

Forum: Economic and Financial Committee (ECOFIN)

Issue: Fostering Economic Diversification and Structural Transformation in Central Africa

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Introduction

Economic diversification and structural transformation are critical for the sustainable development of Central Africa, a region with abundant natural resources such as oil, minerals, and agriculture. However, despite this wealth, Central African economies remain highly vulnerable due to their reliance on primary commodity exports. This dependence results in economic volatility, slow industrialization, and persistent unemployment, causing further socioeconomic disparities and hindering long-term growth (UNECA).

The global economic landscape is evolving rapidly, with technological advancements, climate change, and geopolitical shifts altering trade and investment patterns. Economies that fail to diversify remain particularly susceptible to external shocks such as fluctuating commodity prices, which can lead to severe economic downturns. Countries in Central Africa, such as Chad, Gabon, and the Republic of the Congo, have experienced dramatic fiscal crises during commodity price slumps, highlighting the critical need for economic transformation.

Moreover, economic diversification aligns with broader regional and international development agendas, including the African Union's Agenda 2063 and the United Nations Sustainable Development Goals (SDGs), which emphasize inclusive economic growth, industrialization, and job creation. As RCIMUN's theme, *"Enhancing Cooperation: Mending the Cracks in the Rules-Based International Order"*, underscores the significance of global economic stability, fostering economic diversification in Central Africa is crucial to enhancing regional cooperation, resilience, and sustainable development.

Definition of Key Terms

Economic Diversification: The process of shifting an economy away from a single income source toward multiple sources from different sectors to reduce reliance on a particular industry.

Structural Transformation: The shift of economic activity from low-productivity sectors such as

agriculture to high-productivity sectors such as manufacturing and services.

Commodity Dependence: A condition where a country relies on the export of raw materials for a significant portion of its GDP and foreign exchange earnings.

Value Addition: The process of increasing the economic value of a product by changing its form, function, or adding new features.

Industrialization: The development of industries in a country or region on a wide scale, typically moving away from an agricultural-based economy to other forms of economic activity.

Human Capital Development: Enhancing the skills, knowledge, and health of a workforce to improve productivity and economic performance.

Trade Liberalization: The removal or reduction of trade barriers, such as tariffs and quotas, to encourage free trade.

Import Substitution: A trade policy aimed at reducing reliance on foreign goods by promoting domestic industries.

General Overview

Historical Economic Disruptions

Central Africa's economic history is shaped by its geographical advantages, natural resource wealth, and socio-political events over centuries. From the 15th century onward, the trans-Atlantic slave trade introduced devastating economic disruptions. Millions of people were forcibly taken from Central Africa to be enslaved, decreasing the region's labor force and leading to significant population declines. This period also shifted economic priorities, as local societies became deeply entangled in the slave trade to meet European demand. Some kingdoms and local leaders benefitted by trading captives for European goods, including firearms, which in turn fueled cycles of conflict (African Development Bank, 2022)

Colonial Economic Impact

From the late 19th century, European colonization drastically reshaped Central Africa's economies. Colonial powers, such as Belgium, France, Germany, and Portugal, imposed extractive economic systems focused on exploiting the region's abundant natural resources. During this time, large-scale extraction of resources such as rubber, copper, diamonds, and timber became the primary economic activity. Plantations were established for cash crops like cocoa, coffee, and palm oil, often under exploitative labor conditions. Infrastructure development, such as railways and ports, was

implemented to facilitate resource extraction, neglecting broader societal needs. Colonial economic policies prioritized the needs of imperial powers over local development, leaving the region with economies that were heavily dependent on raw material exports. Education and skill development were limited, depriving local populations of opportunities for economic advancement (Britannica, 2025)

Post-Independence Economic Challenges

After gaining independence in the mid-20th century, Central African nations inherited economies deeply rooted in the colonial extractive model. Efforts to industrialize and diversify were hindered by political instability, as many nations experienced coups, conflicts, and authoritarian regimes. Persistent reliance on exports of raw materials left economies vulnerable to global commodity price fluctuations. Additionally, weak institutions, corruption, and insufficient investments in education and infrastructure further constrained economic development (World Bank, 2024).

Current Economic Landscape

In recent years, Central African economies have faced new opportunities and challenges. Regional economic organizations like the Central African Economic and Monetary Community (CEMAC) and the African Continental Free Trade Area (AfCFTA) have encouraged economic collaboration and trade liberalization. The region has also become a focal point for investments in sectors such as mining (e.g., cobalt, critical for electronics and batteries) and oil. However, overreliance on extractive industries continues to pose risks, while agriculture remains underdeveloped despite employing a significant portion of the population (African Development Bank, 2022). The economies of Central Africa are largely defined by an overreliance on extractive industries, particularly oil and mining, which account for the majority of exports and government revenues. Countries such as Equatorial Guinea, Gabon, and Chad are heavily dependent on oil revenues, while the Democratic Republic of Congo (DRC) and the Central African Republic (CAR) primarily rely on mining. This economic structure has led to high exposure to global commodity price fluctuations, making these nations vulnerable to economic crises during downturns. Agriculture also plays a significant role, with subsistence farming employing a large proportion of the population. However, the sector remains largely underdeveloped, with limited investment in value-added processing and agribusiness. Additionally, manufacturing and services remain underdeveloped, restricting economic complexity and reducing employment opportunities in higher-wage industries (UNCTAD, 2023)

Barriers to Economic Diversification

There are various challenges to diversification and structural transformation. The heavy dependence on extractive industries makes Central African economies particularly vulnerable to price fluctuations and global demand shifts. Poor transportation networks, unreliable electricity, and limited digital connectivity hinder industrial development and trade expansion. Corruption, bureaucracy, and

ineffective governance impede policy implementation and discourage private-sector investment. Small and medium enterprises (SMEs) and emerging industries face significant financing challenges due to underdeveloped financial markets and high interest rates. Education and vocational training gaps limit the workforce's ability to support a diversified economy, particularly in high-tech and industrial sectors. Persistent regional conflicts, weak rule of law, and political uncertainties deter both foreign and domestic investments in non-extractive sectors (IMF, 2023; African Development Bank, 2022).

Efforts Toward Economic Diversification

Efforts to diversify Central African economies have been ongoing for decades, often driven by international financial institutions and regional economic organizations. Structural adjustment programs (SAPs) in the 1980s and 1990s, implemented by the International Monetary Fund (IMF) and the World Bank, aimed to reduce economic dependence on state-run industries and encourage private sector growth. However, these programs often led to social challenges, such as reduced public spending and increased economic inequality. In recent years, the Central African Economic and Monetary Community (CEMAC) has promoted economic policies aimed at fostering regional integration and industrialization. The African Continental Free Trade Area (AfCFTA), launched in 2021, also presents an opportunity for Central African nations to expand their trade base beyond commodity exports and develop regional supply chains. Despite these efforts, structural transformation has remained slow due to a combination of governance challenges and infrastructure deficits. Policymakers must implement more targeted strategies to accelerate diversification, particularly in high-potential sectors such as agribusiness, renewable energy, and digital technology (UNCTAD, 2023).

Challenges in Human Capital Development

Human capital development in Central Africa has not kept pace with the demands of an increasingly globalized economy. Gaps in education and vocational training leave large segments of the workforce unprepared to contribute to more technologically advanced and industrialized sectors. This issue is compounded by limited investments in STEM education and skills training tailored to emerging industries (UNESCO, 2023).

Major Parties Involved and Their Views

Guinea

Guinea's economy is heavily reliant on its vast natural resources, particularly bauxite, gold, and diamonds. The country holds one of the world's largest reserves of bauxite, which is a key export commodity. Agriculture also plays a significant role, employing a large portion of the population, but the sector remains underdeveloped. Guinea faces challenges such as governance issues, youth

unemployment, and gender inequality, which hinder its economic progress.

Gabon

Gabon is one of Africa's largest oil producers, with petroleum accounting for a significant portion of its GDP and exports. The country also has abundant natural resources, including timber and manganese. Despite its relatively high GDP per capita, a large segment of the population lives in poverty due to economic inequality and overreliance on resource extraction. Gabon is also a leader in environmental conservation, with initiatives to protect its rainforests

Democratic Republic of Congo (DRC)

The DRC is rich in natural resources, including cobalt, copper, and diamonds, making it a key player in global mining. However, decades of conflict, corruption, and weak governance have hindered its economic development. Agriculture employs a majority of the population, but the sector remains underfunded. The DRC also faces challenges related to infrastructure and political instability.

Central African Republic (CAR)

The CAR's economy is characterized by subsistence farming and forestry forming the backbone of economic activity. The country is rich in natural resources, including diamonds and gold, but ongoing conflicts and governance issues have severely limited economic growth. Poverty and humanitarian challenges remain widespread.

Economic Community of Central African States (ECCAS)

ECCAS is a regional organization aimed at promoting economic integration and cooperation among its 11 member states. Its priorities include trade facilitation, infrastructure development, and peacebuilding. However, the organization faces challenges such as limited funding and overlapping mandates with other regional bodies.

Central African Economic and Monetary Community (CEMAC)

CEMAC focuses on economic and monetary integration among its six member states, which share a common currency, the Central African CFA franc. The organization aims to promote trade, financial stability, and regional development. CEMAC also supports infrastructure projects and economic reforms to enhance competitiveness.

International Monetary Fund (IMF)

The IMF provides financial assistance, policy advice, and technical support to its 191 member countries. In Central Africa, the IMF has been involved in structural adjustment programs and economic reforms aimed at stabilizing economies and promoting growth. However, its policies have

sometimes been criticized for their social impacts.

World Bank

The World Bank supports development projects in Central Africa, focusing on areas such as infrastructure, education, and poverty reduction. It provides loans and grants to help countries address challenges like governance, climate change, and economic diversification.

African Union

The AU is a continental organization that promotes unity, peace, and development across Africa. It supports initiatives like the African Continental Free Trade Area (AfCFTA) to enhance economic integration. The AU also addresses issues such as governance, conflict resolution, and sustainable development.

Timeline of Events

The timeline of the events relating to the economic diversification of the Central African region is provided in the table below.

15th Century	Trans-Atlantic Slave Trade begins, decimating labor forces and disrupting local economies, influencing future economic structures.
1880s-1910s	European Colonization of Central Africa reshapes economies to prioritize resource extraction.
1960s	Independence of Central African countries.
1970s-1980s	Oil and mineral boom in countries like Gabon and the DRC.
1980s-1990s	Structural Adjustment Programs (SAPs) are implemented by the IMF and World Bank.
1991	Formation of the Central African Economic and Monetary Community (CEMAC).

2000s	Continued political instability and conflicts hinder efforts to diversify economies and build strong infrastructure.
2010s	Efforts to promote industrialization through regional initiatives and foreign investment.
2021	Launch of the African Continental Free Trade Area (AfCFTA).
2022-2023	Regional and international stakeholders increase focus on digital transformation and renewable energy projects.
2024-Present	Continued emphasis on human capital development.

UN Involvement

The United Nations has played a significant role in fostering economic diversification and structural transformation in Central Africa through various agencies and initiatives. While progress has been made, challenges such as weak governance, inadequate infrastructure, and political instability continue to hinder sustainable economic transformation.

United Nations Economic Commission for Africa (UNECA)

UNECA has been a leading UN body in supporting economic development in Africa through policy recommendations, research, and technical assistance. They launched the Douala Consensus in 2017 to promote structural transformation in Central Africa and published reports such as the Economic Report on Africa, which highlights the need for industrialization and economic diversification. They support Central African countries in implementing the African Continental Free Trade Area (AfCFTA) to boost intra-African trade.

United Nations Development Programme (UNDP)

UNDP focuses on sustainable development, poverty reduction, and inclusive growth in Central Africa. They provide funding and technical assistance for SME development and entrepreneurship programs to diversify economies beyond extractive industries. They have also launched the African Sustainable

Finance Hub to encourage green finance and investment in non-resource sectors. They work with national governments to develop economic resilience strategies to mitigate the impact of commodity price fluctuations.

United Nations Industrial Development Organization (UNIDO)

UNIDO promotes industrialization and technological innovation to support economic diversification. It implemented the Inclusive and Sustainable Industrial Development (ISID) strategy to help Central African countries develop manufacturing and agro-processing industries. It partners with governments to establish Special Economic Zones (SEZs) to attract foreign investment in diversified industries. These industrial development efforts are often hampered by poor infrastructure, high production costs, and limited access to financing for businesses.

Food and Agriculture Organization (FAO)

FAO supports the transformation of agriculture into a more productive and sustainable sector. It promotes agribusiness and value-added processing to increase agricultural productivity and reduce dependency on raw commodity exports. It provides technical assistance for climate-smart agriculture and irrigation projects to improve food security. It encourages governments to invest in rural infrastructure such as roads and storage facilities to enhance agricultural supply chains.

International Labour Organization (ILO)

ILO focuses on job creation, skills development, and labor market policies. It works with governments to implement vocational training programs aligned with the needs of emerging industries and promotes formalization of informal employment to enhance workers' rights and economic stability. It conducts research on youth employment to address high unemployment rates in Central Africa.

Relevant UN Documents

Inclusive Economic Development Crucial for Long-term Stability in Central African Republic

(23 October 2024, SC/15860) This document emphasizes the importance of inclusive economic development as a foundation for stability in the Central African Republic. It highlights the role of local elections, peace processes, and state authority restoration in fostering sustainable development.

Assistance for the Reconstruction, Rehabilitation, and Development of the Central African Republic

(A/RES/17368) This resolution focuses on providing special economic assistance to the Central African Republic, addressing reconstruction and development challenges in the aftermath of conflict.

Advancing the Implementation of the African Continental Free Trade Area (AfCFTA) (17 March 2025, Economic Report on Africa 2025) This report underscores the transformative potential of AfCFTA in reducing commodity dependence, boosting manufacturing, and strengthening Africa's position in global value chains. It is crucial for Central Africa's economic diversification and integration.

Treaties and Events

Abuja Treaty, 3 June 1991

This treaty established the African Economic Community (AEC) to promote economic integration across Africa. It is significant for Central Africa as it lays the groundwork for regional cooperation and trade liberalization.

African Continental Free Trade Area (AfCFTA), 21 March 2018

AfCFTA aims to create a single market for goods and services across Africa, including Central Africa. While most African nations have signed and ratified the agreement, some countries face challenges in implementing its provisions due to infrastructure and governance issues.

Brazzaville Treaty, 10 May 1964

This treaty focused on cooperation among Central African nations in areas such as transportation and communication. It is important for fostering regional integration.

Geneva Conventions, 12 August 1949

Central African nations, including the Central African Republic, ratified these conventions to ensure humanitarian protections during armed conflicts. They remain crucial for addressing the region's ongoing conflicts.

Cotonou Agreement, 23 June 2000

This agreement governs relations between the European Union and African, Caribbean, and Pacific (ACP) countries, including Central Africa. It focuses on development cooperation, trade, and political dialogue.

Treaty Establishing the Central African Economic and Monetary Community (CEMAC), 16 March 1994

This treaty formalized the creation of CEMAC, promoting economic and monetary integration among its six member states. It is vital for regional stability and economic collaboration.

Evaluation of Previous Attempts to Resolve the Issue

Structural Adjustment Programs (SAPs) by the IMF and World Bank (1980s–1990s)

The International Monetary Fund (IMF) and the World Bank implemented Structural Adjustment Programs (SAPs) in Central African nations to address economic instability and promote growth. These programs aimed to reduce reliance on state-run industries, liberalize trade, and encourage private-sector development. However, SAPs often led to significant social challenges, including reduced public spending on essential services like education and healthcare, which worsened inequality and poverty. Additionally, the focus on short-term fiscal stabilization often came at the expense of long-term economic diversification, leaving economies vulnerable to global commodity price fluctuations (World Bank, 2024; African Development Bank, 2022).

Copenhagen Climate Conference (COP15, 2009)

The Copenhagen Climate Conference aimed to establish a global framework for climate change mitigation. While the conference resulted in the Copenhagen Accord, which set an aspirational goal of limiting global temperature increases to 2°C, it failed to produce a legally binding agreement. The lack of enforceable commitments and clear pathways for implementation undermined its effectiveness. For Central Africa, this failure meant limited progress in addressing climate-related challenges, such as deforestation in the Congo Basin and the impact of climate change on agriculture (BBC News, 2009; Center for Climate and Energy Solutions, 2009).

Regional Integration Efforts by CEMAC and ECCAS

The Central African Economic and Monetary Community (CEMAC) and the Economic Community of Central African States (ECCAS) have long sought to promote regional integration and economic cooperation. While these organizations have made progress in areas like infrastructure development and trade facilitation, their efforts have been hindered by governance issues, overlapping mandates, and limited political will among member states. Additionally, persistent conflicts and security challenges in the region have diverted resources and attention away from economic development (ACCORD, 2021; Regional Policy Insights, 2024).

African Continental Free Trade Area (AfCFTA, 2021)

The AfCFTA represents a significant step toward economic integration across Africa, including Central Africa. However, its implementation has faced challenges, such as inadequate infrastructure, governance deficits, and limited capacity to enforce trade agreements. For Central African nations, these barriers have slowed the development of regional supply chains and the diversification of exports beyond raw commodities.

Possible Solutions

Addressing the economic challenges of Central Africa requires a multifaceted approach centered on sustainable development and diversification. Investing in infrastructure is critical, with a focus on improving transportation networks, renewable energy projects, and digital connectivity to enable industrial growth and trade expansion. Regional cooperation through frameworks like CEMAC and AfCFTA should be strengthened by developing shared infrastructure and regional value chains to reduce reliance on raw material exports. Human capital development is another priority, with targeted investments in STEM education, vocational training for agribusiness, and industrial skills to prepare the workforce for modern economic demands. Addressing governance issues by promoting transparency, simplifying business regulations, and strengthening anti-corruption initiatives will foster a conducive environment for investment and entrepreneurship. The development of agriculture and industry can be enhanced through value-added processing, access to modern farming technologies, and diversification into manufacturing sectors like textiles and pharmaceuticals. Expanding access to affordable financing through microfinance institutions, reduced interest rates, and regional investment funds will support SMEs and entrepreneurs. Ensuring regional stability through peacekeeping initiatives and community-based development projects is essential to create a secure environment for economic activities. Lastly, environmental conservation efforts, such as protecting the Congo Basin and adopting renewable energy, will ensure sustainable resource management while addressing the region's vulnerability to climate change. These solutions collectively offer a way to address Central Africa's economic challenges and foster long-term, inclusive growth.

Notes from the Chair

Delegates should consider the intricate challenges faced by Central Africa, including governance issues, infrastructure deficits, and overreliance on extractive industries. It is crucial to focus on sustainable solutions that address these systemic problems while fostering regional integration and economic diversification. Delegates should also critically evaluate previous attempts, such as Structural Adjustment Programs (SAPs) and regional initiatives like CEMAC and AfCFTA, to identify gaps and propose innovative resolutions.

Here are some resources to aid the research process:

[Central Africa Regional Overview | African Development Bank Group](#)

[Road rehabilitation in the Central African Republic](#)

[Central Africa Fibre-Optic Backbone Project \(CAB\) – CAR Component - MapAfrica - African Development Bank Group](#)

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3808716

[Asynchronous Regional Integration in Central Africa: Progress and Challenges](#)

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