Re-imagining Africa's Monetary and Financial Sovereignty:

Why the DRC Could Catalyse the African Union's Transformation

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Executive Summary

Africa's Financial Sovereignty and Why the DRC Can Lead

Africa remains constrained by a global financial and monetary system that does not serve its long-term development needs. The international system is still fundamentally **USD-based**, and institutions such as the **IMF** remain shaped by governance structures that give the **United States exclusive veto power**. This limits Africa's ability to pursue independent macroeconomic policies.

Africa's major structural challenge is **monetary fragmentation**: 54 countries, 54 currencies, and high cross-border transaction costs. This fragmentation makes regional trade expensive, prevents African savings from circulating within the continent, and keeps credit costs high. Even Africa's most advanced economy, South Africa, is now **three grades below investment-grade**, illustrating how external dependency affects all African states.

To break this cycle, Africa needs a **new financial and monetary integration strategy**, including:

- wider use of **local-currency cross-border payments**,
- the long-term vision of an **African currency**, and
- deeper regional financial markets that reduce vulnerability to USD cycles.

Such reforms require strong leadership from key African states.

Why the DRC Is Strategically Positioned

The Democratic Republic of Congo has the characteristics of a **continental anchor country**:

- **120 million people** today, projected to exceed 200 million by 2050;
- the world's largest reserves of **critical minerals** essential for the green transition;
- immense **hydropower** potential and the **Congo Basin**, vital for global climate stability;
- a central geographic position within ECCAS/CEEAC; SADC, COMESA & EAC!

With global attention shifting toward responsible mineral supply chains, energy transition, and Congo Basin protection, the DRC has a historic opportunity to reposition itself as a **continental leader**, not merely a resource exporter.

A Practical Lever: The National Platform for Impact Investing

The new **National Platform for Impact Investing (NABII-RDC)** provides the DRC with a concrete institutional tool to:

- mobilise private capital for national priorities,
- strengthen transparency and traceability in value chains,
- attract climate finance,
- engage the diaspora,
- and build investor confidence.

Conclusion

Africa needs monetary sovereignty, financial integration, and new leadership.

The DRC is uniquely positioned to help drive this transformation — and the moment to act is now.

1. Introduction

Africa stands at a critical historical crossroads.
Despite decades of economic reforms, abundant natural wealth, and a young, rapidly growing population, the continent continues to face structural constraints that prevent it from achieving its full potential. Many of these challenges stem from **monetary dependence**, **fragmented financial markets**, and a continental governance architecture that lacks the operational effectiveness required for 21st-century global competition.

This background paper outlines why the Democratic Republic of Congo (DRC), given its demographic scale, geological endowments, geographic position, and renewed political ambition, could play a decisive role in the **re-foundation of Africa's financial and monetary architecture**, and in strengthening the African Union's geopolitical standing.

2. Africa's Structural Constraints: Monetary Dependence and Financial Fragmentation

2.1 IMF Governance and the Limits of Global Monetary Architecture

As long argued by leading global economists—including Jeffrey Sachs—the **International Monetary Fund cannot be considered a truly global institution** when its governance structure grants **veto power exclusively to the United States**.
This reality has three implications:

1. **IMF decisions are shaped by geopolitical considerations**, not purely technical macroeconomic needs.
2. The IMF remains a **policy enforcement tool within US geopolitical strategy**, rather than a neutral instrument for global financial stability.
3. **African Union financial needs**—particularly regarding long-term development finance—are systematically under-served.

2.2 The Persistence of a USD-Based World

The global financial system is still dominated by the US dollar.
This constrains African economies in several ways:

- Exposure to **dollar interest rate cycles**, regardless of domestic economic conditions
- Chronic **foreign exchange shortages**, restricting industrial production
- Rising cost of **external debt servicing**
- A constant need to **"manage reserves"** instead of investing in productive sectors

Because African production is not priced in African currencies, Africa remains financially **dependent rather than sovereign**.

2.3 The Cost of Fragmentation

Africa today comprises **54 monetary regimes**, including franc zones (UEMOA & CEMAC) still tied to European institutions.
This fragmentation leads to:

- High transaction costs
- Low levels of intra-African trade
- Limited regional value chains
- Difficulty mobilising African savings toward African investments

As a result, even **South Africa**, the continent's most advanced economy, is now rated **three notches below investment grade**, dramatically increasing borrowing costs. If South Africa struggles, the implications for smaller African economies are even more severe.

2.4 Financial Constraints Apply Only to Africa

As Jeffrey Sachs recently noted:

"Financial constraints apply only to Africa because Africa is not monetarily independent."

This means Africa must build an **African-made solution** rather than relying on Bretton Woods institutions whose mandates are shaped externally.

3. Why Africa Needs a Bold Monetary & Financial Integration Strategy

3.1 Cross-Border Payments in Local Currencies

Initiatives such as Kenya's move to settle Asian imports in **Kenyan shillings rather than USD** represent important precedents (See **Annex 1** below).
Gradually, African economies must:

- Develop **local-currency cross-border payment systems**
- Strengthen regional clearing and settlement infrastructures
- Build continental reserves diversified beyond USD

These steps lower transaction costs, improve monetary sovereignty, and strengthen Africa's internal markets.

3.2 The Case for a Future African Currency

The idea of a unified African currency is not new, but it has never had the **political leadership, operational urgency, nor institutional capacity** required to advance.
A strong African currency would:

- Reduce exchange rate vulnerability
- Lower the cost of capital
- Strengthen the continent's global bargaining power
- Unlock regional economies
- Enable Africa to speak with one financial voice

For this to happen, strong regional champions must lead.

4. The African Union's Institutional Limitations

4.1 Weak Operational Capacity

While the **African Union's Agenda 2063** is visionary, it lacks:

- a **concrete operational roadmap**,
- adequate financing, and
- the political backing of the continent's strongest states.

This creates inertia despite rhetorical ambitions.

4.2 Limited Independent Power

The AU today lacks the authority to enforce financial integration, coordinate monetary reforms, or negotiate collectively with global powers.
This is partly due to **underfunding**, partly due to **fragmentation**, and partly because national leaders remain focused on domestic concerns or external engagements (e.g., repeated trips to Washington D.C. where, as Sachs notes, "no answers will come").

4.3 Need for Regional Hegemonic Leadership

Historically, transformative African initiatives required leadership from 5–10 strategic states:

- Nigeria
- Kenya
- Egypt
- South Africa
- Ethiopia

- **Democratic Republic of Congo** (emerging)

A continental financial architecture requires a coalition of powerful states willing to act together.

5. Why the DRC Could Be the Catalyst for Africa's Transformation

5.1 Geopolitical Centrality & Demographic Weight

With a population approaching **120 million**, and a projected **200+ million by 2050**, DRC is on track to become **one of the world's ten largest countries**.
Its demographic scale alone gives it natural influence.

5.2 Mineral Sovereignty and Global Leverage

DRC is home to:

- **70% of global cobalt reserves**,
- 30–40% of global critical minerals,
- the world's largest hydropower potential (Inga),
- the Congo Basin—the planet's "second lung."

These assets give DRC unmatched leverage in the emerging global green and digital economy.

5.3 A Natural Regional Hegemon in Central Africa

Historically, Central Africa has lacked a stabilising economic anchor.
The DRC—due to its scale and geography—could fill this vacuum by leading:

- Central African green industrialisation
- Congo Basin climate finance
- Regional value chains (Batteries, EVs, agricultural corridors)
- Cross-border payment systems across ECCAS/CEEAC

5.4 A Unique Moment of Strategic Opportunity

The current international environment is shifting:

- Global demand for critical minerals
- Increased attention on the Congo Basin
- Recognition of the geopolitical importance of DRC–Rwanda dynamics
- Growing appetite for *responsible* supply chains

If DRC builds the right institutional capacity now, it could reposition itself from a conflict narrative to a **continental leadership narrative**.

6. The Role of the National Platform for Impact Investing (NABII-RDC)

The initiative to co-create a **National Platform for Impact Investing** offers DRC a strategic tool to:

- Mobilise **private capital** for national development priorities
- Build **transparent, traceable value chains**
- Leverage diaspora savings
- Strengthen climate finance for Congo Basin protection
- Enhance investor confidence through governance reforms
- Anchor DRC within continental financial networks (e.g., GSG Impact Africa)

A credible platform of this nature is precisely the kind of mechanism Africa needs to complement AU-level reforms with **country-led innovation**.

7. Strategic Recommendation

The DRC is uniquely positioned to lead a new African financial sovereignty agenda — one that complements AU reforms and fills gaps in Agenda 2063 with **real operational capacity**.

To seize this moment, the following steps are recommended:

1. **Position the DRC as a continental advocate** for African monetary and financial integration (starting with ECCAS/CEEAC).
2. **Leverage DRC's mineral and demographic power** to shape Africa's role in the global green economy.
3. **Support and champion NABII-RDC** as a national instrument aligned with AU ambitions and continental transformation.
4. **Promote an African-led strategy**, independent of Bretton Woods geopolitical constraints.
5. **Build alliances with Nigeria, Kenya, Egypt, South Africa**, and other reform-minded nations to drive collective action.

8. Conclusion: A Call for a Bold New African Strategy

Africa is not divided because divisions are natural, but because **overcoming them requires institution-building**, leadership, vision, and long-term political courage.

If Africa is to achieve real financial sovereignty and global influence, it needs:

- **A new African monetary vision**,
- **Regional champions**,
- **Institutional capacity**,
- **A bold, African-made strategy**,
- **Leaders who understand that national success depends on continental progress**.

The DRC is uniquely positioned to help lead this transformation.
The moment is historic — and the window of opportunity is now.

Annex 1: Example of How This Works in Practice

Let's imagine a Kenyan company, **"Nairobi Tech Solutions,"** wants to import 100 computers from a manufacturer, **"Shenzhen Electronics,"** in China. The total invoice is 10 million Chinese Yuan (CNY).

The Old Way (Using USD)

1. **Invoice:** Shenzhen Electronics invoices Nairobi Tech for 10 million CNY. However, as is standard, they request **payment in a "hard currency,"** which is almost always US Dollars.
2. **Currency Conversion (Twice):**
   - Nairobi Tech must **first convert** Kenyan Shillings (KES) into US Dollars (USD) at their Kenyan bank.
   - They then **send the USD** to Shenzhen Electronics' bank in China.
3. **Final Conversion:** The Chinese manufacturer's bank receives the USD and **converts it** into Chinese Yuan (CNY) for them to use locally.
4. **Risks & Costs:** Nairobi Tech bears the full **cost and risk of the KES-USD exchange rate**. If the KES **weakens** against the USD during the shipping period, the cost in shillings becomes higher. There are also **double conversion fees**.

The New Way (Using Kenyan Shillings)

1. **Agreement & Invoice:** The two companies agree to **settle the trade in Kenyan Shillings**. Shenzhen Electronics issues **an invoice** for 10 million CNY, but it states the equivalent value in KES based on the **direct KES/CNY exchange rate**. Let's assume the rate is **1 CNY = 20 KES**. The invoice total is therefore **200 million KES**.
2. **Direct Payment:** Nairobi Tech simply instructs its Kenyan bank to **transfer 200 million KES directly** to the bank account of Shenzhen Electronics.
3. **Settlement in China:** The Chinese company's bank in China receives the Kenyan Shillings. Crucially, this bank must have a **correspondent banking relationship** with a Kenyan bank or be **willing to hold KES**. The bank then **converts the KES into CNY** for Shenzhen Electronics to use, using the KES/CNY rate.

Key Mechanism for this to Work:

- **Direct Exchange Rates:** The system relies on **establishing and using direct exchange rates** between the KES and partner currencies (like CNY, INR, JPY), **bypassing the USD as a "vehicle currency."**
- **Banking Infrastructure:** Kenyan and Asian banks need to **facilitate these direct currency pairs** and settlements.

Real-World Implementation:

This is not just theoretical. In 2023, **Kenya began piloting this** with countries like **China** and **India**. The Central Bank of Kenya is **actively promoting the use of local currency trade frameworks** to make this process smoother for businesses.

In a nutshell: The practice transforms **a three-legged race** (KES->USD->CNY) into **a simple, direct sprint** (KES->CNY), saving time, money, and reducing risk for the Kenyan importer. This is **the powerful precedent** Kenya is setting for South-South trade.