

(Christos A)

# Q) What are the causes of stunted economic development in Sub-Saharan Africa

## corruption

Sudan & Somalia are the most corrupt places on Earth according to Corruption Perception's Index

But Botswana & Mauritius both score well

Chain of analysis stemming from corruption leading to inefficient allocation of resources because of less spent on education

Financial markets: lack of development of capital markets  
↓  
channeling funds from

max investors to macro opportunities in countries with commodities & labour

Stock markets means more trust, more regulation & transparency  
↓  
eliminates risk of asymmetric information, market rigging & moral hazard.

## intra-regional trade:

only accounts for 19% of trade. Twice as likely to trade with EU than another African country due to lack of infrastructure so shipping to EU is easier so higher transport costs & distributional efficiencies are missed.

instead face complex EU exporting procedures

But EU more lucrative & either way African economies produce similar goods

did you know Ethiopia = largest economy without a stock market

## commodity prices:

Falling since 2012 due to falling Chinese demand

severe consequences for primary product depend -ent. Zambia (exports) (78% = ores & metals)

Angola (15% = fuel)

Uganda (73% = agriculture)

Burundi (75% = agriculture)

link to Prebisch Singer hypothesis as TOT deteriorates due to falling commodity prices over time compared to rising manufactured goods

(batteries) But increase in demand for lithium & cobalt e.g from DR Congo against trend But still depends on whether foreign firms process raw material Value added production

e.g. Nigeria doesn't benefit from crude oil industry

population growth

130% pop. growth in next 40 yrs & 70% will be < 40 years old

pressure on health care & education  
↓  
But more workers = opportunity for increased industrialization