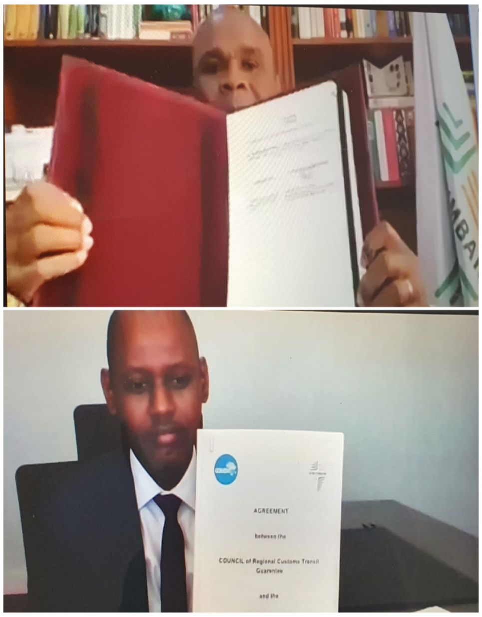

According to the African Economic Outlook 2012 , a report drafted by the African Development Bank (AfDB) in collaboration with the Organisation for Economic Cooperation and Development (OECD), the United Nations Development Programme (UNDP) and the UN Commission for Africa (UNECA), transport costs are 63% higher in African countries compared with developed countries. A great proportion of such cost is due to the infrastructure gap that characterises Africa, where asphalted roads are 5 times less than in developed countries, but is also caused by inefficient transit systems that are adopted in the Continent which raise the cost of movement of cargo and significantly contribute to delays at borders.

As Africa has many countries with no direct access to the sea, in many cases goods need to be imported through the seaports of other nations by transiting through the territory of one or more neighboring countries before they reach their final destination, where customs duties, VAT and other related taxes have to be paid. As in transit countries goods move under suspension of all such levies, customs authorities must ensure that during its journey, cargo is not irregularly diverted into their territories, so evading the payment of the above taxes. To this end, specific transit bonds are required from traders for the safeguard of their interests.

Today, many Regional Economic Communities (RECs) in Africa implement regional customs guarantee schemes where transit bonds are accepted in each member country that the trader has to cross. But the problem with such schemes is that they are implemented only in a few member States. COMESA, for instance, has adopted a Customs Bond Guarantee Scheme (popularly known as the RCTG Carnet), a customs transit regime designed to facilitate the movement of goods under customs seals in the COMESA region which provides the required guarantees to the transit countries Customs. The RCTG Carnet, however, is currently fully operational only in five of its 21 countries (namely: Burundi, Kenya, Rwanda, Tanzania and Uganda), with other 8 member States (Djibouti, DR Congo, Ethiopia, Madagascar, Malawi, South Sudan, Sudan and Zimbabwe) that still use it partially, being in different stages of implementation.

Because of this reduced implementation of regional customs guarantee schemes, what frequently happens is that a trader that is moving goods from a coastal country to an inland destination through the territories of more countries, is required to purchase a customs bond in each nation he crosses, because the bond purchased in the first country of transit in most cases is not accepted by the customs authorities of the successive countries of transit. With the consequence that the more countries cargo crosses, the higher costs and delays are incurred by that trader.

As part of the overall objective of promoting intra-African trade, Afreximbank has launched a project dubbed " Afreximbank-African Collaborative Transit Guarantee Scheme " (ACTGS), which seeks to reduce the bottlenecks and costs associated with movement of goods across borders within Africa. Under this scheme, Afreximbank will provide eligible beneficiaries, in collaboration with local guarantors affiliated to the Bank (insurance or other financial institutions in the different countries implementing the project), a transit guarantee that will cover the risk of loss of import duties or other revenues for customs authorities in the event that the transit procedure is not discharged properly (e.g. consignments being illegally diverted into the transit market or for which no evidence that they left the transit country has been produced).

Today, during a virtual ceremony of presentation of the ACTGS, COMESA and Afreximbank signed an agreement to pilot the initial implementation of the scheme in the COMESA Region. The Afreximbank plans are to progressively extend the scheme to the other Regional Economic Communities in Africa, and tendentially, over the entire Continent. If successful, this project is expected to significantly contribute to transport costs in Africa that, as indicated above, are prohibitive and significantly reduce the competitiveness of African traders by drastically increasing the prices of imported and transit goods in the destination markets.