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THE AGENCY'S BUDGET FOR 1974

Note by the Director General

1. The Director General intends to consult the Board of Governors, when it next meets on 14 September, about ways of overcoming the difficulties caused for the Agency by the fluctuations in currency exchange rates that have occurred since the budget estimates for 1974 [1] were prepared. It is therefore quite possible that the Board will make a communication to the Conference on this matter in time for the latter's consideration of the budget for 1974 later in the month.
2. The essence of the problem is the changes that were made in the Austrian schilling/United States dollar exchange rate while the budget estimates were in preparation, and subsequently. As the Board has informed the Conference, the estimates were initially prepared on the basis of a United Nations rate of exchange of 23.20 schillings to the dollar. But just as preparation was nearing completion the rate was changed to 21 schillings to the dollar, which made it necessary to increase the Regular Budget by \$2.1 million in order to maintain the purchasing power at the planned level. [2]
3. With effect from 1 August the United Nations rate of exchange was again changed and now stands at 17.60 schillings to the dollar. On that basis a further shortage of \$3.1 million has developed, an extra amount which in the current situation is consequently needed for the programme that the Board has approved for financing from the Regular Budget in 1974. On the other hand, it will be the mean value of the rates of exchange that prevail throughout 1974 which will in the end determine the amount of extra funds needed. The magnitude of the problem will be apparent from the table below, which shows the estimated Regular Budget shortage in 1974 at several rates of exchange, including the United Nations rate that became effective on 1 August last.

[1] GC(XVII)/505.

[2] Ibid., para. A.14. The Board has recommended that the increase be provided for by Section 9 of the Conference's appropriation resolution (see Annex V to the document, draft resolution A, paras 1 and 3).

Estimated shortage in 1974 (millions of US dollars)	At the mean value for the schilling/dollar rate of exchange in 1974 of
3.8	17.0
3.1	17.6 ^{a/}
2.7	18.0
2.2	18.5
1.7	19.0

^{a/} Current United Nations rate.