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CENTRE INTERNATIONAL DE RECHERCHE SUR LE CANCER

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REQUEST FOR INCREASE TO THE PROVISION TO COVER UNFORESEEN BUDGETARY COSTS DUE TO CURRENCY REALIGNMENTS

1. The budget for 2008–2009 was approved in an amount of US$ 44 751 000 at an exchange rate of 0.815 euros to the US dollar. In approving the appropriation resolution, GC/49/R9, the Governing Council included language that permitted the Director to use a maximum of US$ 3 500 000 from the Governing Council Special Fund to cover unforeseen budgetary costs due to currency realignments during 2008–2009.

2. At the May 2008 session of the Governing Council, it was pointed out that the realignment of the euro and the US dollar had been substantial since the budget had been approved for the 2008–2009 biennium. It was noted that if the situation persisted, it would be necessary for the Agency to request an increase in the budgetary exchange loss provision included in resolution GC/49/R9.

3. The average exchange rate for the biennium is 0.698 €/US$ as at 1 March 2009. Given that 80% of the Agency's budget is euro related, if the average exchange rate were to remain the same for the biennium, this would result in a budgetary exchange loss for 2008–2009 of approximately US$ 6 million.

4. For 2008, the Agency managed to stay within the exchange loss provision and used US$ 2.2 million. This low use of the provision was achieved by keeping some posts vacant and by not allowing protection from exchange loss for the majority of the non-staffing expenditure.

5. It is estimated that to ensure that all salaries may be paid in full until 31 December 2009, an extra US$ 2 million will be required. In addition, to give minimal protection during 2009 to the non-staff budgets and allow the Agency's programmes to be implemented without serious disruption, another US$ 0.9 million is needed.

6. Thus, the total estimated call upon the budgetary exchange loss provision during 2008–2009 is US$ 5.1 million. This is less than the US$ 6 million that could legitimately be requested as explained in paragraph 3 above.

7. Given the Governing Council has approved that the Agency change its base currency to the euro effective 1 January 2010, this is the last biennium where significant budgetary exchange losses may be incurred. In future biennia, the exposure will be reduced from 80% to 20% and the Governing Council may decide to reduce the provision accordingly.

8. The Governing Council is therefore requested to approve a new maximum of US$ 5.1 million in the biennium 2008–2009 from the Governing Council Special Fund to cover unforeseen budgetary costs due to currency realignments, subject to available cash balances in the Fund.