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THE AGENCY'S BUDGET FOR 1978

Note by the Director General

1. The Director General intends to consult the Board of Governors when it meets in September about ways of overcoming the difficulties confronting the Agency as a result of the fluctuations in currency exchange rates that have occurred since the estimates in the Agency's budget for 1978[1] were prepared. In the light of its discussion on this matter the Board may wish to make a communication to the General Conference in time for the Conference's consideration of the budget for 1978.

2. Programme cost estimates in the Agency's budget for 1978 are based on an exchange rate of 18.50 Austrian schillings to the United States dollar. Because of a substantial decrease in the dollar exchange rate during the time the budget was being prepared, it became necessary to increase the Regular Budget by \$2.1 million in order to compensate for an estimated mean rate of exchange of 17.40 schillings to the dollar throughout 1978[2].

3. During July the value of the dollar dropped sharply to a level of about 16.00 schillings. On that basis a further shortfall of \$3.1 million is to be expected. This represents the extra amount that in the current situation is needed for the programme that the Board has approved for financing from the Regular Budget in 1978. A memorandum by the Director General setting forth the up-to-date position on this subject will be distributed to Governors shortly before the September Board meeting. The estimated additional funds that would be needed at various assumed mean rates of exchange are indicated in the table below.

Assumed mean value of the schilling/dollar exchange rate during 1978	Estimated additional funds needed in 1978 (millions of US \$)
15.60	4.1
15.80	3.6
16.00	3.1
16.20	2.6
16.40	2.1

[1] GC(XXI)/582.

[2] Ibid, para. 17. The Board has recommended that the increase be provided for by appropriation Section 10, Annex VI, draft resolution A.

