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ESTABLISHMENT OF AN INFLATION FACILITY

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PRELIMINARY CONSIDERATIONS:

Given that all Agency programmes are subject to inflation, there should be principles and procedures for dealing with it. What is more, these principles and procedures should be standardized. The system used should be transparent. There should be straightforward procedures to make estimates of the inflationary factor, to calculate the total amount of financial resources that are required, and to permit the disbursement of these funds at a rate that takes into account the actual level of inflation.

It is also proposed that, as a general principle, the methodology for making estimates and the procedure for drawing resources from an "Inflation Facility" should not be cumbersome, but rather aimed at making accounting and budgeting simpler and more transparent.

COST ESTIMATES.

It is proposed that when they prepare cost estimates for the next biennium, Agencies follow these steps:

- programme or activity costs are estimated exclusively on the basis of current market prices or known prices (the latter include all known or statutory increases in salaries, utilities, leases, rentals, etc...);
- proposed expenditures subject to inflation are totalled by programme country, in relation to the convertible currency used by the Agency either to pay directly such expenditures or to acquire local currency;
- proposed expenditures subject to inflation are also totalled, by programme, major programmes, and at the aggregate level.