

- ESTABLISHMENT OF AN EXCHANGE RATES FLUCTUATIONS FACILITY -

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possible forward provision for the next twenty four months. Finally, it would be possible to take additional contingency measures, if everything went wrong. On the other hand, were everything going right, Member States would immediately enjoy the benefit of lower assessed contributions.

DURING THE BIENNIUM.

In the event that exchange rates fluctuations had been adverse, Agencies would be able, from the first day of a new biennium:

- to draw from the Main Financial Envelope the funds required for the implementation of all the activities in the Regular Programme up to the original level of the estimated costs, at the exchange rates valid on Valuation Day;
- to draw on the Back-up Financial Envelope (which contains the Exchange Rates Fluctuations Facility) the funds required to compensate all activities in the Regular programme for the adverse fluctuations that have actually taken place since Valuation Day.

In the event that exchange rates fluctuations had been favorable, Agencies would, right from the outset, transfer the corresponding monies from the Main Envelope into the Exchange Rates Fluctuations Facility. The monies, and any investment income earned on them, would be left there until required to compensate for future adverse rates, or eventually to be credited back to the Member States.

As time goes by, and currency fluctuations either erode or increase 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 and to avoid windfalls, to effect transfers between the Exchange Rates Fluctuations Facility (in actual fact, the Reserve Account where the Exchange Rates Fluctuations Facility monies are) and the General Account (see Paper V for a description of the financial accounts).

It is proposed that all Agencies use the same standard procedure for effecting transfers between the Exchange Rates Fluctuations Facility and the General Account and for determining the amounts to be transferred.