The Digital Euro and Africa: Designing Interoperability, Protecting Sovereignty

How Europe's forthcoming central bank digital currency will reshape remittances, payment infrastructure, and monetary sovereignty — and the institutional pathways through which Africa must act

Introduction

In October 2025, the European Central Bank (ECB) formally concluded the preparation phase of the digital euro project and entered technical readiness, the final staging ground before legislative enactment and, if the timeline holds, a first issuance by 2029. For Africa's diaspora in Europe, and for every government and financial institution that processes or depends on remittance flows, this is not a distant European monetary story. It is a direct economic event and a governance moment. Africa can be shaped by it, or Africa can help shape it. The window is open, but not indefinitely.

What the digital Euro actually means

Unlike cryptocurrencies or commercial bank deposits, a digital euro would be a direct liability of the ECB, carrying the same sovereign guarantee as a physical banknote, but transmittable over digital networks at near-zero cost and near-instant speed. It will complement, not replace, cash. The ECB's strategic objectives are explicit: reduce Europe's dependence on US-based card networks, which accounted for 69% of eurozone card payments in the second half of 2024; provide a public-sector alternative to dollar-denominated stablecoins; and build European monetary sovereignty in the digital age.

Europe is redesigning its monetary infrastructure in response to sovereignty concerns, data governance priorities under the General Data Protection Regulation, and the risks posed by private digital currencies. The foundational cross-border architecture of the digital euro will be determined within the next two to three years. Those design choices will shape Africa–Europe payment relations for a generation.

Why Africa is not a bystander

Africa received over $96 billion in remittances in 2024 which is nearly double its total receipts in overseas development assistance. A significant share travels along the Europe-to-Africa corridor. Sub-Saharan Africa remains the world's most expensive region to receive remittances, with average transfer costs exceeding 9% in East Africa, far above the UN Sustainable Development Goal target of 3%. If the digital euro enables direct, low-cost transfers that bypass correspondent banking chains, African families could recover billions annually in fees that currently serve intermediaries, not recipients. But this will only happen if African digital infrastructure is ready to receive, convert, and clear those payments without friction.

The continent is not starting from zero. The Pan-African Payment and Settlement System (PAPSS) connects 19 countries with over 150 commercial banks across four regions. In June

2025, Africa launched PAPSSCARD, its first continental card scheme, a direct challenge to the foreign card networks that route African transactions offshore, extracting fees and data in the process. An

African Currency Marketplace, launched in July 2025, enables direct peer-to-peer exchange among African currencies. Alongside 28 instant payment systems now operating across 20 countries, Africa possesses functioning infrastructure. The question is whether it will be integrated into the digital euro's architecture or treated as peripheral.

The geopolitical stakes: Infrastructure as power

The ECB is transparent that the digital euro is a strategic instrument. Its design responds in part to the finding that US-based card networks dominate eurozone payment infrastructure and route European consumer transaction data outside EU jurisdiction, in direct tension with the GDPR. That assertion of monetary sovereignty is legitimate. It also contains a lesson Africa has lived before: the infrastructure through which value flows is never politically neutral.

Correspondent banking relationships were established on terms set in London, New York, and Frankfurt. A digital euro built without deliberate interface with African payment systems would extend that geometry into the next generation of financial infrastructure. If built with interoperability as a design principle and with African institutions present in the rooms where those design choices are made, it could instead become a conduit for genuine financial inclusion.

The BIS, IMF, and World Bank joint report to the G20 concluded that CBDCs can enhance cross-border payment efficiency, but only if countries cooperate. The Financial Stability Board has similarly noted that engaging jurisdictions beyond the G20 particularly those facing the greatest payment inefficiencies is essential if the benefits are to reach populations that need them most. Africa qualifies emphatically. Architecture determines who benefits from financial modernisation.

Designing Africa in a four-pathway institutional framework

The pathway to interoperability is specific and achievable. It requires action across four institutional channels, each of which is legally coherent and practically available.

(a) The African Union and AfCFTA Channel

The African Union has endorsed PAPSS as the official continental payment rail for AfCFTA implementation. The agreement establishing the AfCFTA and its Protocol on Trade in Services encompass financial services broadly, providing the legal basis for coordinated continental engagement with the ECB's cross-border architecture.

The AU may formally extend this mandate to include participation in ECB stakeholder consultations on the digital euro. The AU's Department of Economic Development and Trade, alongside Afreximbank may seek observer or advisory status in ECB technical working groups. For such engagement to be credible, any AU-led submission must encompass PAPSS interoperability specifications, settlement finality mapping, foreign exchange conversion protocols, and AML/CFT and data governance alignment analysis. Technical specificity is the currency of influence.

It should be noted that observer access to ECB technical working groups requires a discretionary invitation from the Governing Council. The Treaty on the Functioning of the European Union particularly Article 130, which guarantees ECB independence from external influence, confers no observer rights on non-EU regional bodies. Admission is achievable, but it must be actively sought.

(b) The G20–FSB Architecture

South Africa's 2025 G20 Presidency placed digital finance and cross-border payments at the centre of the global agenda. The FSB Cross-Border Payments Roadmap 2025 Progress Report records the commitments made under that presidency. The 2022 FSB Priorities for Enhancing Cross Border Payments explicitly calls for inclusion of jurisdictions beyond the G20 — particularly those facing the greatest payment inefficiencies. African institutions can invoke these commitments in FSB consultations, IMF technical assistance discussions, and bilateral engagement with EU counterparts.

G20 commitments are political rather than juridical. Their legal significance, however, is not trivial: in the administrative law tradition shared across many African jurisdictions, legitimate expectations arising from public representations can constrain the conduct of public bodies even in the absence of binding obligations. While this doctrine does not directly bind the ECB or the FSB, it creates a normative framework within which African institutions can hold counterparties politically accountable for departures from recorded commitments.

The FSB's Regional Consultative Group for Sub-Saharan Africa (RCG-SSA), co-chaired in part by the South African Reserve Bank, provides a structurally firmer institutional channel into global standard-setting, one that does not rely on European discretion. A structured submission designating PAPSS as Africa's CBDC settlement counterpart falls squarely within the RCG's mandate.

(c) The BIS Innovation Hub and IMF

The BIS Innovation Hub is the most technically grounded channel. Operating under the BIS's remit to foster international monetary and financial cooperation, the Hub runs multilateral digital currency experiments with the explicit aim of informing global payment infrastructure standards. Project mBridge demonstrated wholesale multi-currency CBDC settlement viability, reaching minimum viable product stage by mid-2024. The South African Reserve Bank has progressed beyond experimentation: its Position Paper on a Retail CBDC builds on Project Khokha 2 findings, signalling movement from pilot to formal strategic positioning.

A dedicated BIS Innovation Hub workstream on PAPSS–digital euro interoperability could test wholesale CBDC settlement, automated foreign exchange conversion via the African Currency Marketplace, settlement finality across legal systems, and liquidity management under capital asymmetry. BIS projects generally span two to three years. With digital euro issuance anticipated around 2029, proposals tabled after 2026 risk arriving too late to influence foundational design.

The IMF provides a parallel pathway. The central legal issue is classification: whether the digital euro is treated as a foreign currency, a payment instrument, or a digital asset. This is not a merely administrative question, it is a monetary policy choice that determines regulatory jurisdiction, prudential standards, capital and liquidity mandates, and exchange control exposure. The IMF's CBDC Virtual Handbook and related technical assistance programmes under Article V, Section 2(b) of the IMF Articles of Agreement provide structured entry points for developing domestic regulatory frameworks. The IMF identifies classification clarity as a precondition for effective cross-border CBDC arrangements.

(d) Domestic Legislative Frameworks Before 2029

Classification frameworks vary materially across African jurisdictions, and no continental harmonisation currently exists. In South Africa, the relevant instruments include the Currency and Exchanges Act 9 of 1933, the National Payment System Act 78 of 1998, and the FSCA Declaration of Crypto Assets as Financial Products under the Financial Advisory and Intermediary Services Act 37 of 2002. Other jurisdictions, Uganda, Kenya, Ghana and Nigeria operate under materially different frameworks. The absence of AU-level harmonised classification is itself a governance gap.

A tiered AU-coordinated strategy is more feasible than uniform simultaneity: lead jurisdictions establish reception frameworks and pilot corridors; lessons become templates for continental technical assistance. Jurisdictions that develop clear, coherent CBDC reception frameworks before 2029 will be positioned to negotiate bilateral interoperability agreements from a foundation of legal and technical readiness. Those that delay will inherit terms set by others. Waiting for universal readiness guarantees universal exclusion.

The Window

Exclusion from the governance of financial infrastructure carries significant costs for millions of families. The digital euro presents both the risk of continuing this exclusion through a new generation of systems, and the opportunity to break the cycle.

What is required is not technical invention. It is political will and institutional coordination: to use the AU, the AfCFTA, the G20 legacy, the BIS, the IMF, and direct bilateral channels to ensure that when the digital euro's cross-border architecture is finalised, African systems are integrated by design, not as an afterthought, and not on Europe's terms alone.

The four pathways are available. The FSB channel does not require European discretion; African central bank governors already participate as full members of the RCG-SSA. The BIS Innovation Hub pathway is institutionally available but time sensitive. The IMF pathway is open and anchored in sovereign rights that no external authority can extinguish. The AU/AfCFTA channel is legally coherent and operationally ready, provided it is activated with technical rigour rather than general advocacy.

Africa's payment infrastructure is currently more robust and effectively governed than during any previous period of external financial disruption, and decisions made at the drafting stage are instrumental in shaping future financial outcomes.

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