Economic Commission for Africa - ECA

HISTORY AND BACKGROUND OF THE COMMITTEE

The United Nations Economic Commission for Africa (ECA) is one of the five regional commissions in the United Nations. It has more than 60 years of existence promoting the continent’s economic and social development. Some of its main partners for the implementation of projects are the African Union, International Trade Center and the United Nations Conference on Trade and Development. Its mission is to deliver ideas and actions for an empowered and transformed Africa. For the past 60 years it has always been at the leadership of many initiative that range from the establishment of the Organization of African Unity to the creation of the African Development Bank and today, the African Agency for Development (Economic Commission for Africa, 2019).

As a way to focus its efforts and create a bigger impact the ECA has five sub regional offices that focus on more specific issues depending on the region. This way the efforts are better focused on the main problem of each subregion and in that way, stakeholders can be better taken care of. This is possible because it is the only UN agency with a mandate to operate at a regional and sub regional level. The sub regional offices are the following:

- **Sub regional Office - North Africa:** Employment skills and balanced development
- **Sub regional Office - West Africa:** Demographic dynamics for development
- **Sub regional Office - Central Africa:** Economic diversification policy and reforms
- **Sub regional Office - Eastern Africa:** Deepening regional integration—towards the implementation of African Continental Free Trade Area (AfCFTA)
- **Sub regional Office - Southern Africa:** Inclusive industrialization

Acceleration growth through private and public sector interventions will be key in the upcoming years for the ECA, in order to achieve their established goals for a unified and sustainable African region. The two main agendas this commission focuses on are the 2030 agenda and the Africa 2063 agenda.

Core Functions

The ECA helps promoting and encouraging the agenda for the 2030 SDGs and the Agenda 2063 on the Africa We Want. These tasks are centered on the 3 main core functions of the commission:

- **The convening function:** providing dedicated regional intergovernmental and multi-stakeholder platforms with strong ownership by member States, regional bodies and development banks that result in agreed development policy frameworks, standards and action plans that reinforce multilateralism at the regional and sub regional levels;
- **The think-tank function:** conducting multisectoral research and analysis that nurture the integration of the three pillars of sustainable development, and promote peer learning, innovative thinking and the advocacy of public policies while fostering intersectoral linkages and synergies;
- **The operational function:** provision of policy advice at the country level through direct demand-based support to member States in areas related to its normative and analytical work and in collaboration with the United Nations system at the country level. (Economic Commission for Africa, 2019)

Strategic directions

In order to achieve the commission’s mission, five strategic directions have been established in order to drive the efforts towards the same goals.

- **Advancing ECA’s position as a premier institution**, that builds on its unique position and privilege to bring global solutions to the continent’s problems and take local solution to the continent.
- **Developing macroeconomic and structural policy options to accelerate economic diversification and job creation.**
- **Designing and implementing innovative financing models for infrastructure, and for human, physical and social assets for transforming Africa.**
- **Contributing solutions to regional and transboundary challenges, with a focus on peace, security and social inclusion as an important development nexus.**
- **Advocating for Africa’s position at the global level and developing regional responses as a contribution to global governance issues.**
I. THE PROMOTION OF FINANCIAL TECHNOLOGY

STARTUPS IN AFRICA

Financial technologies (FinTech) companies employ new digital and online technologies to provide financial and banking services to individuals, companies or governments. These types of companies have been disrupting the market as we know it. Since banking was, until a couple of years ago, one of the business sectors that struggled the most to adapt to new technologies and manage to merge them with existing regulations concerning cybersecurity, anti-money laundering (AML), fraud and taxing. These companies have been able to merge the best of both worlds into easier and more affordable solutions for many citizens as they are less regulated than normal banking.

During the last couple of years with the growth of mobile connectivity and smartphone penetration in the market the FinTech’s have gained popularity among developed and developing countries. In developing regions such as Africa mobile subscriptions are just under 70 percent (JUMIA, 2019), while internet penetration is just about 20 percent. Another fact is that 90% of all internet subscriptions are accessed through mobile broadband. The network convergence of the smartphones has improved to the point that even low-cost devices can access multiple channels such as broadcasting, television, radio, voice and data.

The United Nations (UN) has identified that financial inclusion is necessary to guarantee a sustainable and inclusive economic growth inside the countries. In areas such as the Sub-Saharan region, the Economic Commission for Africa (ECA) has identified that FinTech companies may help reduce the gap that comes from poor existing infrastructure and financial services. (Economic Commission for Africa, 2018)

Mobile money services enable growth by promoting savings and investments, improves productivity, entrepreneurship and spread the reach of many businesses to a broader range of clients. Remittances play a crucial role in many developing countries and help to fuel the economy. In some countries, such as El Salvador, they can represent more than 20% of the GDP and may equal to the government’s budget according to the Salvadoran Central Bank. Finding a fast and reliable ways to send and receive remittances will play a key role in promoting socio-economic growth. Especially in areas with poor infrastructure in which traveling to send or receive money is not a valid option.

Promoting FinTech industries will definitely help many African countries achieve their agenda regarding the Sustainable Development Goals (SDGs) and the Agenda 2063. Delegates must not only think about the possibilities that new technologies bring to the private sector, such as business to business (B2B) transactions or business to customer (B2C), but also in the ways that governments can interact in a totally new and more direct way with millions of citizens in people to government transactions (P2G). For example, pensions are an emerging concern worldwide, and countries with a public
pension system still receive periodic payments from the government (GSMA, 2019). Creating a more affordable way for people to receive their pension without travelling vast amounts of land to a physical bank or a government agency may increase productivity, reduce transaction costs and improve the coverage of the system. Another example could be that by migrating to the digital era many issues that affect African public administration may be tackled. Corruption, bribery and fraud can be reduced by increasing standard digital transactions that may include tax payments, custom transactions and others. This will mostly increase the government’s revenue, and with the correct public administration it will translate into more investment and growth for the countries.

There are over 301 FinTech startups in Africa, and their services include: payments, lending, retail banking, asset management, fraud protection and regulatory compliance. According to Mckinsey and Company 80 percent of the adults in Africa do not have access to formal banking services. These new startups are challenging the status quo by allowing users with no existent bank accounts to access many different financial services and help them grow and develop. The relatively easy access to mobile services, combined with the technological solutions from FinTech are enabling many Africans to gain access to banking services such as microloans and has granted many banks the opportunity to control those microcredits in a safer and more reliable way. This has taken Africa to the point that it is now the biggest market for money transfers via mobile phones. Other clear examples of how well used these tools are being used can be found in Gabon, Ghana, Kenya, Namibia, Uganda, the United Republic of Tanzania and Zimbabwe, where more than 40 percent of adults pay all their daily bills directly through mobile money (GSMA, 2018).

Additionally, the huge advances in blockchain technology have been a catalyst of technological disruption for many African countries. Companies are starting to see the benefits of using this technology in areas ranging from gambling to banking and even in creating their own cryptocurrencies. For example, the first country in the world to use this technology to build their own cryptocurrency was Tunisia. In 2016 Senegal became the second country in the world to introduce a digital currency based on blockchain technology. Their current currency is called CFA Franc and the digital one was named eCFA. It differs from other existing digital currencies such as Bitcoin as it will be regulated by the Central Bank. Using blockchain will help solve some of the issues that many African countries are experiencing by creating a transparent, reliable and inclusive mechanism to make payments, transactions and various other solutions.

One of the best and most successful mobile money services is the M-Pesa system, developed by a Kenyan company called Safaricom in 2007. It is the leading service in Africa with over 37 million customers and over 11 billion transactions in the 2019 Fiscal Year. Users are able to pay bills, apply for short-term loans, send and receive money among other benefits without even needing a top of the line smartphone. It uses SMS transactions and any basic mobile handset will get the job done, making in truly inclusive (Vodafone, 2016).

Imagine finally graduating from university and finding a job in your city’s capital as analyst. Everyone in your family would be proud of your accomplishments, because you’re the first of your family to leave and work in the city.
Unfortunately, your family can’t come with you and needs to stay at the house, far away from any bank in the country and definitely with no wired internet connection whatsoever, just connected by their mobile phones. Before the technological disruption of mobile money services, you would need to seek a way to send piles of cash to your house every 15 to 30 days in order to help your family. This could have taken a couple of days and would have been risky. However, with FinTechs it now takes a second for your mother to receive money whenever she needs it. They may have an emergency and need to pay for some medicines urgently. Now, you can send them money instantly without complications and focus on working and improving at your job, even if you’re far away from your loved ones. This is a basic example of how these services have helped millions of users in Africa in the past few years.

Challenges
Although it may seem as if FinTech should be widespread across the Africa continent, and well accepted by the majority of officials and people it is not the case for every country. It has some challenges in needs to address. For example, a study conducted by International Data Group Connect showed that each year, cybercrime cost the South African economy an estimated 573 million dollars. For the Nigerian economy the cost was estimated to be 500 million dollars, and for the Kenyan economy, 36 million dollars. Another study conducted by Deloitte and dating back to 2011 showed that financial institutions in Kenya, Rwanda, Uganda, Tanzania, and Zambia had sustained losses of 245 million dollars, attributable to cyber fraud. This makes people untrustworthy when it comes to these new technological developments. (Economic Commission for Africa, 2018)

There is a great inequality among countries regarding mobile penetration and mobile money transactions. Some of the challenges that need to be addressed by this committee are the following:

- **Regulations**: It is a fact that governments and policy makers can be rigid when it comes to catching up with the pace of new technologies. FinTech are definitely not the exception to these cases. The ECA should find ways to regulate financial technologies with a unified kind of jurisdiction that may apply to the vast majority of countries in the African continent. Some FinTech companies may go around some of the regulations that banks are submitted to, so this gives them the ability to change rapidly, but on the other side this creates an opportunity to abuse their liberty. Existing regulations are often based on the old and stable banking system, but since these new transactions are often decentralized and regulated to some extent by the telecommunication companies this creates a paradigm that needs to be addressed. Also, if each country individually seeks to create their own regulation it will create a real chaos for companies wanting to grow across borders, because each regulation may be so different that the investment will not be worth it. Africa needs unification and a common law that regulates mobile money.

- **Limited Infrastructure**: although internet penetration and basic services are improving in the country as you may notice in the map below, Africa still lacks a decent quality of mobile internet. Other direct services that FinTech companies need to use but are inadequate are electricity, mobile broadband and quality of IT.

http://www.mobileconnectivityindex.com
- **High cost of bandwidth**: Poor infrastructure translates into a costly bandwidth service for certain regions that aren’t near the coastal areas or the main backbone network. This means that although the coverage has increased, it hasn’t become available to as many consumers as it may have if governments addressed this issue. Some possible ways may be through Public-Private Partnerships (PPPs) to create the proper business climate to promote investments from the private sector.

- **Cybersecurity**: According to the Central Bank of Kenya, 37 percent of mobile transactions are fraudulent. This is a considerably higher amount than fraudulent transactions via traditional banking systems which account for only 10 percent.

**Expectations**

We expect the delegates to discuss the previous stated challenges and look for integral ways to create a sustainable integration between member nations in this committee. FinTechs will help all countries get closer to the SDGs and may be an opportunity to create a joint effort for a unified Africa. Wide coverage and simplification need to be in the agenda of this committee.

Africa is one of the fastest growing continents in the world and a unified economical approach is mandatory for a sustainable development in the country. Using technology to help increase the quality of life will be key. We have 3 core functions as a committee: convening, think-tank and operational. We expect to see what policy advice and action plan we may develop, given the research and analysis that exists in the region about the role of FinTechs. Recommended readings are in the bibliography.

**II. TOWARDS AN INTEGRATED AND COHERENT APPROACH TO SUSTAINABLE DEVELOPMENT IN AFRICA**

Diversity gaps between cultural and social characteristics not only among regions, but also between countries and inside the states have made it difficult for Africa to work together and seek a sustainable development in the past years. During the past decades some advances have been created in order to take advantage of the huge potentials of the continent. The African Development Bank and the African Continental Free Trade Area are some examples of approaches created before in order to integrate the region and use its full potential.

Information on Africa has been scarce, so tackling problems with the right approach is no easy task. Western countries give aid to many African countries in generous amounts, but most of the times they tend to be biased in the ways of solving some issues. Western solutions for African problems are not often what’s needed, because if the only tool we have is a hammer then everything is going to be a nail. This means that if we see everything from the same perspective, then we are going to think of the same solution and just replicate it. A hands-on approach is necessary, just like what the ECA is doing in the territory. They are doing so by working closely with the government, the private sector and the people, to see what needs to be done in order to improve their quality of life.

Some advances have been possible. In fact, most of them are taken for granted, because the world tends to be more pessimistic than optimistic. This is product of our defense mechanisms that tends to overestimate bad news and focus on small alarming data rather than seeing the big picture. A distinction needs to be made and we need to draw a line to learn if a country is in a bad moment right now but moving in a positive direction or if it is in a bad situation and going towards a worse condition in the near future. Even though Africa is not where it should be given the strengths it has, it has been moving towards a sustainable growth and a better quality of life overall. Life expectancy and income per capita has risen to levels of European countries from 1980s or even above for some exceptional countries such as Egypt or Algeria. This shows a holistic improvement on life quality, basic services, health services, water quality, sanitation, among other things.

Although Africa has improved, some inequalities have risen and not every country has developed simultaneously. The following graphic shows how almost half of the population in Africa lives in countries that are considered to be in the second income level, but the rest of the continent, although close, is still struggling to jump from level 1 to level 2. The size of the bubbles represents the population of each African country. Everyone should be looking to be at the top right corner of
the graphs. As you see there has been a shift towards the upper side, and populations have grown showing how life expectancy and a decline in child mortality has helped in this matter. Also, more countries have been in level 3 of income, but more needs to be done in order to help improve the ones that are still lagging.

Source: gapminder.org

In order to create sustainability, we need to create a shared vision of what we want, and we see the continent in the future. This coherent approach has been established and stated in the Agenda 2063 for the Africa We Want. In that document the member states have agreed on a master plan for transforming Africa in the next 50 years, as it was signed in 2013.

The plan establishes not only long-term goals, but also some flagship projects and 10-year strategic implementation plans in order to measure the success of the initiatives stated. Below you may find the list of aspirations that leaders from the region agreed should be taken on top of their agendas to become the next powerhouse and gather investments, new opportunities and empowerment for their people. (African Union, 2013)

Aspirations

1. A prosperous Africa based on inclusive growth and sustainable development
2. An integrated continent, politically united based on the ideals of Pan Africanism and the vision of Africa’s Renaissance
3. An Africa of good governance, democracy, respect for human rights, justice and the rule of law
4. A peaceful and secure Africa
5. An Africa with a strong cultural identity, common heritage, values and ethics
6. An Africa, whose development is people-driven, relying on the potential of African people, especially its women and youth, and caring for children
7. Africa as a strong, united, resilient and influential global player and partner
Flagship Projects

Here are some of the most important projects stated in the document. (African Union, 2013)

a) Integrated High-Speed Train Network
   a. In order to facilitate the movement of goods, people and services there is a plan to create a high-speed train network that goes through all the capitals and commercial centers of the region.

b) Formulation of an African Commodities Strategy
   a. In order to promote growth, economies need to shift their competitive advantage from trading and exporting commodities to adding some value to their products. Finding a way to create higher value can be obtained through improving the value chains vertically and horizontally, improving productivity and specialization via high skilled labor. This includes creating better educational systems, connectivity among regions and unified laws by which all the companies should interact, in order to have a clear set of rules.

c) Establishment of the African Continental Free Trade Area (AfCFTA)
   a. Trade is on top of the agenda in order to generate economic growth. Intra-Africa trade needs to be strengthened, and a place to discuss universal policy space needs to be negotiated.

d) The African Passport and Free Movement of People
   a. In order to promote intra-African movement, it is planned to have a free and easy way to travel to any African country in order to work, travel or live. (African Union, 2013)

Economic Report on Africa

The main scope of the ECA’s Economic Report on Africa is on how countries should manage their fiscal policies in order to obtain more government revenues in order to invest it in capital projects to promote a sustainable development. Sustainability will not be attained as long as governments keep getting themselves in more and more debt to finance current expenses. A plan and course of action is needed in order to create a governments strategy for a steady source of income that can work to promote economic growth. Finding the optimum tax amount is crucial in any public policy. Too much and your tax base will reduce and then the revenue will decrease; too little and you will leave a lot of money in the table for the projects.

The report states that African countries can increase government revenue by 12 and 20 percent of their GDP by improving in 5 key areas. These areas are fiscal policy, tax policy, non-tax revenue, tax administration and policies for the natural resources sector. With this the country can expect to see some ways to finance their spending to support achievement of the SDGs and the 2063 agenda. (Economic Commission on Africa, 2019)

Even though the region has seen some economic growth in the past years, the social development has been slow. More policies need to be taken into consideration in order to promote a sustainable social, economic and environmental progress. In order to finance these policies and reach the goals the continent has investment needs to be boost up to 30 or 35 percent of the GDP and government revenue needs to be implemented.

One of the main ways in which Africa can boost government revenue is by introducing electronic ways in which they could tax their citizens. This goes along with the previous topic about improving and promoting FinTechs in the region, as mobile money and mobile transactions could be a way for governments to approach their citizens and get closer to them. Finding the right balance between taxes and investments is key for the future.

In conclusion, there have been some big efforts in the past years in order to unite and create a cohesive Africa. Unfortunately, economic approaches are not sufficient to guarantee social growth and inequality reduction. The evaluation of past, current and future projects should be discussed in order to come up with the best option possible in order for them to be financed, executed and maintained afterwards. If Africa wants sustainability, inequality should be tackled since according to the ECA the continent is second region with the highest inequality besides Latin America.
III. NEEDED ACTIONS TO TACKLE CLIMATE CHANGE AS EXTREME WEATHER CATASTROPHES MOUNT

Climate change is a fact that cannot be taken out of the equation when sustainability and growth is being debated. Africa is one of the continents that has contributed the least to pollution and global warming. Yet, it is one of the regions where climate change and catastrophes have impacted the most in the previous years. According to Save the Children with data from UNICEF the climate crisis contributes to at least 33 million people in the region. The emergencies range from floods, to droughts, going through cyclones and good insecurity in major regions. Out of the 33 million people, 16 million are believed to be children.

Many initiatives such as the Paris Agreement on climate change have appeared, in which countries signed to voluntary fight against climate change. They should develop, communicate, implement, monitor and report their contributions to tackle global warming. This treaty, according to its second article 2, paragraph 2 states that the agreement “will be implemented to reflect equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances”. Giving a common sense of responsibility to every nation but understanding that different economic situations demands for different economic measures as to what can and should be done in order to tackle this issue effectively.

Later on, in October 2018, the Intergovernmental Panel on Climate Change (IPCC) released its report Global Warming of 1.5°C. In which it stated that and supported the goal of the Paris Agreement, which stated that global warming should stay below the 2°C mark if the world did not want to create an irreversible harm to the ecosystems and nature as we know it. The report notes the evident effects of 1°C of global warming, everyone has seen the artic poles melting, the rising sea levels and monstrous natural disasters. It also stated how Africa will be the first and fastest continent to attain the 2°C warming level over the pre-industrial era by 2050. This will cause extreme precipitation in regions such as South Africa and disastrous droughts in the sub Saharan region and the Horn of Africa for example. If nations want to continue their economic, social and environmental growth they should seek to keep global warming at a 1.5°C limit. If this is not attainable economies will face negative externalities in different areas such as health, energy, water and food. The focus should be to create policies that produce resilient economies, infrastructures, ecosystems and societies. (Intergovernmental Panel on Climate Change, 2018)

In a joint effort with the African Development Bank, the African Union Commission and in collaboration with the Government of Ethiopia and the Pan African Climate Justice Alliance the ECA organized the 8th Conference on Climate Change and Development in Africa. The objective was to gather common positions on the reality of climate change and create strong commitments and plans with the support of the Secretary-General. The conference was held earlier than usual because of the urgent nature of this topic. Furthermore, all African countries have signed the Paris Agreement and 50 of those have ratified their commitment through a series of nationally implement projects, that require a combined $3 trillion to finance. The conference brought together policy makes, young leaders and experts to discuss what can be done in order to address the important issues regarding climate change.

The conference focused on the 9 interdependent tracks in which the Climate Action Summit is organized. These are:
- Climate finance and carbon pricing
- Energy Transition
- Industry Transition
- Nature-based solutions
- Infrastructure, cities and local action
- Resilience and adaptation
- Mitigation
- Youth engagement and public mobilization
- Social and political drivers

Some of the findings shared a lot in common, and ways to finance those projects was one of the most discussed topics at the conference. Public-Private Partnerships (PPPs) where proposed as a way in which incentives can be aligned and financing
can be done for countries. In order to do that the legal frameworks should be adapted to guarantee investors a clear understanding of the rules their playing when accepting a PPP. This interacts with the previous topics in which government revenues and international investments are stated necessary in order for Africa to grow and develop. It should be discussed in ways in which all countries can join the fight against climate change knowing the economic, social and geographical differences that exist among them. Financing infrastructure, water and energy projects to create clean, resilient and connected cities is imperative in order to tackle the carbon footprint we are leaving behind.

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