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Why the Kingdom of Eswatini should adopt the Luxembourg Rail Protocol

[The Cape Town Convention on International Interests in Mobile Equipment](#) and the Aircraft Protocol thereto were adopted in 2001 and are now in force in 84 countries – including Eswatini.

[The Luxembourg Rail Protocol](#) applies to railway rolling stock. It provides a new global legal system for the recognition, enforcement and prioritisation of security interests held by creditors lending on or leasing all types of railway equipment. These security interests will be registered in a new [International Registry](#), based in Luxembourg, and are then searchable by the public 24/7 online. The Protocol introduces the Unique Rail Vehicle Identification System (URVIS), a new global 16-digit numbering system for permanently and uniquely identifying rolling stock.

The Protocol has been in force in contracting states since **8th March 2024**. Spain, Sweden, Luxembourg, Paraguay, Gabon, South Africa and the European Union in respect of its competences, have all ratified the Protocol (as well as the Convention). France, Germany, Switzerland, Mozambique, Italy, and the UK have already signed the Protocol and are moving at various speeds towards ratification. Many African states, including the DRC, Kenya, Namibia, Senegal, Ethiopia, Zimbabwe and Mauritius, are actively looking at adoption of the Protocol.

The Protocol is endorsed by many international rail organisations and actively supported by the African Union, the European Union, the UN Economic Commission for Africa, the UN Economic Commission for Europe, and UNIDROIT, the International Institute for the Unification of Private Law.

As part of the Zanzibar Declaration of 15 September 2023, African transport and energy ministers expressed their direct support for the Luxembourg Rail Protocol to the Cape Town Convention urging all remaining African Union

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Member States “to complete the ratification process for the Luxembourg Protocol on railway rolling stock”.

At a time when Eswatini Rail is looking to make important new investments in rolling stock and move from diesel to electric locomotives, the Protocol will increase the availability to Eswatini Rail of private finance for railway equipment, and make it cheaper as lenders and lessors take into account lower capital costs and lower risk as well as reduced documentation and other legal costs. Based on an independent study by Oxera in 2020, the Protocol will deliver a net present value benefit on financing rates of 9.1%. In other words, it would translate to a discount of \$9.1 million on the cost of rolling stock valued at \$100 million. Moreover, this study disregards any indirect micro-economic benefits as well as all macro economic benefits to operators and Eswatini from facilitating the moving of freight and passenger transportation from road or aircraft to rail.

Adoption of the Protocol will deliver other significant advantages to Eswatini. It will:

1. attract new foreign investment into the Eswatini rail sector
2. support the cost-effective financing of additional rolling stock required for the Eswatini Rail Link project (as well as any refinancing of existing rolling stock fleets) and the seamless operation of rolling stock through Eswatini into neighbouring states
3. facilitate the “Cape Town Discount” – discounted OECD export credit (ECA) premiums for supporting the financing of new imported rolling stock (particularly valuable in the light of the Eswatini current high OECD country risk classification)
4. enable within Eswatini, through rolling stock leasing programmes, new entrepreneurs entering the market without the need for heavy capital and creating opportunities for parastatals to delegate or franchise out parts of their operations (and possibly leasing rolling stock with security) where this will be more efficient
5. remove the need for the state or its parastatals to finance rolling stock procurement, releasing needed re-equipment programmes from state budgetary constraints and creating resources for other priorities such as rail infrastructure.
6. make cross border operation of financed rolling stock simpler and more secure for creditors, in turn also supporting the railways as a key element in regional integration, intra African trade and in particular the AfCFTA and delivery of the African Integrated Rail Network



7. support sharing of rolling stock between operators, whether within or outside of Eswatini
8. reduce the cost of rehabilitation and development of rail infrastructure as much of the costly specialist building equipment needed – from tunnel boring machines, to track laying and tamping equipment – run on tracks and are covered by the Protocol
9. demonstrate Eswatini support for the Zanzibar declaration and the goals of the African Integrated Rail Network programme
10. by introducing URVIS, the new global unique and permanent numbering system for rolling stock, the Protocol will
 - provide increased security to lenders and lessors, as well as operators, because of the ease of asset identification
 - enable regulators to effectively monitor the operation and admission of rolling stock to a rail network both domestically and as part of regional interoperability programmes thereby making the railways safer and more efficient
 - allow manufacturers, operators, maintainers, insurers and financiers to track the location, utilisation and status of the equipment, wherever it is, in real time, ensuring that maintenance is scheduled when needed rather than automatically (potentially delivering major costs savings to operators)
 - open out to creditors, operators and regulators the new permanent marking system introduced by the UN [Model Rules on the Permanent Identification of Railway Rolling Stock](#).

There are no costs to government from ratifying the Protocol and its obligations otherwise thereunder will be minimal. The advantages and opportunities for the government and the Eswatini rail and finance communities will be tremendous.

For more on the Luxembourg Rail Protocol, visit www.railworkinggroup.org, as well as the UNIDROIT website www.unidroit.org. Keep up to date with all the latest developments via the Rail Working Group's [LinkedIn group page](#).