...LEADING TO THREE FINANCIAL ENVELOPES.

The identification of three fundamental requirements leads naturally to a structure of three separate "Financial Envelopes". An envelope is defined as a permanent, distinct pool of financial resources subject to specific regulations, and to be used only for specific, pre-determined purposes. The proposed envelopes are:

The Main Envelope	to meet the requirement to manage the programmes and administer the Agency;
The Back-up Envelope	to meet the requirement to respond to contingencies and emergencies;
The Special Envelope	to meet the requirement to adjust to new or special circumstances.

Only a system of envelopes can offer at the same time the guarantee that Agencies are able to meet each class of requirements and the guarantee that they will do so in an effective and transparent way. The envelopes make it possible to calculate the size of each class of requirements (and of each requirement as well), to make clear what provision has been made to meet these requirements and how decisions are to be taken, and to assess how well the Agencies are performing in meeting each of the requirements.

Paper IV deals with the proposal to establish UN Agencies budgets on the basis of three financial envelopes.

Paper V deals with the proposal to standardize the number and purpose of UN Agencies budget accounts.