

Special Note on the 1989 Funding Requirements

This document is more complicated than similar documents in the past, and than similar documents should be in the future. Two sources of complexity are the need to show the implications of the transition from the old to the new allocation process, and the need to handle both processes simultaneously since five centers have not yet completed the process of moving to approved medium-term programs. We have tried to make a more complex process as transparent as possible without smothering the audience with data. No doubt there will be points on which further or clearer information is required. We shall, as always, be glad to provide answers to questions to the best of our ability.

The financial implications of the transition to the new system have been handled by showing both the percentage and nominal dollar changes in each center between the last year under the old system and the first year under the new. The total change has been broken down into three elements:

- the price factor, or inflationary change,
- the amount of what was previously special project funding which is considered part of the essential program under the new system, and
- the increase in the essential program which is not explained by either of the previous two factors.

The third of these factors may be considered as a measure of the increase in program falling on the donors as a group. In almost all cases, the funds for the second factor have been committed for some period of time by specific donors. Including these activities in the essential program is balanced at least in the short run by an increase in funding of a comparable amount. Since special project funding normally has a limited time span, the sum of the second and third factors can be considered to represent the program increase which will fall on donors in general in the longer run. With five centers still to go, the second factor accounts for \$7.5 million and program increases (both 1988 and 1989) amount to \$10 million, making a grand total of \$17.5 million.

Another important point is the change in the role of the stabilization fund in 1988. The fund guaranteed the exchange rates of December 31, 1987, which turned out to represent more or less the peak value of the dollar. The fund, therefore, has been a substantial net contributor to the centers for the first time, enabling them to operate at 100% of their approved budgets in 1988. Recalculating all exchange rates at the value as of September 1, 1988, however, and ignoring the net input of the stabilization fund, would bring the dollar value of donor contributions in 1988 down to \$208 million. This figure must be compared with the requirement from donors to fund the recommended core/essential program for 1989 of \$238 million, which would require an overall 14% increase if exchange rates in December remain at the same level as they were on September 1, 1988. Assuming that the automatic transfer of funding for special projects now considered essential holds up, this still leaves a balance of \$23 million to be provided by added donor effort, an increase of 11% over the level of effort in 1988.