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# The growth opportunity in Africa

Nigeria's finance minister, Ngozi Okonjo-Iweala, explains why addressing the technology, agriculture, and infrastructure needs in parts of Africa, and in other emerging markets, is crucial to sustaining global growth.

**Emerging markets** offer the largest opportunity to accelerate productivity growth and sustain broader global economic prosperity. In Nigeria, Africa's largest economy, and in other parts of the continent, much of that opportunity lies in improving infrastructure, creating jobs for young people, and enhancing the value chain in agriculture. In this interview with McKinsey's Acha Leke, Nigeria's finance minister and former World Bank managing director Ngozi Okonjo-Iweala discusses why Africa must not be forgotten in the story of emerging markets and growth. An edited transcript of Okonjo-Iweala's comments follows.

## Anticipating growth in emerging markets

Emerging markets have provided more than half the global growth at some point during the time of the financial crisis. And then they've slowed down, and we're seeing some sluggish growth recently. Even China is now growing, or expecting to grow, at somewhat better than 7 percent.

However, I believe that we're going to see still better performance from emerging markets than from developed countries. In this whole story of emerging markets, we should not forget the Africa story, because we've got a number of middle-income countries on the continent that are doing relatively well.

You have Nigeria, which is growing now at 6.5 percent, has been growing at 7 percent on average. I think that will continue. Some other countries, like Angola, are also doing well. So all in all, if you look at the growth story for the African continent, and you add that to what we expect to be new growth stories emerging out of some of the other emerging-market countries, the prospects are a little more optimistic than one would expect.

### **Creating jobs for young people**

With the young population that will be one of the largest in the world, Africa stands a very good chance of turning this into a demographic dividend. As you know, if we do not create the job opportunities for the young people, then it could be a nightmare. We would need to make sure that we provide the means for productivity to rise within the continent, basically focusing on infrastructure. Because I think it's on the back of that that we'll be able to drive the private sector into creating the types of jobs that can absorb the young people.

You can't afford to have a young population not gainfully employed. We all have seen what happened with the Arab Spring. And that absolutely has to be avoided so that we don't have causes of instability within the continent. But I think that working on sectors like agriculture, for instance, which generates a lot of labor all along the value chain—changing the concept of agriculture to one of a business.

And running through the whole value chain as well as creating the right infrastructure: looking for how to improve education, focusing on technology and skills—to be able to really equip our young people to work in the modern world. Communications technologies will be critical, the access to the Internet. All of these things I think are areas that the continent will need to work on to avoid these risks.

### **Driving growth in Nigeria**

Nigeria has a two-track story, and I think the McKinsey report<sup>1</sup> captures this exceedingly well. The track that is not so familiar is the track of opportunity, the track of performance. The track where this country, over the past decade, has grown at about 7 percent per annum and is set—as the largest economy in Africa now with an even larger base—to continue to grow at better than 6 percent.

That performance—the creation of a rising middle class and the opportunities offered for a growth driven by internal consumption, a growth driven by the nonoil sector but really by services, by manufacturing, by agriculture—that story is the one that we look to for the future that is going to provide sustainable economic development for this country.

<sup>1</sup> For the full McKinsey Global Institute report, see “Nigeria's renewal: Delivering inclusive growth,” July 2014, on [mckinsey.com](http://mckinsey.com).

On the other hand, the second track is where we need to improve. It is certainly true that the type of growth, the quality of growth we've had in the past, needs to be radically improved because it has resulted in rising inequality. And that is not a sustainable situation for the future.

So we must look to greater job-creating growth to balance out this inequality equation. And we're certainly doing that. I believe that by focusing on agriculture and housing—which is a nontradable sector but is very important in job creation—and all these areas, we'll be able to provide better inclusion than we have. In addition, I think that we need to construct a social safety net to catch those at the bottom of the ladder who may not even have the skills. □

**Ngozi Okonjo-Iweala** is the finance minister of Nigeria. This interview was conducted by **Acha Leke**, a director in McKinsey's Johannesburg office.

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