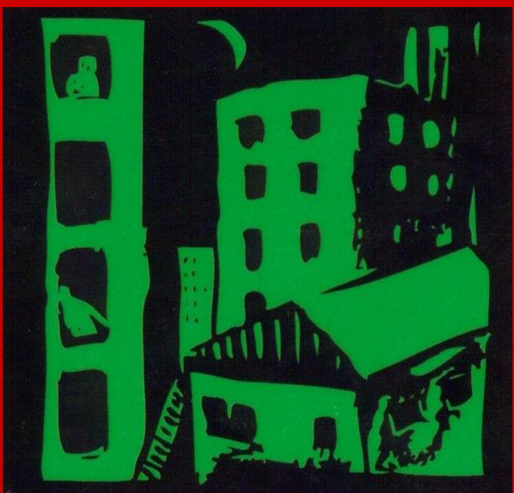
LAW
DEMOCRACY
& DEVELOPMENT



VOLUME 26 (2022)

DOI: http://dx.doi.org/10.17159/2077-4907/2021/ldd.v26.8

ISSN: 2077-4907

Regional integration in Africa: Proposals for an Africa-wide payment system

OGOCHUKWU MONYE

Senior Law Lecturer, University of Benin, Nigeria; Honorary Research Affiliate, Private Law Department, Faculty of Law, University of Cape Town, South Africa

https://orcid.org/0000-0002-4548-7081

EBELECHUKWU MONYE

Consultant, Georgetown University Initiative on Innovation, Development and Evaluation (guide), USA; WBG consultant, Washington, DC

https://orcid.org/0000-0002-3268-0448

ABSTRACT

Regional integration remains a priority in Africa. Fuelled by the call of Pan-African leaders including Kwame Nkrumah and the recognition of the potential within the continent to transform intra-African trade and achieve global competitiveness, the Africa Continental Free Trade Agreement (AfCFTA) was conceived. The African Union, in collaboration with the Africa Export-Import Bank (AFREXIM), has accordingly proposed the Pan-African Payment Settlement System (PAPSS). This system is expected to facilitate cross-border financial flows in local currencies and in real-time across the region, address the multiplicity and inconvertibility of currencies, reduce transaction costs, and decrease the use of *correspondent banks. The authors analyse the necessity of getting this system right, alluding to the theory of developmental regionalism. The article concludes with recommendations that could make this unified payment system formidable enough to enable direct and seamless transactions between Amari in Addis and Wale in Lagos.*

Keywords: Regional integration, Africa-wide payment system, intra-regional trade.

1 BACKGROUND

Historically, Africa has been guided by the philosophy of ubuntu, the premise of which is that "I am because of who we all are".[1] This consciousness has informed the Pan-African call pursued by the African Union since its early days. The formation of the Organisation of African Unity (now the African Union) in 1963 has fostered unity, solidarity and cooperation, and culminated in efforts such as the 1980 Lagos Action Plan and the 1991 Abuja Treaty that envisioned the economic, social, and political convergence of member states within the region.[2] Similarly, there are the New Partnership for Africa's Development (NEPAD), the Programme for Infrastructure Development in Africa (PIDA), the 16-16-16 project, and other projects dedicated to expanding road transport links, internet connectivity, trans-boundary water flows, aviation and electricity.[3] These efforts are engineered to position Africa to become more competitive in international trade.

Statistically, the Africa Continental Free Trade Agreement (AfCFTA) trade area links 1.3 billion people in 55 African countries with a combined gross domestic product (GDP) valued at US$3.4 trillion.[4] It is expected that the AfCFTA will be the largest free trade area by membership, with promises of increasing intra-regional trade, expanding regional and global value chains and strengthening African's economic and commercial diplomacy.[5] The AfCFTA has the potential to facilitate trade, simplify customs procedures, and usher in reforms, yield structural transformation, and additionally drive up the share of intra-African trade.[6] A core expected gain is that the AfCFTA has the potential to dismantle the challenges of overlapping membership of Regional

---

[1] SADC "Zambia SADC success stories speeding up financial transactions" (2020) available at https://www.sadc.int/files/2015/9781/9365/Zambia_SADC_Success_Stories_Speeding_up_Financial_Transactions.pdf (accessed 30 October 2020).

[2] See NEPAD "Supporting Africa's transformation: Regional integration and cooperation assistance strategy for the period Fy18–Fy23" (2018) Commissioned Report No. 121912 *World Bank* available at http://documents1.worldbank.org/curated/en/700111528428661825/pdf/REGIONAL-INTEGRATION-CAS-AFRICA-05112018.pdf (accessed 15 October 2020).

[3] See Africa Union (AU) "African Union New Partnership for Africa's Development (NEPAD)" (2015) *African Union* available at https://au.int/en/organs/nepad (accessed 30 October 2020).

[4] Maliszewska M et al "The African Continental Free Trade Area" (2020) *World Bank* available at https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area (accessed 26 March 2021).

[5] See AU "Operational phase of the African Continental Free Trade Area launched" available at https://au.int/en/articles/operational-phase-african-continental-free-trade-area-launched (accessed 23 November 2020).

[6] See AU (2020).

Economic Communities (RECs) by member states and to reallocate resources in the region to drive competitiveness.[7] Some of the problems identified as potential limitations to using RECs as building blocks for the AfCFTA include differences in trade rules, lack of institutional transparency, and disregard for the rulings of regional courts by RECs' members.[8]

However, there are challenges, such as the loss of revenue as nations liberalise their economies by removing tariffs on at least 90% of goods. This could mean less tax income, less competitive markets, and distributional impact in all sectors and countries, including the cost of job switching.[9] Non-tariff and regulatory barriers such as border delays, burdensome customs and inspection procedures, multiple licensing requirements and insistence on national transit bonds along key border routes put a strain on the movement of goods, services, labour, and capital across borders.[10] Cross-border African trade is presently more expensive and time-consuming than in any other region of the world, and African countries trade more with the rest of the world than with each other.[11]

Payment facilitation remains of concern because of the present state of currency inconvertibility and the use of foreign correspondent banks.[12] The initiative of the African Union, in collaboration with the Africa Export-Import Bank (AFREXIM), in proposing the Pan-African Payment Settlement System (PAPSS) is therefore laudable. The PAPSS is anticipated to handle cross-border real-time, local currency transaction settlements across the region, address the multiplicity and inconvertibility of currencies, reduce transaction costs, and decrease the use of correspondent banks.

2 CONCEPTUAL FRAMEWORK

Several theories have been advanced in regard to regional trade integration. However, the concept of developmental regionalism is the one considered as most fitting for Africa. This concept has its origins in the 1950s and 1960s in Latin America, during the clamour for restrictive import substitution and redistributive measures in the region for

---

[7] See AU (2020).

[8] Ajibo C "Regional Economic Communities as the building blocks of African Continental Free Trade Area Agreement: Challenges and way forward" (2019) *Afronimicslaw* available at https://www.afronomicslaw.org/2019/02/04/regional-economic-communities-as-the-building-blocs-of-african-continental-free-trade-area-agreement-challenges-and-way-forward (accessed 2 February 2022).

[9] Fofack H "A competitive Africa economic integration could make the continent a global player" (2018) 55 *Finance and Development* at 24.

[10] See Fofack (2018) at 24.

[11] See Fofack (2018) at 24.

[12] Emekekwue O "Afreximbank announces $1-billion adjustment facility, other AfCFTA support measures as African leaders meet" (2019) *Afreximbank* available at https://www.afreximbank.com/afreximbank-announces-1-billion-adjustment-facility-other-afcfta-support-measures-as-african-leaders-meet/ (accessed 2 November 2020).

market expansion and the efficient use of resources.[13] Developmental regionalism includes trade and trade facilitation such as investment, research and development, as well as developmental and infrastructural development policies.[14] It also includes cooperation among member states in transport, production-related infrastructure, agriculture and industrial projects. It could link African economies through development corridors such as the Maputo development transport corridor that links parts of Southern Africa.[15]

Developmental regionalism is expected to help countries through economies of scale in an integrated market, with promises of country-level specialisation and international competitiveness. This could put an end to reliance on overseas manufactured inputs for production.[16] It is also projected to distribute the benefit of integration to all of Africa's 55 states, comprising 34 Least Developed Countries (LDCs), 16 Landlocked LDCs (LLDCs) and six Small Island Developing States (SIDS).[17] These benefits can best be achieved by adopting policies that address the issues of inclusive growth and economic development that are common to all countries, not just in terms of fair trade, but also by building regional value chains, cross-border investment in infrastructure, and strengthening democratic governance.[18]

According to Akinkugbe, African Regional Trade Agreements (RTAs) are multidimensional and go beyond economic objectives. In the authors' view, RTA ideologies cover socio-economic and political development initiatives that include the private sector and encompass historical economic policy approaches such as collective self-reliance, as codified in the Lagos Plan of Action of 1980.[19] However, this multi-dimensionalism is rarely acknowledged; this is a result of eurocentric assumptions which do not consider the implication of colonialism, informality, unequal economic development within the region, and the imprecise coexistence of African RTAs.[20] These assumptions are observed in the comprehensive and coherent developmental integration strategies championed by institutions such as the United Nations

[13] Scholvin S "Developmental regionalism and regional value chains: Pitfalls to South Africa's vision for the tripartite free trade area" (2018) 53(3) *Africa Spectrum* at 115–129.

[14] UNCTAD "Shift from traditional approach to integration to 'developmental regionalism'" (2013) UNCTAD/PRESS/PR/2013/034 available at https://unctad.org/press-material/shift-traditional-approach-integration-developmental-regionalism-report-urges (accessed 26 November 2021).

[15] See UNCTAD (2013).

[16] See Scholvin (2018) at 115–129

[17] Ismail F "A call for a developmental regionalism approach to the African Continental Free Trade Area" (2020) 9 *ECDPM Great Insights Magazine* available at https://ecdpm.org/great-insights/african-continental-free-trade-area-agreement-impact/developmental-regionalism-afcfta/ (accessed 16 November 2021).

[18] See Faizel (2020).

[19] Akinkugbe O "Theorizing developmental regionalism in narratives of African Regional Trade Agreements (RTAs)" (2020) 1 *African Journal of International Economic Law* at 293 & 302.

[20] See Akinkugbe (2020) at 293.

Conference on Trade and Development (UNCTAD) that scarcely suit Africa's diversity, heterogeneity and varied interests.[21]

Therefore, when applying the concept of development regionalism to African RTAs, specific ways to recognise Africa's multiple dimensions are required. To Ismail, four pillars are crucial. These are, fair trade integration, cooperation on transformative industrialisation and building regional value chains, cooperation on cross-border infrastructure investment and trade facilitation, and cooperation on democracy, governance, peace and security.[22] To him, these pillars are needed to holistically adapt inclusive growth and economic development for all of Africa.[23] Studies show that Africa's regional integration seeks to promote economic independence and the equitable development of the member states. This could be helped by linking regionalism to law and development, to effectively address the peculiar historical, economic and political context of the different trade agreements and their legal trajectory.[24] Akinkugbe notes that regional developmentalism should be flexible in order to mirror the economic and non-economic priorities of each REC.[25]

Ismail notes that the private sector is pivotal in achieving gains for all. The author asserts that only a few countries, such as South Africa, Nigeria, Kenya and Egypt, have multinational companies that are in some cases owned or supported through investments by non-African countries such as Brazil, India, China and the United States.[26] These countries have been observed to relocate large parts of their value chains to benefit from lower costs, cheaper labour, and market expansion, and in turn provide opportunities for increased FDI inflows, GVC participation and the industrialisation of host countries' economies, as observed in the case of China between 2000 and 2008.[27] The major beneficiaries of the AfCFTA could therefore be these countries and their private sectors, if they are engaged in the negotiations.[28]

Studies have therefore proposed inclusion of and consultation with the private sector in regional negotiations, to ensure a wider representation of interests across the continent. It has been recommended that the holistic inclusion of the private sector can expand productivity, stave off competition from foreign corporations, and push back against the government-only led drive for regional integration.[29] Stakeholders such as

---

21 See Akinkugbe (2020) at 301.

22 Ismail F "A developmental regionalism approach to the African Continental Free Trade Area (AfCFTA)" (2019) 8 *Journal of Reviews on Global Economics* 1771 at 1771.

23 See Ismail (2019) at 1783.

24 See Akinkugbe (2020) at 295.

25 See Akinkugbe (2020) at 307.

26 Ismail (2019) at 1777.

27 See Ismail (2019) at 1779.

28 See Ismail at (2019) 1777.

29 See UNCTAD (2013).

businesses, trade unions and civil society organisations are expected to be consulted and their negotiators engaged, to guarantee inclusivity and active participation.[30]

The consultation proffered above for Africa should not be the high-level brand observed in regional integration arrangements such as in the Mercosur region, where private sector actors such as class associations, industrialists, bankers, businessmen, farmers, taxpayers, and consumers are hardly consulted, whether during formulation or afterwards.[31] As noted by Caichiolo, although some member states arrange some level of consultation with the private sector in-house, decision-making is mainly vertical and sometimes ends up being criticised by the same private sector.[32] The policies adopted in Africa should rather embody examples already shown by countries such as Mauritius, where the government and the Joint Economic Council, which coordinates the private sector, meet regularly to discuss broad economic policies.[33] Public sector participation that ushers in gains for all can also be strengthened by establishing institutions that are independent and are empowered to enforce these policies on a regional basis. These institutions should be autonomous and vested with wide enough powers to implement decisions without bowing to the government influence and command of resources of the stronger member states.[34]

3 SUB-REGIONAL PAYMENT SYSTEMS IN AFRICA

As shown below, some regional economic sub-regions in Africa, including SADC, EAC, COMESA, UEMOA and CEMAC, have successfully deployed payment systems on the continent, with varying degrees and patterns of success. These are discussed for illustrative purpose to demonstrate how the successes recorded in each region can be replicated for the more encompassing Pan-African Payment Settlement System (PAPSS). Conversely, African policy-makers can also avoid the flaws observed in the RECs.

3.1 The East Africa Payment System (EAPS)

The East Africa Payment System (EAPS) is described as a secure, effective and efficient funds transfer system that ensures safety of payment in cross-border transactions, boosts intraregional trade and reduces exchange losses among East African countries.[35] This system was launched in 2013 by Kenya, Tanzania and Uganda to link the Kenya Electronic Payment and Settlement System (KEPSS), the Tanzania Interbank Settlement System (TISS) and the Uganda National Interbank Settlement (UNIS).[36] Burundi and

---

30 See Ismail (2018).

31 See Caichiolo CR "The Mercosur experience and theories of regional integration" (2017) 39(1) *Contexto Internacional* at 117.

32 See Caichiolo (2017) at 117-118.

33 See UNCTAD (2013).

34 See Caichiolo (2017) at 121 & 129.

35 German Cooperation "The East African Community" *EACG* available at http://eacgermany.org/east-african-community-eac/ (accessed 30 October 2020).

36 Bukuku E "Launch of the East African Payment System (EAPS)" (2014) *Euro Asia News* available at https://www.tralac.org/news/article/5782-launch-of-the-east-african-payment-

Rwanda have now joined the system.[37] The Kenyan shilling, Tanzanian shilling, Ugandan shilling, Rwandan franc and Burundian franc are the relevant local currencies.[38] The EAPS serves 150 million people within the region and offers transactions settlement in multiple currencies, thus facilitating the free movement of goods, labour and services.[39] This conversion, enabled in multiple currencies, can cut out the use of foreign currencies on the continent. Direct currency exchange also means that business costs and transaction timelines are reduced.[40] Other advantages of the EAPS include real-time funds transfers, finality and irrevocability of payments, increased accessibility and same-day settlement.[41]

The EAPS, however, still has a problem with underutilisation as a result of the existence of well-established multinational banks and low levels of intraregional trade.[42] In spite of this, interoperability has been achieved inexpensively even for small payments.[43] On a broader basis, the EAC has recorded success in constituting a single customs territory, harmonising and easing import and export documentation, and fostering labour mobility and the free movement of persons in Kenya, Rwanda and Uganda.[44]

3.2 Southern Africa Development Community (SADC) Real-Time Gross Settlement (SADC-RTGS)

The SADC-RTGS was launched in 2013 by the SADC's Committee of Central Bank Governors (CCBG) to provide safety and efficiency for supporting intraregional trade and flow of funds for individuals and companies among member states.[45] The system is operated by the central banks, financial institutions, and authorised non-banks of the 16 member countries of the SADC, namely Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia, and Zimbabwe.[46] In total, about 77

---

systemeaps.html#:~:text=EAPS%20is%20a%20secure%2C%20effective,settlement%20within%20the%20EAC%20region.&text=EAPS%20will%20therefore%20increase%20efficiency,trade%20among%20the%20East%20African (accessed 30 October 2020).

[37] Anyanzwa J "EAC to upgrade underperforming e-payment system" (2019) *The East African* available at https://www.theeastafrican.co.ke/tea/business/eac-to-upgrade-underperforming-e-payment-system-1424186 (accessed 29 March 2021).

[38] See Bukuku (2018) at 42 & 49.

[39] Kruger D "A payments platform to support economic growth" (2018) *Kenyan Wall Street* available at https://kenyanwallstreet.com/payments-platform-support-economic-growth/ (accessed 18 October 2020).

[40] See generally Kruger (2018).

[41] See German Cooperation.

[42] See CENFRI (2018).

[43] See CENFRI (2018).

[44] See German Cooperation.

[45] See Bank of Zambia 4 at 1.

[46] SADC "SADC-RTGS" available at https://www.sadcbanking.org/payments-project/ (accessed 18 October 2020).

commercial banks and 8 central banks share the platform.[47] Zimbabwe and South Africa are represented by 14 and 11 banks respectively, and the rand remains the main settlement currency in this region, even though other regional currencies are also available to users.[48]

The system records high usage rates due to the relatively large size of the member states and the fact that direct settlements offered by the system remove the need for Western correspondence banking as well as speed up transaction time.[49] The region was able to replace this international, costly and time-consuming corresponding banking system by enabling large and low-value (retail) transaction options.[50] Significantly, transaction timelines of two to three days have been reduced to one day, while cross-border remittance cost has dropped to 7% from 20%, and is projected to be on course to meeting the G20 recommendation of 5%.[51] The centralisation of the bond markets to list and trade government stocks and bonds is also on course.[52]

Despite these gains, there is still room to further drive down costs for small-scale individual and business transactions if more commercial banks, particularly from countries with less representation, join the platform. In Angola, for instance, only three out of 26 commercial banks are signed up to the platform.[53] An increase in the number of banks could therefore decrease cost and improve affordability. Again, the cost of conversion could be reduced. Bidvest bank for instance, charges a flat fee of 125 rand for continent-wide payment transfers drawn in a recipient's local currency.[54] While this may be ideal for big business sending large sums, the flat fee reduces the efficacy of this offering for individuals or low-value transactions.

3.3 The COMESA Regional Payment and Settlement System (REPSS)

The Common Market for East and Southern Africa (COMESA) was established in 1994 to eliminate tariffs on goods traded among member states with the vision of becoming a

[47] See generally SADC.

[48] "SADC develops regional mobile money platform" (2019) *The Herald* available at https://www.herald.co.zw/sadc-develops-regional-mobile-money-platform/ (accessed 21 March 2021)

[49] See CENFRI (2018).

[50] See SADC (2015).

[51] SADC Secretariat "Status of integration in the Southern African Development Community" (2020) available at https://www.tralac.org/ (accessed 30 October 2020).

[52] See SADC Secretariat (2020).

[53] Koigi B "SADC electronic platform reduces transfer costs" (2019) *Africa Business Communities* available at https://africabusinesscommunities.com/tech/tech-news/sadc-electronic-platform-reduces-transfer-costs/ (accessed 30 October 2020).

[54] Bidvest "Banks global transactions & management tools available global transactions & management tools" *Bidvest* available at https://www.bidvestbank.co.za/business/international-payments (accessed 30 October 2020).

full Economic Community by 2025.[55] In 2014, COMESA, which is composed of 20 Central Banks in Africa, set up the Regional Payment and Settlement System (REPSS) to facilitate cross-border payment and settlement within the region.[56] The REPSS is a multilateral netting end-of-day settlement system that provides a single payment gateway for member states in uniform currency.[57] By using the REPSS, members benefit from trade facilitation, simplified and harmonised processes, lower transaction costs and the removal of trade barriers.[58] The system aids intra-regional trade by facilitating payments for importers and exporters from the member states dealing in different currencies.[59] Here, the local currencies of participating Central Banks, namely, the Democratic Republic of Congo, Egypt, Kenya, Malawi, Mauritius, Rwanda, Eswatini, Uganda and Zambia, are employed.[60] Financial institutions within these countries are also able to provide credit, insurance and other facilitation for international payment.[61]

In using this system, members are required to adhere to a set of principles such as compliance with international best standards, finality of payment, speedy processing and liquidity efficiency, reduction of costs and risks, as well as payment monitoring.[62] Additionally, the REPSS requires Central Banks to pre-fund commercial banks so as to control cost, guarantee payment and accordingly eliminate the need to obtain credit letters.[63]

3.4 Star-UEMOA (*Système de Transfert Automatisé et de Règlement de l'UEMOA*)

Established in 1994, the WAEMU REC promotes economic integration among the eight West African countries that share the CFA franc as a common currency. These are:

[55] Callaert T et al "Africa payments: Insights into African transaction flows" (2018) available at https://www.swift.com/resource/africa-payments-insights-african-transaction-flows (accessed 30 January 2021).

[56] CMA "Regional payment and settlement system" available at https://www.cma.se (accessed 2 November 2020).

[57] COMESA "COMESA banks governors push for regional payment and settlement system" (2017) available at https://www.tralac.org/news/article/11507-comesa-banks-governors-push-for-regional-payment-and-settlement-system.html (accessed 2 November 2020).

[58] See Callaert (2018) at 38.

[59] See COMESA (2017).

[60] M Lungu "Over $100m transacted through the regional payment system" (2020) *COMESA* available at https://www.comesa.int/over-100m-transacted-through-the-regional-payment-system/ (accessed 18 October 2020).

[61] COMESA "The common market for eastern and Southern Africa" *COMESA* available at https://www.comesa.int/ (accessed 18 October 2020).

[62] See COMESA (2017).

[63] Bank of Mauritius "COMESA regional payment and settlement system starts live operations" (2012) available at https://www.bom.mu/media/media-releases/communique-comesa-regional-payment-and-settlement-system-starts-live-operations (accessed 2 November 2020).

Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, Togo and Guinea-Bissau.[64] The eight countries use the same currency, and unified financial and banking legislation for all 83 participating institutions, with an interface for the regional stock exchange.[65] The WAEMU is administered by the Central Bank of West African States (BCEAO), which was established in 1962 to supervise and ensure that member states comply with standards on settlements.[66] The BCEAO is also charged with the responsibility of issuing currency to the member States.[67] In addition, the processing of domestic and regional payments is handled by the BCEAO.[68] The region has adopted a customs union and a common external tariff among member states.[69] Together with the ECOWAS, the WAEMU has devised a common plan of action on trade liberalisation and macroeconomic policy convergence, and has signed up to offer common rules of origin to enhance trade.[70] The WAEMU also aims to foster competitiveness by opening its markets, harmonising fiscal policies and the legal environment, and creating a common market.[71]

The real-time gross settlement system in this region is the Star-UEMOA, established in 2004 as the centralised system for enabling settlement of accepted gross transactions in uniform currency, as well as account transfers, monetary policy operations, withdrawals, escrows, and the SICA-UEMOA clearance.[72] The SICA-UEMOA serves as the automated exchange system for payment management and clearance of multilateral transactions, while the GIM-UEMOA is the regional switch that manages a network of more than 3 500 ATMs and 2 500 points of sale (POS) devices for about 100 banks and financial institutions across the region.[73] This has increased payment system efficiency and safety, reduced payment management cost, improved inter-banking and number of account holders, reduced use of cash in payments, and helped to achieve compliance with international standards.[74] The WAEMU has recorded significant success in terms of macro-economic convergence and in advancing regional structural and sector-specific

[64] Central Bank of Nigeria "Monetary policy" *CBN* available at https://www.cbn.gov.ng/MonetaryPolicy/ecowas.asp (accessed 2 November 2020).

[65] CMA "Real time gross settlement system for West African Countries" available at https://www.cma.se/sites/all/themes/cma/gui/pdf/casestudybceaov3.pdf (accessed 25 March 2021).

[66] Lamikanra B & Young J "Payment developments in Africa" *The Payments Journey* (2016) 41 at 42 available at https://assets.kpmg/content/dam/kpmg/ng/pdf/dealadvisory/ng-KPMG-Payment-Developments-in-Africa-Volume-2.pdf (accessed 22 March 2021).

[67] KPMG "Payment developments in Africa: The payments journey" (2016) 2(41) available at https://assets.kpmg/content/dam/kpmg/ng/pdf/dealadvisory/ng-KPMG-Payment-Developments-in-Africa-Volume-2.pdf (25 March 2021).

[68] See CENFRI (2018).

[69] See Central Bank of Nigeria at 70.

[70] See Central Bank of Nigeria at 70.

[71] See Central Bank of Nigeria at 70.

[72] See KPMG (2016) 2 at 43.

[73] See Bukuku (2018) at 42 & 49.

[74] See CMA "Real time gross settlement system for West African countries" available at https://www.cma.se/sites/all/themes/cma/gui/pdf/casestudybceaov3.pdf (accessed 25 March 2021).

policies. However, the exchange rate for the CFA franc is still tied to the Euro, and is guaranteed by the French Treasury.[75]

3.5 The Economic and Monetary Community of Central Africa (CEMAC)

This regional payment group (termed the *Communauté Économique et Monétaire de l'Afrique Centrale* – CEMAC, in French) was established in 1994 and operates a customs and monetary union with the Central African franc as a common currency.[76] The member states within this payment system are Gabon, Cameroun, the Central African Republic, Chad, the Republic of Congo, and Equatorial Guinea.[77] The CEMAC has a joint population of 53 million.[78] The member states share a common currency and common central bank, with aspirations to create a common market.[79] Within this region, members enjoy the free movement of goods and people and avoid tariff payment.[80]

The Bank of Central African States (BEAC) implements the framework of payment and financial infrastructure modernisation project introduced in 2007.[81] It has a comprehensive structural and institutional framework, and a series of policies and measures have been put in place to promote regional economic and financial integration among its member states.[82] The regional RTGS system was launched as part of the framework of payment and financial infrastructure modernisation project.[83] The modern payment system infrastructure is not yet fully operational, but progress has been recorded in terms of a real-time gross settlement system (SYGMA), the automated clearing system (SYSTAC) for bulk payments, and the Interbank Card Payment System (SMI) which is under way.[84]

The system is, however, criticised for lacking the regulatory oversight to ensure the efficiency and integrity of the payment system through the monitoring and supervision of access points and agent operators.[85] There are also arguments that the lack of harmonisation in regional and national regulation results in multiple regional

---

75 See Central Bank of Nigeria at 70.

76 See Callaert (2018) at 37.

77 See Callaert (2018)

78 CENFRI "Payment systems in sub-Saharan Africa Note 2: Case studies of national and regional payment systems market development" (2018) available at https://cenfri.org/wp-content/uploads/2018/12/Payment-systems-in-SSA-Note-2.pdf (accessed 22 June 2020).

79 African Development Bank (AFDB) "Financial sector integration in three regions of Africa: How regional financial integration can support growth, development, and poverty reduction" available at https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and- (accessed 4 April 2021).

80 See Callaert (2018) at 37.

81 See Callaert (2018) at 37.

82 AFDB "Financial integration in three regions of Africa: How regional financial integration can support growth, development, and poverty reduction" (13 November 2021).

83 See Callaert (2018) at 37.

84 CENFRI "Payment systems in sub-Saharan Africa" (2018) at 21.

85 See CENFRI (2018) at 21.

regulatory frameworks and uncertainty about the applicability of regional and domestic laws.[86] Banks are the major system participants, accounting for more than 85%, and this concentration has been criticised for making the sub-region undiversified.[87]

4 PROPOSALS FOR THE NEW PAN-AFRICAN PAYMENT SETTLEMENT SYSTEM (PAPSS)

The 12th Extraordinary Summit of the African Union, held on 7 July 2019 in Niamey, saw the launch of the operational phase of the AfCFTA. At this summit, it was proposed that the PAPSS be introduced to offer foreign exchange and settle transactions in a timely manner in local currency in order to improve confidence in the payment system.[88] The PAPSS, as an Africa-wide digital payment infrastructure, is the first continent-wide payment digital system focused on facilitating intra-African trade payments for goods and services.[89] This centralised payment and settlement system is the brain-child of the African Union and the African Export-Import Bank, and seeks to facilitate payments, formalise trade, offer alternatives to correspondent banking and facilitate low-cost, low-risk clearing and settlement in intra-African trade.[90]

The PAPSS is not only expected to facilitate the domestication of intra-regional payments, but also to result in cost savings of about $5 billion per annum, increase local currency transactions, and reduce foreign currency dependency in intra-African trade.[91] This payment system could also help member states, regions and sub-regions that have yet to create robust local payment systems to simply link up. The project can additionally tackle the challenge of the multiplicity of local currencies in Africa. The use of different currencies often means that countries rely on a third currency such as the US dollar or euro to make cross-border payments, with the attendant costs and long transaction timelines.[92] The PAPSS could also facilitate liquidity management in continental trade and strengthen the oversight of Central Banks in cross-border payment systems.[93]

Without a doubt, the design for this payment network requires strong political will, as national regulators will have to commit to giving up some aspects of national interest for greater continental interests. Policy-makers will need to protect the interests of

[86] See CENFRI (2018) at 21.

[87] See AFDB.

[88] AU "Operational phase of the African Continental Free Trade Area" available at https://au.int/en/articles/operational-phase-african-continental-free-trade-area-launched (accessed 23 November 2021).

[89] See Emekekwue (2019).

[90] AU "The Pan-African Payments and Settlement System" (PAPSS) available at https://afcfta.au.int/fr/node/295 (accessed 26 March 2021).

[91] See Emekekwue (2019).

[92] Adams S "Afreximbank launches Pan-African payment, settlement platform in Niamey" (2019) *Business Day* available at https://businessday.ng/uncategorized/article/afreximbank-launches-pan-african-payment-settlement-platform-in-niamey/ (accessed 17 October 2020).

[93] AU "The Pan-African Payments and Settlement System (PAPSS)" available at https://afcfta.au.int/fr/node/295 (accessed 26 March 2021).

LDCs and Small and Vulnerable Economies (SVEs) to balance out the losses that could result from discarding tariffs. Policy-makers must in addition properly determine the right balance between national sovereignty and regional integration, and devise means to cushion the effects of losses from this integration.[94] To efficiently connect multilateral systems, operational and financial risks must be managed, and legal, technical and operational aspects harmonised, to make a strong business case that will garner the commitment of member states.[95] If planned properly, this project will easily out-compete global private brands such as Visa and MasterCard that are commonly used on the continent. Issues concerning foreign exchange conversions, liquidity managements, technical interoperability and anti-money laundering compliance could equally be laid to rest.[96]

The next section deals with this proper planning by making recommendations for salient considerations for the effective functioning of the payment system. These are not intended to be encompassing but are designed as a guide for regional policy-makers as the process of adopting the system progresses. The authors make six recommendations to regional policy-makers, who should devise home-grown payment solutions, introduce generally applicable laws, work towards digitisation, ensure safety of the payment systems, phase in a common currency, and incentivise the private sector as a driver of this system. These recommendations are discussed more fully below.

4.1 Devise home-grown solutions

It will be interesting to see how African states make steps in adopting various patterns of home-grown payment systems that have been successfully deployed across the continent, rather than adopting wholesale practices and rules from other regions. Africa is a global leader and trendsetter in modern payment services. A good example is the Mpesa mobile money solution, which was popularised in Kenya. By tackling the challenges encountered when making low-value transfers to rural communities without banks, Mpesa assisted in increasing access to finance, and had a significant impact on financial inclusion which currently stands at an impressive 83%.[97] The service is now available in about 10 countries, including Tanzania, Egypt, Lesotho and Mozambique.[98]

[94] World Bank "Supporting Africa's transformation: Regional Integration and Cooperation Assistance Strategy for the period FY18–FY23" (2018) Report No. 121912-AFR at 1 and 2 *World Bank* available at http://documents1.worldbank.org/curated/en/700111528428661825/pdf/REGIONAL-INTEGRATION-CAS-AFRICA-05112018.pdf (accessed 15 October 2021).

[95] Bank for International Settlement "Committee on Payments and Market Infrastructures: Cross-border retail payments" (2018) at 13 & 23 available at https://www.bis.org/cpmi/publ/d173.pdf (accessed 26 March 2021).

[96] Faruqui U & Shirakami T "Payments without borders" *BIS Quarterly Review* (2020) at 61 & 62 available at https://www.bis.org/publ/qtrpdf/r_qt2003h.pdf (accessed 18 October 2020).

[97] Reuters "M-Pesa helps drive up Kenyans' access to financial services – study" (2019) *Reuters* https://www.reuters.com/article/kenya-banking-idUSL8N21L2HK (accessed 25 March 2021).

[98] Kagan J "Mpesa" (2020) available at https://www.investopedia.com/terms/m/mpesa.asp (accessed 25 March 2021).

Mpesa has also been instrumental in Tanzania in leapfrogging some payment service stages by offering mobile payment service systems that do not require credit cards or cheques.[99]

Banks and Fintechs on the continent are also excelling in deploying innovative financial services across the region. Ecobank is a leading example in this regard for offering a rapid transfer service for real-time cross-border payments in 33 African countries.[100] Likewise, Fidelity Bank in Ghana is giving a modern upgrade to the age-old rotational savings clubs by enabling *susu* collectors to receive clients' contributions in real-time using point of service (POS) devices.[101] These collectors make deposits more convenient and provide the opportunity for participants to grow a savings culture. The deposit model of daily collection by the *susu* collectors from the workplaces of participants not only builds up their funds for defraying personal and household expenses and raising capital, but also helps in building a credit history.

Africa can therefore set its own course in setting up the PAPSS on its own terms and phase in changes gradually to align with market responses and user demands. This will also help policy-makers take account of far-reaching insights from stakeholders who include consumers, policy-makers, merchants, and third-party providers. Elements of home-grown systems can be incorporated into the PAPSS to cater for local contexts of people and businesses within the continent. Indeed, in view of the overlapping membership of the RECs, wide consultations are needed to elicit and understand the concerns and needs of all members.

4.2 Introduce generally applicable legal frameworks

An efficient and sound payment system should be predicated on a robust legal framework dealing with a wide range of concerns including minimum system standards, fraud protection measures, a capital adequacy ratio for providers, and settlement rules, as well as rules relating to interoperability. Regarding the conceptual framework described in section two, it is worth noting that regional industrial policies are good for developmental regionalism because they can achieve complementarities in production and trade, with a positive impact on regional industrial value chains.[102] Unlike national payment systems that are subject to a single licensing and legal regime,

---

[99] Stijns J "Banking in sub-Saharan Africa: Recent trends and digital financial inclusion" (2016) at 80 *EIB* available at https://www.eib.org/attachments/efs/economic_report_banking_africa_digital_financial_inclusion_en.pdf (accessed 31 October 2020). ,

[100] Mavadiya M "There is more to digital payments in Africa than M-Pesa" (2020) available at https://www.finextra.com/the-long-read/44/there-is-more-to-digital-payments-in-africa-than-m-pesa (accessed 17 June 2020).

[101] Michaels L "Delivering technology solutions to *susu* collectors" (2012) available at https://www.cgap.org/blog/delivering-technology-solutions-susu-collectors (accessed 23 November 2020).

[102] See UNCTAD (2013).

regional systems require legal and regulatory regimes for multiple jurisdictions.[103] Multiple legal frameworks could therefore create uncertainties concerning the interpretation and application of compliance requirements and make it difficult to obtain centralised compliance information.[104]

This can be observed in the Mercusor region, where the neofunctionalist perspective of creating supranational market rules in the place of national regulatory regimes has been put aside for the intergovernmentalist model, which is dependent on the arbitrary initiatives of individual presidents with weak regional institutions.[105] As a result, regional integration elements such as economic interdependence, innate dispute resolution mechanisms and uniform legal regimes are often absent.[106] Here, decisions are shaped by state preferences and by international influences that could be detrimental for less powerful states.[107]

By contrast, well-framed legal standards will yield the needed regulatory clarity for all stakeholders including national regulators, providers and users, and will improve confidence in the system for all. These rules should support the deployment of digital financial services and afford providers the clarity to innovate without running afoul of the law. These uniform frameworks could ensure that favourable terms of use are offered, and that users are able to access channels of redress when rules are not complied with. This would also assist regulators to monitor compliance with stipulated rules and to impose sanctions on erring providers where necessary. In addition, a robust legal framework is essential for addressing the issues around the patterns of overlapping REC memberships in Africa. This is because many countries fall under conflicting laws from the rules of two or more of these RECs, with the risk that countries could break the laws of one region by adhering to the rules in another. It has been observed, for instance, that members of CEMAC and WAEMU are burdened with conflicting national and sub-regional laws. In CEMAC, although the sub-region has a regional central bank and a regional banking sector regulator (COBAC), conflicting national laws on data and consumer protection still exist.[108] This can be addressed by devising generally applicable laws.

Generally applicable laws can also ensure that providers conduct adequate know-your-customer (KYC) compliance as there is a need to protect the system against security risks and to guarantee financial integrity. KYC rules, for example, ensure that financial institutions verify the identity of clients who use the system. This presents an opportunity to create an inclusive system that goes beyond existing national offerings.

[103] See Bank for International Settlement (2018) at 13 & 23.

[104] Bank for International Settlement, "Committee on Payments and Market Infrastructures: Cross-border retail payments" (2018) 20 *BIS available at* https://www.bis.org/cpmi/publ/d173.pdf (17 December 2021).

[105] See Caichiolo (2017) at 118.

[106] See Caichiolo (2017) at 118.

[107] See Caichiolo (2017) at 118.

[108] See CENFRI "Payment systems in sub-Saharan Africa" (2018) at 21.

However, in conducting identification verification under this system, policy-makers must ensure that Africans are not debarred from using the system as a result of stringent identification documentation requirements, as has been observed in some national payment scenarios. In Nigeria for instance, the complexity of documentation, including the request to present specific identification documentation, such as the national identity number card, voter's card, international passport or driver's license, bars 10% of the adult population from signing up for and accessing financial services.[109]

To avoid these requirements at the regional level, the use of biometric registration, using fingerprints or iris scans, is recommended. This could be the answer to seamless, inclusive and less onerous universal identification services. With the use of biometric systems, users can obtain system-agnostic regional identification cards operable and usable across all finance access points on the continent. This should give users access to a wide range of transactions, including low-value funds transfer, mobile money, digital wallets and peer-to-peer transactions. The services offered must be operable on different devices and platforms to ensure that users who cannot afford smart phones and laptops are not excluded from regional payment networks. As with the previous point in 4.1, the need for wide consultation within the RECs is essential for aiding the optimal integration of existing systems. Legal rules and policy practices will need to be uniform and harmonised to create uniform standards.[110]

4.3 Work towards digitisation

Digitising the payment system for the AfCFTA should make the transit of borders safer for traders, as the risk of theft and the burden of carrying cash is reduced for them. The PAPSS can achieve gains in terms of pushing back on cash dependency in Africa, and realise the cashless policy implementation under way in different countries by aligning with the cashless policy vision of national regulators. In Nigeria, the cashless initiative was launched in 2012 and has led to the proliferation of digital systems such as mobile and web payments, as well as automated teller machines and point-of-sale devices.[111] Other countries, including Kenya, Tanzania, Uganda, Côte d'Ivoire, Egypt, and South Africa, have also devised national cashless policy initiatives.[112] A reduction in cash dependency at the national level across Africa could promote digital payments in continental trade.

Policy-makers will however need to engage in meaningful stakeholder consultation to ensure sustainable adoption and scale at all stages, both before, during and after launch. Unstructured Supplementary Services System (USSD) is useful in this regard as funds

---

[109] EFInA "Key Findings: EFInA Access to Financial Services in Nigeria (A2F) 2018 Survey" available at https://www.efina.org.ng/wp-content/uploads/2019/01/A2F-2018-Key-Findings-11_01_19.pdf (accessed 2 March 2021).

[110] See Emekekwue (2019).

[111] Central Bank of Nigeria "Cash-less Nigeria" available at https://www.cbn.gov.ng/cashless/ (accessed 19 March 2021).

[112] Ighobor K "Africa's quest for a cashless economy gains momentum" *UN* available at https://www.un.org/africarenewal/magazine/may-july-2017/africa%E2%80%99s-quest-cashless-economy-gains-momentum (accessed 23 November 2020).

transfers can be completed on most phones. Data should be affordable, and internet services ubiquitous. There is also the need to steer consumer behaviour towards the goal of digitisation and to decipher and explain the array of products required to serve specific individual and business groups. Offerings such as remittances and digital wallets for small-scale transactions, direct debits and e-wallets need to be popularised for individuals and small businesses.[113]

While credit card offerings should be available for bigger business entities, responsible lending should be observed when offering these to individuals and small-holder businesses to avoid over-indebtedness and excessive borrowing. Unfair sanctions such as the seizure of property, credit score lowering, blacklisting and similar practices can be debilitating on this class of persons and negatively affect overall trust in the payment system. This is evident in Kenya where borrowers have been known to be blacklisted for late or non-repayment of digital microloans, leading to downgraded credit scores for creditors, and bad loans for banks.[114] Besides optimising the payment system, it is noteworthy that digitisation will also be crucial in advancing related emerging sectors in intra-African trade, particularly electronic commerce (e-commerce). E-commerce, in turn, will have positive effects on intra-regional trade by helping to build trust in digital payment and reducing cash dependency on the continent. One of the ways e-commerce companies on the continent are building trust and getting people to use the service is by offering cash-on-demand services to serve card transaction-sceptic clients. Jumia and Konga are good examples of e-commerce companies that allow cash payments for goods purchased online alongside digital payment channels, so that clients have payment channel alternatives to choose from. Jumia in addition, offers other digital payments such as the specialised Jumiapay, or payment using debit or credit cards.[115]

To incentivise more clients to make digital payments in place of cash, Konga offers an escrow service to clients, guaranteeing that clients' payments are kept safe by the company until the buyer is satisfied with the product and delivery timelines agreed to with the seller.[116] Everyone wins as unsatisfied clients can easily be refunded the cost of goods and delivery fees, and the seller on the other hand is assured that payment has been collected. Sellers also strive to comply with product descriptions to guarantee sales and avoid bad customer reviews. Konga additionally offers a "buyer protection programme" to ensure that buyers who pay for eligible products before delivery, using

---

[113] See Bukuku (2018) at 42 & 49.

[114] Gitonga S "Millions of Kenyans blacklisted by cry over digital loans defaults" (2019) available at https://businesstoday.co.ke/more-than-2-7-million-kenyans-blacklisted-at-crb-over-digital-loans/ (23 November 2020).

[115] Jumia "How to place and track an order" available at https://www.jumia.com.ng/sp-place-track-order/ (accessed 25 March 2021).

[116] Konga "Buyer safety centre" available at https://www.konga.com/help/buyer-safety (accessed 25 March 2021)

one of the digital channels offered, are fully indemnified from loss.[117] These examples are replicable across the continent.

4.4 Ensure the safety of the payment system

Safety is crucial to the use of a payment system, as no consumer or business wants to risk losing money to a system that does not offer adequate fail-safe protection. The system interfaces associated with the PAPSS must embody built-in fraud detection firewalls and other mechanisms that have the capacity to monitor transaction patterns and detect suspicious dealings even before completion. In the event that financial fraud, such as siphoning of funds, identity theft or phishing, is executed, the system should have a mechanism for tracing the criminals behind this. This would require cooperation among member states in terms of information and intelligence sharing, prosecution of offenders, and enforcement of punishments without the encumbrance of lack of jurisdiction or applicable laws. There should also be significant collaboration between financial services providers and law enforcement, so that financial integrity is maintained.

Safety measures need to be stipulated in a payment services policy guideline to apply at a minimum to all participating financial services providers, merchants, interface providers and systems designers. Uniform rules and standards on identification management, KYC rules and other standards for the safety of systems and equipment should be contained in this policy. Additionally, card processing standards and guidelines on type specifications need to be included. Since card services will be agnostic and card fraud could be happening in any part of the continent, adopting uniform safety mechanisms would mean that criminals are unable to pick out any weak spots on the continent to carry out financial crimes.

In Nigeria, the fact that all transactions on all financial media of all financial services providers are switched through the Nigerian Interbank Settlement Systems central switch further improves safety.[118] Even offline, it is also difficult for fraudsters to withdraw money physically as by the provisions of the Guidelines on Operations of Electronic Payment Channels 2020, banks are mandated to install surveillance cameras in ATM stalls and disable cash dispensing when the face of a person attempting to make a withdrawal is covered.[119] Furthermore, successfully deployed home-grown solutions such as the Central Bank of Nigeria Bank Verification Number (BVN) which assigns a unique BVN number verifiable across all banks to users to keep a digital audit trail are needed. During the registration for this BVN, the contact address, biometric features and photographs of clients are captured.[120] These safety mechanisms are essential, and can also serve evidential purposes for law enforcement in the apprehension of fraudsters.

---

[117] See Konga "Buyer safety centre" available at https://www.konga.com/help/buyer-safety (accessed 25 March 2021).

[118] Guidelines on transactions switching in Nigeria 4.1 (2016).

[119] Guidelines on operations of electronic payment channels in Nigeria 1.5 (2020).

[120] NIBSS "About" available at https://nibss-plc.com.ng/bvn/ (accessed 13 March 2021).

4.5 Phase in a common currency

Achieving uniform currency use in Africa is not an impossible task. As shown above, in 3.4, this has been achieved within the economic sub-region of the UEMOA region where the CFA franc is used, and in the southern African region which largely accepts the South African rand. The UEMOA and ECOWAS are planning to adopt the Eco as a uniform currency, which could mean that both English- and French-speaking West Africa will have one universal currency.[121] These regional steps can serve as precursors for the wider integration of African state currencies into one formidable African currency.

Notably, unlike domestic payments that are settled in a single currency, cross-border retail payment involves two currencies at a minimum, together with foreign exchange transactions and, in some cases, a further currency to convert between transacting parties.[122] Achieving a single currency will therefore prove crucial for phasing out the use of foreign currencies in the indirect currency-conversion scenarios that are still commonplace in Africa. Remarkably, the CFA franc used in French-speaking West Africa is presently pegged to the euro, backed by the French treasury and printed in France which equally co-determines quantity and mandates 50% storage of foreign exchange reserves.[123] France has been criticised for this, as well as for gaining preferential access to African resources as a result of its colonial relationship that holds back intraregional trade.[124] A single currency would therefore guard against currency volatility, multiple exchange windows, inflation and currency manipulation for elitist and political gains, and help African countries to sever regressive colonial ties.

Africa can take the opportunity to insist that payments are made in this currency by making it the official payment currency for the gamut of infrastructural development projects and the associated services springing up across the continent. Africa can learn lessons from China, which is challenging the status quo of the dollar as a global reserve currency by introducing Petroyuan for large-scale oil import with partners such as Iran and Russia. As the adherence to AML and KYC rules increasingly escorts many foreign correspondent banks out of Africa, and the popularity of third currencies and transaction corridors decelerates, policy-makers can fill these gaps by taking the opportunity to introduce a uniform policy for the PAPSS.

If deployed properly, a common currency can be a driver for moving the continent to the next level of integration, as economic integration continues to increase. It remarkable that the Economic and Monetary Community of Central Africa (EMCCA)

---

[121] See Xuba M "The eco-currency: A new chapter for West Africa" available at https://futureafricaforum.org/2021/01/14/the-eco-currency-a-new-chapter-for-west-africa/ (accessed 29 March 2021).

[122] See Bank for International Settlement (2018) at 13 & 23.

[123] Giles C & Goodman J "African migration: Is the CFA franc forcing people to leave?" (2019) *BBC* available at https://www.bbc.com/news/world-africa-46960532 (accessed 22 November 2020).

[124] See Giles & Goodman (2019).

member states are fully integrated in terms of monetary policy, laws and trade rules, partly due to their use of the same currency – the CFA franc.[125] But this will require political will and consistent work towards the goal on a continental level. The present example of insistence on local currency in regional trade, as observed in Angola where the local currency, Kwanza, is mandated, is an example of a practice that needs to be jettisoned if a regional currency is to become a reality.

4.6 Incentivise the private sector

The private sector is crucial to the success of the PAPSS and could be the spark for its rapid deployment and usage by individuals and business. A significant percentage of the financial institutions in Africa are privately owned, and these will be the backbone of the PAPSS when it goes live. About 80% of businesses in Africa are categorised as small and medium-sized enterprises; the informal sector accounts for more than 85% of economic activities in Africa and women comprise nearly 90% of this segment.[126] Satisfying the payment demands of these stakeholder groups is vital for fostering the payment system.

Policy-makers should be aware that a wide range of providers are needed beyond traditional banks. These include merchants, billers, intermediaries, agent networks, financial technology companies, mobile network operators and postal banks. To drive active participation, policy-makers must conduct a thorough business-case analysis to introduce policies, infrastructure and measures that will galvanise the private sector. This should be informed by wide-ranging stakeholder engagement, so that financial services adopted at the initial stages are not abandoned afterwards because they do not meet with the needs of the intended users. Assessing the need for wholesale or retail payment systems, as well as the need for high impact low-cost infrastructures, will help to determine the right trajectory for the payment system development, and guarantee outcomes that are fit for purpose.[127]

To improve industry participation, fair competition rules are needed that will give service providers the necessary level playing field to offer a diverse range of financial services to mirror the demands of individuals and business. As a complement to fair competition, policy-makers need to encourage co-opetition (cooperation between competitors). This maximises the benefits of shared infrastructure arrangements, including shared buildings and other payment infrastructures, integrated billing systems and customer service, and can reduce cost and achieve efficiency. But these entities will need an enabling environment and incentives in terms of infrastructure. Therefore, PAPSS policy-makers will need to get firm commitments from African

[125] Abuka C & Baahi B "Challenges of integrating payment systems in Africa" (2014) available at https://www.mfw4a.org/blog/challenges-integrating-payment-systems-africa (accessed 31 October 2020).

[126] AfCFTA secretariat & UNDP "The future's report: Making Africa work for women and youth" (2020) available at https://au.int/sites/default/files/documents/39689-doc-ss_afcftafuturereport.pdf (accessed 23 January 2021).

[127] See CENFRI (2018).

leaders to expand enabling infrastructures such as road networks, power grids and internet connectivity networks, and to encourage investment in the sector. These should have positive effects on agent networks, cash reticulation by finance providers and the deployment of payment infrastructures such as ATM and POS services.

Private-sector engagement, particularly in relation to investment, requires that industry players deploy service offerings with interoperability in view. Interoperability should be considered at the initial stages. If clients of one payment service provider cannot transact with customers on other networks, this defeats the purpose of regional integration, which requires a uniform system for payment facilitation. The any-to-any model is recommended to facilitate real-time payment irrespective of the provider. To achieve this, policy-makers will have to insist that all financial access points are interoperable, so that all payment services providers can seamlessly connect to the payment system and offer meaningful value-added services to clients. ATM and point-of-sale devices will also have to be card-agnostic, so that users across the continent can easily transact without restrictions.

At the national level, it is remarkable to see that interoperability has been achieved by some countries, whether through the volition of service providers or by the insistence of the regulator. Mandatory interoperability operates in countries such as Nigeria through the Nigerian Interbank Settlement System (NIBSS), which is implemented by the Banker's Association comprising the Central Bank and all licensed Deposit Money Banks (DMBs) in Nigeria.[128] In Tanzania, voluntary interoperability was achieved by providers using an industry-led approach. Here, the main providers, Tigo, Vodacom, Airtel and Zantel, decided to voluntarily seek interoperability in response to both supply- and demand-side needs.[129] The regulator employed a "test and learn" regulatory approach to create the enabling environment for innovation, and Tanzania currently boasts the second largest mobile money market in the world.[130]

5 CONCLUDING REMARKS

The AfCFTA is set to accelerate economic activities and trade among the 55 members of the African region. With this increase in trade comes the demand for payment services that facilitate financial flow. The PAPSS could usher in a payment system for the seamless and efficient flow of capital, lower the cost of cross-border trading and serve as the backbone for strengthening Africa's regional and global value chains, while additionally reducing the dominance of foreign payment routes and the use of third currencies in the region. Policy-makers must however address infrastructural deficits, devise legal and technical rules that strengthen the system, address non-tariff barriers inherent in the AfCFTA, and ensure that the concerns as well as the interests of all

[128] NIBSS "About NIBSS" available at https://nibss-plc.com.ng/about (23 November 2020).

[129] Koblanck A "Achieving interoperability in mobile financial services: Tanzania case study" (2015) 100 available at https://www.ifc.org/wps/wcm/connect/d16ceebb-1853-4a2a-89f3-52985f8e5134/IFC+Tanzania+Interoperability+Case+Study.pdf?MOD=AJPERES&CVID=lA4tZDN (accessed 23 November 2020).

[130] See Koblanck (2015).

actors are considered. It is expected that, in doing this, the vision of an efficient payment network system that serves all of Africa will become a reality. What a joy it will be when Kweku in Kumasi, Ghana can make low-cost direct, real-time and seamless funds transfers to Silindile in Tshwane, South Africa.

AUTHORS' CONTRIBUTIONS

Monye O conceptualised the study. Monye E did the literature review. Both authors contributed to the drafting and editing of the manuscript.

BIBLIOGRAPHY

Journal articles

Akinkugbe O "Theorizing developmental regionalism in narratives of African Regional Trade Agreements (RTAs)" (2020) 1 *African Journal of International Economic Law* at 293-320

Faruqui U & Shirakami T "Payments without borders" (2020) *BIS Quarterly Review* (2020) 53-65

Fofack H "A competitive Africa economic integration could make the continent a global player Finance & Development" (2018) 55 *Finance and Development* 48-51

Ismail F "A developmental regionalism Approach to the African Continental Free Trade Area (AfCFTA)" (2019) 8 *Journal of Reviews on Global Economics* at 1771-1785

Scholvin S "Developmental regionalism and regional value chains: pitfalls to South Africa's vision for the tripartite free trade area" (2018) 53(3) *Africa Spectrum* at 115–129

Policies

Central Bank of Nigeria "Cash-less Nigeria" CBN available at https://www.cbn.gov.ng/cashless/ (accessed 19 March 2021)

Central Bank of Nigeria Guidelines on Operations of Electronic Payment Channels in Nigeria 1.5 (2020)

Central Bank of Nigeria Guidelines on Transactions Switching in Nigeria 4.1 (2016)

Central Bank of Nigeria, "Monetary Policy" CBN available at https://www.cbn.gov.ng/MonetaryPolicy/ecowas.asp (accessed 2 November 2020)

Institutional publications

Abuka C & Baahi B "Challenges of integrating payment systems in Africa" (2014) available at https://www.mfw4a.org/blog/challenges-integrating-payment-systems-africa (accessed 31 October 2020)

AfCFTA secretariat & UNDP "The future's report: Making Africa work for women and youth" (2020) 11 available at https://au.int/sites/default/files/documents/39689-doc-ss_afcftafuturereport.pdf (accessed 23 January 2021)

AFDB "Financial sector integration in three regions of Africa: How regional financial integration can support growth, development, and poverty reduction" available at https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and- (accessed 4 April 2021)

Africa Union "African Union New Partnership for Africa's Development (NEPAD)" (2015) available at https://au.int/en/organs/nepad AU (accessed 30 October 2020)

African Union "Operational phase of the African Continental Free Trade Area launched" available at https://au.int/en/articles/operational-phase-african-continental-free-trade-area-launched (accessed 23 November 2021)

African Union "The Pan-African Payments and Settlement System" (PAPSS) available at https://afcfta.au.int/fr/node/295 (accessed 26 March 2021)

Ajibo C "Regional Economic Communities as the building blocks of African Continental Free Trade Area Agreement: Challenges and way forward" (2019) *Afronimicslaw* available at https://www.afronomicslaw.org/2019/02/04/regional-economic-communities-as-the-building-blocs-of-african-continental-free-trade-area-agreement-challenges-and-way-forward (accessed 2 February 2022)

Bank for International Settlement "Committee on payments and market infrastructures cross border retail payments" (2018) at 13 & 23 available at https://www.bis.org/cpmi/publ/d173.pdf (accessed 26 March 2021)

Bank of Mauritius "COMESA regional payment and settlement system starts live operations" (2012) available at https://www.bom.mu/media/media-releases/communique-comesa-regional-payment-and-settlement-system-starts-live-operations (accessed 2 November 2020)

Bank of Zambia "Banking, currency and payment systems department success stories: Speeding up financial services" (2015) available at https://www.sadc.int/files/2015/9781/9365/Zambia_SADC_Success_Stories_Speeding_up_Financial_Transactions.pdf (accessed 30 October 2020)

Bukuku E "Launch of the East African Payment System (EAPS)" (2014) *Euro Asia News*

Callaert T et al "Africa payments: Insights into African transaction flows" (2018) 38 available at https://www.swift.com/resource/africa-payments-insights-african-transaction-flows (accessed 30 January 2021)

CENFRI "Payment systems in sub-Saharan Africa Note 1: Themes and imperatives for national and regional payment systems that enable remittances" (2018) available at https://cenfri.org/wp-content/uploads/2018/12/Payment-systems-in-SSA-Note-1.pdf (accessed 18 October 2020)

CENFRI "Payment systems in sub-Saharan Africa Note 2: Case studies of national and regional payment systems market development" (2018) available at https://cenfri.org/wp-content/uploads/2018/12/Payment-systems-in-SSA-Note-2.pdf (accessed 22 June 2020)

CMA "Real time gross settlement system for West African countries" available at https://www.cma.se/sites/all/themes/cma/gui/pdf/casestudybceaov3.pdf (accessed 25 March 2021)

CMA "Regional payment and settlement system" available at https://www.cma.se (accessed 2 November 2020)

COMESA "COMESA Banks Governors push for regional payment and settlement system" (2017) available at https://www.tralac.org/news/article/11507-comesa-banks-governors-push-for-regional-payment-and-settlement-system.html (accessed 2 November 2020)

COMESA "The common market for eastern and Southern Africa" available at https://www.comesa.int/ (accessed 18 October 2020)

EFInA "Key findings: EFInA Access to Financial Services in Nigeria (A2F) 2018 Survey" https://www.efina.org.ng/wp-content/uploads/2019/01/A2F-2018-Key-Findings-11_01_19.pdf (accessed 2 March 2021)

Emekekwue O "Afreximbank announces $1-billion adjustment facility, other AfCFTA support measures as African leaders meet" (2019) Afreximbank available at https://www.afreximbank.com/afreximbank-announces-1-billion-adjustment-facility-other-afcfta-support-measures-as-african-leaders-meet/ (accessed 2 November 2020)

Koblanck A "Achieving interoperability in mobile financial services: Tanzania case study" (2015) 100 available at https://www.ifc.org/wps/wcm/connect/d16ceebb-1853-4a2a-89f3-52985f8e5134/IFC+Tanzania+Interoperability+Case+Study.pdf?MOD=AJPERES&CVID=lA4tZDN (accessed 23 November 2020)

KPMG "Payment developments in Africa: The payments journey" (2016) available at https://assets.kpmg/content/dam/kpmg/ng/pdf/dealadvisory/ng-KPMG-Payment-Developments-in-Africa-Volume-2.pdf (accessed 25 March 2021)

Maliszewska M et al "The African Continental Free Trade Area" (2020) World Bank available at https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area (accessed 26 March 2021)

NEPAD "Supporting Africa's transformation: Regional integration and cooperation assistance strategy for the period Fy18–Fy23" (2018) Report No. 121912 World Bank available at http://documents1.worldbank.org/curated/en/700111528428661825/pdf/REGIONAL-INTEGRATION-CAS-AFRICA-05112018.pdf (accessed 15 October 2020)

Stijns J "Banking in sub-Saharan Africa: Recent trends and digital financial inclusion" November (2016) at 80 EIB available at https://www.eib.org/attachments/efs/economic_report_banking_africa_digital_financial_inclusion_en.pdf (accessed 31 October 2020)

UNCTAD "Shift from traditional approach to integration to 'developmental regionalism'" (2013) UNCTAD/PRESS/PR/2013/034

World Bank "Supporting Africa's transformation: Regional Integration and Cooperation Assistance Strategy for the period FY18–FY23" (2018) Report No. 121912-AFR

News media

Adams S "Afreximbank launches Pan-African payment, settlement platform in Niamey" (2019) Business Day available at https://businessday.ng/uncategorized/article/afreximbank-launches-pan-african-payment-settlement-platform-in-niamey/ (accessed 17 October 2020)

Anyanzwa J "EAC to upgrade underperforming e-payment system" (2019) The East African available at https://www.theeastafrican.co.ke/tea/business/eac-to-upgrade-underperforming-e-payment-system-1424186 (accessed 29 March 2021)

German Cooperation "The East African Community" EACG available at http://eacgermany.org/east-african-community-eac/ (accessed 30 October 2020)

Giles C & Goodman J "African migration: Is the CFA franc forcing people to leave?" (2019) BBC available at https://www.bbc.com/news/world-africa-46960532 (accessed 22 November 2020)

Gitonga S "Millions of Kenyans blacklisted by CRB over digital loans defaults" (2019) available at https://businesstoday.co.ke/more-than-2-7-million-kenyans-blacklisted-at-crb-over-digital-loans/ (23 November 2020)

Ighobor K "Africa's quest for a cashless economy gains momentum" UN available at https://www.un.org/africarenewal/magazine/may-july-2017/africa%E2%80%99s-quest-cashless-economy-gains-momentum (accessed 23 November 2020)

Kruger D "A payments platform to support economic growth" (2018) Kenyan Wall Street available at https://kenyanwallstreet.com/payments-platform-support-economic-growth/ (accessed 18 October 2020)

Reuters "M-Pesa helps drive up Kenyans' access to financial services – study" (2019) available at https://www.reuters.com/article/kenya-banking-idUSL8N21L2HK (accessed 25 March 2021)

The Herald "SADC develops regional mobile money platform" (2019) available at https://www.herald.co.zw/sadc-develops-regional-mobile-money-platform/ (accessed 21 March 2021)

Internet sources

Ismail F "A call for a developmental regionalism approach to the African Continental Free Trade Area" (2020) 9 ECDPM Great Insights magazine available at https://ecdpm.org/great-insights/african-continental-free-trade-area-agreement-impact/developmental-regionalism-afcfta/ (accessed 16 November 2021)

Jumia "How to place and track an order" available at https://www.jumia.com.ng/sp-place-track-order/ (accessed 25 March 2021)

Kagan J "Mpesa" (2020) available at https://www.investopedia.com/terms/m/mpesa.asp (accessed 25 March 2021)

Koigi B "SADC electronic platform reduces transfer costs" (2019) Africa Business Communities available at https://africabusinesscommunities.com/tech/tech-news/sadc-electronic-platform-reduces-transfer-costs/ (accessed 30 October 2020)

Konga "Buyer safety centre" available at https://www.konga.com/help/buyer-safety (accessed 25 March 2021)

M Lungu "Over $100m transacted through the regional payment system" (2020) COMESA available at https://www.comesa.int/over-100m-transacted-through-the-regional-payment-system/ (accessed 18 October 2020)

Mavadiya M "There is more to digital payments in Africa than M-Pesa" (2020) available at https://www.finextra.com/the-long-read/44/there-is-more-to-digital-payments-in-africa-than-m-pesa (accessed 17 June 2020)

Michaels L "Delivering technology solutions to *susu* collectors" (2012) available at https://www.cgap.org/blog/delivering-technology-solutions-susu-collectors (accessed 23 November 2020)

NIBSS "About" https://nibss-plc.com.ng/bvn/ (accessed 13 March 2021)

SADC Secretariat, "Status of integration in the Southern African Development Community" (2020) available at https://www.tralac.org/ (accessed 30 October 2020)

SADC "SADC-RTGS" available at https://www.sadcbanking.org/payments-project/ (accessed 18 October 2020)

Xuba M "The eco-currency: A new chapter for West Africa" https://futureafricaforum.org/2021/01/14/the-eco-currency-a-new-chapter-for-west-africa/ (accessed 29 March 2021)