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## Economic Commission for Europe

### Inland Transport Committee

#### Seventy-third session

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Item 10 (h) of the provisional agenda

**Issues that need consideration and require decisions  
by the Committee: Strengthening border crossing  
facilitation (Harmonization Convention, eTIR project  
and other customs transit facilitation measures)**

### **Activities of the secretariat and Contracting Parties with a view to strengthening the TIR Convention and ensuring transparency in managing of the TIR system**

#### **Note by the secretariat**

##### *Summary*

The ITC is invited to take note of and support the activities undertaken by the UNECE secretariat aimed at strengthening the TIR Convention and improving transparency in its management – tasks which have been identified as priorities of the UNECE reform.

## **I. Background**

### **A. The TIR Convention, 1975**

1. The TIR Convention is administered by the United Nations Economic Commission for Europe (UNECE) and is devised to facilitate international road transport through the use of an international Customs transit document (TIR Carnet) and to provide the required Customs security and guarantees. The Convention has 68 Contracting Parties and is governed by the TIR Administrative Committee (AC.2) whose membership comprises all Contracting Parties to the TIR Convention. Every year around 3,000,000 transports are carried out under cover of TIR Carnets.

2. The international guarantee system is managed by the International Road Transport Union (IRU), a non-governmental organization in special consultative status with ECOSOC. On the basis of an authorization granted by AC.2, IRU prints and distributes TIR Carnets and organizes the TIR guarantee through an international chain of national road transport associations that are members of the IRU. The IRU guaranteeing chain has a de-facto monopoly on printing, distributing and guaranteeing TIR Carnets as, for the time being, no other organization has pursued an interest in undertaking this role.

## **B. TIR Executive Board, TIR secretariat and TIR Trust Fund**

3. Following considerable difficulties in the application of the Convention and in the functioning of the TIR guarantee system in the early nineties, the Contracting Parties in 1999 established the TIR Executive Board (TIRExB) to ensure intergovernmental supervision of the TIR regime and its international guarantee system. The decisions of the TIRExB are executed by the TIR Secretary (a member of the UNECE secretariat), who is assisted by the TIR secretariat. AC.2 approves the size of the TIR secretariat, as well as the Terms of Reference, work programme and activities of the TIRExB and TIR secretariat, their budgets and cost plans, interim account statements and annual financial reports.

4. Operation of the TIRExB and the TIR secretariat is currently financed by users of the TIR system (holders of TIR Carnets) through an amount per TIR Carnet distributed by IRU (in 2010: US\$ 0.33 per TIR Carnet, whose total price is around US\$ 50.00), in accordance with a specific provision of the Convention. IRU collects these individual amounts and transfers them to the TIR Trust Fund, established in 1998 by UNECE to accommodate the operation of the TIRExB and the TIR secretariat. Thus, the transfer of funds required to implement the financing is not a donation or contribution for a specific project, but a legal obligation stipulated in the Convention and one of the conditions for IRU to become authorized to produce and sell the TIR Carnets and organize the TIR guarantee system.

5. The TIR Trust Fund is operational under applicable UN financial regulations, rules and directives and has met with the approval of both the Board of External Auditors (BOA) and the Office of Internal Oversight (OIOS). The transparency of the TIR Trust Fund is ensured through a mechanism of reporting to the TIR Administrative Committee.

## **C. UNECE-IRU agreement**

6. This agreement has two major functions:

(a) to confirm the authorization granted to IRU and to stipulate IRU's responsibilities under the authorization;

(b) to define modalities for the transfer of funds required to finance the operation of the TIRExB and TIR secretariat.

7. UNECE signs the agreement upon mandate of the Administrative Committee. The content of the agreement is also adopted by AC.2. The original agreement was concluded in 1999 and has been revised several times. A new agreement covering the period until the end of 2013 has recently been signed (see para. 15 below).

## **D. TIR and UNECE reform**

8. The External Evaluation Report of June 2005 commissioned by UNECE member States refers to the TIR Convention as a good example of UNECE's influence on global

trade facilitation. Member States maintain that the TIR Convention must be further expanded to include territories outside the ECE region. The TIR Convention also needs to have at least some of its procedures computerized. With this statement, the External Evaluation Report recognizes the TIR Convention as being one of the major global instruments administered by the UNECE, having a crucial impact on the further development and long-term sustainability of the transport industry worldwide. The work plan on ECE reform (E/ECE/1434/Rev.1) further identified the following priorities:

- (a) to strengthen the TIR Convention;
- (b) to improve transparency in its management.

## **II. Issues at stake**

### **A. Ensuring good governance and financial transparency by means of introducing audit requirements for the authorized international organization in the text of the TIR Convention**

9. In 2005 and 2006, the Board of External Auditors (BOA) and the UN Office of Internal Oversight (OIOS), respectively, audited the UNECE-IRU agreement and TIR Trust Fund and recommended that (1) the TIR Convention be amended to introduce the conditions and requirements of the authorized international organization (presently IRU) as a new Annex 9, part III to the TIR Convention and (2) IRU be subject to external audit. Such audit requirements have been introduced and audits have taken place, but for the time being they focus only on the amount per TIR Carnet (around US\$ 0.33, as indicated above) transferred by IRU to UNECE. Given the fact that the average IRU price per TIR Carnet is about US\$ 50.00, this means that less than 1% of the TIR revenues is now subject to audit.

10. Lack of financial transparency on the commercial side of the implementation of UN agreements and programmes may lead to negative implications for the United Nations. To ensure full financial transparency, a substantial majority of Contracting Parties is of the opinion that the Convention should be amended accordingly. At the specific request of Contracting Parties, the UNECE secretariat, in consultation with OIOS, drafted audit requirements to be included in the TIR Convention (Annex I to the present document). However, IRU does not accept these provisions and a few countries (Contracting Parties) have been blocking the adoption of these amendment proposals on which consensus is required.

### **B. Intention of the Contracting Parties to finance the TIRExB and the TIR secretariat through the UN regular budget**

11. Already when the TIRExB and the TIR secretariat were established in 1999, the Contracting Parties inserted into the text of the Convention a provision that "the Contracting Parties envisaged that the operation of the TIRExB and the TIR secretariat be eventually financed through the Regular Budget of the United Nations". However, so far efforts to obtain such financing have not materialized. At its recent session in September 2010, the TIR Administrative Committee regretted this fact and invited Contracting Parties, together with the UNECE secretariat, to undertake the necessary steps at all levels with a view to including the operation of the TIRExB and the TIR secretariat into the regular UN budget as of the next UN budget cycle. Annex II contains the cost plan for 2011 as approved by AC.2. This provides a preliminary estimate of the amount involved, per year, if these activities were to be fully accommodated in the regular budget.

### C. Renewal of the UNECE–IRU agreement

12. Before the signature of the new UNECE-IRU agreement on 19 November 2010, IRU requested three modifications aimed at obtaining additional privileges from UNECE:

- (a) to grant IRU the right to use the UN logo;
- (b) to grant IRU a special title “implementing partner of the TIR Convention”, in order to distinguish IRU from other NGOs in consultative status with ECOSOC;
- (c) to introduce a Steering Committee to administer the TIR Trust Fund (of which IRU would be a member) and supervise the operations of TIRExB which is in charge of supervising IRU activities with regard to the TIR guarantee system.

13. After careful consultations engaging other UN services, primary among them the legal service, it was determined that none of these proposals can be accepted in the UNECE–IRU agreement. The use of the UN logo cannot be granted and this has been explained to IRU on several occasions. In the end, IRU has abandoned this request. The other two proposals are maintained by IRU with insistence to be incorporated into the UNECE–IRU agreement. However, these modifications would not be in line with the present Convention. Therefore, legally first the Contracting Parties are to decide if these proposals are acceptable to them and if so, on the modification of the Convention. However, they need to carefully consider the implications of such drastic changes, first of all with regard to the strengthening the monopoly status of the IRU in the TIR system (a de facto monopoly replaced by a de jure monopoly); its impact on transparency and the exposure of the countries; as well as the lack of clarity of the status of implementing partner in the UN system. Nonetheless, if the Contracting Parties decide in favour of modifying the Convention to reflect these IRU proposals, the UNECE–IRU Agreement will appropriately reflect this.

14. In light of the realistically lengthy process of such a modification and with a questionable outcome, UNECE had recommended to continue the current agreement (subject to technical/editorial updates only) and this approach was adopted by AC.2 in September 2010. IRU expressed the view that it could accept the authorization granted by AC.2 (see para. 2 above) and continue its functions within the TIR system for 2011–2013 even in the absence of a UNECE–IRU agreement. In this regard, IRU was reminded that the TIR Convention only recognizes the signing of an agreement as legally valid act of the required acceptance. This was a joint position of UNECE, the UN legal service and the European Commission. If IRU had not signed the new agreement, the TIR guarantee system would have lost its legitimacy as from 1 January 2011.

15. IRU agreed to sign the agreement, with the text as adopted by AC.2. The signing took place on 19 November 2010 but, immediately after signing, the IRU indicated — in the meeting and in a follow-up letter — its wish to seek an adaptation of this agreement on the basis of the two outstanding proposals by IRU.

### III. Considerations by ITC

16. In view of the above, ITC may wish to:

- (a) Express its strong support that UNECE should undertake activities aimed at ensuring good governance and financial transparency in the TIR system by means of introducing audit requirements into the TIR Convention.
- (b) Express its views on the financing of the TIR secretariat and TIR Executive Board activities.

(c) Take note of UNECE efforts to ensure the continuation of the TIR system as of 1 January 2011 by signing the new UNECE-IRU agreement in accordance with the provisions of the TIR Convention, applicable UN regulations and mandates by the TIR Administrative Committee.

## Annex I

### **Excerpts from the amendment proposals to the TIR Convention regarding the authorization of an international organization to organize the functioning of an international guarantee system and to print and distribute TIR Carnets<sup>1</sup>**

#### **Provisions concerning audit of an international organization**

Under the conditions and requirements of the authorization, the international organization shall:

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(o) maintain separate records and accounts containing information and documentation which pertain to the organization and functioning of an international guarantee system and the printing and distribution of TIR Carnets;

(p) allow access to the above records and accounts to the United Nations Office of Internal Oversight Services (OIOS), the United Nations Board of Auditors (BOA) or other persons duly authorized by the United Nations and at all times facilitate inspections and audits performed by them;

(q) engage an independent external auditor to conduct annual audits of the above records and accounts. Guidelines and terms of reference for the external audit shall be adopted by the Administrative Committee. The external audit shall be performed in accordance with International Standards on Auditing (ISA) and shall result in an annual audit report and a management letter, issued by the independent external auditor to the Administrative Committee, with copies sent directly to the Executive Secretary of the United Nations Economic Commission for Europe and the international organization concerned;

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<sup>1</sup> The full text of the underlying amendment proposals (new Annex 9, part III) can be found in document ECE/TRANS/WP.30/2010/4/Rev.1.

## Annex II

### Proposed Cost Plan (for 2011)

#### TIR secretariat and TIR Executive Board (TIRExB) activities

<i>Object of expenditure</i>	<i>Amount (in US\$)</i>
Project Personnel	919,100
Administrative Support Personnel	228,000
Consultants fees and travels	30,000
Travel on official business	40,000
Travel of experts	30,000
Staff Training	15,000
Office automation & equipment	20,000
Operation and maintenance of equipment	2,000
External contractual services	20,000
General operating expenses	1,000
<b>Total estimated direct expenditures</b>	<b>1,305,100</b>
Programme Support (13% of Total expenditures)	169,700
<b>Grand total</b>	<b>1,474,800</b>

#### Project Personnel – US\$ 919,100

The proposed amount under this object of expenditure is intended to cover the salary and related costs<sup>2</sup> for one year of five experts on fixed-term appointments: one Customs expert, one Legal officer, one Project Management expert and two Computer Information System experts. It also includes provisions for a short-term expert to assist in the development of mandated Information Technology (IT) projects. The breakdown of costs is as follows:

<i>Object of expenditure</i>	<i>Amount (in US\$)</i>
Customs expert P4	179,600
Legal expert P4	178,900
Management project expert P4	208,000
Computer Info. System expert P3	141,000
Computer Info. System expert P2	111,600
Expert P3	100,000
<b>Total</b>	<b>919,100</b>

<sup>2</sup> In line with the United Nations Staff Regulations and Rules.

**Administrative Support Personnel – US\$ 228,000**

The proposed amount under this object of expenditure is intended to cover the salary and related costs<sup>3</sup> of two administrative support staff for one year.

The breakdown of costs is as follows:

<i>Object of expenditure</i>	<i>Amount (in US\$)</i>
Administrative Clerk G4	108,000
Computer Information System Clerk G4	120,000
<b>Total</b>	<b>228,000</b>

**Consultant fees and travels – US\$ 30,000**

The proposed amount under this object of expenditure is intended to cover consultancy costs for a security audit to test the level of security of the Internet applications developed within the secretariat: ITDBonline+ project.

**Travel on official business – US\$ 40,000**

The proposed amount under this object of expenditure is intended to cover the travel cost of Project Staff and the TIR Secretary.

**Travel of experts – US\$ 30,000**

The proposed amount under this object of expenditure is intended to cover DSA for the nine members of the TIRExB for meetings held in Geneva and outside Geneva.

**Staff Training – US\$ 15,000**

The proposed amount under this object of expenditure is intended to cover training costs of the TIR secretariat staff.

**Office automation & equipment – US\$ 20,000**

The proposed amount under this object of expenditure is intended to cover the acquisition and replacement of relevant electronic and computer office equipment (PCs, printers, copy machine, fax, office furniture, etc.), including data base hard and software systems.

**Operation and maintenance of equipment – US\$ 2,000**

The proposed amount under this object of expenditure is intended to cover the cost of repair and maintenance of office and computer equipment (PCs, printers, copy machine, fax, etc.).

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<sup>3</sup> In line with the United Nations Staff Regulations and Rules.

**External contractual services – US\$ 20,000**

The proposed amount under this object of expenditure is intended to cover expenses for meeting rooms, interpretations, translations, external printing of training materials, hospitality, telephone/fax, miscellaneous expenses, etc., related to one TIR Seminar and one TIRExB meetings organized outside the UN premises.

**General operating expenses – US\$ 1,000**

The proposed amount under this object of expenditure is to provide for communication costs (i.e. postage, fax, long distance calls, and pouch) and other miscellaneous expenses.

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