

Treasurer's Review 1991-1999

INCOME AND EXPENSE

In 1991 the Finance Committee forecast that if income remained constant and expenses increased as these had done over the previous four biennia, there would be a cumulative deficit over the next two biennia of over one million US dollars. Their recommendations for rectifying the Union's finances were accepted by the Bureau which in turn recommended to Council a 12% cut in the allocation to Divisions and a 5% increase in subscriptions for each of the following years. When I became Treasurer in 1992 my main concern was to restore the cuts in the Divisional allocations while maintaining a balanced budget. To do this it was necessary to keep strict control of expenses, and all parts of the Union helped me in this, and to persuade Council to maintain the real value of our subscriptions by keeping these in line with inflation. Again, in spite of difficulties in some countries, Council supported my recommendations. The effect of these measures is shown in the following summary, which lists the bottom lines of the income and expense accounts, thousands of USD, from 1990 to 1999.

<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999E</u>
12	(162)	(72)	23	149	113	291	(194)	328	40

The biennial figures are:

<u>1990-91</u>	<u>1992-93</u>	<u>1994-95</u>	<u>1996-97</u>	<u>1998-99E</u>
(150)	(49)	262	97	368

NB brackets denote a deficit; E an estimate.

You will recall that since 1994, in casting a balanced budget, there has been a surplus in the even year balanced by an equal deficit in the odd year. This has been done to allow for the different levels of expense in the two years. In fact, among the odd years, there was a deficit only in 1997, the year of the move of the Secretariat from Oxford to Research Triangle Park.

DIVISIONAL ALLOCATIONS

In the table below, the Divisional allocations from 1992-3 to 2000-01 are compared with the allocation before the cuts in 1991, adjusted by OECD inflation increases to give their real values (in thousands of USD)

	<u>Allocation</u>	<u>Pre-1991 allocation, adjusted</u>	<u>Difference (%)</u>
1992-93	301	342	-12%
1994-95	301	365	-18%
1996-97	331	389	-15%
1998-99	620 (310+310)*	420	+48%
2000-01	874 (325 +549)*	451	+52%

* The first figure in brackets is that allocated directly, the second that in reserve.

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It can be seen that at first the difference in real terms between the allocations and the pre-1991 value in real terms worsened as the allocation remained constant. Then in 1996-97 there was an improvement and in the preliminary 1998-99 budget parity was established. But then, as was previously mentioned, the allocation was greatly enhanced by the reductions in the Secretariat costs in the final budget and will be increased further by the increase in efficiency with which publications are being handled.

RESERVES

Although the Union has been in difficulties with its income and expense account, it has not been in real financial danger because the reserves have been strong. These have remained so and have, indeed, strengthened due to the buoyancy of the financial markets, the investment policies of the Finance Committee, and the surpluses made in recent years. Nevertheless, we must bear in mind that the value of stocks & shares can go down as well as up, sometimes sharply.

The total reserves consist of the general reserve which is held to guard against the unexpected, the endowment reserve (formerly building fund), and the southern hemisphere sinking fund. The table shows how the levels have changed over the last eight years, in thousands of USD. The Barings windfall is not included.

	<u>General</u>		<u>Building/ Endowment</u>		<u>Southern Hemisphere</u>	<u>Total</u>	
1991	2182					2182	
1992	2156		319			2475	
1993	2082		333			2415	
1994	2366		289			2655	
1995	2362		303			2665	
1996	2602	[2831]	396	[440]	50	3048	[3321]
1997	2215	[2642]	286	[440]	100	2601	[3182]
1998	2465	[2710]	362	[440]	150	2977	[3300]

NB brackets denote market values, other figures are book or cost values.

The apparent rise in book value of the total reserve from 1991 to 1998 is 36.4%, but if the 1991 value is adjusted by the OECD inflation factor over those years, 127.3, the increase in real terms is 7.2%. The 1998 market value has increased in real terms over the 1991 book value by 18.8%. If the Barings money is included, these values, in real terms, become 19.5% and 30.2%.

CONCLUSION

Over the last eight years the Union has overcome its financial difficulties and is now in a position to expand its scope and effectiveness. We must not lower our guard but continue with the financial measures that have put us there.

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