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Towards an African common currency: lessons from the dollar, the euro and the digital era

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Any remaining errors of fact, interpretation, or judgement are, of course, my own.

AI declaration

Claude Opus 4.7 was used in the preparation of this report for the purposes of initial research, particularly in literature review, refining certain sections in response to reviewer feedback, and proofreading and editing the final text. All data and references have been fact-checked and verified by the author.

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A common African currency is much more than an economic instrument; it is a statement of confidence in Africa's future

Introductory remarks

by Paul Shrivastava, co-president of the Club of Rome

This paper began with a question, the kind the Club of Rome has asked since Aurelio Peccei first framed the human predicament. In early 2025, as a disorienting new world order came into view, I put a simple query to fellow members: what are we to do? The response was immediate and generative. Dozens of members offered analyses, warnings and proposals, which I gathered into a sensemaking note, “What are we to do — sensing and sensemaking of the new world order.” That note did not resolve the question so much as open it. It also pointed the way forward, towards a set of member-led working groups through which the organisation could make sense of the moment and, where possible, act.

Those conversations connected many strands of our work — the wellbeing economics of Earth4All, the planetary peace initiative, our work on materials and resources, and a recurring concern with self-reliance in a fracturing world. One of the groups, “Hopeful futures by self-reliant Africa,” took up a thread that ran insistently through the original exchange. The abrupt withdrawal of external development funding in 2025 exposed, painfully, how far African wellbeing had come to depend on systems designed and controlled elsewhere. Members posed a harder question beneath the immediate crisis: not how to replace lost aid, but how Africa might build lasting self-reliance — capturing the value of its own production, trade and resources, and loosening its dependence on currencies and institutions over which it has little say.

It is from this soil that the present paper grew. Ken Alabi, member of the Club of Rome, has taken the group's animating concern (monetary dependence as a structural barrier to African prosperity) and developed it into a serious and detailed proposal. Alabi identifies three interlinked structural problems constraining Africa's economic integration: intra-African trade remains at roughly 16% of the total, well below the shares seen in Europe, Asia and the Americas; the trade that does occur depends heavily on external currencies, with an estimated US\$5 billion in fees leaking out of the continent each year; and African economies do not control the valuation of the currencies they rely upon. His proposal is a single common policy lever responding to all three: a publicly issued common currency, adopted in parallel with national currencies through a milestone-based transition, built on African settlement infrastructure and anchored in real African production. The organisation's Rethinking Finance work helped shape the paper as it took form, testing its arguments against our wider thinking on the future of money and finance. Alabi draws careful lessons from the dollar, the euro and the emerging digital-currency order, and is candid about the risks as much as the possibilities.

I offer these remarks to situate the paper rather than to endorse every detail of its design. It is a member's contribution, written in the spirit of sensemaking this moment demands — an invitation to debate, to refine and, in time, to action. I commend it warmly to your reading.

Executive summary

Africa's economic integration is constrained by three interlinked structural problems. First, intra-African trade — at roughly 16% of total African trade — is a fraction of the intra-regional shares observed in Europe (67%), Asia (59%) and the Americas (47%); African economies trade overwhelmingly with entities outside the continent rather than with one another. Second, even the limited intra-African trade that does occur is heavily dependent on external currencies; roughly half is settled in US dollars, and an estimated \$5 billion in annual transaction fees leaks out of the continent through foreign intermediation each year. Third, African economies do not control the valuation of the external currencies they rely upon. Monetary policy decisions taken in Washington, Frankfurt or Beijing — calibrated for the issuer's economy, not for Africa's — directly determine the real value of African exports, imports, reserves and savings. When the US dollar appreciates, African exports priced in dollars become more expensive in non-dollar markets and external demand softens; when the dollar depreciates, the purchasing power of African dollar reserves and savings erodes against goods sourced from non-dollar economies. Either direction of movement imposes adjustment costs on the user of the currency, not on the issuer.

These three problems compound each other and admit of a single common policy lever: a publicly issued African common currency operating on African settlement infrastructure. Low intra-African trade reinforces dependence on external currencies, because cross-border trade has to be settled in some currency; that dependence in turn suppresses intra-African trade, by raising the transaction-cost and foreign exchange (FX) exposure barriers to commerce; and lack of monetary autonomy entrenches both, by removing African policymakers' ability to use exchange-rate or interest-rate tools to address them. Comparative evidence from monetary unions elsewhere suggests the 16% intra-African trade figure is itself a lagging indicator of a remediable structural problem rather than a fixed baseline: common currencies and integrated payment systems substantially raise intra-regional trade flows once in place. The implications extend beyond transaction-cost arithmetic alone. Intra-regional trade levels correlate strongly with human development outcomes in cross-country analyses ($r \approx 0.7$ across approximately 142 countries)¹, so the policy upside of breaking this three-way structural lock includes not only the \$5 billion in annual leakage but the cumulative Human Development Index (HDI) gains that a more integrated African economic space would generate.

Beneath these figures lies a deeper structural fact: African currencies sit at the bottom of an entrenched international currency hierarchy in which peripheral economies face systematically higher borrowing costs and risk premiums regardless of institutional quality.^{2,3} Recent US legislation — the GENIUS Act of July 2025 and the CLARITY Act now advancing through the U.S. Congress — is rapidly extending dollar dominance into the digital era, raising the prospect that, without African action, the next monetary architecture will once again be built elsewhere, for others' purposes.

This paper proposes a deliberately non-replacement, publicly issued African common currency framework. The proposal rests on six design choices, each developed at length in subsequent sections and stated upfront here so that readers can evaluate the technical detail against the architecture as a whole:

1. Build-and-invite governance. not institutional capture. Initial governance rests with the entities building and operating the system. Regional bodies and the African Union are invited to participate and assume broader coordination roles as adoption proves out. A Community Advisory Council is a core, not optional, component of the governance structure.

2. Parallel use, not replacement. The common currency circulates alongside national currencies as a complementary unit for cross-border trade, savings and accounting. National monetary sovereignty — including the exchange-rate and interest-rate tools that allow member states to manage the third structural problem identified above — is preserved through a transition that may last a decade or more. The operative precedent is the European Currency Unit (ECU) phase of European integration, not the 2002 banknote switchover.

3. Milestone-based, not deadline-based, transition. Phases advance only when measurable adoption and stability indicators are met — active wallets, circulation volume, peg stability, country recognition, audit attestations. The currency remains in any given phase indefinitely if its milestones are not met. Bulgaria's 19-year path from EU accession to eurozone entry in January 2026 is the operative example.

4. Partial, dynamically recalibrated backing — not a return to the classical gold standard. Initial backing is fully liquid; over time the mix shifts towards African currencies, gold already held and audited by African central banks, and productive-capacity assets such as renewable generation. The objective is a confidence anchor during the trust-building phase, not a permanent fixed peg. We acknowledge — and address directly in the relevant section — the volatility, fiscal-space and deflationary risks of commodity backing identified in the heterodox literature.^{4,5,6,7}

5. Real-economy linkage through productive capacity. Demand for the currency is built not solely through reserves but through deepening intra-African trade in food, energy and processed minerals. This complements rather than substitutes the value-chain development and food/energy sovereignty agenda⁸; the currency is most useful where there is real African production to settle. Anchoring the common unit's value in African productive capacity and intra-African trade flows, rather than in monetary policy made elsewhere, is also the direct answer to the third structural problem identified at the start of this summary: a unit whose valuation tracks African production is one whose valuation African policymakers can influence.

6. Public digital currency, not private stablecoin. The instrument is issued and governed by public institutions — central banks, regional development banks and a publicly mandated coordination body — not by private firms extracting yield from sovereign reserves. The framing draws on the public digital money literature^{8,9} rather than the private payment-token model that the US GENIUS Act legitimises. Where the paper uses "stablecoin" vocabulary, it refers to the technical architecture (a fully-backed digital token on a public ledger), not to the institutional model of private issuance.

What this is not. This is not a single replacement currency imposed top-down. It is not a private stablecoin layered over African public reserves. It is not a fixed-peg gold standard. It is not a sovereign-debt or fiscal-transfer union. The currency remains unnamed in this paper to keep design space open to collaborators and to invite, rather than pre-empt, the broader African policy conversation about identity and governance.

What success would look like. Within a decade, the common currency would settle a meaningful share of intra-African trade (initial target: over 10%), be held in modest proportions by participating central bank reserves and operate on a fully publicly auditable infrastructure stack. The longer-run measures are structural: a measurable rise in intra-African trade from the current 16% baseline towards shares comparable to other regions; a higher proportion of African economic value circulating within the continent rather than leaking through external intermediation; greater monetary policy autonomy at the national level through the parallel-currency design; and the cumulative human development gains that a more integrated African economic space would deliver.

What the paper proposes definitionally. The proposal is sequenced. It begins as a common payment system (already partially built through the Pan-African Payment and Settlement System (PAPSS)), advances to a common unit of account (a digital reference unit denominated in a defined African basket), and only at a much later milestone-gated stage does it become a fully-fledged single currency. These three are not used interchangeably; each corresponds to a distinct phase of the architecture set out below.

Introduction

Africa's push for greater financial sovereignty has taken on new urgency in recent years. Consider a striking reality: only **16% of Africa's trade is conducted with other African countries**.¹⁰ In Europe, intra-regional trade accounts for 67% of total trade; in Asia, it reaches 59%; and in the Americas, 47%. This measly level of intra-regional trade represents up to a \$530 billion gap if inter-regional trade were as high as 50%, based on 2025 figures from the African Export-Import Bank (Afreximbank).¹¹ This disparity is not merely a curiosity of economic geography — it represents a profound governance failure with concrete costs.

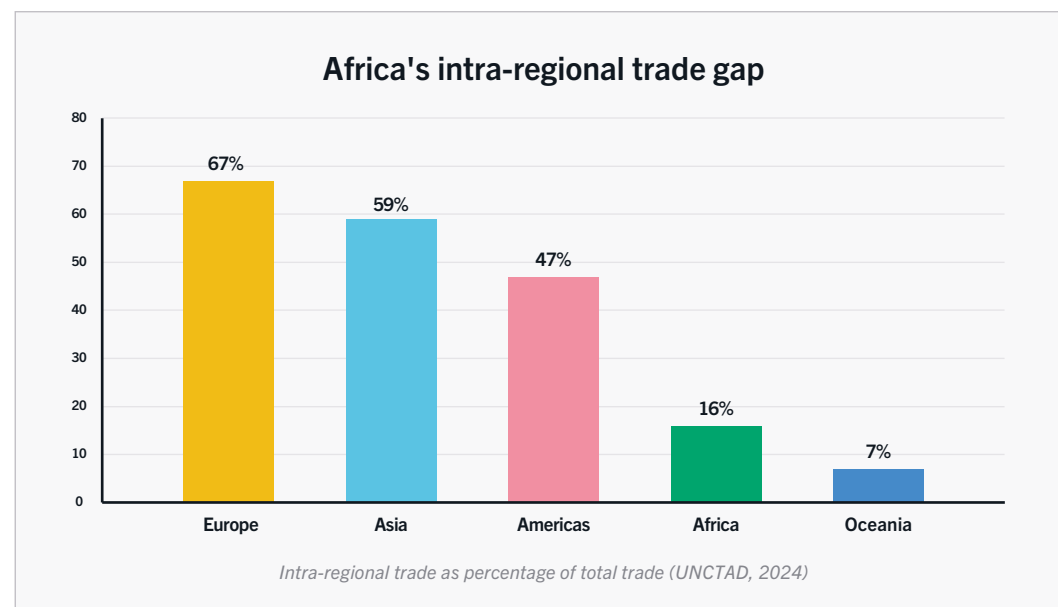


Figure 1: Africa's intra-regional trade lags far behind other regions

Today, most cross-border trade in Africa relies on external currencies such as the US dollar; nearly half of Africa's trade is settled in US dollars,¹² costing the continent around **\$5 billion in fees every year**.¹³ This reliance drains value from African economies and exposes them to currency shocks originating abroad. In response, African leaders and institutions are seeking ways to keep more of the continent's economic value circulating within Africa's own financial system. Note that the issue is not so much the value lost through fees, but more the loss of potential economic growth that would occur with increased intra-regional trade. Moreover, the friction imposed by currency conversions, intermediation through distant financial institutions, and complex cross-border payment processes suppresses trade that would otherwise occur — trade that could drive economic development, lift regional economies and generate additional commerce with the rest of the world. The advent of digital finance provides a unique opportunity to realise this vision. Innovations such as mobile money, fintech platforms and cross-border payment networks are already leapfrogging traditional banking structures, hinting at how a **common African currency** might finally be achievable. A successful African monetary union could facilitate seamless intra-African trade, reduce transaction costs and ensure that **Africa's wealth is harnessed for prosperity** rather than getting frittered away or leaking out through foreign exchange mechanisms. In addition, when a region does not control its own issuance, the monetary inflation from unbacked currency originations in the adopted currency simply becomes shared and exported to its regions and citizens while the benefits are not.

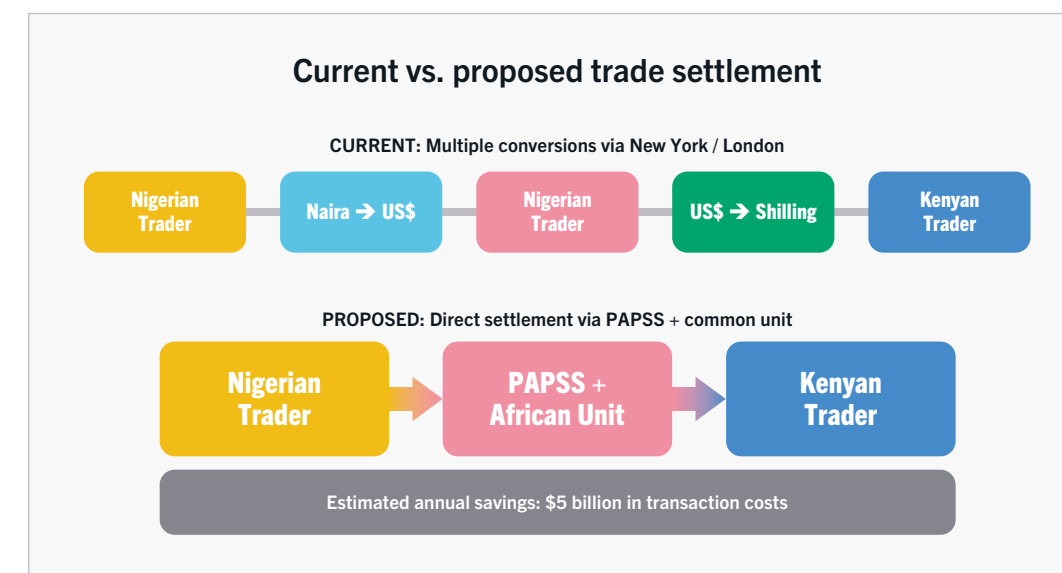


Figure 2: Direct settlement eliminates costly intermediation through foreign financial centres

This paper revisits the goal of an African common currency in light of global monetary lessons and the digital transformation underway. We draw lessons from the US dollar's path to hegemony and Europe's journey to the euro, the recently proposed BRICS currency, as well as from new developments in digital currencies. We examine past efforts towards African monetary unity and the on-the-ground realities that any new currency project must contend with — from issues of trust and institutional capacity to the control of Africa's vast natural resources. We then propose a new step-by-step approach for Africa's common currency, leveraging digital technology (including real-world systems such as **PAPSS** and blockchain networks such as **TóroNet**), a stablecoin-style design backed by African assets, and transparency measures to build credibility. Crucially, we argue this approach should be **complementary, not a replacement** of existing national currencies, allowing gradual adoption. Finally, we discuss strategies to secure political and grassroots buy-in, ensuring that the initiative aligns with pan-African values and garners broad support. The goal is a practical roadmap for a pan-African currency that is technologically robust, economically sound and rooted in the trust of the African people.

Global lessons: the dollar, the euro and new digital currencies

The US dollar's path to hegemony

The US dollar's rise to global dominance offers important lessons — though, as recent scholarship emphasises, the lesson one draws depends heavily on which factors are foregrounded. The conventional narrative begins in 1944, when the Bretton Woods Conference established a system in which major currencies were pegged to the dollar, and the dollar in turn was redeemable for gold at a fixed price. This combination of **asset-backing and institutional trust** effectively made the dollar “as good as gold,” instilling confidence worldwide. Through the 1950s and 60s, countries accumulated dollars as reserves, knowing they could in principle be exchanged for US gold. When gold convertibility was terminated in 1971 (the Nixon Shock) and the Bretton Woods system collapsed, the dollar nonetheless *retained* its primacy. Even today, roughly **58% of global foreign exchange reserves** are held in US dollars.¹⁴

A pure trust-and-credibility reading of this history, however, misses three structural factors that the literature on currency hierarchy and reserve currency dynamics treats as primary.^{15,16} First, the **Marshall Plan and post-war reconstruction lending** hardwired dollar invoicing into the rebuilt trading networks of Europe and East Asia

before “trust” had time to operate as an independent variable; the dollar was used because the financing of the recovery itself was denominated in dollars. Second, the **sheer economic weight of the USA** — combined with the depth and liquidity of US capital markets and the absence of competitive alternatives — generated **network effects**: traders, banks and central banks held and used dollars because everyone else did, creating a self-reinforcing equilibrium that is difficult to dislodge even when fundamentals shift. Third, US geopolitical and military reach underwrote convertibility expectations that no other issuer could match. Hudson’s analysis goes further: dollar primacy was constitutive of, not merely correlated with, a particular pattern of imperial economic organisation, with allies repeatedly discouraged from cashing dollar reserves for gold in the late 1960s.¹⁷

The **Triffin dilemma** — Robert Triffin’s observation that supplying global reserves requires the reserve issuer to run persistent deficits, which eventually undermines the very convertibility that made the currency credible — was already biting by the mid-1960s.¹⁸ The gold-exchange standard was, in this sense, structurally unsustainable; it ended in 1971 not because trust collapsed but because the arithmetic stopped working. The USA did not abandon a working system; it formalised the collapse of one whose internal contradictions had been mounting for a decade. Yet the dollar’s role survived the end of convertibility precisely because the structural anchors — invoicing networks, market depth, petrodollar arrangements and US financial infrastructure — were by then thick enough to operate independently of any metallic backing. The lesson is not that confidence sustained the dollar after Nixon, but that *infrastructure* did.

This refinement matters for the African case. If dollar hegemony rested mainly on credibility, the lesson for Africa would be straightforward: build institutions, demonstrate fundamentals, earn trust. That reading is not wrong, but it is incomplete. The fuller lesson is that reserve currency status is rooted in **invoicing infrastructure, network effects and policy space** — not in credibility alone.¹⁹ For Africa, this implies that a credible common currency must be built into the actual rails of intra-African trade (PAPSS, mobile money, customs harmonisation, settlement infrastructure) *before* — not after — convergence on monetary metrics. The credibility follows the usage, not the other way around. We return to this insight in the design sections, where the priority is to populate African settlement networks with African-denominated invoices long before any single currency is asked to bear the weight of expectation.

One further implication follows. The classical gold standard — and even the gold-exchange standard of Bretton Woods — was **deflationary** and structurally constraining, restricting policy space precisely when peripheral economies most needed it.^{4,5} The lesson for an African common currency cannot therefore be “back it rigidly with metal” — a point we return to in the commodity-backing discussion below. The lesson is rather that any monetary architecture must combine confidence anchors with the structural elements that give a currency real economic foundation: trade networks, productive capacity and policy room to manage shocks. The US case is instructive both for what it includes (institutions, depth, networks, geopolitical underwriting) and for what it cannot offer Africa: a hegemon’s capacity to externalise adjustment. African monetary integration must work without that asymmetry, which makes the design choices considered here all the more consequential.

Europe’s journey to the euro

Europe’s experience shows the challenges and prerequisites of building a common currency. After World War II, European nations saw monetary union as a path to stability and integration, but progress was slow and uneven for decades. Political divisions, economic divergence and global market turbulence repeatedly stalled efforts. Early attempts such as the “snake” in the 1970s and the **European Monetary System** (EMS) of 1979 helped

stabilise exchange rates, but real convergence remained difficult. It was only after EU members agreed on firm criteria and created robust shared institutions that monetary union came within reach. The 1992 Maastricht Treaty laid out convergence requirements (on inflation, deficits, debt, etc.) and established the framework for a European Central Bank. After a decade of preparations, the euro was launched in 1999 as an electronic currency, and euro banknotes and coins replaced national currencies in 12 countries by 2002.²⁰

This **step-by-step process** — from policy coordination to an ECU accounting unit, and finally to a single currency — was essential. The euro’s history highlights that **strong political commitment and institution-building** are mandatory for success. Even with relatively high levels of economic development, Europe needed to overcome issues of fiscal discipline and intra-regional imbalances, as seen in later crises. For Africa, the lesson is clear: a common currency requires **deep integration**, policy coordination and trust among member states. Fragmentation and weak commitment can easily derail the project, whereas robust institutions (such as an empowered supranational central bank) and agreed rules can anchor expectations. Europe’s experience also suggests a phased approach (regional monetary unions as interim steps, a period of a virtual currency before full adoption, etc.) to gradually build confidence in the new currency.

Critically, the euro transition was **milestone-based, not strictly time-based**. Countries meeting convergence criteria early advanced; those not meeting criteria waited. Bulgaria joined the eurozone in January 2026 — 19 years after joining the EU — demonstrating that milestones, not arbitrary deadlines, drive actual adoption. For Africa, this suggests a phased approach with achievement indicators rather than calendar dates.

A fuller account of the euro’s lessons, however, cannot stop at the success of its launch. The 2010–2015 eurozone crisis exposed **structural flaws in the union’s design** that any African monetary integration must take seriously.⁵ Monetary union without a corresponding fiscal union meant that, when asymmetric shocks hit, weaker member economies could no longer use exchange-rate adjustment as a shock absorber. Adjustment instead arrived through wage cuts, austerity and internal devaluation — mechanisms that fell disproportionately on peripheral economies. Greek GDP contracted by roughly 25% under these constraints; Ireland, Portugal and Spain endured prolonged recessions whose social costs are still being absorbed. The convergence criteria, designed for the relatively homogeneous economies of the core, proved poorly calibrated to the structural diversity of the periphery, and the European Central Bank’s monetary policy — necessarily a single rate for the whole zone — was too tight for the south and too loose for the core simultaneously.

The implication for Africa is sobering. The continent’s economic heterogeneity is far greater than the eurozone’s: African members would span low-income agricultural economies, middle-income resource exporters and a small number of more diversified upper-middle-income economies. A premature single currency, lacking the fiscal-transfer mechanisms that even the eurozone has so far refused to build, would risk reproducing the eurozone’s asymmetric adjustment problem on a sharper scale. The **arbitrariness of convergence criteria** — debt-to-GDP ratios, inflation targets, deficit limits derived from European political negotiation in the early 1990s — should not be uncritically transplanted into an African setting where the binding constraints on growth, employment and development are different in kind, not merely in degree.

These cautions reinforce, rather than undermine, the design choices set out in this paper. The *parallel-currency* approach — the common currency operating alongside, not replacing, national currencies — preserves national monetary sovereignty and exchange-rate flexibility for as long as the union has not built the fiscal capacity that monetary union without that capacity would require. The *milestone-based* transition ensures that no country is asked to give up that flexibility prematurely. And the *community piloting* strategy tests the architecture at the scale where unintended consequences can be observed and corrected, rather than at the scale where they become continental crises. The euro is at least as much a cautionary tale as it is a model, and the design here is constructed accordingly.

New digital currencies and the US GENIUS Act

The digital era is reshaping currency power dynamics, and the USA is moving decisively to extend its monetary dominance into cyberspace. A notable development is the **Guiding and Establishing National Innovation for US Stablecoins Act (GENIUS Act)**, enacted in the USA in July 2025 as the first comprehensive federal law on “payment stablecoins.” This act imposes strict requirements on US dollar-pegged stablecoin issuers — including licensing, 100% reserve backing with safe assets, mandatory audits and regulatory oversight. By ensuring that digital dollar stablecoins are trustworthy and fully redeemable, the US government aims to **bolster global confidence in “digital dollars”** and encourage their widespread use. Analysts see this as a strategic move to entrench the dollar’s dominance in the age of fintech and cryptocurrency. As one observer noted, the GENIUS Act “signals a new era of regulatory clarity and confidence in digital assets,”²¹ positioning the USA to remain the leader in the global financial system. US officials have been explicit about this goal; upon signing the bill, President Trump declared it will make the United States “*the undisputed leader in digital assets.*”²¹



What are the implications for Africa? On one hand, US dollar-backed stablecoins already play a huge role in Africa’s digital payments and crypto markets. They are used for remittances and as a dollar substitute in countries with volatile currencies. Strengthened US oversight means African users can have even greater confidence in US dollar stablecoins’ value and redeemability. However, this also **amplifies dollar hegemony**: if US stablecoins become the default digital money, the dollar’s influence in African economies could deepen. Indeed, African commentators have mixed views — they caution against over-reliance on the dollar, yet acknowledge that dollar stablecoins serve as a useful “starting point to harmonising trade on the continent” under current conditions.¹² The broader lesson is that **trust and safety breed adoption** in digital currency, just as in traditional money. The USA is marrying innovation with regulatory power to ensure its currency stays dominant. African policymakers can observe that the issuer who provides a **widely trusted digital currency** (through clear rules, backing assets and integration into daily commerce) will gain a significant advantage. This underlines the importance of designing any African digital currency for maximum credibility from day one. It also suggests Africa should **move quickly to shape its own digital currency frameworks** — otherwise, foreign digital currencies (be it US stablecoins or potentially China’s e-CNY) will fill the gap, diminishing the prospects of an Indigenous African unit.

There is, however, a deeper political-economy reading of the GENIUS Act that the African policy debate should not bypass.^{6,8} The Act regulates *private* issuers of dollar-pegged stablecoins. Those issuers earn yield on the US Treasuries that back their tokens; users earn nothing. In effect, **private firms extract income from the public balance sheet** while the state provides the legitimacy — the regulatory framework, the deposit-insurance backstop in extremis and the sovereign-asset reserves — that makes the tokens credible. The same regulatory cycle that legitimised private stablecoins has been accompanied by sustained political resistance to a retail public digital dollar; the result, whether by design or by accumulated lobbying, is that private payment infrastructure is being scaled while the public alternative is held back.

For Africa, importing this model wholesale would replicate a **familiar pattern of external value extraction at the monetary layer**. African users would supply the demand; foreign-incorporated issuers would capture the float; the African state would bear the residual currency-substitution risk without receiving the seigniorage that public money would generate. This is not merely an adoption of a payment technology — it is the importation of a *political choice* about public versus private money, made in Washington for Washington’s reasons. The framework proposed in this paper makes the opposite choice deliberately: the African common currency is publicly issued, backed by reserves whose composition is publicly auditable, and its seigniorage accrues to the participating African public institutions rather than to private intermediaries. Per the executive summary above, this is the public-digital-money model,^{6,8,9} not the private-payment-token model the GENIUS Act legitimises.

The GENIUS Act does not stand alone. The **Digital Asset Market Clarity Act (“CLARITY Act”)**, which passed the U.S. House of Representatives in 2025 and is under Senate consideration, extends comprehensive US regulatory architecture across the broader digital asset market structure, addressing the longstanding Securities and Exchange Commission (SEC) versus Commodity Futures Trading Commission (CFTC) jurisdictional question for digital assets beyond stablecoins.²² Together, GENIUS and CLARITY constitute the **most comprehensive national digital monetary regulatory package so far advanced** — assembled in under a year. The pacing is itself a strategic signal: the architecture that will define the next two decades of digital monetary infrastructure is being settled now, in Washington, while most other jurisdictions — Africa included — are still consulting on principles. For African market participants, this matters in two ways: as evidence of urgency, and as a practical constraint, since any African common currency that aspires to be held, traded or used by US-based counterparties will operate within a regulatory architecture defined by these two acts taken together.

Independent convergence: the BRICS parallel

Africa is not alone in recognising the value of monetary cooperation. The BRICS nations — Brazil, Russia, India, China and South Africa — have independently arrived at the same conclusion, despite representing economies separated by oceans and marked by significant geopolitical rivalries. In October 2025, they launched a pilot of a hybrid currency backed 40% by gold and 60% by a basket of member currencies. This **independent convergence validates the economic logic** underlying monetary cooperation. If nations as different as China and India — rivals with active border disputes — see sufficient value in a common settlement currency to pursue it together, then neighbouring African nations with shared borders, complementary economies and decades of integration efforts through the African Union have an even stronger case.

The architecture that will define the next two decades of digital monetary infrastructure is being settled now, in Washington, while most other jurisdictions — Africa included — are still consulting on principles.

Yet the BRICS experience also offers cautionary lessons. Their April 2025 foreign ministers' meeting failed to produce a joint statement due to disagreements over unrelated issues such as UN Security Council reform. Full implementation has been pushed beyond 2030. Africa's path may actually be smoother: the African Union, the African Continental Free Trade Area (AfCFTA) and PAPSS already provide operational frameworks. Geographic proximity reduces coordination friction. Cultural and economic ties across African borders — the Hausa traders operating across Nigeria and Niger, the Swahili-speaking communities spanning East Africa — create trust networks that purely cross-continental arrangements lack.

Lessons from the digital euro debate

The recent European debate on the digital euro offers valuable framing insights for Africa's monetary ambitions. The Sustainable Finance Lab's open letter to the European Parliament — signed by 70 economists including Thomas Piketty and Paul De Grauwe — frames the digital euro as a public good essential for European sovereignty, not merely a technical innovation.²³ The letter argues that without the digital euro, "Europe will lose control over the most fundamental element in our economy: our money." This same argument applies — perhaps more urgently — to Africa, where dependence on foreign payment providers and currencies runs even deeper.

Several key parallels emerge for the African common currency. First, the sovereignty framing: European academics argue that digital currency is essential for monetary autonomy in an age of private payment platforms and foreign digital currencies. Africa faces this challenge acutely, with mobile money and cryptocurrency platforms increasingly intermediating African transactions. Second, the financial inclusion emphasis: the European letter calls for the digital euro to be "available to all European residents — including those without commercial bank accounts." The African common currency should similarly prioritise unbanked populations, leveraging mobile money infrastructure that has already demonstrated success across the continent.

Third, the need to resist entrenched interests: European academics urge policymakers to "resist the shortsighted financial lobby" concerned about deposit outflows from commercial banks. African advocates should anticipate similar resistance and be prepared with counter-arguments about systemic benefits. Fourth, privacy by design: the European letter emphasises privacy protection as essential for public trust. The currency should incorporate zero-knowledge proof technologies and other privacy-preserving mechanisms to prevent surveillance concerns from undermining adoption. These lessons from Europe's ongoing debate can inform how Africa frames and builds support for its own monetary initiative.

Past efforts towards African monetary unity

The dream of a common African currency is not new — it has been a formal goal for decades. The **Organisation of African Unity** and its successor the **African Union** have long envisioned monetary integration as part of the continent's political and economic unification. The 1991 **Abuja Treaty**, which established the African Economic Community,²⁴ outlined a staged plan to create a single African currency by around 2028.²⁵ The roadmap proposed strengthening regional economic communities first (through free trade areas and regional monetary unions), as building blocks towards an eventual Africa-wide monetary union with an **African Central Bank** and common currency. In 1999, African heads of state reiterated this goal in the Sirte Declaration, even calling to accelerate the timetable so that institutions such as the African Central Bank could be established earlier. To date, however, these aspirations remain unfulfilled — the original timelines have elapsed or been extended, and a continental currency has not materialised.

Several **regional initiatives** have been pursued with mixed success. In West Africa, for example, the **Economic Community of West African States (ECOWAS)** has for years worked on creating a common currency called the "**Eco**." Eight francophone countries in the West African Economic and Monetary Union (UEMOA) use a common currency, the CFA franc, which remains pegged to the euro. In December 2019, French President Macron and

Ivorian President Ouattara jointly announced that the West African CFA franc would be renamed the "Eco." That announcement has not, in substance, been implemented; the currency remains the CFA franc in circulation and continues to be pegged to the euro.^{26,4} What did change, on paper, was that France would no longer hold 50% of UEMOA reserves at the French Treasury, and the French representative would leave the Central Bank of West African States (BCEAO) board — reforms that addressed two of the most visible colonial-era arrangements while leaving the underlying euro peg, the convertibility guarantee and the broader monetary architecture intact. Critics in francophone Africa and beyond have characterised the announcement as a rebranding without substantive decolonisation.^{4,27} Other ECOWAS members, notably Nigeria and Ghana, objected that the unilateral UEMOA move pre-empted the genuine ECOWAS-wide Eco project they had been negotiating, and the broader continental Eco project has missed multiple launch deadlines as a result. This **division between francophone and anglophone blocs** has put a question mark over the ECOWAS common currency timeline.



A serious account of African monetary integration cannot treat the CFA arrangement only as a regional coordination episode; its **colonial architecture** remains analytically central.⁴ The CFA franc was instituted in 1945 by colonial France to bind its African territories monetarily to the metropole, with three structural features that have been progressively renegotiated but not dismantled: (i) a fixed peg to the French franc and subsequently the euro, removing exchange-rate flexibility from member states; (ii) the historical requirement that 50% (originally 100%, later 65%) of member-state foreign reserves be held in an operations account at the French Treasury, ensuring French oversight of monetary stocks; and (iii) French representation on the boards of the two regional central banks (BCEAO and the Bank of Central African States (BEAC)), giving Paris a direct seat in monetary policy decisions of nominally sovereign states. This is more accurately described as tutelage than as sponsorship.^{4,27} Even after the 2019–2020 reforms, the euro peg remains, the French convertibility guarantee remains, and the monetary policy of 15 African states continues to be subordinated to decisions taken in Frankfurt and Paris.

The implication for the present proposal is direct. Any African common currency that does not explicitly break with this pattern — that builds a new layer of monetary architecture managed elsewhere, denominated in someone else's unit or anchored to a foreign central bank's policy choices — would risk reproducing the

CFA logic in digital form. The principle of **build-and-invite governance** set out in the proposal sections is constructed in deliberate contrast to this history: initial control rests with the African entities building and using the system, with external participation invited rather than constitutive. Reform proposals advanced from within francophone Africa, including those by Nubukpo and the wider Council for the Development of Social Science Research in Africa (CODESRIA) tradition,²⁷ point in a similar direction: monetary architecture that serves developmental priorities defined in Africa, by Africans.

Other regions have had their own plans. The **East African Community (EAC)** has envisioned a monetary union and recently took steps such as approving the creation of an East African Monetary Institute (a precursor to a regional central bank). In 2023, the EAC Secretariat set a goal to establish a regional central bank by the end of the year, preparing for a single currency for its 300 million citizens. Southern Africa has a more informal arrangement: the Common Monetary Area links several countries' currencies (Eswatini, Lesotho and Namibia) to the South African rand. Meanwhile, the **CFA franc zones** in West and Central Africa (14 countries in total) have functioned as regional currency unions for decades, albeit under French Treasury tutelage with arrangements detailed in the preceding section. These examples show that **monetary unity is achievable on a sub-regional scale**, though often relying on external anchors or dominant economies.

Overall, Africa's past efforts reveal two key obstacles: **economic divergence and political sovereignty concerns**. Many African countries have hesitated to cede monetary control due to fears of unequal benefits or loss of economic sovereignty. Differences in inflation rates, debt levels and economic structures across countries make a "one-size" monetary policy difficult — a problem even Europe struggled with. Additionally, lack of sustained political commitment and shifting government priorities have repeatedly delayed implementation of union plans. It is telling that some milestones (such as establishing the African Central Bank by 2020) have come and gone with little progress. There have also been **external impediments**; for instance, the reliance on foreign currencies and institutions is deeply entrenched, and powerful interests (inside and outside Africa) have been cautious of an independent African currency that might challenge the status quo.

The most prominent illustration of these external impediments is the **gold-backed African currency project** advanced by Muammar Gaddafi in the late 2000s, which envisaged a continental gold dinar that would have allowed African oil and resource exports to be denominated in an independent African unit rather than in US dollars or euros. Whatever one's assessment of the political vehicle, the proposal's monetary substance — pan-African denomination of resource exports, reduced dollar dependency, partial gold backing — anticipated several of the design questions still under discussion today. Diplomatic cables released after the 2011 Libyan intervention indicated that the prospect of a gold-backed African currency was among the considerations weighed by external powers in the run-up to that intervention; the project did not survive Gaddafi's removal. The episode is a reminder that any African monetary architecture meaningful enough to reduce the continent's economic dependency will face external pressure, and that the **political-economy resistance** is not hypothetical. It is also a reminder — reinforcing the strategic positioning section later in this paper — that an architecture explicitly framed as challenging dollar hegemony will attract a different and harder kind of opposition than one framed as a domestic payment-efficiency reform.

A more recent development is the reported **United Arab Emirates-led discussion of a commodity-backed currency arrangement** with the Alliance of Sahel States — Burkina Faso, Mali and Niger, which formally exited ECOWAS in 2025. The arrangement, as publicly described, would tie a regional unit to gold and other

commodity reserves with external Gulf-based custody and clearing. This development is significant for two reasons. First, it confirms that the demand for non-dollar, asset-anchored African monetary arrangements is active and being met by parties willing to fill the vacuum — if not by African institutions, then by external partners on terms favourable to those partners. Second, it underlines the urgency of the architecture proposed here: an African-built, African-governed common currency framework is not competing against the status quo alone; it is competing against the next external monetary arrangement that will be built for Africa if Africa does not build it first.

Nonetheless, the rationale for a common currency remains compelling; it could ease intra-African trade, enhance price stability and solidify Africa's economic integration. The **AfCFTA**, operational since 2021, is boosting intra-African commerce, and a monetary union could complement this by simplifying payments. Recent developments suggest a renewed momentum. In January 2022, PAPSS was launched to enable cross-border transactions in local currencies — a critical infrastructure for any future common currency. PAPSS and similar initiatives indicate that Africa is addressing the technical barriers that long hindered trade integration. In fact, PAPSS's CEO asserts that using local currencies for intra-African payments (instead of US dollars) could **save Africa an estimated \$5 billion in transaction costs annually**. Such savings underscore why African policymakers remain interested in reducing dependency on external currencies. In West Africa, while the official Eco project is stalled, countries such as Nigeria have experimented with digital currency (e.g. Nigeria's **eNaira**, launched in 2021). Yet that experiment showed the challenges of trust — the eNaira's weak public uptake "*dampened hopes for a West African single currency after two decades of work.*"²⁶ By contrast, East Africa's more coordinated approach to explore a joint digital currency might offer a viable path. These mixed outcomes from past efforts inform the strategy we propose: an African common currency must be built on solid foundations (economic, technological and institutional) and introduced gradually to allow confidence to grow across the diverse nations of the continent.

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African realities: challenges and preconditions

Designing a common currency for Africa requires confronting on-the-ground realities. Any plan must address the **structural challenges, institutional constraints and prerequisites for trust** that characterise the African context. Here we outline key challenges and conditions that an African monetary union must navigate:

Trust deficit, institutional weakness and border fragmentation

Trust is the lifeblood of any currency — people must believe in its value and in the soundness of the institutions managing it. Unfortunately, many African countries suffer from a deficit of trust in public institutions. Issues such as non-transparent governance, corruption and political instability have undermined confidence in several national currencies and banking systems. For a pan-African currency to gain legitimacy, it must overcome this legacy. That means building **much stronger financial governance** and transparency than what currently exists in many states. However, developing robust, trustworthy institutions is a long-term endeavour, and progress has been uneven. As an example, central banks in Africa have had varying track records on controlling inflation and ensuring bank stability. Without credible institutions, a new currency would face scepticism from both citizens and markets.

An architecture explicitly framed as challenging dollar hegemony will attract a different and harder kind of opposition than one framed as a domestic payment-efficiency reform.

It is important, however, not to locate the trust deficit exclusively within African institutions. The **international financial subordination** literature has demonstrated that peripheral economies face systematically higher borrowing costs, larger risk premiums and more volatile capital flows independently of their domestic institutional quality.^{2,3} Countries with comparable inflation, debt and governance metrics receive markedly different terms in international financial markets depending solely on their position in the currency hierarchy. Framing the issue purely as African institutional weakness implicitly accepts that African institutions must prove themselves to external creditors on terms set elsewhere — which, as the same literature shows, reproduces rather than challenges the underlying structure of subordination. The institutional reforms discussed in the preceding paragraph are necessary, but they are not sufficient; the trust deficit operates at two levels simultaneously, and any honest analysis must address both. The architecture proposed in this paper attempts precisely this: domestic-level transparency and governance through publicly auditable infrastructure, structural-level repositioning through invoicing networks and reserve composition choices that progressively reduce dependence on the currencies at the top of the hierarchy.



Compounding the trust issue is the general **weakness of regional institutions** in Africa. Bodies such as the African Union and African Development Bank (AfDB) provide crucial leadership, but they have limited supranational authority. Some member states have been disappointed in these organisations' effectiveness. Unlike the EU, which endowed the European Central Bank with strong independence and clear mandates, Africa's institutional frameworks for monetary cooperation are still nascent. Strengthening these — possibly through new institutions such as an African Monetary Institute or even an African Credit Rating Agency — will be important to provide technical oversight and build confidence. There may also be a role for **multilateral assistance** (e.g. IMF, World Bank, UN) to support institutional capacity-building and to share best practices in financial governance. Such support could accelerate the development of the regulatory and supervisory frameworks needed for a stable currency union.

Another reality is Africa's **political and geographic fragmentation**. With 54 internationally recognised sovereign states (the African Union counts 55 members, including the Sahrawi Arab Democratic Republic whose sovereignty is disputed), Africa's unity is more ideal than reality in many domains. Different regions and countries often have

diverging interests and policy priorities. Political alliances can sometimes be at odds — for instance, there are regional rivalries, and not all governments are aligned on macroeconomic strategies. A common currency implies a level of political unity and policy coordination far beyond the current status quo. Additionally, physical borders and poor infrastructure have historically stifled intra-continental trade, meaning the economic links between many African countries are weak. Although the AfCFTA aims to reduce trade barriers, it will take time for truly frictionless commerce to become the norm. In the meantime, **border frictions and patchy regional integration** pose a challenge; a currency union functions best among economies that trade heavily with each other and can move goods and services freely. Strengthening transport links, energy grids and communication networks across borders — alongside the financial links — is an important precondition for a successful common currency. In summary, Africa must foster greater **policy coordination, institutional reform and trust-building measures** to create an environment where a shared currency could thrive.

Currency hierarchies and the path to functional sovereignty

A blunt reality in the international monetary system is the **hierarchy of currencies** — with the US dollar and other major currencies at the top and most African currencies nearer the bottom. This hierarchy is reinforced by the economic and military power of the issuing countries. The US dollar's unrivalled global position, for example, has much to do with the USA's geopolitical might and the widespread perception that the dollar is "as safe as money can get." No African currency today enjoys that level of confidence internationally. An African common currency, at least initially, would not have the backing of a single giant economy or a military superpower. This lack of hard power underpinning could make it harder to gain global credibility. As Hudson and Eichengreen have argued, the dollar's role is rooted in US political-economic hegemony, and absent similar hegemony, other regions have struggled to elevate their currencies.^{15,17} The BRICS countries (Brazil, Russia, India, China, South Africa) and others in the Global South are actively seeking to challenge dollar dominance, but even the Chinese yuan — despite China's economic clout — has made limited progress in displacing the dollar in global transactions.

For Africa's currency, this implies it would need to **earn trust through other means**. It cannot rely on a single nation's brute strength or reserve currency status. Instead, it must leverage the collective economic weight of many countries and the soundness of its design. Essentially, the new currency would have to *punch above its weight* in credibility by being extremely well-managed, stable and useful. There is also the question of whether the African currency aspires to global reserve status or simply to facilitate intra-African trade. It might be unrealistic (and unnecessary) for an African currency to immediately compete with the dollar or euro globally. A more modest and attainable goal is for it to be widely accepted and used *within Africa*, reducing the need for external currencies in regional trade and finance. Over time, if the currency proves stable, it could be included in baskets such as the IMF's Special Drawing Rights (SDR) or used in trade with external partners, but that is a long-term prospect. In the interim, African countries would still need to hold foreign reserves (dollars, euros, yuan, etc.) for dealings with the rest of the world, meaning the new currency would operate in a **world still dominated by larger currency blocs**. The lack of a military or major-power backing means Africa's currency must double down on **economic soundness, legal robustness and international cooperation** to gain acceptance. This also relates to the concept of currency hierarchy; without careful planning, a new African currency could risk being seen as just another weak currency at the bottom of the pyramid, especially if member countries have histories of inflation or debt instability. To avoid that, strict convergence criteria and fiscal discipline (as Europe imposed pre-euro) may be needed so that the currency inherits a reputation of stability from the start.

Strengthening transport links, energy grids and communication networks across borders — alongside the financial links — is an important precondition for a successful common currency.

The preceding argument requires an important qualification. The injunction to “double down on economic soundness” reproduces an institutional-fundamentals logic that, as the international financial subordination literature has shown, has never been sufficient for peripheral economies regardless of their fundamentals.^{2,3} Countries with strong fiscal positions still face higher risk premiums than core economies with weaker ones; the differential reflects the position in the currency hierarchy, not the institutional track record.¹⁶ Strict convergence criteria, if uncritically transplanted from the European setting, would impose deflationary discipline at the precise moment when peripheral economies need monetary space to invest in productive transformation. The eurozone’s own crisis — addressed earlier in this paper — is the cautionary case. The lesson is not that fundamentals are irrelevant but that they do not, alone, determine where a currency sits in the hierarchy.

A more structurally grounded path to functional sovereignty draws on Kaboub’s sequencing argument:⁷ monetary sovereignty for African economies is undermined upstream — by structural import dependency for food and energy — long before currency design questions arise. The sequencing is therefore as follows: build food and energy sovereignty through domestic productive capacity, deepen intra-African trade in local currencies through invoicing infrastructure (PAPSS and successor systems), and let the demand for an African common currency emerge *from genuine economic relationships* rather than from policy declaration. Trust and credibility built this way — from productive capacity, real cross-border trade flows and publicly auditable infrastructure — is structurally more robust than orthodox fundamentals compliance, because it does not depend on external validation of metrics set elsewhere. The proposal in this paper is consistent with that sequencing: payment infrastructure first, unit of account second, and single currency only at a much later milestone-gated stage.

This reality shapes a crucial strategic choice: the African common currency need not initially aspire to challenge dollar hegemony globally. Instead, it should aim to create a regional anchor currency that reduces intra-African dependency on external currencies. The goal is functional sovereignty within Africa — eliminating the need to convert to US dollars for a Lagos-to-Nairobi transaction — rather than global reserve currency status. This more modest but achievable objective addresses the immediate costs that currency hierarchy imposes on African economies: the \$5 billion annual transaction fees, the exposure to external currency shocks and the policy constraints that come from dependence on foreign monetary systems.

Let the demand for an African common currency emerge from genuine economic relationships rather than from policy declaration.

Asset ownership and transparency

One proposed way to instil confidence in a new African currency is to **back it with real assets** (a modern twist on the gold standard). Africa is richly endowed with commodities — including gold, diamonds, oil and critical minerals like cobalt, lithium and copper. In theory, these could form a reserve pool to anchor the currency’s value. Indeed, the AfDB has floated an idea for an **African Unit of Account** or common currency linked to a basket of such commodities. This would be akin to creating a *continent-wide commodity-backed stablecoin*, leveraging Africa’s natural wealth to guarantee the currency. The approach “borrows from the Gold Standard that anchored global currency stability,” as the AfDB notes, aiming to hold its value better than any single African national currency. By tying the new unit to tangible assets, holders would have clear reassurance of its worth — a kilogram of cobalt or a barrel of oil gives the currency concrete underpinning, much as gold did for the dollar decades ago. Importantly, using a **basket of commodities** (rather than a single metal) could reduce volatility, since African commodity prices might not all move in tandem.

However, turning this idea into reality faces several **practical challenges**. First, **ownership and control of assets** is an issue. A significant portion of Africa’s mineral and oil assets are exploited by or pledged to

foreign investors and companies, or tied up in long-term contracts. In some cases, future output is pre-sold or collateralised in exchange for infrastructure loans (e.g. certain oil-for-loan deals). This means not all of Africa’s resources are freely available for a pan-African reserve pool. Additionally, some assets may remain untapped or need to stay in the ground to meet climate change commitments (for instance, oil or coal that cannot be burned if global warming is to be limited). So the usable pool of assets might be smaller than it appears, and there are questions about *which* assets to include and how to ensure they are reliably valued and liquid.

Transparency is another critical element. To credibly back a currency with commodities, there must be clear and public accounting of the reserves. **Data on African asset reserves and ownership** can be fragmented or unreliable in many countries. Establishing an accurate, up-to-date ledger of the continent’s reserves of key commodities (and who owns them) would be a massive undertaking, but it’s essential for evaluating what backing is possible. Without transparency, any asset-backed currency could invite scepticism — people would question if the assets are really there, or if they are double-counted, or if they have been pledged elsewhere. Utilising modern technologies like blockchain could help here (for example, tokenising commodity reserves or using distributed ledgers for tracking ownership), but the governance and auditing frameworks must be extremely robust.

There is also a **trade-off to consider**: commodities are a major source of income for African countries. Using them to back a currency might mean *locking up* a portion of these resources or their proceeds for reserve purposes, rather than spending or investing them domestically. Many African economies rely on commodity exports for fiscal revenue and development financing. Dedicating, say, 10% of Nigeria’s oil reserves or the Democratic Republic of the Congo’s cobalt to a common currency fund means those cannot be sold (or their revenue used) for other immediate needs. How do we balance the long-term benefit of a stable currency against the short-term need for development funds? This is fundamentally a political question. It may require a mechanism where countries contribute a *share* of their commodity wealth to the common reserves in exchange for the economic benefits of the monetary union — similar to how countries contribute capital to the AfDB in return for collective benefits. Ensuring **fairness** in such contributions (so that no country feels it is giving up too much) will be key, as will ensuring that all members have some equity stake in the reserves.

Finally, whatever asset strategy is used, an African currency must maintain **flexibility and adaptability**. The world is transitioning to cleaner energy, which could diminish the future value of fossil fuels — a major asset class for some African states. If oil becomes a stranded asset in a few decades, the currency’s backing would need to adjust perhaps towards metals critical for green technology (such as lithium for batteries). Africa’s currency planners must thus think ahead to diversify the backing basket and keep it aligned with assets that hold long-term value. Continuous transparency and periodic rebalancing of the asset basket could address this. In summary, asset backing can bolster trust if Africa can surmount the hurdles of asset control, transparency and cooperative management of its vast resources.

A new approach for Africa’s common currency

Given the lessons and realities discussed, this section outlines a **new approach** to achieving an African common currency. Rather than attempting a big-bang introduction or a purely political decree, we propose a **step-by-step strategy leveraging digital transformation** and the continent’s collective strengths. The strategy emphasises building the currency gradually from the ground up — through infrastructure, trust and usage — before any formal legal tender status across Africa. The approach also integrates a **stablecoin-like model** that reflects African values and community structures, employs **real asset backing** to instil confidence, and uses technology for **transparency and auditability**. This method is incremental and iterative, aiming to create a currency that complements existing systems and can eventually unify them. The following sub-sections detail each component of the strategy:

Currency issuance framework: three models

A critical question for any common currency is: what backs it and how does it enter circulation? Based on global experience with commodity-backed stablecoins (like PAX Gold and Tether Gold, representing \$1.9 billion in assets), currency baskets (like the IMF's SDR) and emerging regulatory frameworks (like the EU's Markets in Crypto-Assets Regulation and the US GENIUS Act), we have evaluated three distinct issuance models:

Model A: African commodity-backed issuance

The common currency would be issued against audited reserves of African natural resources, creating a currency backed by the continent's tangible wealth. This approach draws inspiration from the gold standard that underpinned the dollar's early hegemony, modernised for Africa's diversified resource base. The reserve composition would include a basket of commodities — gold, copper, lithium, cobalt and potentially agricultural commodities — weighted to reflect both market value stability and Africa's strategic resource advantages.

Under this model, member countries would contribute audited commodities or certified reserves to a Pan-African Reserve Fund. For each unit of commodity value deposited, corresponding currency units would be minted at a transparent ratio publicly accessible on a blockchain-based ledger. An African Commodity Reserve Board, operating under African Union oversight, would manage reserve composition, conduct quarterly audits (following best practices from existing commodity-backed tokens) and publish real-time reserve data.

To address asset ownership concerns, the framework would initially accept only unencumbered, sovereign-held resources; create mechanisms for gradual inclusion of privately held resources through purchase agreements; allow future resource rights (not yet extracted) to serve as collateral under strict verification protocols; and establish an African Resource Sovereignty Fund to progressively repatriate strategic resource ownership.

Model B: Transitional dollar-peg to African currency basket

The currency would launch pegged to the US dollar (like existing successful stablecoins Tether and USD Coin), then transition over a defined period to a basket of African currencies. This leverages existing dollar liquidity and trust while building towards monetary independence.

Phase 1 (years 1–3) would establish a Dollar-Peg Launch, with one unit equivalent to US\$1, backed by dollar reserves held in secure, audited accounts. This provides immediate credibility and ease of adoption, particularly for cross-border trade currently denominated in dollars. Phase 2 (years 3–5) would implement a Gradual Basket Transition: the peg transitions to a weighted basket including major African currencies (Nigerian naira, South African rand, Egyptian pound, Kenyan shilling, Ghanaian cedi) plus a residual dollar component. Research on basket-based instruments demonstrates that multi-currency baskets are less volatile than single-currency pegs. Phase 3 (years 5+) would achieve Full African Basket status: complete de-dollarisation of the peg, with the currency backed entirely by a basket of African currencies and/or commodities, following pre-announced algorithmic rules to prevent speculation.

Model C: Direct African currency basket

The most ambitious model would launch the currency directly pegged to a basket of African currencies, bypassing dollar intermediation entirely. The basket would be weighted by GDP and trade volume of participating nations, drawing on IMF SDR methodology. It would include five to eight major African currencies representing at least 60% of continental GDP. Smart contracts would automatically rebalance the basket based on real-time exchange rate data from decentralised oracle networks, maintaining the peg within a tolerance band of $\pm 0.5\%$.

This model requires participating central banks to commit to coordinated monetary policy frameworks, similar to the European Monetary System that preceded the euro. The PAPSS infrastructure already provides the technical foundation for this coordination. However, the higher coordination requirements make this the most challenging model to implement initially.

Recommended hybrid approach

After evaluating the three models against criteria of feasibility, sovereignty, stability and adoption potential, we recommend a hybrid approach combining elements of Models A and B. This hybrid would feature a Dual Backing Structure: the common currency would be backed by both African commodities *and* liquid currency reserves, providing multiple layers of stability. This follows the over-collateralisation principle used by successful crypto-backed stablecoins.

The approach would follow a Progressive Transition path: initial backing at 30% commodities/70% dollar reserves, transitioning over five to seven years to 60% commodities/40% African currency basket. Critically, it would employ Community-First Deployment: initial issuance through community-level pilots in willing localities before national-scale adoption. All issuance rules would be encoded in publicly auditable smart contracts, with Algorithmic Transparency ensuring deterministic rules that can be democratically agreed upon but not arbitrarily changed.

A step-by-step digitally driven strategy

Step 1: **Build pan-African payment infrastructure.** The foundation of a common currency is the ability to transact easily across borders in different local currencies. Africa has made recent breakthroughs here. The **Pan-African Payment and Settlement System (PAPSS)**, launched in January 2022 with support from the African Union and Afreximbank, now enables instant cross-border payments while allowing each party to use their own local currency. For example, a Zambian importer can pay a Kenyan exporter and each will settle in their respective domestic currency, with PAPSS handling the conversion behind the scenes. Such platforms **bypass traditional intermediaries** (like correspondent banks in New York or London) and eliminate the need to route intra-African trades through the US dollar. We are already seeing progress; as of 2025, PAPSS is operational in at least 15 countries and has over 150 banks in its network. Other fintech innovations, from mobile money interlinkages to regional switches, are also linking African financial systems. This digital leapfrogging means that what used to take days and costly currency conversions can now happen in seconds on a smartphone. The priority going forward is to **expand and connect these payment networks Africa-wide**, so that any African individual or business can easily transact with any other, regardless of nationality or currency. Real-world examples include not only PAPSS but also private or community-driven networks such as **TóroNet**, a new blockchain platform designed for the Global South that supports multi-currency digital transactions. As these networks grow, the continent is effectively building the **rails of an integrated African monetary zone** in a bottom-up way.

Step 2: Link digital national currencies and achieve interoperability. With payment systems in place, the next step is to **digitise and interconnect African fiat currencies**. A number of African central banks are already exploring or piloting central bank digital currencies — for instance, Nigeria’s eNaira and Ghana’s eCedi — and many countries have highly developed mobile money ecosystems. The vision is that all these digital forms of African money should eventually be able to **talk to each other on common platforms**. In practice, this means a payment from one country to another can occur **without** going through an outside currency such as the dollar. Traditionally, a simple trade payment between two African countries often required multiple conversions — for example, converting Ghanaian cedi to US dollars, then US dollars to Nigerian naira — incurring fees and delays at each step. Going forward, **there should be no such thing as “cross-border” payments within Africa** — at least not in the old sense. If Kenyan, Nigerian, Senegalese or South African digital currencies all operate on interoperable ledgers or clearing systems, then a transfer from Lagos to Nairobi can be as seamless as a domestic payment. Achieving this interoperability may involve adopting common technical standards, open APIs and perhaps integration of blockchain-based solutions. It also requires policy coordination; central banks must agree on frameworks for cross-border digital transactions, legal recognition of each other’s digital currencies, and risk-sharing agreements for settlement. Encouragingly, the AfCFTA and the Afreximbank are actively championing such efforts, recognising that **financial integration is the backbone** of economic integration. Once individuals and businesses anywhere in Africa can send instant payments to any other country without converting to a hard currency, we will have built a de facto single African payments area. This lays the operational groundwork (and fosters the *trust between national financial systems*) that makes the idea of one currency far less daunting.

Step 3: Introduce a common African Unit of Account (digital and asset-backed). When digital inter-currency transactions are routine and intra-African trade no longer depends on the dollar or euro, the stage will be set to introduce a **common African currency unit**. At first, this could be a **unit of account** used alongside national currencies — essentially a “reference currency” or digital token that everyone can value their goods in, even if they still pay/receive local currency. This echoes the **ECU**, which was a basket unit used before the euro became a physical currency. The African unit would be interchangeable with national currencies at market or fixed rates, and could be utilised in accounting, cross-border contracts and maybe as a reserve unit for central banks. The critical design feature to build trust at this stage is to **back this unit with real African assets**. Drawing inspiration from the dollar’s early days (pegged to gold) and lessons from stablecoin models, the African unit should be anchored by a basket of **hard assets and commodities** of clear value. For example, it could be defined in terms of a fixed quantity of gold, plus certain amounts of cobalt, copper and other strategic minerals — effectively creating an African commodity bundle as collateral. In January 2025, the AfDB suggested a prototype of this by proposing a new African currency tied to the continent’s wealth of critical minerals, framing it as a modern “gold standard” for African monetary stability.²⁹ Such an approach would immediately differentiate the African unit from unbacked fiat currencies, possibly making it *more* attractive than some national currencies. The message to the public and markets would be: **this currency is “hard” — it is backed by Africa’s real wealth**. An oversight mechanism (perhaps a Pan-African Currency Board) could be established to manage the basket, periodically audit the reserves and adjust the composition if needed to maintain stability (for instance, including agricultural commodities or pan-African infrastructure bonds over time, not just minerals).

Step 4: Encourage voluntary adoption and parallel use. It is crucial that this new African currency unit is not forced on anyone initially, but rather offered as a **parallel option** and allowed to grow organically. In this phase, the common unit would be **complementary, not a replacement** (which we discuss more in the next section). African governments could opt to use it for certain things — e.g. settling a portion of intra-African trade, or holding a slice of their reserves in it, or pricing some intra-African development projects in it. Businesses and individuals might start using it for cross-border e-commerce or as a stable savings vehicle if their local currency is inflation-prone. Critically, **community organisations and pan-African networks** might drive early adoption. Given the continent’s diversity, it may not be a top-down mandate that propels usage, but bottom-up demand from people who see benefit. For example, pan-African youth movements, academic communities or

trade associations could choose to denominate grants or invoices in the common unit. Diaspora communities might also promote it for sending money back home if it proves cheaper or more stable than alternatives. By leveraging existing trust networks and **African values of solidarity and cooperation**, the currency can gain a grassroots foothold. This aligns with the notion that the venture should reflect *pan-African values* — for instance, transparency, shared destiny and mutual support — rather than being a mere replica of euro or dollar frameworks. Technologies such as smartphone apps or blockchain wallets can facilitate peer-to-peer use of the currency unit even in remote areas, much as mobile money did. Throughout this period, national currencies remain legal tender and primary for domestic use; the African unit is gradually **tested and proven in parallel**. Such an incremental rollout allows any kinks to be worked out (whether technical or policy-related) without risking monetary disruption.

Stablecoin model rooted in African values and community structures

One way to conceptualise the new African currency is as a **stablecoin engineered for Africa’s specific context**. Unlike a traditional fiat currency born by political decree, a stablecoin is typically a digital token whose value is anchored to some reference (be it a fiat currency, a commodity or a basket). We propose an African common currency that functions as a **multi-asset-backed stablecoin** operating on modern digital ledgers. This offers several advantages: it can be introduced gradually, it can harness cryptographic transparency features, and it can be distributed through innovative channels outside the legacy banking system.

However, this must not be a purely technocratic project; it should be deeply rooted in **African community structures and values**. African societies have rich traditions of cooperative economics — from rotating savings and credit associations to community investment groups. There is a strong culture of mutual aid, trust networks and informal finance that has underpinned livelihoods for decades. Rather than ignoring these, the common currency framework can **incorporate and empower community-based institutions**. For instance, local cooperatives or microfinance networks could be nodes or agents of the new currency, helping people convert their cash into the digital unit and vice versa. This would echo how mobile money agents helped spread M-Pesa in Kenya by leveraging existing shopkeepers and community members as trusted intermediaries. By engaging grassroots structures, the currency gains a human face and local trust. It signals that this is *not* just an elite project of central bankers, but a people’s currency that everyone from a Nairobi tech entrepreneur to a farmer’s cooperative in Burkina Faso can feel ownership of.

Pan-African values such as **unity in diversity, solidarity and self-reliance** should guide the governance of the currency as well. A possible approach is a **consortium model** — where a coalition of African public institutions (central banks, regional development banks and a publicly mandated coordination body) jointly issue and govern the currency. Consistent with the public-digital-money clarification in the executive summary, issuance is reserved to public institutions; private pan-African financial firms participate as users, distributors and operational partners, but not as co-issuers. This distributes responsibility, avoids concentration of power and prevents the value-extraction dynamic identified in the GENIUS Act analysis above. A **Community Advisory Council** — comprising civil society organisations, youth representatives, grassroots associations and representatives of the diaspora — is a core, not optional, component of governance, with a defined remit covering transparency reporting, user-protection rules, accessibility standards for unbanked populations, and a formal seat in the consultative process for backing-basket adjustments. While central banks would have the leading role on monetary stability, the ethos would be collaborative rather than domineering. The result would be a currency that people perceive as *their own collective creation*, not something imposed by an outside force or a single government. This bottom-up legitimacy can be as important as top-down legal status.

This is a people’s currency that everyone from a Nairobi tech entrepreneur to a farmer’s cooperative in Burkina Faso can feel ownership of.

In practical terms, the currency being a stablecoin means it would primarily exist in digital form — accessible via mobile apps, smart cards or online accounts. This suits Africa’s demographics: a young, mobile-connected population that has shown an ability to leap straight into digital finance. Importantly, a well-designed stablecoin can also be made **interoperable with existing financial systems**; for example, one could always redeem the African digital currency for underlying assets or for local fiat currency through authorised institutions. This redeemability and backing would ensure it maintains a stable value, encouraging adoption. African regulators would need to craft new rules for such an instrument (here, lessons from the US GENIUS Act are useful on how to regulate stablecoins for safety). But starting as a voluntary, digital token may face less initial resistance than attempting to replace notes and coins across 50+ nations overnight.

Finally, an African stablecoin currency would likely first **gain traction in specific niches** where it fills a real need.³⁰ For example, it could be adopted for **cross-border remittances** within Africa or from the diaspora — a sector where fees are high and intermediaries are plentiful. A trusted stablecoin could let a worker in South Africa send value to family in Uganda instantaneously, without both sides losing money on US-dollar conversions and bank charges. Another niche is e-commerce and pan-African online services, where a common unit would simplify payments on a continental scale. As these use cases prove the currency’s utility, confidence will build, setting the stage for broader usage and eventual formalisation.

Embracing real-asset backing (African Unit of Account)

To ensure long-term trust, we advocate that Africa’s common currency be **underpinned by real, tangible assets from the outset**. As discussed, the continent’s abundant natural resources present an opportunity to create a robust backing for a digital African Unit of Account. Embracing an asset-backed model addresses one of the biggest concerns people have with new currencies: “What gives it value?” In this model, the answer would be clear: the currency represents claims on a share of Africa’s renowned wealth, from gold and diamonds to critical minerals and beyond.

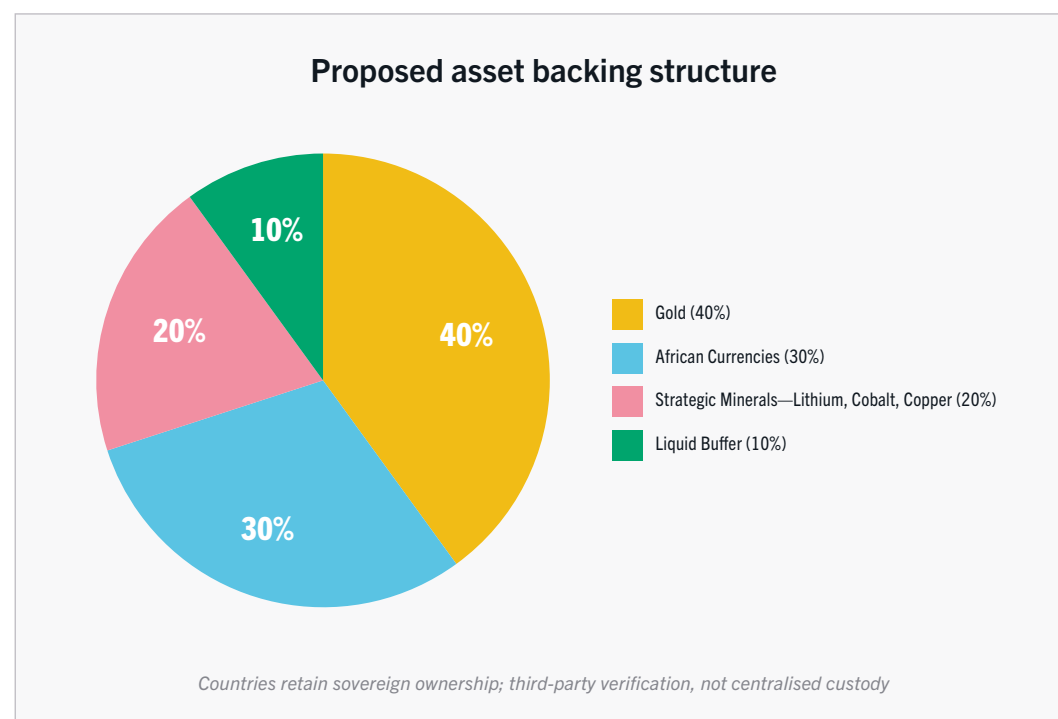


Figure 3: Proposed diversified backing structure leveraging Africa’s natural resource endowments

In practical terms, this could work by establishing a **Pan-African Reserve Fund** where member countries deposit agreed-upon quantities of various commodities or resource-based assets. For example, several gold-producing nations might each contribute a portion of their bullion reserves. Oil- or mineral-rich countries could contribute barrels of oil, tons of metal or even rights to future output into a collectively managed reserve. The total basket would then back the digital currency issued, with a transparent conversion or redemption formula. (Full convertibility to the raw commodities might not be necessary on a day-to-day basis, but the existence of the backing provides a floor to the value.) The reserve pool could be augmented by other high-quality African assets too — such as AfDB bonds, sovereign wealth fund holdings or shares in pan-African infrastructure projects — to diversify beyond just commodities.

A key innovation addresses the traditional objection that commodity backing requires expensive centralised custody. **It does not.** African central banks **already hold gold reserves** that are **already audited** to international standards. South Africa’s Reserve Bank holds approximately 125 tons; Algeria, Egypt, Libya and Morocco maintain significant holdings; Ghana, Mali and Tanzania have growing reserves. The insight is simple: countries pledge a *portion of existing* reserves. No new custody infrastructure is required. No new vaults need construction. The cost shifts from custody (hundreds of millions annually) to verification (audit fees — orders of magnitude cheaper). For commodities such as lithium, copper and cobalt, existing commodity exchange warehouse receipt systems (London Metal Exchange, New York Commodity Exchange, emerging African exchanges) already provide audited storage facilities trusted by global markets. Tokenised warehouse receipts can represent commodity backing without the common currency’s administrators building or operating storage facilities.



The BRICS nations adopted a similar model for their Unit: **member countries keep gold reserves domestically** while still backing the currency. This avoids geopolitical risks of pooling reserves offshore and maintains national sovereignty. The verification role — distinct from custody — could be performed by an institution like Afreximbank. As verification coordinator (not custodian), it would coordinate independent third-party audits of pledged reserves, publish regular attestation reports, administer Proof of Reserve protocols for real-time verification and maintain a registry of pledged assets. This leverages Afreximbank’s existing credibility as an institution that already issues bonds and structures complex transactions to institutional standards, extending its mandate without requiring vault construction.

Crucially, embracing asset backing should be done in a **dynamic and adaptive way**. The goal is not to rigidly fix the currency to a static commodity bundle forever (as the classical gold standard did), but rather to use assets as a confidence mechanism, especially in the early stages. As the African economy grows and industrialises, the backing basket can be recalibrated. Initially, it might be heavily weighted towards precious metals and minerals (since those are immediately valuable and universally recognised). Over time, one could envision including things such as units of renewable energy (e.g. a certain amount of kilowatt-hours from African solar farms) or other real assets that align with Africa's development trajectory. This approach ties the currency's fate to the *real economy* of Africa. When Africa prospers and its output of valuable goods increases, the currency should naturally strengthen.



Transparency measures must accompany asset backing. Real-time publication of reserve levels, third-party audits and perhaps even a public dashboard (potentially blockchain-based) showing the composition and value of the backing assets would be needed to convince users the assets are indeed there. This level of openness would be a **game-changer in African financial governance**, setting new standards for accountability. The currency system could institutionalise such transparency from day one — for instance, by making the reserve fund's audit results public and by giving all member countries and perhaps independent experts oversight roles.

By embracing an asset-backed approach, Africa would also be embracing a bit of **monetary history wisdom**: currencies that start with strong backing have a better chance to gain acceptance. The US dollar's early gold backing gave it an edge; the euro was launched with stringent criteria ensuring each member's economic "assets" (in terms of fiscal health and reserves) were solid. Africa's currency can likewise launch with a backbone of real wealth. The objections that commodity prices are volatile, that a metallic anchor constrains fiscal and monetary space, and that the productive structure must come first are, however, serious and require direct engagement rather than dismissal.

Engaging the critiques of commodity backing

A serious engagement with this approach must confront three substantive objections raised in the heterodox literature on money and development. None is dismissed lightly here; each shapes the architecture proposed below.

First, commodity price volatility. Critical mineral and commodity prices are structurally volatile, often more so than the fiat currencies they would partially replace as backing. A currency rigidly tied to a commodity basket would import that volatility directly into the monetary system, generating the very instability the architecture is meant to overcome.⁶ We accept this objection in full. Our response is that the architecture proposed here is *not* a fixed peg to commodities; it is a partial, diversified and dynamically recalibrated backing whose explicit purpose is to function as a confidence anchor during a defined transition phase, not as a permanent monetary rule. Phase 1 backing is 100% in liquid US dollar-denominated reserves precisely to avoid early-stage commodity volatility. Even at the Phase 3 target composition (40% gold, 30% African currencies, 20% strategic minerals, 10% liquid buffer), no single commodity exceeds a fifth of the basket, and the gold component is anchored against the most historically stable monetary commodity. The currency is constructed to be unwound from commodities as adoption matures, not into them.

Second, the fiscal and monetary space constraint. This is the classical critique of metallic standards: anchoring money supply to physical reserves limits monetary expansion in downturns, can generate deflationary pressure and constrains countercyclical fiscal policy.^{4,5} This was the structural failure of the inter-war gold standard and is at the core of the deepest critiques of the Bretton Woods gold-exchange arrangement.¹⁸ We accept this objection as decisive against rigid backing, and again the response is in the architecture: backing is **partial and adjustable**, with explicit provisions for monetary expansion through (a) recalibration of the backing ratio at each milestone-based phase transition, (b) inclusion of productive-capacity assets (renewable generation, infrastructure bonds, sovereign wealth holdings) whose supply is not geologically fixed, and (c) the parallel-currency design itself — national currencies remain fully sovereign and continue to provide policy space inside borders. The common currency is not asked to substitute for the monetary autonomy of member states; it is asked only to handle a defined share of cross-border settlement.

Third, the development-sequencing critique. Kaboub and others have argued that monetary sovereignty for African economies is undermined upstream — by structural import dependency for food and energy — long before currency design questions arise.⁷ A currency, on this view, cannot deliver sovereignty that the productive structure does not have. We accept this framing and consider it complementary rather than competing. The currency proposed here is most useful precisely where there is real African production to settle: cross-border agricultural trade, intra-African energy commerce, processed-mineral exports and pan-African industrial inputs. Where Kaboub's analysis cautions against expecting monetary architecture to substitute for productive capacity, the design here is intended to **strengthen demand for African productive output** by making it cheaper and more frictionless to denominate that output in an African unit. The path from food and energy sovereignty to monetary sovereignty runs through, not around, the kind of settlement infrastructure described in this paper.

Currency architecture and productive transformation are co-conditions; neither is sufficient alone.

Taken together, these three objections do not undermine the case for partial backing; they *discipline* the design. They argue against the rigid 19th-century gold standard, against a permanent commodity peg and against expecting monetary architecture to do work that only productive capacity can do. The architecture proposed here is constructed with each of these concerns explicit in its design choices — partial backing, dynamic recalibration, productive-asset inclusion, milestone-based phases, parallel currency operation, and a deliberate co-positioning alongside the food and energy sovereignty agenda.

A sharper version of the critique deserves a separate answer. Why does a unit of account need to be “backed” at all? When we measure weights, the unit of measurement does not itself need to weigh anything. The question is well posed. A pure unit of account — an abstract reference used only for denomination — needs no backing. But the instrument proposed in this paper is not only a unit of account; it is also a *payment unit* that holds value claims across volatile peripheral currencies, and that asks to be accepted by trading partners with no prior structural reason to extend credit to it. In currency-hierarchy terms,^{16,3} a peripheral payment unit faces an

entry penalty that a hegemonic one does not. The backing is the early-stage workaround for that penalty: a credible commitment device that buys time while the network effects are still thin. Once the settlement infrastructure has accumulated enough usage that the network itself becomes the anchor — as it did for the post-1971 dollar — the backing can be, and per the phased design above will be, reduced. The backing is scaffolding, not foundation.

One side benefit of asset backing is that it could encourage better **management of natural resources**. If countries know that contributing, say, a portion of their mineral production to the common reserve strengthens the currency that they will also use, they have an incentive to ensure sustainable extraction and good governance of those resources. It aligns national interest with continental interest. Of course, safeguards are needed so that nations contributing more assets do not unfairly dominate the currency’s policy — equity in decision-making must be maintained (perhaps one country one vote, or weighted in a balanced way in governance committees). The key principle is **shared wealth for shared prosperity**; by pooling a bit of their treasure, African countries create a currency far more stable and creditworthy than any could alone, and all stand to gain from the enhanced trade and investment that result.

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Technology-enabled transparency and auditability

For the African common currency to garner trust rapidly, it should be built on **maximally transparent and auditable systems**. Here, technology is an ally. We are in an era where distributed ledger technology and advanced fintech solutions can hardwire transparency and real-time oversight into a monetary system. Africa’s currency initiative can leapfrog legacy systems by embedding such technology from inception, essentially creating the **world’s most transparent currency regime**.

One proposal is to issue the African digital currency on a **public or permissioned blockchain**, where transactions (or at least the state of the currency’s reserve backing) are visible to all stakeholders. This doesn’t mean every individual’s transaction must be public (privacy can be preserved for users via appropriate design), but the key aggregate data — such as how many units are in circulation and what assets back them — could be fully open. Smart contracts could be used to, for instance, automatically adjust the money supply in response to contributions of new backing assets or redemption requests, according to preset rules. This removes discretion and opaqueness, preventing the kind of surprise devaluations or excessive note-printing that have sometimes plagued national currencies.

Regular **audits** are another crucial piece. Even if blockchain is not used for the currency itself, the reserve holdings and management operations should be frequently audited by independent firms and the results published. The GENIUS Act in the USA, for example, mandates audits of stablecoin reserves to ensure issuers truly hold the dollars they claim. Africa’s currency could institute an audit regime, perhaps under an African Monetary Institution, with participation from major auditing firms or the AfDB’s oversight mechanisms. Moreover, technical partnerships could be sought with entities such as the IMF, which has expertise in reserve verification. The involvement of neutral, respected bodies in verifying the currency’s soundness can significantly boost credibility in the eyes of international markets and sceptics at home.

Transparency also pertains to **policy decisions**. Any adjustments to how the currency operates — be it the asset basket composition, the rules for issuance, or entry of new member countries — should be done through clear, well-communicated processes. Ideally, the governance body (let’s say an interim African Currency Board or later an African Central Bank) would publish minutes or reports akin to how the European Central Bank or US Federal Reserve do. While this level of openness is uncommon in some African institutions today, committing to it would signal a break from the past and help “earn” the public’s trust. As economist John Maynard Keynes noted with his concept of the “liquidity premium,” trust and confidence reduce the transaction costs and risks in a financial system. In lay terms, if people trust the currency’s managers to be honest and competent, they are far more likely to use and hold the currency.

Another innovative idea is **crowd-sourced oversight**. Because the currency is digital, one could imagine citizen participants or civil society organisations being able to view certain operations and flag irregularities. For instance, if the currency is on a public ledger and someone notices a discrepancy between the declared reserves and the token count, they can call it out. This kind of “many eyes” principle leverages the public to bolster official oversight — essentially, a transparent system is its own watchdog. It would be powerful to have African academics, journalists and ordinary tech-savvy citizens engaging with the currency data and fostering a culture of accountability.

Overall, the philosophy is: **start with transparency and you will not have to later fight distrust**. Many currencies only grudgingly move towards transparency after crises force them to (for example, after hyperinflation episodes, central banks might then adopt inflation targeting and open reports to regain credibility). Africa can avoid that pain by instilling openness from day one. When all stakeholders — from central banks to citizens — can verify the backing assets and integrity of the system at any time, it creates a self-reinforcing trust. Problems can be identified and corrected early, preventing loss of confidence. By harnessing cutting-edge fintech and a commitment to good governance, Africa’s common currency can set a new global standard for how to manage a currency in the information age.

It would be powerful to have African academics, journalists and ordinary tech-savvy citizens engaging with the currency data and fostering a culture of accountability.

Complementarity, not replacement: a gradual adoption strategy

A cornerstone of our proposal is that the African common currency should **complement existing national currencies, not abruptly replace them** — at least in the initial phases. This gradualist, non-threatening approach is essential for both political feasibility and economic stability. It recognises the pride and sovereignty attached to national currencies, as well as the practical need for a transition period where the new currency earns its credibility.

In practice, this means that when the African currency unit is introduced (for example, as a digital stablecoin or unit of account), it will **circulate alongside** the Ghanaian cedi, the Kenyan shilling, the Egyptian pound and all other domestic monies. Governments would retain their own currencies and monetary policies for internal affairs, while the common currency is available as an **optional medium for cross-border trade, savings and accounting**. Over time, if the African currency proves more efficient and stable, market forces and public choice will naturally lead to greater adoption. This is analogous to how the euro was phased in: from 1999 to 2001 the euro existed mostly as a parallel accounting currency while francs, marks, liras, etc., remained in use domestically; only in 2002 were national notes and coins fully replaced. Africa's timeline could be longer and more flexible — possibly a decade or more of parallel use — given the larger number of countries and wider economic disparities.

A milestone-based transition framework

Following the euro's successful approach, transition should be driven by achievement indicators rather than calendar dates. This protects against premature de-dollarisation while allowing rapid advancement if market conditions support it.

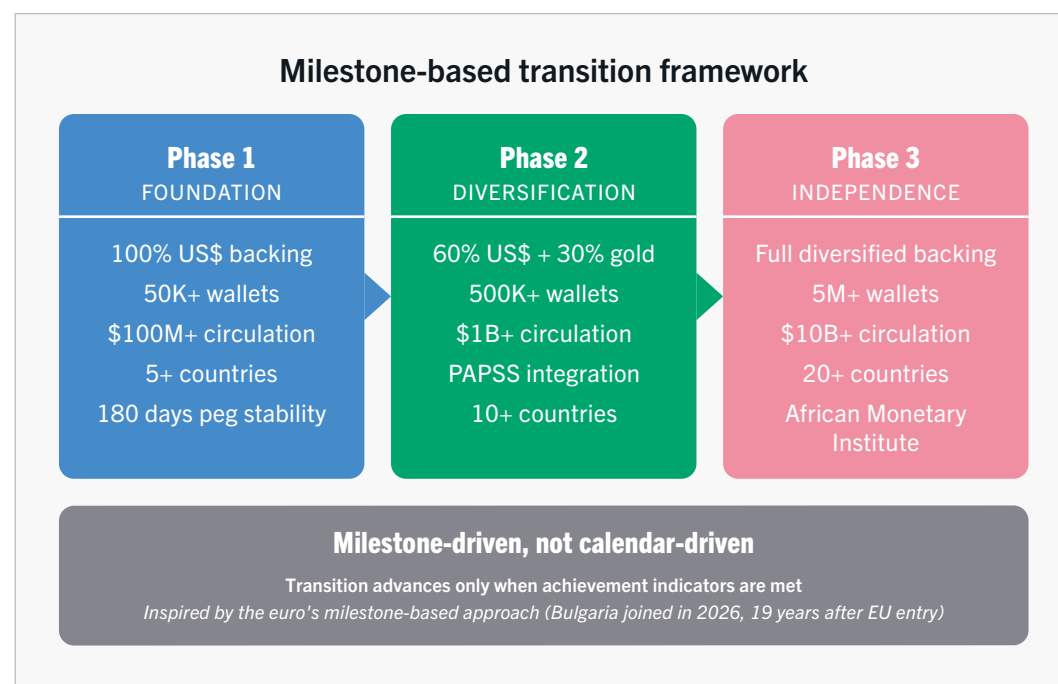


Figure 4: Milestone-based transitions ensure each phase is proven before advancement

In Phase 1 (Foundation), the currency maintains 100% US dollar-denominated backing, providing maximum credibility at launch when trust is lowest. Exit milestones include minimum 50,000 active wallets, \$100 million in circulation, 180 consecutive days trading within $\pm 1\%$ of peg, formal recognition by at least five African countries and three successful third-party audits. All milestones must be met before advancing.

Phase 2 (Diversification) gradually shifts backing from 100% US dollars to 60% US dollars, 30% gold and 10% African currencies. Transitions occur in 10% increments, with each increment requiring 90 days of peg stability before the next. Exit milestones include 500,000+ active wallets, \$1 billion in circulation, 10 country recognitions, operational PAPSS integration and \$500 million in actual trade settlement.

Phase 3 (Independence) achieves the target composition: 40% gold, 30% African currencies, 20% strategic minerals and 10% liquid buffer. Maturity indicators include 5 million active wallets, \$10 billion in circulation, 20 country recognitions, representing over 10% of intra-African trade settlement, and establishment of an African Monetary Institute with central bank participation.

If milestones are not met, the system simply remains in its current phase indefinitely. A US dollar-backed African currency useful for intra-African payments is still valuable; the more ambitious de-dollarisation waits until conditions support it. Conversely, if adoption is rapid and all milestones are met quickly, the transition accelerates — there is no artificial delay. A **regression mechanism** provides additional safety; if peg stability breaks down after advancing (trading more than 5% off peg for 30+ days), the system automatically returns to the previous phase's backing structure.

The **benefit of complementarity** is twofold. First, it lowers resistance. Countries are more likely to opt in to a system that does not demand giving up their national currency overnight. It could start with a **"coalition of the willing"** — a subset of nations or even specific banks within nations that agree to use the common unit for certain purposes. Others can join later when they see the success. This flexible structure avoids the pitfall of trying to get all 54 countries on board at once, which is politically near-impossible at the start. If, say, a handful of strong economies plus a few smaller ones pioneer the currency and demonstrate reduced transaction costs and improved trade flows, more sceptical states may gradually warm up to joining. This approach already finds echo in regional efforts; for instance, within ECOWAS, not all members were ready for the Eco at the same time — Nigeria and Ghana had concerns while UEMOA was eager. A pan-African currency could similarly roll out in stages, possibly building on existing regional blocs that are ready.

Second, gradual adoption acts as a **safety valve for economic adjustment**. If any unforeseen issues arise with the new currency (be it technical glitches, liquidity shortages or speculative pressures), countries still have their national currencies as a fallback to insulate local economies. For example, if the common currency's value fluctuated or its backing asset prices swung sharply in early years, a country could temporarily emphasise its national currency for domestic stability while those kinks are resolved. This reduces the systemic risk of the entire continent being tied to an untested system. It's a form of insurance. Over time, as confidence builds and systems mature, the reliance on national currencies would diminish naturally.

From a usage perspective, complementary strategy means Africans might gradually start quoting prices in both their local currency *and* the African unit. Businesses engaging in a lot of inter-country trade might do accounts in the pan-African unit for convenience. Banks could offer accounts denominated in the new currency alongside local-currency accounts. Importantly, **monetary policy coordination** can also be phased; there's no need for an immediate single central bank setting one interest rate for all of Africa (which is impractical currently). Instead, countries continue with their monetary policies, but as the common currency's influence grows, there could be increasing coordination to keep national policies aligned with the common goals (for instance, targeting low inflation so that the common unit remains stable relative to local units). Eventually, if and when the common currency becomes dominant, a formal African Central Bank could take over monetary policy — but by then conditions would be ripe for it.

Another aspect of gradualism is dealing with **conversion and redenomination**. If the day ever comes for full replacement (far in the future), the rates at which national currencies would convert to the common currency must be set based on economic fundamentals to avoid penalising or rewarding any country excessively. Doing this too early, before economies converge, can cause tensions (e.g. an overvalued conversion rate could hurt a country's exports). By postponing this step until a natural convergence has happened via market-driven adoption, the eventual locking of exchange rates will be smoother and more accepted.

We can also envision a scenario where some countries **never fully abolish** their national currency — and that could be OK if the common currency is still widely used for certain purposes. In West Africa, for example, Nigeria might keep the naira indefinitely, but if 80% of its trade with other African nations is conducted in the African common unit and Nigerians trust it as a store of value, the objectives are largely met without forcing a single legal tender. In essence, the common currency can succeed as a de facto currency of African economic integration, even if it does not formally replace all national currencies in law.

In summary, the mantra is **evolution, not revolution**. By positioning the African currency as a helpful addition to the monetary landscape — one that can be used voluntarily to enhance trade and financial stability — we make it an attractive innovation rather than a threat. This incremental approach builds resilience into the project and allows political buy-in to grow over time. It recognises diversity; Africa’s economies are at different stages, and a one-speed-fits-all adoption is unrealistic. A multi-speed, complementary strategy ensures that no country is left behind or pushed ahead unprepared. The end goal, perhaps decades out, could be a continent where the common currency is predominant and national currencies are largely historical footnotes. But getting there requires patience, pragmatism and respect for each nation’s journey.



Ensuring political and community buy-in

No currency can succeed without the **political will of leaders and the acceptance of the people**. Gaining buy-in for an African common currency is as much a sociopolitical challenge as it is an economic or technical one. In this section, we outline how to cultivate the necessary support from governments, institutions and communities.

Strategic positioning and alliance-building

Given the geopolitical sensitivities surrounding any initiative that might be perceived as challenging dollar hegemony, the common currency should be positioned strategically. Early steps should be taken in a careful, methodical manner. Pilot programmes can be described as “payment efficiency initiatives” or “trade facilitation tools” rather than “currency union.” Technical cooperation can be framed around blockchain infrastructure and fintech innovation. Initial focus should be on sectors less likely to attract geopolitical attention, such as agricultural trade corridors and diaspora remittances.

Building African allies is critical for legitimacy. Priority allies should include: Ghana (eCedi experience and fintech hub status), Kenya (mobile money leadership with M-Pesa experience), Rwanda (strong digital infrastructure and governance) and South Africa (financial market depth and regional influence). Regional

economic communities — ECOWAS, EAC, Southern African Development Community — should be engaged as institutional champions. The goal is a coalition of willing pioneers who can demonstrate success before broader continental adoption.

Governance framework for implementation

A clear governance structure is essential to move from concept to reality. Critically, this structure should be built independently and invite institutional participation rather than being placed under existing institutional control from the outset. The framework could include: (a) An independent Currency Coordination Council comprising technical experts, participating central banks and community representatives; (b) a Technical Secretariat for day-to-day operations and implementation, potentially partnering with Afreximbank for credibility; (c) a Reserve Management Board for commodity and reserve oversight, with representation from contributing countries; (d) a Community Advisory Council including civil society, youth representatives and grassroots organisations; and (e) clear rules-based decision-making with predetermined criteria for policy changes, ensuring transparency and predictability. As the currency gains adoption and demonstrates success, regional bodies and the African Union can be invited to participate and eventually assume broader coordination roles — but initial control must rest with those building and using the system.

This multi-layered governance ensures both political legitimacy and technical competence, while maintaining the community-centred approach that distinguishes this initiative from purely top-down monetary reforms.

Safeguarding against capture and corruption

The history of African continental institutions, and of monetary governance bodies more generally, cautions that even well-designed governance structures can be captured — by powerful member states acting through sympathetic insiders, by external interests with concentrated leverage or by private-sector actors with material stakes in monetary policy outcomes. The case for an African common currency loses much of its force if the Currency Coordination Council itself becomes another instrument of the patterns it was meant to remedy. The architecture therefore embeds anti-capture safeguards in the design rather than leaving them to the post-launch goodwill of participants. Six categories of mechanisms are proposed, drawn from monetary governance literature and from comparative review of central bank independence frameworks.

1.

Structural separation of powers. No single body holds issuance, reserve management and oversight together. The Currency Coordination Council, the Reserve Management Board, the Technical Secretariat and the Community Advisory Council each have distinct mandates, distinct reporting lines and distinct membership criteria. Critical decisions — changes to the backing basket, admission of new member countries, modification of governance rules — require supermajority approval (two-thirds or higher) across at least three of these bodies. This eliminates single-body capture as a viable strategy and forces any sustained capture attempt to coordinate across multiple institutions with different memberships, mandates and incentives.

2.

Transparency and auditability by design. The currency’s reserves and issuance operate on publicly auditable infrastructure. All transactions, holdings and policy decisions are observable in real time by any interested party. Meeting minutes, voting records and policy-change deliberations are published within a defined window. Annual third-party audits are commissioned from rotating internationally recognised audit firms, with full results published. The objective is not to assume good behaviour but to make bad behaviour expensive and visible; capture that would have been deniable under opaque governance becomes documentable under open-ledger governance, and the cost of attempting capture rises accordingly.

3. Rules-based discretion limits. Many capture failures begin when discretionary authority is concentrated in a small number of people who can be approached, pressured or compensated. The proposed framework therefore minimises discretionary authority and maximises rules-based decision-making with pre-published criteria. Backing-basket adjustments follow a transparent formula tied to observable metrics; new-member admission follows the predefined milestone framework set out earlier in the paper; emergency measures require explicit supermajority authorisation and are subject to automatic sunset clauses. The fewer the discretionary levers, the smaller the surface area available for capture.

4. Conflict-of-interest and revolving-door restrictions. Members of the Currency Coordination Council and Reserve Management Board are prohibited from holding personal or family commercial interests in entities materially affected by their decisions during their term and for a defined period (proposed: five years) after departure. Movement between the Council and major beneficiary entities — large commercial banks, mining houses, payment processors, foreign-government-controlled financial institutions — is governed by mandatory cooling-off periods. These rules are enforceable by public disclosure obligations and by Community Advisory Council escalation. The lesson of the GENIUS Act case discussed earlier in this paper is directly applicable: private-sector capture of regulatory architecture is rarely sudden; it accumulates through the slow normalisation of revolving-door career paths and undisclosed material interests.

5. Community Advisory Council with formal authority. The Community Advisory Council is not advisory in name only. It holds a formal escalation mechanism: any Council decision for which it identifies prima facie evidence of capture or violation of governance rules can be referred to an Independent Review Panel of African and international monetary scholars, whose findings must be publicly addressed within a defined period. The Community Advisory Council also has a permanent seat at all backing-basket consultative processes and at all member-admission decisions. Its members — civil society organisations, youth representatives, grassroots associations, diaspora representatives — are deliberately drawn from constituencies with the least to gain from capture and the most to lose from monetary mismanagement.

6. Member-state recall, rotation and exit safeguards. No member-state representative serves indefinitely; rotation is mandatory at fixed intervals, with leadership positions rotated across geographic regions to prevent single-state capture. A member state whose representatives are found to have systematically violated governance rules can be subject to recall by supermajority vote of the remaining members, with the home government required to nominate a replacement within a defined window. The parallel-currency design itself functions as a final safeguard at the country level; members retain national monetary sovereignty and can withdraw national participation if they conclude the Council has been compromised, without monetary catastrophe. This exit option is itself a discipline on the Council, since a Council perceived as captured will see members reduce their use of the common currency long before formal exit, making continued capture commercially as well as politically costly.

No governance structure is fully capture-proof. Sufficient combinations of resources, time and concerted pressure can in principle compromise any institution. The mechanisms above are constructed instead towards a more realistic objective: ensuring that *capture is costly to attempt, observable when it occurs, reversible when detected, and commercially expensive to sustain*. Combined with the build-and-invite governance principle set out earlier — under which institutional participation is invited rather than imposed and can be reconsidered as circumstances change — the architecture is designed to be self-correcting on the time horizons that matter for a multi-decade monetary project.

Community piloting strategy

Rather than launching at national scale immediately, the common currency should be tested through community-level pilots. The proposed structure would: (a) Select three to five willing communities across different regions — for example, a border trading town in West Africa, a diaspora-connected corridor in East Africa, and an agricultural cooperative network in Southern Africa; (b) deploy the currency through existing mobile money infrastructure, minimising the need for new user behaviours; (c) track adoption metrics, user experience and economic impact rigorously; and (d) iterate based on community feedback before scaling to larger jurisdictions.

This approach allows real-world testing of the currency's mechanics while building grassroots support. Success stories from pilot communities become powerful advocacy tools for broader adoption. It also ensures that the currency works for ordinary Africans — traders, farmers, small business owners — not just for banks and governments.

Political leadership and unity: A common currency is often described as a “political project.” It demands visionary leadership at the highest levels to champion the cause and make difficult compromises. African leaders will need to revive the spirit of pan-Africanism that guided the Organisation of African Unity/African Union founders and articulate a clear political narrative for the currency: that it is a tool for African empowerment, unity and self-determination in the global economy. To that end, securing endorsements from the **African Union Assembly of Heads of State and Government** would be a crucial step. The AfCFTA, which garnered unanimous support, can serve as a template — the common currency can be framed as the financial complement to the AfCFTA's trading bloc. Early buy-in from major economies (Egypt, Kenya, Nigeria, South Africa, etc.) is particularly important, as their participation would lend credibility and momentum. However, these big players will rightly be concerned about how the currency impacts their own economies. Continuous diplomacy and **consensus-building** will be needed within forums like the African Union, the Association of African Central Banks and regional blocs, to address concerns and ensure all voices are heard in the design phase. Political buy-in may also require tangible incentives; for instance, countries that join earlier might get access to certain funds or development support linked to the currency initiative.

Institutional framework and governance: One source of political hesitation is fear of **losing sovereignty**. Smaller countries might worry that bigger ones will dominate the currency's governance, while bigger countries might worry they'll be disproportionately relied upon or have to bail others out. To ease these fears, the governance of the common currency should be structured to be inclusive and rules-based. Each member should feel it has a seat at the table. Rotating leadership roles, weighted voting systems that balance both country size and equality, and clear rules for policy decisions can build trust among governments. The creation of new institutions like an **African Monetary Institute** in the preparatory stage can help coordinate policy and do technical groundwork in a way that involves all member states. This African Monetary Institute can later transform into the African Central Bank. It is worth noting that some African leaders have expressed frustration with continental institutions in the past (citing bureaucracy or ineffectiveness), so it will be important to staff any new institution with high-calibre professionals and give it a mandate focused narrowly on the currency project, to avoid it becoming another all-purpose bureaucracy. Demonstrating early successes (even small ones, such as publishing useful research or facilitating a pilot transaction network) can show sceptical governments that the initiative is moving from talk to action in a competent way.

Success stories from pilot communities become powerful advocacy tools for broader adoption. It also ensures that the currency works for ordinary Africans —traders, farmers, small business owners— not just for banks and governments.

It must be shown that the common currency is not a zero-sum game where some win and others lose, but a rising tide lifting all boats.

Managing divergence and ensuring fairness: Politically, leaders will ask, “What’s in it for my country’s citizens?” It must be shown that the common currency is not a zero-sum game where some win and others lose, but a rising tide lifting all boats. Mechanisms to assist weaker economies will likely be needed, akin to Europe’s structural funds or convergence funds used around the time of the euro’s introduction. For example, a fund could be set up (backed by Afreximbank or AfDB) to help countries that face short-term fiscal shortfalls meet the convergence criteria (such as reducing inflation or deficits) so they can comfortably join. Additionally, there should be safeguards that the currency union will not simply transfer resources from poorer to richer areas. Transparent fiscal rules and perhaps modest transfer arrangements (like a stabilisation fund for countries hit by commodity price shocks) can reassure politicians that they will not be left holding the bag alone in tough times. While large-scale fiscal union (like the EU’s level) is unrealistic now, **solidarity arrangements** can be built gradually.

Community and grassroots engagement: Beyond presidents and ministers, the buy-in of ordinary Africans is pivotal. People will use the new currency only if they see it as beneficial and trustworthy. **Public education campaigns** should begin early — explaining in clear terms what the common currency is, how it would

work and how it might improve daily life (through cheaper prices for imported African goods, easier travel, more jobs from increased trade, etc.). Outreach should leverage media, local languages and community leaders.

Importantly, any pilot programmes (for instance, testing the currency in a particular transaction corridor or at selected banks) should involve feedback from users and local businesses, incorporating their input to refine the system. This participatory approach can make communities feel they have a stake in shaping the currency.

It might also be strategic to encourage a **pan-African civil society movement** around the currency — involving youth organisations, academia, business chambers and the African diaspora. If influential voices in these circles start advocating for the currency as a point of pride (“our Afro” or some name that resonates), it can build popular momentum that complements official efforts. One can recall how Europeans engaged in debates and promotions of the euro in the 1990s; Africa can similarly have think-tank conferences, university debates and media programming about the common currency’s design and potential impact. The more people talk about it, the more concrete it becomes in the public imagination.

Addressing fears and historical baggage: There are understandable fears to address. Many remember past currency failures or mismanagement — from hyperinflations to bank collapses. Some in West Africa are wary after the convoluted Eco saga, or in East Africa after earlier integration setbacks. There is also the colonial history; currency unions imposed by colonial powers (such as the CFA) have left a bitter taste for some, who might equate a new union with loss of autonomy. It must be emphasised that *this* initiative is fundamentally different; it is designed *by Africans for Africans*, with the express purpose of enhancing collective autonomy rather than undermining it. Communications should stress how an African currency can reduce dependence on former colonial currencies and the US dollar, thereby increasing Africa’s economic independence. In essence, we frame it as a completion of decolonisation in the monetary realm.

Lastly, **early successes and prototypes** will help win over sceptics. If, for instance, within a year of launch the currency is being used seamlessly by traders in a few major markets, or if a success story emerges like a small business that grew thanks to easier payments, these stories should be publicised. Success breeds support. Governments and citizens sitting on the fence will be swayed when they see neighbours benefitting. Therefore, identifying key pilot projects and producing measurable positive outcomes (even small-scale) in the initial rollout can be one of the most persuasive tools to broaden buy-in.

In conclusion, securing political and community buy-in is about building a coalition of stakeholders who see the common currency as aligned with their interests and values. It requires transparency, inclusive governance and a compelling vision of shared prosperity. Given Africa’s youthful population, much of this buy-in may actually come from the bottom up — young entrepreneurs, cross-border traders and digital citizens who are already *living* pan-African lives and are frustrated with the status quo. By tapping into that energy and coupling it with enlightened political leadership, Africa can generate an unstoppable momentum for monetary unity.

Conclusion: harnessing Africa’s wealth for African prosperity

Africa stands at the cusp of a historic opportunity to reshape its financial destiny. By intelligently leveraging the lessons of the past and the tools of the digital age, the continent can overcome fragmentation and create a currency that truly serves its people’s aspirations. The vision of an African common currency is no longer a utopian dream but an achievable project — if pursued with patience, pragmatism and pan-African solidarity.

In this paper, we have argued that the path to an African currency union should be **gradual and technology driven**, guided by real-world evidence of what works. We saw how the US dollar built its hegemony on initial asset backing and later institutional strength, and how the euro demanded deep political commitment and policy coordination. We also observed that the rules of money are evolving; digital currencies and fintech can empower those who innovate, as the USA is doing with stablecoins via the GENIUS Act. Africa, rather than lagging, can lead in this new era by crafting a digital common currency suited to its unique context — one backed by Africa’s own tangible riches and secured by cutting-edge transparency.

The approach outlined emphasises **building blocks**: first connecting payment systems (e.g. scaling up PAPSS and possibly platforms like TóroNet), then interlinking national digital currencies, and finally introducing a continent-wide unit once the infrastructure and trust are in place. This incremental strategy ensures that by the time a single currency formally arrives, it will almost feel like a natural next step — because the **monetary ecosystem** supporting it will already exist. The journey itself yields benefits at each stage; even before a common currency, fully interoperable African payments will save billions in transaction costs and keep value circulating within Africa’s economy. That means more capital for African businesses, more affordable goods for consumers and less dependence on hard currency reserves.

Crucially, this initiative need not be — and should not be framed as — a zero-sum competition with existing global currencies or trade relationships. Enhanced intra-African trade does not diminish Africa’s engagement with the rest of the world; rather, it strengthens Africa’s position as a trading partner. A continent that trades more efficiently within itself becomes a more attractive market for external partners. A currency that reduces transaction costs makes African exports more competitive globally. The same infrastructure that enables Lagos-to-Nairobi payments can facilitate Lagos-to-London or Nairobi-to-New York transactions more efficiently. In this sense, African monetary integration is complementary to — not in conflict with — Africa’s growing role in global commerce.

When the common African currency unit does emerge, backed by a basket of gold, minerals and other assets, it will symbolise something profound: that Africa is **collectively harnessing its wealth for its own development**. Instead of the paradox of rich Africa, poor Africans (whereby resource wealth often left the continent or benefitted only a few), the currency’s asset backing turns Africa’s natural wealth into a shared foundation for all Africans’ monetary stability. It effectively *monetises* Africa’s assets in a way that benefits everyday

Fully interoperable African payments will save billions in transaction costs and keep value circulating within Africa’s economy.

transactions and savings. Over time, as confidence builds, this currency can become a catalyst for deeper integration — spurring more intra-African trade, investment and joint projects, which in turn drive economic growth and diversification.

It is important to recognise that challenges will persist. The common currency alone is not a panacea for issues such as weak governance or structural economic imbalances — those must be addressed in parallel through reforms and capacity-building. As noted by observers, monetary union can only crown achievement in governance, not substitute for it. The success of the currency will thus depend on continuing improvements in areas such as fiscal discipline, rule of law and political stability across member states. Yet the very process of working towards a common currency can incentivise such improvements (for example, meeting convergence criteria or adhering to transparency standards). In that sense, the project can be a **north star** that guides and motivates broader progress.

That framing, however, requires the same qualification developed earlier in the paper. An orthodox “sound fundamentals first” reading has never, on its own, been sufficient for peripheral economies to escape the currency hierarchy.^{16,2,3} Fiscal discipline, rule of law and political stability matter, but they do not by themselves lift a currency out of structural subordination. The deeper foundation for any African common currency — following Kaboub’s sequencing⁷ — lies in **food and energy sovereignty** built through domestic productive capacity, and in **real intra-African trade flows** denominated, settled and cleared on African infrastructure. Trust built from those foundations is structurally more robust than trust earned by meeting convergence criteria designed elsewhere. The currency is, in this sense, the *capstone* of a broader productive and infrastructural transformation, not a substitute for it. The architecture proposed here is constructed to fit this sequencing: payment infrastructure first, unit of account second, single currency only at a much later milestone-gated stage when the productive base, the invoicing networks and the public-institutional governance have all matured together.

In sum, a common African currency is much more than an economic instrument; it is a statement of confidence in Africa’s future. It signals that Africans can pool their sovereignty in smart ways to gain greater collective sovereignty — controlling more of their economic levers instead of being price-takers in global finance. It means the wealth of the continent, whether under the ground or created by African labour and ingenuity, can be denominated and deployed in a currency that bears Africa’s name and stamp. It is a long journey from here to there, but the roadmap is clearer than ever. Each mobile payment link established, each bilateral trade settled in local tender, each ounce of gold saved for backing — these are steps on the path.

The coming years should be used to **build consensus, experiment in pilots and gradually expand the circle of participation**. By the time today’s newborn African children reach adulthood, they could transact in a single African currency as easily as crossing from one phone network to another today. They would know that when they create value, much more of it stays within their continent, fuelling more jobs and innovations at home. The **prosperity of Africa would increasingly be determined by Africans themselves**, not by external currency whims or dependencies.

Harnessing Africa’s wealth for African prosperity is both an economic and a moral imperative. The digital era gives Africa the tools to do what was previously unachievable. If the leaders and peoples of Africa seize this moment, the 21st century could finally see Africa take its rightful place as a unified economic powerhouse. An African common currency — grounded in lessons from history and built on the strengths of the present — can be the keystone in that arch of African renaissance. Let us move forward with hope, unity and unwavering resolve to make it happen.



**The deeper foundation for any
African common currency lies in
food and energy sovereignty**

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