



Transport & Logistics

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SOUTH AFRICA

- Financing South Africa's rail revolution: opportunities and developments



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Financing South Africa's rail revolution: opportunities and developments

At the Government's inaugural transport conference in Johannesburg which kicked off on 16 March 2026, President Ramaphosa set the stage for a major transformation of South Africa's logistics sector. He highlighted the urgent need to address a critical imbalance in freight transport, noting that nearly 70% of goods currently move by road, resulting in significant strain on infrastructure, compromised road safety and economic losses estimated at almost R1 billion per day.

Central to the President's address was the commitment to revitalising rail as the backbone of the nation's logistics network, underpinned by the National Rail Policy of 2022 and the National Freight Logistics Roadmap of 2023. These reforms aim to attract private sector investment while ensuring that vital assets like rail lines and ports remain publicly owned. With the introduction of the Transnet Rail Infrastructure Manager and the awarding of train slots to 11 train operating companies, President Ramaphosa announced that the first private rail operator is expected to commence operations in April 2027, with an ambitious goal to move 250 million tonnes of freight by rail by 2029.

Complementing these domestic reforms, the privatisation of Africa's rail sector is being propelled by a new international legal framework that streamlines and reduces the cost of financing railway rolling stock for private sector participants (PSPs).



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The Luxembourg Rail Protocol (Protocol), which entered into force on 8 March 2024, establishes a harmonised system for recognising and enforcing creditor rights in rolling stock via a global unique identification number under the Unique Rail Vehicle Identification System (URVIS). As discussed in our alert [here](#) South Africa's Export Credit Insurance Corporation (ECIC) has responded by announcing a risk premium discount of up to 20% for Protocol-compliant financings. Furthermore, the United Nations (UN) has adopted Revision 3 of the global **Model Rules on the Permanent Identification of Railway Rolling Stock** (UN Model Rules), enabling real-time digital tracking solutions for railway rolling stock. Collectively, these advancements offer compelling opportunities for financiers and PSPs to enhance private sector investment in South Africa's rail network.

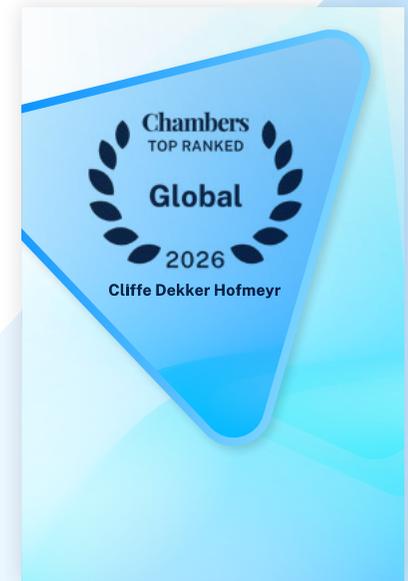
ECIC discount

On 27 August 2025, the ECIC announced that it will apply a discount of up to 20% to its risk premium when underwriting rolling stock financings where the Protocol is in force in the state of the debtor or lessee. This discount is subject to ECIC minimum local South African content rules, compliance with the Protocol and other underwriting conditions. This is a positive move for competitiveness and may facilitate greater participation by PSPs in South Africa's rail sector network.

Protocol

The Protocol creates, for the first time, an international registry, publicly accessible 24/7 through the internet, for security interests in railway rolling stock – covering rolling stock wherever manufactured, whether new or used and whatever gauge or operability standards apply. The definition of rolling stock is broad and applies to “*vehicles movable on a fixed railway track or directly on, above or below a guideway*”, including inter-urban and urban rolling stock, specialist boring and other rail mounted “*yellow*” rail equipment, metro and light rail trains and trams, monorail trains and cable cars, people movers/shuttles at airports, hyperloop pods and cranes and gantries at ports. The Protocol also allows for registration of notices of sale of rolling stock, which is an important protection against fraud for the industry.

The Protocol is currently ratified by six states (Gabon, Luxembourg, Paraguay, South Africa, Spain and Sweden) as well as the European Union in relation to its competences. British accession is currently going through the UK Parliament and many other states, including France, Germany, Italy, Mozambique, Botswana, the Democratic Republic of Congo, Eswatini, Mauritius and Zimbabwe are also considering its adoption. As the Protocol is adopted by further countries (regarded as “*contracting states*”), the advantages of structuring finance deals in accordance with the Protocol will only increase, given that creditors can only enforce their remedies in terms of the Protocol where the debtor (typically the PSP) is domiciled in a contracting state.



Central to this framework is URVIS, where a unique 16-digit identification number is allocated by the International Registry in Luxembourg to each item of rolling stock. The URVIS number must be permanently marked on the equipment via a physical marker in accordance with the UN Model Rules.

UN Model Rules and URVIS

In November 2025, the UN, through its Economic Commission for Europe, adopted the UN Model Rules which came into force in February 2026. Most significantly, this revision introduced Appendix 3, which establishes a framework for access for creditors and others, such as insurers, to digital platforms showing the real-time status of rolling stock by reference to its URVIS number.

This provides financiers with transformative advantages, including tracking of location and use of financed assets; the ability to use geo-fencing agreements with alert systems if rolling stock moves outside approved zones; easier repossession in the event of debtor default or insolvency; predictive maintenance based on utilisation rather than time; enabling 'pay-as-you-go' pricing structures in lease agreements based on per kilometre usage; and likely lower insurance premiums given improved tracking capabilities. Importantly, adoption of the digital solution is voluntary and must be agreed in writing between creditor and debtor. However, the physical

URVIS marker remains mandatory in respect of any registration of security interests and enforcement of creditor rights, taking precedence in the event of any conflict with the digital solution.

Protocol clauses to be included in financing agreements

Notwithstanding that the Protocol is not binding in terms of South African domestic law yet (but "*domestication*" work is under way), given these developments, it is important for financiers to start incorporating Protocol provisions into their security agreements. Key provisions that are necessary include obtaining the URVIS number for each item of financed rolling stock, recording the debtor's undertaking to comply with the UN Model Rules for permanent marking and recording the debtor's agreement to digital tracking requirements under the new Appendix 3. Where the debtor is not yet in a contracting state (i.e. not in South Africa), agreements should include obligations to register pre-existing security interests at the international registry and, at the creditor's option, to re-execute documentation when the Protocol enters into force locally.



Practical implications

PSPs engaging with financiers on rolling stock financing should ensure that their funding arrangements are structured to comply with the Protocol, and ensure that manufacturers or suppliers mark the rolling stock with URVIS numbers on delivery to the PSP in order for it to benefit from the ECIC discount (where applicable) and enhanced creditor protections leading to lower funding costs. The transition rules in the UN Model Rules provide flexibility in respect of equipment already in use. Where rolling stock is already marked with running numbers and the Protocol has been adopted, URVIS markers must be permanently affixed within 12 months of signature of the relevant credit agreement. In exceptional circumstances, where equipment is physically inaccessible and where it may not be physically practical to immediately access the equipment, this period may be extended to up to three years.

Lastly, but importantly, there will usually be a benefit as a matter of domestic law, for parties to register security interests and notices of sale now in respect of rolling stock (by reference URVIS numbers) even where the Protocol does not yet apply.

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BBBEE STATUS: LEVEL ONE CONTRIBUTOR

Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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