

INTRODUCTION:

Fluctuations among the major convertible currencies used by UN Agencies have occasionally been adverse and caused stresses and strains on programme implementation and on the Agencies' ability to plan and to budget. The problem has, at this time, reached major proportions because:

- the USA dollar has lost rapidly a great deal of value against strong european currencies like the Swiss Franc and the Austrian Schilling which are major currencies of expenditure for most UN Agencies headquartered in Switzerland or Austria;
- most UN Agencies maintain their budget and accounts and therefore receive assessed contributions from Member States in USA dollars; and
- only UNESCO has, in its Budget Part VIII, a system that allows for a forward provision to be made for adverse currency fluctuations. Other Agencies have had to use other, sometimes make-do facilities. Thus the WHO had to use its Miscellaneous Income Facility both to compensate for actual exchange losses in the 1986-87 biennium and to build-up an ad hoc forward reserve for the 88-89 biennium. Other Agencies, the FAO, ILO, and UNIDO among them, have had to deplete accumulated reserves, to make economies, to cut programmes, and to consider supplementary budgets.

Currency fluctuations are by no means consistently adverse. From time to time, over the years, Agencies have been the recipients of significant exchange rates windfalls. This has not always been beneficial to the Agencies or the Member States. In most instances the surpluses have been managed carefully. But there have been cases when the existence of large surpluses led to the neglect of administrative prudence and caused expenditures to rise and programmes to proliferate without coherence. On these occasions, not only were Member States not credited the portion of the surplus that they were entitled to, they also became de facto committed to a higher level of assessment.