

- ESTABLISHMENT OF AN EXCHANGE RATES FLUCTUATIONS FACILITY -
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The procedure for effecting the transfers would be as follows:

- on a bi-annual basis, or a quarterly basis if the variation were extreme, the Agency would factor-in the estimated currency fluctuations for the next period (such estimates should be centrally computed, by financial experts and apply to the entire UN system);
- the Agency would then calculate the additional programme cost, or windfall caused by currency fluctuations;
- the Director-General would effect a transfer between the Exchange Rates Fluctuations Facility and the General Account equivalent either to the shortfall or the windfall;
- the contingencies would be used as and when required, and, in the last resort, in the case of extreme and continuous adversity, the Director-General would recommend programmes to be placed on Stand-by.

To avoid any possibility of a lag that might compromise the implementation of the programme, it could be made possible for Directors-General, in cases of adverse rates fluctuations, to effect the first transfer on the first day of the biennium. In cases of favorable variations, the adjustment transfer would always take place ex post facto so as to ensure that only actual windfalls are neutralized.

A point may need to be underlined again: that shortfalls and windfalls are always entirely neutralized. Thus, when it is bi-annually or quarterly determined that overall, an Agency has had a shortfall or a windfall, the corresponding amounts are immediately and automatically transferred in full. Having to operate in the knowledge that any windfall will be removed as soon as it accumulates provides a strong inducement for maintaining a high level of programme effectiveness. It is possible for prices not to be fully sensitive to variations in exchange rates or for them to adjust only over time. It would be totally impractical however for Agencies to have to make this type of intricate and detailed calculations. Furthermore, there would be a temptation to exaggerate the impact of any shortfall and to minimize the effect of any windfall. If only to avoid putting Agencies and Member States in potentially adversary positions, the mechanism should be allowed to function unimpeded.