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Economic Commission for Europe**Inland Transport Committee****Working Party on Customs Questions affecting Transport****Group of Experts on Legal Aspects of the Computerization of the TIR Procedure****Third session**

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Item 3 of the provisional agenda

Financing of the eTIR international system**Financing of the eTIR international system****Note by the secretariat****I. Background and mandate**

1. At its previous session, the Group of Experts on Legal Aspects of the Computerization of the TIR Procedure (GE.2) was of the general view that the way to finance the eTIR international system (the initial and development costs, as well as the maintenance costs) should be identified as a matter of priority, taking into account the information available in the eTIR Cost-Benefit-Analysis (CBA). Further to extensive discussions, GE.2 requested the secretariat to prepare, for consideration at its third session, a document outlining financing possibilities, taking into account the comments and proposals put forward during the second session. Further to this, upon the proposal of the European Commission, GE.2 agreed that this document, once finalized by GE.2, should be transmitted to the Working Party on Customs Questions affecting Transport (WP.30) and the TIR Administrative Committee (AC.2), as well as, possibly, to the budgetary organs of UNECE for further consideration and assessment. In line with this request, the secretariat has prepared the present document.

II. Main considerations of the CBA

2. The Contracting Parties to the TIR Convention, after taking note of the CBA, currently contained in Annex VII of the eTIR Reference Model version 4.1a (ECE/TRANS/WP.30/2011/4/Rev.1), were of the view that, in the interest of neutrality and independence, the eTIR international system should be set up and hosted by a public body

such as the United Nations Office at Geneva (UNOG) or the United Nations International Computing Centre (UNICC) (see ECE/TRANS/WP.30/274, para. 19). The CBA presents a detailed estimation of the costs related to developing and hosting the eTIR international system, including at UNOG and UNICC.

3. More specifically, the development costs of the eTIR international system range between US\$ 924,000 and US\$ 1,127,000 (See ECE/TRANS/WP.30/2011/4/Rev.1, Annex VII, section 2.5.1). Limiting the hosting options to UNOG and UNICC, initial costs (post-development), which include, inter alia, software, training and recruitment activities, would range from US\$ 632,000 to US\$ 792,500 (see ECE/TRANS/WP.30/2011/4/Rev.1, Annex VII, table VII.3). Operational and hosting costs, which include costs for testing, backup, staff, audit, insurance and management, among others, would range from US\$ 167,719 to US\$ 243,259 per annum (see ECE/TRANS/WP.30/2011/4/Rev.1, Annex VII, table VII.4). In addition, initial costs for setting up a helpdesk would range from US\$ 24,500 to US\$ 44,000 while associated helpdesk operating and personnel costs have been estimated between US\$ 126,180 and US\$ 216,600 per year (see ECE/TRANS/WP.30/2011/4/Rev.1, Annex VII, section 2.5.4). Finally, adapting national customs Information Technology (IT) systems would cost between US\$ 120,000 and US\$ 150,000 per country (see ECE/TRANS/WP.30/2011/4/Rev.1, Annex VII, section 2.5.5).

4. Therefore, according to the CBA, developing and setting up the eTIR international system at UNOG or UNICC, would require an initial investment of between US\$ 1.5 million and US\$ 2.2 million, excluding the cost of national adaptation. Once operational, the operating and maintenance costs of the eTIR international system could be covered by an amount per TIR transport, as recommended by GE.1.

III. Financing possibilities

5. Against the above background, it is reasonable to conclude that gathering the financial resources required to develop and set up the eTIR international system exclusively by means of a levy on TIR transports, especially if the development period should be limited to two years, as envisaged in the CBA, might not be accepted by the transport sector. With the present financial and budgetary constraints, the United Nations would not be able to absorb the costs of the eTIR international system. Therefore, alternative or additional solutions should be identified. It should be noted however, that the development of the system could, to a certain extent, be accomplished in stages and, in such a case, it would not be required to have the entire amount available upfront, thus allowing for a wider range of financing options.

A. Voluntary donations or in-kind contributions from interested parties

6. At the outset, one of the obvious avenues would be to appeal to Contracting Parties and other parties interested in eTIR to contribute on a voluntary basis either financially, or in kind. In this case, bilateral donor agreements or a multiple donor agreement would have to be concluded between donor governments and UNECE, defining the one-time contribution and its purpose, and setting up the appropriate reporting mechanism. While this would entail significant administrative burden for all parties involved, it would be one of the most effective ways to start developing and setting up the eTIR international system.

B. Funding by international financing institutions

7. At the previous session of GE.2, the proposal was put forward to apply for a grant/funding to international financing institutions (IFI). Depending on the IFI, such funding applications might have to be limited in their geographical scope and, thus, not cover the entirety of the funds necessary for the development and setting up of the eTIR international system. However, partial financing could possibly be requested for a sub-project with a regional focus, e.g. Asia (Asian Development Bank), Economic Cooperation Organization region (Islamic Development Bank), Europe (European Bank for Reconstruction and Development), etc. At the same time and based on past experiences, such institutions are much more likely to accept a financing application from governments or a group of countries, than from the United Nations on their behalf.

C. Funding by means of an amount per TIR transport

8. An amount per TIR transport could be used not only to cover the operational and maintenance costs but also to raise the amount required for the development of the eTIR international system, in particular if the development would be gradual and span over a period longer than the two years envisaged in the CBA.

D. Mandatory contribution system

9. The costs of developing and setting up the eTIR international system could be also covered by a mandatory contribution by each Contracting Party to the TIR Convention. The exact amount and duration of the contribution would depend on the length of the development period. Such a system could also be considered for the financing of the operational and maintenance costs. In the first instance, it appears that eTIR could be beneficial for all TIR Contracting Parties, and therefore such a mechanism could make sense. On the other hand, such a financing mechanism does not take into account that the TIR system, and thus the future eTIR system, is not uniformly used in all TIR Contracting Parties. This is particularly relevant for those Contracting Parties where the TIR system is not (yet) operational. Furthermore, the TIR Convention has always been free of charge. Setting up a mandatory contribution system for eTIR would set a precedent and might deter new countries, in particular developing countries with limited financial resources, to ratify the convention.

E. Multiple financing sources

10. A combination of all of the above options could also be envisaged to secure the required resources to develop and set-up the eTIR international system.

IV. Considerations by the Group of Experts

11. The Group of Experts is invited to consider the above financing options and to provide inputs for further elaborating them or for additional financing options.
