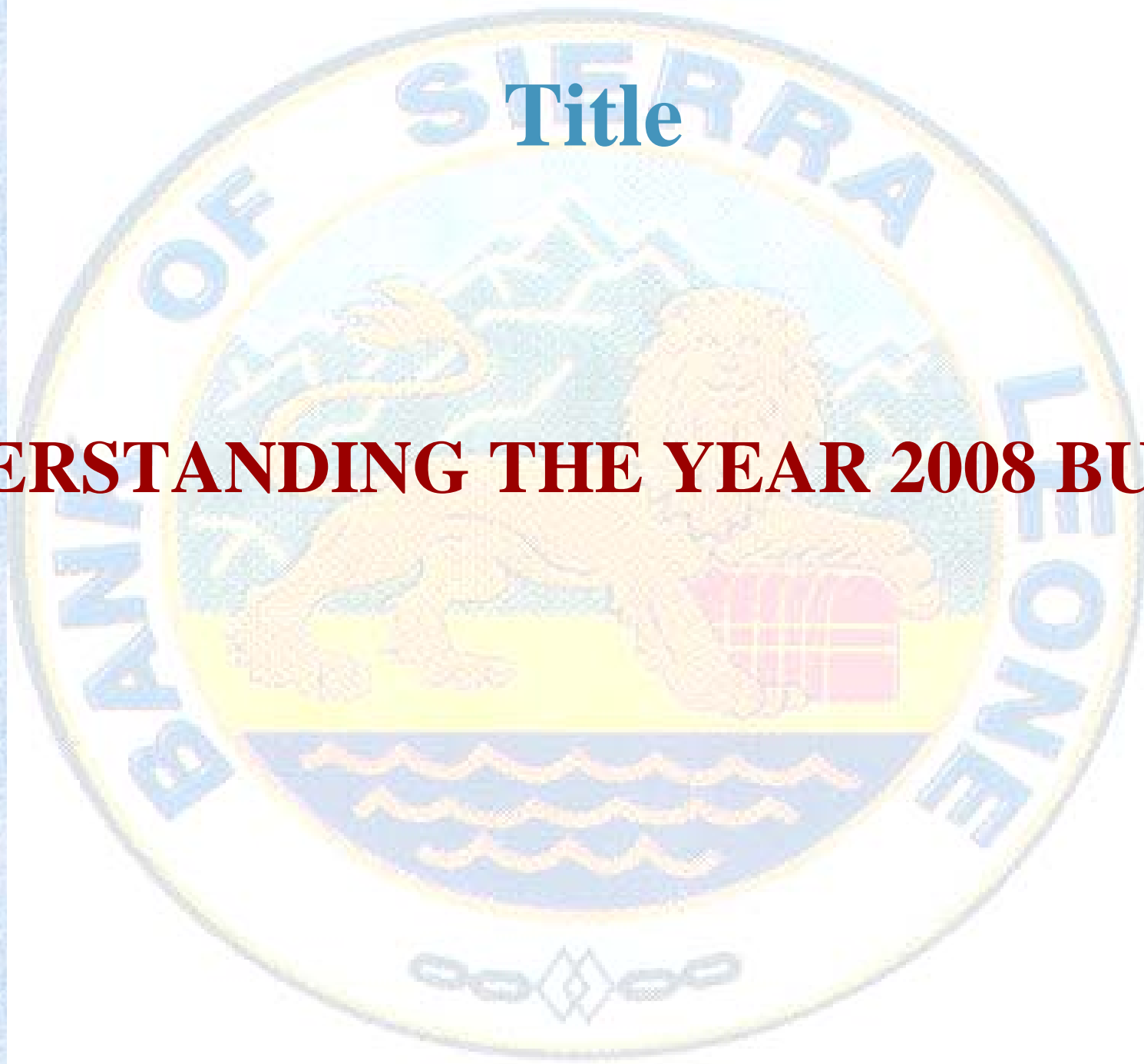






Title

UNDERSTANDING THE YEAR 2008 BUDGET





PRESENTATION

BY

THE DIRECTOR

ACCOUNTS AND BUDGET DEPARTMENT



INTRODUCTION

The Bank of Sierra Leone adopts the ‘Zero Based’ approach in the preparation of its budget. This approach assumes that the bank is starting anew from a zero base at the beginning of every year. In this case, resources are not necessarily allocated in accordance with the previous patterns as proposals have to be annually rejustified.



The Bank of Sierra Leone Consolidated Budget

The Bank of Sierra Leone's Budget is usually prepared using a consolidated approach. That is, the proposals and requirements of departments and units are determined individually and recorded separately in different columns in the master budget. The totals of the various voteheads for the individual departments and grand totals in respect of bankwide proposals are also reflected in the master budget.



Categories of the Budget

The Bank's budget is categorised as follows:

- Recurrent Budget
- Stores Budget
- Capital Budget



Recurrent Budget

This budget accommodates all operating income and expenditure of the Bank for a particular year.

Stores Budget

This budget was introduced to minimize over stocking, vote overruns and obsolete items. Estimates for all store items are re-justified every year and included under the related vote heads in the Recurrent Budget.

Capital Budget

This budget mainly focuses on Management's Plan to increase, rehabilitate or replace the Bank's existing fixed assets.



Overview of Year 2007 Budget Performance

Favourable Net Profit of Le8.2 billion was recorded as against anticipated Net Loss of Le15.45 billion. However, after full implementation of IFRS the profit position will be altered as it will have to be adjusted with the Revaluation Gain/Loss.

If it is a Loss, the Government will be expected to issue marketable securities or foreign exchange to offset this loss in accordance with Section 11 (8) of the Bank of Sierra Leone Act 2000.

If it is a profit, it will be appropriated in accordance with the relevant sections in the BSL Act 2000.



Overview of Year 2007 Budget Performance (cont.)

Income

Most of the major sources of income recorded favourable variances. Income from External Investments and Local Investments recorded 66.01% and 48.20% above the projections.

Income from Others also recorded a significant increase of 804.67% due to unanticipated income from Ways and Means realised during the year.



Overview of Year 2007 Budget Performance (cont.)

Expenditure

Encouraging results were also achieved on the expenditure side as total expenditure of Le41.17 billion for the year was 9.28% below the projection of Le45.38 billion.

This result was achieved through the streamlining of expenditures and strict adherence to approved priority expenditure levels.



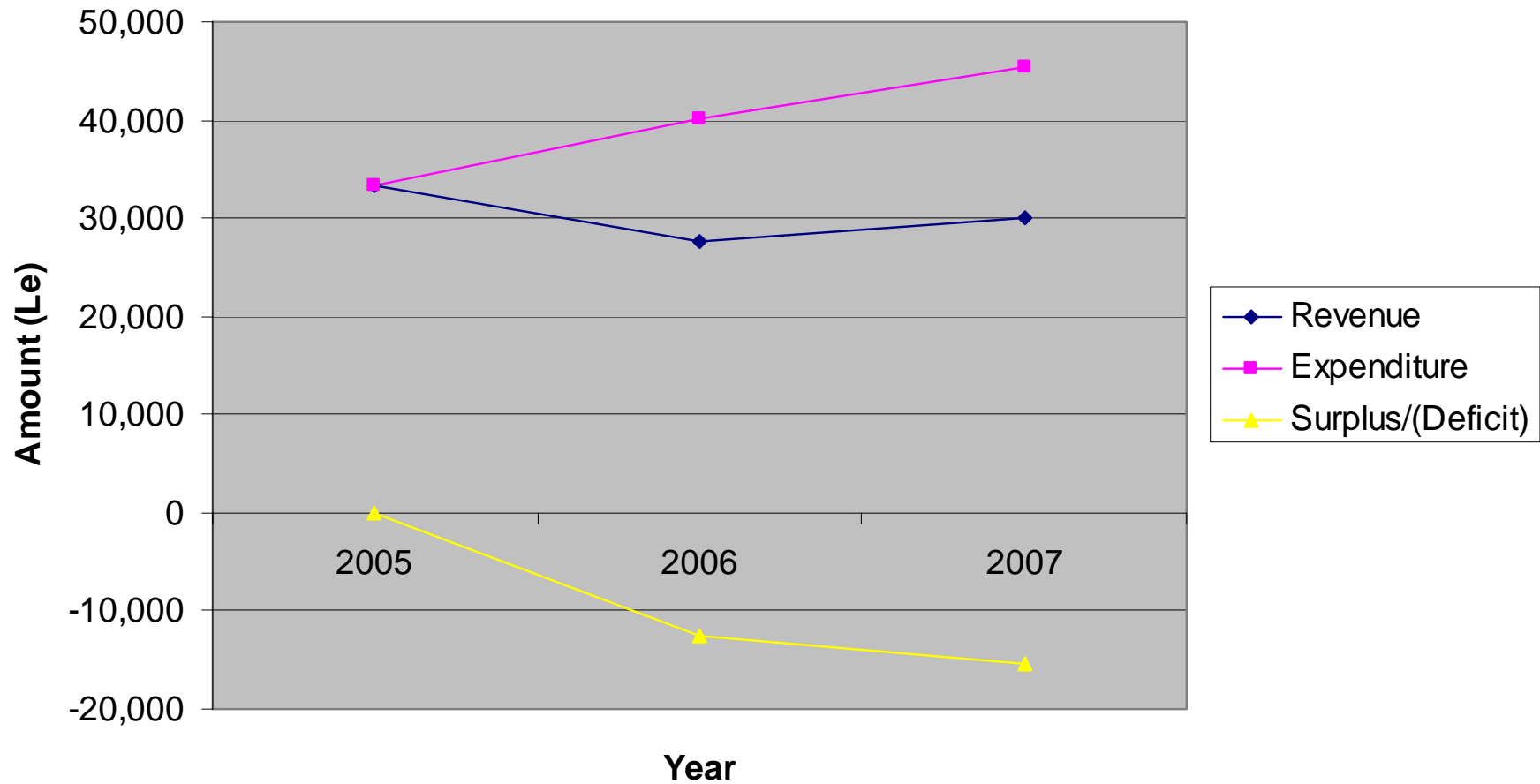
Analysis of Budgeted Performance

Budget Estimates – Le'000 M

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenue	33,339	27,615	29,925
Expenditure	<u>33,279</u>	<u>40,175</u>	<u>45,377</u>
Surplus/(Deficit)	<u>60</u>	<u>(12,560)</u>	<u>(15,452)</u>



Analysis of Budgeted Performance



Analysis of Actual Performance

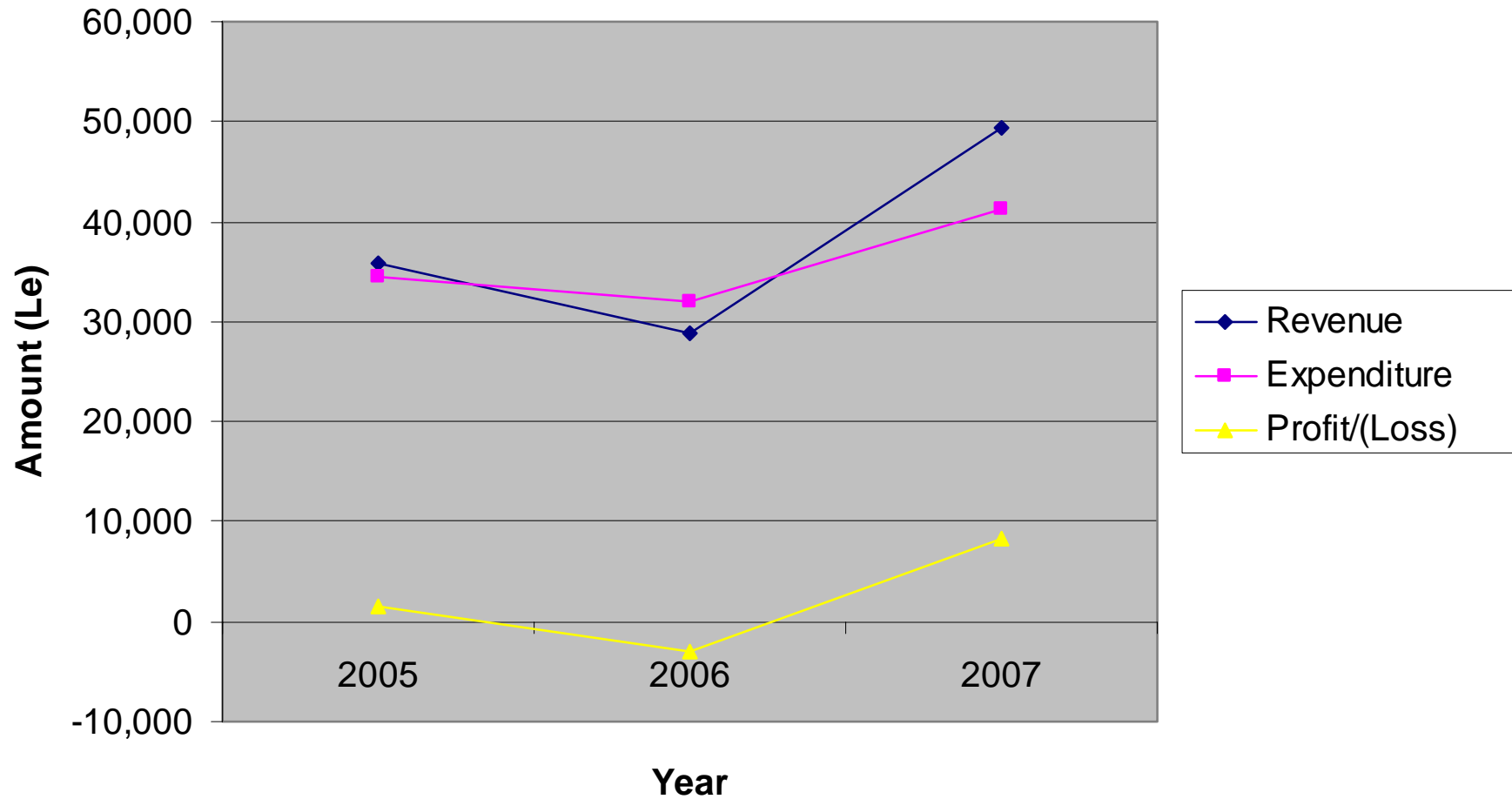


Actual Performance – Le'000 M

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenue	35,910	28,853	49,421
Expenditure	<u>34,456</u>	<u>31,939</u>	<u>41,165</u>
Profit/(Loss)	<u>1,454</u>	<u>(3,086)</u>	<u>8,256</u>



Analysis of Actual Performance





Analysis of Budgeted and Actual Performance

	<u>2005</u>		<u>2006</u>		<u>2007</u>	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
Revenue	33,339	35,910	27,615	28,853	29,925	49,421
Expenditure	<u>33,279</u>	34,456	<u>40,175</u>	<u>31,939</u>	<u>45,377</u>	41,165
<u>Surplus/(Deficit)</u>	<u>60</u>	<u>1,454</u>	<u>(12,560)</u>	<u>(3,086)</u>	<u>(15,452)</u>	<u>8,256</u>



The Bank of Sierra Leone Year 2008 Budget

Operating period

The Year 2008 budget covers a 1 year period from 1st January, 2008 to 31st December, 2008.



Assumptions

Estimates for the Year 2008 are based on the following assumptions:

- Salary increase of 10% consistent with that proposed in the Government Budget
- Provision of 5% increase for annual Staff Promotions/Increments.
- 33% provision for Electricity Charges – NPA.
- 67% Provision for Electricity Charges – Gas Oil.



Assumptions (Cont.)

- 12% increase in Transport Allowance to reflect average change in fuel price for 2007.
- Projected cost of fuel – Le16,000 per gallon.
- Projected annual inflation rate 9% (factored in Stores Budget).
- Projected 30% increase in Electricity and Telephone tariffs for Utility Allowances to be paid to staff
- No provision for Contingency and Staff Performance Honorarium in the budget



Assumptions (Cont.)

Projected Exchange rates:

	Le
USD	3,200.00
GBP	6,217.47
EURO	4,601.44
SDR/WAUA	4,771.50

Summary of Estimates



Budget Estimates for Year 2008 can be summarised as follows:

	Le' 000 M
Total Revenue	36,080
Total Expenditure	<u>50,978</u>
Deficit (To be financed by Government)	<u>(14,898)</u>

Analysis of Projected Revenue



Summary of projected receipts from each of the component sources of the Bank's income.

<u>Source</u>	<u>Amount</u> <u>Le' 000 M</u>	<u>% of Projected</u> <u>Total Receipts</u>
External Investments	Le23,459	65.01%
Local Investments	Le 8,905	24.68%
Other Bank Funds	Le 948	2.63%
Others	Le 2,019	5.60%
Others-Exchange Gains, etc.	<u>Le 749</u>	<u>2.08%</u>
Total	<u>Le36,080</u>	<u>100%</u>

Summary of Estimated Expenditures



Expenditure	<u>Amount</u>	% of Projected
<u>Head</u>	<u>Le' 000 M</u>	<u>Total Expenditure</u>
Head A – Emoluments	Le24,711	48.47%
Head B - Other Charges	Le 9,693	19.02%
Head C - Currency Exp.	Le 3,461	6.79%
Head D - Miscellaneous	Le 8,859	17.38%
Head E - Extraordinary	<u>Le 4,254</u>	<u>8.34%</u>
Total	<u>Le50,978</u>	<u>100.00%</u>

Summary of Estimated Expenditure (Stores)



<u>Expenditure Head</u>	<u>Amount Le' 000 M</u>	<u>% of Projected Total Stores Expenditure</u>
Office Stationery	89,080	3.97%
Computer Consumables	276,405	12.33%
Printing Consumables	30,194	1.35%
Hospitality (Drinks/Tea Service)	121,360	5.41%
Banking Publications	49,250	2.20%
Repairs and Maintenance (spares)	173,934	7.76%

Summary of Estimated Expenditure-Stores (Cont.)



Expenditure Head	<u>Amount</u> Le' 000 M	% of Projected Total Stores <u>Expenditure</u>
Electricity (Fuel)	856,864	38.22%
Vehicle Running Exp. (Spares and Fuel)	168,034	7.50%
Cleaning Materials	122,966	5.49%
Uniforms	89,499	3.99%
Currency Management	35,562	1.59%
Medical Allocation(Drugs)	<u>228,539</u>	<u>10.19%</u>
	<u>2,241,687</u>	<u>100%</u>

Percentage increase in Expenditure Heads from Year 2007 to Year 2008

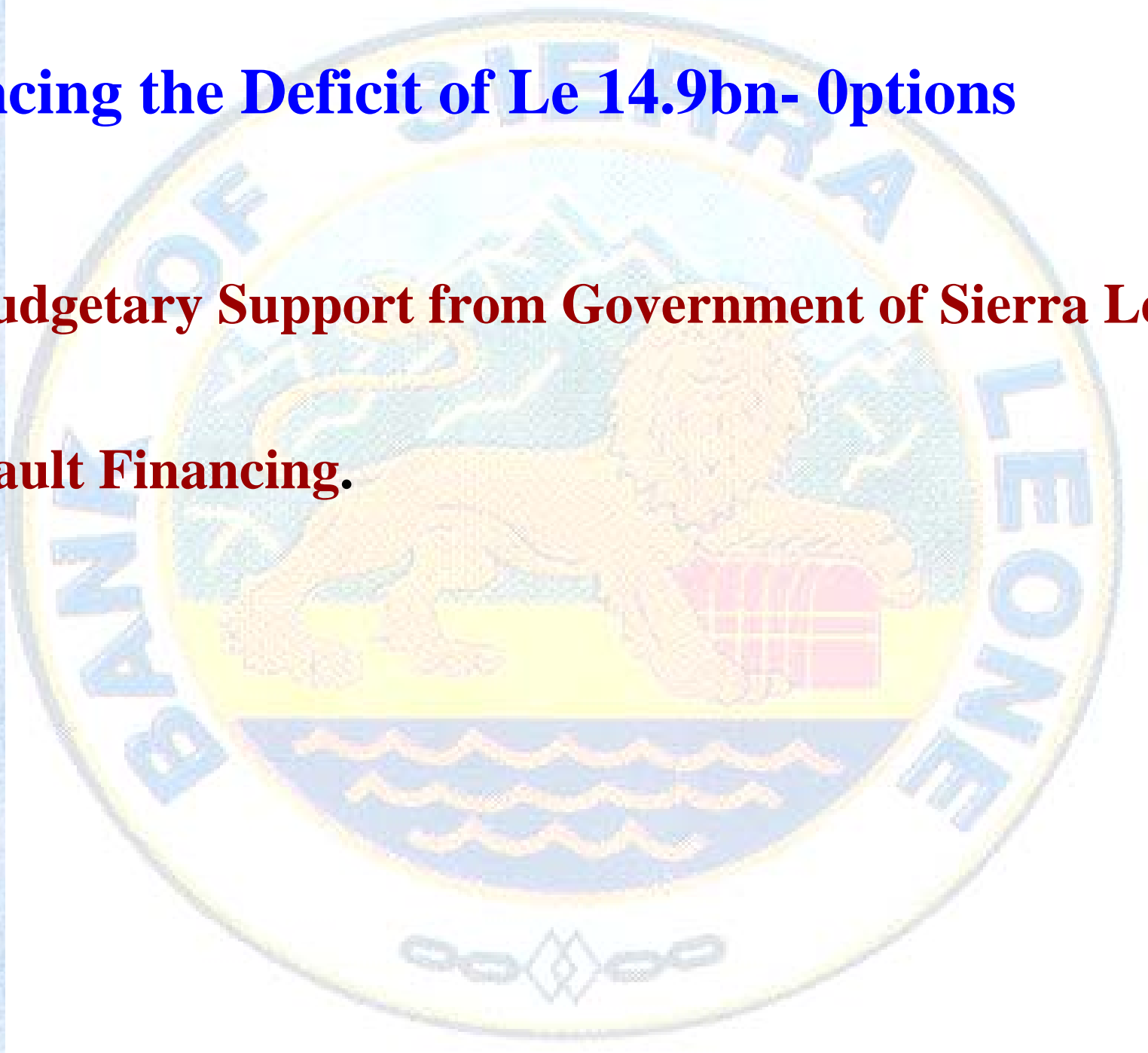


	2007 Amount	2008 Amount	% Increase
	<u>Le'000 M</u>	<u>Le'000 M</u>	
Head A - Emoluments	Le21,750	Le24,711	13.61
Head B – Other Charges	Le 9,423	Le 9,693	2.86
Head C – Currency Exp.	Le 3,112	Le 3,461	11.21
Head D – Miscellaneous	Le 7,715	Le 8,859	14.83
Head E – Extraordinary	<u>Le 3,378</u>	<u>Le 4,254</u>	25.93
Total	<u>Le45,378</u>	<u>Le50,978</u>	

Financing the Deficit of Le 14.9bn- Options



- **Budgetary Support from Government of Sierra Leone**
- **Vault Financing.**



Proposals for reducing the Budget Deficit



Commission a manpower audit bankwide to determine the realistic manpower resources needed to enable the Bank perform its function efficiently with a view to rightsizing such resources.

Review of the role of the Bank in Quasi Fiscal Activities such as Community Banking and Microfinance Schemes and other Private Sector activities.

Expand the revenue base by charging Government for Treasury Bills/Treasury Bear Bonds transactions and other Government activities which are currently provided free of charge (possible amendment to section 40 (d) of the BSL Act 2000)



Approval of the 2008 Budget

The 2008 Recurrent Budget was approved by the Board at its 450th Meeting held on 29th January, 2008





YEAR 2008 CAPITAL BUDGET

To be presented to the Board at its next Board Meeting

<u>Expenditure Head</u>	Amount Le' 000M	% Total Exp.
Building Rehabilitation Work	772,349	7.26%
BSL Resource Centre	2,000,000	18.79%
Plant & Machinery	2,181,348	20.50%
Communication Equipment	245,000	2.30%
Equipment for Currency Management	325,850	3.06%
Vehicles	1,363,461	12.81%
Computers & Ancilliary	2,716,980	25.53%
Miscellaneous	1,036,574	9.74%
Total	10,641,562	100.00%



THE END