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that it may take up to one year to discharge obligations in respect to goods and services rendered in the financial period just ended.

The net effect of these practices is to create a second hidden and uncontrolled Working Capital Fund of unreported size and unknown purpose.

The proposed model erects a number of barriers to prevent the adoption of such practices. More important, it recommends mechanisms and instruments that make it possible to avoid having to use inappropriate expedients.

In terms of barriers, the model first relies on the simple financial structure of three financial envelopes, designed to serve specific purposes only. Another instrument would be the single purpose Working Capital Fund, uncontaminated by any other emergency related function (see Paper X). Finally, proposals are put forward in order to clarify the whole question of the disposition of investment income (see Paper V).

The model also puts forward mechanisms to create a strong and permanent linkage between the inflow of contributions and the rate of implementation of the agreed Work-Programme. The most important such mechanism is the division of the agreed programme of activities into two components, the Regular programme and the Stand-by programme. This is not entirely an innovation. Faced with the need to reduce its programme down to the new and lower level of contributions, UNESCO introduced the budgetary device of a Part IX in which were transferred all activities and projects deemed of lower priority and for which funding did not appear available.

In the model, Member States start the budgetary work-programme cycle by setting the level of the financial envelopes. In programme terms, this means establishing a budgetary constraint and then defining the contents of the agreed programme for the next biennium. Agency Secretariats and Member States also know that, as an average, a certain percentage of contributions will not be received within the year they are due. In recognition of this fact and in order to ensure that Agencies not be forced to implement more than they can reasonably expect will be funded, it is proposed that all activities for which funding can be expected be included in the Regular programme and