
**The Brookings Institution**
**Africa Growth Initiative**
**Foresight Africa Podcast**

# "New tools for easing cross-border trade in Africa"
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*Episode Summary:*

In this episode of Foresight Africa, Mike Ogbalu, CEO of the Pan-African Payment Settlement System (PAPSS) at the African Export-Import Bank, discusses PAPSS, a cross border, financial market infrastructure enabling payment transactions across Africa.

**ORDU:** From the promise of new technologies to the innovative and youthful population shaping the continent's future, Africa is full of optimism worth celebrating. Hi, I'm Aloysius Uche Ordu, the director of the Africa Growth Initiative at the Brookings Institution and host of Foresight Africa.

Since 2011, the Africa Growth Initiative has published a high-profile report on the key events and trends likely to shape affairs in our continent in the year ahead. Entitled "Foresight Africa," the goal of the publication is to bring attention to these burning issues and support policy actions to address them. With this podcast, we intend to engage report authors, as well as other figures—policymakers, captains of industry, scholars, and youths across Africa and elsewhere.

Our guest today is Mike Ogbalu. Mike is the CEO of a new payment system called the Pan-African Payment and Settlement System—PAPSS. Mike wrote a brilliant viewpoint on PAPSS in Foresight Africa 2022, which we launched earlier in January this year. PAPSS was rolled out by the African Exim Bank and the African Continental Free Trade Area Secretariat last year to simplify cross-border transactions and reduce dependence on hard foreign currencies. So what has been the progress to date? What are the opportunities? What are the challenges to this new continental initiative? Mike, I'm delighted to welcome you to our show.

**OGBALU:** Thank you very much for having me. My pleasure being here.

**ORDU:** Great. Our listeners would love to know a little bit more about your background, Mike. Could you briefly share with us your journey to your current position as CEO of the new payments system?

**OGBALU:** Thank you very much. I am Nigerian by birth and I have a background in engineering. I graduated that way back in '97, and I have spent most of my life in technology, in banking, and then in payments. Over the years, I worked in a number of banks in Nigeria. I did both retail banking, commercial banking, and then I played a role in technology in those banks.

And then subsequently, I would say that I have evolved. I used to be the guy that was excited about making technology work. I would jump on the table at the drop of a hat. But I moved to being the person that was excited about, Yes, it works, but does it make money? And nowadays my life is more about, Yes, it works, yes, it makes money, but does it make impact? So I joined Afreximbank last year to lead the charge to put institutionalized PAPSS on the African continent and see it transform the way we do trade on the continent.

**ORDU:** Very, very interesting. I like the transition into the technology guy who makes sure the system works, to the guy who makes sure the system makes money, and now today, PAPSS, a new initiative, which if all goes well from what we hear, African nations will save over five billion in many of the estimates I've seen annually through this system. So let's delve into the PAPSS itself. It is indeed a key pillar of the African Continental Free Trade Area. What role is envisaged for this particular payment system and how is it playing out so far?

**OGBALU:** Okay, so when you look at the ambitions of the continent, so well captured in AcFTA, you find that it was resolved that a prosperous continent is a trading continent. And to that extent, we need that to be able to increase the volume of trade on the continent.

However, a lot of other moves have been made in the past looking at tariff and non-tariff barriers. But now the continent has come to the realization that payment is actually that trigger for trade. And therefore, if you are able to solve the payment challenge, then you are likely to have that impact on trade.

So what PAPSS is trying to do is actually bringing together key stakeholders on the continent to put in place a financial payment rail that will connect all the different countries, guarantee that transactions can be done instantly anywhere on the African continent. And actually now, by so doing, bring about efficiencies that will have an accelerating effect on trade.

Now, if you look at today, it would be crazy for someone who wants to go from Lagos to Abuja to first of all travel to Accra, travel to Senegal, before moving from Senegal to Abuja. So if that is crazy for a human being to travel, today you don’t have goods. Nobody tries to move goods from Lagos to Abuja and then first of all, it takes it through all those destinations before bringing it to Abuja. Why is it so with money? Why is it that when it comes to money, transactions that originate on the African continent and terminate on the African continent, those funds will have to travel through other parts of the world before coming back on the continent?

So what PAPSS is trying to do is to actually remove all those bottlenecks, reduce the cost and all of the complications that exist with cross-border transactions, make the payment effective, and allow commercial entities on the continent to focus on doing the business instead of spending days, for example, waiting to confirm payments or start bothering themselves about such simple effects. So PAPSS actually brings a solution that allows these commercial actors to focus on their business and not worry about how a transaction that originated in Lagos, Nigeria, ends up in Kenya and possibly in Kenya shillings.

**ORDU:** Just listening to you makes me feel that the vision of the Africa we want, Agenda 2063, is within grabs in terms of what the founding fathers of our continent had in mind. This is excellent news indeed. Let me turn to your Viewpoint, in your brilliant Viewpoint in *Foresight Africa 2022* this year, you wrote, and I quote, “It is said that while money is the lifeblood of an economy, a well-implemented payment infrastructure is its circulatory system.” This quote is indeed a profound statement on page 88 of our report. Could you explain what you mean by that to our listeners, please?

**OGBALU:** Okay, thank you very much. Economists have defined ways of measuring an economy, the activity in an economy, and all that is encapsulated in the GDP of an economy. Now, if you try to compute the GDP of a country, the consumer spend, the government spend, the investment, and then you now factor in the net of imports and exports. Now you find that all this spend is actually an exchange of goods and services. Okay. So you exchange value for a good or a service. Now, the trigger for that exchange to take place is payments. Now, without payments, trade does not take place. So, governments, individuals, and businesses, they don’t eat money, they consume goods and services. And therefore, if payment doesn’t take place, then that consumption of good or service will not take place. So you find that the more a payment system is efficient, you find that money circulates much more. If you look at any of the economies where instant payment has been implemented, you find that immediately instant payment takes place begins to happen in an economy, you'll find that the circulation of money, capital, goods, and services actually is more frequent and actually has a significant impact on the economy of that market.

Much the same way, when payments becomes more efficient on the African continent, it will have a similar effect. And we are looking at the electronic and digital payments. In the days where it used to take seven days to clear a check, once the clearing of that check moves from maybe seven days to three days or to one day, you will see an immediate impact in terms of the economy of that country. So much the same way payment system is actually the circulatory system that circulates money throughout an economy. So to that extent, a good payment system becomes the circulatory system of any economy.

**ORDU:** Fascinating. Fascinating, indeed. The lifeblood of the economy, as you put it, now we get it. So, let's turn to a practical example, Mike. Let's suppose that I am from Botswana, one of my favorite countries on our continent, and I import cocoa beans from, say, Ghana or Cote d'Ivoire, or indeed from western Nigeria, right, for my chocolate factory in Gaborone, Botswana. Could you tell me how exactly the new payment system will work?

**OGBALU:** This is exactly why PAPSS was put in place, and these are all of the challenges that that importer or that trader in Ghana would face today. These are the challenges that PAPSS was designed to solve. So let's take it back. Now, this cocoa beans producer in Ghana needs to sell his beans to this factory in Botswana. Now, they both agree on, of course, for anything they are selling and buying, there needs to be the agreement, "this is a fair value for the product that the importer would like to buy." So, the exporter communicates that this is the amount of money he expects in exchange for his cocoa beans to the buyer in Botswana.

Now, PAPSS is such that this buyer is able to go to his bank and give an instruction to say I have the local currency in my account, debit my account, and pay X amount of money to this supplier in Ghana. Now that message immediately is triggered in Botswana, debits the customer's account, and instantly a message is sent into our system. At that same instance, it's able to trigger a payment from the settlement position of Ghana, the Ghana Central Bank, into the commercial bank account of the exporter. And at that same minute trigger a payment directly into the beneficiary's account.

So all of this process, first of all, it's able to confirm that the importer has value in his account, it debits the account, and then triggers a message, and the beneficiary's account is credited on the other side, and then settlement takes place at 11 o'clock every single day at Cairo time between all the various parties, specifically between the central banks and then there's a secondary settlement that happens between the commercial banks.

And all this takes place within 120 seconds. And this importer does not now need to start looking for any third party currencies. He's able to give that instruction in his local currency. So for emphasis' sake, a transaction that originates here in Cairo, Egypt, in Egyptian pounds will arrive in the destination, say in Nigeria, in Nigerian naira, or in Kenya, in Kenyan shillings. So that's the beauty of this. So we've removed the burden of sourcing for effects from commercial actors and we've allowed the central banks actually to now settle among themselves so that businesspeople can focus on their business while knowing that PAPSS and the central banks, while also leveraging the commercial banks, will settle these transactions seamlessly. And these transactions get to the beneficiary's account in 120 seconds.

**ORDU:** Wow, that is absolutely fascinating. And let me just get this straight for the benefit of our listeners. So basically, in the past, as a Botswanan would basically be exchanging my pula for dollars in order to pay my Ghanaian seller. Right? What you're telling me now is basically that I don't need to look for dollars. I will just have my pula-denominated account debited in Gaborone, Botswana, and then my exporter—the guy I'm buying from in Ghana—gets his account credited in Ghanaian cedis, and this intermediation of dollars or euros or francs is no longer there. Is that what you are telling us?

**OGBALU:** That is correct. So the transactions originate in local currencies and they terminate in local currencies.

**ORDU:** That's brilliant, that's fantastic. So let me turn now to some of the issues you are facing. What do you see as the biggest issues in cross-border payments and how is PAPSS addressing them beyond what you've just shared with us in this example between Botswana and Ghana?

**OGBALU:** So, I would say there are basically five key issues with cross-border payments. There's the issue of the costs, and the issue of cost is brought about by today you have a network of corresponding relationships that stand between the point of origination and the point of termination of those transactions. And of course, with each of these meet points in place, it has an impact on the total or the overall cost of the transactions.

The second one is speed. Today, when you look at Ghana, Ghana is almost like another entity within Nigeria because of the relationship that they exist between the two countries. There actually are more flights from Lagos into Accra than from Lagos to a lot of other cities in Nigeria. And it takes about, what, five minutes to 15 minutes for that journey from Lagos to Accra to take place. Yet when you send money for a payment, a commercial payment, it takes three to seven days for that money to actually arrive at that destination. So there's a huge issue with speed or delays in the transactions.

There's also the issue of transparency. Not knowing exactly for the customer is almost like an opaque system, is not able to say that this is exactly how much this transaction is costing. Is not able to say, okay, these are the factors that are influencing the cost, and so on and so forth. So there's the lack of transparency.

There's issue of access. Today you'll find that because of access issues, there's a lot of informal flows, a lot of cash. If you stay in Lagos, you see a lot of cash going across the Seme border. Okay. If you go to the eastern flank, you see a lot of cash between Nigeria and the Cameroons, then between DRC and Rwanda, between Kenya and Uganda, and so on. Part of it is an access issue.

Then there is the issue of effects. Now, because a lot of the trade that we do today there's a lot of the requirement to source those particular currencies to do those trade, what that has continued to do is to create a demand, continue to enforce a demand for these particular currencies and it has a weakening effect on all of our local currencies. So, I'll say effect is also a major challenge.

So what PAPSS has done as part of designing the product is look at each of these constraints and try to come off design into PAPSS a solution for each of these constraints. So for the issue of delays, PAPSS delivers transactions and 120 seconds. As a matter of fact, during the pilot, we were averaging around seven seconds for those transactions to complete.

Come to talk about the issue of costs, now by cutting out all these networks of corresponding relationships—and just to share with you an important information, of about 80 percent of transactions that originate in Africa and terminate in Africa, 80 percent of them actually have to leave the continent and go somewhere else around the world, either to New York or London or wherever before coming back on the continent. So that is part of what adds to the costs of doing business for businesses in Africa.

When you look at the issue of transparency, we actually have streamlined the way the cost or the pricing for cross-border transaction is done. And we have also made the effort to significantly lower it such that businesses do not have to pay so much to do these transactions.

And then on the subject of effects, what we've done now is to make sure that the transactions can be done in local currency, both on the send and receive corridors of the transaction.

So we've taken each of these challenges that have affected cross-border payments on the continent, and we've designed a solution into PAPSS for it.

**ORDU:** This is absolutely, absolutely fascinating. So, obviously there are also significant serious macroeconomic dimensions to all of this, which would warrant a different conversation, because essentially by doing this and using local currencies at both ends of the trading spectrum, the inordinate demand for third party currencies is dramatically reduced, basically, between importers and exporters, which is a phenomenal outcome for the continent.

**OGBALU:** Absolutely. You got it exactly right. We hope that as PAPSS begins to gain traction that more businesses—just take, for example, the airline industry. So an airline out of East Africa operating in many states across Africa is happy to get repatriated money in that particular global currency. But then he's also satisfied with receiving his funds in his home country currency. What PAPSS would do is to make sure that he's able to get his monies repatriated from any country where he's doing business and is able to receive it in his home country currency. And it's, again, interactions with the airlines is such that this is actually a phenomenal solution to the problems that they have doing business on the African continent.

**ORDU:** That's fascinating. Fascinating. Let's now turn to the, if you like landscape as such. What does the African payment landscape look like today and how can it evolve in your view with this new initiative, the PAPSS?

**OGBALU:** It's such a fantastic question. The continent continues to struggle with very significant exclusion, financial exclusion. A number of initiatives have been launched in different parts of the continent to alleviate that challenge. Now, if you look at the landscape we still have the traditional players, being the commercial banks in the various countries who now are beginning to also scale beyond their primary markets into a number of other markets.

But then you also have a number of margin players who have now leveraged our technology to begin to now create solutions that will address different areas of financial services, from savings to retail to making purchases and so on and so forth. So technology is beginning to change the financial services landscape on the continent.

But when you look at Africa, I met a brilliant fintech somewhere in East Africa operating out in Rwanda, operating out of this small market of about 10 million people. However, they are succeeding and doing so well. But what PAPSS is saying to such an entrepreneur is to say you can actually begin to look at the entire Africa as your market rather than just looking at the people in Rwanda.

So what PAPSS will do, PAPSS will enable both the traditional players who today are actually facilitating the movement of funds. They will see a significant reduction in the cost of providing these services. And we hope that those significant reductions will also be passed on to the customer in terms of lowering their cost of doing business. But beyond that, we also think that for the tech people that they will also see significant impetus to actually ride on the platform that PAPSS has provided to be able to scale their services beyond just their primary market. So they should be able to now begin to look at launching that e-commerce business in many more countries. And that is the way that Africa can begin to create entities that are in the scale of Alibaba, in the scale of major e-commerce providers globally.

Now what we've done, and if you don't mind, I'll just step back a little to really paint a picture of how PAPSS is able to do that. So what PAPSS has done is to build at its core an instant payment system that has the ability to settle clear and settle transactions in local currencies that have disparate management mechanism. And we've built around this a number of key governance organs. The first governance organ being the PAPSS Governing Council, which has the central bank governors of all the participating countries. They sit there and they are the highest regulating decision-making organ in the PAPSS world. Because this is a financial market infrastructure, governance is very, very, very key.

The second organ is what we call the Payment Systems Oversight Committee, which is an organ that is made up of the directors of payments of each of these central banks, and they have direct supervision and oversight over PAPSS. Okay?

And then the third organ is now the Board of PAPSS, the board of directors of PAPSS, which has eminent people from across the continent who sit on that board. They help, they guide management in the area of execution, in the area of operations, and really just running the business from day to day.

And then, of course, the last organ is the management team of PAPSS.

So all of these are the core of PAPSS. Now, on top of this, we have now added central banks. Today we are connected into the six central banks of the WAMZ region. And we've now signed up with an additional two central banks that have now agreed to join PAPSS, and we expect to be announcing an additional three in this new quarter that we're in.

Now, on top of these central banks, we are now layering on top commercial banks and other payment, licensed payment service providers. They're regulated entities, so we're not going to do anything outside of what we agreed to do, with the central banks.

And then on top of these payments service providers and commercial banks, we've now created an innovation layer. And that innovation layer, they can begin to build solutions around invoicing, around remittances, around ecommerce, and so on and so forth, right in on the infrastructure. That way, PAPSS begins to now enable the landscape. So beyond what you see today as the landscape, we expect that PAPSS will enable the next hundred unicorns on the African continent in a few years' time. We expect that banks would see a massive increase in terms of the volume of trade that they enable across the continent. So, it's win-win for all participants within the landscape.

**ORDU:** Wow. This is a complete transformation of the way of doing business on the African continent. Now, let's turn to what is happening now, Mike, in Europe, right. The big elephant in the global room today is, of course, the Russian invasion of Ukraine, which has, as we all know, triggered unprecedented sanctions on Russia. How will PAPSS handle global payment issues such as sanctions?

**OGBALU:** Africa is a part of the global community. If people thought initially that, oh, this is something happening in Europe, it will not have impact on the African continent. But without going into the politics or my personal views on what is happening, it has become much more apparent that Africa needs to be able to build and control its own payments rails and designed in such a way that it's able to meet African needs. If you look at a lot of these systems to date that have been built or that run financial services globally, they were designed more to meet the needs of people outside of the African continent.

Now, what this is saying to us is that we need to begin to build systems that are uniquely designed to solve African challenges. So, we cannot have a situation where payments on the continent will have to travel halfway around the world before coming back to the continent and where we cannot even control whatever the parameters are around how these transactions are going to be allowed or not allowed through all those transit stations.

So again, what this is reinforcing for us is that beyond the payments, Africa needs to now begin to look at its supply chains. The battle has now led to a situation where there's a scarcity of wheat everywhere in the world. But Africa needs to now begin to look at its supply chains, make sure that it's able to produce and be sufficient to guarantee food security, sufficient to guarantee a number of other things to its own people.

Now, when you look at the continent again, some of the data we see shows that we haven't been able to, first of all, add value to the products that are produced on the continent. And therefore we continue to have those dependencies on entities outside of the continent. By the way, I'm not by any stretch preaching a mercantilist agenda. But what I am saying is that Africa needs to be able to increase its trade with itself—trading at about 17 percent with itself is not sustainable. Africa needs to be able to significantly increase the volume of trade that it does with itself. So what Ukraine is saying to me and I'm hoping to African leaders, is that we need to begin to take our destinies into our own hands and begin also to build systems that will make us more self-sufficient than now that we're dependent on the rest of the world.

**ORDU:** Now this is fascinating, indeed, Mike, because the point you make about the need for increased intra area trade between African nations, I couldn't agree more, because at present Africa trade with itself is about 17 percent. And when you compare that to the EU, for example, where intra-EU trade is at over 66 percent, and then in Southeast Asia, where I used to live many years ago in Manila, that whole region, the ASEAN group of countries they trade with themselves, over 50 percent of their trade is intra area within themselves. So we hope that if what you're saying is basically as we move forward towards Agenda 63, PAPSS will also enable us to make sure we lift intra-Africa trade beyond the current 17 percent to something much, much higher.

The other thing I was just thinking of, of course these technology dimensions you talk about PAPPS, et cetera, there are also the movement in the continental free trade area to lower tariffs, which of course is one of the first port of call when it comes to economic integration. You and I also know that the so-called non-tariff barriers of which you're addressing one through PAPSS, the infrastructure deficiencies on our continent. Any thoughts on that, on what is being done to really enhance infrastructure beyond what you're saying in PAPSS right now?

**OGBALU:** So yes, I always talk about three critical pillars, and this is my own view. I think that one is an enabling demographics. Today we have a very youthful population. We have the acceleration of mobile penetration. We have a number of key data infrastructure that are being done on the continent but we are still quite behind in terms of the number of those infrastructure.

You talk about enabling environment. And in that enabling environment you have things like power, we still have a lot of catching up to do from a broadband data and fiber infrastructure, a number of other key infrastructure that we are still behind on.

Now I have the third pillar that I call key fourth industrial revolution infrastructure, and they have to do with, payments is one of them. Identity is one of them. We need to have these key infrastructure in place.

But more important is the fact that Africa has the right demographics in terms of people. The people are not a problem for Africa. The people actually are an asset. And we need to invest more in human development and human capacity building, such that we will have the right types of human resource to help propel the continent in the fourth industrial revolution.

So, my view is that Africa that was described previously as the "dark continent"—as I recall a *Time* magazine feature where they put a picture of the globe, and it was actually a satellite image, and you could just see a continent that just seems to be dark. All those underdevelopment and so on in my view are significant opportunities for the continent, but we need to invest in the people. So I hold the view that infrastructure is good, but without building the people the infrastructure will not add much value to the continent.

**ORDU:** Absolutely. In other words, human capital, human capital is key to the future of our continent. Obviously, PAPSS is a fascinating innovation, but it's not the only game in town. So who are the movers and shakers in the payments space and how will PAPSS work with these in the future?

**OGBALU:** Okay, so again, when you talk about the movers I like separate the movers from the shakers. So again, the traditional and the legacy financial service providers continue to be the movers driving economic activity on the continent. However, you would see that a lot of margin and new entrants beginning to blossom on the continent. And what they have done is each of them finds an area of a challenge or an area where there's a gap that is not currently being filled by existing players, and then he innovate within that gap, and then he's rewarded for that innovation. So, I think that those are the ones that are now shaking the tables in the financial services landscape.

But also critical is to look at some of the key trends that we're seeing in the payments landscape. We will continue to buy more online. Every year we're going to do more online than we did in the previous year. And we expect that in the next maybe five, maximum 10, years we will be buying more online than we buy in physical brick and mortar locations. That will have an implication for payments.

There's also the issue of fraud. The fraudsters are actually getting smarter by the day. And the trick for financial service providers is to always be one step ahead. Okay. We will have to continue to advance and improve our investment in cybersecurity to always maintain that one step ahead of the fraudsters. You look at data, data is the new gold. Back in the day money used to be physical cash sitting in their vaults. But today money is a set of ones and zeros. And to that extent, digital data has become more important and how to secure that data has become very important. So data and data security is very critical in the payments landscape now.

Instant payments, like I said, is going to continue to revolutionize, and Africa is actually leading in that respect. Recently, a colleague of mine attended a conference in Europe and there were announcing that so-and-so country has now joined the instant payment. Instant payment has been around in Nigeria for more than 10 years. So Africa has an opportunity to leapfrog in that sense.

But I will not finish talking about trends without talking about the imagined blockchains, cryptocurrencies, and CBDCs. Again, I have my own personal views, but the benefit that blockchain infrastructure offers compared to some of the legacy type infrastructure that we've used is something that just cannot be denied. The issue of immutability of data, the issue of even data security and so on will continue to push more use cases on the blockchain infrastructure. And of course, we now see that the central banks are beginning to now be very bold about the adoption of CBDCs. A case in point is the e-naira that is beginning to do quite well within the Nigerian context. So, these are some of the things that I believe will continue to shape the landscape in the years to come.

**ORDU:** For the benefit of our listeners, since we can't delve in in the time we have available more into what Mike is referring to as data is the new gold and data is the new oil, I would like to refer listeners our chapter on technology in this year's *Foresight Africa* chapter five. There we see a number of well-targeted viewpoints, one by Lesly Goh and Buhle Goslar on data governance in the private sector. There is also another one on the role of cryptocurrencies in sub-Saharan Africa, and there is another viewpoint on data governance in the public sector. So, this is clearly a very, very important point that Mike is making, and I would like to refer our listeners to kindly download our *Foresight Africa 2022.*

We were in Accra on March 21st, and we launched *Foresight Africa 2022*, and Honorable Wamkele Mene, secretary general of the African Continental Free Trade Area, was on our panel. He spoke about many, many things, but one of the takeaways from his panel contributions was this this whole notion of the micro, small, and medium scale enterprises as the lifeblood right for job creation, especially for Africa's youths, for boosting imports and exports, and, of course, economic growth in our continent. What are you currently doing to raise the awareness about PAPSS among small, micro, and medium scale enterprises on the African continent?

**OGBALU:** That's an excellent question, and let me also at this point acknowledge the significant role that the AfCFTA is playing in the evolution of PAPSS, and also acknowledge that they are actually co-pioneers with Afreximbank of this infrastructure for the continent. I do agree with Wamkele that SMEs, both micro and small, medium enterprises, actually they hold economies everywhere in the world. You find that they're actually the ones that drive most of the economies everywhere in the world. So to that extent, we have also recognized that we need to be able to engage these ones.

So, we've flagged off a number of initiatives. First of all, we are talking to a different trade associations and medium businesses and trade groups in the different countries to begin to express to them the value that PAPSS will bring to that small shoemaker that is in Aba, who is developing shoes today and putting a brand that is not African on it because he thinks that that brand can't sell. But letting him understand that the infrastructure that PAPSS is providing will open up markets for him across the continent so he can focus on making his shoes and not worry about the buyer in Ethiopia who is paying birr and how that birr comes to naira for him in Aba.

So we are engaging a number of key institutions and groups and associations, and explaining to them the connection between PAPSS and these SMEs and opening up of new markets.

Now beyond this we are also working with key partners, which include commercial banks and the tech community, who are now looking at how to innovate for these SMEs. People are innovating bookkeeping software and seeing how that ties into inventory in a totally different country. People are innovating invoicing solutions and making it available to SMEs across 55 countries.

So all these are to bring value. And beyond this, like I said, PAPSS creates on top of it an innovation layer. PAPSS cannot innovate everything that will be needed for these SMEs. What we've done is to create that layer such that bottom-up entrepreneurs can actually innovate different solutions for these SMEs and be rewarded for the value that they create for the SMEs. So it is a cocktail of things that we're doing to continue to bring the value that goes out to the SMEs and to the consumers across the continent.

**ORDU:** That's incredible because basically as indicated, job creation is largely driven across our many countries on the continent by small and medium scale enterprises.

Mike, to wrap up our conversation, I wanted us to switch gears to this whole notion of a single regional currency. As you know, in West Africa, the Economic Community of West African States, are basically negotiating to move towards a single currency. In East Africa as well, the East African community countries Kenya, Tanzania, Uganda, and the rest of them, of which Congo DRC just joined yesterday, they are also planning to have a single currency. Based on what you shared with us today, is there really a need for African policymakers to pursue single currencies in their regions when in fact we now have an innovation like PAPSS, which you are currently leading?

**OGBALU:** Again, when I look at single currency, I look at this from the point of view of it creates a single market. It now becomes more or less a final step in creating of a single market, in my view. Now when you define a market, the market has participants, the market has rules, the market has a means of payment, which typically is a legal tender in that particular market. And then they have things like logistics and so on and so forth. Now what

PAPSS has done is actually to take this process one step further. So we are saying instead of creating one single currency, we are going to make your own currency acceptable for trade across borders.

Now, there are still significant benefits in having a single currency across a region and again, it helps PAPSS. PAPSS will now, instead of having maybe 14, 15 exchange rates, we can have a single rate against that one currency. So there are benefits. I think that there are a number of political moves that would need to be made to enable that. But what we're hoping is that PAPSS will actually be a very solid and bold step in that direction and in the direction of creating a region of a powerful Africa. And therefore, when we do arrive at that single currency, it will be a solid currency that is able to capture some of the things that today we are not able to document around the trade that takes place on the continent. So I believe in a single currency, and I think that it will add significant value. But our focus right now is even to make payments as it is more efficient and therefore begin to grow trade on the continent.

**ORDU:** Mike, on behalf of the Africa Growth Initiative at Brookings, I would like to thank you very much for joining me today in this fascinating conversation on the new payment system developed to boost intra-area trade on the continent of Africa. Thank you very much, Mike.

**OGBALU:** Thank you very much for having me. My pleasure.

**ORDU:** I'm Aloysius Uche Ordu, this has been Foresight Africa. To learn more about what you heard today, find this episode online at Brookings dot edu slash Foresight Africa podcast. Each episode will be listed on its own web page, and there will be links to the content discussed in the episode.

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Thank you very much.