



THE OPERATIONAL GUIDELINES OF THE INTER - STATE ROAD TRANSIT (ISRT)

PREAMBLE

The Inter-State Road Transit (ISRT) scheme is one of the major steps leading towards the realization of economic integration and development within the West African Sub-region. This operational guideline highlights the salient issues regarding the purpose, mode of operation and the pivotal role of the Nigerian Export - Import Bank (NEXIM) towards the realization of the goals of the ISRT scheme.

THE ISRT CONVENTION

The Economic Community of West African States (ECOWAS) was formed primarily to establish a single market in the West African sub-region, thereby leading to the economic integration of the region. One of the central aims of the body is to promote co-operation and economic integration, which among other things include the abolition of quantitative and administrative restrictions on trade among Member States. The ECOWAS Guarantee Mechanism for Inter-State Transit of Goods was established by Supplementary Convention and approved by ECOWAS Heads of State in May 1980. The Protocol, which established the mechanism, was signed in 1982 and later ratified by the required number of States in 1987. Specifically, Article 3 (1) of the Convention provides that:

“The mechanism shall consist of a chain of National bodies, responsible for the payment of duties, taxes and other impositions incurred in the territory of the Member State transited within the framework of the Inter-State Road Transit of Goods”.

In fulfillment of the requirement of the scheme, the Federal Government of Nigeria appointed the Nigerian Export-Import Bank (NEXIM) as the National Guarantor in April 1998 to implement the scheme, hence the pivotal role of the Bank in this regard.

OBJECTIVES OF THE ISRT

Prior to the coming into operation of the ISRT Convention, trade between Member-States in the sub region is characterized by the cumbersome, time wasting and

costly escort system whereby goods in transit were held up at custom check points for several days in order to get sufficient number of vehicles that would be escorted by the customs authorities. The ISRT scheme is therefore designed to promote the free flow of goods among Member - States free of duties, taxes and restrictions while in transit and to eliminate the time-wasting escort system and to check the diversion of goods consigned for specific destination. The transit operation would be accompanied by a set of documents such as the Logbook and the Notice of Passage. In addition, the scheme helps in the compilation of trade statistics, which are comprehensive and reliable. The Logbook is designed as a single document that captures all necessary data for both the transit operation and the compilation of official statistics.

ROLE & OBLIGATIONS OF NEXIM AS NATIONAL GUARANTOR

In fulfillment of the Protocol, the Federal Government through the Federal Ministry of Transport appointed NEXIM Bank as the National Guarantor of the ISRT scheme for Nigeria in April 1998. The appointment conferred on NEXIM the sole responsibility of guaranteeing all goods transiting through Nigeria to other ECOWAS countries against the risk of diversion and acting on behalf of the other fifteen (15) National Guarantors in relation to the administrative authorities in Nigeria. This may involve payment of obligations on their behalf to the Nigeria Customs Service. The agreement signed between National Guarantors of the Inter State Road Transit of goods within ECOWAS clearly defines the obligations of each National Guarantor to the other within the framework of the ISRT. NEXIM's role within the framework of the scheme is enumerated below:

- (i) NEXIM shall be responsible for the issuance of the guarantee document under the ISRT scheme for consignments originating from Nigeria.
- (ii) NEXIM shall be the official Correspondent to the other fifteen (15) national guarantors and shall act on their behalf in relation to the administrative authorities in Nigeria. This will involve payment on their behalf to the Nigeria Customs Service where consignments underwritten by them are discharged within the Nigerian customs area, failing to reach the designated destination.
- (iii) As a Correspondent, NEXIM shall be responsible for the risk covered (i.e. duties, taxes, penalties) and shall make payments of amount due whenever the Principal Obligees fail to do so upon simple demand by the customs administration of a member state. Where consignments underwritten by NEXIM are discharged in transit and do not reach their designated port of discharge, NEXIM shall be required to pay the amounts demanded on failure of the Principal Obligees to do so.
- (iv) NEXIM shall also undertake to refund the amounts paid by other Correspondent(s) in place of and on behalf of the Principal Obligees who holds a NEXIM bond for infringements committed during transit operations.

- (v) NEXIM and the Principal Obligee shall be discharged of their obligation under the ISRT in relation to customs authorities at the completion of the transit operation with a discharge from the customs office of destination.

RISKS COVERED BY THE GUARANTEE

The risk covered under the ISRT Guarantee is that of diversion of goods within a country other than the country of destination, which would result in a loss of import duties and or charges that could have been paid to the Customs authorities in the country the diversion occurs. In the case of Nigeria, for example, the risk covered by NEXIM is that of the import duty accruable to the Nigerian Customs Service based on the invoice value of the transiting goods. It however excludes risk arising from damages to goods in transit, which should be covered by normal insurance. The NEXIM ISRT bond is therefore held against the Importer/Agent in favour of the Nigeria Customs Service.

METHOD OF OPERATION

The Importer or his Agent desiring to carry out a transit operation shall first obtain an approval for a transit operation from the Nigeria Customs Service Headquarters. Upon receipt of the approval, the Importer/Agent applies to NEXIM Bank for a guarantee bond and is issued the necessary forms for completion. The Bank considers the application based on the operating guidelines and issues the relevant transit documents as appropriate.

Thereafter, the Importer or his Agent applies to the Federal Operations Unit of the Nigeria Customs Service for escort service and on release of the goods from the Area Command, proceeds to the exit border. (This escort system will only be obtained during the transition period up to a time the National Guarantors are familiar with each other and the customs are familiar with the scheme). At the border in the country of destination, which is also indicated on the transit entry form, the escorting officer(s) will receive a Landing Certificate, issued by the Customs in that country. The presentation of the Landing Certificate back to NEXIM enables the bank to discharge the bond and end the transaction. Further details are provided below:

COMPLETION OF GUARANTEE PROPOSAL FORM

The Principal Obligee (Owner/Transporter/Agent) shall obtain, complete and submit a prescribed proposal form from NEXIM, giving particulars of the intended transaction and a commitment to indemnify NEXIM of the duty payable to Nigeria Customs Service in the event of default. The application is assessed and upon

meeting the laid down criteria, a fee is charged. Upon payment of the fee, the applicant is issued the Logbook, which serves as the guarantee document.

ECOWAS / ISRT LOG BOOK (Transit Declaration Bond Form)

In accordance with the ISRT Convention and the rules spelt out in the agreement between the National Guarantors, all goods transported under the scheme shall be covered by Inter-State Road Transit declaration form otherwise known as the ECOWAS/ISRT LOGBOOK. The Log Book contains numbered leaflets, which bear the undertakings and obligations of the Principal Obligee (Owner/Agent/Transporter) and his guarantor (NEXIM) to the relevant customs authorities. The logbook bears the number, type of package, description, quantity, gross weight and value of the goods as well as customs offices of departure and destination.

The logbooks is made up of four numbered leaflets that are distributed on completion as follows:

Leaflet No 1 (White)

To be detached and kept at the office of departure where it is checked against leaflet No 3, at the end of transit operation;

Leaflet No. 2 (Pink)

To accompany the goods and to be deposited at the office of destination;

Leaflet No. 3 (Yellow)

To accompany the goods and to be deposited at office of destination, for return to the office of departure;

Leaflet No. 4 (Light Green)

To accompany the goods and to be deposited at the office of destination for forwarding to the relevant body in charge of statistics in the member state of final destination.

For every transit transaction arising from Nigerian Ports, NEXIM being the official guarantor will serve as the “Office of Guarantor” or “Office of Departure”. Each guarantee bond shall bear the name and address of the owner, Clearing Agent or Transporter, and shall cover at least the sum of duties and taxes payable on goods and possible penalties. A guarantee could cover ISRT operations spanning two or more member states or simply to a geographically contiguous state depending on the number of member states involved in the transaction. However, cover provided under the bond is valid for a single transit operation only and commences from the date specified in the Log Book.

GUARANTEE BOND FEE

There shall be a fee payable by the Principal Obligee, a single premium of 0.5% of the CIF value of the goods shall be charged. After determining the fee to be paid, the authority to accept the fee and issue the bond is sought and obtained from NEXIM Head Office before further processing. When obtained, the fee is then

entered into the Customs transit entry forms (normally in quadruplicate) submitted by owners of goods and is noted in the appropriate column in the ISRT Log Book/declaration.

MODE OF PAYMENT.

The Importer/Agent/Transporter will be advised to pay the fee into a designated NEXIM account and present a copy of the teller, after sighting, a guarantee bond is signed and issued with, the first copy retained until the end of the transit operation.

ACCEPTED MODE OF TRANSPORTATION.

The accepted means of transporting goods under the ISRT scheme as defined by the convention are;

- i) A sealed road vehicle
- ii) A sealed road vehicle accompanied by its trailer
- iii) A container loaded onto a means of transport

Sealing either the vehicle or the packages and containers carried thereon shall ensure the security of goods being transported. The Customs authorities of member states are under obligation to respect the sealing done at the custom office of departure and under the terms of the Convention, transit offices shall not carry out checks on goods unless there are sufficient grounds for suspicion of irregularities and such checks shall only be carried out on the authority of the Head of the Customs Office.

OTHER FORMALITIES

The Principal Obligee, who is the owner of goods or his agents or transporter proceeds with the remaining formalities, which include:

- (i) Applying to the Federal Operations Unit of the Nigeria Customs Service for a customs escort.
- (ii) Ensuring that the Landing Certificate is obtained from the Customs office of destination and,
- (iii) On return, submit the Landing Certificate to the NCS, while a copy of the certificate together with the 3rd leaflet of the bond (logbook) is returned to NEXIM.
- (iv) The submission of the Landing Certificate to Nigeria Customs Service and the 3rd leaflet of the bond to NEXIM, discharges the bond.

NOTICE OF PASSAGE

In addition to the LOGBOOK the Principal Obligee is required to accompany the goods in transit with the Notice of Passage which would also be issued by NEXIM. The Notice of Passage is an unnumbered leaflet of the Inter-State Road Transit declaration, which is deposited by the Transporter in each passage office. This

document, which has been produced in triplicate, is to be registered and given to the Principal Obligee or his authorised representative. Copies (sets) of the document will be given to the Principal Obligee relative to the number of transit offices in the ISRT operation.

OBLIGATIONS OF THE PRINCIPAL OBLIGEE

The obligation of the Principal Obligee under the ISRT is primarily to follow the agreed itinerary of the transit operation, through the specified transit states, and deliver the goods at the office of destination intact within the specified period. In the event that the transit operation can no longer be carried out as spelt out in the declaration, other passage offices may be used. However, this has to be authorised by the appropriate authorities. In the event that the sealing is damaged accidentally whilst in transit, the transporter should ask for a statement from the customs authorities, or in their absence any other competent authority, and such authorities should reapply the sealing where possible. The report of damage to the sealing and the application of the new sealing shall be made on the ISRT declaration form. Where an accident occurs, the nearest customs authority should be notified. If the accident necessitates the transfer of the goods unto another means of transport, the transporter is required to use his initiative to do so but shall report steps taken in the LOGBOOK and the Notice of Passage in his possession. Also in the event that he is no longer in a position to respect the prescribed time limit, a competent authority shall indicate this on the transit documents. Again, in the event that the journey can no longer be continued for whatever reason, the office where this happens becomes the office of destination. Where this happens it should be indicated on leaflet No. 2, 3 and 4 of the Logbook.