



# Economic and Social Council

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## Economic Commission for Europe

### Administrative Committee for the TIR Convention, 1975

#### Seventy-second session

Geneva, 6 February 2020

Item 7 of the provisional agenda

#### Audit of the accounts of the TIR Executive Board and the TIR secretariat

### Alternative financing arrangement

#### Note by the secretariat

## I. Mandate

1. The audit of the management of the TIR Trust Fund conducted by the United Nations Office of Internal Oversight Services (OIOS) recommends that ECE should bring to the attention of the TIR Administrative Committee (further referred to as the Committee) the need to develop an appropriate alternative financing arrangement to ensure the sustainability of TIR Trust Fund operations. (see Recommendation No. 7 (b) in ECE/TRANS/WP.30/AC.2/2019/25).
2. At its eighty-second session, the TIR Executive Board (TIRExB) considered Recommendation 7 (b) and concluded that the Committee was the appropriate body to consider this recommendation and decided not to provide its opinion on the matter.
3. The Committee, at its seventy-first session (October 2019), noted that the secretariat would prepare a formal document for consideration at its February 2020 session on developing an appropriate alternative financing arrangement to ensure the sustainability of TIR operations, using, when appropriate, the suggestions made by the consultants hired for drafting the 2020–2023 agreement between ECE and the international organization (ECE/TRANS/WP.30/AC.2/145, paras. 79–80).

## II. Considerations on the financing arrangements

### A. Background

4. Annex 8, Article 13, paragraph 1 of the TIR Convention states that “The operation of the TIRExB and the TIR secretariat shall be financed, until such time as alternative sources of funding are obtained, through an amount per TIR Carnet distributed by the international organization as referred to in Article 6. This amount shall be approved by the Administrative Committee.”



5. Explanatory Note 8.13.1–1 further clarifies that: “Following an initial period of two years, the Contracting Parties to the Convention envisage the operation of the TIR Executive Board and the TIR secretariat to be financed through the regular budget of the United Nations. This does not preclude a prolongation of the initial financing arrangement should financing from the United Nations or alternative sources not be forthcoming.”

6. Since its introduction in 1999 and despite various attempts to obtain direct funding through the regular budget of the United Nations, the current financing mechanism of TIRExB and the TIR secretariat by means of an amount per TIR Carnet has been the only mechanism to secure the funds required annually for TIRExB and the TIR secretariat.

7. At its seventy-first session (October 2019), the Committee, took note that recommendation 7 (b) was related to the sustainability of the TIR Trust Fund, due to the declining number of TIR Carnets and the deficits accumulated in the last couple of years. The Committee also raised concerns about possible consequences of the deficits (ECE/TRANS/WP.30/AC.2/137, para. 27).

## **1. Deficit and surplus**

8. In the current funding mechanism, the international organization advances the funds for the next year and recovers those funds by charging the amount per TIR Carnet which was decided by the Committee by dividing the TIR budget prepared by the TIR secretariat by the number of TIR Carnet to be issued in the next year, as forecasted by the international organization. By definition, this method leads to either a surplus or a deficit in the funds collected, as it is virtually impossible to forecast the exact number of TIR Carnets that will be issued.

9. Consequently, agreements with the international organization included a mechanism to deal with both surpluses and deficits. In the case of an excess, the international organization shall transfer it to ECE and this amount will be taken into account in the calculation of the budget for the next year. From 2008 to 2019, in case of a deficit, the following two options were available:

- the recalculation of the amount per TIR Carnet for the current year;
- the recording of the deficit in the international organization accounts, with the aim to subsequently recover it in future budget cycles.

10. The decision to revert to either of these options was taken by the Committee on the basis of a recommendation transmitted by the international organization and the Committee almost systematically opted for the second method.

11. These decisions, together with an optimistic forecast of the number of TIR Carnets to be issued, led to an accumulation of deficits, which, in turn, led to Recommendation 8 in the OIOS report.

12. In response to Recommendation 8, the 2020–2023 agreement between ECE and the international organization solves the deficit issue by introducing a provision which cancels past deficits and reads as follow:

“By entering into this Agreement, IRU confirms that there are no amounts due by UNECE to IRU relating to the financing of the operation of TIRExB and the TIR secretariat arising from the implementation of the previous, and current, agreements signed between UNECE and IRU.”

13. Furthermore, to avoid any future accumulation of deficits, Annex II, paragraph 12 of the new agreement was amended as follows:

“On the basis of the above-mentioned audit certificate, if the amount invoiced was less than initially transferred by IRU, the TIR Administrative Committee will include this amount in the TIR Carnet to be collected in the next budget year to compensate the difference and ensure the financing of the operation of TIRExB and the TIR secretariat. If the amount invoiced is less than initially transferred by IRU to ensure the funding of the operation of TIRExB and the TIR secretariat for the last year of this

Agreement, or on termination of the same, the difference will be absorbed by the IRU without recourse”.

14. This new provision not only removes the option to record the deficit for future adjustments, but also ensures that, at the end of the period covered by the Agreement, any deficit will have to be absorbed by the international organization and cannot be carried over to the next period.

## **2. Decline in the issuance of TIR Carnets**

15. The decline in the number of issued TIR Carnets can also represent a concern for the sustainability of the financing of TIRExB and the TIR secretariat. A significant consequence of this decline is a gradual increase of the amount per TIR Carnet to be charged. However, most importantly, the decline in the issuance of TIR Carnets even more significantly puts risk the sustainability of the whole guarantee chain at risk, which might not be able to operate the TIR system if the number of issued TIR Carnets drops under a certain threshold.

16. To date, numerous efforts have been undertaken to attract the interest of new countries in the TIR system. While the effects of the accession of large countries in recent years has not yet transpired in the number of TIR Carnets issued, the potential of expansion of the TIR system is now much higher. Furthermore, the efforts to computerize the TIR system are starting to yield results, both in the form of functioning eTIR pilot projects and in a significant advance towards the introduction of eTIR in the TIR Convention. These developments, aimed at improving the TIR system, should also lead to an increased usage of the TIR system.

## **B. Potential sources of financing**

17. The users and beneficiaries of the TIR system are governments and the transport industry. It seems, thus, logical that the financing of TIRExB and the TIR secretariat would originate from either or both of them.

### **1. Financing from member States**

18. The TIR Convention already envisages the financing through the regular budget of the United Nations. However, to date, member States have not supported this option (see OIOS Report 2019/010). In view of the current budget restriction it seems unlikely that this would change in the near future, but a request could be sent again.

### **2. Financing from the transport industry**

19. The current financing mechanism, based on an amount per TIR Carnet, has been working for twenty years and, now that the issue identified by OIOS related to the accumulation of deficits has been solved (see para. 12), this mechanism has become even more sustainable.

20. Any alternative financing mechanism based on contributions from the transport industry will remain vulnerable to the reduction in the issuance of TIR Carnets, as the private sector will not be able to operate the TIR system below a certain threshold. At the same time, would the TIR system cease to function, TIRExB and the TIR secretariat would disappear as well, thus no more need to finance them.

## **C. Preliminary considerations**

21. Considering that a financing from the United Nations regular budget remains unlikely and that the current financing mechanism has been further improved, the Committee might want to consider further alternative financing mechanisms. While discussing this matter at its eighty-second session, TIRExB concluded that it was a matter to be dealt with by the Committee and preferred not giving an opinion on the matter. However, at the same session, one TIRExB member did not agree with the conclusion in the audit report that the existing financing mechanism was not a sustainable model, as it had worked properly for many years and was of the view that there was no need to consider a new mechanism.

22. The Committee might also want to consider that, in their report, the consultants propose to replace the current financing mechanism by an annual lumpsum payment by the international organization. This would leave more freedom to the international organization on how to organize the recovery of the lumpsum payment. However, this proposal does not solve, in any way, the issues related to the decline in the issuance of TIR Carnets. Furthermore, this option does not consider the case where the Committee would approve multiple international organizations. While such a case is rather hypothetical, it is foreseen in the TIR Convention. In such case, it is then unclear how the TIR budget would be divided in separate lumpsum payments from the various international organizations. While the most equitable option would be to take into account the number of TIR Carnets issued by the different international organizations, this would, de facto, be a return to a mechanism based on the number of TIR Carnet issued.

### **III. Considerations by the Committee**

23. The Committee is invited to consider this document, possible alternative financing mechanisms and provide guidance to the secretariat on future steps to be undertaken.

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