

A. ANNUAL REPORT 2001

1. Review of the Economy

(a) Overview

The year 2001 witnessed a steady improvement in the security situation which culminated in the signing of an agreement in Abuja, Nigeria in May 2001 for the disarmament of all combatants of the Revolutionary United Front (RUF) and the Civil Defence Forces (CDF). This led to the gradual deployment of the United Nations Assistance Mission to Sierra Leone (UNAMSIL) followed by government's expansion of its authority throughout most of the country. Although the deadline of November 2001 for the conclusion of the disarmament programme had to be extended mainly due to hitches experienced in the diamond rich area of Kono, yet by December 2001 substantial progress had been made. The Government's focus changed from conflict management and short term relief towards medium term development and growth and it was able to endorse in July 2001 an Interim Poverty Reduction Strategy Paper (IPRSP) prepared in consultation with civil society. The Board of the International Monetary Fund in July approved Sierra Leone's request for a three year arrangement under the Poverty Reduction and Growth Facility (PRGF) in support of its medium term programme. Understandings were reached with Sierra Leone's bilateral and multilateral partners including the United Kingdom Department for International Development (DFID)/World Bank and African Development Bank which resulted in disbursements of loans and grants for budgetary and balance of payments support. Funds were also sought and received through the multi-donor

trust fund for the Disarmament Programme. Sierra Leone became eligible for debt relief under the HIPC initiative and obtained debt relief from the Paris Club on Naples terms.

The effect of a more secure environment was translated to growth in output and real GDP is estimated to have risen by 5.4 percent. Imports also manifested strong growth especially in machinery and construction equipment. Domestic revenue was both higher than that of the previous year and the revised budget estimates. Domestic expenditure was above budget estimates mainly due to higher than anticipated expenditure for rehabilitation and salary arrears.

There were delays in the receipt of external funding which affected the financing of the government budget deficit and greater reliance had to be put on the banking system. This led to a growth in money supply of 34 per cent, much higher than the projection of 16 per cent. Inflation however was contained within single digit. Though the Leone rate fluctuated against the US dollar during the period, yet the average rate was lower than that in 2000.

(b) Real Sector Developments

With the notable exception of agriculture, real sector activities showed marked expansion during 2001. The positive trend previously recorded in the diamond, manufacturing and services sub-sectors was maintained. The intensified deployment all over the country of

UNAMSIL followed by the Police explained much of the growth in the diamond industry. Growth displayed by most industries was largely fuelled by increased aggregate demand, increased electricity supply, availability of raw materials and repairs and replacement of machinery. Electricity generation continued to improve on account of continuous rehabilitation and maintenance of distribution plants. Industrial and domestic requirements increased with the growing supply and power rationing had to be effected.

Output of beer, stout and maltina, rose substantially by 464.46 thousand cartons (151.80%), and 73.33 thousand cartons (96.69%), respectively, over the previous year. At the same time soft drinks and confectionery production edged upwards by 271.77 thousand crates (19.01%) and 513 thousand pounds (30.62%) respectively. The increase in Food and Beverages production reflects optimum use of installed capacity sustained by a pick-up in domestic demand.

Output of household goods namely salt, common soap and plastic footwear fell below last year's level by 1,193.64 metric tons (29.23%), 125.83 metric tons (25.53%) and 17.21 thousand pairs (1.20%), respectively. Scheduled maintenance and supply delays contributed to reduced production levels of these goods.

The increases in output levels of acetylene and oxygen were 97.80 thousand cubic feet (98.18%) and 287.62 thousand cubic feet (39.89%) above the levels in year 2000. These increases were related to increased extraction activity in the mining sector, use in hospitals and repairs to the plant.

Against the backdrop of greater competitiveness with imported products, paint and cement production registered considerable increases of 59.77 thousand gallons (60.69%) and 39.87 thousand metric tons (54.32%), respectively. These increases were associated with high demand for construction materials following the return of civilian population to rural areas and the reconstruction and rehabilitation activities funded by local and foreign donors and Non Governmental Organisations.

The buoyancy in diamond production, which started in the previous year, continued with total officially recorded production increasing by 146.94 thousand carats (189.91%). The total comprised 117.39 thousand carats of industrial diamonds and 106.92 thousand carats of gem diamonds. This improvement was supported by the gradual restoration of civil authority in the diamond rich Kono region.

Production data for the agricultural sector remains unobtainable. Official records indicate however that 569.00 metric tons of cocoa and 74.90 metric tons of coffee were shipped out of Sierra Leone during the course of the year. The stimulus necessary to resume production on a wide scale was lacking due to the very low world prices for these commodities especially coffee.

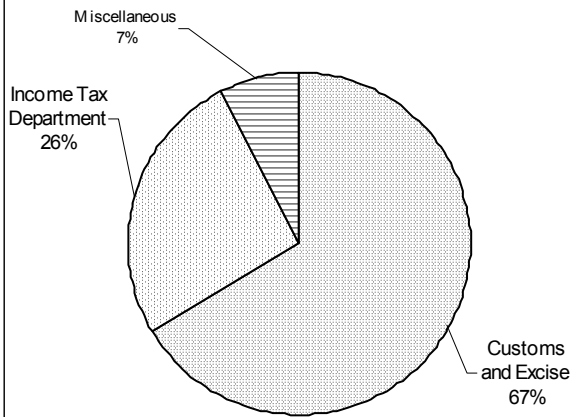
(c) Fiscal Developments

The Budget prepared for 2001 and presented to Parliament in November 2000 by the Minister of Finance had a financing gap of Le45.45bn or 3.01 per cent of GDP. In June 2001 a supplementary budget based on the medium term framework was therefore presented to

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Table. 1 Production					
		Jan-Dec'00	Jan-Jun'01	Jul-Dec'01	Jan-Dec'01
1	2	3	4	5	6
Minerals					
Diamonds	<i>000'carats</i>	77.37	97.77	126.54	224.31
Bauxite	<i>000'M tons</i>	-	-	-	-
Rutile	<i>000'M tons</i>	-	-	-	-
Ilmenite	<i>000'M tons</i>	-	-	-	-
Gold	<i>Ounces</i>	-	-	-	-
Agriculture					
Coffee	<i>000'M tons</i>	n.a	-	74.90	74.90
Cocoa	<i>000'M tons</i>	n.a	53.80	515.20	569.00
Piassava	<i>000'M tons</i>	n.a	-	-	-
Manufactured Goods					
Beer and Stout	<i>000' Cartons</i>	305.97	331.00	439.43	770.43
Maltina	<i>000' Cartons</i>	75.84	70.15	79.02	149.17
Soft Drinks	<i>000' Crates</i>	1429.41	901.76	799.42	1701.18
Acetylene	<i>000' Cu.Ft</i>	99.61	91.08	106.33	197.41
Oxygen	<i>000' Cu.Ft</i>	721.08	546.71	461.99	1008.7
Carbon-Dioxide	<i>000' Lbs</i>	49.35	n.a	12.73	12.73
Confectionary	<i>000' Lbs</i>	1675.21	1099.37	1088.84	2188.21
Salt	<i>M tons</i>	4083.11	1768.32	1121.15	2889.47
Common Soap	<i>M tons</i>	492.89	149.39	217.67	367.06
Paint	<i>000' Gals.</i>	98.49	79.44	78.82	158.26
Cement	<i>000'M tons</i>	73.40	62.22	51.11	113.27
Plastic Footwear	<i>000 Pairs</i>	1436.84	808.96	610.67	1419.63
Flour	<i>000'M tons</i>	17.81	10163.02	3177.49	13340.51
Services					
Electricity					
Unit Generated	<i>GW/hr</i>	61.39	52.72	53.58	106.3
Industrial Consumption	<i>GW/hr</i>	16.53	11.24	10.78	22.02

Chart 1. Composition of Government Revenue-2001

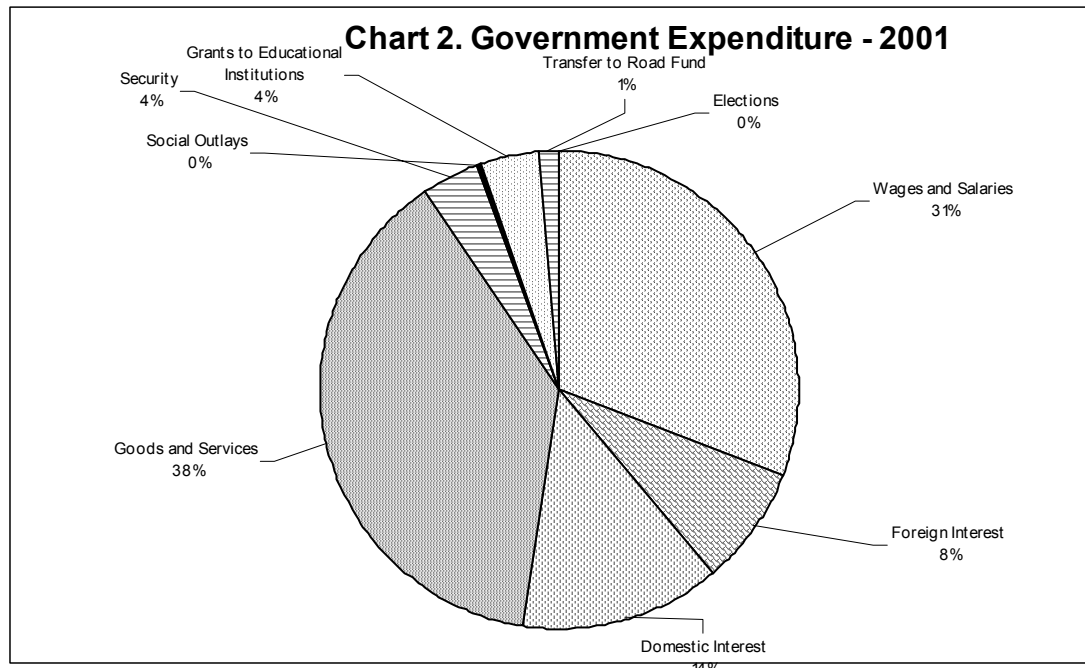


raised from Le216.28bn to Le216.93bn and bank financing from Le15.00bn to Le21.00bn to close the gap.

Total domestic revenue collected amounted to Le207.88bn, 13.79 per cent of GDP and was in excess of the previous year's fiscal receipts of Le152.17bn and the revised budget estimate of Le184.95bn by 36.61 per cent and 12.40 per cent, respectively. The growth in the Revenue/ GDP ratio was from 10.09 per cent in 2000 to 13.79 per cent in 2001. The increases in collections from Customs & Excise Department (44.80 per cent) and Income Tax Department (36.85 per cent), due partly to the reduction in duty free concessions on custom duties and the rise in the number of registered companies for income tax contributed to the overall improvement in revenue. Miscellaneous receipts, however, declined over the review period, though

Parliament. In that revised budget total revenue and expenditure were scaled down from Le402.13bn to Le401.88bn and Le630.11bn to Le610.03bn, respectively, while grants were

Chart 2. Government Expenditure - 2001



collections from Mines and Marine Resources Departments, of licences fees and royalties increased. Freight levy was no longer regarded as revenue. Dividends from parastatals of Le3.13bn though lower than Le4.61bn collected in 2000 were higher than Budget projections of Le2.00bn. Grants received totalled Le86.15bn, a decrease of 18.81 per cent against last year's level and a significant shortfall of 60.29 per cent of the estimated Le216.93bn grants in the revised budget. Of the Le86.15bn grants received in 2001, Le57.27bn were programme grants, principally from the Department for International Development (Le30.76bn) and European Union (Le25.41bn). The rest were project grants, including that for the Disarmament, Demobilisation and Reintegration programme from various multilateral organisations. Total revenue, comprising domestic revenue and grants of Le294.03bn (19.50 per cent of GDP), though 13.84 per cent higher than the level in 2000, was 26.84 per cent below the revised budget estimate of Le401.88bn (26.66 per cent of GDP).

Total expenditure in 2001 reached a level of Le459.37bn (30.46 per cent of GDP) and was 23.61 per cent above that of the preceding year but was Le24.70bn below the revised budget estimate of Le610.04bn. Current expenditure, which amounted to Le361.61bn (25.15 per cent of GDP) was 19.80 per cent above the level in 2000 and was 4.64 per cent below the Le379.20bn projection in the revised budget. Expenditure on personnel emoluments of Le111.46bn and Goods & Services of Le136.71bn were not only higher than their levels in 2000 but were 11.10 per cent and 6.23 per cent greater than their respective revised budget projections. The increases in payroll and payment

of arrears accounted for the rise in expenditure on wages & salaries while the cost of rehabilitation of Government institutions, purchases of school materials, Government support to the National Commission for Reconstruction, Rehabilitation and Resettlement and National Power Authority influenced the increase in expenses on goods & services. Personnel emoluments of Le111.46bn was 30.82 per cent of current expenditure and 53.62 per cent of domestic receipts in 2001. Out of the Le6.39bn budgeted for the elections and democratisation process only Le0.50bn was utilised as the elections were postponed to 2002.

Development expenditure of Le97.77bn, on the other hand, exceeded the amount spent in 2000 by 4.07 per cent but was short of its revised budget estimate of Le230.83bn by 57.65 per cent. This development was due to the non-receipt of most of the loans and grants projected for 2001.

Due to a significant shortfall in external inflows for budgetary support, the overall budget deficit, including grants, amounted to Le165.34bn, 10.97 per cent of GDP in comparison with the revised budget projection of Le208.16bn, 13.81 per cent of GDP. Financing of the budget deficit though was mostly drawn from external sources amounting to Le106.70bn, Bank financing, which was projected to Le21.00bn or 1.39 per cent of GDP in the revised budget, increased significantly to Le44.19bn or 2.93 per cent of GDP, about 26.72 per cent of total financing during the review period. Bank of Sierra Leone's contribution to the financing was Le12.81bn and constituted about 9.48 per cent of year 2000 total tax revenue.

(d) External Sector Developments

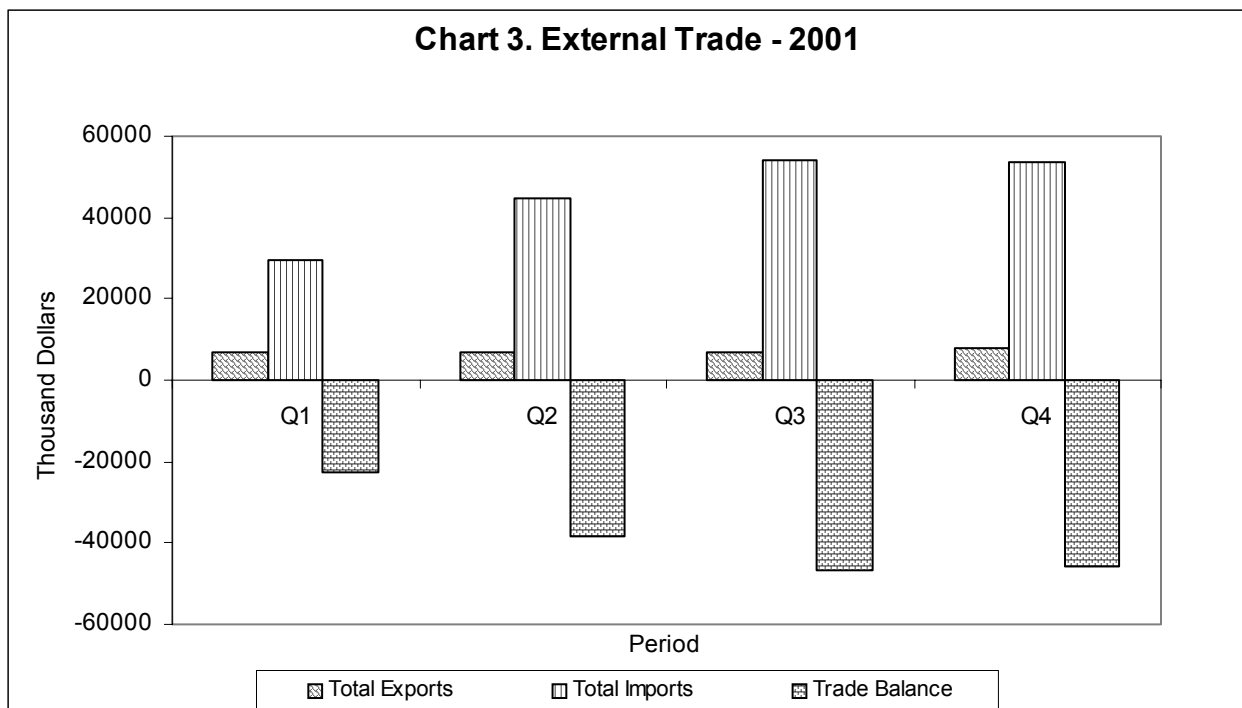
Developments in the external sector indicated an improved performance in 2001. Continued efforts towards achieving external viability remained a critical feature of policy measures. This included sustainance of the foreign exchange auction system, and maintenance of a relatively stable exchange rate. The recovery in the production sector, though moderate, prompted some growth in the export sector, which, combined with the increase in official inflows during the period, resulted in increase in supply of foreign exchange in the economy.

(i) International Trade

External trade performance during the year under review was characterised by increased merchandise activity over the level in 2000.

Consequently, the value of exports more than doubled that of the previous year but was however outweighed by the rise of 24.9 per cent in payments for imports. Thus the trade deficit widened by a further 14.1 per cent.

The value of merchandise exports in 2001 amounted to US\$30.5 million, representing an increase of 135.5 per cent over the value recorded in 2000. The improvement in export performance was largely due to a marked increase in export receipts from diamonds accounting for 86.2 per cent of total export value. Diamond exports increased from 77.2 thousand carats, valued at US\$10.1 million in 2000 to 224.5 thousand carats, valued at US\$26.3 million in 2001, comprising 107.0 thousand carats of gem diamonds, valued at US\$24.4 million and 117.4 thousand carats of industrial diamonds, valued



at US\$1.9 million. The significant improvement in diamond exports, notwithstanding declining world market prices (exacerbated by the September 11 terrorist attacks on the United States), was the result of increased mining activities as the security situation significantly improved in the mining regions, particularly in the latter part of the year. The reduction in diamond smuggling due to the implementation of the Diamond Certification Scheme and the establishment of Government authority in the mining areas and along its borders, were also responsible for the increase. Performance in the agricultural category remained at a low ebb with receipts from exports decreasing by 4.0 per cent to US\$1.9 million. The decrease was reflected in receipts from all the major agricultural commodities, except fish and shrimps, which increased by more than twofold to US\$0.02 million. Export volumes of coffee and cocoa fell by 96.2 per cent to 74.9 metric tons and by 54.6 per cent to 641 metric tons respectively, over the period. Similarly, receipts from these commodities went down by US\$615.9 thousand (96.4%) to US\$ 22.9 thousand and US\$36.3 thousand (12.0%) to US\$265.9 thousand, respectively. The reduction in receipts was due to declining world market prices, which also induced exporters to retain stocks in anticipation of favourable prices. The value of "Other" exports constituting mainly palm oil, audiocassettes, assorted African foodstuffs, and plastic wares, increased by 60 per cent from US\$1.0 million to US\$1.6 million.

Import payments during the year under review totalled US\$182.2 million, up by 24.9 per cent over the previous year's bill. The increase was reflected in almost all the categories of imported items. The value of consumer goods comprising

food, beverages and tobacco and animal and vegetable oils increased by 9.0 per cent from US\$52.4 million in 2000 to US\$57.1 million in the reviewing year. The value of food imports, which dominated consumer items increased by 11.8 per cent to US\$50.6 million thus reflecting, increased demand for imported food. The value of intermediary goods (crude materials and chemicals) imported during the year went down by US\$3.2 million (18.5 per cent) while payments in respect of manufactured goods levelled US\$21.5 million (up by 62.1 per cent), reflecting increased consumer demand. The value of machinery and transport equipment at US\$37.2 million was twice the value recorded in the previous year, indicating continued capital investment activities. Import value for mineral fuels and lubricants totalled US\$43.2 million, accounting for 23.7 per cent of total imports and indicating an increase of US\$3.8 million (9.6 per cent) over the year. The volume of fuel imported increased by over 30 per cent while the value increased by 18.7 per cent from US\$31.6 million to US\$37.5 million. This implies an increase in the demand for energy consumption by households and firms during the period.

The trade deficit stood at \$151.8 million -greater by \$18.8 million (14.1 per cent) when compared with \$133.0 million in the previous year. The high level of import payments, which more than outweighed the 135.48 per cent increase in exports receipts, explains the deterioration in the trade balance.

(ii) Exchange Rate Developments

The year witnessed relative steadiness in movements in the exchange rate compared to

the marked fluctuations experienced in the preceding year. There was continued improvement in foreign exchange flows accompanied by appreciations against most major currencies in the annual average exchange rates obtained in the various exchange markets. The highest annual appreciation was observed in the average rate for the foreign exchange bureaux, at 8.94 per cent, from Le2,228.43/US\$1 in the preceding year to Le2,045.50/US\$1 in the year under review. The next significant appreciation was in the parallel market rate from Le2,314.77/US\$1 to Le2,174.14/US\$1 (6.47 per cent). This was followed by the official market rate with an appreciation of 5.63 per cent at Le1,985.71/US\$1, from the preceding year's of Le2,097.45/US\$1. The annual average rate for the commercial banks also appreciated by 4.57 per cent over the year, having declined from Le2,056.57/US\$1 to Le1,966.68/US\$1. The least appreciation occurred in the auction rate from Le2,118.56/US\$1 to Le2,072.90/US\$1 in the review period.

Notwithstanding these annual appreciations, monthly and quarterly movements during the period under review depicted consistent depreciations against the US dollar in all the markets, except for the occasional downswings in nominal rates. From respective opening positions of Le1,621.25/US\$1, Le1,825.42/US\$1, Le1,876.16/US\$1, Le1,654.39/US\$1 and Le1,725.4/US\$1, the monthly average rates for the banks, foreign exchange bureaux, parallel market, official and auction system, depreciated to end of year positions of Le2,203.66/US\$1, Le2,293.38/US\$1, Le2,518.54/US\$1, Le2,212.47/

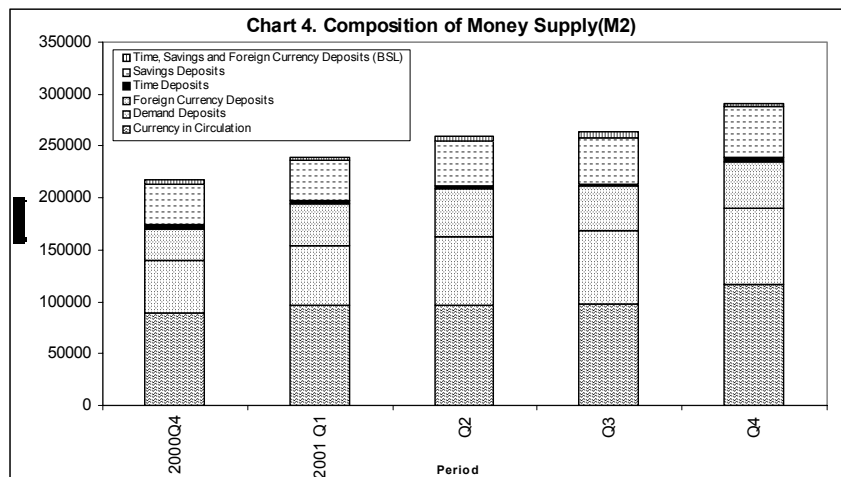
US\$1 and Le2,144.26/US\$1. Similarly, the quarterly average rates depreciated by 19.93 per cent, 18.99 per cent, 21.27 per cent, 18.74 per cent and 15.93 per cent, respectively for the commercial banks, bureaux, parallel market, official and auction, between the first and the last quarters of the review period. This is explained mainly by the continued excess of demand over supply of foreign exchange, which was on the decline over the period. Thus, in general, the period under review posited a much slower pace of depreciation in the exchange rate than the preceding year. The premia between the official and the other rates contracted during the year, except for the auction rate, which widened further.

The gross international reserves of the central bank decreased through the first, second and third quarters but took an upturn in the fourth quarter. From a level of US\$49.17mn at end December 2000 it fell to US\$41.97mn, US\$30.77mn, US\$29.22mn at end March, June, September respectively and rose to a provisional US\$51.22mn at end December 2001. The upsurge in the reserves position during the last quarter was due to inflows of funds from the World Bank to the tune of US\$23mn, in respect of the first tranche disbursement under the Economic Rehabilitation and Recovery Credit (ERRCII) and from the African Development Bank of US\$6.33mn on the African Development Bank Economic Rehabilitation and Recovery Loan Programme (AFDB - ERRL). The Department for International Development (DFID) also disbursed £5mn under the United Kingdom/Sierra Leone programme grant aid for balance of payments and budgetary support.

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Table 2 Monetary Survey (Million Leones)					
	Dec-00	Mar-01	Jun-01	Sep-01	Dec-01
1	2	3	4	5	6
Reserve Money	109,843	112,886	110,467	113,173	142,103
Broad Money	217,605	239,363	259,921	263,955	290,864
Narrow Money	139,957	153,496	162,590	167,997	189,437
Currency in Circulation	88,854	97,003	96,142	98,316	116,153
Demand Deposits	51,103	56,493	66,448	69,681	73,284
Quasi Money	77,649	85,867	97,331	95,958	101,427
Foreign Currency Deposits	30,402	40,672	46,575	43,155	46,023
Time Deposits	4,528	2,893	3,167	2,570	2,924
Savings Deposits	37,744	38,709	41,993	44,104	49,117
Time Savings and Foreign Currency Deposits (BSL)	4,975	3,588	5,579	6,129	3,363
Net Foreign Assets	(178,831)	(181,010)	(196,048)	(232,886)	(202,292)
Bank of Sierra Leone	(219,442)	(227,856)	(242,669)	(277,472)	(249,587)
Assets	86,340	87,872	70,111	67,731	115,454
Liabilities	(305,782)	(315,728)	(312,780)	(345,203)	(365,041)
Commercial Banks	40,611	46,846	46,621	44,586	47,295
Assets	40,611	46,846	46,621	44,586	47,295
Liabilities	-	-	-	-	-
Domestic Credit	191,786	203,808	225,103	242,464	242,602
Claims on Central Government Net	152,794	162,487	175,702	201,771	194,991
of which: BSL	92,321	79,993	92,723	102,841	105,138
Commercial Banks	59,828	82,494	82,980	98,929	89,854
Claims on Non Financial Public Sector	635	253	431	363	499
Claims on Private Sector	28,043	28,368	28,245	32,131	34,943
Claims on other Banking Institutions	-	12	-	-	-
Claims on Non-Banks Financial Inst.	10,314	12,688	20,725	8,198	12,169
Other Items Net	(204,650)	(216,565)	(230,866)	(254,377)	(250,554)

Note: Other Items Net includes Non-Negotiable, Non-Interest Bearing Stock

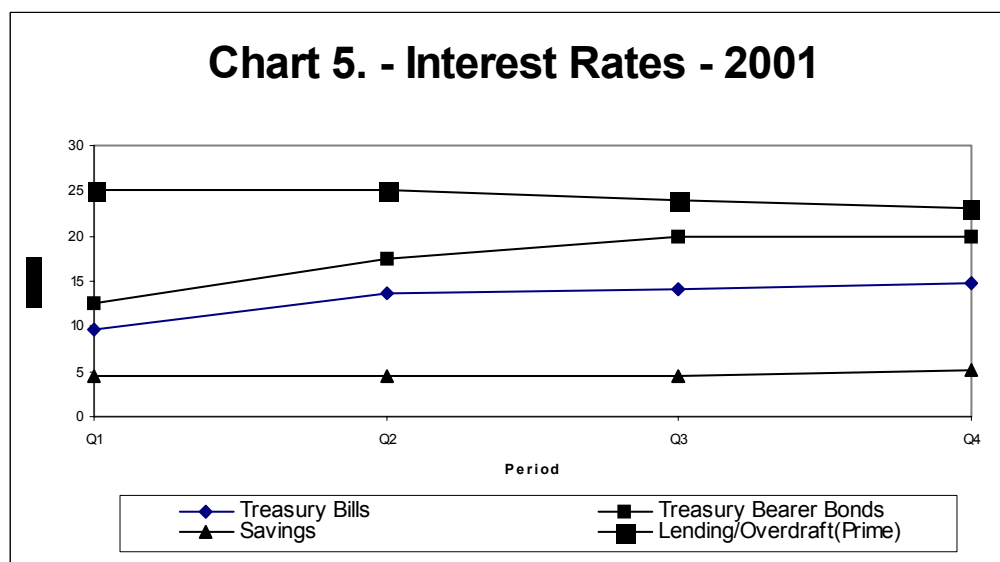


(e) Monetary Developments**(i) Monetary Survey**

The delays in programmed external support to the budget led to greater than anticipated reliance on the banking sector for the financing of the budget deficit for most of the period. This was translated to a growth in Broad Money (M2) of Le73.26bn or 33.7 per cent to Le290.86bn at end-

December 2001, much higher than the target growth rate of 16 per cent for 2001. Narrow Money (M1) and Reserve Money (RM) also expanded by Le49.48bn (33.35%) and Le32.26bn (29.4%) to Le189.44bn and Le142.10bn, respectively. The expansion in M1 was due to increases in Currency in Circulation (Le27.30bn) and Demand Deposits (Le22.18bn). Quasi Money rose by Le23.78bn on account of increases in commercial banks Foreign Currency Deposits (Le15.62bn) and Savings Deposits (Le11.73bn), which overshadowed the drop in Time Deposits (Le1.60bn). The growth in M2 over the year emanated from the expansion in Net Domestic Assets, which rose by Le96.72bn. The upsurge in NDA was due to increases of Le50.82bn in Domestic Credit and Le45.90bn in Other Items Net. This was, however, moderated by a decrease of Le23.46bn in Net Foreign Assets. RM increased over the year on account of increases in Currency Issued (Le30.08bn) and Private Sector Deposits (Le3.18bn) despite the drop in Bankers' Deposits.

	Dec-00	Mar-01	Jun-01	Sep-01	Dec-01
1	2	3	4	5	6
Treasury Bills (3-months)	20.51	9.68	13.68	14.16	14.73
Treasury Bearer Bonds (1-year)	22.50	12.50	17.50	20.00	20.00
Savings Deposits	6.00	4.50	4.50	4.50	5.10
Time Deposits					
1-3 Months	8.80	7.50	7.20	7.20	8.10
3-6 Months	10.00	8.40	8.10	8.10	9.20
6-9 Months	10.75	8.25	8.00	8.00	9.50
9-12 Months	11.50	9.70	9.50	9.50	11.13



With the shortfall in budgetary support and the subsequent reliance on the banking system for deficit financing, Net Claims on Government by

increased by just less than two fold from Le2.05bn to Le5.69bn. Net Claims by the Commercial Banks also increased by Le30.03bn to Le89.85bn due to a marked increase in

	Consumer Price Index	Monthly (%)	Year-on-Year (%)
1	2	3	4
January	484.25	-4.75	-7.17
February	507.65	4.83	-3.42
March	517.40	1.92	-1.57
April	516.69	-0.14	-0.48
May	518.29	0.31	1.32
June	523.64	1.03	5.37
July	528.35	0.9	6.32
August	548.87	3.88	10.93
September	536.59	-2.24	6.09
October	527.30	-1.73	2.63
November	517.81	-1.80	2.90
December	525.83	1.55	3.43

the Central Bank increased by Le12.82bn (13.88%) to Le105.14bn. The increase was marked by the more than six fold rise in the holdings of Treasury Bills by BSL from Le3.95bn in December 2000 to Le30.18bn in December 2001. Treasury Bearer Bonds holdings likewise

Treasury Bills holdings (Le23.76bn). Because of the high liquidity levels of the commercial banks throughout the year, the 2001 interest rates on Treasury Bills and Treasury Bearer Bonds did not reflect Government's domestic demands. Interest rates on Treasury Bills fluctuated during

Table 4-contd
Inflation Rates (Bo and Kenema) - 2001

	Bo		Kenema	
	Consumer Price Index	Percentage Change (Monthly)	Consumer Price Index	Percentage Change (Monthly)
1	2	3	4	5
January	97.28	-2.72	97.42	n.a
February	96.21	-1.10	96.67	-0.78
March	119.38	24.08	102.44	5.98
April	113.49	-4.93	99.37	-3.00
May	111.23	2.00	98.92	-0.45
June	117.77	0.49	99.52	0.61
July	114.21	2.20	105.08	5.57
August	110.27	-3.45	102.25	-2.69
September	108.95	-1.21	101.91	-0.33
October	110.85	1.74	101.84	-0.07
November	107.52	-3.01	102.56	0.71
December	106.64	-0.82	114.39	11.53

the first half of the year but stabilised in the last 6 months of the year. A similar trend occurred in the interest rates of Treasury Bearer Bonds. Compared with the average rates at the end of 2000, interest rates on Treasury Bills and Treasury Bearer Bonds dropped by 578 and 250 basis points, respectively. The commercial banks also reduced their lending and overdraft rates.

(ii) Inflation

Prices for Freetown as measured by the Consumer Price Index (CPI) dropped sharply in January associated with the appreciation of the exchange rate in that period. Thereafter it

increased to a high in August and then prices dropped steadily to end November. Though prices in December 2001 were 1.55 per cent higher than in November 2001 yet compared with December 2000, the change was only 3.43 per cent. The annual average rate was 2.20 per cent. The Consumer Price Index was available for Bo for 2001 with fluctuating prices for most of the year but a single digit year-on-year inflation rate.

(2) Supervision Of Banks and Other Financial Institutions

In a bid to strengthen the financial system the Bank of Sierra Leone has put in place comprehensive regulations for a sound, safe and

Table 5			
Commercial Banks Operating in Sierra Leone			
Prudential Indicators (Unaudited)			
(In Thousand Leones)			
	31-Dec-01	31-Dec-00	31-Dec-99
1	2	3	4
Total Assets	255,211,407	204,174,307	172,691,222
Average Total Assets	246,928,039	183,557,626	138,697,892
Loans and Advances (Gross)	37,781,904	31,305,453	25,856,929
Bad Debt Provision	(5,814,678)	(7,377,146)	(7,039,598)
Interest in Suspense	(5,610,380)	(5,634,968)	(7,689,558)
Loans and Advances (Net)	26,356,846	18,293,339	11,127,773
Investment - TB, TBB, SLGDS	100,875,613	72,758,622	72,819,086
Fixed Assets	22,591,219	17,061,016	10,848,618
Deposits:-	176,409,771	134,386,643	120,593,046
Demand	72,218,334	55,755,280	53,051,802
Savings	49,757,897	38,989,358	31,397,510
Time	3,625,968	4,653,269	3,169,389
Foreign Deposits	50,807,572	34,988,736	32,974,345
Capital:-	49,956,910	36,450,382	21,683,501
Paid-up	7,526,939	5,933,628	5,500,731
Statutory and Other Reserves	5,935,379	5,376,384	3,326,601
Retained Earnings	18,087,397	6,91,370	3,173,639
Current Profit	18,407,194	18,239,000	9,682,530
Primary Capital	49,956,910	36,450,382	21,683,501
Revaluation Reserves	5,203,818	5,950,313	5,950,313
Adjusted Capital base	32,249,508	25,199,679	16,661,619
Adjusted Aset Base	142,672,997	102,638,436	73,464,001
Capital Adequacy Ratio	29.35%	24.55%	22.68%
Surplus(Shortfall):(%)	23.36%	18.55%	16.68%
Surplus(Shortfall):	47,491,730	19,041,373	12,253,779

**Table 5 (Contd.)
Commercial Banks Operating in Sierra Leone
Prudential Indicators (Unaudited)**

	31-Dec-01	31-Dec-00	31-Dec-99
1	2	3	4
Average Shareholders' Funds	47,392,865	35,033,051	21,832,906
Asset Quality			
Performing Loans	26,819,240	17,902,972	11,277,729
Non-Performing Loans	10,962,663	13,402,481	14,579,200
Loan Loss Provisions	5,814,678	7,377,146	7,039,598
Non-Performing:			
Total Advances	27.99%	42.81%	56.38%
Loans Loss Provisions:			
Non-Performing	56.42%	55.04%	48.29%
Profitability: Pre-Tax Profits	28,753,438	28,434,454	18,487,906
Post Tax Profits	18,666,700	18,239,000	9,682,531
Return on Assets	10.46%	15.49%	13.33%
Return on Equiry Funds	32.40%	52.06%	44.35%
Liquidity: Liquid Assets	116,797,451	96,362,617	95,978,418
Cash	9,950,022	6,999,902	5,035,884
Current A/C with BSL	7,262,221	13,543,422	18,193,448
Treasury Bills	91,199,894	67,439,557	70,049,086
Placement with FDHL	7,198,950	6,147,736	-
Treasury Bearer Bonds	9,355,719	2,232,000	2,700,000
Cash Ratio	22.56%	26.85%	19.26%
Overall Liquidity Ratio	95.01%	96.95%	79.59%
Surplus/(Shortfall): (%)	63.35%	65.73%	74.35%
Surplus/(Shortfall)	77,233,344	65,334,244	89,660,930
Foreign Assets:	47,295,432	40,610,628	40,852,357
Foreign Curr: (Cash)	155,256	1,405,470	720,550
Bal. with Other Banks Abroad	47,130,496	39,205,158	40,131,807
Foreign Liabilities:	48,392,784	35,396,706	33,063,379
Foriegn Deposits	47,853,875	34,908,988	32,974,345
Foreign Other Liabilities	502,909	487,718	89,034
Net Foreign Deposits Assets/(Liabilities)	(1,061,352)	5,213,922	7,788,978

stable banking system.

Following the enactment of the Banking Act 2000, the Banking Regulations 2001 were published on 12th July 2001. This document covers such areas as bank licensing, minimum paid-up capital, foreign exchange open position, capital adequacy and local assets ratio. The capital adequacy requirement is now based on risk weight assets. The minimum requirement is 15% of which the primary capital shall not be less than 7.5% of the risk-weight assets. The foreign exchange open position limit in a single currency shall not exceed 15% and the limit for the net aggregate of all foreign currencies shall not exceed 25% of the institution's capital base. The regulation on local assets ratio requires that every licensed institution shall at the close of business each day maintain assets in Sierra Leone amounting to not less than 75% of its local liabilities. With regards to the licensing of institutions, factors have been developed which will be considered in deciding on a new bank application.

The Other Financial Services Act 2001 was promulgated in September 2001 giving the Bank of Sierra Leone powers to regulate and supervise the other financial institutions in Sierra Leone. The legislation covers such institutions as the National Development Bank, National Co-operative Development Bank, Finance Companies, Home Finance Company, Discount Houses, Foreign Exchange Bureaux, savings and loans banks and excludes insurance companies.

In the bid to making our supervisory practices more effective and compliant with international standards the Banking Supervision Department has endeavoured to comply with the Core

Principles for Effective Banking Supervision developed by the Basel Committee on Banking Supervision. These principles among other things control the level of risk undertaken by the financial institutions and minimize their vulnerability to shocks in the macro economy.

(a) On-site Examination and Off-Site Surveillance

The Rural and Commercial Banks Supervision Division of the Department continued its monitoring of banks during the year 2001, and was able to examine all banks in Sierra Leone. It also carried out follow-up examinations that ensured corrective measures were taken on problem areas identified in the on-site examination. The Other Financial Institutions Supervision Division continued to examine the First Discount House Limited. The supervision of the rest of the other financial institutions is expected to commence in the year 2002.

(b) Banking Sector Performance

The growth of the banking sector over the last three years has been quite remarkable. The resource base increased from Le172.70 billion (1999) to Le204.17 billion (2000) and to Le255.2 billion (2001), a growth of 47.8%.

Total deposits rose by 31.27% from Le134.39 billion (2000) to 176.41 billion (2001). This growth in total deposits was due to an increase in foreign, savings and demand deposits, whilst there was a decrease of 22.08% in time deposits from Le4.65 billion (2000) to Le3.63 billion (2001). This was due to the fact that interest rates on time deposits became less attractive for customers. Meanwhile, the bank's holdings of government securities, with more attractive

Table 6
Stock of Government Securities Outstanding by Holders
(In Million Leones)

	2001	2000	Change
1	2	3	4
A Stock Position			
1 Treasury Bills			
Bank of Sierra Leone	30,175.05	3,953.75	26,221.30
Commercial Banks	93,052.90	71,151.45	21,901.20
Non-Bank Public	16,126.45	19,690.30	(3,563.85)
Total	139,354.40	94,795.50	44,558.65
2. Treasury Bearer Bonds			
Bank of Sierra Leone	5,690.85	2,044.60	3,646.25
Commercial Banks	12,809.05	6,677.95	6,131.10
Non-Bank Public	51,114.45	38,614.75	12,499.70
Total	69,614.35	47,337.30	22,277.05
3. Total Government Securities			
Bank of Sierra Leone	35,865.90	5,998.35	29,867.55
Commercial Banks	105,861.95	77,829.40	28,032.30
Non-Bank Public	67,240.90	58,305.05	8,935.85
Total	208,968.75	142,132.80	66,835.70

interest rates increased by 38.64% from Le72.76 billion (2000) to Le100.88 billion (2001). Shareholders' funds increased by Le12.76 billion from Le42.40 billion (2000) to Le55.16 billion (2001) of which paid up capital increased by 26.85% due to the enactment of the Bank Regulations 2001 which required amongst other things, banks to increase their minimum paid up capital. The capital adequacy increased from 24.55% (2000) to 29.35% (2001) indicating that the banking sector continued to be adequately capitalized. The growth in total assets was evidenced in the growth in the fixed assets, other assets and cash items including placement with First Discount House Limited. The gross credit portfolio increased by Le6.48 billion to Le37.78 billion (2001) from Le31.31 billion (2000), an increase of 20.69%. Due to the improvement in the security situation, which increased economic activity, performing advances increased by 48.9% from Le17.90 billion (2000) to Le26.82 billion (2001). The ratio of non-performing loans to total advances decreased from 42.81% (2000) to 27.99% (2001). Loan loss provisions to non-performing advances increased slightly by 2.5% from 55.04% (2000) to 56.42% (2001). There was an improvement in the operational performance of the banking sector with a marginal increase of 1.12% in pretax profit from Le28.43 billion (2000) to Le28.75 billion (2001). Return on Assets (ROA) and Return on Equity (ROE) decreased from 15.49% and 52.06% to 10.46% and 32.40% respectively as at 31st December 2001.

The banking sector continued to maintain a high liquidity position even though there was a slight decrease of 2.01% from 96.95% (2000) to 95.01% (2001). The cash reserve ratio also decreased by 4.29% from 26.85% in 2000 to

22.56% in 2001.

(c) Development in the Customer Service Delivery

Automated Teller Machines have been introduced in the banking system giving the customers the opportunity of accessing their funds 24 hours a day. The Sierra Leone Commercial Bank and Rokel Commercial Bank are presently the two banks offering this service and online banking services to their customers.

3. Open Market Operations

The improvement in security, the resettlement of people in productive areas and the restoration of business confidence led to an increase in government expenditure and private sector demand for credit. At the same time, the delays in foreign fiscal support resulted in additional bank financing of the budget deficit and necessitated active management of liquidity to control the potential inflationary threat. A total of Le64.0 billion of Ways and Means Advances outstanding at the end of 2001 was converted to securities for monetary policy management. Of this total, Le44.75 billion were issued in the form of Treasury Bills and the remainder Le19.25 billion in the form of Treasury Bearer Bonds. The market for Treasury Bills and Treasury Bearer Bonds were over subscribed for most part of the year but the Central Bank was able to successfully reduce the excess liquidity whilst also keeping interest rates at levels consistent with the objective of stimulating investment and sustaining growth. At the end of the year, the highest holding of government securities was by commercial banks of 50% of the total with the

non-bank public holdings amount to 32.2%.

4. Development Operations

The Bank of Sierra Leone continues to be involved in the initiation and promotion of developmental schemes in a bid to provide financial resources particularly for the rural sector. The rural banks, which had made significant progress in providing private banking services in the rural area, were all shut down or destroyed during the period of conflict. As they still have an important role to play in the post war financing of reconstruction, rehabilitation and resettlement, active plans are under way to revive these schemes. Meetings have been held with Board members and visits were made to two of the rural banks, Yoni and Marampa - Massimera to assess their current status, and work towards their reactivation.

5. Foreign Exchange Management

(i) Foreign Assets and Reserve Management

The Bank of Sierra Leone's Gross Foreign Exchange Reserves continuously declined

during the first three quarters of 2001. From a level of US\$49.17m at end December 2000, the reserves dropped by 40.69 per cent to US\$29.16m at end September, 2001, the lowest level recorded during the period. Thereafter, it surged up dramatically to more than double the September position settling at US\$51.22m by the end of December 2001, 4.17 per cent above the position at end December 2000.

Inflows to the foreign reserves during the review period mainly constituted receipts from disbursements of grants and loans, the bulk of which were realized in quarter four, 2001 with the approval and disbursement of the first tranche of Poverty Reduction and Growth Facility (PRGF) by the IMF. The non-disbursement of loans and grants during the first two quarters of 2001 was due to the postponement of the discussion of the I-PRSP on Sierra Leone by the IMF Board as most programmed disbursements were tied on having a Programme with the Fund.

Outflows of foreign reserves during the year were predominantly in respect of external debt service

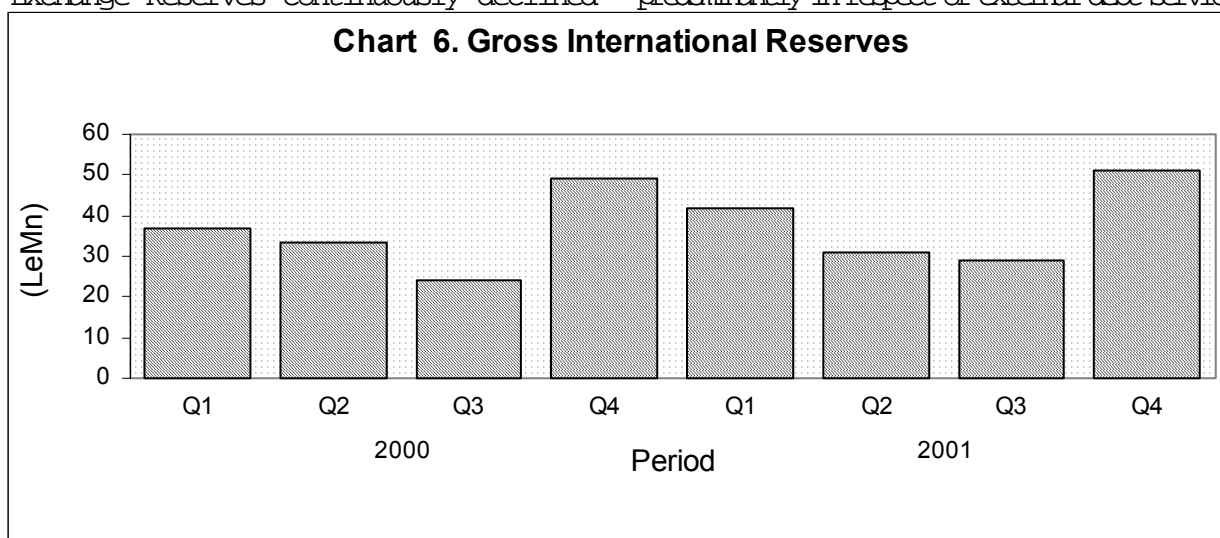


Table 7.		
Bank of Sierra Leone Foreign Exchange Cash-flows		
(In Million of US\$)		
	January-December 2001	January-December 2000
INFLOWS	136.03	108.30
Receipts from exports	1.43	1.47
Rutile	0.00	0.35
Diamond License fees	0.54	0.27
Diamond Exporters Income Tax	0.22	0.10
Fishing Royalty/License	0.67	0.75
Others	2.25	2.94
Inspection Fees	0.06	0.06
BSL Purchases of Notes/ T Cheques	0.04	0.19
Transactions with Commercial Banks	1.60	1.51
Freight Levy	0.00	0.53
Privatization	0.30	0.00
Disbursement of loans & grants	130.34	101.61
IMF	60.44	13.36
AFDB	6.33	0.23
UK	14.32	36.80
DFID Demobilization Funds	0.00	1.82
EC (EDF Replenishment)	3.35	2.13
WB LOAN (SAC)	0.00	0.14
EC-SASP	15.72	8.50
WB ERRC LOAN	27.50	34.40
IDA/World Bank	0.80	4.12
Others/IDB	1.22	0.25
DDR(CAFSL/DFID)	0.67	0.00

to key creditors i.e. the IMF, ADB and World Bank, private sector support, through the weekly foreign exchange auction, Government expenditure (procurement of vehicles for Government Departments and school materials), embassy payments, and emergency military defence.

Total inflows increased by 25.60 per cent or US\$27.73mn from US\$108.30mn in 2000 to US\$136.03mn in 2001. This increase was mainly accounted for by the dramatic rise in disbursements of grants and loans totalling US\$130.22mn during the year. The key disbursements included United Kingdom/Sierra Leone Programme Grant for balance of payments and budgetary support of US\$14.32mn (GBP10.00mn), World Bank Economic Rehabilitation and Recovery Credit (ERRC) of US\$27.50mn, Poverty Reduction and Growth Facility (PRGF) from the IMF of US\$60.44mn (SDR46.84mn), Economic Community Structural Adjustment Support Programmes EC-SASP of US\$15.72mn (GBP14.50mn) and International Development Agency/World Bank of US\$0.80mn (to finance IDA related projects in the country). Receipts realized from other donors were mainly from the European Development Fund of US\$3.35mn for funding EC projects operating in the country, DFID/ERT Reintegration Project funds of US\$0.67mn to support the DDR Programme and proceeds on the sale of SIEROMCO assets of US\$1.00mn.

Total receipts from exports decreased by 2.72 per cent from US\$1.47mn in 2000 to US\$1.43mn end December, 2001. Inflows realized from Diamond License fees and Diamond Exporters Income Tax exceeded the previous year's

performance by 100 per cent and 120 per cent respectively. On the other hand, Fishing Royalty/License receipts declined by 10.67 per cent, from US\$0.75mn to US\$0.67mn during the period. The enhanced performance from both the Diamond License fees and Diamond Exporters Income Tax can be attributed to the positive impact of the new Diamond Mining Policy, which was operational throughout the year coupled with the gradual restoration of security and confidence in the economy.

Total foreign exchange outflows at US\$133.56mn end December, 2001 were higher when compared to US\$96.98mn recorded a year ago. Of that total, 65.81 per cent or US\$87.90mn was in respect of debt service payments and 34.19 per cent or US\$45.66mn for goods and services. About 58.89 per cent of the latter was in respect of foreign exchange provided to the Private Sector through weekly foreign exchange auctions. These were used for rice importation, raw materials and other manufacturing inputs, petroleum products complementing the existing foreign exchange in the banking system. The foreign exchange auction, which started on 9th February, 2000 was introduced to enhance transparency and efficiency in foreign exchange market and to narrow the segmentation of exchange rates.

(ii) Investment Activities

A total of US\$1.22mn was earned out of an average deposit of US\$30.00mn invested in 2001. In 2000, an average deposit of US\$35.93mn invested yielded US\$1.45mn. The decrease in earnings was due to the untimely disbursements of programmed donor funds particularly in the first three quarters. This

Table 7 (Contd) Bank of Sierra Leone Foreign Exchange Cash flows (in Million Dollars)		
	January-December 2001	January-December 2000
OUTFLOWS	133.56	96.98
Payments for Goods and Services	45.66	59.89
Embassy/Missions	6.65	5.00
BSL	1.13	1.59
Printing of Currency	1.35	0.01
Government Travel	1.22	0.86
Other Government	4.00	6.33
Subscription to Intl. Organisations	1.35	1.88
Emergency Military Payments	2.12	2.97
Private Sector Support	26.89	41.26
ECOWAS T-Cheques	0.65	0.00
Debt Service	87.90	37.09
IMF	79.82	28.84
World Bank	4.96	4.47
AFDB	2.34	2.41
IFAD	0.00	0.21
EEC/EIB	0.00	0.00
Other Multilateral & Bilateral	0.36	0.00
Paris Club Creditors	0.00	0.00
Clearing of Arrears	0.42	1.17

situation resulted in low level of reserves for investment as most of the available funds were utilized to meet recurrent payments including funding the foreign exchange auction. Earnings recorded for the review period fell short of those for 2000 by 15.86 per cent, and the returns on investment for 2001 and 2000 were 4.1 per cent, and 4 per cent respectively.

(iii) Foreign Currency Management

The Bank of Sierra Leone's policy objective in its currency management involves the holding of reserves in currencies to match transaction needs. Debt service payments, emergency military and private sector support are the most

significant. Table 8 shows that of the currencies held by the Bank of Sierra Leone as at end December, 2001 (excluding donor import support funds) 80.77 per cent was held in United States Dollars, 17.76 per cent in Pound Sterling, 0.15 per cent in SDR'S, and the rest in other currencies. Donor support funds were held in the currencies agreed with donors.

(iv) Foreign Exchange Receipts and Payments

Total foreign exchange inflows increased by 25.60 per cent or US\$27.73mn from US\$108.30mn in 2000 to US\$136.03mn in 2001 mainly due to receipts from disbursements of loans and grants. Similarly, outflows also

	December 2000	%	December 2001	%
Currency				
US Dollars	20.190	42.64	34.278	80.77
Pound Sterling	20.950	44.24	7.758	17.76
Deutsche Mark	0.530	1.12	0.171	0.39
Swiss Francs	0.014	0.03	0.00	0.00
Euro	0.230	0.49	0.299	0.68
Dutch Guilders	0.120	0.25	0.00	0.00
Japanese Yen	0.080	0.17	0.066	0.15
Holdings of SDR	5.290	11.17	0.108	0.25
Total Balance	47.404		43.680	100.00
Donor Funds				
US Dollars	0.240	29.27	6.331	92.63
Japanese Yen	0.504	70.73	0.504	7.37
Balance	0.744	100.00	6.835	100.00

increased by 37.72 per cent from US\$96.98mn in 2000 to US\$133.56mn in 2001. The considerable rise in outlays was due to various factors including a rise in debt service payments, and increased private sector support for imports.

(iv) Foreign Exchange Market

(a) Overview

The weekly foreign exchange auction introduced by the Bank of Sierra Leone in February 2000, contributed in a significant way to improved competition and transparency in the market. These developments were reflected in the narrowing of the exchange rates spread across

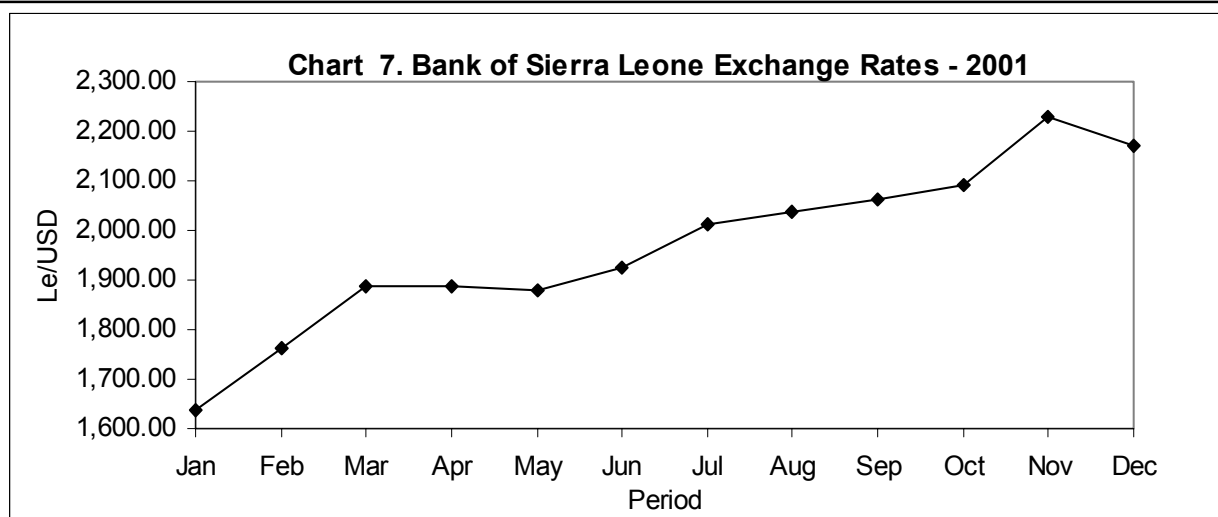
the market. The monthly average mid exchange rate of the Leone against the U.S. Dollar depreciated over the period from Le1758.42 in December 2000 to Le2194.45 in December 2001. This was caused mainly as a result of delays and shortfalls in donor programme disbursements which were used to sustain the auction.

(b) Volume of Transactions

Aggregate purchases and sales of foreign exchange by the central bank, commercial banks and bureaux recorded an increase of 56.3% and 26.30% over the period from US\$73.95 million

Table 9.
Purchases and Sales of Foreign Currency
for the Period January 1, 2001 - December 31, 2001
(in Million of US Dollars)

	2001						
	Q1 Jan-Mar	Q2 Apr-June	Q3 Jul-Sept	Q4 Oct-Dec	Total	Total (2000)	% Change
1	2	3	4	5	6	7	8
A Purchase							
Banks	22.09	21.65	29.50	32.48	105.72	66.17	59.77
Bureaux	1.99	2.20	2.76	2.88	9.84	7.77	26.66
Total	24.08	23.85	32.36	35.36	115.56	73.95	56.29
B. Sales							
Banks	27.00	27.07	28.34	27.49	109.91	87.51	25.60
Bureaux	1.88	2.33	2.76	2.91	9.87	7.33	34.65
Total	28.88	29.40	31.10	30.40	119.78	94.84	26.30
Official Average Exchange Rates							
	Q1	Q2	Q3	Q4			
Buy	1,763.74	1,897.06	2,038.39	2,164.38			
Sell	1,799.37	1,922.23	2,079.57	2,208.11			



and US\$94.84 million in 2000 to US\$115.57 million and US\$119.79 million in year 2001 respectively. The volume of transactions reported for each quarter of the current year exceeded those of the corresponding quarters in year 2000. The increase in the volume of foreign exchange transactions reflected increase in economic activities in the real sector

(c) Exchange Rate Movements

During the review period, the Leone/US\$ official mid exchange rate gradually depreciated from Le 1654.56/US\$1.00 in January 2001 to Le2194.45/US\$1.00 in December 2001. The increase in business activities was translated to strong demand for imports especially for machinery and goods for rehabilitation. The supply of foreign exchange could not match the demand in spite of the increase of foreign exchange in the economy.

(v) Foreign Exchange Bureaux

Foreign Exchange Bureaux continued to complement the activities of commercial banks by providing the public with access to foreign

exchange enabling small businesses to finance trade along the West African sub-region. They had also been effective in mobilising personal funds that could have found their way into the parallel market. The period under review saw the licensing of 7 (seven) bureaux, bringing the total to 31 (thirty-one) licensed foreign exchange bureaux. Two applications were also received to open bureau branches in the provinces. The Bank continued to encourage the establishment of branches while pertinent portions of the regulations dealing with fees for application forms, bureaux renewal license fees and the minimum foreign currency account deposit requirement were reviewed to ease operation costs. It is expected that with the continued improvement in the security situation, bureaux activities would become popular both in Freetown and in the provinces.

The purchases and sales figures in table 9 show that aggregate purchases and sales of bureaux for the review period increased by 26.64% and 34.65% from US\$7.77 million and US\$7.33 million to US\$9.84 million and US\$9.87 million

respectively.

(vi) Foreign Exchange Auction System

The Bank of Sierra Leone continued with the non-cash foreign exchange auction as a measure to promote transparency and reduce segmentation in the foreign exchange market with a view to achieve convergence in exchange rates. While the auction was primarily designed as a mechanism for the Bank to efficiently inject foreign exchange into the market, it also provided a window for the sale of foreign exchange by other economic agents at market rates.

The total amount offered in the foreign exchange auction during the 2001 review period was US\$30.90 million and actual overall sales totalled US\$26.90 million. The US\$4.00mn difference in the amount sold relative to the amount offered was mainly due to the low utilisation of funds in the non-competitive window.

On a sectoral basis, commercial banks share of the total amount sold in the auction was US\$4.19 million or 16%, Oil companies US\$2.04 million or 8%, Industries US\$3.36 million or 12.49% and general imports US\$17.30 million or 64.31%. Funds won by banks were for on-selling to their customers.

The period under review also witnessed the commencement of sale of foreign exchange to the auction by Non Governmental Organisations (NGOs'). The foreign exchange sold was bought at the auction rate struck on the day of the auction. Foreign exchange sold to the Auction between August and December totalled US\$0.51

million.

The auction rate appreciated to its lowest level of Le1,725 in January 2001 and depreciated to a high in November 2001 of Le2,340.32.

The Foreign Exchange Auction rate has emerged as the reference rate for the pricing of all foreign exchange transactions. There was a gradual move towards convergence of the official, commercial banks, bureaux and the auction foreign exchange rates.

6. External Debt Management

(i) An Overview

As at end December 2001, Sierra Leone's total disbursed and outstanding official medium and long-term debt, including principal arrears stood at US\$ 1,384.1 million. The total stock of debt continues to be dominated by debts to multilateral and bilateral creditors, accounting for 54.2% and 26.1% respectively. Military debts accounted for 1.6% whilst the residual of 18.1% is owed to Commercial Creditors. The principal multilateral creditors are the World Bank, the International Monetary Fund (IMF) and the African Development Bank/Fund (ADB/F).

A total of US\$ 313.5 million of the stock of disbursed outstanding debt represented principal arrears owed mainly to commercial creditors. Interest arrears amounted to US\$ 16.0 million of which US\$3.6mn is owed to other bilateral creditors, which include China, Morocco and Saudi Fund. Principal and interest arrears to the Paris Club creditors were reduced to zero at September 2001 following the rescheduling of arrears and maturities falling due between

October 2001 and September 2004.

(ii) Major Developments

- ❖ During the period under review, the Government of Sierra Leone continued to make timely debt service payments to key multilateral creditors namely the IMF, the World Bank and the ADF.
- ❖ On July 27, 2001, the Government of Sierra Leone entered into an arrangement for the settlement of arrears due to the Arab Bank for Economic Development (BADEA) as at June 30, 2001 and current maturities falling due from July – December 2001.
- ❖ On November 21, 2001 the International Development Association (IDA) approved a loan of SDR 21.9mn (US\$ 45mn) under the Economic Rehabilitation and Recovery Credit II for balance of payments support.
- ❖ During the period under review, the British Government through the Department for International Development (DFID) made available to the Government of Sierra Leone a total of GBP 10mn under the UK/SL programme grant aid. These funds were targeted towards the reimbursement of debt service payments made within the period and financing of Government social sector expenditures.
- ❖ On September 2001, the Executive Board of the IMF approved a three year arrangement for Sierra Leone under the Poverty Reduction and Growth Facility (PRGF) for a total amount of SDR 130.84mn (about US\$ 169mn) to support the government's 2001–2004 economic program. SDR 46.84mn was disbursed on September 28, 2001 as the first tranche under the PRGF programme. This amount was used to refinance the Post Conflict Facility of SDR 37.5mn as part of the interim relief to be provided by the IMF under the Enhanced HIPC Initiative.
- ❖ On October 16, 2001, the Government of Sierra Leone successfully completed the eighth round of Paris Club negotiations with its Paris Club group of creditors. The amount in arrears as at September 30, 2001 and current maturities falling due from October 2001 to September 30, 2004 on various categories of debts were eligible for consolidation. 34% of debts that were previously rescheduled were written off and 66% rescheduled under the Naples terms. From a global perspective, Sierra Leone's debt service obligations to the Paris Club creditors were reduced from US\$152.19mn (including arrears) to about US\$40mn between 2002 and 2004. Sierra Leone also received an exceptional cash flow relief for the fourth quarter of 2001.

(iii) External Debt by Creditor Category

Sierra Leone's stock of disbursed outstanding debt including principal arrears to all external creditors stood at US\$ 1,384.1 million as at end

Table 10
Principal and Interest Arrears as at End December 2001
(In Millions of US Dollars)

	December 2000		September 2001		December 2001	
	Principal Arrears	Interest Arrears	Principal Arrears	Interest Arrears	Principal Arrears	Interest Arrears
Total Arrears	179.9	39.8	314.1	15.6	313.5	16.0
Total Commercial Obligations & Short-Term Debt 1/	87.5	-	250.0	-	250.0	-
Total Long-Term Debt, of which:	92.4	39.8	64.1	15.6	63.5	16.0
Multilateral	17.9	3.9	15.9	2.6	15.3	3.1
World Bank Group	-	-	-	-	-	-
IMF	-	-	-	-	-	-
Others	17.9	3.9	15.9	2.6	15.3	3.1
Official Bilateral	52.0	29.9	26.0	3.7	26.0	3.6
Paris Club	25.1	27.0	-	-	-	-
Others 2/	26.9	2.9	26.0	3.7	26.0	3.6
Other Creditors	22.5	6.0	22.2	9.3	22.2	9.3
Executive Outcome	19.5	6.0	19.5	9.3	19.5	9.3
J. S Franklyn Ltd & Deftech BV Corp.	2.6	-	2.3	-	2.3	-
Chatelet Investment Ltd	0.4	-	0.4	-	0.4	-

1/ Amount updated to include both validated and non-validated commercial arrears as at April 2001

2/ China, Morocco, Kuwait & Saudi Fund

December 2001 as compared to US\$ 1,192.5 million as at end December 2000. This is shown in table 11. This significant increase is as a result of the inclusion of validated and non-validated commercial debts of US\$ 80mn and US\$ 169mn respectively. In order to undertake the Debt Sustainability Analysis (DSA) under the HIPC Initiative, a comprehensive validation exercise

(iv) Foreign Currency Composition

The currency composition of Sierra Leone's Disbursed Outstanding Debt including principal arrears shows the amount of debt classified by the currency of liability and the Leone equivalent. The Special Drawing Rights (SDR) and the United States Dollars (US\$) continue to be the

Table 11
Stock of Sierra Leone's Disbursed Outstanding Debt and Debt Indicators.

(Incl. Principal Arrears)
(In Millions of US Dollars)

	2000 December	Percent of Total	2001 September	Percent of Total	2001 December	Percent of Total
Bilateral:						
Paris Club Creditors	281.9	23.6	307.2	22.2	302.1	21.8
Other Bilateral	64.3	5.4	59.7	4.3	59.3	4.3
Total Bilateral	346.2	29.0	366.9	26.5	361.4	26.1
Multilateral						
African Development Bank/ Fund	122.7	10.3	121.2	8.8	119.4	8.6
World Bank (IBRD/IDA)	333.4	28.0	385.9	27.9	378.1	27.3
International Monetary Fund	191.6	16.1	158.2	11.4	175.8	12.7
Other Multilateral	82.2	6.9	78.5	5.7	77.2	5.6
Total Multilateral	729.9	61.2	743.8	53.8	750.5	54.2
Other Creditors	28.9	2.4	22.2	1.6	22.2	1.6
Commercial and Short-Term Debt	87.5	7.3	250.0	18.1	250.0	18.1
Grand Total	1,192.5	100.0	1,382.9	100.0	1,384.1	100.0
	2000			2001		
Debt Indicators (US\$Mn)						
Debt Service Payment due		43.6			64.5	
Debt service payment made		36.8			86.8	
Exports		12.9			28.9	
Gross Domestic Product		634.3			759.4	
Debt Ratios						
Stock of Debt as a percentage of Gross Domestic Product		188.0			182.3	
Stock of Debt as a percentage of Export		9,244.2			4,792.6	
Debt Service as a percentage of Export		285.0			300.6	
Multilateral Debt as a percentage of Stock of Debt		61.2			54.2	
Bilateral Debt as a percentage of Stock of Debt		29.0			26.1	

was carried out in April 2001

major currencies that dominate Sierra Leone's debt. They account for 50.1% and 19.85% respectively as at end December 2001. The total debt in Leones increased considerably from Le1,743,311,537mn in 2000 to Le2,470,538,543mn in 2001. This is as a result of the depreciation of the Leone against the other currencies

(v) Debt Indicators, Debt Ratios and Debt Service

Table 11 shows the debt indicators and debt ratios for the period end December 2000 and 2001. Debt service payments increased more than 100% from US\$ 36.8million in 2000 to US\$ 86.8 million in 2001. The significant increase in the debt service payments was as a result of the repayment of about US\$ 46.83mn under the Post Conflict Facility Loan. Debt service to export ratio at 300% was over and above the IMF/World Bank debt sustainability criteria of 150% under the Enhanced HIPC Initiative. This ratio may be understated, as it does not take into account all the categories of exports used in the DSA. The increase in the debt service ratio in 2001 is as a result of the increase in exports. The stock of debt as a percentage of GDP decreased in 2001 due to the significant increase in the total stock of outstanding debt.

As Sierra Leone is poised to enter into its decision point under the Enhanced HIPC Initiative in early February 2001, normalising relations with all of its creditors has been its key focus. Efforts have been made to reach an arrangement with all creditors in arrears especially the multilateral creditors, as this is one of the prerequisites for reaching the decision

point.

7. Human Resource Development

The Bank is committed to developing and maintaining a competent and productive workforce.

At the end of the year 2001, the staff strength was 467, an increase from 445 at the end of 2000, 11 were on contract. There were 169 Professionals. During the period under review, 47 staff were recruited whilst 37 staff left the bank as follows:

Resigned	-	17
Retired	-	7
Vol. retirement	-	3
Vacated	-	2
Terminated	-	3
End of Contract	-	3
Died	-	1
Early retirement due to ill health	-	1
Total		37

Staff Development

The Bank continued to provide financial assistance to foster professionalism through academic and professional training. To complement this effort, the Bank also took advantage of short term training both local and overseas in specialised areas considered to be

Name of Programme	Number Pursuing	Number Completed
Association of Chartered Certified Accountants (ACCA)	3	-
Bachelor of Science in Financial Services	5	1
Bachelor of Education Programme	2	-
Post-Graduate Diploma in Business Administration	3	1
Masters in Development Studies	2	-
Diploma in Administration/Personal Assistant/Secretarial Duties	1	-

gaps in skills related to the Bank's activities.

i Overseas Training Included:

a) Degree Programmes

i MA in Economic Policy Management. (7)

iii MA in Economics. (1)

a) Degree Programmes Completed

iv M. Sc. Economic Policy Management (1)

v M. Sc. Economics (1)

ii. Long/Short Courses

African Development Bank (AFDB)

Financial Sector Policy and African Development Financial Institutions (workshop)

Table 12
Human Resource Statistics

	1999			2000			2001		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Number of staff as at December 31	316	113	429	334	111	445	326	129	455
<i>of which</i>									
Management	3	4	7	3	4	7	4	4	8
Professionals	117	49	166	118	44	162	109	48	157
Sub-professionals	90	57	147	93	61	154	98	75	173
Others	106	3	109	120	2	122	115	2	117

Bank of England

Central Banking Policy and Operations

Commonwealth Secretariat

- Seminar to mark the launching of the Commonwealth Secretariat
- Debt Recording and Management Systems (CS - DRMS 2000T)

Crown Agents

- Internal Audit Training Course

Joint Africa Institute (JAI)

- Non-Bank Financial Institutions : Development and Workshop
- Foreign Exchange Policies and Operations
- Money and Banking Statistics
- Financial Programming and Policies

International Monetary Fund

- Preparatory Meeting on General Data Dissemination System (GDDS) for Anglophone Africa
- Government Financial Statistics (GFS)

West African Institute For Financial and Economic Management (WAIFEM)

- Current Supervisory Issues and Challenges
- Course on Budget Management and

- Expenditure Control
- Workshop on Capacity and Institutional Building Framework and Performance Indicators for Reserve Management
- Regional Workshop on Macroeconomic Policies and Poverty Reduction
- Course on Financial Programming and Policies
- Senior Policy Seminar on International Reserve Management
- Regional Workshop on Government Securities and Domestic Debt Management
- Regional Course on Banking Supervision
- Regional Course on Macroeconomic Modelling, Forecasting and Policy Analysis

Euro Money

- Bank Internal Audit Course

iii. Local Training

The Bank also sponsored staff through local tuition to pursue both professional and degree courses such as:

In-house Training

Various training programmes were organised for staff members during the

review period.

A wide range of in-house courses were organised covering subjects in Computing and other related programmes.

- Seminar on Central Bank Accounting and Auditing
- Seminar on Practical Aspects of External Debt Management
- Seminar on Monetary Operations
- Seminar on: The Practical Aspects of Domestic Debts Management
- Catering Course
- Banking Supervision Seminar on Current Supervisory Issues and Challenges
- Seminar on Foreign Exchange Policies and Operations
- Seminar on Cashiering
- Seminar on Development & Regulation of Non-Bank Financial Institutions
- Seminar in Money and Banking Statistics
- Seminar on: Security Matters
- Seminar on the Duties and Responsibilities of Bank's Signatories
- Seminar on the Duties and Responsibilities of Key holders
- Seminar on: Development & Regulation Of Non-Bank Financial Institutions
- Seminar on The Duties & Responsibilities of Key holders
- Information Sharing Seminar on The West African Monetary Institute (WAMI)
- Expert Committee Meetings for Bank Supervisors
- Seminar on Institutional Building Framework & Performance Indicators for Reserve Management.

8. Board of Directors of Bank of Sierra Leone

The Policy of the Bank is entrusted to its Board of Directors, which under the new Bank of Sierra Leone Act 2000 consists of seven members. The members of the Board include the Governor and the Deputy Governor and five non-executive Directors. The Governor and Deputy Governor are persons of recognized financial experience. The non-executive Directors are also persons of recognized standing and experience in Finance, Business, Economics, Law, Banking, Industry or Agriculture. All members are appointed by His Excellency The President by instrument under the Public Seal. In the case of the Governor and Deputy Governor, they hold office for five years and are eligible for reappointment. The Non-Executive Directors hold office for three years and are also eligible for reappointment.

The Governor, or in his absence the Deputy Governor, is the Chairman of the Board, which is statutorily required to meet, at least ten times a year.

There is currently a vacant position in the Board, having recently lost a member, namely Mr. Peter M. Dimch, by death.

The Chief executive authority of the Bank is the Governor, who conducts the business and affairs of the Bank in accordance with the policies laid down by the Board of Directors. He presides over the meetings of the Board and is assisted by the Deputy Governor in the performance of his duties.

The Board Secretariat Department is primarily responsible for servicing the Board of Directors. It provides secretarial services for the monthly meetings of the Board, including the preparation and dissemination of Board Papers to members; the documentation and dissemination of all Board extracts to relevant parties, the maintenance of records of follow-up actions of Board decisions – the co-ordination role which ensures that the overall institutional performance accords with the approved policies. The Department also administers the terms and conditions of appointment of all Board Members e.g. Monthly Fees and other perquisites.

Management of the Bank including Independent Units

Governor	-	Mr. J. Sangha Koroma
Deputy Governor	-	Mr. G. Melvin Tucker

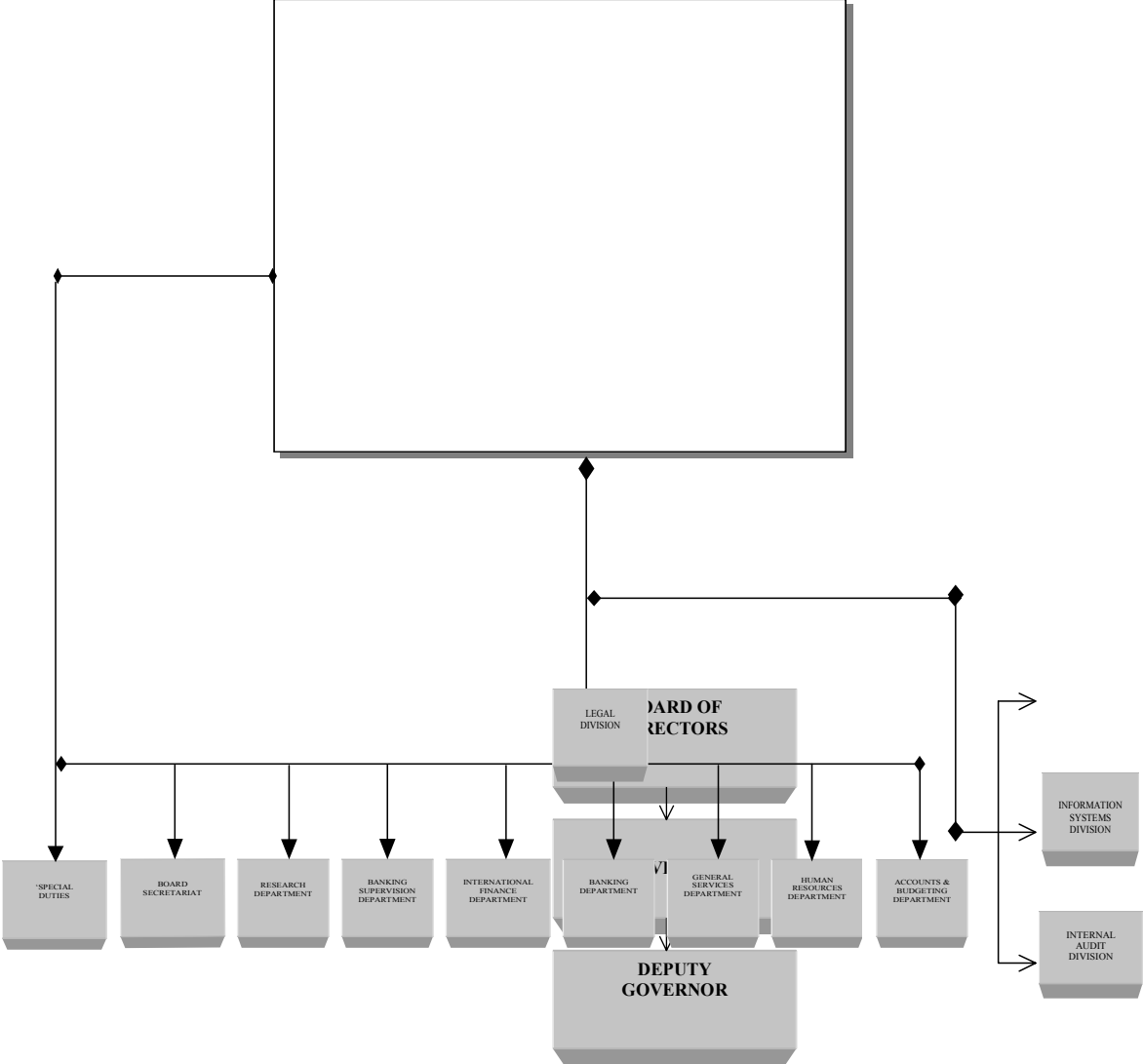
Directors

Director, Banking	-	Mr Francis B Roberts
Director, Research	-	Ms Andrina R Coker
Chief Accountant	-	Mrs Khadi R Saccoh
Director, Human Resources	-	Haja Ajaratu A M Mahdi
Director, Banking Supervision	-	Ms Yeabu M D Kamara
Director, General Services	-	Mr Edmund O Kangaju
Director, International Finance	-	Mr Ibrahim K Lamin
Director, Special Duties	-	Mr Sidique A B Sesay
Secretary	-	Mrs Dolcie T Thorpe

Heads of Unit

Senior Legal Of ficer	-	Ms Mahota Demby
Of ficer -In-Charge, Information Systems	-	Mrs Hanifa I Addai
Acting Internal Auditor	-	Ms Mahawa Silla

Bank of Sierra Leone Organisational Structure



B. Statement of Accounts 2001

Financial Position and Operating Results of the Bank for the year ended 31st December 2001

The Bank continued to improve on the performance of the past years and as at 31st December, 2001 the total assets and liabilities stood at Le1,122.22 billion, compared to Le1,003.71 billion in Year 2000, a rise of 12 per cent. The major change was the increase in assets and liabilities denominated in foreign currencies which resulted partly from the declining value of the Leone.

The Bank's holdings of treasury and other eligible bills totaling Le35.25 billion was 493 percent more than the previous year. As a result of tight liquidity conditions, Government Securities issued during the period under review were not fully taken up and the Bank had to acquire these securities for secondary market operations, thus increasing its holdings considerably.

There was a reduction of 11 per cent in Ways and Means Advances to the Government, from Le89.30 billion to Le79.51 billion. The drop was partly due to the conversion of a proportion of the Ways and Means Advances to Government Securities. Cash and Cash Equivalents denominated in foreign currencies amounted to Le389.47 billion, an increase of 31 percent compared to Le298.12 billion last year, mainly

due to increased donor disbursements and the depreciation of the Leone.

The Bank's capital and reserves dropped by 16 per cent from Le59.30 billion to Le49.65 billion due to the utilization of the funds in General Reserve Account (Le6.09 billion) to partly of ~~for~~ the debit of Le9.62 billion in the Revaluation Reserve Account as stipulated in Section 54 (3) of the Bank of Sierra Leone Act 2000. Current liabilities however increased by 33 per cent from Le124.48 billion to Le165.72 billion.

Net profit from operations was Le4.16 billion, a drop of 57 per cent from last year's figure of Le9.67 billion. Operating income was Le23.03 billion with notable contributions from local interest income (Le19.08 billion) of which interest receipts on Ways and Means Advances to Government within the period contributed significantly. Interest income from local investments fell by 12 per cent due to decreases in interest rates during the year. Interest income from external investments declined by 7 per cent to Le2.88 billion and was generated mainly from the Bank's Pound Sterling and U.S. dollars investments which form the bulk of the external investment portfolio. It should be noted that the events of September 11, 2001 impacted adversely on interest rates, thus reducing the interest income anticipated from external

ANNUAL REPORT AND STATEMENT OF ACCOUNTS

investments. Net interest income dropped by 15 per cent to Le16.91 billion. This was due to lower interests received and increased charges amounting to Le5.05 billion (a rise of 4 per cent) which were paid to the IMF during the period under review.

Operating expenses amounting to Le13.82 billion were 30 per cent higher when compared to Year 2000. Staff costs increased by 28 per cent to

Le5.58 billion and were 40 per cent of total operating expenses, while administrative expenses rose by 31 per cent from Le6.30 billion to Le8.24 billion, mainly due to the write-down of fixed assets.

The resultant profit of Le4.16 billion for the period was allocated in accordance with the provisions of Section 11 of the Bank of Sierra Leone Act, 2000.

Board of Directors, Officials and Registered Office

Directors	:	Mr. J. Sanpha Koroma	-	Governor
		Mr. G. Melvin Tucker	-	Deputy Governor
		Mr. Maigore Kallon		
		Dr. Bu-Buakei Jabbi		
		Dr. I.B. Peters		
		Mrs Mariatu Mahdi		
Secretary to the Board	:	Mrs. D.T. Thorpe		
Chief Accountant	:	Mrs. K. R. Saccoh		
Solicitors	:	Renner-Thomas & Co. Adele Chambers Africanus House 13A Howe Street Freetown.		
Auditors	:	K P M G Chartered Accountants Bicentenary House 17 Wallace Johnson Street Freetown.		
Registered Office	:	Siaka Stevens Street Freetown.		

Report of the Directors

The Directors have pleasure in submitting their report to the Government of Sierra Leone together with the audited Financial Statements for the year ended 31 December 2001.

Statement of Directors responsibilities

The Bank of Sierra Leone Act requires the Directors of the Bank to prepare and forward to the Minister of Finance, Financial Statements for each financial year which give a true and fair view of the state of affairs of the Bank and of the Profit or Loss for the year then ended.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;

The Directors are responsible for keeping proper records which disclose with reasonable accuracy at any time the financial position of the bank and to ensure that the Financial Statements comply with the Bank of Sierra Leone Act 2000. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Share Capital

Details of the Bank's Share Capital are given in note 23 to the Financial Statements.

Financial Statements

The annexed statements adequately disclose the results of the Bank's operations during the year.

Audit Committee

The audit committee comprising non-executive Directors receive and review reports from the Internal Audit Division. To complement the functions of this Audit Committee, an Internal Audit Subcommittee also reviews the Internal Audit reports and the effectiveness of the Bank's system of internal control.

Directors and their interests

The following were Directors of the Bank as at 31 December 2001:

Mr. J. Sanpha Koroma	- Governor
Mr. G. Melvin Tucker	- Deputy Governor
Mr. Maigore Kallon	
Dr. Bu-Buakei Jabbi	
Dr. I. B. Peters	
Mrs Mariatu Mahdi	- (Appointed 18 April 2001)

The Directors announce with regret the death of Mr. Peter Dimoh on 18 October 2001. Mr. Peter Dimoh was appointed a Director of the Bank on 18 April 2001.

The Governor and the Deputy Governor who were appointed on 26 March 1998 and 25 September 1998 respectively shall each be appointed for a term not exceeding five years and shall be eligible for re-appointment.

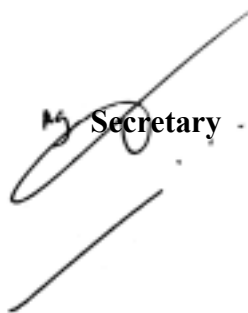
The other Directors hold office for three years and shall be eligible for re-election.

No Director had during the year, or has a material interest in any contract or arrangement of significance to which the bank was or is a party.

Auditors

The auditors KPMG having signified their willingness to continue in office, offer themselves for re-election.

By order of the Board


Secretary

**Report of the Independent Auditors to the
Government of Sierra Leone**

We have audited the accompanying Balance Sheet of Bank of Sierra Leone as of 31 December 2001 and the related statements of Income and Cash Flows for the year then ended. These Financial Statements are the responsibility of the directors. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors as well as evaluating the overall Financial Statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements properly reflect the assets and liabilities of the Bank at 31 December 2001 and of the results of its operations and its Cash Flows for the year then ended in accordance with International Accounting Standards adopted by the International Accounting Standards Board except in so far as the Bank has not considered it appropriate to do so having regard to its functions, and have been properly prepared in accordance with the provisions of the Bank of Sierra Leone Act, 2000.

19 March 2002



Chartered Accountants

Freetown

Date:

Income Statement

For the year ended 31 December 2001

<i>In thousands of Leones</i>	Note	2001	2000
Net Profit from operations	<i>1</i>	4,159,149	9,667,477
Transfer to Reserves:			
Building Reserve Fund	<i>3</i>	(500,000)	(1,500,000)
Asset Procurement Reserve Fund	<i>5</i>	(500,000)	(2,000,000)
Staff Housing Loan Fund	<i>6</i>	-	(500,000)
Staff Welfare Loan Fund	<i>7</i>	-	(200,000)
Staff Personal Loan Fund	<i>8</i>	-	(600,000)
Staff Vehicle Loan Fund	<i>9</i>	-	(400,000)
Internal Insurance Fund	<i>10</i>	(300,000)	(-)
Monetary Co-operation Fund	<i>11</i>	(350,000)	(600,000)
		2,509,149	3,867,477
General Reserve	<i>2(a)</i>	(836,383)	(1,289,159)
Redemption of Securities		(418,191)	(644,579)
Development Credit Fund	<i>2(b)</i>	(500,000)	(700,000)
Revaluation Reserve	<i>18</i>	(754,575)	-
Transfer to Consolidated Revenue Fund		-	(1,233,739)
		-	-
		=====	=====

Balance Sheet*As at 31 December 2001*

<i>In thousands of Leones</i>	Note	2001	2000
Assets			
Cash and Cash Equivalents	12	389,473,493	298,116,418
Treasury and other Eligible Bills	13	35,248,198	5,947,221
Equity Shares and Participating Interest	14	1,021,886	472,261
Advances to banks		277,648	307,648
Advances to Government	15	79,508,670	89,295,321
Property, Plant and Equipment	16	22,238,914	16,085,339
Special Issue of Securities of the Government of Sierra Leone	18	531,606,797	532,024,988
Other Assets	19	62,843,079	61,459,620
Total Assets		1,122,218,685	1,003,708,816
		=====	=====
Liabilities			
Currency in Circulation		126,123,990	95,854,030
Deposits	20	39,594,437	28,621,515
Foreign Liabilities	21	737,685,159	688,198,820
Other Liabilities and Provisions	22	169,167,867	131,731,660
		1,072,571,453	944,406,025
		=====	=====

Capital and reserves

Issued Capital	23	24,001,500	24,001,500
Revaluation Reserve	17	(2,773,494)	8,177,148
Capital Reserves	24	8,982,043	4,251,533
General Reserves	2(a)	-	5,254,986
Development Credit Fund	2(b)	2,721,905	1,553,800
Building Reserve Fund	3	2,936,938	3,348,192
General Asset Reserve Fund	4	8,957,933	6,290,355
Asset Procurement Reserve Fund	5	1,862,875	3,869,762
Staff Housing Loan Fund	6	148,480	521,855
Staff Welfare Fund	7	16,207	207,623
Staff Personal Loan Fund	8	586,347	600,000
Staff Vehicle Loan Fund	9	400,665	400,000
Internal Insurance fund	10	569,997	226,037
Monetary Cooperation Fund	11	1,235,836	600,000
		<u>49,647,232</u>	<u>59,302,791</u>
Total liabilities, Capital and Reserves		<u>1,122,218,685</u>	<u>1,003,708,816</u>

These Financial Statements were approved
by the Board of Directors on

19-3-


..... 2002

..... .Governor

..... .Director

Statement of Cash Flows*For the year ended 31 December 2001*

<i>In thousands of Leones</i>	Note	2001	2000
Operating Activities			
Profit for the year		4,159,149	9,667,477
Depreciation	<i>16</i>	2,377,480	1,116,753
Adjustment in respect of Fixed Assets		-	257
(Decrease)/Increase in Revaluation Reserve		(17,796,586)	8,177,148
Increase in Deposits		10,972,922	9,677,311
Decrease in Advances to Government		9,786,651	27,852,047
(Decrease)/Increase in Other Assets		(1,383,459)	23,692,763
(Increase)/Decrease in Liabilities and Provisions		37,480,167	(78,698,117)
Increase in Currency in Circulation		30,269,960	7,888,995
Increase/(Decrease) in Foreign Liabilities		49,486,339	(121,358,267)
Decrease in Advance to banks		30,000	204,762
Cash Inflow/(Outflow) from Operating Activities		<u>125,382,623</u>	<u>(111,778,871)</u>
Investing Activities:			
Acquisition of Property, Plant and Equipment	<i>16</i>	(3,800,547)	(5,138,735)
Fund Movements		(374,401)	(5,050,442)
(Acquisition)/proceeds on disposal of investment		(29,300,977)	12,052,275
Acquisition of Shares in Other Financial Institutions		(549,625)	-
Cash (Outflow)/Inflow from Investing Activities		<u>(34,025,550)</u>	<u>1,863,098</u>
Financing Activities:			
Net increase/(decrease) in Cash and Cash Equivalents		91,357,073	(109,915,773)
Cash and Cash Equivalents at 1 January		298,116,418	408,032,191
Cash and Cash Equivalents at 31 December	<i>12</i>	<u>389,473,491</u>	<u>298,116,418</u>

Notes to the Financial Statements

Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Bank's Financial Statements.

(a) Presentation of Financial Statements

Although the Bank's Financial Statements are not subject to the requirements of the Companies Act, they have been prepared so as to present fairly the state of affairs of the bank, its results and cash flows in accordance with Cap. 249 and applicable International Accounting Standards in so far as they are appropriate to a Central Bank.

In exceptional circumstances, as part of its central banking responsibilities, the bank may act as "lender of last resort" to financial institutions in difficulty in order to prevent a loss of confidence spreading through the financial system as a whole. In some cases confidence can best be sustained if the bank's support is disclosed only when the conditions giving rise to potentially systemic disturbance have improved. Accordingly, although the financial effect of such operations will be included in the financial statements in the year in which they occur, these financial statements may not explicitly identify the existence of such support.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings.

(b) Sierra Leone Government Securities

These are stated at cost.

(c) Investments:

The special issue of securities of the Government of Sierra Leone, referred to in Note 17 are stated at par value.

Other investments are stated at cost less provisions for diminution in value, where in the opinion of the Directors, the value of an investment has permanently diminished.

Profits and losses on realisation are taken to profit and loss account in the year in which they arise.

Notes to the Financial Statements

(d) Premises and Equipment:

Depreciation is charged on a straight line basis over the estimated life of the assets at the following rates:

Premises	-	5 %	per annum on cost
Plant and machinery	-	20 %	per annum on cost
Furniture and equipment	-	33 1/3%	per annum on cost
Motor vehicles	-	25 %	per annum on cost

No depreciation is charged on assets under construction.

(e) Foreign Currency Translation:

Assets and liabilities in foreign currencies are translated into Leones at the official exchange rates ruling at the Balance Sheet date and in accordance with Section 54(1) of the Principal Act, gains and losses are taken direct to Revaluation Reserve Account. Transactions in Foreign Currencies are translated to Leones at the official exchange rates ruling on the date of the transactions.

(f) Currency Issue Expenses:

Currency issue expenses are written off to Profit and Loss Account as and when the currency for which the expenses were incurred is put into circulation.

(g) Pension:

Pension costs are charged to the Profit and Loss Account systematically over the periods benefiting from the employees' services.

Notes to the Financial Statements

1. Net Operating Profit from Operations

<i>In thousands of Leones</i>	2001	2000
Net Operating Profit from Operations is stated after:		
Staff Costs:		
- Salaries and W ages	3,564,325	2,696,585
- Staff Pension Contribution	835,834	623,695
- Other Employee Costs	482,338	509,411
Depreciation	2,377,480	1,117,910
Income:		
- External Investments and Reserves	2,876,043	3,097,629
- Loans and Advances	16,566,733	17,829,046
- Sierra Leone Government Treasury Bills	1,731,751	3,087,379
- Sierra Leone Government Treasury Bearer Bonds	778,827	682,480
Charges:		
- International Monetary Fund Interest and Charges	5,022,619	4,843,185
- Other Interest Charges	24,930	-

2. Statutory Reserves

(a) General Reserve:

Under the provisions of Section 11(2)(a) and (2)(b) of the Bank of Sierra Leone Act 2000 a general reserve is to be established by allocation from the net profit of each year, one-third of such profits where the general reserve does not exceed the minimum paid up capital of the Bank and one sixth of such profits where the general reserve exceeds the minimum paid up capital of the Bank but does not exceed four times the paid up capital.

Notes to the Financial Statements

<i>In thousands of Leones</i>	2001	2000
Balance at beginning of year	5,254,986	3,965,827
Transfer from Profit and Loss Account in accordance with Section 11(2)(a) or (b) of the Bank of Sierra Leone Act 2000	836,383	1,289,159
Transfer to Revaluation Reserve	(6,091,369)	-
Balance at end of year	<u>-</u>	<u>5,254,986</u>

(b) Development Credit Fund:

In accordance with Section 11(3) (b) of the Bank of Sierra Leone Act 2000, the Bank is to establish a Development Credit Fund for purposes specified in Section 49 of that Act. The fund is constituted by amounts transferred from Net Profits, in consultation with the Minister of Finance, and accruals of income on the investments allocated to the Fund.

<i>In thousands of Leones</i>	2001	2000
Balance at beginning of year	1,553,800	1,062,751
Income Accruing	206,405	252,749
Investment	-	(461,700)
Transfer from Profit and Loss Account	500,000	700,000
Maturity of investment	461,700	-
Balance at end of year	<u>2,721,905</u>	<u>1,553,800</u>

3. Building Reserve Fund

<i>In thousands of Leones</i>	2001	2000
Balance at beginning of year	3,348,192	6,624,720
Transfer from Profit and Loss Account	500,000	1,500,000
Transfer to General Asset Reserve Fund	(1,304,953)	(2,824,191)
Income accruing from Investment	199,241	28,641
Investment	(1,786,520)	(1,980,978)
Maturity of Investment	1,980,978	-
Balance at end of year	<u>2,936,938</u>	<u>3,348,192</u>

This consists of amounts transferred from profits in order to finance the construction or renovation of the Bank's premises.

Notes to the Financial Statements

4. General Asset Reserve Fund

<i>In thousands of Leones</i>	2001	2000
Balance at beginning of year	6,290,355	1,120,129
Transfer from Building Reserve Fund	1,304,953	2,824,191
Transfer from asset Procurement Reserve Fund	1,362,625	2,346,035
Balance at end of year	8,957,933	6,290,355
	=====	=====

This reserve is created to record the value of purchased or developed assets financed by the Building Reserve Fund and the Asset Procurement Reserve Fund.

5. Asset Procurement Reserve Fund

<i>In thousands of Leones</i>	2001	2000
Balance at beginning of year	3,869,762	6,000,000
Transfer from Profit and Loss Account	500,000	2,000,000
Income accruing from Investment	282,902	12,453
Investments	(3,223,820)	(1,796,656)
Transfer to General Asset Reserve Fund	(1,362,625)	(2,346,035)
Maturity of Investment	1,796,656	-
Balance at end of year	1,862,875	3,869,762
	=====	=====

This is a reserve created to provide funds for the procurement of capital items.

Notes to the Financial Statements

6. Staff Housing Loan Fund

<i>In thousands of Leones</i>	2001	2000
Balance at beginning of year	521,855	633,106
Income accruing from Investment	183,304	172,492
Loan Repayment	4,664	4,615
Investments/Loans Disbursed	(1,713,820)	(788,358)
Transfer from Profit and Loss Account	-	500,000
Maturity of Investment	1,152,477	-
Balance at end of year	148,480	521,855
	=====	=====

This fund was originally created out of the building reserve fund and then subsequently out of profits for the provision of funds for the Staff Housing Loan Scheme.

7. Staff Welfare Fund

<i>In thousands of Leones</i>	2001	2000
Balance at beginning of year	207,623	501,323
Transfer from Profit and Loss Account	-	200,000
Income accruing from Investments	65,322	96,861
Investments at year end	(637,250)	(590,561)
Maturity of Investment	380,512	-
Balance at end of year	16,207	207,623
	=====	=====

Notes to the Financial Statements

8. Staff Personal Loan Fund

<i>In thousands of Leones</i>	2001	2000
Balance at beginning of year	600,000	-
Loan Repayments	103,387	-
Disbursements to Staff	(117,040)	-
Transfer from Profit and Loss	-	600,000
Balance at end of year	586,347	600,000
	=====	=====

This fund will be used to finance loans disbursed under the Staff Personal Loan Scheme.

9. Staff Vehicle Loan Fund

<i>In thousands of Leones</i>	2001	2000
Balance at beginning of year	400,000	-
Loan repayments	21,177	-
Disbursements to Staff	(20,512)	-
Transfer from Profit and Loss	-	400,000
Balance at end of year	400,665	400,000
	=====	=====

This fund will be used to finance loans disbursed under the vehicle loan scheme.

10. Internal Insurance Fund

<i>In thousands of Leones</i>	2001	2000
Balance at beginning of year	226,037	130,745
Income accruing from Investment	43,960	95,292
Transfer from Profit and Loss	300,000	-
	569,997	226,037
	=====	=====

This fund will be used to finance insurance claims in respect of the Bank's Vehicles.

Notes to the Financial Statements

11. Monetary Cooperation Fund

<i>In thousands of Leones</i>	2001	2000
Balance at beginning of year	600,000	-
Refund by Ministry of Finance	517,973	-
Contribution to WAMI, 2001	(231,497)	-
Advertisement Costs	(640)	-
Transfer from Profit and Loss	350,000	600,000
Balance at end of year	1,235,836	600,000
	=====	=====

This fund was created to finance the bank's contribution to the budget of the West African Monetary Institute (WAMI) to compliment the country's effort towards the Second Monetary Zone Programme.

12. Cash and Cash Equivalents

<i>In thousands of Leones</i>	2001	2000
External Reserves	388,405,163	288,851,652
Holdings of SDR	285,617	8,606,565
Cash	782,713	658,201
	389,473,493	298,116,418
	=====	=====

13. Treasury and Other Eligible Bills

<i>In thousands of Leones</i>	2001	2000
Sierra Leone Government Treasury Bearer Bonds	5,690,850	2,044,600
Sierra Leone Government Treasury Bills	29,557,348	3,902,621
	35,248,198	5,947,221
	=====	=====

Notes to the Financial Statements

14. Equity Shares and Participating Interest

<i>In thousands of Leones</i>	2001	2000
AFREXIM Bank DIV Investment	55,276	-
Shares in African Export and Import Bank	469,566	469,566
Shares in Rural Banks	1,995	1,995
Other Local Investments	700	700
BSL CON-WA M A Credit Guarantee Fund	494,349	-
	<u>1,021,886</u>	<u>472,261</u>
	=====	=====

15. Advances to Government

<i>In thousands of Leones</i>	2001	2000
Ways and Means Advances brought forward	89,295,321	118,381,107
(Recoveries)/Advances during the year	(9,786,651)	(27,852,047)
Due to Government from Profit and Loss Account	-	(1,233,739)
	<u>79,508,670</u>	<u>89,295,321</u>
	=====	=====

Under the provisions of Section 42 (1) and (2) of the Bank of Sierra Leone Act, 2000, the limit of the ways and means advances that the bank can grant to the Government shall not exceed five percent of the Government's actual revenue in the previous year's budget (prior to the 2000 Act, the limit was 10% of the estimated recurrent budget revenue). The advances made exceed the prescribed limits.

Notes to the Financial Statements

16. Property, Plant and Equipment

In thousands of Leones

Cost:	Premises	Offices under Construction	Equipment	Total
Balance at 1 January 2001	6,717,521	8,140,121	5,209,878	20,067,520
Acquisitions	1,889,743	-	1,910,804	3,800,547
Transfer	8,140,121	(8,140,121)	-	-
Disposal	-	-	(3,926)	(3,926)
Revaluation Surplus	4,730,510	-	-	4,730,510
Balance at 31 December 2001	21,477,895	-	7,116,756	28,594,651
Depreciation:				
Balance at 1 January 2001	1,586,491	-	2,395,690	3,982,181
Depreciation charge for the year	1,080,026	-	1,297,454	2,377,480
Disposals during the year	-	-	(3,924)	(3,924)
Balance at 31 December 2001	2,666,517	-	3,689,220	6,355,737
Carrying amount:				
At 1 January 2001	5,131,030	8,140,121	2,814,188	16,085,339
At 31 December 2001	18,811,378	-	3,427,536	22,238,914

Freehold properties in Freetown and Kenema were revalued in October 1999 on a replacement cost basis by Realini Bader Associates Limited, Architects, Engineers and Planners. The revaluation has been reflected in these financial statements. The surplus arising has been credited to Capital Reserve Account.

Notes to the Financial Statements

17. Revaluation Reserve Account

<i>In thousands of Leones</i>	2001	2000
Balance at beginning of year	8,177,148	(135,494,107)
Revaluation (losses)/gains	(17,796,586)	143,671,255
Transfer from General Reserve Account (Section 54 (3) of BSL Act 2000)	6,091,369	-
Transfer from Profit and Loss Account	754,575	-
	<u>(2,773,494)</u>	<u>8,771,148</u>
	=====	=====

The translation of Foreign Currency Assets and Liabilities is in accordance with the accounting policy set out in paragraph (e) on page 47.

Revaluation Reserve Account (cont'd)

In accordance with Section 54(3) of the Bank of Sierra Leone Act 2000, where there is a carried over loss or net debit in the account, amounts should be transferred from available balance in the General Reserve Account to cancel such carried over losses.

Year end exchange rates used were Le2,176 to US\$ 1.00 (2000: Le1,900 to US \$ 1.00) and equivalent for other currencies.

18. Special Issue of Securities of The Government of Sierra Leone

<i>In thousands of Leones</i>	2001	2000
Securities in issue at the beginning and end of year	531,606,797	532,024,988
	=====	=====

Under Section 44(2) of the Bank of Sierra Leone Amendment Act 1970, the Government of Sierra Leone shall issue to the bank non-negotiable, non-interest bearing securities to the extent of any deficiency in the revaluation reserve account.

Notes to the Financial Statements

In accordance with Section 7(2) of the Bank of Sierra Leone Amendment Act 1970 the Minister of Finance and the Financial Secretary, on behalf of the Government issued on 24 June 1994 and 25 May 2000 non-negotiable, non-interest bearing securities in the following amounts:

<i>In thousands of Leones</i>	2001
(a) To offset the bank's cumulative losses to June 1994 (in excess of its capital of Le 1,500,000 and including foreign currency revaluation losses) to bring the bank back to its normal capital base	275,000,000
(b) As fresh capital injection into the bank in order to assist the bank to cover projected annual operating expenses	24,000,000
(c) To cover the deficit balance in the Revaluation Reserve Account for the period 1 July 1991 to 31 December 1994	157,564,321
(d) To cover the deficit balance in the Revaluation Reserve Account for the year ended 31 December 1999	135,494,107
	592,058,428
Redemption in 1996	(57,433,448)
Redemption in 1998	(368,504)
Redemption in 1998	(376,467)
Redemption in 1999	(1,210,442)
Redemption in 2000	(644,579)
Redemption in 2001	(418,191)
	531,606,797
	=====

Notes to the Financial Statements

19. Other Assets

<i>In thousands of Leones</i>	2001	2000
Deferred Currency Issue Expenses	2,818,210	3,797,019
Investment of Development Credit Fund	1,778,130	816,034
Interest due and unreceived	2,466,287	62,763
Investment of Internal Insurance Fund	236,050	220,109
Other Assets	7,162,995	3,818,296
Other Reserve Fund Investment	9,923,603	2,858,197
Structural Adjustment Loan Counterpart Account	38,457,804	29,537,099
Structural Adjustment Credit Counterpart Account	-	20,350,103
	<u>62,843,079</u>	<u>61,459,620</u>
	=====	=====

The Structural Adjustment Accounts are contra accounts with the corresponding balances included in foreign liabilities.

20. Deposits

<i>In thousands of Leones</i>	2001	2000
Government	12,393,484	6,379,621
Bankers	7,064,608	11,501,598
Others	20,136,345	10,740,296
	<u>39,594,437</u>	<u>28,621,515</u>
	=====	=====

21. Foreign Liabilities

This represents amounts due and payable to International Monetary Organisations, Foreign Banks and Other Financial Institutions in respect of loans and advances arising from bilateral trade and other agreements.

Notes to the Financial Statements

22. Other Liabilities and Provisions

<i>In thousands of Leones</i>	2001	2000
Accrued Charges	1,133,351	927,921
Other Liabilities	1,007,566	1,510,783
Pipeline Revaluation Provision	167,026,950	129,292,956
	169,167,867	131,731,660
	=====	=====

23. Capital

<i>In thousands of Leones</i>	2001	2000
Authorised	100,000,000	100,000,000
	=====	=====

<i>In thousands of Leones</i>	2001	2000
Issued	24,001,500	24,001,500
	=====	

24. Capital Reserve

<i>In thousands of Leones</i>	2001	2000
Balance at beginning of year	4,251,533	4,251,533
Revaluation Surplus	4,730,510	-
Balance at end of year	8,982,043	4,251,533
	=====	

This balance represents the surplus arising on revaluation of freehold building.

Notes to the Financial Statements

25. Contingent Liabilities

<i>In thousands of Leones</i>	2001	2000
Guarantees and Endorsements	14,768,098	105,290,092
	=====	=====

26. Capital Commitments

Capital commitments not provided for at year end were authorised and contracted for in respect of:

<i>In thousands of Leones</i>	2001	2000
Capital Expenditure/building renovation	1,771,887	1,423,048
African Export Import Bank	3,481,600	2,731,000
	5,253,487	4,154,048
	=====	=====

27. Taxation

In accordance with Section 9(a)(iii) of the Income Tax Act 2000 the profits of the Bank are not liable to Income Tax.