"Better Skies for Africa"

AFRAA POLICY PAPER ON BLOCKED FUNDS

Introduction:

The phenomenon where airlines are unable to repatriate the revenues generated from ticket sales, cargo services, and other commercial activities, resulting in such funds remaining trapped in the country of sale, often for prolonged periods, is commonly referred to as the " Blocked Funds." This challenge pertains to some African countries due to foreign exchange controls, currency shortages, or other regulatory barriers.. Member airlines have expressed serious concern regarding the growing amount of these inaccessible funds in some African countries.

The commercial viability of the majority of African airlines continues to be adversely affected by several factors, amongst which cash-flow is the most pressing. Delays or refusals in repatriation not only contravene the obligations set out in Bilateral Air Services Agreements but also occasion significant opportunity costs and foreign exchange losses. Moreover, such constraints negatively affect air connectivity, as airlines may be compelled to adjust operations by reducing frequencies or, in some cases, suspending services to the affected countries altogether.

Situational report:

As of the end of October 2025, ten countries accounted for 89% of the global total of blocked airline funds. Of these, seven are in Africa: Algeria (USD 307 million – ranked 1st), the XAF Zone (USD 179 million – ranked 2nd), Mozambique (USD 91 million – ranked 4th), Angola (USD 81 million – ranked 5th), Eritrea (USD 78 million – ranked 6th), Zimbabwe (USD 67 million – ranked 7th), and Ethiopia (USD 54 million – ranked 8th). (IATA)

The key reasons cited for the inability to repatriate funds include:

- ✈ Political interference and policy/regulatory constraints
- ✈ Foreign exchange shortages or deficits
- ✈ Weaknesses in national financial systems
- ✈ Government prioritization of hard currency for domestic obligations

In an August 2025 AFRAA survey of blocked funds among its member airlines, 10 airlines indicated their willingness to consider repatriation of blocked funds in their home country's local currency, provided that such arrangements are competitive, predictable, and reliable.

To address the persistent challenge of blocked funds through coordinated policy action, targeted financial facilitation, and strengthened institutional collaboration at national, regional, and continental levels in the affected markets, the following stakeholder-aligned measures were proposed for the reporting period:

AFRAA and Member Airlines

1. AFRAA and its Member Airlines should engage directly with governments and central banks to agree on clear, structured, and time-bound repayment schedules, such as monthly or quarterly arrangements.

2. Actively participate in joint forums involving airlines, governments, financial institutions, and regional organizations to develop coordinated solutions in air transport, logistics, and financial facilitation.

National Governments

1. Recognizing that blocked funds largely arise from central bank or government actions, sustainable solutions should be anchored in firm state-level commitments, ideally supported through frameworks of the AUC and RECs.

2. Structured Repayment Frameworks

- Negotiate clear and time-bound repayment schedules.
- Establish a maximum allowable timeframe for the repatriation of airline funds.

3. Enhancing Foreign Exchange Access

- Permit partial ticket sales in foreign currencies (USD/EUR) for selected segments—such as business class to secure foreign exchange inflows.
- Facilitate payments through international payment platforms, including credit cards, fintech solutions, or Global Distribution Systems (GDS) based outside affected markets.

4. Reducing Bureaucracy and Protecting Airline Interests

- Eliminate unnecessary bureaucratic barriers and penalties associated with repatriation processes.
- Introduce interest-based compensation mechanisms to protect airlines from foreign exchange devaluation losses resulting from delayed repatriation.

5. Strategic Recognition of Aviation

- Recognize aviation as a strategic economic enabler and prioritise the sector in foreign currency allocation decisions.
- Strengthen coordination between ministries of transport, national banks, and reserve banks through regular consultations.

6. Incorporate fund repatriation clauses in BASAs and ensure these commitments are honoured in practice.

7. Promote the regular publication of data on blocked funds to enhance transparency, strengthen accountability, and encourage proactive problem-solving.

Regional Economic Communities (RECs)

1. Promote the adoption of regional currency clearing systems—such as the Pan-African Payment and Settlement System (PAPSS)—to reduce reliance on scarce foreign currencies.

2. Facilitate joint forums bringing together airlines, governments, financial institutions, and regional organizations to advance coordinated approaches to resolving blocked funds challenges.

African Union Commission (AUC)

1. Provide a platform for the high-level state commitments required to address blocked funds in a sustainable and coordinated manner.

2. Strengthen States′ obligations regarding the free repatriation of airline revenues under the SAATM framework.

3. Support the establishment of a special revolving fund—backed by the African Development Bank (AfDB) and African Export-Import Bank (Afreximbank)—to assist countries experiencing foreign exchange shortages. Such a mechanism would enable airlines to receive timely payments while allowing governments the necessary flexibility to stabilize their financial positions.

1. Encourage States to honour their international commitments regarding the free transfer of airline revenues, as reflected in BASAs.

2. Support and participate in joint forums that bring together airlines, governments, financial institutions, and regional bodies to develop coordinated solutions addressing blocked funds and related financial facilitation challenges.

Airlines need reliable access to their revenues in forex to sustain operations , pay their operating expenses, and maintain vital air connectivity. Governments have already committed to unfettered repatriation of funds under bilateral agreements. With profit per passenger of a mere $1.30 for African airlines compared to global average of $7.90, in 2025, according to IATA, and with significant dollar denominated costs, airlines depend on timely repatration of funds to fulfill their commitments. It is in the interest of States to appreciate the role played by airlines as an economic catalyst by connecting their economies to each other and to global markets. For this reason, governments are urged to facilitate the efficient repatriation of airline funds and to prioritize this matter within foreign exchange allocation frameworks, even in periods of currency scarcity.

AFRAA approach:
AFRAA has undertaken advocacy missions to some of the countries where airlines are affected by the inaccessible funds, engaging directly with the relevant national stakeholders to address the matter. While recognising the prevailing circumstances of the respective defaulting countries may be beyond the immediate control of the authorities, AFRAA strongly believes that airlines must be accorded priority in accessing all their funds due to them, as they are indispensable to sustaining trade and economic connectivity within these countries.

Africa recorded 81.3 million international tourist arrivals in 2025, reflecting a positive growth of 7.8% and accounting for a 5.3% share of global arrivals (UNTourism). Tourism proceeds remain significant for most countries; in 2025, international tourism receipts reached USD 46.7 billion, representing a 7% increase. Airlines serve as the primary mode of long-haul transport for tourists and play a critical role in promoting destinations through their marketing activities, thereby expanding the tourism and trade networks In addition, the total employment in the airline industry rose to 3.07 million in 2024, up from 2.97 million in 2023.(IATA), These indicators underscore the importance of sustaining airline operations to and from the affected countries.

AFRAA member airlines, through their treasuries and station managers, are encouraged to keep AFRAA fully apprised of any challenges relating to blocked funds. They are further requested to support efforts to obtain relevant contact details—specifically those of Ministers responsible for Transport and Finance, as well as Central Bank Governors—and to participate actively in the Blocked Funds Taskforce. Such participation is essential to refining the Taskforce′s strategy and, more importantly, to ensuring its effective implementation toward the release of the funds.

AFRAA pillars for managing the blocked funds scenario are as follows:

Pillar 1: Advocacy
Advocacy campaigns to influence decision makers to allocate funds to airlines. This requires AFRAA to engage with the authorities to highlight the impact of inaccessible funds on airlines and the contribution of aviation sector to the national GDP.

Pillar 2: Lobbying
Lobbying efforts with industry stakeholders and partners (African Union Commission (AUC), IATA in ensuring that the concerns of the airlines are addressed and solutions are envisaged.

Pillar 3: Negotiation
Involvement in the negotiation process to ensure that the airlines are given priority in the allocation of foreign exchange as well as ensuring that solutions for legacy debt are implemented to eradicate the amount owed from the past.

Pillar 4: Local Stakeholders collaborative approach
AFRAA will engage in collaborative efforts with in-country stakeholders (local Airline bodies, tourism, trade, industry organizations, Civil Aviation Authorities (CAA), Airports Authorities) to ensure commitment by the authorities to clear the blocked funds.

Conclusion:
AFRAA in conjunction with its stakeholders, will continue to engage with the authorities in the countries where airlines are experiencing challenges with accessing their funds in order to find solutions for the easing of the blocked funds. The main objective is for the airlines to be allowed complete access and authority to repatriate their funds from their sales activities as outlined in the four pillars of AFRAA:

Pillar 1: Advocacy campaigns
Pillar 2: Lobbying efforts
Pillar 3: Negotiation process
Pillar 4: Local Stakeholders collaborative approach