

- ESTABLISHMENT OF AN EXCHANGE RATES FLUCTUATIONS FACILITY -

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the overall cost of the Work-Programme. (Knowing that a currency is likely to appreciate should lead to a review of the expenditures in that currency and an examination of substitute expenditures in another currency which is likely either to remain stable or to depreciate).

It is not proposed that Agencies make their own assessments of future currency values but rather use those prepared by international financial firms.

As preparations for the Budget Work-Programme of the next biennium take place, it would be possible to revise the estimate of the funding level required for the Exchange Rates Fluctuations Facility. Agencies might wish to provide Member States with a reviewed estimate every quarter. The estimate should show the amount needed to bring the Work-programme in line with current exchange rates (whether the amount is positive or negative), and the amount deemed necessary to correct fluctuations likely to occur during the next biennium.

Changes in the estimate, even if significant, should have little or no impact on the preparations for the Work-Programme because, throughout the process, activities and programmes expenditures would remain tied to the exchange rates valid on Valuation Day.

At the last stage of the preparations for the next Budget Work-programme (i.e. in the last few months before the beginning of the biennium), The Executive Board would confirm the initial level of the Exchange Rates Fluctuations Facility. The assessed contributions of the Member States would be calculated on the basis of that initial level.

If the currency fluctuations had evolved in a favorable direction during the preparations of the Budget Work-Programme, and appeared likely to continue to be favorable during the entire biennium, the funding level of the Facility might be negative. In this case, the assessment of Member States would only be reduced by the value of the windfall actually gained up to the day when the Executive Board finally set the level of the Facility. The funding level of the Facility itself would never be smaller than zero. If a situation of windfall did continue to be enjoyed, the Facility would act as regulator, removing the surplus from the Main Envelope, as it accumulated.

If the currency fluctuations had evolved in an adverse direction and appeared likely to continue to do so, the funding level of the Facility would be positive. In order for the funding not to be an excessive burden, especially if there was uncertainty as to the future evolution of exchange rates, the