

Nigeria, Ethiopia swap USD 100m of blocked airline funds

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Dhaka: The Ethiopian and Nigerian central banks agreed to swap funds trapped in their respective states, which will see Ethiopian Airlines recover up to USD 100 million trapped in Nigeria.

The agreement between the central banks involves exchanging Ethiopian Airlines' funds in Nigeria for Dangote Cement's funds trapped in Ethiopia.

Both countries have blocked a significant amount of airline funds, with a low allocation of USD to their aviation industries due to severe foreign currency shortages.

Ethiopian Airlines is the largest foreign operator in Nigeria and a significant contributor to the development of the country's air transport market. Nigerian banks hold about USD 180 million of ET's revenue. Ethiopia can access blocked funds in Nigeria through the swap agreement, including money owed to the flag carrier.

According to reports, Ethiopian Airlines received about USD 100 million of its blocked funds by converting Dangote Cement's money in Ethiopia to local currency (ET Birr). However, there are currently no plans to retrieve the remaining USD 80 million.

About the matter, Ato Mesfin Tasew, CEO, ET, said, "The National Bank will pay us the equivalent swapped amount in Birr."

According to figures released by the International Air Transport Association (IATA) last month, Nigeria has about USD 812 million in airline funds trapped there. The West African nation remains at the top of the list, with about 35 per cent of the world's blocked airline funds.

It also has more trapped funds than the other top five countries combined: Bangladesh, Algeria, Pakistan, and Lebanon.

The same deal applies to funds trapped in Ethiopia. Nigeria's central bank presented Dangote with the currency exchange proposal, which allows it to convert excess ET Birr for US Dollars. The West African state will access funds blocked in Ethiopia through the Nigerian cement-producing firm.

Ethiopia also has a significant amount of blocked airline funds. Similar shortages of foreign currency and significantly low allocation of USD to the aviation sector have led to USD 95 million in airline funds being trapped in the East African country.

Although the swap deal allows ET to retrieve some of its funds, Nigeria still holds over USD 700 million of airline funds. At the same time, Ethiopia holds a significant amount, as a payout to Dangote does not affect the aviation industry.

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