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ESTABLISHMENT OF AN INFLATION FACILITY

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The availability of up-to-date data and the possibility of taking a decision almost until the last moment would also enable Agencies to perfect their estimates of the likely rate of inflation (or to adjust on the basis of centrally computed estimates) for the forthcoming biennium.

It would therefore be possible to ensure that, at the start of the biennium, the Inflation facility is funded at the level which is required both:

- to bring the programme cost estimates up-to-date and to fund each activity inside the Regular Programme at the required level;
- to make a forward provision, based on the most recent estimates, for future inflation;

DURING THE BIENNIUM.

From the first day of a new biennium Agencies would be able:

- to draw from the Main Financial Envelope the funds required for the implementation of all of the activities in the Regular Programme up to the original level of the estimated costs (which were made up to eighteen months prior, at current market prices);
- to draw from the Back-up Financial Envelope (which contains the Inflation Facility) the funds required to compensate all activities in the Regular Programme for the inflation that has actually taken place since the time programme costs were originally estimated.

This would allow the Agency programme managers to carry out all activities under the Regular Programme.

As time goes by, and inflation erodes the value of the initial financial allotments provided to each programme manager, it would become necessary, in order to maintain the Agencies' ability to implement the Regular Programme in its entirety, to effect transfers from the Inflation Facility (in