



PAPSS

Pan-African Payment
& Settlement System

Connecting Payments.
Accelerating Africa's Trade.

International Conference on Trade Agreements

Tunis- 26th - 27th - November 2021

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Table of Content

1.	The Business case	03
2.	Rationale and Design Principles	05
3.	Governance	10
4.	PAPSS Technical Capabilities	13
5.	The PAPSS Journey-Pilot and Status	18
6.	Proposed Next Steps	25

1

The Business Case

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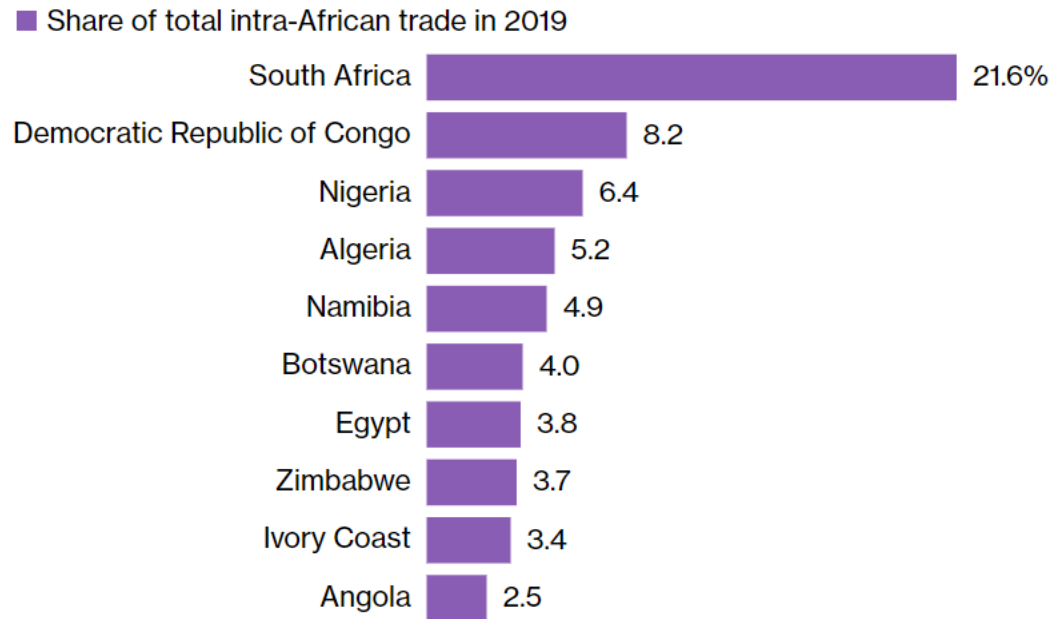


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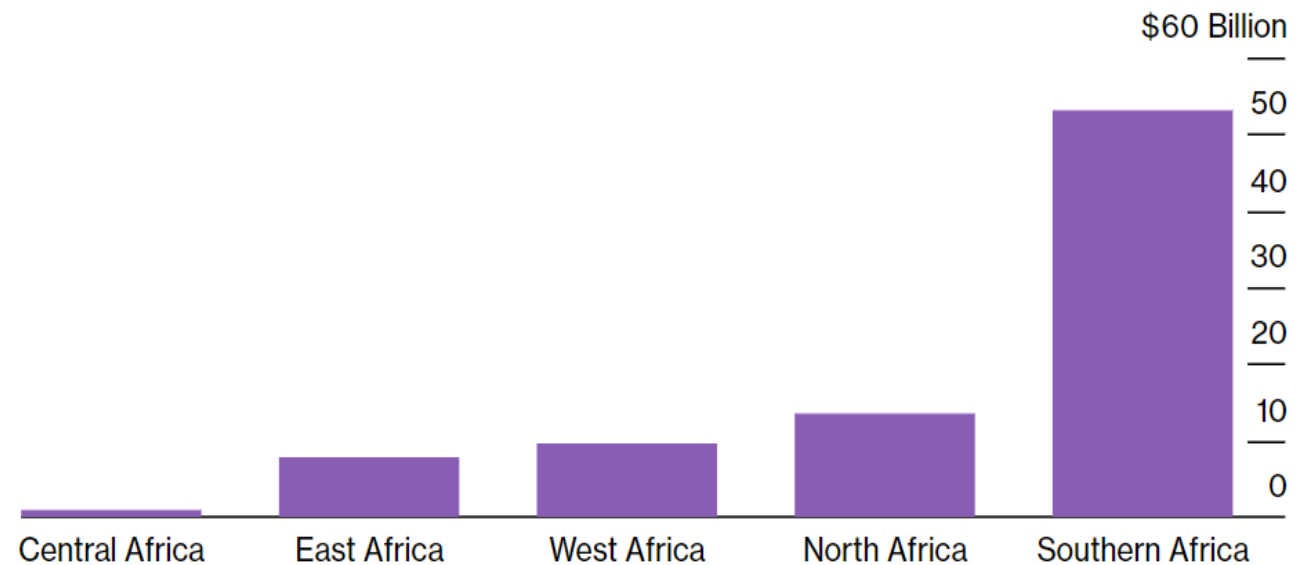
The Case for Continental Trade

UNECA estimates that AfCFTA will **boost intra-African trade by 52.3% once import duties and non-tariff barriers are eliminated**. The AfCFTA will cover a GDP of \$2.5 trillion of the market.



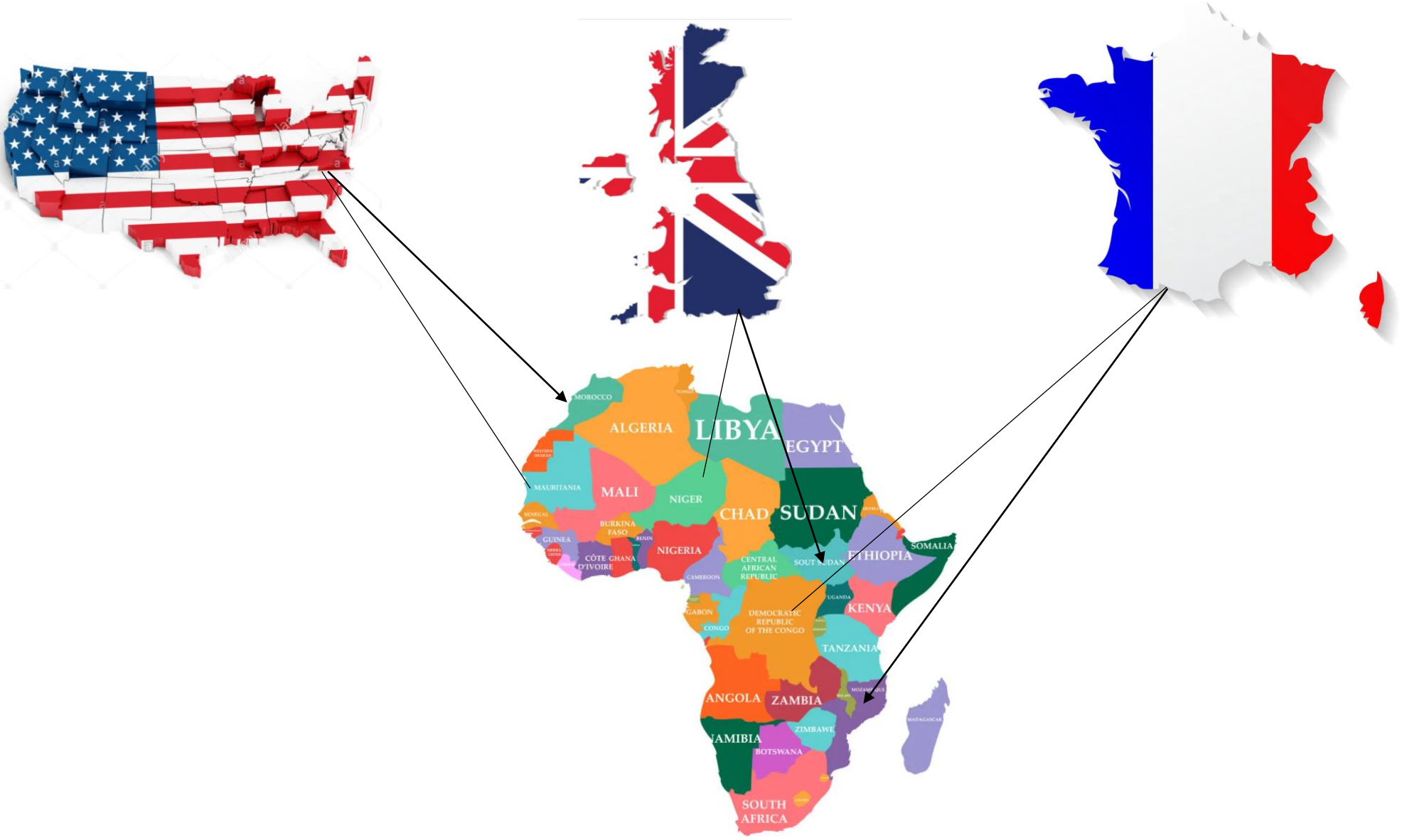
Source: African Export-Import Bank

The export potential of intra-African trade is more than \$84 billion



Source: African Export-Import Bank

The Business Case

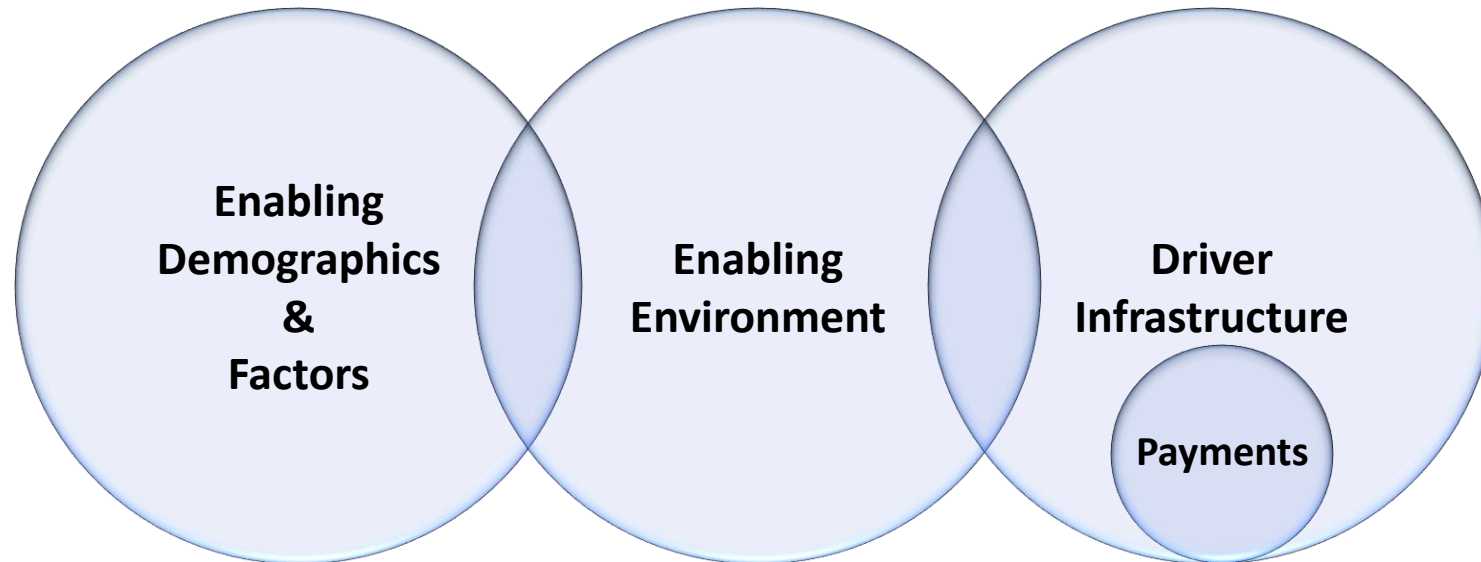


The Business Case

- Cross border transactions are very expensive leading to an estimated loss of \$5bn in payment charges annually
- In 2017, \$18.8 billion SWIFT commercial payments were made within Africa, and it is estimated to rise to \$33 billion by 2024
- Of these payments, \$14.8 billion Intra-Africa payments destined for Africa were cleared by a non-African financial counterparty.
- Most cross-border payment transactions originating from African banks are cleared outside the continent, with less than 20% of the total payment flows being cleared in Africa

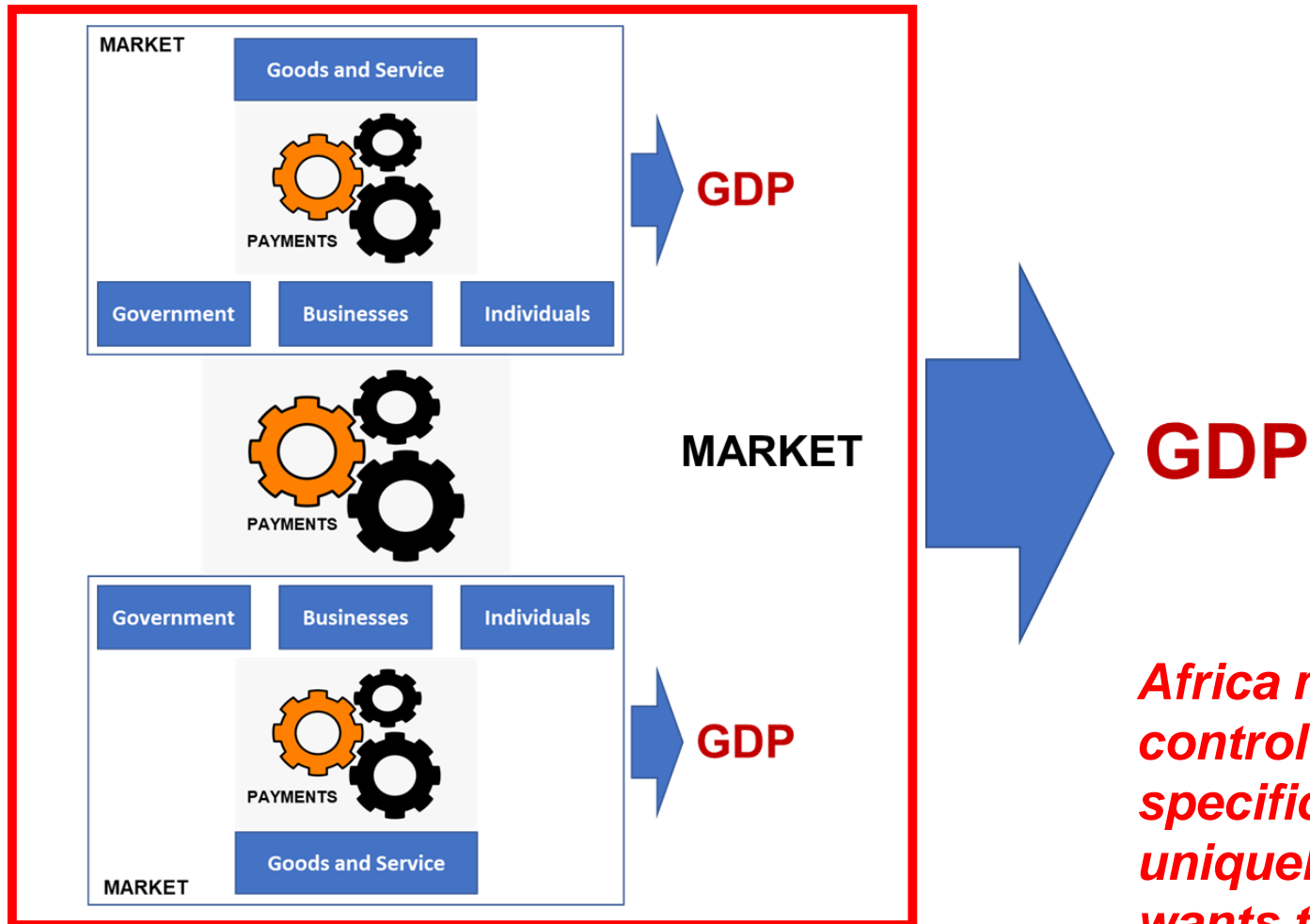


Three Critical Pillars



A Pan African, Centralized and Interoperable payment infrastructure is critical for Africa's prosperity.

The Payment Imperative in Economic Growth



Africa must build, own and control its own payment rails specifically designed to solve uniquely African challenges if it wants to control its economic prosperity and future!!

2

The Rationale and Design Principles

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The Rationale for a Continent-wide Payment System

Success of the AfCFTA requires an integrated continent-wide payment infrastructure

Current payment systems are fragmented and cannot support intra African trade and AfCFTA

Current payment systems result in the diversion of trade

Cross border transactions are very expensive leading to an estimated loss of \$5bn in payment charges annually

Heavy dependence on foreign currencies to the detriment of African currencies which inhibits trade and economic development

Need eliminate delays which result impede trade

Design Principles

Must support instant payments in local currencies to be “fit for purpose”

Continent should invest in a Centralized Financial Market Infrastructure to facilitate trade

Settlement finality needs to be backed/supported/guaranteed by an entity capable of doing so

Must be founded on a strong legal foundation

Must build on a solid and proven technology

Payments lie within the remit of Central Banks therefore Central Banks need to co-create and regulate this centralized system

This payment arrangement must have broad based buy-in and endorsed by the AU to ensure it is African owned and supported at the highest levels

Design Principles - CONTD

Demonstrate credibility via a successful pilot and proof of concept in a region with the diversity and complexity anticipated in the larger African context (multi-lingual, multi-currency, multi-regulator, etc.)

Continent can have multiple payment systems therefore the need for a continent-wide regulatory framework which was proposed/initiated by Afreximbank and included as one of the instruments for negotiation under AfCFTA. Afreximbank has also provided a grant support this effort

A framework for the participation of multiple players but in an orderly manner. Hence acknowledge the existence of regional payment systems and the need for a centralized system to facilitate interoperability and serve as enabler to these payment systems.

Payment systems in some regions and countries are outdated and may require considerable investment to upgrade

PAPSS Checks the boxes

Sound Legal Basis

Afreximbank is implementing PAPSS based on its mandate as contained in its establishment agreement signed by African states

Successful Pilot/POC

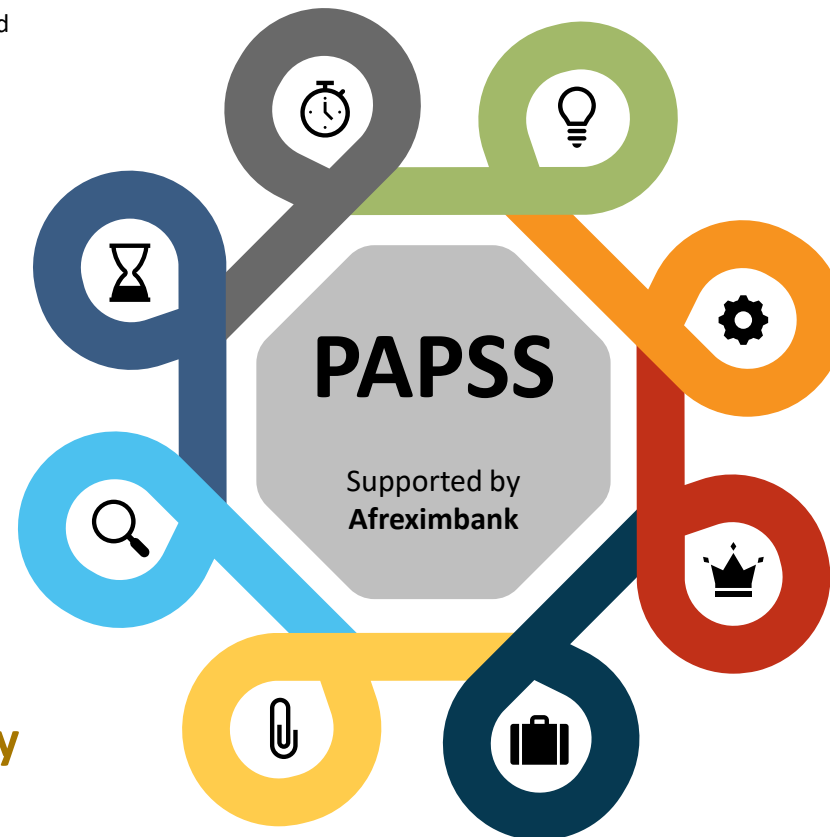
Successful pilot in the WAMZ region in partnership with Central Banks in a Multilingual, multi currency and multi regulator region

Support for Settlement Finality

Settlement finality for PAPSS is supported to the tune of \$500m for the WAMZ pilot and \$3bn at continental level.

Integration Flexibility

Designed to support integration to both national and regional payment systems



Instant Payment in LCY

Transactions are instant. They originate and terminate in Local Currencies at both Send and Receive sides

Proven Technology

PAPSS runs on a secure and proven technology built around the ISO20022

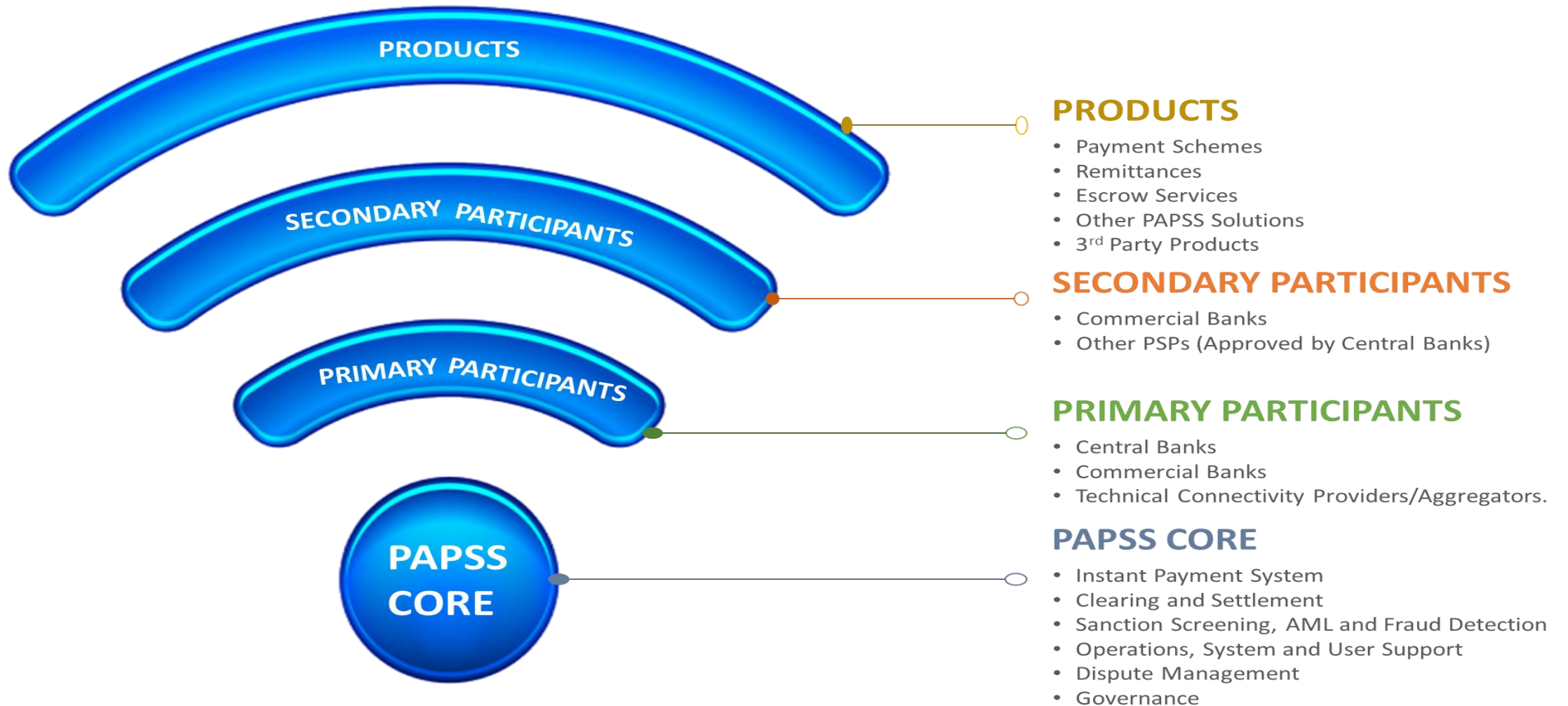
Central Bank-Centric

PAPSS was co-created and implemented in collaboration with Central Banks. PAPSS is regulated by Central Banks via the PGC.

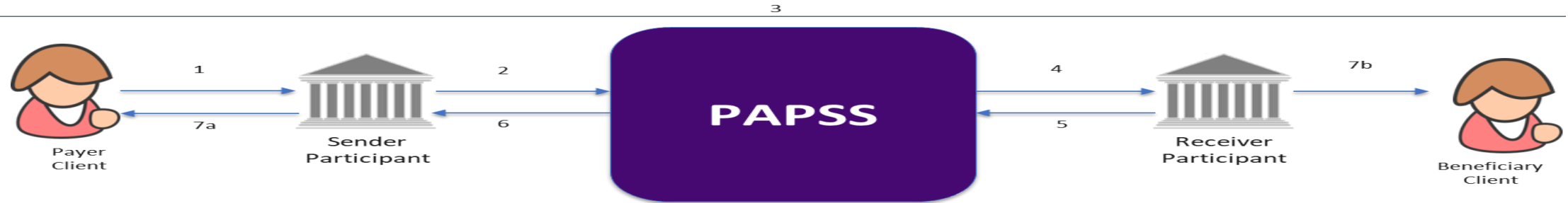
Collaborative

Wide and continuing consultation with stakeholders.

Building the PAPSS Ecosystem



How PAPSS Works



1. The payee client initiates a transaction through a payment channel provided by its bank from country A.
2. The sending participant sends a message with all payment details in the PAPSS.
3. The PAPSS validates the payment message and, if the Sending Participant has sufficient liquidity, blocks the funds to be transferred from the sender's account.
4. The payment instruction is sent to the Receiving Participant from country B to validate the details of the beneficiary client.

5. If receiving Participant responds positively (the account can be credited), the PAPSS changes the status of transaction to final, and transfers the funds to the Receiving Participant's technical account.
6. The sending participant is notified of the outcome of the transaction.
- 7a. (Optional) The sender participant informs the payer client of the outcome of the transaction.
- 7b. (Optional) The receiving participant sends a notification to the beneficiary customer of the funds credited and their availability for immediate use.

3

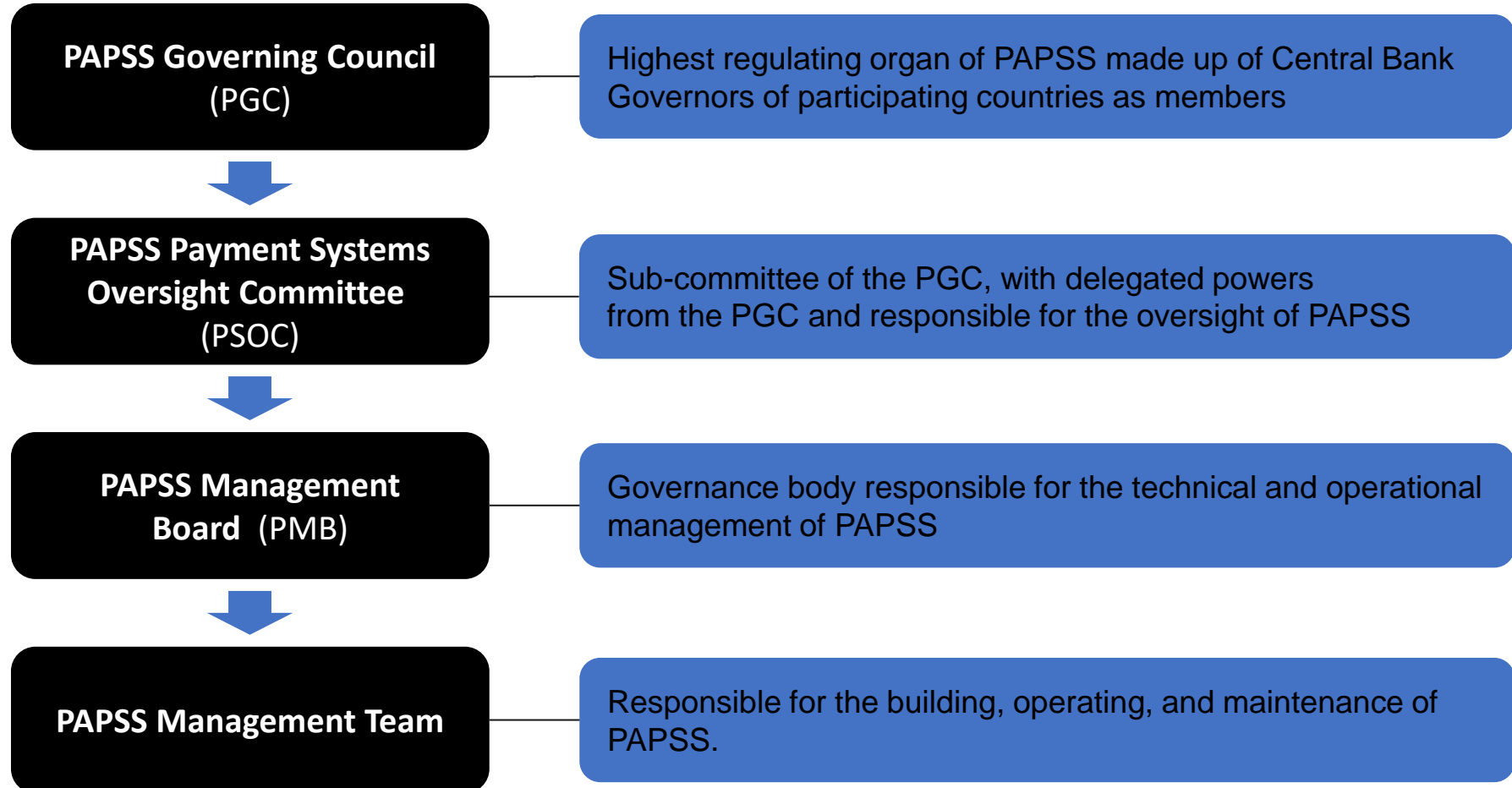
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PAPSS Governance



4

The PAPSS Journey The Pilot and Status

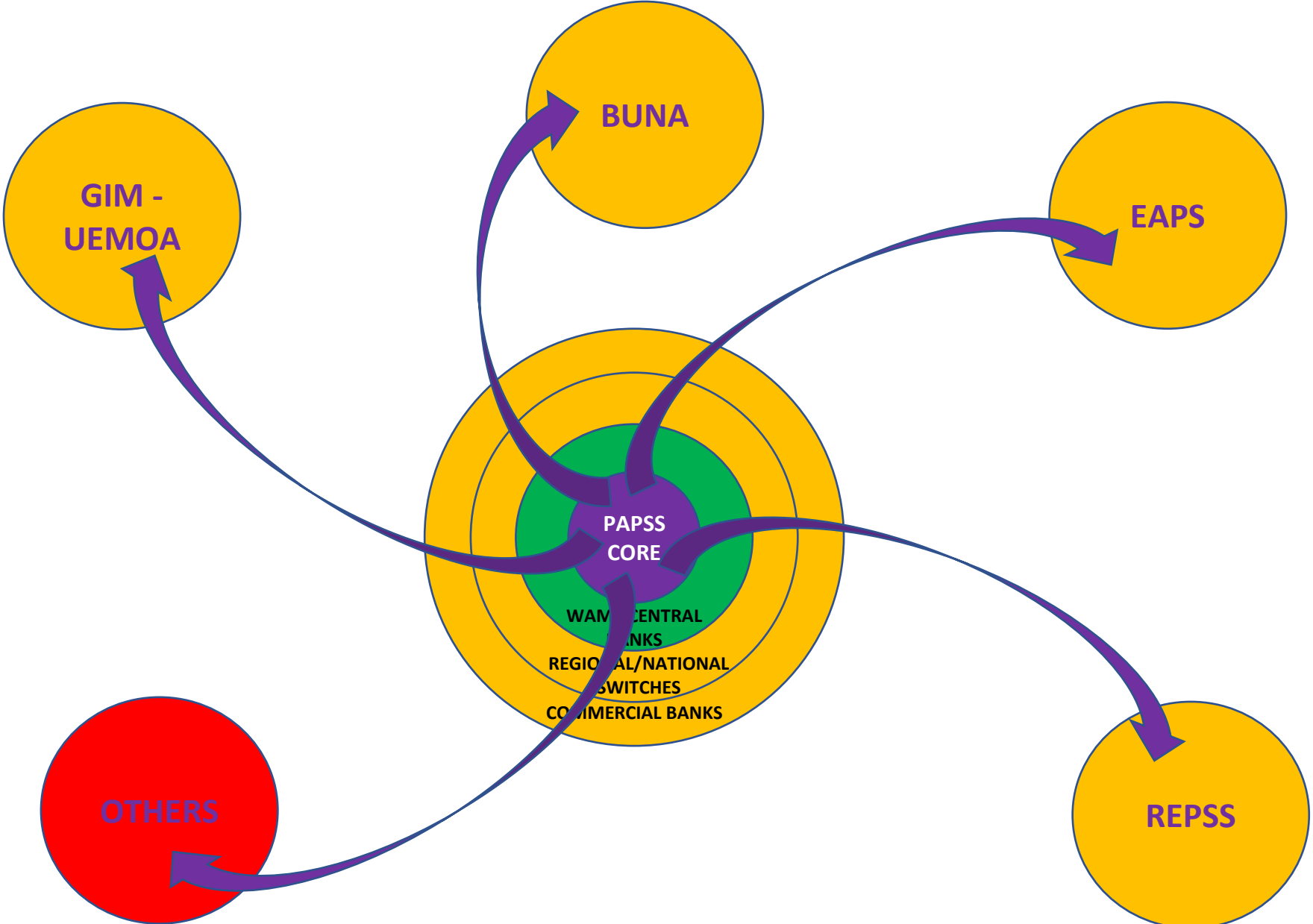
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The PAPSS Approach: Interoperability



THE PILOT AND STATUS

PAPSS IN WAMZ CENTRAL BANKS

- Development started in 2018
- All six Central Banks have tested and gone through the trial operations
- Successful Operational Test transaction completed successfully
- ALL the six WAMZ Central Banks have successfully carried out live transactions amongst themselves

PAPSS AND COMMERCIAL BANKS IN WAMZ

- Signed eight commercial Banks in the WAMZ region as direct participants

PAPSS AND SWITCHES

- Signed up three switches NIBSS, GhIPSS, Etranzact and Interswitch
- One Mobile Money Aggregator MFS Africa is under negotiation as an indirect member

Q&A





PAPSS

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& Settlement System

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