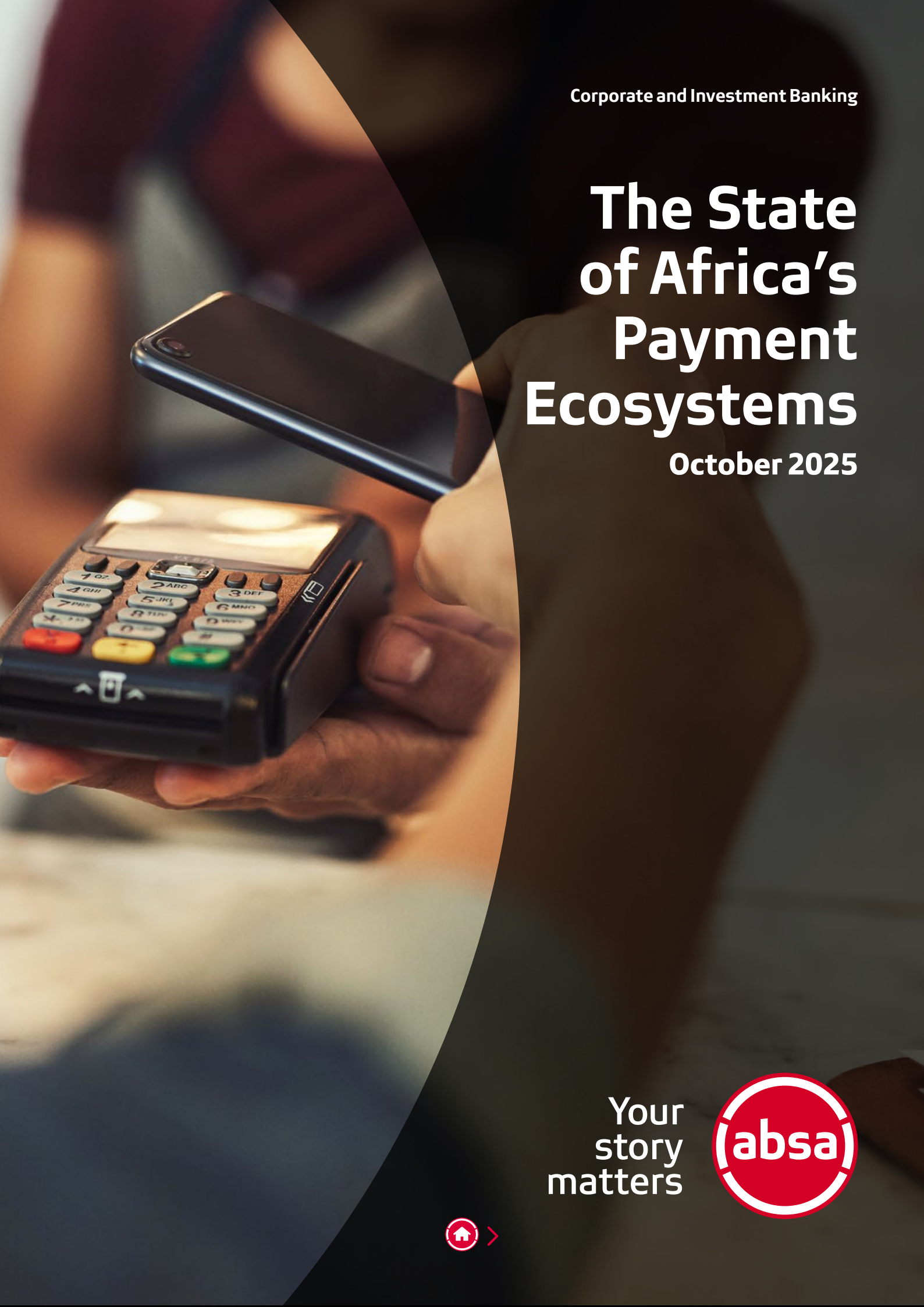

Corporate and Investment Banking

The State of Africa's Payment Ecosystems

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Your story matters

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CONTENT

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Introduction

Africa's payment landscape is undergoing a profound transformation, driven by digital innovation, regional integration efforts and evolving geopolitical dynamics. While domestic payment systems have achieved notable success, particularly through mobile money and digital wallets, cross-border interoperability remains a challenge. This report examines the intricate architecture of Africa's payments ecosystem, highlighting the current opportunities and constraints that will shape its future trajectory.

Domestic Payments

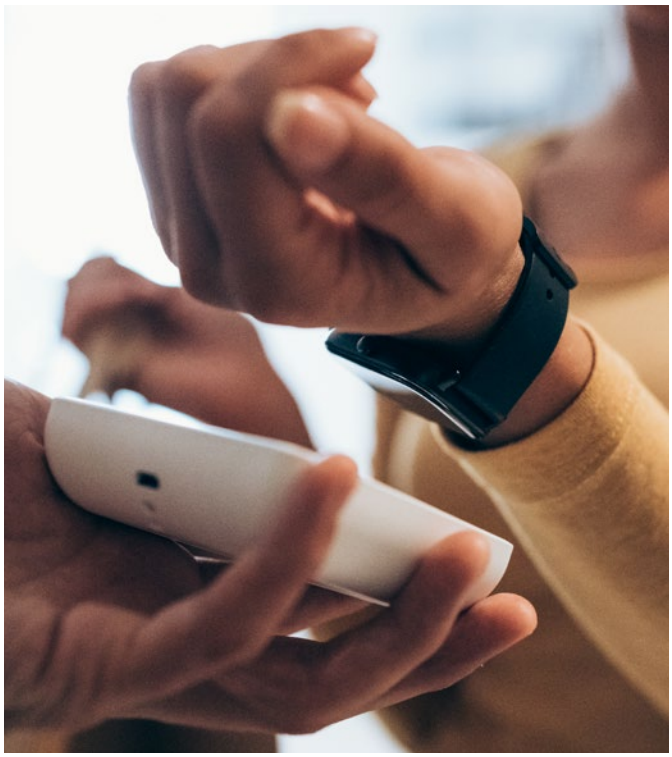
High-quality national payment systems (NPS) exist across Africa to facilitate the interbank exchange of value. Most markets have high levels of integration into these NPSs, provided settlement is made via fiat currencies – and, indeed, settlement in central money is a key driver to de-risk Africa's interbank payments.

The rise in mobile payments, digital wallets and fintech innovations has allowed Africa to leapfrog most other global economies on the adoption of digital payments (see Mobile Money in 2024). Financial inclusion is a factor of clients owning multiple wallets across various payment methods to make and receive payments (including banks and non-banks). Access to credit remains a prerogative of banks in most countries.

The move to a cash-smart ecosystem is gaining momentum in most economies, driven by improved access to digital payment options and by government policies aimed at lowering the reliance on cash. However, policy typically regulates the safeguarding of client money in commercial banks and does not enhance structural interoperability.

Integration takes place at the level of acquisition and distribution, where beneficiary accounts are accessible by connecting schemes (e.g. M-PESA's integration into East African commercial banks, and vice versa). Wallets are not open to making payments from any client payment portals, which limits the volumes of e-commerce transactions to bank wallets. Infrastructure and connectivity remain a challenge in reaching payers and beneficiaries, irrespective of the portal accessed for payments.

Digital platforms like Absa Access are the primary gateway for our clients to request payment through Absa. We have fully integrated the channels (Retail and Corporate) directly into the payment engines with return feedback to the channels to keep clients informed of the status of their payments. Bulk payments still require intervention to break up batches and to separate different payment types, but these flow into the relevant payment engines when unpacked.



MOBILE MONEY IN 2024

	GLOBAL	SUB-SAHARAN AFRICA
LIVE SERVICES	336	165
REGISTERED ACCOUNTS	2.1 BILLION	1.1 BILLION
ACTIVE 30-DAY ACCOUNTS	514 MILLION	283 MILLION
TRANSACTION VOLUME	108 BILLION	80 BILLION
TRANSACTION VALUE	$1.68 TRILLION	$1.1 TRILLION

Source: The State of the Industry Report on Mobile Money 2025, GSMA

Regional Payments

Africa's eight Regional Economic Communities (RECs) were formed prior to the launch of the African Union with the intention of facilitating regional economic integration. Each REC is centred around one large regional player, and high levels of internal dependency exist, with any limits placed on one country significantly impacting the other REC members.

These RECs form the building blocks of the continent-wide African Continental Free Trade Area (AfCFTA). However, the future state of payments is limited by the inflexibility of Africa's regional payment systems. Interoperability is compromised as more entrants come into a system that was designed by banks, for banks, and is further disenfranchised by a modality that was built for intra-regional payments and settlements. Flows are limited to payment activities and do not encompass the entire market opportunities (e.g. stock exchanges, bond exchanges, etc.).

FLOWS ARE LIMITED TO PAYMENT ACTIVITIES, AND DO NOT ENCOMPASS THE ENTIRE MARKET OPPORTUNITIES

Africa's lack of harmonised monetary and economic regulations further impacts the movement of goods and services. As a result, fast payment services are primarily used for domestic trade (with some exceptions (e.g. East Africa)), and most sit outside of the National Payment System. Integration is typically achieved through acquisition and/or distribution channels via bank and non-bank schemes.

AFRICA'S REGIONAL ECONOMIC COMMUNITIES

Arab Maghreb Union (UMA)

Community of Sahel–Saharan States (CEN–SAD)

Common Market for Eastern and Southern Africa (COMESA)

East African Community (EAC)

Economic Community of Central African States (ECCAS)

Economic Community of West African States (ECOWAS)

Intergovernmental Authority on Development (IGAD)

Southern African Development Community (SADC)

Pan-African Payments

In Africa, regional and Pan-African corridors are constrained by choices in domestic models that prevent the integration of payments systems. A further complication lies in the legal framework, which in South Africa is based on the principle of the payment system management body (PSMB), a self-regulating organisation that excluded non-deposit-taking institutions from entering the settlement system or participating directly in the clearing system. As a result, new technologies are not accommodated in South Africa's current National Payment System.

The AfCFTA's Pan-African Payment and Settlement System (PAPSS) has been put forward as an integrated, continent-wide payments solution. However, PAPSS has not yet taken hold, for various reasons. One of these is the lack of a central bank model that is supported by central banks and the protection of money in transit, while another is practical (e.g. implications of the USD as the currency between local currency settlement).

Political volatility in certain African states and regions, coupled with the threat of sanctions, impacts the stability of governance and currency. This, in turn, influences the confidence in a Pan-African payment solution's ability to reach its intended beneficiaries.

The Pan African Payments System as a modality sits with the continent's commercial banks and not at a central bank level. Concerns remain around the fragility of some of Africa's commercial banks. Against this backdrop, Africa's central banks are increasingly seeking opportunities to involve themselves in cross-border payments and settlements.

At a practical level, Africa's central banks have differing levels of control (direct vs indirect) on access to foreign currency, which complicates liquidity and access to liquidity for local and especially foreign institutions. The need to access reserve currencies and the lack of demand for African currencies (driven in large part by their volatility) frequently puts African currencies on the back foot.

The bottom line is that the money is outside of Africa. It is up to us to make investment in Africa more attractive and payments more predictive and safe, to attract these flows.

As Absa, we use the bank's regional footprint to make cross-border payments quicker, easier and more secure for our corporate clients. Absa has multiple processes to concentrate capabilities into a single environment covering the entire Group, or to expand services where the processing runs across our presence countries. We also take advantage of regional clearing and settlement services to offer clients corridor access and reach to their markets. Above all else, to ensure a consistent client experience, we have shared enterprise-wide payment capabilities that run for each presence country from centre. This allows for seamless and quick integration for multinational clients across the Group.

Geopolitical factors

Africa is currently experiencing a diverse array of geopolitical challenges and developments that impact its liquidity. Key factors include:

- **POLITICAL INSTABILITY:** Several African countries are grappling with political unrest and conflict, which can hinder economic growth and deter foreign investment. Examples include ongoing conflicts in regions like the Sahel and Ethiopia.
- **ECONOMIC SANCTIONS:** Sanctions imposed on certain nations (such as Zimbabwe) can restrict access to global financial systems, reducing liquidity and inhibiting economic development, leading to a diaspora within and outside of Africa.
- **TRADE RELATIONS:** Shifts in trade relations, including the impact of global trade tensions and regional trade agreements like the AfCFTA and BRICS influence the flow of goods, services and capital.
- **GLOBAL ECONOMIC TRENDS:** The economic policies of major global players (e.g. the US, EU, China) and their relations with African nations affect foreign aid, investments and debt relief efforts.

The current geopolitical landscape affects liquidity in Africa in various ways:

- **FOREIGN DIRECT INVESTMENT (FDI):** Political instability and economic sanctions can deter FDI, reducing the inflow of capital necessary for growth and liquidity.
- **REMITTANCES:** Diaspora remittances are a significant source of liquidity for many African countries. Geopolitical tensions can impact the ability of overseas workers to send money back home.
- **ACCESS TO INTERNATIONAL MARKETS:** Sanctions and trade restrictions can limit access to international markets, affecting liquidity by reducing trade volumes and financial transactions.
- **DEBT RELIEF AND AID:** The geopolitical stance of creditor nations and international organisations can affect debt relief initiatives and aid programs, influencing liquidity and fiscal space.

Sanctions: the expanding web of restrictions

Sanctions regimes, whether imposed by the UN, US Office of Foreign Assets Control (OFAC), EU, or local authorities – have evolved from blunt instruments into intricate regulatory architectures. The challenge is not merely compliance, but interpretation and alignment.

- **DIVERGENT STANDARDS:** A transaction permissible under South African or EU law may be prohibited under US secondary sanctions, creating uncertainty and risk aversion.
- **BENEFICIAL OWNERSHIP OPACITY:** Sanctions screening depends on accurate data, yet beneficial ownership structures can be layered through multiple jurisdictions, blurring visibility.
- **DYNAMIC UPDATES:** Sanctions lists change frequently, forcing banks to invest heavily in real-time screening and AI-driven monitoring tools to avoid exposure.

The result is operational drag: delays, false positives, and the chilling effect of over-compliance, where institutions decline legitimate transactions out of caution.

Exchange controls: the invisible wall in cross-border flows

For many emerging markets, including South Africa, exchange control regulations serve as a vital macroeconomic safeguard. They regulate capital flight, maintain currency stability, and preserve sovereign oversight over cross-border transactions. However, from an interoperability standpoint, these controls act as invisible walls that fragment the payment ecosystem.

- **REGULATORY ASYMMETRY:** While one jurisdiction may permit full capital mobility, another imposes tight reporting and approval requirements.
- **TRANSACTION FRICTION:** Cross-border payments often require layered approvals or routing through specific correspondent banks, introducing delays and cost.
- **DATA LOCALISATION CONFLICTS:** Exchange control frameworks may demand domestic data storage and reporting, clashing with international data-sharing requirements under cross-border payment systems.

The result is an uneven playing field that discourages smaller financial institutions from participating fully in cross-border trade and payment innovation.

SEVERAL AFRICAN COUNTRIES ARE GRAPPLING WITH POLITICAL UNREST AND CONFLICT, WHICH CAN HINDER ECONOMIC GROWTH AND DETER FOREIGN INVESTMENT

The Way Forward

While full regulatory convergence remains aspirational, progress depends on strategic collaboration.

- **REGULATORY DIALOGUE:** Regional platforms such as the SADC Payment System Integration initiative and the AfCFTA offer pathways to harmonise standards and relax exchange control barriers.
- **TECHNOLOGY AS A BRIDGE:** Advanced regtech tools, like AI-driven sanctions screening, blockchain-based transaction traceability, and automated reporting, can mitigate compliance risk while improving efficiency.
- **PRINCIPLES-BASED COMPLIANCE:** Banks should pivot from rule-following to risk-based frameworks that integrate sanctions, exchange control and prudential compliance into a single, agile governance model.

Summary

Africa's payment ecosystem is evolving rapidly, with robust national systems and mobile money innovations driving domestic inclusion, but, structural limitations restrict broader digital adoption. Regionally, the eight RECs underpin economic integration, but legacy bank-centric systems and regulatory divergence hinder seamless cross-border flows. Pan-African efforts like PAPSS aim to unify payments; however, political instability, legal constraints and currency volatility pose challenges. Central banks are increasingly stepping in to address liquidity and settlement issues, but Africa's reliance on external capital remains a barrier. Unlocking the full potential of Africa's payments systems – and, by extension, its economies – requires harmonised policy, resilient infrastructure and a more attractive investment climate.

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