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African Continental Free Trade Area (AfCFTA): Does the use of Local Currencies Matter for Trade Facilitation in Africa?

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ABSTRACT

The study examines the use of local currencies for trade facilitation within the African Continental Free Trade Area (AfCFTA). It explores the adoption of Pan-African Payment Settlement System (PAPSS) in facilitating intra-African trade. The study adopts qualitative research method and descriptive analytical approach using tables, figures, ratios and percentages. It was found that the use of local currencies has facilitated intra-African trade, and the introduction of PAPSS has helped Africa avoid converting to hard currencies thereby saving approximately US$5 billion annually in transaction costs. It was also found that cross border transactions were previously incurring 10-30% in costs under the old model, but PAPSS has reduced that cost to around 1% with transaction speed of less than 120 seconds through instant payment thereby simplifying trade in Africa. However, intra-African trade remains low relative to other regions of the world as a result of numerous challenges such as poor infrastructure, high transport costs, weak border governance, amongst other constraints. The study recommends the establishment of regional currency swap arrangements and convertibility frameworks, strengthening the Pan-African Payment and Settlement System, investing in currency stabilization mechanisms, improving financial and foreign exchange market infrastructure amongst other recommendations.

Keywords: *Africa, Trade, Free trade, Local currencies, Trade facilitation, Growth*

JEL Classification: *F15, F31, O55, E42*

INTRODUCTION

Trade is as old as human history and it remains one of the most transformative forces in modern times. It reshapes economies, redraws geopolitical landscapes, and redefines the path to development. It also fuels growth and innovation, and exposes deep inequalities and vulnerabilities. While some nations especially developed countries surge ahead, others struggle to gain equitable access to markets or diversify their economies beyond commodity exports. Many African economies still rely heavily on exporting raw materials to external markets rather than trading value-added goods within the continent. Only about 15-18% of Africa's trade is with other African countries, compared to 60-67% in Europe and 40-58% in North America and Asia [1,2]. The idea of establishing the African Continental Free Trade Area (AfCFTA) was to bridge this gap and fast-track trade and development in Africa.

AfCFTA is one of the most ambitious regional integration efforts in the world, and the use of local currencies instead of relying primarily on foreign currencies like the U.S. dollar or euro has major implications for trade costs, exchange rate risk, liquidity, and monetary sovereignty. Launched in 2021, it represents a transformative step towards economic integration across Africa with the goal of increasing intra-African trade from current levels (15-18%) to 50% or more by 2040 [3,4]. With 54 countries committed to reducing trade barriers and enhancing intra-African commerce, a critical question arises: Does the use of local currencies matter for trade and development in Africa? This question strikes at the core of trade facilitation, monetary policy, fiscal policy and sustainable development in Africa. One is curious to say yes; the use of African currencies matters significantly for the success of AfCFTA and broader trade-led development. It is worthy of note to envisage that while the transition from foreign-dominated transactions to local-currency-based trade will be gradual and complex, the likely long-term benefits - economic sovereignty, reduced costs, and enhanced regional integration which would free up money for Africa's development, make it a strategic priority for African policymakers.

The African Continental Free Trade Area (AfCFTA) seeks to deepen economic integration across Africa by creating a single market for goods and services. One of the critical challenges to fully realizing this goal is currency fragmentation. Most intra-African trade is still conducted in third-party currencies (primarily US dollar, Euroand Great British Pound), even between neighboring countries, thereby increasing transaction costs and exposure to currency volatility. Therefore, AfCFTA) was formed to facilitate trade and development amongst African countries through intra-African trading initiatives. AfCFTA Agreement represents an Africa Union (AU) attempt to provide platforms for Africans to use an African solution to an Africa problem [5]. The aim of AfCFTA is to achieve a single continental market, a market that promotes inclusive and sustainable development for African countries through intra-African Trade [6-8].

Most intra-African trade transactions are conducted in foreign currencies, particularly the US dollar, euro, or British pound. This reliance leads to high transaction costs, currency conversion delays, exposure to external shocks, exchange rate risks, and limited access to hard currency for Micro, Small and Medium Enterprises (MSMEs)thus stifling trade and development in Africa. This hinders trade among African countries by making cross-border transactions more expensive and inefficient. This study believes that promoting trade in local or regional African currencies can reduce these costs and encourage more intra-African commerce. Using African currencies, particularly through mechanisms like currency swap arrangements or regional payment systems, could support the smooth flow of trade and enhance liquidity within the continent. The dominance of foreign currencies has escalated the challenges in trading activities across African borders. This would undermine AfCFTA's objectives to boost trade, industrialization, and economic inclusion in the region. This economic problem has provoked the study. Escalating poverty and the rising cost of living in the continent is the problem that led to the choice of this topic. The following research questions substantiate the problem:

a) To what extent does the use of local currencies impact trade facilitation under the African Continental Free Trade Area (AfCFTA)?

b) How does reliance on foreign currencies such as US dollar and euro affect transaction costs and trade efficiency in Africa under AfCFTA?

c) What are the benefits of using local currencies and local payment and settlement system in intra-African trade?

d) What are the main challenges African countries face in conducting intra-African trade using local currencies?

e) What role can regional financial institutions play in promoting currency convertibility and cross-border payment systems within AfCFTA?

From the foregoing research questions, the objectives of the study are to:

i. Investigate the use of local currencies in trade facilitation within the African Continental Free Trade Area (AfCFTA).

ii. Examine the effects of reliance on foreign currencies on transaction costs and trade efficiency in intra-African trade.

iii. Explain the benefits of using local currency and home-grown payment and settlement system in intra-African trade.

iv. Identify the challenges African countries face in conducting intra-African trade using local currencies.

v. Explore the role regional financial institutions play in easing currency convertibility and cross-border payment systems within AfCFTA.

The work is divided into nine sections. The foregoing is the introductory section one. Section two gives an overview of AfCFTA, local currencies and digital trade. Section three deals with the conceptual clarifications as section four focuses on literature review. Section five explains the theoretical framework of the study. Section six outlines the methods and materials used in the study. Section seven commits to results and discussion as section eight highlights the thematic analysis of responses. Section nine concludes the study with recommendations.

OVERVIEW OF AFCFTA, LOCAL CURRENCIES AND DIGITAL TRADE

The African Continental Free Trade Area (AfCFTA) is strategically positioning Africa to tap into a US$712 billion digital trade market by 2035, leveraging key partnerships and trade-enabling infrastructure to deepen continental integration and economic sovereignty, as the protocol on Digital Trade is central to AfCFTA's strategy for unlocking the potential of Africa's growing digital economy [9]. He further stated that this is a significant market for Africa to harness, which is estimated to be over US$712 billion by the year 2035, presenting opportunities for young entrepreneurs, investment in data centers, the commercialization and movement of data, and the development of digital public infrastructure.

The support of Afrexim bank is critical to the success of AfCFTA which requires trade finance tools, support for industrial development, green trade, and green industrialization. AfCFTA collaborated with Afrexim bank to introduce the Pan-African Payment and Settlement System (PAPSS), which enables intra-African payments in local currencies capable of reducing dependence on foreign currencies such as the US dollar and lowering transaction costs. It implies that trading in foreign currencies like US dollar, euro and British pounds between African countries is no longer sustainable. The use of local currencies has become important if Africa's economic sovereignty is to be guaranteed. This will also guard against ever-shifting global geopolitical tensions that transmit shockwaves that affect payment systems across borders globally.

According to Wamkele [9], US$10 billion has been mobilized under the AfCFTA Adjustment Fund to support countries implementing the agreement, with an initial ZIP package of US$1 billion. Furthermore, a US$1 billion AfCFTA Automotive Fund has been established to support component manufacturers and vehicle assembly on the continent. Wamkele [9] observed that the sector could generate US$46 billion by 2035 if well-supported. E-Tariff platform, the Rules of Origin Manual, and the soon-to-be-launched Transit Guarantee System are additional initiatives introduced by AfCFTA in order to simplify trade procedures and boost trade amongst member countries. It means that a functional and legally binding multilateral African trading system which includes protocols on investment, competition policy, and digital trade, have become inevitable.

CONCEPTUAL CLARIFICATIONS

The African Continental Free Trade Area (AfCFTA) is a trade agreement aiming to create a single African market by eliminating tariffs and boosting intra-African trade. Trade could be described as the exchange of goods and services across international borders, while development refers to the economic growth and improvement in living standards, particularly in low- and-middle-income countries. Together, global trade and development represent a dynamic relationship where trade acts as a potential engine for economic growth and poverty reduction thereby entrenching development. Trade has helped countries like China, South

Korea, and Vietnam lift millions out of poverty [10-12]. Trade often brings new technologies and practices, and enhances productivity [13]. Export-oriented sectors often create employment opportunities and access to a wider variety of goods at lower prices [14].

Trade facilitation refers to the simplification, modernization, and harmonization of international trade procedures. It aims to make the movement of goods across borders faster, cheaper, and more efficient by reducing bureaucratic delays, improving customs procedures, and enhancing transparency. Trade facilitation occurs when a regional bloc has a streamlined customs process, standardized documentation, use of technology e.g., electronic data exchange, improved border infrastructure and coordination among border agencies. Overall, trade facilitation helps reduce trade costs, increases competitiveness, and supports economic growth in the short-run and economic development in the long-run.

Local currencies are forms of money that are used within a specific community, region, or country and are not widely accepted outside that area. They are typically issued and regulated by local authorities, organizations, national governments or regional cooperation. Local currencies aim to boost local economies, support micro and small businesses, and reduce dependence on foreign currencies or national economic fluctuations.

LITERATURE REVIEW

IMF [15] made simulation analyses for 45 African countries and found that full tariff elimination plus a 35% cut in non-tariff barriers has boosted welfare of member countries by roughly 2-4%, with most gains stemming from easier non-tariff barriers. Impact of welfare payments on standard of living is buttressed by Umeghalu, Machi, and Chukwuka [16] as a macroeconomic strategy aimed at sustainably improving citizens' living standards. This macroeconomic strategy involves fiscal and monetary policies. IMF [15] alluded that AfCFTA has strong potential to significantly increase intra-African trade and embed the continent in regional value chains, but only if coupled with infrastructure, financial markets, and security enhancements. Combining Doing Business and OECD indicators, Melo [17] estimated that AfCFTA countries could reduce import customs delays by approximately 65 h, cutting trade costs by 3.6-7%, and reduce export delays by roughly 42 h, thereby increasing exports by about 8%.

Empirical literature such as Rose [18], Masson and Pattillo [19] consistently reveal that currency unions and shared currencies boost bilateral trade sometimes doubling or tripling trade volumes. Exchange rate volatility also diminishes trade [20]. Using a gravity-model analysis of bilateral trade data from 1970 to 1990, Rose [18] found that countries sharing a currency, like those in formal currency unions - trade approximately three times as much as those that do not. Gravity-model studies (2008-2023 panel) further showed that regional trade agreements (RTAs), GDP size, contiguity, and shared official language positively drive bilateral trade; geographical distance becomes less significant post-RTA [21].

The Pan-African Payments and Settlements System (PAPSS), launched in 2022, allows payments between African countries in local currencies, slashing transaction costs from 10-30% down to about 1% of trade value. This could save Africa approximately US$5 billion annually. PAPSS now includes 15 countries and 150 banks. International Finance Corporation (IFC) and G20 support echoes the overarching development motive - reducing dollar-dependency to boost intra-African trade [22]. So far, transaction volume through Pan-African Payment and Settlement System (PAPSS) increased by over 1,000 percent between 2024 and 2025, reflecting increased adoption of the payment system [23]. It is estimated that PAPSS could bring informal trade worth US$50 billion into formal economy in Africa [24].

Several studies such as Tsowou and Davis [25], Okeke and Ameh [26] have identified the challenges undermining AfCFTA's potential to include landlocked states facing high transport costs, weak customs, security concerns, weak border governance, poor logistics, fragmented governance, overlapping communities, political instability, and corruption as major obstacles to AfCFTA effectiveness. Stricter origin requirements risk might deter businesses from using AfCFTA preferences; implying that simplicity and transparency are key to foreign trade [25]. Other challenges include inefficient customs systems, high trade costs that limit MSME market entry, insistent conflict and rural instability, persistent food insecurity which prevents smallholder farmers from accessing markets [9]. Concrete collaboration between political leaders in Africa and development finance institutions to address these obstacles has become most desirably a compelling need.

In Nigeria (Africa's most populous nation), international trade has contributed significantly to development, given its trade relations, open trading policies, and exchange rate gains [27]. Although Nigeria's exports have been largely dominated by primary products (crude oil), export has been the engine of growth with multiplier effects on market expansion, job creation, and GDP [28]. Nevertheless, Nigeria has poorly performed on trade facilitation measures [29]. Nigeria also fared badly on global competitiveness indexes, and ranked 114th out of 189 countries trading across borders and scored 2.54 out of 5 in the global logistics index. It also dropped from 99th to 127th out of 133 countries on the global competitiveness index [6,29]. From the foregoing, Nigeria (Africa's biggest oil producer) has to wake up and be strategic in its approach for it to compete favorably with other African countries and become a major player and significant beneficiary of AfCFTA.

THEORETICAL FRAMEWORK

The study tracks its theoretical foundation in two trade theories. The Size and Distance Theory of Trade and the Technological Theory of Trade. The size and distance theory consider the effect of distance on international trade. It considers transport costs and distance as barriers to trade between countries. This is relevant to the intensity of trade flows and agrees with custom union theory of regional integration. Custom unions are normally formed among contiguous states. The theory states that the nearer the trading partners the higher the flow of trade, ceteris paribus. Linnemann and Tinbergen postulated that size and distance are key determinants of external trade because trade will vary directly with size (population and national income) and inversely with the distance between two trading countries [30].

The technological theory is the dynamic, contemporary comparative advantage theory that involves innovation, imitation and product cycles. The theory is more applicable to manufactures, emphasizing the role of innovations and technological advances to gain in trade over primary product exports. It postulates that knowledge and technical ingenuity are important determinants of trade whereby a nation may innovate or imitate a product. Posner [31] identified the existence of imitation gap as Vernon [32] recognized innovation gap and product cycle as critical to trade. The basic hypothesis of these sub-theories is that a country which innovates a good will first surmount the domestic market, and will later start exporting it, at least for a while before the commodity is imitated by other countries. The theory of the innovation gap asserts that a country that is a leading innovator will have a comparative advantage in the export of the new value-added, technically advanced products.

The theory of product cycle explains how the export pattern changes as a product mature. Four distinct phases are identifiable in the product cycle after a new product is introduced as a result of some technological innovation. During the first phase, the product conquers the domestic market. During the second phase, it is exported to other countries. With successful exportation and rising demand, the producers may be faced with the need to move production closer to the foreign market (the third phase), as the foreign market may now be large enough to permit large scale production abroad. This will cut down transport costs with considerable cost savings.

The two theories have their place, basis and relevance in this study. The size and distance theory for instance, supports the idea of regional economic integration among contiguous states to take advantage of their closeness and engage as strong trading partners. This is theoretically true and politically viable of AfCFTA member countries to form a free trade area that brings the 54 African countries together for intra-African trade. However, member countries that engage in innovation to produce superior products will become significant beneficiaries of the union. They will not only expand their superior export commodities, but coral a significant share of the continent's total trade thereby impacting on growth and development of their own national economies. This is in consonance with the technological theory of trade.

METHODS AND MATERIALS

The study adopts qualitative method and descriptive-analytical approach using such tools as tables, figures, ratios and percentages. Primary sources of data collection through expert interviews were used while secondary sources of information and data included government reports, international financial institutions (World Bank and IMF) data, media publications, and previous scholarly works. Purposeful sampling which is useful in qualitative research was employed to select respondents who are knowledgeable and experienced in the subject area rather than generalizing to a population. Key Informant Interview (KII) was utilized as the instrument of collecting primary data from a mix of 10 experts comprising policymakers, civil society actors, international traders and academics. The scope of the study covered intra-African trade beginning from 2021 and terminating in 2025. The analyses were general and thematic.

RESULTS AND DISCUSSION

Continents across the globe undertake intra-regional trade in order to fast-track growth and development of their countries. **Table 1** shows a comparative intra-regional trade shares across Africa, Asia and Europe from 2022 to 2023.

Table 1. Comparative Intra-Regional Trade Shares (2022-2023).

Region	Trade Share
Africa	15-16%
Asia	59-60%
Europe	68-70%

Sources: UNCTAD [33]; Economist [34]

From **Table 1**, it is clear that Africa remains significantly behind other regions in intra-regional integration. While Asia and Europe have reached about 60% and 70% respectively in terms of intra-regional trade shares by 2023, Africa lagged behind with a trifling 16%. It implies that even with the introduction of AfCFTA in 2021, the Africa region remains the weakest in terms of intra-regional trade. All hope is not lost as full implementation of AfCFTA could lift intra-African trade by over 50%, contributing US$450 billion to Africa's GDP by 2035, and reducing extreme poverty by 30 to 50 million people [35].

Table 2, presents a country-by-country tabular analysis of general intra-African trade performance including trade in manufactures among AfCFTA member countries, using the most recent available data across various metrics. South Africa remains the dominant manufactured goods exporter, with machinery, vehicles, and equipment leading its intra-African trade. As top intra-African trader, its main partners include Nigeria, Namibia, Botswana, and Mozambique. Nigeria and Egypt, despite being commodity-heavy, still have strong intra-continental manufacturing-oriented trade components (about 25-31%). Nigeria is the 4th largest intra-Africa trader with exports side-edge but low import share. Nigeria's exports to Africa more than doubled in 2024, to N8.74 trillion from N3.71 trillion in 2023 (though a mere 4.2% of its total exports and 3.0% of its total imports), making Africa an emerging export destination [36]. It could be deduced that the top country contributors in 2024were; South Africa, Egypt, and Nigeria - the key exporters of manufactured, industrially processed goods within Africa. Smaller economies (Kenya, Ghana, Senegal, Rwanda, Mali, etc.) typically export a higher share of manufactured goods from +7% up to 26%. From the foregoing analysis, manufactured goods constitute a meaningful and growing slice of intra-African trade under AfCFTA, representing around a quarter of exports. Leading countries like South Africa, Egypt, and Nigeria drive this, but numerous others show strong industrial trade potential. These statistics imply that Africa is gradually becoming strong in terms of manufactures and economic integration.

Table 2. Intra-African Trade Performance by Country.

Country	Share of Intra-African Trade in Manufactures	Intra-African Exports (US $ billion)	Share of Total Trade (%)	Trend/Notes
South Africa	25% (machinery & transport eqpt + manufactures)	$25billion export, $11.5billion import (2018)	Exports 26%, imports 12% of total trade	Top intra-African trader; main partners: Namibia, Botswana, Nigeria, Mozambique
Nigeria	31% of intra-African exports	$8 billion (2023)	Shares 4.2% exports, <3% imports	4th largest intra-African trader; exports side-edge but low import share
Egypt	25%	$4.7 billion (2021)	11.7% of exports	Export-driven, growing industrial regional footprint
Kenya	14% share in total intra-African trade	$2.8 billion (2021)	41% of exports	High export share to Africa
Ghana	26%	$4.8 billion (2024)	26% share, early adopter of AfCFTA processes	Proactive trade facilitation
Rwanda	7-8%	$2.59 billion (2024)	19% share	Early ratifier and pilot trader
Senegal	19%	$2.0 billion (2021)	44% of exports	Leading exporter regionally
Mali	19%	$2.52 billion (2023)	19% share	Modest regional exporter
Mauritius	5-6%	NA	7-8% share	NA
Namibia	9%	$3.15 billion (2022)	6.8% export share; strong integration	High trade integration, within SACU
Ethiopia	11%	$529 million (2020)	7-15% of intra-African trade share	Growing regional connectivity
Morocco	7% share directed to intra-African trade	$2.9 billion (2021), $3.78 billion (2023)	7.9% of exports	Strong regional integration

Source: UNCTAD [33], IMF, Economist [34] (various issues) NA = Not Available*

It is indicated in **Table 3** that intra-African export share reached 17% in 2023, compared with 10% in 1995. Although slowly rising, intra-African trade remains low relative to other regions; around 15-17% of total African trade by the early2020s; with only modest growth since the 1990s. It is estimated that intra-African exports are at only about 5% of potential capacity, highlighting huge inefficiencies. This could be attributable to limited access to finance, infrastructure bottlenecks, and high trade costs, especially for distant country pairs. Despite growth, intra-African trade remains below its potential due to modest share of total trade and efficiency gaps. This agrees with the submission by Tsowou and Davis [25], and Okeke and Ameh [26] as shown in the extant literature.

Table 3. Key Intra-African Trade Statistics.

Indicator	Approximate Measure
Intra-African share (2021-23)	14-17%
Increase since 1995	10-17% increase in exports
Efficiency (Actual vs Potential)	About 5%
AfCFTA short-run impact	+24 in trade volume
Projected share by 2035	21% under AfCFTA vs 15% baseline; 12% in 2020
Processed goods share	41% of intra-African trade
Nigeria’s intra-African imports (2023)	$1.6 billion (-48% YoY)

Sources: UNCTAD [33], Economist [34], GIZ (various years)

In terms of short-run impact, **Table 3** suggests that AfCFTA could boost intra-African trade by 24% in trade volumes. This means that long-term gains will likely be higher. Without additional policy steps (pre-AfCFTA), intra-African share would modestly rise from 12% in 2020 to 15% in 2035; but with AfCFTA, the forecast is 21% by 2035. **Table 3** also indicates that 41% of intra-African trade comprises processed goods when compared to just 17% in extra-continental exports. This is on a positive node, suggesting greater value addition when African countries trade among themselves because higher trade correlates with improved GDP per capita and stronger financial markets. This further corroborates the findings by Ogbaji and Ebebe [28]. On the import side, for instance, Nigeria's intra-African imports fell to US$1.6 billion, a drop >48% from 2022, ranking sixth in Africa. This is an indication that the giant of Africa (Nigeria) could do better.

Table 4 shows that the use of local currencies in intra-African trade would reduce trade costs among African countries. It implies that trading in local currencies eliminates multiple conversions and reduces costs of transaction across national borders, unlike hard currencies like the US dollar that incurs huge conversion fees, bank charges, and cross-border payment costs which makes intra-African trade expensive and unsustainable. The use of local currencies in intra-African trade would facilitate accessibility to MSMEs' products as they benefit from trading at lower cost. Ordinarily, MSMEs find it difficult to absorb high forex fees, and they account for about 80% of businesses in Africa but are underrepresented in cross-border trade due to such barriers [37]. Lower transaction costs and easier payments would increase trade volumes and liquidity.

Table 4. AfCFTA, Local Currencies and Impact Analysis on Intra-African Trade.

Aspect	With Local Currencies	Without Local Currencies
Trade Costs	↓ Lower	↑ Higher due to forex spreads
Accessibility for SMEs	↑ Improved	↓ Limited
Forex Volatility Exposure	↓ Lower	↑ Higher
Settlement Speed	↑ Faster with platforms like PAPSS	↓ Slower due to correspondent banking
Financial Sovereignty	↑ Strengthened	↓ External dependency persists
Risk	↑ Currency risk if not managed	↑ Political/economic exposure to USD, Euro

Source: Researchers' Analysis Scale

The Pan-African Payment and Settlement System (PAPSS) allows instant cross-border payments in local currencies. **Table 4** indicates the settlement speed in trading transactions which is faster with platforms like PAPSS. This implies speedy settlement of payments thereby enhancing trade facilitation in Africa. This is in consonance with the findings by Masson and Pattillo [19], and Rose [18] who, in the extant literature, found that customs unions and shared currencies boost trade. PAPSS could facilitate real-time payments across African countries in local currencies, whereby traders pay in local currency as the system settles payments via central bank clearing. This has already been piloted successfully among West African Monetary Zone (WAMZ) members. It means that the need to strengthen and patronize PAPSS with every sense of patriotism by citizens of member countries is imperative. This will eliminate the need for third-party currencies and can help resolve settlement issues in trade in the Africa region. This will result in a faster, cheaper, and safer transactions directly and in support of AfCFTA's goal and mandate. Again, encouraging the use of African currencies could strengthen monetary sovereignty and reduce vulnerability to global financial fluctuations. Countries can better align monetary policy with national and regional development goals.

Additionally, the following specific findings on the Pan-African Payment and Settlement System (PAPSS) were obtained:

i. By enabling direct settlement in local currencies, PAPSS helps Africa avoid converting to hard currencies saving approximately US$5billion annually in transaction costs.

ii. Under the old model, cross border transactions might incur 10-30% in costs, but PAPSS reduces that to around 1% [22].

iii. Transactions that once took several days via correspondent banks now settle in less than 120 seconds through PAPSS' instant payment feature [24].

iv. Routines like pre-funding and net settlement further streamline the process and improve liquidity for participating banks [24].

v. Illustratively, and based on findings i-iv, the cost of trade worth US$200 million between two African countries would be:

a) Old cost (using the dollar/third party settlement): At a 10-30% transaction cost = US$20 million to US$60 million lost to fees

b) New cost (through PAPSS): At approximately 1% = US$2 million in transaction fees

Savings: between US$18 million and US$58 million was made on transaction of US$200 million

From the foregoing analysis, the following benefits of PAPSS are identifiable:

1. It reduces the costs and complexities of payments for cross-border transactions between African markets.
2. It enhances financial inclusion opportunities and improves economic growth through intra-African trade.
3. It facilitates trade through instant payments of cross-border transactions without the hustle of currency conversion.
4. It enables innovation in cross-border trade and access to new African markets, thereby facilitating financial transformation between traders across the continent.
5. It cuts reliance on the dollar/euro by enabling direct exchange of African currencies which mitigates trapped capital issues.
6. It helps reduce entry barriers and supports economic integration as intra-African trade deepens.
7. It opens opportunities for formal trade of previously informal volumes. This agrees with Ghana Shippers Authority [24] who estimated that PAPSS could fetch informal trade worth US$50 billion into formal economy in Africa annually.

Despite the advantages of PAPSS, **Table 4** reveals that there could be challenges such as foreign exchange volatility exposure in the process of deploying African currencies. Many African currencies are volatile or suffer from inflation, making them unattractive for trade settlement. It is likely that traders may resist using weaker currencies or face price uncertainty. For example, Zimbabwean dollar or Nigerian naira volatility may deter their use in cross-border trade. This has corroborated the submission by IMF [20] that exchange rate volatility diminishes trade. Moreover, most African currencies are not freely convertible, and requires central banks to develop bilateral/multilateral clearing mechanisms or use units of account such as African Monetary Fund proposals. Based on currency strength, stronger economies in Africa such as South Africa, Egypt and Morocco may dominate trade balances, creating pressure on weaker economies' forex reserves if not well managed.

Technical and infrastructure constraints are eminent. Limited digital payment systems, low interoperability between banks, and lack of centralized currency clearing could pose a challenge to the initiative. PAPSS is a start, but needs full integration and trust among all 54 participating countries. There is likelihood of potential political resistance because ceding control over currency-related matters, especially to regional institutions, could face nationalistic opposition. For instance, delays in implementing the West African single currency (Eco) highlight political hurdles. Infrastructure gaps (roads, rail, ports), non-tariff barriers (customs delays, documentation), and visa restrictions are slowing trade within the free trade area as political instability and conflict in parts of Sahel and Central Africa is deterring investment within the free trade area of AfCFTA.

Thematic Analysis of Interview Responses

Key Informant Interview (KII) questionnaire was administered to a diverse group of 10 experts who are knowledgeable and experienced on international trade and regional integration. Based on the responses from the 10 key informants (2 policymakers, 2 civil society actors, 3 international traders, and 3 academics), we derived the following thematic insights:

- **Theme 1:** AfCFTA Holds Promise but Faces Foundational Barriers -Most participants/respondents acknowledged AfCFTA as a landmark initiative with potential to shift intra-African trade dynamics. This agrees with the position of Wamkele [9] in the extant literature. However, all respondent groups flagged infrastructural gaps, weak policy harmonization, and limited productive capacity as core impediments. The academics described AfCFTA like a car without fuel if non-tariff barriers and infrastructure are not addressed. The views expressed by these experts corroborate the earlier findings arisen from the analysis of secondary data in this work.
- **Theme 2:** Currency Convertibility and Foreign Exchange Volatility are Major Trade Bottlenecks– International traders emphasized the high cost of currency conversion due to reliance on US dollar or Euro in the old model. However, they expressed satisfaction with the new model involving the use of local currencies and the emerging payment system as a welcome development. Policymakers mentioned the burden of external debt and foreign reserve depletion caused by international currency trade. The international traders concluded that African traders often pay more than double conversion fees, first to US dollar, then to the destination currency; and that this kills competitiveness. This agrees with the earlier findings in the analysis of secondary data discussed above.
- **Theme 3:** Local Currency Use is Important but Currently Unrealistic Without Coordinated Systems -While all experts viewed local currency use as strategically important, most believed it is not immediately feasible without stronger macroeconomic coordination. Concerns raised included inflation volatility, lack of trust in some national currencies, and insufficient financial infrastructure. Civil Society Actors opined that no trader wants to hold a currency that might lose value overnight. Again, this has validated the earlier finding in this study.
- **Theme 4:** Regional Experiences and Pilots Offer Useful Lessons - The West African Monetary Zone (WAMZ) and Common Market for Eastern and Southern Africa (COMESA) Regional Payment and Settlement System (REPSS) were mentioned as models with lessons. Academics and policymakers stressed the need to build on such platforms. Policymakers had argued that other sub-regional blocs in Africa could draw lesson from what COMESA is doing with REPSS, though it's slow but it is working. Therefore, scaling up is the challenge.
- **Theme 5:** Stronger Institutional Collaboration is Key - Central banks and regional economic communities (RECs) were viewed as pivotal actors in intra-African trade. International traders wanted real-time settlement systems, while civil society actors wanted transparency and accountability mechanisms. Civil society actors emphasized that central banks should lead and civil society must hold them accountable.
- **Theme 6:** Mixed Opinions on Continental Currency Feasibility - Academics and policymakers favored long-term convergence towards a single African currency but emphasized the long road ahead. In the same vein, international traders and civil society groups were skeptical, urging focus on fixing existing monetary frameworks first. Academics concluded that a continental currency is inspirational, but let's first make local currencies trustworthy. It should be noted that the six (6) thematic interview responses have consistently validated the findings earlier given during the tabular results and discussion of findings using secondary data.

CONCLUSION AND RECOMMENDATIONS

The use of local currencies within the African Continental Free Trade Area (AfCFTA) holds significant potential for enhancing trade facilitation across the continent. By reducing reliance on foreign currencies, particularly the US dollar, local currency use can lower transaction costs, mitigate exchange rate risks, and improve liquidity for Micro, Small and Medium Enterprises (MSMEs). While challenges such as currency volatility and weak financial infrastructure remain, coordinated monetary policies, regional payment systems, and trust-building measures can make local currency trade a viable path toward deeper economic integration and sustainable intra-African trade. By investing in implementation, fostering trust among member states, and focusing on value-added production, AfCFTA can become a true engine for African economic transformation, poverty reduction, and global competitiveness. Based on the findings, the following recommendations were made for member countries of AfCFTA to implement individually and collectively:

1. **Promote Regional Currency Convertibility Agreements:** Governments and central banks of member countries should establish regional currency swap arrangements and convertibility frameworks (e.g., within ECOWAS, EAC, SADC) to ease cross-border payments without relying on the US dollar or euro. This would reduce forex constraints and transactional delays, thereby improving trade efficiency under AfCFTA.
2. **Strengthen the Pan-African Payment and Settlement System (PAPSS):** AfCFTA member states should adopt and integrate PAPSS, a cross-border payment platform developed to facilitate real-time payments in local currencies. This would lower transaction costs and increase the appeal of using local currencies in intra-African trade.
3. **Invest in Currency Stabilization Mechanisms:** Macroeconomic stability and inflation control are essential. Governments of member countries should pursue sound monetary and fiscal policies to enhance confidence in their currencies. Stable local currencies will encourage traders to accept them, thus facilitating smoother and more predictable trade. Establish a currency stabilization fund as a buffer mechanism through AfDB or African Monetary Fund.
4. **Create digital financial infrastructure to improve cross-border mobile money and digital wallets compatibility**: The need to support and implement regional currency arrangements such as ECOWAS single currency (Eco) has become most compelling. Enhancing currency stability and fiscal management will increase trust among AfCFTA's member countries.
5. **Encourage Bilateral and Multilateral Trade Agreements in Local Currencies:** Member countries should sign bilateral or multilateral trade agreements that explicitly encourage or allow settlements in local currencies. This practice can gradually build trust in alternative payment systems and increase the demand for local currency usage in cross-border transactions.
6. **Improve Financial and Forex Market Infrastructure:** Enhancing the depth and efficiency of local forex and capital markets will support better price discovery and liquidity for African currencies. Digital forex platforms and regional currency indices could help traders hedge risks and improve confidence in using local currencies for trade.
7. **Promote Capacity Building and Public Awareness:** Governments, trade associations, and financial institutions should educate traders and Micro, Small and Medium Enterprises (MSMEs) on the benefits, risks, and procedures of using local currencies for trade. This awareness, along with technical training, could help increase adoption and address skepticism or resistance to innovations and reforms.

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