

New Africa cross-border payments system to boost trade

Africa's new cross-border payment system: the Pan-African Payment and Settlement System (PAPSS) - a key pillar of the African Continental Free Trade Area (AfCFTA) - is now live.



Source: [Pexels](#)

This follows a successful pilot in the West African Monetary Zone.

The new system will enable real-time cross-border payments without having to settle by means of US or European banks, saving the continent about \$5bn in offshore clearance and transaction costs, says the African Export-Import Bank, which is behind the project.

Lower transaction costs should help boost trade, a positive for Africa's FX market.

In his presentation, PAPSS CEO Mr. Mike Ogbalu emphasised that the payment system is not designed to compete with or replace existing payment systems, but to facilitate the connectivity level that brings all payment systems together into one network that is interoperable, efficient and affordable.

"PAPSS is designed to make our currencies regain value to domesticate intra-Africa payments in this journey towards African prosperity, while providing the super-highway which connects others to reach every part of this continent as we seek to create the Africa that we want," Ogbalu said.

Afreximbank at the forefront of change

PAPSS is the brainchild of Afreximbank, Africa's pre-eminent trade finance institution, whose mission includes stimulating the expansion, diversification and development of African trade.

According to Afreximbank, PAPSS provides the solution to the disconnected and fragmented nature of payment and settlement systems that have long impeded intra-African trade. Prior to PAPSS, over 80% of African cross-border payment transactions originating from African banks had to be routed offshore for clearing and settlement using international banking relationships. That posed multiple challenges, ranging from payment delays to operational inefficiencies and compliance concerns for the disparate regional payment systems.

Ghana President H.E Nana Addo Dankwa Akufo-Addo complimented Afreximbank and AfCFTA Secretariat for the establishment of the payment system citing PAPSS as a major leap in releasing the continent from overdependence on external players and factors in achieving a long yearned-for acceleration in intra-continental trade and investment.

"This launch is a result of many months of hard work, resolve and commitment towards achieving set objectives for the growth of the continent in trade. All central banks in Africa must now join up and ensure seamless transfer of funds deploying this most practical and important African solution to an African problem," said President Nana Akufo-Addo. He commented on the pan African significance of Ghana hosting the event as a harbinger of the hard-won struggle for economic self-determination following the political de-colonisation of the continent over 60 years ago.

Creating a single market throughout Africa

Prof. Benedict Oramah, president and chairman of the Board of Directors of Afreximbank, said in his remarks: "We are eager to build upon the African Continental Free Trade Area's creation of a single market throughout Africa, and PAPSS provides the state-of-the-art financial market infrastructure connecting African markets to each other. This enables instant cross-border payments in respective local African currencies for cross-border trade.

Afreximbank as the main settlement agent for PAPSS, provides settlement guarantees on the payment system and overdraft facilities to all settlement agents, in partnership with Africa's participating central banks.

"PAPSS will effectively eliminate Africa's financial borders, formalise and integrate Africa's payment systems, and play a major role in facilitating and accelerating the huge AfCFTA-induced growth curve in intra-African trade."

Read more about how PAPSS works [here](#)

For more, visit: <https://www.bizcommunity.com>