2006 to accelerate growth, poverty reduction, and attainment of the Millennium Development Goals in well-performing countries—supports regional programs and strengthens economic reforms. The Bank Group's *Doing Business 2005: Removing Obstacles to Growth*

FIGURE 2.1

AFRICA
IBRD AND IDA LENDING BY THEME | FISCAL 2006
SHARE OF TOTAL OF \$4.8 BILLION

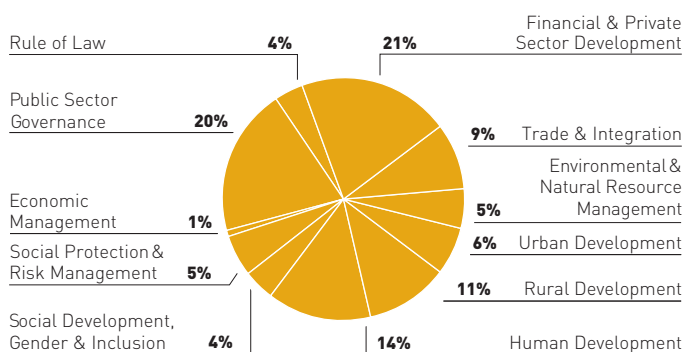
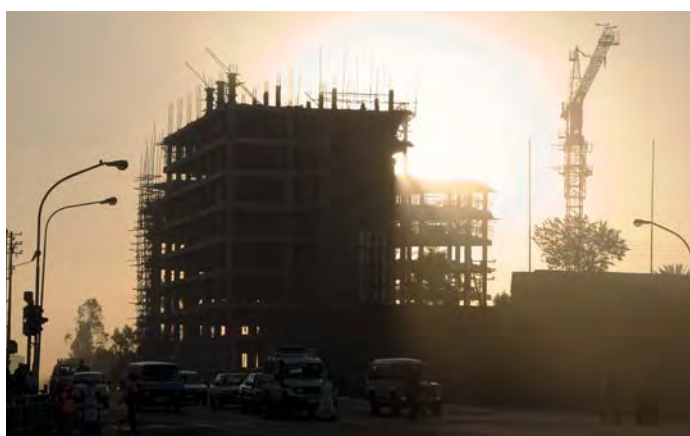
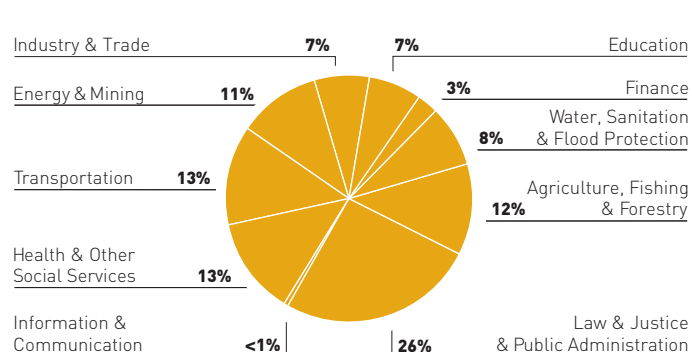


FIGURE 2.2

AFRICA
IBRD AND IDA LENDING BY SECTOR | FISCAL 2006
SHARE OF TOTAL OF \$4.8 BILLION



noted that most African countries remain high-cost, high-risk places to do business, although Rwanda's reforms to nurture private sector potential as an engine for growth and job creation were cited as a positive development. As a result of the challenges and the cost of doing business, the region received just \$22 billion of the \$237 billion in total foreign direct investment in developing countries in 2005. The bulk of this investment was in oil, gas, minerals, and services.

Most oil producers benefited from higher oil prices, but the region's net oil-importing countries experienced a cumulative loss of around 3.5 percent of gross domestic product, largely as a result of those prices. Many countries' exports expanded by about 8 percent, but failure to reach an agreement on the Doha Round of trade negotiations, combined with restrictions on global trade, made this success inadequate to offset the continuing drop in Africa's share of world trade.

Trade expansion requires a stronger agricultural sector, which employs 70 percent of Africa's labor force and accounts for 40 percent of its exports. The Bank supports NEPAD's Comprehensive African Agricultural Development Program, which is aimed at increasing agricultural output by 6 percent a year through 2015. The Bank and NEPAD are also working to liberalize intraregional trade; set up capital markets; clear obstacles to starting a business, protecting investors, and

registering property; and advocate for the elimination of the cascading tariffs that penalize value-added "made in Africa" goods in global markets.

REGIONAL INTEGRATION: A PILLAR FOR BUILDING PROSPERITY

The Africa Action Plan recognizes regional integration as one of the main pillars on which prosperity will be achieved on a continent with 15 landlocked economies and a gross domestic product the size of Belgium's. Regional lending in Africa (for multicountry pilot projects) in fiscal 2006 exceeded \$475 million, three times that of fiscal 2005. The programs funded trade facilitation, regional approaches to HIV/AIDS, private sector development, regional power systems, telecommunications, transport, health, tertiary education, agricultural research, migratory pests, food security, transnational environmental issues, and the weather-related vulnerability of rural communities. In Kenya, Rwanda, Tanzania, and Uganda, the Bank funded programs to facilitate regional trade and transport systems, focusing on railways in particular. The Bank also extended support to Burkina Faso, Cameroon, Guinea, and Mali for a project to improve air transport safety and bring the industry closer to full compliance with the safety standards of the International Civil Aviation Organization.

AUGMENTING, SIMPLIFYING, AND HARMONIZING AID FLOWS

The Bank supports implementation in Africa of the Paris Declaration, which recognizes that governments must design and own development priorities, and their international partners must scale up and provide dependable and outcome-oriented financial flows at lower cost. To be successful, African governments must commit themselves to combating corruption, equitably sharing the dividends of growth, and delivering meaningful and measurable development results. The Bank is urging donors to honor the pledges made in 2003 at the Monterrey Summit and in 2005 at the G-8 Summit in Gleneagles, thereby helping Africa attain the 7 percent annual economic growth needed to achieve the Millennium Development Goals. (See www.worldbank.org/afr.)

TABLE 2.1

WORLD BANK LENDING TO BORROWERS IN AFRICA BY THEME AND SECTOR | FISCAL 2001–2006
 MILLIONS OF DOLLARS

| THEME | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Economic Management | 138.5 | 138.7 | 37.8 | 68.0 | 46.5 | 31.4 |
| Environmental and Natural Resource Management | 110.0 | 159.9 | 227.0 | 195.2 | 217.2 | 250.6 |
| Financial and Private Sector Development | 625.8 | 780.7 | 383.6 | 810.9 | 768.2 | 979.1 |
| Human Development | 399.4 | 739.0 | 811.4 | 618.2 | 620.2 | 673.3 |
| Public Sector Governance | 429.6 | 851.9 | 432.4 | 818.4 | 708.0 | 964.7 |
| Rule of Law | 34.0 | 22.5 | 34.5 | 28.3 | 30.9 | 179.7 |
| Rural Development | 296.3 | 329.2 | 384.1 | 360.7 | 537.2 | 528.6 |
| Social Development, Gender, and Inclusion | 491.8 | 347.4 | 420.0 | 374.3 | 221.8 | 198.5 |
| Social Protection and Risk Management | 376.4 | 98.3 | 543.7 | 209.2 | 294.3 | 262.7 |
| Trade and Integration | 261.5 | 46.4 | 37.2 | 371.5 | 232.0 | 413.1 |
| Urban Development | 206.1 | 279.6 | 425.5 | 261.1 | 211.4 | 304.9 |
| Theme Total | 3,369.6 | 3,793.5 | 3,737.2 | 4,115.9 | 3,887.5 | 4,786.6 |
| SECTOR | | | | | | |
| Agriculture, Fishing, and Forestry | 212.0 | 210.4 | 303.4 | 268.5 | 215.3 | 585.5 |
| Education | 209.5 | 472.6 | 423.6 | 362.9 | 369.0 | 339.3 |
| Energy and Mining | 198.0 | 490.3 | 324.4 | 365.8 | 509.5 | 524.5 |
| Finance | 200.1 | 192.8 | 67.2 | 165.7 | 68.6 | 142.3 |
| Health and Other Social Services | 889.9 | 616.6 | 775.9 | 723.1 | 590.3 | 614.0 |
| Industry and Trade | 170.6 | 266.7 | 92.7 | 95.4 | 253.8 | 348.4 |
| Information and Communication | 21.1 | 33.8 | 41.4 | 52.9 | 20.0 | 5.0 |
| Law and Justice and Public Administration | 880.8 | 906.9 | 721.8 | 1,004.2 | 1,077.5 | 1,263.0 |
| Transportation | 229.8 | 491.1 | 690.5 | 716.6 | 507.2 | 602.7 |
| Water, Sanitation, and Flood Protection | 357.8 | 112.2 | 296.3 | 360.8 | 276.2 | 361.9 |
| Sector Total | 3,369.6 | 3,793.5 | 3,737.2 | 4,115.9 | 3,887.5 | 4,786.6 |
| Of which IBRD | 0.0 | 41.8 | 15.0 | 0.0 | 0.0 | 40.0 |
| Of which IDA | 3,369.6 | 3,751.6 | 3,722.2 | 4,115.9 | 3,887.5 | 4,746.6 |

Note: Includes all adjustment, development policy, and investment loans. Effective fiscal 2005, lending includes guarantees and guarantee facilities. Numbers may not add to totals due to rounding.