



Institutionalizing Digital Trade Governance in Africa: AfCFTA, PAPSS, and the Politics of Regional Infrastructure Gaps

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ABSTRACT

This article analyzes how the African Continental Free Trade Area (AfCFTA) and the Pan-African Payment and Settlement System (PAPSS) institutionalize digital trade governance in Africa amid persistent infrastructure gaps, regulatory fragmentation, and asymmetric dependence on external payment and data infrastructures. Using a qualitative descriptive-analytical design, this study examines official policy documents, multilateral reports, and peer-reviewed scholarship on digital trade, regional integration, data governance, and international political economy. The analysis applies neoliberal institutionalism while engaging critical debates on digital sovereignty and digital colonialism. The findings show that AfCFTA has moved beyond a conventional trade liberalization project by becoming a continental rule-making forum for digital trade, data flows, consumer protection, cybersecurity, and electronic transactions. PAPSS complements this legal architecture by reducing cross-border payment frictions, lowering dependence on third-party currencies, and retaining more financial data within African institutional circuits. However, the study also finds that institutional effectiveness remains constrained by national sovereignty resistance, fiscal protectionism, uneven cyber-regulatory capacity, weak enforcement mechanisms, and overlapping regional economic communities. The article argues that Africa's pursuit of inclusive digital sovereignty depends not only on adopting continental rules, but also on aligning domestic laws, financing hard infrastructure, strengthening supranational coordination, and designing fair adjustment mechanisms for weaker member states. The study contributes to debates on regionalism by showing that digital trade integration requires legal harmonization, operational payment infrastructure, and credible compliance capacity at the same time.

Keywords: *AfCFTA; Digital Governance; Digital Sovereignty; Infrastructure Gap; PAPSS; Regional Integration.*

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INTRODUCTION

Africa's digital economy has entered a decisive institutional moment. The continent is no longer dealing only with the question of how to expand internet access or how to attract technology investment. It now faces a more complex political economy problem: how to govern digital trade across fifty-four highly diverse markets while preserving developmental autonomy, reducing transaction costs, and preventing new forms of external dependence. This problem sits at the intersection of regional integration, data governance, payment infrastructure, and state sovereignty. It also places the African Continental Free Trade Area (AfCFTA) at the centre of a policy agenda that extends far beyond tariff liberalization. The World Bank (2020) frames AfCFTA as a major continental integration project with economic and distributional effects, but the digital layer makes the integration agenda more legally and institutionally demanding.

The empirical context makes the problem urgent. The International Telecommunication Union reported that only 38 percent of people in Africa used the internet in 2024, compared with a global average of 68 percent (International Telecommunication Union, 2025). The same report shows a wide spatial divide, with internet use reaching 57 percent in urban areas but only 23 percent in rural areas. These figures demonstrate that Africa's digital transformation remains uneven, even though mobile broadband coverage and fintech innovation have expanded rapidly. The digital divide therefore does not arise merely from the absence of technology. It also reflects income inequality, weak electricity access, fragmented markets, and uneven regulatory capacity.

Digital trade intensifies these inequalities because it depends on more than connectivity. Cross-border e-commerce, digital services, platform work, fintech, cloud computing, and data-driven logistics require interoperable rules, trusted payment systems, cyber resilience, and legal certainty. Research on digital trade shows that data flows have become a central input for modern commerce, yet governments increasingly restrict those flows through data localization, privacy rules, and national security measures (Meltzer, 2019). Such measures may protect legitimate public interests, but excessive fragmentation can raise compliance costs and restrict trade in data-intensive services (van der Marel & Ferracane, 2021). For African economies, the challenge is sharper because many states need open data flows to build digital markets while also needing stronger sovereignty protections to avoid extractive data relationships.

The AfCFTA Digital Trade Protocol, adopted in February 2024, responds directly to this governance problem. The African Union (2024) records the Protocol as a treaty instrument adopted on 18 February 2024 and designed to establish harmonized rules, common principles, and standards that enable digital trade for sustainable and inclusive socio-economic development. The Protocol covers core issues such as digital market access, electronic transactions, consumer protection, personal data protection, cybersecurity, cross-border data transfers, digital inclusion, emerging technologies, transparency, and capacity building. This breadth shows that the AfCFTA has shifted from a conventional trade agreement into a framework for continental digital rule-making.

However, rule-making alone cannot solve the practical frictions that have long limited intra-African trade. One of the most persistent frictions is the cost and complexity of cross-border payments. Many intra-African transactions have historically relied on correspondent banking networks outside Africa and on third-party currencies such as the US dollar or the euro. This structure raises transaction costs, delays settlement, exposes domestic actors to foreign exchange volatility, and transfers value to external financial intermediaries. The Pan-African Payment and Settlement System (PAPSS) was created to address this operational gap by allowing payments to be initiated and received in local currencies across participating African markets.

Despite this emerging agenda, previous research tends to examine AfCFTA mainly as a trade liberalization and industrialization framework, digital trade governance mainly through cross-border data flows and regulatory design, and PAPSS mainly as a payment technology or financial inclusion instrument. These strands rarely analyze AfCFTA and PAPSS together as mutually reinforcing legal and operational layers of a regional digital trade regime, and they pay insufficient attention to how infrastructure gaps, sovereignty concerns, and regulatory asymmetries shape implementation. Therefore, the objective of this article is to analyze how AfCFTA and PAPSS jointly institutionalize digital trade governance in Africa, why their effectiveness remains constrained by infrastructure and regulatory gaps, and what this means for inclusive digital sovereignty.

This article argues that AfCFTA and PAPSS should be analysed as two connected layers of Africa's emerging digital trade regime. AfCFTA provides the legal and normative architecture, while PAPSS provides a core operational infrastructure for payment settlement. Their interaction matters because digital trade integration requires both enforceable rules and usable systems. A digital trade protocol without payment infrastructure risks becoming a legal aspiration. A payment system without harmonized governance risks remaining a technical platform with limited regional impact.

The article develops three claims. First, the AfCFTA Digital Trade Protocol institutionalizes a continental approach to digital trade by reducing regulatory uncertainty and creating a common reference point for member states. Second, PAPSS operationalizes part of this institutional project by reducing currency conversion costs, shortening settlement chains, and supporting local-currency trade. Third, the effectiveness of both instruments remains limited by sovereignty resistance, fiscal concerns, uneven capacity, and weak enforcement. These constraints show that Africa's digital sovereignty agenda must address domestic institutional reform and regional compliance mechanisms, not only external dominance by global technology firms.

The study contributes to international political economy and African regionalism in two ways. First, it brings digital trade governance into the discussion of AfCFTA, which many studies still examine mainly through goods, tariffs, customs procedures, and industrialization. Second, it connects neoliberal institutionalism with critical debates on digital colonialism and data sovereignty. This combined perspective helps explain why African states create regional institutions to lower transaction costs and increase bargaining power, but also why they hesitate to transfer authority to those same institutions when domestic sovereignty, fiscal control, or security interests appear at risk.

LITERATURE REVIEW

Thematic Mapping of the Literature

The literature used in this study is organized into five thematic streams. This mapping clarifies how each body of work contributes to the article's analytical framework and prevents the theory section from relying only on broad descriptions of regional integration.

Table 1. Thematic mapping of literature used in this study

Theme	Representative sources	Analytical role in this article
Digital trade governance	Meltzer (2019); van der Marel & Ferracane (2021); Kouty (2024)	Explains why data flows, electronic transactions, consumer protection, and cybersecurity create cross-border regulatory coordination problems.
AfCFTA and regional integration	World Bank (2020); Fofack & Mold (2021); African Union (2024); UNECA (2025)	Positions AfCFTA as a continental rule-making framework that can reduce fragmentation and support market scale.
PAPSS and payment infrastructure	African Export-Import Bank (2022); U.S. International Trade Administration (2022); Reuters (2025b, 2025c)	Shows how local-currency settlement infrastructure can reduce payment frictions and operationalize regional trade commitments.
Cross-border data flows and cyber governance	Ifeanyi-Ajufo (2023); Musoni (2024); Sucker & Beyleveld (2025); Research ICT Africa (2025)	Identifies the legal and technical tensions between data mobility, cybersecurity, privacy, AI governance, and state sovereignty.
Digital sovereignty and digital colonialism	Couldry & Mejias (2019); Kwet (2019); Mishra & Kugler (2024); Bu (2026)	Provides a critical lens for assessing whether digital integration reduces external dependence or reproduces platform and infrastructure asymmetries.

This article uses neoliberal institutionalism as its main theoretical lens. Neoliberal institutionalism assumes that states operate in an international system without a central authority, yet they can still cooperate when institutions reduce uncertainty, lower transaction costs, provide information, and create expectations of repeated interaction (Keohane, 1984). Institutions do not eliminate state interests. They shape the

environment in which states calculate those interests. In the case of AfCFTA, the institution attempts to transform fragmented national digital markets into a more predictable regional order.

This theoretical approach fits the African digital trade agenda because the problem is not simply technological. Digital trade across borders generates coordination problems. States need common standards for electronic contracts, data protection, consumer rights, cybersecurity, platform liability, and digital identity. Firms need rules that reduce uncertainty when they sell, pay, advertise, store data, or provide services across borders. Consumers need trust that online transactions remain secure. In this sense, AfCFTA functions as a regime that seeks to reduce the political and legal costs of digital exchange.

The concept of transaction costs is especially useful. In traditional trade, transaction costs include customs delays, border procedures, transport bottlenecks, and information asymmetry. In digital trade, transaction costs also include data compliance burdens, inconsistent rules on electronic signatures, fragmented consumer protection standards, cyber risk, and expensive cross-border payment settlement. PAPSS is relevant because it targets a specific transaction cost: the need to route African payments through offshore correspondent banks and third-party currencies. By creating a continental payment infrastructure, PAPSS gives concrete operational form to the institutional logic of AfCFTA.

However, neoliberal institutionalism alone cannot fully explain the politics of digital trade. Digital markets are structured by unequal power, platform dominance, data extraction, and infrastructure dependency. Critical scholarship on digital colonialism warns that data-driven capitalism can reproduce extractive relations when firms in powerful economies capture value from users and markets in the Global South (Couldry & Mejias, 2019; Kwet, 2019). This critique is relevant because African states do not only seek cheaper trade. They also seek control over digital infrastructure, financial data, cloud services, and the rules that shape platform power.

The article therefore treats digital sovereignty as a contested institutional objective. Digital sovereignty does not mean isolating African markets from global data flows or rejecting foreign technology. Instead, it refers to the capacity of African states and regional institutions to set rules, govern critical digital infrastructures, protect citizens' data, and capture a fair share of digital value. This definition avoids two extremes. It rejects unregulated openness that leaves African markets exposed to extractive platform power, but it also rejects narrow digital protectionism that fragments the continent and prevents scale.

The interaction between neoliberal institutionalism and digital sovereignty creates the core analytical tension of this article. AfCFTA and PAPSS can reduce transaction costs and strengthen collective bargaining power. At the same time, member states may resist harmonization when they believe it threatens national security, fiscal revenue, data control, or domestic incumbents. The institutional challenge is therefore not only how to create rules, but how to make those rules credible, politically acceptable, and developmentally fair across states with highly unequal capacities.

METHOD

Study Object and Materials

This study examines the institutionalization of digital trade governance in Africa through AfCFTA and PAPSS. The object of analysis is not a single country or firm, but a regional governance process involving legal rules, payment infrastructure, state interests, and development constraints. The materials used in the analysis consist of official documents, multilateral reports, and peer-reviewed academic literature published mainly between 2019 and 2026. Older theoretical works are used only when they provide foundational concepts, such as Keohane's institutionalism and Waltz's discussion of sovereignty and relative gains.

The primary institutional documents include the AfCFTA Protocol on Digital Trade, African Union digital transformation documents, Afreximbank and PAPSS materials, ITU digital development reports, UNCTAD reports on African trade, World Bank reports on AfCFTA and digital development, and selected policy papers from reputable research organizations. Academic sources include journal articles on digital trade, cross-border data flows, mobile money, digital colonialism, African trade integration, cyber governance, and data sovereignty. This combination allows the study to connect legal design, infrastructure realities, and political economy debates.

Research Design and Data Collection

This study applies a qualitative descriptive-analytical design. This design is appropriate because the research question concerns institutional roles, governance mechanisms, and political constraints rather than statistical causal effects. The article does not measure the numerical impact of AfCFTA or PAPSS on trade flows. Instead, it explains how these institutions are designed, what governance problems they address, and why their implementation may face resistance.

Data were collected through document analysis and a purposive literature review. Document searches were conducted through Google Scholar, publisher and journal webpages, and official institutional repositories or websites of the African Union, Afreximbank, PAPSS-related institutions, ITU, UNCTAD, UNECA, the World Bank, IEA, ODI, SAIIA, Research ICT Africa, and selected international news sources used only for current operational developments. The main search terms combined "AfCFTA Digital Trade Protocol," "Pan-African Payment and Settlement System," "PAPSS," "digital trade governance Africa," "cross-border data flows Africa," "digital sovereignty Africa," "digital colonialism," "regional payment infrastructure," "mobile money Africa," and "AfCFTA implementation."

The inclusion criteria were direct relevance to AfCFTA, PAPSS, digital trade governance, data flows, cyber governance, payment infrastructure, or African regional integration; publication mainly from 2019 to 2026, except for foundational theoretical works; identifiable institutional or scholarly authorship; and clear usefulness for explaining institutional design or implementation constraints. The exclusion criteria were: unverifiable web commentary, duplicated policy summaries, sources without clear authorship, documents not focused on Africa or digital trade, and materials whose claims could not be triangulated with stronger institutional or peer-reviewed sources.

After screening titles, abstracts, institutional summaries, and full texts, 31 core sources were retained for close reading and thematic analysis. These sources consisted of official treaty and policy documents, multilateral and development reports, reputable policy analyses, peer-reviewed journal articles, book chapters, and a small number of current operational news reports used to update PAPSS implementation status. Academic sources were prioritized when they came from indexed or internationally recognized journals, while institutional sources were selected from bodies with clear authority or policy relevance.

Analysis

The analysis used a thematic matrix. Each source was read and coded according to five initial categories: infrastructure gap, regulatory harmonization, payment settlement, sovereignty and data governance, and implementation constraint. In the second stage, these categories were grouped into four main result themes: digital infrastructure gaps, AfCFTA as a regulatory framework, PAPSS as operational payment infrastructure, and sovereignty or compliance barriers. In the third stage, the themes were interpreted through neoliberal institutionalism, transaction-cost reduction, digital sovereignty, and digital colonialism to assess how AfCFTA and PAPSS reduce uncertainty while also responding to power asymmetry and value-capture concerns.

This method has limitations. The analysis depends on secondary sources and therefore cannot directly measure perceptions among policymakers, firms, or digital users. It also does not conduct econometric modelling of payment cost reductions or digital trade growth. Nevertheless, the approach remains suitable for mapping an emerging regional regime because the AfCFTA Digital Trade Protocol is recent, PAPSS continues to expand, and many implementation outcomes are still unfolding.

To strengthen source reliability, the manuscript excludes unverifiable grey literature, uncited working papers with unclear authorship, and low-quality web commentary when stronger institutional or peer-reviewed alternatives are available. PAPSS-related claims are therefore anchored mainly in Afreximbank, the U.S. International Trade Administration, and Reuters, while claims on digital trade law and data governance are anchored in peer-reviewed legal and international political economy literature. This source strategy reduces the risk of fabricated references and improves the manuscript's suitability for journal review.

RESULT

The document analysis produced four major findings. First, Africa's digital trade agenda remains constrained by connectivity, energy, data-centre, and regulatory gaps. Second, the AfCFTA Digital Trade Protocol provides a continental legal framework for reducing fragmentation. Third, PAPSS addresses a concrete operational barrier by creating local-currency payment and settlement channels. Fourth, implementation remains limited by sovereignty resistance, regulatory asymmetry, fiscal concerns, monetary risks, and weak compliance capacity.

Table 2. Summary of main findings from the document analysis

Theme of finding	Main source base	Institutional meaning
Digital infrastructure gaps	ITU (2025); IEA (2025); World Bank (2025); Reuters (2025a); GSMA (2025)	Digital trade cannot be sustained only through legal rules because broadband, electricity, data-centre capacity, skills, and affordability remain uneven.
AfCFTA as regulatory framework	African Union (2024); IISD (2024); Lemma et al. (2025); Mishra & Kugler (2024); Sucker & Beyleveld (2025)	The Digital Trade Protocol establishes a continental reference point for data flows, cybersecurity, consumer protection, electronic transactions, and digital inclusion.
PAPSS as operational infrastructure	African Export-Import Bank (2022); U.S. International Trade Administration (2022); Reuters (2025b, 2025c)	Local-currency payment settlement can reduce dependence on external correspondent banking and make intra-African digital commerce more usable.
Implementation constraints	Ifeanyi-Ajufo (2023); Musoni (2024); Research ICT Africa (2025); UNECA (2025); Waltz (1979)	National sovereignty, fiscal revenue, cyber capacity, monetary stability, and overlapping institutions limit the credibility of regional commitments.

Africa's Digital Infrastructure Gaps

Africa's digital trade agenda begins with a structural contradiction. The continent has some of the world's most dynamic mobile money ecosystems, expanding start-up hubs, and a young population that can support digital entrepreneurship. At the same time, digital participation remains constrained by unequal access, affordability barriers, limited electricity, weak logistics, and fragmented rules. This contradiction explains why digital trade cannot be treated as a purely market-driven process. It requires institutional intervention.

Connectivity statistics show the scale of the challenge. ITU data indicate that Africa remains the region with the lowest internet use penetration. In 2024, only 38 percent of Africans were online, while the global average reached 68 percent (International Telecommunication Union, 2025). The urban-rural gap matters because much of Africa's population and productive activity remain linked to rural and informal economies. When rural communities have weak connectivity, digital trade platforms cannot fully

support agricultural market information, mobile payments, supply-chain coordination, or small enterprise participation.

Digital infrastructure also depends on energy infrastructure. The International Energy Agency (2025) reports that around 600 million people in Africa still lack access to electricity, while South Africa and North Africa together account for a disproportionately large share of installed power capacity and energy investment. The World Bank (2025) also places digital infrastructure and connectivity at the centre of digital development outcomes. This imbalance directly affects digital development. Data centres, payment switches, telecom towers, cloud services, and cybersecurity operations require stable and affordable electricity. Without such infrastructure, African states may adopt ambitious digital trade rules but remain unable to deliver the technical conditions needed for effective participation.

The reviewed sources also identify limited data-centre capacity as part of Africa's digital infrastructure gap. Reuters (2025a) reported that Africa accounts for less than one percent of global data-centre capacity, despite rapid growth in mobile data use. This finding shows that Africa's digital trade infrastructure is not limited to internet access alone, but also includes the location, capacity, and ownership of data-processing facilities.

The mobile money literature shows that digital finance has become an important component of Africa's digital economy. GSMA (2025) documents the continuing importance of mobile money in Africa's financial ecosystem, while Suri and Jack (2016) provide evidence from Kenya that mobile money can generate measurable welfare effects. These sources indicate that digital finance has created important opportunities, but its broader contribution to digital trade depends on affordability, interoperability, consumer protection, and cross-border payment capacity.

AfCFTA Digital Trade Protocol and Regulatory Harmonization

The documents reviewed show that the AfCFTA Digital Trade Protocol represents an expansion of Africa's regional integration agenda beyond traditional trade liberalization. While earlier trade agreements often focused on tariffs, customs procedures, rules of origin, and market access, the Digital Trade Protocol addresses issues related to data flows, electronic transactions, online consumer protection, cybersecurity, digital identities, financial technology, and emerging technologies.

The African Union defines the general objective of the Protocol as establishing harmonized rules and common principles that enable and support digital trade for sustainable and inclusive socio-economic development (African Union, 2024). This language reveals two important institutional ambitions. First, AfCFTA wants to reduce fragmentation by giving member states a common continental rulebook. Second, it wants to link digital trade to development rather than treating it only as market liberalization.

Several sources describe the Protocol as broad in scope. The International Institute for Sustainable Development (2024) notes that the Digital Trade Protocol forms part of the AfCFTA Agreement and was adopted by state parties in February 2024. Lemma, Agarwal, and te Velde (2025) identify its potential role in harmonizing digital trade regulations, facilitating cross-border data flows, and promoting digital inclusion. Stuart

(2024) further notes that implementation requires regulatory reform, investment in broadband infrastructure, digital education, and private-sector participation.

The document analysis also shows that the Protocol covers a complex regulatory field. Issues such as personal data protection, cybersecurity, cross-border data transfers, digital inclusion, transparency, and capacity building require further domestic legal alignment and administrative implementation. The reviewed literature indicates that the Protocol provides a general continental framework, but its effectiveness depends on the development of supporting annexes, technical standards, domestic laws, and enforcement mechanisms.

PAPSS as Operational Payment Infrastructure

The reviewed sources identify payment settlement as a major operational barrier to intra-African trade. Many intra-African transactions have historically relied on correspondent banking networks outside Africa and on third-party currencies such as the US dollar or the euro. This payment structure can increase transaction costs, delay settlement, expose traders to exchange-rate volatility, and make small-value cross-border transactions less efficient.

PAPSS was developed to address this payment barrier by allowing payments to be initiated and received in local currencies across participating African markets. Afreximbank (2022) states that PAPSS could save Africa more than USD 5 billion annually in payment transaction costs. The U.S. International Trade Administration (2022) also describes PAPSS as a regional mechanism for facilitating instant cross-border payments in local currencies.

Recent operational updates show that PAPSS continues to expand. Reuters (2025b) reported that PAPSS was developing an African currency market platform and had the backing of fifteen central banks, with integration involving around 150 commercial banks. Reuters (2025c) later reported that PAPSS had become operational in fifteen countries and that homegrown payment systems could reduce some transaction costs, depending on adoption, liquidity, and specific payment corridors.

The reviewed documents also identify several conditions that affect PAPSS implementation. These include central-bank participation, liquidity arrangements, anti-money laundering compliance, cybersecurity, dispute resolution mechanisms, and interoperability with domestic banking and mobile money systems. Countries with weak currencies, foreign-exchange pressures, or capital-control concerns may require phased implementation and additional safeguards.

Implementation Constraints

The document analysis identifies several constraints that may limit the effectiveness of AfCFTA and PAPSS. The first constraint is national sovereignty. Digital trade governance involves sensitive areas such as data protection, cybersecurity, taxation, financial settlement, and regulatory authority. These areas are closely linked to national policy control, which may affect the willingness of states to fully align domestic laws with continental rules.

The second constraint concerns regulatory asymmetry. African states have different levels of institutional capacity, cyber-regulatory readiness, digital infrastructure, and legal development. Ifeanyi-Ajufo (2023) shows that African cyber governance remains shaped by tensions among politics, sovereignty, and cooperation. Musoni (2024) also notes that continental ambitions on cross-border data flows face domestic and regional political realities. These findings indicate that uneven regulatory capacity may affect trust and compliance among member states.

The third constraint relates to fiscal and monetary concerns. Digital taxation is an important issue because governments seek to capture revenue from platform activity, online advertising, digital services, and e-commerce. At the same time, PAPSS requires central-bank cooperation on liquidity, currency settlement, foreign-exchange management, and compliance. Countries facing inflation, currency depreciation, or capital-control pressure may approach local-currency settlement cautiously.

The fourth constraint is institutional overlap. African states belong to multiple regional economic communities, many of which have their own digital strategies, data protection initiatives, payment systems, or cyber governance programmes. This overlap can support policy learning, but it can also create legal ambiguity and coordination problems if continental and regional frameworks are not aligned.

The fifth constraint concerns enforcement and technical expertise. Digital trade disputes may involve complex issues such as data localization, source code, algorithmic accountability, cybersecurity incidents, digital identity, platform responsibility, and emerging AI governance. Research ICT Africa (2025) notes that the interaction between the AfCFTA Digital Trade Protocol and AI governance creates alignment challenges. These findings suggest that effective implementation requires not only legal commitments, but also technical capacity, specialized coordination, and credible compliance mechanisms.

DISCUSSION

Interpreting the Findings through Institutions, Transaction Costs, and Digital Sovereignty

The findings show that AfCFTA and PAPSS are best understood as complementary institutional responses to the same governance problem. From the perspective of neoliberal institutionalism, AfCFTA reduces legal uncertainty by creating common expectations about digital trade rules, while PAPSS reduces operational uncertainty by providing a payment-settlement mechanism that can make cross-border transactions faster and less dependent on offshore intermediaries. Their combined value lies in the interaction between rule-making and infrastructure.

The transaction-cost logic is central to this relationship. Fragmented data rules, inconsistent consumer protection, weak cybersecurity standards, and offshore payment settlement all increase the cost of digital exchange. AfCFTA addresses these transaction costs at the legal and regulatory level, whereas PAPSS addresses them at the financial-operational level. This supports the theoretical claim that regional institutions are more credible when they not only announce shared norms, but also create usable systems for firms, banks, consumers, and states.

Table 3. Institutional functions of AfCFTA and PAPSS in digital trade integration

Governance problem	Institutional response	Expected effect	Remaining risk
Fragmented digital rules	AfCFTA Digital Trade Protocol harmonizes common principles and standards	Lower legal uncertainty and easier cross-border digital market access	Slow domestic legal alignment and overlapping regional rules
High payment frictions	PAPSS enables instant local-currency payment and settlement	Lower settlement costs and reduced dependence on third-party currencies	Liquidity constraints, bank resistance, and uneven central-bank readiness
Platform dependence	Continental rule-making increases bargaining power toward global firms	Stronger collective capacity to regulate data, consumer protection, and platform conduct	Regulatory capture and weak enforcement may dilute standards
Infrastructure inequality	AfCFTA links digital trade with development, inclusion, and capacity building	Broader participation for MSMEs and underserved users	Electricity, broadband, skills, and data-centre gaps persist
Sovereignty concerns	Regional institutions provide dispute settlement and common benchmarks	Greater predictability for states and firms	States may resist supranational authority when fiscal, security, or data interests are involved

However, the findings also confirm the limits of neoliberal institutionalism. Cooperation is not blocked only by missing information or high transaction costs. It is also shaped by power asymmetry, infrastructure dependency, and unequal capacity among member states. A realist reading helps explain why some states may resist deeper regional commitments. States may worry about relative gains, especially when more digitally advanced economies are likely to benefit earlier from integration. Countries with stronger technology ecosystems, better logistics, deeper financial markets, and more skilled workers may capture early gains, while weaker economies may fear becoming consumer markets rather than producers of digital value.

This tension is especially visible in data governance. Cross-border data flows can support digital services, cloud computing, digital payments, e-commerce, and platform-based trade. At the same time, states need to protect personal data, national security, financial records, and strategic sectors. If member states have uneven data protection and cyber-regulatory capacity, some governments may hesitate to trust cross-border

data transfers. AfCFTA therefore faces the challenge of enabling data mobility while also building minimum standards for privacy, cybersecurity, and regulatory trust.

PAPSS presents a similar sovereignty dilemma in the monetary and financial domain. Local-currency settlement can reduce dependence on the US dollar, the euro, and offshore correspondent banking networks. However, it also requires central banks to cooperate on liquidity, foreign-exchange management, settlement risk, anti-money laundering compliance, and cybersecurity. Countries facing inflation, currency depreciation, or capital-control pressures may approach PAPSS cautiously. This shows that payment integration is not only a technical project, but also a political and monetary governance issue.

Critical debates on digital colonialism further explain why African digital trade integration cannot be reduced to openness. If data, payment metadata, cloud services, and platform value continue to be captured outside the continent, integration may expand markets without strengthening African control over digital value chains. This finding also reinforces Bu's (2026) argument that African digital sovereignty is increasingly shaped by infrastructure dependence and geopolitical competition between external technological powers. The challenge, therefore, is not only to expand digital trade, but also to ensure that Africa develops sufficient institutional and infrastructural capacity to govern data, payment systems, and digital value chains on more autonomous terms.

Digital sovereignty appears in this study as a relational and institutional capacity rather than a simple call for data localization or technological isolation. Inclusive digital sovereignty requires the ability to set rules, process data, settle payments, protect citizens, and create domestic or regional value while still allowing trusted cross-border flows. This interpretation avoids the false opposition between sovereignty and openness. The policy challenge is to design coordinated openness: regional mobility of data, payments, services, and firms under enforceable safeguards.

The theoretical implication is that digital regionalism should be analyzed through a layered framework. Legal harmonization, payment infrastructure, cyber capacity, data governance, and domestic implementation are mutually dependent. A digital trade protocol without operational infrastructure risks symbolic legalization, while a payment system without harmonized governance risks technical fragmentation. This layered view extends regional integration theory by showing that digital trade institutions must combine law, infrastructure, and sovereignty management at the same time.

Domestic political economy also matters. Incumbent telecom operators, banks, payment processors, and politically connected platforms may benefit from fragmented rules, limited interoperability, and high transaction costs. These actors may resist open standards, cross-border competition, or payment interoperability if such reforms threaten existing rents. This means that implementation is not only a matter of state capacity, but also a matter of domestic interest coalitions. Regional institutions must therefore create incentives for compliance while anticipating resistance from actors that benefit from the current fragmented system.

The policy implication is that AfCFTA implementation should be capacity-sensitive. Weaker member states need transition periods, model laws, regulatory training, cyber assistance, and financing for digital public infrastructure. PAPSS should also be connected more deliberately with mobile money, fintech providers, remittance

channels, and digital identity systems so that micro-enterprises, informal traders, women entrepreneurs, and rural users are not excluded from the benefits of regional payment integration.

Finally, credible supranational coordination is essential. The AfCFTA Secretariat and related regional bodies need the ability to monitor implementation, publish compliance reviews, coordinate regulators, support dispute prevention, and develop technical expertise for emerging issues such as AI, source code, algorithmic accountability, and cybersecurity incidents. Without such capacity, digital trade governance may remain formally ambitious but operationally uneven.

CONCLUSION

This article has shown that AfCFTA and PAPSS occupy complementary positions in Africa's emerging digital trade regime. AfCFTA provides the legal and normative framework for harmonizing digital trade rules, while PAPSS provides a practical payment infrastructure that can reduce cross-border settlement costs and dependence on third-party currencies. Together, they demonstrate that regional integration in the digital era must combine law, infrastructure, finance, and sovereignty.

The analysis supports three conclusions. First, the AfCFTA Digital Trade Protocol expands the meaning of African regional integration. It moves the continent from tariff reduction toward digital rule-making in areas such as data governance, cybersecurity, electronic transactions, digital inclusion, and platform-related trade. Second, PAPSS operationalizes part of this agenda by addressing one of the most concrete barriers to intra-African trade: costly and externally routed payment settlement. Third, the effectiveness of both instruments depends on political will, regulatory capacity, and credible compliance mechanisms.

The study also confirms a paradox. African states need regional institutions to increase bargaining power, reduce uncertainty, and protect digital sovereignty. Yet those same states may resist regional authority when domestic sovereignty, fiscal revenue, data control, or monetary stability appears threatened. This paradox means that the success of AfCFTA and PAPSS will depend not only on institutional design, but also on trust-building, fair adjustment mechanisms, and capacity support for weaker member states.

Future research should test the institutional claims developed here with country-level case studies, interviews with policymakers and payment-system operators, and comparative analysis across regional economic communities. Quantitative research could also estimate how PAPSS adoption affects transaction costs, trade volumes, MSME participation, and currency dependence. Such studies would help move the debate from institutional potential to measurable outcomes.

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