



**Economic and Social
Council**

Distr.
GENERAL

TRANS/WP.30/AC.2/2005/17
19 August 2005

ENGLISH
Original: ENGLISH, FRENCH
and RUSSIAN

ECONOMIC COMMISSION FOR EUROPE

Administrative Committee for the TIR Convention, 1975

(Thirty-ninth session, 6 October 2005,
agenda item 3 (b) (iii))

**ACTIVITIES AND ADMINISTRATION OF THE TIR EXECUTIVE BOARD
(TIRExB)**

Financial administration of the TIRExB and the TIR secretariat

Budget proposal and cost plan for the year 2006

Transmitted by the International Road Transport Union (IRU)

1. At the thirty-eighth session of the Administrative Committee, 3 February 2005, two Contracting Parties made remarks on the functioning of the financing arrangement for TIRExB and the TIR Secretariat. As a Party to this financing arrangement, IRU reminds the Contracting Parties that the arrangement is established in accordance with Annex 8, art. 13 of the TIR Convention and implemented through the Agreement between UNECE and IRU, signed on 18 September 2003 and endorsed by all Contracting Parties at the meeting of the Administrative Committee on 25-26 September, 2003 (TRANS/WP.30/AC.2/2003/14 and TRANS/WP.30/AC.2/71).

2. Aiming at full transparency on this unusual financing arrangement, which, at the time when the Annex 8 was elaborated, was only meant to exist for a short initial period of two years, IRU describes below the way this financing arrangement has been established, in cooperation between the TIR Secretariat and the IRU, in the Agreement between the UNECE and IRU.

3. According to Annex 8, art. 13 the operation of the TIRExB and the TIR Secretariat shall be financed through a levy on each TIR Carnet distributed by the IRU. The Administrative Committee determines the amount of the levy and the procedure for its collection, following consultations with the international organization. The financing arrangement, the main element of which is a pre-financing of the budget for the TIRExB and the TIR Secretariat on an annual basis, is implemented through the Agreement between UNECE and the IRU and described in its Annex 1, the contents of which are approved by the Administrative Committee.

4. Annex 1 to the Agreement stipulates the obligation of the IRU to transfer the requested amount to the UN Geneva General Fund to pre-finance the budget for the TIRExB and the TIR Secretariat for the following year (for the 2005 budget, USD 883,000 were transferred by the IRU before 15 November 2004). As additional information, point 4 of Annex 1 to the Agreement contains the following wording: *“On the basis of XXX million TIR Carnets, as forecasted to be used in the year YYY, the amount of the levy per TIR Carnet is estimated to be USD ZZZ”*. The wording of this point is based on a “forecast” and on an “estimation” and corresponds to the wording used by the TIR Secretariat, when presenting the budget to the Administrative Committee.

5. Respecting the Agreement, IRU’s primary role in the financing arrangement is to pre-finance the budget of the TIRExB and the TIR Secretariat, its secondary role being to collect the necessary funds to cover the pre-financing. The collection of the necessary funds and the pre-financing of the budget of TIRExB and the TIR Secretariat can be described as follows:

- In July/August of the year preceding the new financial year, the TIR Secretariat informs the IRU of the draft budget and the total amount to be pre-financed by the IRU to cover in advance the budget of the TIRExB and TIR Secretariat. At the same time, namely 18 months prior to the closing of the year’s accounts, IRU is asked to give its forecast of the number of TIR Carnets to be issued during the following year. According to sound management rules, IRU gives a forecast, which is necessarily very prudent particularly in the recent years, where major external factors, such as EU enlargement, influence the use of TIR Carnets and thus their issuance.
- In October, the TIRExB and the Administrative Committee take note of and approve the budget, including the amount to be transferred by the IRU and the estimation of the levy. In the second week of November, IRU pre-finances the budget by transferring the amount to the TIR Trust Fund.

- At the same time, IRU decides, as part of its own internal budget procedure, the amount per TIR Carnet it has to collect as from 1st January in the following year in order to cover the amount transferred in November. When IRU makes this decision, it takes into account the results of the collection of amounts in previous years.
- Since 2001 the amount collected has been 0.30 SFr per TIR Carnet. IRU's auditor, KPMG, has established financial statements for the years 1999-2004, which have been given to the UN's Board of Auditors. The statements are annexed to this document for information of the Contracting Parties. It can be concluded that there is almost a balance between the amounts transferred to UN and the amounts collected, except for the year 2004, where an extraordinary transfer of USD 305,000 was demanded in connection to the signing of the revised Agreement, leading to the current deficit of 275,224 SFr for the IRU, an amount which still remains to be covered.

6. The complexity of the financing arrangement originates from the fact that the IRU is not only asked to transfer the requested amount in advance to pre-finance the budget for TIRExB and the TIR Secretariat, but also, up to 14 months later, to collect each day the levy to recover the amount transferred in advance to the TIR Trust Fund. The IRU has, on several occasions, given detailed information, documentation and viewpoints on the above mentioned issues to the Contracting Parties and the TIR Secretariat.

7. However, until the last meeting of the Administrative Committee in February 2005, the pre-financing arrangement and the collection of the necessary funds, were carried out in accordance with the procedure established in the Agreement between the UNECE and IRU, as approved by the Administrative Committee. Indeed in para. 34 of the report of the last meeting of the Administrative Committee (TRANS/WP.30/AC.2/77, p. 9), it is clearly stated that "*the Administrative Committee endorsed its decision, taken at its thirty-seventh session, confirming the authorization that had been granted to the IRU for the year 2005 (TRANS/WP.30/AC.2/75 paras. 35-36), bearing in mind that the IRU had complied with the conditions to transfer the required amount for the funding of the TIRExB for the year 2005.*"

8. If so requested by the Administrative Committee, it goes without saying that the IRU would support a modification of the current financing arrangement.

* * *

Annex: Financial statement by IRU's external auditor, KPMG, dated 30 March 2005, with 3 enclosures. Only the original texts in English are authentic.

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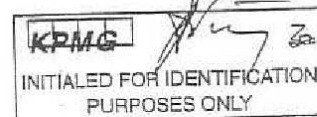
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**ATTESTATION BY KPMG, AS IRU AUDITOR, ON THE
AMOUNT PAID BY THE IRU TO THE UN IN THE
FRAMEWORK OF THE AGREEMENTS BETWEEN
UNECE AND THE IRU.**

Date of payment	Amount paid in US\$	in CHF (**)
27 novembre 1998 for 1999	\$ 698'880.00	SFr. 984'023.05
10 novembre 1999 for 2000	\$ 500'000.00	SFr. 773'500.00
15 novembre 2000 for 2001	\$ 600'000.00	SFr. 1'063'560.00
15 novembre 2001 for 2002	\$ 450'000.00	SFr. 752'535.00
3 décembre 2002 for 2003	\$ 685'300.00	SFr. 1'020'137.58
12 novembre 2003 for 2004	\$ 737'000.00	SFr. 1'008'437.10
12 novembre 2003 for 2004	\$ 305'000.00 (*)	SFr. 417'331.50

(*) Amount paid on a one time basis

(**) Correspond to the exchange rate US\$/CHF applied at the date of Payment



Geneva, March 29 2005.



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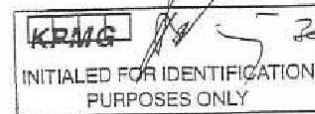
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ATTESTATION BY KPMG, AS IRU AUDITOR, ON THE AMOUNTS COLLECTED BY THE IRU TO COVER AMOUNT PAID BY THE IRU TO THE UN IN THE FRAMEWORK OF THE AGREEMENTS BETWEEN UNECE AND THE IRU.

<u>YEAR</u>	<u>Invoiced by the IRU Per TIR Carnet issued</u>	
1999	SFr.	0.40
2000	SFr.	0.40
2001	SFr.	0.30
2002	SFr.	0.30
2003	SFr.	0.30
2004	SFr.	0.30

Geneva, March 29 2005.



**SUMMARY OF AMOUNTS PAID TO UN AND AMOUNTS COLLECTED BY THE IRU FROM THE
 ISSUANCE OF TIR CARNETS FROM 1999 TO 2004**

Date of payment	Amount paid in US\$	in CHF (**)	Carnets Issuance	Invoiced by TIR Carnet issued	Total amount invoiced	Yearly Balance	Balance
27. novembre 1998	\$ 698'680.00	SFr. 984'023.05	2'344'000	SFr. 0.40	SFr. 937'600.00	SFr. 46'423.05	SFr. 46'423.05
10. novembre 1999	\$ 500'000.00	SFr. 773'500.00	2'782'600	SFr. 0.40	SFr. 1'113'040.00	SFr. -339'540.00	SFr. -293'116.00
15. novembre 2000	\$ 600'000.00	SFr. 1'063'560.00	2'707'950	SFr. 0.30	SFr. 812'385.00	SFr. 251'175.00	SFr. -41'941.00
15. novembre 2001	\$ 450'000.00	SFr. 752'535.00	3'095'200	SFr. 0.30	SFr. 928'560.00	SFr. -176'025.00	SFr. -217'966.00
3. décembre 2002	\$ 685'300.00	SFr. 1'020'137.58	3'298'000	SFr. 0.30	SFr. 989'400.00	SFr. 30'737.58	SFr. -187'229.00
12. novembre 2003	\$ 737'000.00	SFr. 1'008'437.10	3'211'050	SFr. 0.30	SFr. 963'315.00	SFr. 45'122.10	SFr. -142'107.00
12. novembre 2003	\$ 305'000.00 (*)	SFr. 417'331.50			SFr. -	SFr. 417'331.50	SFr. 275'224.00

(*) Amount paid on a one time basis

(**) Correspond to the exchange rate US\$/CHF applied at the date of payment

KPMG
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Geneva, March 29 2005