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- that Member States (rather than the Agencies) are self-insured and it is they therefore who must ultimately assume all unavoidable or irreducible risks that Agencies could not cover, either for lack of structures or facilities or because the facilities proved insufficient;

These assumptions give rise to procedures for determining the currency or currencies of account, budgets and assessments (see Paper IX) and for resolving difficulties resulting from late payments, arrears, withholdings, and payments in blocked funds (see Paper XI). They also give rise to the two Facilities for inflation and exchange rates fluctuations and to the establishment of a contingency contribution (see Papers XII and XIII).

The model calls for the recognition that inflation and currency fluctuations are two categories of risks that, notwithstanding the level of management competence and effectiveness of an Agency, can have a severe negative and debilitating effect on agreed programmes or the Agencies themselves. To offset these risks, it is proposed that adequate forward provisions be made, in the form of two separate facilities.

It would be normal that all Member States share the burden fairly. Insofar as possible, Member States should seek to ensure the "integrity" of the programme at the agreed level by placing in the Back-up envelope sufficient financial resources to meet the anticipated cost of inflation and of adverse currency fluctuations. In highly unstable economic conditions, when these risks are extreme, the provisions will likely be insufficient, even if made at what seemed to be an adequate level at budget preparation time. In this case, Member States should expect to face the need both to reduce programmes (i.e. to put activities on Stand-by) and to pay supplementaries. It might be desirable, in such circumstances to establish a fixed ratio between programme reductions and supplementary contributions (e.g. 2 to 1 or 1 to 1).

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