

CURRENCY DEPENDENCE IN AFCFTA: AN APPRAISAL OF THE PAN-AFRICAN PAYMENT AND SETTLEMENT SYSTEM IN AS A REMEDY TO AFRICA'S FOREIGN EXCHANGE PROBLEM

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Abstract

The African Continental Free Trade Area Agreement was designed to create a single market of 1.4 billion people and boost intra-African trade from 15% to 50% by 2030. However, seven years after its operational phase, a structural impediment persists: Africa's dependence on foreign currencies, particularly the US Dollar and Euro, for intra-continental trade settlement. This dependence imposes transaction costs, delays, and exchange rate risks that undermine the very objectives of the AfCFTA. In response, the Pan-African Payment and Settlement System was launched by the AfCFTA Secretariat and Afreximbank to enable instant, cross-border payments in local currencies. Using doctrinal methodology, this paper examined the legal and economic framework of currency dependence under the AfCFTA and evaluated whether the Pan-African Payment and Settlement System (PAPSS) can provide a viable solution. The paper argued that while PAPSS

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addresses the technical and cost dimensions of the problem, its success is contingent on legal harmonization, central bank cooperation, financial infrastructure, and mass adoption by Small and Medium Enterprises. The paper concludes that the success of PAPSS in Africa depends on scaling geographic coverage, ensuring widespread adoption by SMEs, and other factors. The paper recommended, among others, that the National Assembly should amend the Central Bank of Nigeria Act to mandate the use of the Pan-African Payment and Settlement System for all government and Small and Medium Enterprises' intra-African payments below a threshold.

Keywords: AfCFTA, PAPSS, Currency Dependence, Intra-African Trade, Foreign Exchange, Afreximbank, Nigeria

1. INTRODUCTION

The African Continental Free Trade Area entered into force on 30th May 2019 and commenced trading on 1st January 2021.¹ The Agreement represents the most ambitious integration project on the continent since the establishment of the African Union. Its core objective is the progressive or continuous elimination of tariffs and non-tariff barriers for trade in goods and services and to foster investment and economic development.⁵ However, trade liberalization without a corresponding payments system is incomplete and without positive results. At present, over 80% of African trade is denominated and settled in foreign currencies.² For example, a Nigerian exporter selling to Ghana must convert Naira to USD, and the Ghanaian

¹ Addison Eleanya, *Boosting the AfCFTA: The role of payment and settlement systems*(Ghana Academy of Arts and Sciences Forum, 2025) 25. <https://www.bog.gov.gh/wpcontent/uploads/2022/06/Governors-Speech-Ghana-Academy-of-Arts-and-Sciences-Forum-08-06-2022.pdf>. Accessed 2nd August, 2026.

² African Union, List of Countries which have Signed, Ratified/Acceded to the Agreement Establishing the AfCFTA (AU 2024) 2.

importer must convert Cedis to USD. The payment traverses correspondent banks in London or New York, attracting fees and delays of 2 to 5 working days for its success. This dollarization of African trade erodes AfCFTA's tariff gains and excludes Small and Medium Enterprises who cannot bear the cost of currency exchange.

This paper interrogates whether the Pan-African Payment and Settlement System (PAPSS) can resolve this currency problem, examines the legal basis of currency dependence, analyzes PAPSS, assesses the challenges, and recommends that the African Continental Free Trade Area regularize its agreement through the inclusion of the Pan-African Payment and Settlement System into the Central Bank of Nigeria Act.

2. THE LEGAL AND ECONOMIC PROBLEM OF CURRENCY DEPENDENCE UNDER AFCFTA

Intra-African trade in 2023 reached USD 192.2 billion, representing approximately 15% of the continent's total trade.³ Although this marks substantial progress compared to previous years of 12%, it remains significantly below other regions such as Europe (60%) and Asia (50%).⁴ One of the major constraints or challenges is Africa's reliance on the US dollar and other foreign currencies to settle cross-border payments, leading to higher costs, longer settlement periods, and exposure to currency risks. PAPSS addresses these constraints by enabling near real-time settlement in local currencies, improving efficiency and fostering trust among traders. This article analyzed the Pan-African Payment and Settlement System through a sector lens, examining its developmental impact on agriculture, manufacturing,

³ Archibald Micheal, *Resource dependency theory*, (Britannica, 2025) 5. <https://www.britannica.com/topic/resource-dependency-theory>. Accessed 10 Augustm 2026.

⁴ Ibid

and other services. African agricultural exports have grown from USD 35 billion in 2012 to nearly USD 65 billion in 2023, with West Africa accounting for a large share of processed exports. More than 50% of these exports remain within the continent, demonstrating the increasing importance of intra-African food trade. Despite this progress, farmers and cooperatives still continue to face challenges such as delayed payments, post-harvest losses, and lack of access to credit. Pan-African Payment and Settlement System offers solutions by reducing settlement delays for perishable goods, ensuring farmers and cooperatives are paid quickly in local currency. This accelerates cash flow, reduces reliance on informal finance, and supports greater financial inclusion.

2.1 The Cost of Foreign Currency Settlement

The African Continental Free Trade Area's Protocol on Trade in Goods and the Protocol on Trade in Services do not provide for payment and settlement mechanisms.⁵ This lacuna or loophole has allowed the continued use of Society for Worldwide Interbank Financial Telecommunication (SWIFT) and correspondent banking. The consequences are in four areas, namely:

Firstly, double conversion and intermediary bank charges range from 3-5% per transaction.

Secondly, contrary to the African Continental Free Trade Area's goal of trade facilitation, payments take up to 5 days, creating working capital problems for small and medium-scale enterprises.

⁵ Paul Ruhamy, "Regulatory Barriers to the Pan-African Payment and Settlement System (PAPSS) under AfCFTA: Multi-Country Analysis for Enhanced Intra-African Trade": *Journal of International Law* (2025) (2) (7) 1-7.

Thirdly, importers bear the risk of USD volatility; a 10% depreciation of the Ghana Cedi against the Dollar can wipe out profit margins.

Lastly, the United Nations Economic Commission for Africa estimates that Africa loses approximately \$5 billion annually in payment-related fees to foreign financial institutions.⁶

2.2 Legal Implications of Pan-African Payment and Settlement System

The absence of a regional payment system also raises issues of monetary sovereignty. Article 3(c) of the AfCFTA Agreement seeks to promote sustainable and inclusive socio-economic development.⁷ Dependence on foreign currencies contradicts this objective by exporting monetary policy to the US Federal Reserve and the European Central Bank.

3. THE PAN-AFRICAN PAYMENT AND SETTLEMENT SYSTEM FRAMEWORK AND OPERATION

The Pan-African Payment and Settlement System (PAPSS) is a centralized financial market infrastructure developed by the African Export and Import Bank, Afreximbank, in collaboration with the African Union Commission and the African Continental Free Trade Area Secretariat. Its core mandate is to facilitate instant cross-border payments in local African currencies, thereby reducing reliance on third-country currencies and correspondent banking networks for intra-African trade under the African Continental Free Trade Area.⁸

⁶ Ibid

⁷ Jack Yanua, *PAPSS System Rules and Procedures Manual* (Afreximbank 2023) 5-30.

⁸ Ncube Brixiova, *Pan-African Payment System: Boosting Intra-African Trade* (African Development Bank, 2021) 12-19.

Pan-African Payment and Settlement System is directly relevant to the efficacy of dispute settlement because most African Continental Free Trade Area disputes arise from non-payment, delayed payment, or conversion issues. By providing real-time, traceable settlement, the Pan-African Payment and Settlement System reduces the incidence of such disputes and creates an auditable trail for adjudication.

Pan-African Payment and Settlement System derives its authority from the Agreement Establishing the Pan-African Payment and Settlement System signed in January 2022 by participating Central Banks and Afreximbank. It is anchored on Article 3 of the African Continental Free Trade Area Agreement, which mandates State Parties to cooperate on payment and settlement systems to facilitate trade. The African Continental Free Trade Area Protocol on Trade in Goods further provides in its Annex 3 Payment and Settlement that State Parties shall support the establishment of such systems.

The Settlement System is governed by the Council of Central Bank Governors of the Pan-African Payment and Settlement System, which provides policy direction and oversight. Afreximbank acts as both the System Operator and Settlement Agent. Participants include Central Banks, commercial banks, payment service providers, and national switches. This tripartite structure, such as the African Union or African Continental Free Trade Area for policy, Afreximbank for operations, and Central Banks for liquidity, mirrors the institutional design of AfCFTA itself.

The framework of the Pan-African Payment and Settlement System is built on four principles, namely:

Firstly, real-Time Gross settlement, where ACH payments are settled individually and immediately. Secondly, multilateral netting, where

Afreximbank nets obligations across Central Banks to conserve liquidity. Thirdly, local currency settlement uses a Pan-African Payment and Settlement System reference FX rate, eliminating USD intermediation. Finally, embedded data protection rules align with international standards.⁹

The operational flow of the Pan-African Payment and Settlement System can be illustrated with a transaction between Nigeria and Ghana. The importer's bank in Nigeria initiates a payment instruction in Naira through its domestic system into the Pan-African Payment and Settlement System gateway. Pan-African Payment and Settlement System validates the instruction, performs screening, and confirms that the originating Central Bank has sufficient pre-funded liquidity. Pan-African Payment and Settlement System converts naira to Ghana cedis using the Pan-African Payment and Settlement System with the published reference rate. In this instance, no correspondent bank in London or New York is involved. Afreximbank, as settlement agent, debits the Pan-African Payment and Settlement System account of the Central Bank of Nigeria and credits the Pan-African Payment and Settlement System account of the Bank of Ghana in real time. The beneficiary bank in Ghana receives the Ghana cedis and credits the exporter's account, usually within 2 minutes.¹⁰ Some of the operational Features are that Central Banks must pre-fund their Pan-African Payment and Settlement System accounts, which reduces settlement risk, with internal rules for failed transactions. However, commercial disputes arising from the underlying trade contract can be escalated to the African Continental Free Trade Area Dispute Settlement Mechanism under Article 20 of the Protocol on Rules and

⁹ Ifeanyi Ubah Jeremiah, *PAPSS officially launched to aid payment transaction across Africa* (University Press, 2023) 54.

¹⁰ Olayiwola Adeleke, 'Implications of PAPSS for Financial Integration in Africa (2022) (9) (2) *Journal of African Trade*, 101-118.

Procedures on the Settlement of Disputes. Pan-African Payment and Settlement System is integrated with national payment switches such as naira in Nigeria and Ghana cedis in Ghana to ensure interoperability. This operational design cuts settlement time from 3-5 days to less than 2 minutes and reduces costs by up to 70%.¹¹

Pan-African Payment and Settlement System strengthens the efficacy of AfCFTA dispute settlement by enabling instant payment. It removes a major source of trade disputes: payment delays and FX scarcity. All transactions are routed through a centralized system with timestamps; the Secretariat can easily produce evidence during Dispute Settlement Body proceedings and order payment of damages, as it provides the infrastructure to execute cross-border monetary awards quickly.

However, the system's efficacy depends on full participation of Central Banks and the legal recognition of Pan-African Payment and Settlement System records as evidence in national courts.

3.1 Legal Basis of Pan-African Payment and Settlement System

The Pan-African Payment and Settlement System was established pursuant to a Memorandum of Understanding between the African Continental Free Trade Area Secretariat and Afreximbank on 7th July 2019. It operates under the auspices of the Association of African Central Banks.¹² The Pan-African Payment and Settlement System is a centralized financial market infrastructure. It connects central banks, commercial banks, and payment switch operators.¹³ A payment is initiated in the originator's local currency, converted in real-time using

¹¹ Ibid

¹² Agreement Establishing the African Continental Free Trade Area, adopted 21 March 2018, entered into force 30 May 2019

¹³ Rao Pavithra, AfCFTA's Guided Trade Initiative Takes Off, Set to Ease and Boost Intra-African Trade, *Africa Renewal Magazine*, 2023, 24.

the Pan-African Payment and Settlement System reference rates, and settled instantly between central banks. The beneficiary receives funds in their local currency, without using US dollars.¹⁴

3.2. Benefits of Pan-African Payment System

As of August 2026, the Pan-African Payment and Settlement System has 15 Central Banks and 150 commercial banks in 42 countries, settlement in under 120 seconds, up to a 75% reduction in cross-border payment costs, and the potential to retain \$50 billion annually within Africa.¹⁵ Some of these gains are as follows:

3.2.1 Macroeconomic and Social Impacts

The major economic benefits of the Pan-African Payment and Settlement System are substantial: by reducing transaction costs, billions of dollars in trapped capital are unlocked for productive investment; by enabling local currency payments, Small and Medium Enterprises and informal traders gain access to cross-border markets, fostering financial inclusion; by reducing dependency on the US dollar, African economies are protected from global liquidity shocks and exchange rate volatility; and traceability of Pan-African Payment and Settlement System payments broadens the tax base without raising tax rates, increasing government revenue for public investment. Pan-African Payment and Settlement System aligns directly with the African Union's Agenda 2063 and the United Nations Sustainable Development Goals (SDGs).¹⁶

3.2.2 Services and the Digital Economy

¹⁴ Maliszewska Maryla, The African Continental Free Trade Area: Economic and Distributional Effects: *Journal of International Law*, (2023 (4) (8) 54.

¹⁵ Ibid

¹⁶ United Nations Economic Commission for Africa (2022). SMEs and Intra-African Trade Report.

The Pan-African Payment and Settlement System Currency Marketplace has enabled more than 80 companies to transact across 12 local currency pairs, eliminating costly conversions into US dollars. This provides a major boost to e-commerce platforms, logistics providers, and cross-border solutions. Services are increasingly central to Africa's economic growth, with finance, logistics, and e-commerce playing pivotal roles in trade liberalization. Afreximbank has announced plans to double intra-African trade financing to USD 40 billion by 2026, which will strengthen liquidity in the services sector.¹⁷ For example, the Pan-African Payment and Settlement System reduces transaction costs and improves transparency, encouraging innovation in payment systems. For logistics and transport providers, near real-time settlements reduce operational bottlenecks, enabling quicker delivery of goods and services. In education and digital services, the Pan-African Payment and Settlement System can expand cross-border access to online training and professional services. By formalizing transactions and increasing financial traceability, the Pan-African Payment and Settlement System contributes to better governance and taxation, further reinforcing its developmental impact.¹⁸

3.2.3 Manufacturing

Manufacturing of agricultural products holds the greatest potential for structural transformation in Africa. Intra-African manufacturing exports could grow by as much as 109% if non-tariff barriers are reduced and efficient payment infrastructures are adopted.¹⁹ Selected

¹⁷ Emejo Johnson, *in major policy shift to boost AfCFTA, CBN lowers documentation for low-value PAPSS* (manhut publisher, 2025) 18, <https://www.thisdaylive.com/2025/04/29/in-major-policyshift-to-boost-afcfta-cbn-lowers-documentation-for-low-value-papss-transactions/>, accessed 7 August, 2026.

¹⁸ Smith Agay, *The Wealth of Nations. Coase, Intra-Regional Food Trade in West Africa* (university press publisher, 1979) 6.

¹⁹ Bionducci Botta and others, *On the cusp of the next payments era: Future opportunities for banks*. (McKinsey publisher, 2023) 13.

agencies or sectors with high potential comprise machinery, plastics, textiles, and agro-industrial products. At present, slow or delayed cross-border payments and dependence on foreign currencies undermine competitiveness and further increase production costs. PAPSS can improve firms' working capital cycles, allowing manufacturers to reinvest profits into technology, quality improvement, and expansion. Examples include Nigeria's textile industry, Morocco's automotive sector, and Kenya's agro-processing sector.²⁰ This helps in job creation for Africa's growing youth population in particular.

4. CRITICAL APPRAISAL ON WHETHER THE PAN-AFRICAN PAYMENT AND SETTLEMENT SYSTEM CAN SOLVE THE PROBLEM

The Pan-African Payment and Settlement System addresses the technical problem, but three legal and policy hurdles are left out. There are no treaty obligations compelling businesses to use the Pan-African Payment and Settlement System; adoption of the system is voluntary. Studies show low awareness among SMEs and traders at border markets; without regulatory mandates from governments and banks, the Pan-African Payment and Settlement System risks underutilization. Article 22 of the Pan-African Payment and Settlement System Rules requires participating central banks to provide liquidity support; however, countries with strict exchange controls, including Nigeria, must align with Central Bank of Nigeria regulations to allow free conversion of local currencies on the Pan-African Payment and Settlement System. The absence of interbank

<https://www.mckinsey.com/industries/financial-services/our-insights/the-2023-mckinsey-global-payments-report>. accessed 7 August, 2026.

²⁰ Ibid.

currency markets in many African states remains a bottleneck.²¹ For the Pan-African Payment and Settlement System to reach the Mama Bisi trader, it must integrate with mobile money operators like M-Pesa, MTN MoMo, and Nigerian fintechs.²⁴ It must also comply with data protection and cybersecurity laws across 54 jurisdictions, as a single failed settlement could erode trust. The African Continental Free Trade Area Agreement was established to create a single market of 1.4 billion people and boost intra-African trade from 15% to 50% by 2030.²² However, six or seven years after its operational phase, a structural impediment persists. Africa depends on foreign currencies, particularly the US Dollar and Euro, for intra-continental trade settlement. Pan-African Payment and Settlement System (PAPSS) is a transformative idea under the African Continental Free Trade Area (AfCFTA), modeled to streamline cross-border payments and facilitate intra-African trade. It aims to reduce the continent's dependency on foreign currencies by allowing businesses to settle transactions in their local currencies. By doing so, it promises to reduce transaction costs, mitigate foreign-exchange risks, and improve trade efficiency. Despite its potential, the Pan-African Payment and Settlement System faces numerous challenges that hinder its progress. These include governmental hesitancy, infrastructure fragmentation, currency volatility, and technological limitations. In addition, businesses continue to prefer stable foreign currencies, further complicating the Pan-African Payment and Settlement System implementation. Unless

²¹ Mene Wean. (2025, January 29). *Intra-African trade and its potential to accelerate progress toward the* (Brooking's publisher, 2025) 76.

<https://www.brookings.edu/articles/intra-african-trade-and-its-potential-toaccelerate-progress-toward-the-sdgs/>. Accessed 8 Augustm 2026.

²² Havranek Irsova, The role of resources in the formation of a country's economic growth: *Journal of Economic Perspectives*, (2017) (31) (2), 65-86. <https://www.sciencedirect.com/science/article/abs/pii/S0301479716306740>. accessed 9 August, 2026.

strategic adaptations are made, PAPSS may struggle to achieve its full potential.

4.1 Improve Government and Private Participation

Governments and the Pan-African Payment and Settlement System should work closely with private financial institutions, companies and industry stakeholders to accelerate the adoption of the system. Public-private partnerships can lead to innovative solutions such as integrating trade finance, mobile banking and peer-to-peer finance services that cater directly to the needs of African businesses. These partnerships can also expand the Pan-African Payment and Settlement System's reach by involving non-bank financial institutions, ensuring broader adoption and usability.²³

Governments must introduce incentives to encourage businesses to trade in local currencies. Financial incentives, such as reduced transaction fees, tax breaks, or regulatory exemptions, should be offered to businesses that use the Pan-African Payment and Settlement System for cross-border payments. Pan-African Payment and Settlement System should develop currency-hedging mechanisms to protect businesses from the risks associated with currency fluctuations, making local currency transactions more attractive and secure.²⁴ Many businesses are still unaware of the potential benefits of using the Pan-African Payment and Settlement System. To address this, targeted education campaigns should inform businesses about the advantages of the Pan-African Payment and Settlement System, such as faster payment settlements and reduced reliance on foreign currencies. These

²³ Lunenborg Peter, 'Phase 1B' of the African Continental Free Trade Area (AfCFTA) Negotiations (South Centre, Policy Brief No. 63, 2019) 61.

²⁴ Wellisz Chuks, Digital journeys: Freeing foreign exchange in Africa. *International Monetary Fund*: (2022) (3) (6) 19. <https://www.imf.org/en/Publications/fandd/issues/2022/09/Digital-Journeys-Africafreeing-foreign-exchange-wellisiz/> accessed 9 August, 2026.

campaigns should also address concerns about currency volatility and provide real-world examples of successful Pan-African Payment and Settlement System transactions to build trust among businesses.

A major priority for the Pan-African Payment and Settlement System must be investing in cybersecurity infrastructure to protect the payment system against potential threats. Governments, in collaboration with the private sector, should implement robust data-governance frameworks and cyber security protocols to secure Pan-African Payment and Settlement System operations. By adopting international best practices for cyber security, the Pan-African Payment and Settlement System can build trust and encourage wider participation among businesses and financial institutions.²⁵

Over the long term, Pan-African Payment and Settlement System could explore the development of a virtual African currency to facilitate cross-border payments and reduce reliance on foreign exchange. This digital currency could be introduced in phases, starting with regional digital currency zones, before moving towards a continent-wide currency. This phased approach would help the Pan-African Payment and Settlement System better address regional economic realities and establish a strong foundation for eventual continental integration.²⁶

4.2 Improve technological integration and infrastructure development

²⁵ Abimbola Oluwakemi, Afreximbank to train businesses in AfCFTA: *This day Newspaper*, 2024, 23.

²⁶ Santosdiaz Richie, *Overview of The Pan-African Payment and Settlement System PAPSS*, (mahurt publisher, 2023) 12. <https://www.Decisionsofthe12thExtraordinarySessionoftheAssembly/AfricanUnion> au.int. Accessed 16 September, 2026.

African governments, with support from international organizations and private partners, must invest in infrastructure development to bridge the digital divide and ensure that all countries can participate in the Pan-African Payment and Settlement System. This consists of upgrading Internet connectivity, improving financial literacy, and expanding access to digital banking services, particularly in underdeveloped regions. These improvements are critical for increasing the Pan-African Payment and Settlement System's adoption across Africa.

Finally, the successful implementation of the Pan-African Payment and Settlement System is critical to the realization of AfCFTA's full potential and digital system in Africa. By addressing the concerns of governments, businesses and the wider financial community, the Pan-African Payment and Settlement System can become a transformative platform for African trade. However, this requires strategic adaptation, including building public-private partnerships, incentivizing the use of local currencies and enhancing cyber security.²⁷

5. CHALLENGES TO THE PAN-AFRICAN PAYMENT AND SETTLEMENT SYSTEM IMPLEMENTATION

Many Countries across Africa were in a hurry to fully adopt the Pan-African Payment and Settlement System due to concerns about relinquishing control over monetary policy. Central banks in particular are cautious about integrating their systems with the Pan-African Payment and Settlement System for fear that it may limit their capacity to manage inflation and currency volatility. This is especially relevant in countries with less stable currencies. There is a delay in surrendering control of their financial systems, despite the potential

²⁷ Forde Craigg Sheena, Establishing Direct Airlift Between African and the Caribbean, *Leadership Newspaper*, 2025, 7.

benefits of increased trade efficiency.²⁸ Further to this, regulatory differences among countries create predicaments for the harmonization of payment systems. Each state has its own financial regulations or policies, data privacy laws, and security standards. Bringing together these various financial regulations in different countries under a unified payment system presents significant challenges. Ensuring compliance across borders is complicated and requires ongoing coordination, which has slowed down PAPSS adoption in Africa.²⁹ The identified challenges are briefly discussed hereunder:

5.1 Currency volatility and business preferences

The high volatility of many African currencies, coupled with inflation concerns, makes businesses wary of using the Pan-African Payment and Settlement System for cross-border payments. Most prefer to trade in hard currencies, like the US dollar or euro, which are globally accepted and perceived as more stable. Even with the Pan-African Payment and Settlement System, businesses are concerned about the risks associated with currency fluctuations and exchange rate instability, which could negatively impact profitability.

5.2 The lack of proper currency-hedge mechanisms

This creates a significant barrier to the Pan-African Payment and Settlement System adoption, especially for small and medium-sized enterprises (SMEs), which are particularly vulnerable to currency risk. Without tools to protect businesses from exchange-rate fluctuations, many companies are reluctant to embrace a system that requires them to settle transactions in local currencies.³⁰

²⁸ Ozili Peterson, Decentralized Finance and Crypto-currency Activity in Africa: *Business Law Journal* (2023) (1) (9) 707.

²⁹ Kebour Ghenna, Pan African Chamber of Commerce and Industry (PACCI publisher, 2025) 690

³⁰ Thiongane Papa Samba, "CARICOM Central Banks adopt PAPSS for intra-regional trade transactions". Pan-African P&SS, *vanguard Newspaper*, 2026, 5.

5.3 Technological and infrastructure gaps

The successful implementation of The Pan-African Payment and Settlement System requires robust digital infrastructure, which is unevenly developed across African countries. While some nations, such as South Africa and Kenya, have advanced financial technologies, others face substantial challenges in terms of Internet penetration, digital literacy and financial inclusion. Countries with underdeveloped digital infrastructure will struggle to fully integrate with the Pan-African Payment and Settlement System, impeding the system's seamless adoption. Moreover, the technological infrastructure supporting payment systems in many African countries is fragmented, making it difficult to harmonize different financial networks. Centralized payment systems and digital banking infrastructure vary widely across the continent. Limited access to reliable and affordable Internet, especially in rural areas, further restricts the potential of the Pan-African Payment and Settlement System to reach its full scale.³¹

5.4 Complexity of currency conversion and exchange-rate risks

The Pan-African Payment and Settlement System allows transactions in local currencies, but managing the conversion between African currencies is an inherently complex task. The differences in currency value, coupled with fluctuating exchange rates in the different countries, create complications for cross-border trade. Businesses are uncertain about the cost implications of converting their local currency

³¹ Elitcha Koffi and Aseye Makafui, Deepening the AfCFTA: Celebrating the Adoption of New Protocols on Investment, Intellectual Property and Competition Policy, *United Nations Economic Commission for Africa (ECA) Blog* (2023) (1) (6).

to that of a trade partner, and the risk of sudden exchange rate shifts could impact profitability.³²

Although the Pan-African Payment and Settlement System aims to mitigate these risks, the current absence of currency-hedging solutions leaves businesses exposed to potential financial losses. The Pan-African Payment and Settlement System is a critical infrastructure underpinning the African Continental Free Trade Area. By reducing cross-border payment costs, delays, and dependency on foreign currencies, it has the potential to transform fragmented markets into an integrated continental economy.

This paper provides a sector analysis of the Pan-African Payment and Settlement System's impacts on agriculture, manufacturing, and services. The findings highlight the Pan-African Payment and Settlement System as more than a financial innovation; it is a developmental infrastructure that supports Small and Medium Enterprise liquidity, trade efficiency, industrialization, and digital transformation.³³

6. CONCLUSION

Pan-African Payment and Settlement System is not merely a technical financial innovation; it is a developmental infrastructure. It enables faster payments, reduces costs, and strengthens trust, linking small agricultural producers, manufacturers, and service providers into an integrated market ecosystem. Its success depends on scaling geographic coverage, ensuring widespread adoption by SMEs, and maintaining strong support from central banks. A challenge includes

³² Clark Joanne, "Afreximbank unveils Caribbean office in Barbados". *Caribbean National Weekly*, 2024, 9.

³³ Hamza Djerami, PAPSS and African Development: Deepening Sectoral Integration in Agriculture, Manufacturing, and Services. *Journal of Economic Policy* (2025) (4) (6) 32.

the need for interoperability, robust cybersecurity, and consistent regulatory frameworks across the continent. Yet, if fully realized, the Pan-African Payment and Settlement System has the potential to turn Africa's fragmented markets into a dynamic, integrated continental economy. Looking ahead to 2026–2030, the Pan-African Payment and Settlement System could become the backbone of Africa's economic renaissance under the AfCFTA. African Continental Free Trade Area provides Africa with the legal framework for a single market. PAPSS provides the financial infrastructure to make that market functional. The dollar need not remain the mandatory intermediary in the African trade market.

However, law and technology alone are insufficient. Political will, central bank coordination, and grassroots adoption will determine whether Pan-African Payment and Settlement System becomes Africa's SWIFT or another unused protocol. The future of AfCFTA will be decided not in Addis Ababa, but at the point of payment by the trader.

7. RECOMMENDATIONS

For Africa, including Nigeria, to maximize the Pan-African Payment and Settlement System under AfCFTA, the National Assembly or parliament of various countries should amend the Central Bank Act to mandate the use of the Pan-African Payment and Settlement System for all government and Small and Medium Enterprises intra-African payments below a threshold. The Central Bank of Nigeria should establish a Pan-African Payment and Settlement System liquidity window to guarantee convertibility of Naira with other African currencies. States like Kogi, with comparative advantage in agriculture and solid minerals, should train cooperatives to invoice and receive payments through the Pan-African Payment and Settlement System.