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Item 6 (c) (ii) of the provisional agenda
eTIR:
Issues arising from the Memorandum of Understanding between the United Nations Economic Commission for Europe and the International Road Transport Union:
eTIR financing and resource requirements

eTIR financing

Note by the secretariat

I. Mandate and background

1. At its previous session, the Administrative Committee for the TIR Convention, 1975 (AC.2) continued its considerations with regard to possible mechanisms for the financing of eTIR. In so doing, the Committee took note of document ECE/TRANS/WP.30/2024/9/Rev.1–ECE/TRANS/WP.30/AC.2/2024/6/Rev.1, as well as Informal document WP.30/AC.2 (2024) No. 15 which contained a series of questions to be clarified, submitted by the European Commission, and Informal document WP.30/AC.2 (2024) No. 12 containing comments from the Government of Switzerland on this topic. Several delegations provided further oral remarks and position statements (ECE/TRANS/WP.30/AC.2/171, paras. 35–40 and Annex III). Against the background of these discussions, the Committee decided to request the secretariat to prepare new documentation addressing, to the extent possible, the open questions as reflected in the deliberations of the Committee thus far and providing proposals on the operational requirements of the system and for which functions, for the next session.

2. In line with this request, the present document has been prepared by the secretariat.

II. Structure and content of the document

3. In the main body of the document, the secretariat, within the scope and bounds of its mandate, provides preliminary responses to some of the questions communicated in writing by the delegation of the European Commission at the eighty-fourth session of the Committee (Informal Document WP.30/AC.2 (2024) No.15). For ease of reference the questions are reproduced as received, and where there are responses by the secretariat these are clearly indicated.

4. In annex to the document, the secretariat consolidates and reproduces relevant comments, positions and proposals that have either been delivered in-session or transmitted to the secretariat in writing, in alphabetical order of countries.

III. Direct questions by the European Commission

5. Question 1: If the financing solution for eTIR international system is based on an amount per TIR transport (cf. Annex 11, Article 11, Explanatory note 11.11.3) and a multi donor trust fund is also used, is the amount collected by the multi donor trust fund in addition to the funds collected per TIR transport or shall it replace those funds?

> Clarification by the secretariat: Reference should be made to document ECE/TRANS/WP.30/AC.2/2025/7 where the secretariat provides a detailed analysis on the resources required to ensure the smooth and sustainable deployment of the eTIR procedure in the years to come. Based on the financing options previously described in document ECE/TRANS/WP.30/2024/9/Rev.1–ECE/TRANS/WP.30/AC.2/2024/6/Rev.1, those resource requirements will be provided either through in-kind contributions of the contracting parties (secondments, junior professionals), through other branches of the UN Regular Budget (UNDA or RPTC projects for instance) and mainly through extra budgetary funds. Per ECE/TRANS/WP.30/2024/9/Rev.1–ECE/TRANS/WP.30/AC.2/2024/6/Rev.1,
> chapter IV, the new, agreed, mechanism (multi-donor / multi partner trust fund or expanded TIR trust fund or new multi donor ExCom project) was considered under “additional financing mechanisms” which could, upon decision of the Contracting Parties also replace the main financing mechanism partly or wholly or for a pre-determined period of time (for example in case in the future the main financing mechanism does not generate sufficient revenue to meet the resource requirements). If the amount per TIR transport is sufficient and there are additional funds available, these should be deployed for delivering mandated technical solutions, scaling up technical assistance projects or training, or for capacity building and support for expansion. In any case, the decision on the manner in which any extrabudgetary funds will be used is with the TIR Administrative Committee, supported by analysis with priorities to be provided by the secretariat. The secretariat will just implement the decision of the Administrative Committee.

6. Question 2: In case of the use of a multi donor trust fund, how to ensure transparency of transaction? What would be the concrete impact of “earmarked” and “non-earmarked” funds? Would particularly the “earmarked” funds lead to a certain influence of donors in the eTIR international system?

> Clarification by the secretariat: Any new mechanism that will be decided/approved for receiving extrabudgetary funds will not be able to accept earmarked funds at the activity level. Donors will be able to provide voluntary contributions to be used broadly for supporting the implementation of the eTIR procedure and the TIR secretariat program of work in line with the Convention. If a donor would wish to make voluntary contributions for a specific eTIR project, in a specific region and / or country, this project would then be submitted as a new project to the United Nations Economic Commission of Europe (ECE) Executive Committee (ExCom) for approval. In any case, the secretariat would inform the Committee accordingly.

7. Question 3: IRU proposed to be the first contributor to the multi donor trust fund. It is also the collector of the amount per TIR transport to finance eTIR? Would these two roles be distinguished and how?

> Clarification by the secretariat: The International Road Transport Union (IRU) collects an amount per TIR Carnet distributed for the purpose of financing the TIRExB and the TIR secretariat based on the relevant provisions of the Convention and the collection procedure defined in the relevant ECE-IRU agreement. Drawing from the clarifications provided in questions 1 and 2 (above), IRU could elect to make voluntary contributions and provide additional funds, as long as those funds are non-earmarked, and the Committee will decide on how those funds will be spent. In this

case, it will be necessary to seek confirmation from the ECE Executive Office and potentially from the Office of Legal Affairs to ensure that the above conclusions are correct. Furthermore, it may be an additional question to ascertain whether any voluntary contributions from IRU should be expressly donated from revenues not linked to their role in TIR. If so, the roles would have to be distinguished and contributions made from separate accounts.

As an additional and directly relevant point, it should be also mentioned that the Memorandum of Understanding (MoU) that was signed between IRU and ECE in 2017 was deemed by the United Nations Ethics Office as an apparent conflict of interest. This was mainly because the funds were made available from IRU to ECE and ECE was obligated under the terms of the MoU at that time report back to IRU on the use of those funds. Also, the objectives described were generic and eventually not fully aligned with Annex 11 that came into force at a later date. The revised MOU that was approved featured a modification in the reporting lines as follows: IRU makes the funds available to the Committee and the ECE secretariat reports to the Committee on how those funds are used. Also, the objectives as revised are fully aligned with Annex 11.

8. Question 4: Does the ECE secretariat consider using the experience of the World Customs Organization (WCO) customs trust funds to prepare the terms of reference of the operation of the multi donor trust fund?

Clarification by the secretariat: ECE will explore all relevant examples and practices and could replicate only to the extent that these are fully compatible with the financial rules and regulations of the United Nations. That is to say that the United Nations has its own rules and regulations concerning trust funds and derogation therefrom is not possible. The applicable set of United Nations rules and regulations will depend on the type of the final mechanism that will be agreed by contracting parties.

9. Question 5: If the multi donor trust fund is operational, will it lead to a reduction of the amount to be collected by IRU per TIR transport or to a reduction of IRU contribution in case of use of a lump sum approach?

Clarification by the secretariat: As far as the secretariat can discern, the answer to this should be no, unless the Committee decides differently. The additional funds are required to cover the extra resources needed by the secretariat to ensure the smooth and sustainable deployment of the eTIR procedure. If IRU, for any operational reason, submits a request to the Committee to have part of the amount collected or part of the lump sum replaced by additional available funds already provided through the new financing mechanism, it would be for the Committee to decide if and under what conditions such a replacement should be approved or not.

10. Question 6: Would it be useful for contracting parties to have a list of “the necessary resources” that shall be made available to ECE to host and administer the eTIR international system? If so, what information is needed/missing to draft such a document?

Clarification by the secretariat: The secretariat has prepared document ECE/TRANS/WP.30/AC.2/2025/7 which aims to provide a first assessment of the resources required to ensure smooth and sustainable operations of the eTIR procedure based on the experience of other similar initiatives in the United Nations system such as the Automated System for Customs Data (ASYCUDA), Debt Management and Financial Analysis System (DMFAS), etc.

11. Question 7: On concrete terms, what should be the differences between the collection of an amount per TIR carnet distributed and the collection of an amount per TIR transport? Which institution would oversee the collection and how?

Clarification by the secretariat: As described in document ECE/TRANS/WP.30/2024/9/Rev.1–ECE/TRANS/WP.30/AC.2/2024/6/Rev.1, the amount per TIR transport approach includes a logistical challenge. The number of TIR carnets distributed is not always equal with the number of TIR carnets used during a year of operations. It could be the case that the international organization distributes no TIR carnets to an association for a specific year, and yet in that specific year the association could still issue hundreds of TIR Carnets due to the use of stock from previous years. On the other hand, a TIR transport is a transport that took place by using a TIR Carnet or using the eTIR procedure. Therefore, if an amount per TIR transport mechanism will be established based on forecasts, those forecasts should not be calculated on TIR Carnets to be distributed but on TIR transports (TIR Carnet + eTIR procedure) to be performed. Unless, either we consider the assumption that the number of carnets to be distributed is equal to the number of carnets to be used or a lumpsum mechanism is introduced where forecasts are no longer required. In any case, this logistical challenge will persist as long as the paper TIR carnet exists in parallel with the eTIR procedure, since the eTIR procedure will be used ad hoc and no stocks will occur. However, it should be noted that it would be the volumes of paper TIR carnets that would ultimately support financially the transition from majority paper-based to majority or exclusively eTIR procedure.

12. Question 8: On the issue of sustainability:

(a) what minimum numbers of TIR operations would be needed (a) to continue to gain a revenue (on international and national level), and (b) to cover the cost.

(b) As a last resort, if the system would need to be subsidized for a certain period of time, (a) have sufficient reserves been build up over the last decades, and (b) would subsidizing be an option as long as the UNECE budget does not cover TIR cost?

Clarification by the secretariat: The question of the “break-even point” concerning TIR operations can only be answered by IRU. In addition, the question of subsidizing is also a question for IRU. ECE has no reserves; any funds not spent at the end of the annual budget cycles are always carried forward to the next year’s budget and not reserved. As a general remark, within the meaning of private business, it is general rule of thumb that any new project that refers to a new product or service requires at least three years of investments (subsidizing in this case) in order to break-even and bring the expected revenues or profits. Accordingly, the implementation of the eTIR procedure and the task to interconnect the customs authorities of all contracting parties is a very demanding and challenging task – considering also the political support that is needed, requiring years of efforts. It should also be noted that the TIR secretariat is currently performing this task with the exact same resources that in previous years was servicing only TIRExB. The Committee and IRU are invited to acknowledge this effort and further assist the secretariat in carrying out tasks necessary for the implementation of the Convention.

13. Question 9: According to paragraph 10 of document ECE/TRANS/WP.30/2024/9–ECE/TRANS/WP.30/AC.2/2024/6 the main financing system, based on an amount per TIR transport, could be replaced by an additional financing mechanism such as extrabudgetary resources (creation of multi donor trust funds). However, if we are talking about additional sources of financing, should we not rather say that the additional funds are added to those of the main mechanism rather than "replaces"?

Clarification by the secretariat: See reply to question 1 above.

14. Question 10: Concerning use of a multi donor trust fund is this a general practice in ECE, is there a document summarizing the UN rules for such use of extrabudgetary funds?

Clarification by the secretariat: At the outset in replying to this question, the secretariat should clarify that its understanding is that the discussion within the Committee currently is not yet on the type of mechanism to be used but, rather, whether extra-budgetary funds would be received and under which conditions. When these conditions have been agreed then the Committee should provide the mandate to the secretariat to identify the best way to implement those financing conditions. Indeed, there are United Nations operating rules and strict financial regulations that govern different types of approaches and for different types of funds. For instance, there is the multi-donor – multi partner trust fund, similar to the one prepared by the secretariat on road safety (United Nations Road Safety Fund). These types of funds are being administered centrally by the United Nations Development Programme (UNDP). The UNECE secretariat already administers a trust fund on technical cooperation;

alternatively, the submission of proposals for extra-budgetary funded projects to ExCom could be a solution. There is no single and publicly available document that summarizes all the different options that are being implemented in United Nations system.

15. Question 11: Is the detailed budget analysis in Annex of document ECE/TRANS/WP.30/2024/9–ECE/TRANS/WP.30/AC.2/2024/6 in line with the prices that still need to be officially communicated by IRU for eTIR transport?

Clarification by the secretariat: The detailed budget analysis in Annex of document ECE/TRANS/WP.30/2024/9–ECE/TRANS/WP.30/AC.2/2024/6 was prepared having in mind that part of resources required (as described in document ECE/TRANS/WP.30/AC.2/2025/7) will be covered by all other – mainly in-kind - additional financing options being described in the document. Therefore, the budget refers to funds required, which does not financially cover all resources being described in document ECE/TRANS/WP.30/AC.2/2025/7. As concerns the prices that still need to be officially communicated by IRU for eTIR guarantees, the secretariat's understanding from past practice is that the determination of the prices of the TIR carnets and therefore of the prices on eTIR guarantees is an internal exercise being undertaken by IRU possibly based on cost analysis of IRU operations. Therefore, this is a question to which IRU should reply.

16. Question 12: The new TIR multi-donor trust fund should be fed by contributions coming from private sector entities, governments and intergovernmental organizations and ECE will conclude a donor agreement with each contributor (ECE/TRANS/WP.30/2024/9/Rev.1 paragraph 21 (a)). Is it ensured that for governments these donor agreements are only agreements for additional voluntary donations and do not create any new mandatory contributions, e.g. for financing eTIR?

Clarification by the secretariat: Yes, this would be clear within the donor agreement itself. Voluntary contributions cannot and do not create additional obligations for member-States. In addition, there are several questions that remain open regarding voluntary contributions coming from private sector entities. The standard UN practice involves strict due diligence processes. However, ECE - being a small secretariat, does not have the capacity to carry out full risk/conflict of interest analysis that might be required on the top of due diligence process for some of the private sector donors. Since the analysis of conflict of interests is related to the substantive part of the work, the intergovernmental bodies related to the substantive work – namely the Committee – should further review this kind of donorships. This issue may warrant further analysis and discussion.

IV. Considerations by the Committee

17. The Committee may wish to take the present document into account in the continuation of its deliberations on the issue of eTIR financing.

Annex

I. Position of India (eighty-fourth session)

India opposes the financing mechanism which stipulates any contribution by the contracting party or the national associations as it puts extra burden on the financial resources and doesn't take into account the differential approach for financing on the basis of usage of TIR carnets.

II. Position statement by Iran (Islamic Republic of) (eighty-fourth session)

The Islamic Republic of Iran hereby states its position on the proposed financing mechanisms for the eTIR system:

1. As any increase in costs of TIR Carnet associated with their issuance, would disproportionately affect high-volume Carnet users including the Islamic Republic of Iran.

2. Therefore, the additional financial burden would have several negative consequences:

(a) It would impose higher costs on drivers, leading to increased dissatisfaction among this crucial workforce.

(b) Given regulatory structure the TIR Carnet users especially the high volume users like the Islamic Republic of Iran, it would significantly raise the overall cost of transit operations.

(c) Consequently, it would result in higher final prices for goods.

3. Therefore, the Islamic Republic of Iran is not in a position to accept this option of the proposed financing model for eTIR that would lead to increased TIR Carnet costs.

4. We call for alternative financing solutions that do not disproportionately burden countries with high TIR Carnet usage and that take into account the economic realities of all member states.

5. The Islamic Republic of Iran remains committed to the modernization of the TIR system but emphasizes that such advancements must be implemented in a manner that is equitable and economically viable for all parties involved.

III. Comments by the delegation of Switzerland (eighty-fourth session)

We take this opportunity to comment on the financing of the eTIR-International System and Türkiye’s proposal (financing in the form of a lumpsum distributed among all contracting parties), which was presented at the AC.2 meeting on 5 June 2024.

We would like to remind you in advance that:

- Switzerland has made a reservation regarding Annex 11 «eTIR» and that this has not yet been applied in Switzerland;
- in Switzerland, the transit procedure is generally handled using the New Computerised Transit System (NCTS);
- TIR carnet traffic to and from Switzerland is negligible. The national association (ASTAG) still has 11 TIR carnet recipients and issues the dwindling number of around 20 TIR carnets per year.

It is therefore important to Switzerland that eTIR does not result in any additional financial or personnel costs for further development, implementation and maintenance. The eTIR is to be financed according to the polluter-pays principle. In other words: Those who use it should also pay for it. The price of a TIR carnet (in paper form) is already high in Switzerland; a further increase in the cost of TIR transports through a flat-rate charge would not be proportionate and would not be accepted by the transport industry.

The current financing of the eTIR-IS seems to be in line with the spirit of Article 11 of Annex 11 to the TIR Convention. The best option would therefore be to apply the mechanism on the basis of an amount per TIR transport, as described in the document ECE/TRANS/WP.30/2024/9-ECE/TRANS/WP.30/AC.2/2024/6, which is favoured and supported by Switzerland. This is because Switzerland is of the opinion that a different main financing mechanism is unlikely to lead to a consensus in AC.2 and that this could undo the compromise on Article 11 of Annex 11 that was reached at the time - after long and difficult negotiations to agree on Annex 11.

With regard to the proposed alternatives for financing the eTIR-IS (see point 10(a) - (e) in document ECE/TRANS/WP.30/2024/9-ECE/TRANS/WP.30/AC.2/2024/6), we note the following:

Letter a «Extrabudgetary resources»

Switzerland can agree to the "donor" contributions to a new TIR Trust Fund with several partners. However, it must be clarified whether these contributions must be made instead of or in addition to the amount per TIR transport (TIR operation). Such contributions could indeed lead to a broader funding base.

Letter b «Mandatory financial contributions»

Switzerland cannot agree to mandatory financial contributions to be paid by all contracting parties. The contracting parties already contribute to the UN budget. In addition, Switzerland will finance its own systems and interfaces for connecting economic operators. Switzerland does not wish to bear any additional financial burden.

Letter c « Fees for the use of eTIR by the contracting parties»

Switzerland may agree to fees to be paid by Contracting Parties for the use of applications, provided that their use is optional and not mandatory.

Letter d «In kind contributions in the form of human resources»

Switzerland may agree to contributions in kind in the form of human resources by the contracting parties, provided they are optional and not mandatory.

Letter e «United Nations Development Account (UNDA)»

Switzerland may agree to contributions from the development account on a case-by-case basis, provided that this is not already covered by a new TIR Trust Fund with several partners (reference to letter a).

IV. Proposal by Turkiye (eighty-third session)

Türkiye proposed for consideration by the Committee a new financing mechanism for TIR (TIRExB/TIR secretariat and eTIR international system). Considering that the 70 per cent of the volumes on TIR Carnets are distributed by Türkiye, Iran (Islamic Republic of) and Uzbekistan, from the point of view of Türkiye, an amount per TIR Carnet distributed is not a fair financing mechanism since the transport industry of three countries is supporting the system, and it might not be sustainable in light of the decrease in sales of TIR Carnets. The new proposed financing mechanism is based on the lumpsum principle. IRU would transfer to ECE the budget amount both for TIRExB, TIR Secretariat and eTIR international system for the following year based on the budget approved by the Committee. Then IRU, might reverberate this amount, in an equal way from all the national associations.

V. Position of the European Union (eighty-third and eighty fourth session)

The delegation of the European Union considers favourably the use of the mechanism based on an amount per TIR transport as described in Explanatory Note to Article 11 in Annex 11 and is of the view that reopening negotiations in the Committee on another main financing mechanism is unlikely to lead to consensus and might jeopardize the compromise obtained after long and difficult negotiations on Article 11 of Annex 11. Furthermore, the European Union considers that position fully compatible with the use of other additional sources of financing. Concerning the proposed alternatives to finance the eTIR International System, the delegation of European Union suggests the following:

(a) That voluntary donors' contributions into a new multi-partner TIR trust fund could be used, although it would have to be clarified whether these contributions are in place of or in addition to the amount per TIR transport. In the view of the European Union, it should be an amount per TIR transport, and lead to a wider finance base and not to the reduction of a necessary and agreed amount per TIR transport;

(b) That obligatory financial contributions to paid by all Contracting Parties would not be acceptable as Contracting Parties already contribute to the United Nations budget and customs administrations finance their own systems and interfaces for trade connections;

(c) That fees paid by Contracting Parties using tools such as the eTIR National Application (not the eTIR International System) would be acceptable as long as their use is optional and technically possible without subscribing to the support and helpdesk of the ECE;

(d) Optional in-kind contributions of human resources by contracting parties would be acceptable as well as;

(e) case by case contributions from United Nations sources (if not already covered by a new multi-partner TIR trust fund).