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ESTABLISHMENT OF AN INFLATION FACILITY

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Second, that the sums transferred from the Inflation Facility are treated as an aggregate. It is up to the Director General, whose authority includes the power to transfer resources among all the activities inside the Regular Programme, to allocate the additional resources where they are needed. The Member States should be satisfied that they have provided the Agency with sufficient resources to compensate the overall programme for inflation. If the compensation is too large (because the programmes are less sensitive to inflation than estimated, or because of implementation delays) and there is an accumulation of idle surplus resources in the General Account, the Director General should so advise the Executive Board and recommend the implementation of programmes on Stand-by. If the compensation was too small, economies have to be made, and, ultimately, programmes would have to be put on Stand-by.

It is possible that the overall funding of the Inflation Facility may turn out to be too small to provide adequate inflation compensation until the very end of the biennium. The Director General and the Executive Board would have been receiving signals all along that this risk existed because the rate of transfer would have been higher than could be sustained by the Facility. In that eventuality, the Executive Board would have to decide whether: (i) to transfer monies between the Currency Fluctuations and the Inflation facilities (which assumes that there is a surplus in the first and that a decision was taken originally to apply full-budgeting); or (ii) to slow down the rate of implementation of the Regular Programme, to make special economies or to place lower priority programmes on Stand-by.

AT THE END OF THE BIENNIUM.

The last transfer from the Inflation Facility would take place no later than October 1st of the second year of the biennium. Any remaining balance would, by definition, be free and could therefore either be immediately returned to the Member States or set aside for use in the Inflation Facility for the next biennium.