

A. ANNUAL REPORT 2003

1. Review of the Economy

(a) Overview

The year 2003 was characterised by strong economic growth as access to all parts of the country became easier, the displaced and refugees returned to their homes and resumed productive agricultural and mining activities. Extensive rehabilitation and maintenance of machinery in the manufacturing sector as well as increased building and reconstruction activities also contributed to the growth. There were also significant developments in the financial sector with the opening of two community banks facilitated by the Central Bank in the northern region of Marampa-Masimera and Yonibana Chiefdoms respectively. These were aimed at promoting rural financial intermediation and stimulating savings mobilisation in the rural areas. Two commercial bank branches were also opened in the eastern mining region of Kono during the year.

The Government of Sierra Leone maintained the existing good relationship with its development partners especially the IMF and the World Bank. The Executive Board of the International Monetary Fund (IMF) in April 2003, completed the Third Review of Sierra Leone's performance under the Poverty Reduction and Growth Facility (PRGF) Programme. As a result of satisfactory performance the country was able to draw up to SDR 14mn from the Arrangement. The Board also approved the disbursement of additional HIPC assistance of SDR 23.64mn to the country to meet its debt service

obligations. The Fourth Review under the PRGF Arrangement was based on the performance at end September 2003. The outcome of the review is expected in early 2004. The government continued to receive budgetary and balance of payments support from the Department for International Development (DFID) under the Sierra Leone/United Kingdom Programme Aid, as well as loan disbursements from other multilaterals like the African Development Bank (ADB) and the International Development Association (IDA). Sierra Leone, on the 29th May 2003 became the 58th member to participate in the General Data Dissemination System (GDDS) as metadata for the country can now be accessed on the IMF's Dissemination Standards Bulletin Board.

The positive gains achieved in pursuance of stringent macroeconomic policy measures during 2002 were sustained in 2003 as the domestic economy became more receptive in the wake of continued post conflict reconstruction, rehabilitation and resettlement efforts. The year under review witnessed increased investment opportunities and heightened consolidation of business confidence with continued donor participation in both the country's medium and long term development programmes. To this end real output is estimated to have grown by 6.5 percent with high growth recorded for cocoa and diamonds, the latter following the successful implementation of the Certification Scheme by the United Nations

**FINANCIAL POSITION AND OPERATING RESULTS OF THE BANK
FOR THE YEAR ENDED 31ST DECEMBER 2003**

As at 31st December 2003 the total assets and liabilities of the Bank amounted to Le1,290.42 billion. This represents a rise of 8.32 percent over the total value of Assets and Liabilities of Le1,191.25 billion recorded as at 31st December 2002, and indicate a further improvement in the Bank's performance over prior years. The major change was the increase in Foreign Currency Financial Assets and Liabilities especially the increase in International Monetary Fund (IMF) Special Drawing Rights and Quota subscription accounts and other foreign financial liabilities inclusive of IMF Securities.

The Bank's holdings of Treasury bills and bonds at Le84.17 billion represent an increase of 87.28 percent over last year's holdings. This was mainly occasioned by the conversion into Treasury Bills and Bonds of Ways and Means Advances amounting to Le72.68 billion during the period.

The rise in property, plant and equipment was 5.02 percent and was mainly reflective of the continued rehabilitation to properties and the acquisition of more equipment and facilities, which are necessary for the Bank's operations.

As the improvement in the economy continues, and the policy on Bank financing of the government budget revised based on the prospects of materialization of foreign donor inflows, lending to government declined by 8.30 percent from Le74.28 billion as at 31st December, 2002 to Le68.11 billion as at 31st December, 2003.

Cash and cash equivalents denominated in foreign currencies decreased by 41.30 percent mainly due to the postponement to 2004 of some major programme disbursements amounting to US\$46.06 million (i.e. IMF- US\$19.43 million, EU-SASP – US\$19.63 million and ADB-ERRL II – US\$7.0 million).

There was a further significant drop in the Bank's Reserves during the period mainly due to revaluation losses.

Local Currency Financial Liabilities dropped by 43.18 percent mainly as a result of decreases in deposits.

The Revaluation Reserve Account which is reflective of the net of translation of foreign assets and liabilities recorded a net debit balance of Le115.85 billion as the total foreign currency financial liabilities of Le870.03 billion exceeded the total foreign currency financial assets of Le558.81 billion by 55.69 percent. The debit balance in this account will be treated in accordance with Section 54(3) and (4) of the Bank of Sierra Leone Act, 2000.

Total interest income from financial assets was Le30.38 billion, with the bulk (91.61 percent) of it accruing from Local Currency Assets. Interest receipts on Ways and Means Advances to Government was the most significant, contributing 68.61 percent of total income. Interest income from local investments rose by 13.96 percent consequent upon a corresponding increase in the Bank's holdings of Government Securities during the period.

Interest income from foreign currency assets also increased by 16.80 percent from 2.18 billion in 2002 to Le2.55 billion in 2003 due mainly to the implementation of effective investment strategies, coupled with the depreciation of the Leone against other major currencies particularly the US Dollar, Pound Sterling, Special Drawing Rights and the Euro. Interest receipts from the Bank's Pound Sterling and US Dollars investment portfolios constituted the bulk (62.78 percent) of this income. Net interest income was Le29.57 billion representing an increase of 6.75 percent over last year's net position. This was mainly due to the reduction (26.41 percent) in charges paid to the IMF for use of its resources during the period.

Operating expenses amounting to Le26.97 billion was 68.64 percent higher than costs incurred during year 2002. Of this, personnel costs which

constituted 50 percent of total expenses rose by 71.03 percent mainly as a result of an increase in the number of staff employed and percentage increases in salaries and related allowances. Administrative expenses, which represented 31.27 percent of total operating expenses, also rose by 94.56 percent mainly due to increases in related costs. The cost of writing-down the Bank's Fixed Assets increased by 47.90 percent during the period to Le2.28 billion as a result of acquisitions and rehabilitation of existing assets.

The resultant profit of Le3.14 billion for the period was allocated in accordance with the provisions of Section 11 of the Bank of Sierra Leone Act, 2000.

Accounts and Budget Department

Board of Directors, Officials and Registered Office

Directors

Dr J D Rogers	Governor
Mr M S Fofana	Deputy Governor
Mr Maigore Kallon	
Dr I B Peters	
Mrs Mariatu Mahdi	
Dr Morie K Manyeh	
Dr M B Yilla	

Secretary to the Board Mr K S T Kallay

Chief Accountant Mrs K R Saccoh

Solicitors

Renner-Thomas & Co
Adele Chambers
Africanus House
13A Howe Street
Freetown

Auditors

PKF
Chartered Accountants

Farringdon Place
Farringdon Road
London

Regent House
12 Wilberforce 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 2003.

Statement of Directors Responsibilities

The Bank of Sierra Leone Act 2000 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue its operations

The Directors are responsible for keeping proper records which disclose with reasonable accuracy at any time the financial position of the Bank and to enable them 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 24 to the financial statements.

Financial Statements

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

Directors and their interests

The following were Directors of the Bank as at 31 December 2003:

Dr J D Rogers	Governor	(appointed 11 April 2003)
Mr M S Fofana	Deputy Governor	(appointed 25 September 2003)
Mr Maigore Kallon	Director	(re-appointed 13 September 2002)
Dr I B Peters	Director	(re-appointed 24 November 2002)
Mrs Mariatu Madhi	Director	(appointed 18 April 2001)
Dr Morie K Manyeh	Director	(appointed 17 September 2002)
Dr M B Yillah	Director	(appointed 17 September 2002)

The Governor and the Deputy Governor who were appointed on 11 April 2003 and 25 September 2003 respectively shall each be appointed for a term not exceeding five years and shall be eligible for re-appointment.

The other Directors hold offices for three years and shall be eligible for re-appointment.

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, PKF, were appointed by the Auditor General on 16 February 2003 to conduct the audit of the financial statements for the year ended 31 December 2003.

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 at 31 December 2003 and the related statements of income and cash flows for the year then ended. We draw attention to the basis of preparation of these financial statements as described in note 1(a). 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 present fairly, in all material respects, the position of the Bank at 31 December 2003 and the results of its operations and its cash flows for the year then ended in accordance with the framework of accounting policies set out in note 1 of the financial statements.

Date

30 July 2004

Freetown

PKF

Chartered Accountants

Date

30 July 2004

London

PKF

Chartered Accountants

Balance Sheet

	Note	2003 Le'000	2002 Le'000
Foreign Currency Financial Assets			
Cash on hand		1,438,686	456,874
Cash and cash equivalents with foreign banks	2	77,997,406	132,882,084
Equity shares and participating interest	4	2,754,945	2,428,099
Accrued interest		222,373	187,410
International Monetary Fund Special Drawing Rights Allocation		87,021,238	51,988,372
International Monetary Fund Quota Subscription		389,377,945	304,792,966
Total Foreign Currency Financial Assets		558,812,593	492,735,805
Local Currency Financial Assets			
Treasury bills and bonds	5	84,172,762	44,945,194
Investment in marketable securities		7,628,678	14,357,976
Accrued interest		229,568	232,554
Advances to Banks		334,338	34,337
Advances to Government	3	68,109,550	74,277,670
Other local currency financial assets	7	1,956,329	1,251,688
Special issue of securities of the Government of Sierra Leone	6	530,880,200	531,037,271
Total Local Currency Financial Assets		693,311,425	666,136,690
Total Financial Assets		1,252,124,018	1,158,872,495
Non-Financial Assets			
Inventory	8	4,260,757	1,421,152
Gold Stocks		94,589	67,662
Other non-financial assets	10	7,336,163	5,560,184
Property, plant and equipment	9	26,601,095	25,330,550
Total Non-Financial Assets		38,292,604	32,379,548
Total Assets		1,290,416,622	1,191,252,043

Balance Sheet (cont.)

	Note	2003 Le'000	2002 Le'000
Liabilities			
Foreign Currency Financial Liabilities			
Term liabilities	11	479,266,320	410,603,818
Other foreign currency financial liabilities	12	325,221,436	293,471,070
International Monetary Fund Special Drawing Rights Allocation		65,540,907	51,303,387
Total Foreign Currency Financial Liabilities		870,028,663	755,378,275
Local Currency Financial Liabilities			
Government deposits		11,748,802	41,196,728
Commercial Bank deposits		6,497,072	9,259,444
Other deposits		20,467,864	21,507,143
Accrued charges		3,086,473	1,873,726
Other local currency financial liabilities	13	392,111	413,201
Total Local Currency Financial Liabilities		42,192,322	74,250,242
Total Financial Liabilities		912,220,985	829,628,517
Non-Financial Liabilities			
Currency in circulation		197,498,903	158,593,429
Other liabilities	14	673,140	581,269
Total Non-Financial Liabilities		198,172,043	159,174,698
Provisions			
Provision for revaluation of pipeline liabilities	15	232,087,851	184,516,280
Total Liabilities		1,342,480,879	1,173,319,495
Capital Reserves	24	24,001,500	24,001,500
	17	(76,065,757)	(6,068,952)
Total Liabilities and Equity		1,290,416,622	1,191,252,043

These financial statements were approved by the Board of Directors on 23/07/ 2004

.....Governor

.....Director

Income Statement

	Note	2003 Le'000	2002 Le'000
Operating Income:			
Interest income from Financial Assets			
Foreign Currency Investments	18	2,548,519	2,182,009
Government Bills and Bonds	18	6,988,564	6,132,401
Advances to Government	18	20,847,205	20,437,256
		30,384,288	28,751,666
Expenses on financial liabilities			
IMF interest and charges		(698,740)	(949,570)
Charges on foreign transactions		(114,860)	(100,660)
Amortisation of Government Securities		(2,286)	(2,311)
Net exchange loss		(10)	(199,744)
Other Income	20	545,779	910,981
Total Operating Income		30,114,171	28,410,362
Operating Expenses:			
Personnel		13,486,826	7,885,506
Depreciation	9	2,283,691	1,544,091
Currency	21	2,690,686	1,329,383
Administration	22	8,434,569	4,335,224
Other		75,972	899,202
Total Operating Expenses		26,971,744	15,993,406
Profit available for appropriation under Bank of Sierra Leone Act		3,142,427	12,416,956
Less Appropriations	16	(3,142,427)	(12,416,956)

Cash Flow Statement

	Note	2003	2002
		Le'000	Le'000
Net cash outflow from operating activities	29	(97,035,114)	(42,815,395)
Investing Activities			
Net decrease in loans and advances to government		6,168,120	5,231,000
Net Disinvestments in marketable securities		6,729,298	(1,953,103)
Net increase in Government Securities held by the Bank		(39,227,567)	(9,127,470)
Purchase of tangible fixed assets		(3,421,140)	(4,635,727)
Cash outflows from Investing Activities		(29,751,289)	(10,485,300)
Financing Activities			
Net (decrease)/increase in deposits by Government and Banks		(32,210,298)	30,998,080
Net (decrease)/increase in other deposits taken		(1,039,279)	2,219,885
Fund movements		(1,134,862)	(2,218,955)
Increase in currency in circulation		38,905,474	32,469,439
Net increase in term liabilities		68,662,502	14,392,660
Net increase in foreign currency liabilities		-	-
Cash inflows from financing Activities		73,183,537	77,861,109
(Decrease)/Increase in cash and cash equivalents	30	(53,602,866)	24,560,414

Notes to the Financial Statements

1. 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) Framework of Accounting Policies

In preparing its statutory financial statements the Bank complies with the requirements of the Bank of Sierra Leone Act, 2000 and Part VII of the Public Budgeting and Accounting Act No.1 (1992). The financial statements are also in compliance with the requirements of the Companies Act, although the Bank is not subject to this Act.

Within this framework the financial statements:

- have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings; and
- carry the Special Issue of Government Securities as described in notes 1(f) and 6 at their par value.

The Bank's objective is to adopt as soon as is practicable International Accounting Standards (IAS) as its framework of accounting. In the meantime it is making progress in aligning individual accounting policies of the Bank with IAS. However, in recognition of the principle set out in IAS 1 that an entity cannot be in compliance with IAS unless it is in full compliance with IASs, IAS is not currently the Bank's framework of accounting.

The Bank presents its assets and liabilities broadly in order of liquidity.

(b) Financial Assets and Liabilities

The Bank presents its financial assets and liabilities, and the associated income and expense streams by distinguishing between foreign currency and local currency activities. Foreign currency activities arise mainly from the Bank's management of the country's external reserves. Local currency activities reflect transactions arising from monetary policy implementations, managing the currency in circulation and Banking activities.

The reason being that the separate reporting of these activities is considered to provide a clearer picture and enhance users' understanding of the Bank's financial position, performance and risk profile. The Bank considers that the combined reporting of foreign and local currency activities would not provide a clear indication of the Bank's operations.

Foreign currency monetary assets and liabilities 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:

Currency	31.12.2003	31.12.2002
US\$ 1	Le 2,562.18	Le 2,191.73
£Stg 1	Le 4,719.66	Le 3,514.44
WAUA 1	Le 3,779.55	Le 2,953.10
Euro 1	Le 3,283.46	Le 2,293.94
SDR 1	Le 3,754.85	Le 2,939.18

Foreign currency transactions are converted at the rate of exchange on the date of the transaction. The gain or loss on re-translating foreign currency monetary assets or liabilities at year end rates is taken to the Revaluation Reserve in compliance with the Bank of Sierra Leone Act, which requires that any such gain or loss is not charged against the annual profits, but taken to a revaluation reserve.

All financial assets and liabilities are recognised in the balance sheet on a trade date basis. This means that purchases and sales of financial assets are recognised from the date at which the purchase or sale is agreed.

No material financial assets of the Bank were pledged as security for liabilities nor collateralised.

(c) Special Issue of Securities of the Sierra Leone Government

Details of these securities, which have no interest coupon and have no fixed redemption date are set out in note 6. The securities, which were issued to clear losses of the Bank in earlier years, are carried at their par value in the balance sheet.

(d) International Monetary Fund (IMF) Balances

The Quota subscription represents subscription payments made as a form of deposit with the IMF, which entitles Sierra Leone to Special Drawing Rights (SDR) facilities, financial support and voting rights as a member of the IMF. The funds paid by and re-deposited with the IMF are represented by the IMF Securities and No. 1 account balances. The Quota subscription is held as an asset and this and the related liabilities are revalued annually at the appropriate SDR rate. The Bank's deposits with the IMF by way of holdings of SDRs and its drawings by way of allocations denominated in SDRs are held as assets and liabilities respectively and revalued in SDRs at the balance sheet date.

(e) Treasury Bills and Bearer Bonds

The Bank is the holder of Treasury Bills and Treasury Bearer Bonds.

Bills are either taken-up on initial offering or purchased subsequently in the secondary market.

Bills have no interest coupon attached but are issued at a discount to redemption price. Those taken up on initial offering are initially recorded at discounted cost price and those purchased subsequently at purchase price and the discount to redemption is amortised within interest income on a straight line basis over the period to redemption and the carrying value of the asset increased accordingly.

Bearer bonds are taken up on initial offering. There is no secondary market although the Bank will purchase Bonds from the public at their par value. Bearer bonds carry an interest coupon and they are recorded at the par value. Interest income is accrued in the Income Statement.

Treasury Bearer Bonds are always held to maturity. Treasury Bills are sometimes sold prior to maturity and any difference between carrying value and sale price is taken to other income in the Income Statement.

(f) Investment in Marketable Securities

These investments comprise a number of discrete pension fund investment portfolios that are funded by appropriations of the Bank's annual profit under Section 11 (1) and (3b) of the Bank of Sierra Leone Act 2000. The investment portfolios consist primarily of Treasury Bills and Treasury Bearer Bonds that are held to maturity and are accounted for in the same way as the instruments held by the Bank for monetary operations as noted in accounting policy (e).

(g) Investments in equity instruments

Investments in unquoted equity instruments are held at cost, less a provision for impairment where appropriate.

(h) Foreign Currency term liabilities

These are carried at amortised cost (cost less principal repayments). Interest obligations are charged to the Income Statement on an accrual basis.

(i) Currency in Circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. The liability for currency in circulation is recorded at face value in the balance sheet.

(j) Income Recognition

The income recognition principles in respect of financial assets dealt with above are set out in the relevant accounting policy notes. In all other cases interest income is recognised in the profit and loss account as it accrues other than interest of doubtful recoverability.

Fees receivable which represent a return for services are credited to income when the related service is performed.

(k) Inventories

Inventories are valued at the lower of cost and net realisable values. Unissued currency stocks are recorded as inventory at the cost of acquisition and expensed when issued.

(l) Property, Plant and Equipment

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

Premises	–	2% per annum on cost
Plant and machinery	–	10% per annum on cost
Furniture and equipment	–	25% per annum on cost
Vehicles	–	20% per annum on cost
Computers and ancillaries	–	20% per annum on cost

No fixed assets were pledged as security on financial liabilities.

(m) Pension

Pension costs are charged to the profit and loss account systematically over the periods benefiting from the employees' services.

(n) Comparative Amounts

Where there have been changes in presentation, and to ensure consistency with the current year, comparative figures have been re-stated where appropriate.

(o) Appropriations of Annual Net Profit

Under Section 11 of the Bank of Sierra Leone Act 2000 (the Act), net profit is allocated thus:

- Net profit for the financial year is determined after making provision for bad and doubtful debts, depreciation charge and contribution to staff and superannuation funds.
- From this net profit a General Reserve is established by allocation from the net profit of each year. One third of net profit is allocated if the General Reserve does not exceed the minimum paid up capital of the Bank. One sixth of net profit is allocated should General Reserve exceed the minimum paid up capital of the Bank (up to the point where the Reserve equals four times the minimum paid up capital). Further allocations to the Reserve may be made with the approval of the Minister.
- One quarter of the remaining profit for the financial year is then used to redeem any Government Securities held by the Bank that have been previously issued to preserve the minimum paid-up capital of the Bank from impairment.
- An amount determined through consultation with the Minister is then allocated to the Development Credit Fund established under the Act. Any residue of net profit is paid into a Consolidated Fund.

The above appropriations will not be made should the Board judge the assets of the Bank to be (prior to or as a result of the appropriations) less than the sum of liabilities and minimum paid up capital.

If the Bank incurs a net loss during a financial year, this loss is charged to the General Reserve until the Reserve is depleted, when losses will be carried forward, to be replenished by Government transfers of funds, negotiable securities bearing market related terms and conditions or foreign exchange. In the absence of such replenishment, all future profits will be allocated to cancel accumulated losses in priority to above appropriations.

Also in accordance with Section 54 (3) where there is a carried over loss or net debit balance in the revaluation reserve account, amounts shall be transferred from the available balance in the General Reserve to cancel such carried over losses.

2. CASH AND CASH EQUIVALENTS WITH FOREIGN BANKS

	2003	2002
	Le'000	Le'000
Maturity Analysis		
Up to 1 month	65,555,802	78,024,465
1 month to 3 months	12,341,604	54,857,619
	77,997,406	132,882,084

3. ADVANCES TO GOVERNMENT

	Le'000
Ways and Means Advances brought forward	74,277,670
Recoveries during the year	(6,168,120)
Due to Government from profit and loss account	-
Ways and Means Advances carried forward	68,109,550

The Ways and Means balance at the end of each year is required to be cleared within 93 days of the year end, normally by issue of Treasury Bills.

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.

Ways and Means Advances	68,109,550
Treasury and eligible bills	84,172,762
Bank's holding of Special Issue securities of Government of Sierra Leone	530,880,200
Less: Government deposits	(11,748,802)
Government stocks and shares	(4,730,033)
Net credit to Government of Sierra Leone	666,683,677
Government actual revenue in previous year	294,027,000
5% thereof	14,701,350
Excess in Government lending	651,982,327

The Directors report excesses in lending to the Government of Sierra Leone as at 31 December 2003 of Le 651,982,327,000 (2002:Le 504,936,874,000).

4. EQUITY SHARES AND PARTICIPATING INTEREST

	2003	2002
	Le'000	Le'000
AfreximBank Capital Investment	2,049,744	1,753,384
AfreximBank Dividend Investment	210,852	180,366
BSL CON-WAMA Credit Guarantee Fund	494,349	494,349
	2,754,945	2,428,099

5. TREASURY BILLS AND BEARER BONDS

	2003	2002
	Le'000	Le'000
Treasury Bills	66,857,912	32,843,944
Treasury Bearer Bonds	17,314,850	12,101,250
	84,172,762	44,945,194
Maturity Analysis		
Up to 1 month	799,050	226,350
1 month to 3 months	68,978,362	38,603,044
3 months to 1 year	6,257,850	1,863,500
1 year to 5 years	8,137,500	4,252,300
	84,172,762	44,945,194

6. SPECIAL ISSUE OF SECURITIES OF THE GOVERNMENT OF SIERRA LEONE

	Le'000	Le'000
Securities in issue at the beginning of the year	531,037,271	531,606,797
New securities issued during the year	-	-
Redemption during the year	(157,071)	(569,526)
Securities in issue at the end of the year	530,880,200	531,037,271

Under Section 44(2) and 7(2) of the repealed 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 with no fixed redemption date. As explained below there is provision for the redemption of the securities out of part of the future net profits of the Bank. The Securities were issued for the following amounts:

	Le'000
(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 December 1999	135,494,107
Less redemptions:	
1996	(57,433,448)
1997	(368,504)
1998	(376,467)
1999	(1,210,442)
2000	(644,579)
2001	(418,191)
2002	(569,526)
2003	(157,071)
 Balance remaining due	 530,880,200

Section 7(2) of the 1970 Act has been repealed and replaced by section 10(6) of the Bank of Sierra Leone Act 2000.

Accordingly:

- (a) Where in the judgement of the Board, the assets of the Bank are less than the sum of its liabilities and minimum paid up capital, the Board shall notify the Minister who shall notwithstanding any other provision of this Act authorise the transfer to the Bank of funds, readily marketable securities or foreign exchange for the purpose of preserving the minimum paid-up capital of the Bank from impairment.

- (b) Section 11 (3) (a) - one quarter of the remainder of the net profit for the financial year shall be applied to the redemption of any securities of the Government held by the Bank, which have been issued under section 10 of the Act.

7. OTHER LOCAL CURRENCY FINANCIAL ASSETS

	Le'000	Le'000
	2003	2002
Staff personal loan	266,350	248,335
Staff housing loan	23,900	28,566
Staff vehicle loan	231,246	89,607
Advances to contractors	1,166,596	766,846
Advances to staff	10,974	13,446
Advances to others	28,837	30,153
Rent etc. paid in advance	178,512	74,735
Bills for collection	49,914	-
	1,956,329	1,251,688

8. INVENTORY

	Le'000	Le'000
	2003	2002
Medical	32,344	38,211
Fuel	12,876	3,156
Maintenance	5,508	20,442
Stationery	76,687	78,995
Others	87,453	79,232
Items in transit	4,045,889	1,201,116
	4,260,757	1,421,152

9. PROPERTY, PLANT AND EQUIPMENT

Cost:	Premises	Equipment	Total
	Le'000	Le'000	Le'000
Balance at 1 January 2003	24,297,089	8,486,006	32,783,095
Acquisitions	611,920	2,980,597	3,592,517
Disposals during the year	-	(171,377)	(171,377)
Balance at 31 December 2003	24,909,009	11,295,226	36,204,235
Depreciation:			
Balance at 1 January 2003	3,150,897	4,301,648	7,452,545
Depreciation charge for the year	509,038	1,774,653	2,283,691
Disposals during the year	-	(133,096)	(133,096)
Balance at 31 December 2003	3,659,935	5,943,205	9,603,140
Net book value:			
At 1 January 2003	21,146,192	4,184,358	25,330,550
At 31 December 2003	21,249,074	5,352,021	26,601,095

Freehold properties in Freetown and Kenema were revalued in October 1999 on a replacement cost basis, taking into consideration the Bank's specialised facilities, by Realini Bader Associates Limited, Architects, Engineers and Planners. The revaluation has been reflected in these financial statements. The surplus arising thereon has been credited to capital reserve account.

10. OTHER NON-FINANCIAL ASSETS

	Le'000	Le'000
	2003	2002
Deferred currency issue expenses	7,187,353	5,409,088
Deferred Government Security Certificates	148,810	151,096
	7,336,163	5,560,184

11. TERM LIABILITIES

	2003	2002
Sierra Rutile/GOSL Loan	1,857,682	1,589,090
Bank of Morocco loan	28,659,123	24,515,475
Bank of china US\$ clearing	21,561,182	18,443,783
IMF Poverty Reduction and Growth Facility (PRGF)	417,042,728	342,230,477
IMF – SAP Loan	10,145,605	23,824,993
	479,266,320	410,603,818

12. OTHER FOREIGN CURRENCY FINANCIAL LIABILITIES

	2003	2002
Foreign payment	2,543,595	9,235,641
Thomas de la Rue	1,018,659	-
IMF Securities Account	67,390,261	31,152,470
IMF No.1 Account	250,436,897	250,436,897
ADF/ERR loan	111,832	546,423
WAMA ECOWAS Travellers' Cheques	11,798	11,578
WAMA ECOWAS Travellers' Cheques clearing	(1,170)	366
Commission of European Committee	4,648,080	2,847,019
WAMA settlement	(938,516)	(759,324)
	325,221,436	293,471,070

13. OTHER LOCAL CURRENCY FINANCIAL LIABILITIES

	2003	2002
P.S. Bond in circulation	449	449
Retention monies	364,187	336,810
Rent received in advance	-	25,613
Unapproved invoices	6,205	11,459
Trade and sundry creditors	21,270	38,870
	392,111	413,201

14. OTHER LIABILITIES

	2003	2002
Provision for loss on investment	3,378	3,378
Provision for bad debts	34,337	34,337
SAL Loan/Cash cover	635,425	543,554
	673,140	581,269

15. PROVISION FOR REVALUATION OF PIPELINE LIABILITIES

	Le'000	Le'000
Beginning of year	184,516,280	167,026,950
Revaluation	47,571,571	17,489,330
Claims/payments	-	-
End of year	232,087,851	184,516,280

The provision for revaluation of pipeline relates to purported obligations of the Bank to settle liabilities of importers who had deposited cash in Leones, effectively with the Bank, which the Bank would purportedly settle in the appropriate foreign currency from their pipeline account. As the purported obligation is due in foreign currencies it is revalued to current rates of exchange. The timing and amount of any payments is uncertain. The obligation has not been discounted.

16. APPROPRIATIONS

	Le'000 2003	Le'000 2002
Net profit for the year	3,142,427	12,416,956
<i>Appropriations:</i>		
Building reserve fund	(100,000)	(3,000,000)
Asset procurement reserve fund	(1,600,000)	(3,000,000)
Staff welfare fund	(100,000)	(200,000)
Staff personal loan fund	(100,000)	(500,000)
Staff vehicle loan fund	(100,000)	(100,000)
Internal Insurance fund	(100,000)	(100,000)
Staff housing loan fund	-	(100,000)
Community Banking fund	(100,000)	(1,000,000)
Monetary co-operation fund	-	(1,000,000)
	942,427	3,416,956
General Reserve	(314,142)	(1,138,985)
Redemption of securities	(157,071)	(569,526)
Development credit fund	(100,000)	(200,000)
Revaluation reserve	(371,214)	(1,508,445)
	-----	-----
	-	-
	=====	=====

17. CAPITAL AND RESERVES	Le'000 2003	Le'000 2002
Capital account	24,001,500	24,001,500
Capital reserves (Note 25)	8,982,043	8,982,043
General reserve fund	-	-
Development credit fund	972,841	3,636,243
Revaluation reserve (Note 23)	(115,848,125)	(44,686,179)
Credit guarantee fund	13,686	319
Export credit guarantee fund	130	217
Internal insurance fund	828,060	1,120,566
Staff welfare fund	315,229	201,198
Community Banking fund	1,113,324	1,006,829
Staff housing loan fund	128,730	109,824
Staff vehicle loan fund	444,988	489,743
Staff personal loan fund	1,028,714	958,000
Monetary co-operation fund	1,834,574	1,840,322
Building reserve fund	3,988,975	3,900,950
Asset procurement reserve fund	2,944,604	3,709,951
General asset reserve	17,186,470	12,661,022
	(76,065,757)	(6,068,952)

(a) General reserve fund

Under the provision of Section 11(2) of the Bank of Sierra Leone Act, a General Reserve is established by allocation from the net profit of each year. One third of net profit is allocated if the General Reserve does not exceed the minimum paid up capital of the Bank. One sixth of net profit is allocated should General Reserve exceed the minimum paid up capital of the Bank (up to the point where the Reserve equals four times the minimum paid up capital). Further allocations to the General Reserve may be made from time to time with the approval of the Minister to increase the reserve beyond four times the minimum paid up capital of the Bank.

In accordance with Section 11(7) of the Act, if the Bank incurs any net loss during any financial year such loss shall be charged to the general reserve. Also in accordance with Section 54 (3)

where there is a carried over loss or net debit balance in the revaluation reserve account, amounts shall be transferred from the available balance in the General Reserve to cancel such carried over losses.

	2003	2002
Balance at beginning of year	-	-
Transfer to revaluation reserve in accordance with Section 54(3) of the Bank of Sierra Leone Act 2000	(314,142)	(1,138,985)
Transfer from Income Statement in accordance with Section 11 (2) of the Bank of Sierra Leone Act 2000	314,142	1,138,985
Balance at end of year	-	-

(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 the 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, as analysed below:

	Le'000	Le'000
	2003	2002
Balance at beginning of year	3,636,243	2,721,905
Adjustment in respect of proceeds	(49,230)	49,230
Income accruing	288,528	203,408
Transfer to various community banks	(3,002,700)	461,700
Transfer from profit and loss account	100,000	200,000
Balance at end of year	972,841	3,636,243

The purpose of the fund is to make loans and advances to co-operative Banks and statutory bodies in which the Bank is entitled to invest, under Section 36 (1) (i) of the Act on such terms and conditions as the Board may determine or to facilitate the dealings in debt obligations having a maturity not in excess of eight years from date of acquisition by the Bank issued by co-operative Banks or statutory bodies.

(c) Building Reserve Fund

	2003	2002
Balance at beginning of year	3,900,950	2,936,938
Transfer to general asset reserve fund	(1,031,909)	(2,022,043)
Income accruing from investment	112,893	199,113
Investment	(1,092,537)	(1,999,578)
Maturity of investment	1,999,578	1,786,520
Transfer from profit and loss account	100,000	3,000,000
Balance at end of year	3,988,975	3,900,950

The fund will be used to finance the construction and renovation of the Bank's buildings.

(d) General asset reserve fund

	2003	2002
Balance at beginning of year	12,661,022	8,957,933
Transfer from building reserve fund	1,031,909	2,022,043
Transfer from asset procurement reserve fund	3,493,539	1,681,046
Balance at end of year	17,186,470	12,661,022

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

(e) Asset procurement reserve fund

	Le'000	Le'000
	2003	2002
Balance at beginning of year	3,709,950	1,862,875
Income accruing from investment	266,752	308,320
Investments	(2,142,578)	(3,004,018)
Transfer to general asset reserve fund	(3,493,539)	(1,681,046)
Maturity of Investment	3,004,019	3,223,820
Transfer from profit and loss account	1,600,000	3,000,000
Balance at end of year	2,944,604	3,709,950

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

(f) Staff housing loan fund	2003	2002
Balance at beginning of year	109,824	148,480
Income accruing from investment	241,670	169,785
Loan repayment	4,666	4,732
Investments/loan disbursement	(2,254,423)	(2,026,993)
Maturity of Investment	2,026,993	1,713,820
Transfer from profit and loss account	-	100,000
Balance at end of year	128,730	109,824

This fund was originally created out of transfers from the building reserve fund and then subsequently out of profits for the provision of funds for the staff housing loan scheme.

(g) Staff welfare fund	2003	2002
Balance at beginning of year	201,198	16,207
Income accruing from investments	88,038	65,192
Investment	(791,458)	(717,451)
Maturity of Investment	717,451	637,250
Transfer from profit and loss account	100,000	200,000
Balance at end of year	315,229	201,198

This fund will be used to finance the Bank's staff welfare activities.

(h) Staff personal loan fund	2003	2002
Balance at beginning of year	958,000	586,347
Adjustments	-	(12,541)
Loan repayments	254,535	196,368
Disbursements to staff	(283,821)	(312,174)
Transfer from profit and loss account	100,000	500,000
Balance at end of year	1,028,714	958,000

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

(i) Staff vehicle loan fund

	2003	2002
Balance at beginning of year	489,743	400,665
Loan repayments	41,582	196,368
Disbursements to staff	(186,337)	(312,174)
Transfer from profit and loss account	100,000	100,000
Balance at end of year	444,988	489,743

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

(j) Internal insurance fund

	2003	2002
Balance at beginning of year	1,120,566	569,997
Proceeds from investments	(425,746)	425,746
Income accruing from investments	33,240	24,823
Transfer from profit and loss account	100,000	100,000
Balance at end of year	828,060	1,120,566

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

(k) Monetary co-operation fund

	2003	2002
Balance at beginning of year	1,840,322	1,235,836
Refund by Ministry of Finance	-	-
Contribution to WAMI	-	(283,923)
WAMZ expenses	(5,748)	(111,591)
Transfer from profit and loss account	-	1,000,000
Balance at end of year	1,834,574	1,840,322

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

(l) Community Banking fund	2003	2002
Balance at beginning of year	1,006,829	22,535
Adjustments	-	-
Income accruing from investments	119,652	188,239
Investment	(1,000,302)	(887,145)
Maturity of Investment	887,145	683,200
Transfer from profit and loss account	100,000	1,000,000
Balance at end of year	1,113,324	1,006,829

This fund will be used to finance Community Banking activities.

18. INCOME FROM FINANCIAL ASSETS

	Le'000	Le'000
	2003	2002
Interest income		
STG investments	1,087,034	1,116,245
US\$ investments	513,021	600,782
SDR investments	809,357	427,376
Other external investments	139,107	37,606
Total income from foreign currency assets	2,548,519	2,182,009
Income from local currency assets		
Interest income:		
	2003	2002
Income on Sierra Leone Bearer Bonds	4,740,604	1,844,070
Income on Sierra Leone Treasury Bills	2,247,960	4,288,331
Income on loans and advances	20,847,205	20,437,256
Total income from local currency assets	27,835,769	26,569,657
Total income from financial assets	30,384,288	28,751,666

19. EXPENSES ON FINANCIAL LIABILITIES**Expenses on foreign currency liabilities**

	2003	2002
Interest expenses: IMF interest and charges	698,740	949,570
Charges on foreign transactions	114,860	100,660

Total expenses on foreign currency liabilities	813,600	1,050,230
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Amortisation of Government Securities	2,286	2,311
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Total expenses on local currency liabilities	2,286	2,311
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Total expenses on financial liabilities	815,886	1,052,541
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Expenses on local currency liabilities

	2003	2002
Interest expenses:		
Total interest expense		
Amortisation on Government Securities	2,286	2,311
Total expenses on local currency liabilities	2,286	2,311

Total expenses on financial liabilities	815,886	1,052,541
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20. OTHER INCOME

	Le'000	Le'000
	2003	2002
Commission received	130,883	221,752
Commission on foreign transactions	2,226	15,412
Net (shorts)/overs in tills	464	(1,565)
Profit on sale of assets	59,042	10,231
Rents received	39,837	64,076
Sundry receipts	269,671	369,560
Gains in treasury bills	43,656	114,613
Interest received	-	116,902
Total other income	545,779	910,981

21. CURRENCY

	2003	2002
Currency management	85,904	51,161
Currency issue expenses	2,604,782	1,278,222
Total currency expenses	2,690,686	1,329,383

22. ADMINISTRATION

Included in the charge to the Income Statement under this heading are losses from the irregular fraudulent recycling of cheques totalling Le 1.8bn, and write off of difference between fund investments held and the general ledger balance amounting to Le473.8m.

23. REVALUATION RESERVE ACCOUNT

	2003	2002
Balance at beginning of year	(44,686,179)	(2,773,494)
Revaluation losses on foreign currency assets/liabilities	(71,847,302)	(44,560,115)
Transfer from General Reserve Account (Section 54 (3) of BSL Act 2000)	314,142	1,138,985
Transfer from Profit and Loss Account	371,214	1,508,445
	(115,848,125)	(44,686,179)

Under Section 54(1) of the Bank of Sierra Leone Act 2000, gains and losses arising from any changes in the valuation of the Bank's foreign currency denominated assets and liabilities resulting from changes in the rate of exchange of the Leone, or any change in the value parities or exchange rates of assets with respect to the Leone are taken to a Revaluation Reserve Account.

Under Section 54(3) and (4) of the Act, any net debit in this Reserve Account will be cancelled by future revaluation gains or by transfers from the General Reserve. Additionally, no profit shall be transferred to the Consolidated Fund and all available profit is credited to the revaluation reserve account in an amount sufficient to cover the losses generated by the debit.

24. CAPITAL

	Le'000	Le'000
	2003	2002
Authorised	100,000,000	100,000,000
Issued	24,001,500	24,001,500

Sections 10(1) and 71 of the Bank of Sierra Leone Act 2000 require that the minimum paid up capital of the Bank must be Le 50bn, to be subscribed to within five years from the commencement of the Act, that is by 15th February 2005.

25. CAPITAL RESERVE

	2003	2002
Balance at end of year	8,982,043	8,982,043

26. CONTINGENT LIABILITIES

	2003	2002
Guarantees and endorsements	148,353,310	459,298,671

The bank is a Defendant in a lawsuit, which it is vigorously defending, for a claim amounting to US\$6.9m (Le17,729,851,000)

27. Capital Commitments

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

	2003	2002
Capital expenditure/building renovation	5,250,754	1,441,380
African Export Import Bank	3,074,616	2,630,076
	8,325,370	4,071,456

28. TAXATION

In accordance with Section 9 (a) (iii) of the Income Tax Act 2000 and Section 56 (3) of the Bank of Sierra Leone Act 2000, the profits of the Bank are not liable to Income Tax.

29. RECONCILIATION OF OPERATING CASH FLOWS WITH OPERATING PROFIT

	Le'000	Le'000
	2003	2002
Operating profit	3,142,427	12,416,956
(Increase)/decrease in other assets	(4,674,488)	3,244,066
Effect of exchange rate movements	(98,140,663)	(60,800,324)
Depreciation	2,150,595	1,544,091
Net (decrease)/ increase in other loans	(704,642)	18,381
Net increase in other liabilities	1,191,657	761,435
Net cash outflow from operating activities	(97,035,114)	(42,815,395)

30. CASH BALANCES

	1 January 2003	Cash flow	31 December 2003
	Le'000	Le'000	Le'000
Cash and cash equivalents	133,338,958	(53,902,866)	79,436,093
Loans and advances to other bank	34,337	300,000	334,337
Repayable on demand			
	133,373,295	(53,602,866)	79,770,430

31. RISK MANAGEMENT

Operational risk

This relates to exposure to losses resulting from unexpected interruption of operation, unauthorized use of information, non-compliance with security requirements, theft of assets, fraud and other circumstances related to inadequate internal controls or external factors.

To minimize operational risk inherent in security and information systems, the Bank relies on the system put in place by the Internal Audit Unit (which reports directly to the Governors) to undertake periodic checks aimed at ascertaining adequacy of internal controls and compliance with the existing control mechanisms.

This unit also reports to the Audit Committee of the Board of Directors, which meets twice a year.

Interest Rate Risk

The Bank manages interest rate risk inherent mainly in foreign assets sensitive to interest rate fluctuations by using modified duration limits.

To avoid losses resulting from adverse changes in exchange rates, the Bank ensures that foreign assets are maintained in currencies from which all foreign liabilities are met.

In the domestic market, the Bank's investment is mainly in Government of Sierra Leone Treasury Bills and Treasury Bearer Bonds Securities, which are normally held to maturity. These securities are gilt-edged 3 months and 1 year Government of Sierra Leone Treasury Securities with no underlying interest rate risk when held to maturity. Disinvestments prior to maturity have an interest rate risk exposure as price are re-set daily based on the last prevailing weighted average Treasury Bills/ Bonds auction price.

Security Council for almost three years and later replaced by the Kimberly Certification Scheme.

Fiscal performance during the review period was satisfactory with improvements notably in domestic revenue collections, following the establishment of the National Revenue Authority (NRA), which were higher than projected while budgetary outlays were within targets. The late or non-disbursement of external funds however necessitated heavy reliance on domestic sources for financing of the budget deficit. This triggered a surge in the overall liquidity position leading to significant growth in the money supply. The exchange rate experienced a steady depreciation in 2003 due to the rising demand against the limited supply of foreign exchange. The resulting effect, coupled with the hikes in the world market prices of petroleum products was a continuous rise in the general price levels and an increase in inflation rates reaching double digits in September through the end of the year.

(b) Real Sector Developments

Developments in the Real Sector were mixed during 2003. In the agricultural sub-sector, there was a notable increase in cocoa production while production of coffee and piassava dropped drastically. Output in the manufacturing sub-sector, registered downturns in some industries whilst the increased reconstruction and rehabilitation activities during the period created additional demand for the products of others. In the mining sub – sector, the positive trend over the last four years in diamond shipment was sustained. Generation of electricity was

lower due to frequent breakdowns of generating plants. Significant growths were however recorded in other service – providing areas.

Output levels in the industrial sector during the review period indicated improved performances for some products, while others recorded considerable reductions. The production of beer & stout, maltina and soft drinks dropped by 143.88 thousand cartons (15.73%) to 770.61 thousand cartons, 28.95 thousand cartons (14.40%) to 172.05 thousand cartons and 701.00 thousand crates (37.45%) to 1,171.02 thousand crates respectively, in 2003. The decrease was on account of frequent breakdown of plants and machinery, and was particularly so for the Freetown Cold Storage Company, the producer of soft drinks which experienced a major breakdown during the last quarter. The installation of a new plant at the company was late in the year so output was still below that observed in 2002. An increase was however recorded in the output of confectionery, by 365.83 thousand pounds (12.39%) to 3,318.65 thousand pounds, due largely to a rise in demand as the market for the product extended to more areas in the provinces as well as neighbouring Guinea. Output levels for salt and plastic foot wear dropped significantly by 816.38 metric tons (44.83%) to 1,004.55 metric tons and 537.41 thousand pairs (42.37%) to 730.87 thousand pairs respectively, explained by increased consumption of better quality imported substitutes with regards to the former and a huge carry over of stock from the previous year in respect of the latter. The production of common soap increased by 31.88 metric tons (6.94%) to 491.24 metric tons due to

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Table. 1 Production					
		Jan-Dec'02	Jan-Jun'03	Jul-Dec'03	Jan-Dec'03
1	2	3	4	5	6
Minerals					
Diamonds	<i>000'carats</i>	351.86	251.33	255.49	506.82
Agriculture					
Coffee	<i>000'M tons</i>	947.20	486.00	59.00	545.00
Cocoa	<i>000'M tons</i>	1,177.46	2,482.14	270.00	2,752.14
Piassava	<i>000'M tons</i>	50.02	0.00	17.00	17.00
Manufactured Goods					
Beer and Stout	<i>000' Cartons</i>	914.49	401.75	368.89	770.61
Maltina	<i>000' Cartons</i>	201.00	99.55	72.50	172.05
Soft Drinks	<i>000' Crates</i>	1,872.03	833..02	338.00	1,171.02
Acetylene	<i>000' Cu.Ft</i>	99.43	68.18	45.86	114.05
Oxygen	<i>000' Cu.Ft</i>	1,131.26	941.28	667.72	1,609.01
Carbon-Dioxide	<i>000' Lbs</i>	26.07	1.99	0.00	1.99
Confectionary	<i>000' Lbs</i>	2,952.82	1,673.51	1,645.14	3,318.65
Salt	<i>M tons</i>	1,820.95	829.93	174.62	1,004.55
Common Soap	<i>M tons</i>	459.63	311.27	179.97	491.24
Paint	<i>000' Gals.</i>	185.90	94.36	86.82	181.17
Cement	<i>000'M tons</i>	144.15	84.89	84.62	169.51
Plastic Footwear	<i>000 Pairs</i>	1,268.28	313.27	417.60	730.87
Services					
Electricity					
Unit Generated	<i>GW/hr</i>	123.50	53.01	56.37	109.39
Industrial Consumption	<i>GW/hr</i>	25.55	13.82	13.98	27.81

increased demand as imported substitutes were more expensive during the period.

Output of oxygen and acetylene increased by 477.75 thousand cubic feet (42.23%) to 1,609.01 thousand cubic feet and 14.62 thousand cubic feet (14.70%) to 114.05 thousand cubic feet, also due to a rise in consumer demand, while output of carbon - dioxide experienced a sharp drop from 26.07 thousand pounds to 1.99 thousand as a result of non - production of the gas during the second half of the review period arising from the closure of the Sierra Leone Enterprises Company (7Up Factory) in March 2002, a major user of carbon dioxide produced by the Sierra Leone Oxygen Factory (SLOF).

The increasing as well as extensive reconstruction and rehabilitation activities in the economy following the consolidation of peace efforts in 2002, was translated into additional demand for building materials, especially cement, during the reporting period. Consequently, the production of cement rose by 25.36 thousand metric tons (17.59%) to 169.51 thousand metric tons in 2003. Output of paint on the other hand, dropped slightly by 4.73 thousand gallons (2.54%) to 181.17 thousand gallons , as a result of the introduction of new imported varieties in the market.

Total electricity generation by the National Power Authority (NPA) contracted by 14.11 GW/hr (19.47%) from 123.50 GW/hr in 2002 to 109.39 GW/hr in 2003, mainly due to frequent breakdowns of generating plants and machinery during the reporting period. Industrial consumption however,

rose by 2.26 GW/hr (8.85%) from 25.55 GW/hr in 2002 to 27.81 GW/hr in the reporting period.

The volume of diamonds valued for shipment by the Government Gold and Diamond Office (GGDO) increased by 154.96 thousand carats (44.04%) in 2003. Total shipment was 506.82 thousand carats consisting of 260.10 thousand carats of industrial and 246.72 thousand carats of gem diamonds. The increase may partly be accredited to intensified mining activities over more extensive mining areas arising from the marked increase in the mining population in 2003 as compared to the previous year as well as the sustained implementation of the United Nations Certification Scheme. The latter scheme was replaced by the Kimberly Process Certification Scheme in June 2003 after the lifting of the ban on “blood diamonds”.

Developments in the agricultural sector showed mixed trends during the review period. Shipment of cocoa increased from 1,177.46 metric tons in 2002 to 2,752.14 metric tons in 2003, with the bulk of shipment being carried out in the first half of the year. This increase was partly the result of the impetus provided to farmers by a significant rise in prices in the international market, ensuing from the continued political instability in Ivory Coast, which gave rise to considerable shortages of the commodity in the world market.

In contrast, the shipments of coffee and piassava fell by 402.20 metric tons (42.46%) to 545.00 metric tons and 33.02 metric tons (66.01%) to 17.00 metric tons respectively in the period. The relatively

very low prices offered to coffee farmers due to the glut in the international market, pitched against the backdrop of the difficulties associated in the processing of the crop, had the effect of discouraging local production. This situation led farmers to switch to the production of other crops like palm oil. The decline in the output of piassava was a direct result of the significant decline in international demand for the commodity.

Food production in the country recovered in 2003, according to official estimates, as many people displaced by the 11 year civil war returned to their villages and started farming. Output of rice, the country's staple food was up to 78 percent of its pre-war level. There was also a strong recovery in other food crops such as cassava, sweet potato and groundnuts.

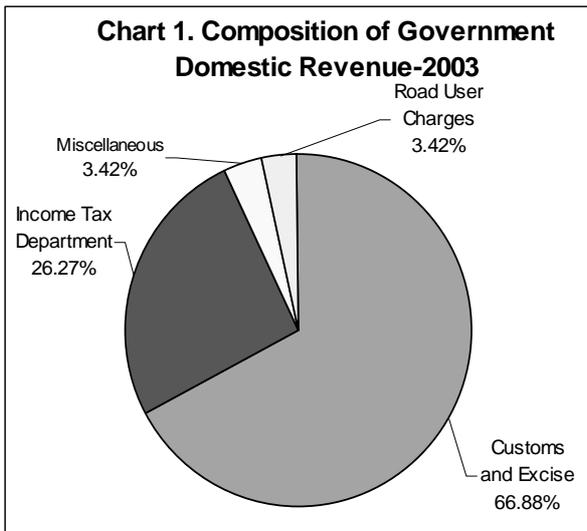
The Tourism sub – sector continued to expand as the number of hotels, guest houses and restaurants increased. The number of registered and licensed hotels and guest houses increased from 76 (*of which: hotels – 8, guest houses – 68*) in 2002 to 100 (*of which: hotels – 14, guest houses – 86*) in 2003. The Transport and Communication services sub – sector also received a boost during the reporting period, with the expansion of mobile phone networks into more areas in the Western Area and the provinces. In addition, a Hovercraft shuttle service between Freetown and the Lungi International Airport was introduced in December 2003.

The pump prices of petroleum products were revised thrice during the year. In February, the pump prices

were reviewed upwards as follows: petrol from Le 4,900 to Le 6,050; diesel from Le 4,800 to Le 6,000 and kerosene from Le 3,500 to Le 4,750, arising from a combination of factors; namely, an increase in world market prices associated with the United States of America's threat of war with Iraq early in the year, a three months' strike by oil workers in Venezuela and the political crisis in Ivory Coast. In July, the pump prices were however reviewed downwards from Le 6,050 to Le 5,900 (petrol), Le 6,000 to Le 5,850 (diesel) and Le 4,750 to Le 4,600 (kerosene), in line with a fall in world market prices; but were later reviewed upwards in November from Le 5,900 to Le 6,600 (petrol), Le 5,850 to Le 6,800 (diesel) and Le 4,600 to Le 5,200 (kerosene), to reflect an increase in the world market prices for petroleum products and the continued depreciation of the Leone.

(c) Fiscal Developments

In the review year, budgetary operations reflected improvement in domestic revenue collection and efforts made to keep expenditures within budgetary allocations. In a bid to harmonise the tax collection process countrywide and strengthen its revenue base the government through an act of Parliament created the National Revenue Authority (NRA) to unify the Income Tax and Customs and Excise departments into a single unit. Also, consistent with the obligation to bring import tariffs in line with the Common External Tariff (CET) of ECOWAS the government in August 2003 made a downward revision of import duties on vehicles from 30 percent to 5 percent, textiles from 30 percent to 20 percent and sales tax from 20 percent to 17.5 percent. Total revenue

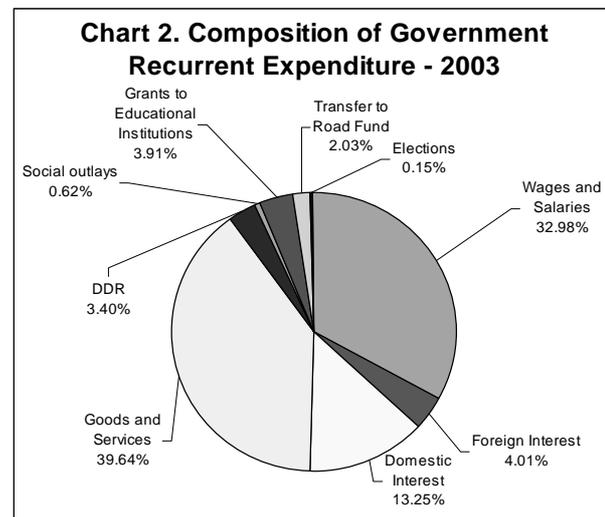


and grants amounting to Le467,001mn (25.21 per cent GDP) was 16.74 per cent higher than that for 2002, but was 19.34 per cent lower than the 2003 budgetary estimate due to the less than expected receipts from project grants. Total Domestic receipts amounted to Le287,658mn (15.53 per cent GDP) and exceeded its level in the previous year by 20.52 per cent and its budget estimate by 5.88 per cent. The improvement in the collection of domestic revenue was due to the establishment of National Revenue Authority (NRA) and the expansion in the manufacturing, construction trade and service sectors. Customs and Excise collections amounting to Le192,379mn accounted for 66.88 percent of the domestic revenue and exceeded the corresponding and budget estimate by 19.80 percent and 9.03 percent respectively. Income Tax receipts recorded at Le75,581mn was greater than the level in 2002 and budget estimate by 20.20 per cent and 2.43 per cent, respectively. Total tax revenue was Le267,960mn and accounted for 93.15 per cent of total domestic revenue. Non-tax revenue from the

mining sector increased with proper mechanism put in place towards the certification of the exportation of diamond.

Total grants received from external donors was Le 179,343mn (9.68 per cent of GDP) and comprised of Le 144,842mn programme grants and Le 34,501mn project grants of which Le 106,616mn of programme grants was HPIC Debt Relief Assistance and the rest budgetary support grants from DFID. Project grants received for the DDR programme and other reconstruction and rehabilitation projects in the review year was 73.18 per cent below the previous year's position of Le 31,737mn. This can be attributed to the gradual completion of the DDR programme in the country. There was also a 151.29 per cent increase in foreign funds for the election of paramount chiefs.

Total expenditure in 2003 amounting to Le597,999mn (32.28 per cent GDP) was within the estimated budgetary limits of Le 726,146mn



ANNUAL REPORT AND STATEMENT OF ACCOUNTS

Table 2. Government Fiscal Operations (Leone Million)			
	Rev. Budget 2003	2003	2002
1	2	3	4
TOTAL REVENUE (PLUS GRANTS)	578,976	467,001	400,024
DOMESTIC REVENUE	271,678	287,658	238,689
<i>Of which:</i>			
Customs & Excise	176,439	192,379	160,589
Import taxes	132,264	144,166	120,703
Excise on Pet.	31,647	36,693	28,337
Other Excise Dut.	4,523	4,502	3,791
Domestic Sales Tax	8,005	7,018	7,758
Income Tax Department	73,785	75,581	62,881
Company Tax	35,261	38,578	29,117
Personal Income Tax	37,258	34,468	32,525
Other Taxes	1,266	2,535	1,239
Miscellaneous	13,942	9,851	8,294
Mines Department	4,402	3,040	2,033
Licences	4,402	3,040	2,033
Other Departments	9,450	6,811	6,261
Royalty on Fisheries	4,000	2,643	2,309
Parastatals	2,456	2,392	1,677
Other Revenues	3,084	1,776	2,275
Road User Charges	7,512	9,847	6,925
GRANTS	307,298	179,343	161,335
Programme	177,014	144,842	107,857
<i>HIPC Debt Relief Assistance</i>	101,002	106,616	75,327
<i>DFID</i>	76,012	38,226	32,530
<i>Others*</i>	-	-	21,741
Project	130,284	34,501	42,079
<i>DDR</i>	38,120	8,513	31,737
<i>Elections-Foreign Funded</i>	92,164	25,988	10,342
Other Projects	-	-	11,399
TOTAL EXPENDITURE	726,146	597,999	562,267
<i>Of which:</i>			
Current Expenditure	490,429	485,368	474,827
<i>Of which:</i>			
Wages & Salaries	154,100	160,091	142,769
Foreign Interest	33,055	19,455	53,778
Domestic Interest	43,932	64,316	51,020
Goods & Services	194,452	192,389	154,621
DDR	39,120	16,513	33,736
Social Outlays	340	3,007	-
Grants to Edu. Inst.	17,168	19,000	14,041
Trans. to Rd. fund	7,512	9,847	6,925
Elections	750	750	17,937
Development Expenditure	235,217	112,314	85,766
Foreign Loans and Grants	212,717	81,942	65,226
Loans	120,553	55,954	53,827
Grants	92,164	25,988	11,399
Domestic	22,500	30,372	20,540
Subsidies	500	500	450
Lending minus repayment	-	(183)	1,224
CURRENT BALANCE+/-	(88,047)	(18,367)	(74,803)
ADD DEVELOPMENT EXPENDITURE	(235,217)	(112,314)	(85,766)
OVERALL DEFICIT/SURPLUS+/-	(147,170)	(130,998)	(162,243)^R

* Others include grants from IDA, Int. umbrella account SDR and Morocco grant

Table 2. (Concl'd).			
Government Fiscal Operations			
(Leone Million)			
	Rev. Budget 2003	2003	2002^R
1	2	3	4
FINANCING	147,170	130,998	121,127
Domestic	40,273	66,505	18,601
<i>Of which:</i>			
Bank Financing	15,541	22,475	(5,602)
Bank of Sierra Leone	15,541	30,961	(24,540)
Commercial Banks	-	(8,486)	18,938
Non-Bank Financing	24,732	44,030	24,203
External	113,397	56,133	113,987
<i>Of which:</i>			
Loans	183,527	93,627	141,605
Amortisation	(70,130)	(37,494)	(27,618)
Others**	(6,500)	8,360	(11,461)

** Others include rescheduling/ write off, financing gap, privatisation net, change in Government deposits unaccounted amounts and lending minus repayment

R Revised

though it was 6.35 per cent above the 2002 level. Recurrent expenditure of Le485,368mn (26.20 per cent GDP), though 2.22 per cent higher than the level in 2002 was 1.03 per cent below its budget estimate. Expenditure on Wages and Salaries of Le160,091mn (8.64 per cent GDP) was 12.13 per cent and 3.89 per cent more than the previous year's position and the budget estimate, respectively. It was also 59.74 percent of total tax revenue and exceeded the West African Monetary Zone (WAMZ) criteria of 35 percent or less. Spending on Goods and Services amounting to Le192,389mn or 39.64 per cent of total recurrent expenditure was above the preceding year's level by 24.43 per cent but below the budget estimate by 1.06 per cent. The increase in expenditure was mainly attributed to the cost of teaching and learning materials, fees subsidy and subvention to Educational institutions, essential medical drugs and equipments to Ministry of Health and Sanitation.

Development expenditures amounted to Le112,314mn of which Le55,954mn was from loans, Le25,988mn from grants and Le30,372mn was domestic contribution. Government's contribution to development expenditure was 27.04 per cent of the total development expenditure in 2003. Total development expenditure in the review year was 30.95 per cent above the previous year's position and 52.25 per cent below the budget estimate. Foreign-financed development expenditure in particular was lower than projected because of shortfalls in external project grants and borrowing.

The overall budget deficit including grants was

Le130,998mn (7.07 per cent GDP). Excluding grants, the budget deficit recorded at 16.75 percent of GDP was a 2.76 percentage point reduction over the position in the preceding year. In line with the WAMZ criterion, this figure far exceeded the 4 percentage point limit. Financing of the deficit was from both external and domestic sources. External financing was through programme and project loans, amounting to Le56,133mn, while domestic financing of Le66,505mn was mostly from the Bank of Sierra Leone (Le30,961mn) and the non-bank sector (Le44,030mn). The commercial banks reduced their holdings of government securities over the reporting period.

(e) Monetary Developments

(i) Monetary Survey

The Central Bank vigorously pursued its monetary policy objective of price stability. This was achieved through Open Market Operations used to sterilise the excess liquidity. Efforts by the Bank to attain this objective were however constrained by fiscal pressures with the delays or non disbursement of external budgetary support.

Against this background, the government had to rely heavily on the Central bank to finance its budget thus making monetary management difficult. Narrow Money (M1), Broad Money (M2) and Reserve Money (RM) expanded by Le45.47bn (18.37%), Le82.50bn (21.89%) and Le39.78bn (22.42%) to Le292.95bn, Le459.33bn and Le217.22bn respectively. M1 expanded mainly as a result of the increase in Currency in Circulation, which rose by Le40.43bn (27.32%) to Le188.45bn and accounted for 88.92 percent of the expansion

Table 3
Monetary Survey
(Million Leones)

	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03
1	2	3	4	5	6
Reserve Money	177,441	169,534	178,812	192,483	217,217
Broad Money	376,838	377,244	403,913	431,214	459,333
Narrow Money	247,478	244,501	251,257	273,380	292,950
Currency in Circulation	148,015	150,584	153,540	161,396	188,448
Demand Deposits	99,463	93,917	97,717	111,984	104,502
Quasi Money	129,359	132,743	152,656	157,834	166,382
Foreign Currency Deposits	55,267	59,424	73,039	69,831	71,731
Time Deposits	3,559	3,296	4,469	4,185	5,937
Savings Deposits	66,007	66,441	71,316	79,537	84,086
Time Savings and Foreign Currency Deposits (BSL)	4,526	3,582	3,832	4,281	4,628
Net Foreign Assets	(140,521)	(157,820)	(159,334)	(134,331)	(195,880)
Bank of Sierra Leone	-198,904	-220,558	-235,947	-209,437	-274,719
Assets	191,179	156,211	189,132	222,286	168,696
Liabilities	(390,083)	(376,769)	(425,079)	(431,723)	(443,415)
Commercial Banks	58,383	62,738	76,613	75,106	78,839
Assets	58,383	62,738	76,613	75,106	78,839
Liabilities	-	-	-	-	-
Domestic Credit	263,905	284,253	299,051	274,287	349,926
Claims on Central Government Net	189,389	206,712	222,558	189,727	238,218
<i>of which: BSL</i>	80,598	89,487	105,418	71,774	139,585
Total Claims	119,977	162,121	190,783	85,562	150,939
Deposits	39,379	72,634	85,365	13,788	11,354
Commercial Banks	108,791	117,225	117,140	117,953	98,633
Total Claims	130,035	136,893	131,846	139,187	121,829
Deposits	21,244	19,668	14,706	21,234	23,196
Claims on Non Financial Public Sector	963	1,432	2,754	2,864	3,661
Claims on Private Sector	56,719	64,178	62,184	71,596	93,317
<i>of which</i>					
Commercial Banks' claims on Private Sector	50,559	61,495	59,737	69,415	91,406
Claims on Non-Banks Financial Inst.	16,834	11,931	11,555	10,100	14,730
Other Items Net	(253,454)	(250,811)	(264,196)	(291,258)	(305,287)

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

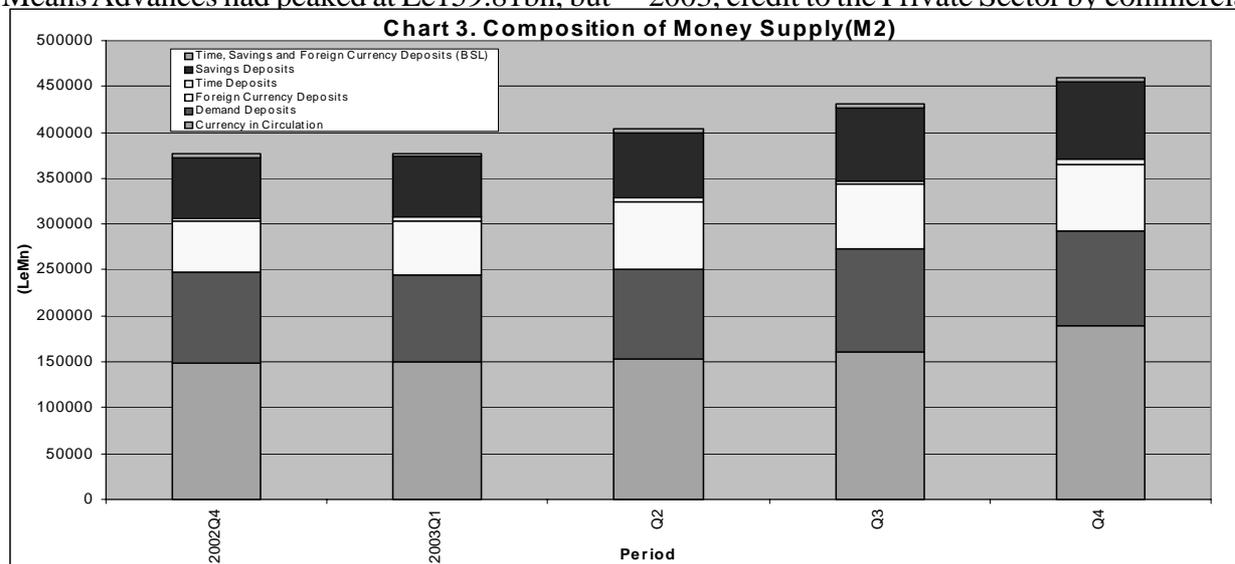
in M1. The surge in M1 coupled with the increases in Savings Deposits (Le18.08bn), Time Deposits (Le2.38bn) and Foreign Currency Deposits (Le16.46bn) at the commercial banks, which grew steadily over the review period, accounted for the rise in M2. Over the period Broad Money growth was 21.89 percent, higher than the programme target of 20.00 percent. The increase in Reserve Money was due primarily to the expansion in Currency Issued (Le40.96bn) and Private Sector Deposits (Le1.43bn), which more than offset the drop in Bankers' Deposits (Le2.65bn).

Government's indebtedness to the Central Bank increased by Le58.99bn (73.19%) to Le139.59bn, on account of the increase in the Bank's holdings of Treasury Bills (Le32.01bn) and Treasury Bearer Bonds (Le5.12bn), coupled with the decrease of Le28.06bn in Government Deposits, which were together greater than the drop in Ways and Means Advances (Le6.17bn). By May 2003, Ways and Means Advances had peaked at Le159.81bn, but

was reduced to Le38.26bn in September 2004, with the reclassification of HIPC resources as "Treasury Revenue Deposits", instead of "Government Deposits" at the Central Bank. This consequently provided relief on Government's payment of interest on Ways and Means Advances. Net Claims on Government by the commercial banks contracted by Le10.16bn (9.34%) to Le98.63bn due to the decline in their holdings of Treasury Bills (Le7.67bn) and Treasury Bearer Bonds (Le813mn), as well as the expansion of Le1.95bn in Government Deposits at the commercial banks.

Net Foreign Assets of the Bank of Sierra Leone dropped by Le75.82bn (38.17%) to minus Le274.72bn due to the increase in its Foreign Liabilities (Le53.33bn), and the decline in Foreign Assets (Le22.48bn). The increase in Foreign Liabilities was mainly on account of the disbursement of SDR 14mn under the PRGF program with the Fund.

During the twelve-month period to end December 2003, credit to the Private Sector by commercial



	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03
1	2	3	4	5	6
Treasury Bills (3-months)	14.99	15.17	14.94	14.88	20.20
Treasury Bearer Bonds (1-year)	18.00	17.00	15.00	15.00	17.00
Savings Deposits	5.5	5.5	5.5	5.5	5.5
Time Deposits					
1-3 Months	8.42	8.42	8.42	8.42	8.42
3-6 Months	9.67	9.67	9.67	9.67	9.67
6-9 Months	9.50	9.50	9.50	9.50	9.50
9-12 Months	11.50	11.50	11.50	11.50	11.50

banks increased substantially by Le40.85bn (80.79%) to Le91.41bn. The sectors accounting for this increase were Commerce and Finance, Manufacturing, Construction and Services signifying a pick-up in economic activities in these sectors.

Throughout the review period, the average interest rates on Savings, Time Deposits and Lending remained unchanged. However, returns on securities investment were mixed. The average annual yield on Treasury Bills for the month of December 2003 was 20.20 percent which was 521 basis point higher than that recorded in December 2002 (14.99%). During the period February registered the lowest average annual yield of 14.82 percent and December the highest of 20.20 percent. The average interest rate on Treasury Bearer Bonds dropped by 100 basis points from December 2002 to 17.00 per cent in December 2003. The lowest rate in 2003 was 15 percent.

(ii) Inflation

The general price level for all the major towns as measured by their consumer price indices indicated

Inflation Rates (Freetown) - 2003				Inflation Rates (Freetown) - 2002		
	Consumer Price Index	Monthly (%)	Year-on-Year (%)	Consumer Price Index	Monthly (%)	Year-on-Year (%)
1	2	3	4	5	6	7
January	513.83	0.82	-0.13	514.5	-4.8	-7.2
February	521.72	1.54	2.81	507.5	4.8	-3.4
March	529.72	1.60	6.42	497.8	1.9	-1.6
April	527.06	-0.50	6.47	495.0	-0.1	-0.5
May	529.52	0.47	6.14	498.9	0.3	1.3
June	541.67	2.30	6.54	508.4	1.0	5.4
July	546.02	0.80	5.25	518.8	0.9	6.3
August	544.54	-0.27	7.96	504.4	3.9	10.9
September	551.11	1.21	11.25	495.4	-2.2	6.1
October	559.42	1.51	12.13	498.9	-1.7	2.6
November	572.35	2.31	14.92	498.0	-1.8	2.9
December	567.15	-0.19	11.29	509.6	1.6	-3.1

increasing trends in 2003 as compared to 2002. The Freetown annual average Consumer Price Index (CPI) for the review period was a high of 542.23 from 503.94 recorded in 2002, indicating an increase of 7.60 per cent in the general price level for all items. The year-on-year inflation rate indicated significant increases in the price level for the major part of the year. It rose from 2.81 per cent in February to 6.42 per cent in March, 7.96 per cent in August and took a dramatic rise in the last four months, to double digits of 11.25 per cent in September, 12.13 per cent in October, 14.92 per cent in November and only abating to 11.29 per cent in December.

Similar trends were recorded in the year – on – year inflation rates for the towns of Bo and Kenema, registering even much higher rates in the second half of the year. In Kenema, the year-on-year of inflation rate rose from minus 4.28 per cent in January to

8.86 per cent in July, 9.87 per cent in August and fluctuated between 11.99 per cent and 19.30 per cent from September through December. For Bo, the year-on-year rate of inflation also rose significantly, from –1.20 per cent in June to 10.08 percent in July and 14.66 per cent in September. It however dropped to 11.25 per cent in October, 10.18 per cent and 8.91 per cent in November and December, respectively.

The year - on - year inflation rate for Makeni town was available only from July through December 2003, registering very significant magnitudes of 14.77, 22.26, 18.15, 11.46, 13.71 and 18.72 per cents. This is reflective of the high rate of price increases obtaining in the town relative to the other towns due to scarcity of commodities.

These developments were the result of the continued depreciation of the Leone against the US Dollar and

	Bo			Kenema			Makeni		
	Consumer Price Index	Percentage Change (Monthly)	Percentage Change (Year-on-Year)	Consumer Price Index	Percentage Change (Monthly)	Percentage Change (Year-on-Year)	Consumer Price Index	Percentage Change (Monthly)	Percentage Change (Year-on-Year)
1	2	3	4	5	6	7	8	9	10
January	111.42	1.82	-4.48	108.33	1.17	-4.28	97.50	-1.61	N.A
February	112.49	0.94	-3.70	114.74	5.91	-1.30	100.55	3.12	N.A
March	114.47	1.69	-1.45	119.01	2.15	2.94	98.81	-0.13	N.A
April	114.22	-0.24	-1.20	118.78	-0.19	3.50	99.65	0.85	N.A
May	115.77	1.36	-2.50	114.83	-3.33	-3.46	106.00	6.37	N.A
June	117.91	1.85	-1.20	121.67	5.96	3.58	106.97	0.91	N.A
July	120.69	2.36	10.08	123.78	1.73	8.86	107.91	0.88	14.77
August	119.03	-1.38	8.35	124.93	0.93	9.87	113.21	4.91	22.26
September	123.82	4.03	14.66	126.38	1.16	11.99	110.28	-2.59	18.15
October	118.56	-4.25	11.25	127.48	0.87	15.08	104.18	-5.53	11.46
November	117.45	-0.94	10.18	125.96	-1.19	13.50	106.19	1.93	13.71
December	119.18	1.48	8.91	127.74	1.14	19.30	109.58	3.19	18.72

other major world currencies leading to substantial increases in the prices of items in all the main expenditure groups; namely, “Food”, “Beverages and Tobacco” and “Non - Food” categories.

(d) External Sector Developments

(i) International Trade

The level of foreign trade during 2003 rose by 26.6 per cent to US\$396.08mn from US\$ 312.98mn in 2002, as manifested in the significant increases in both import payments (due to a general rise in commercial activities) and export receipts (due to a further boost in mining and agricultural output). Consequently, the trade deficit was reduced to US\$211.29mn from US\$215.57mn in 2002.

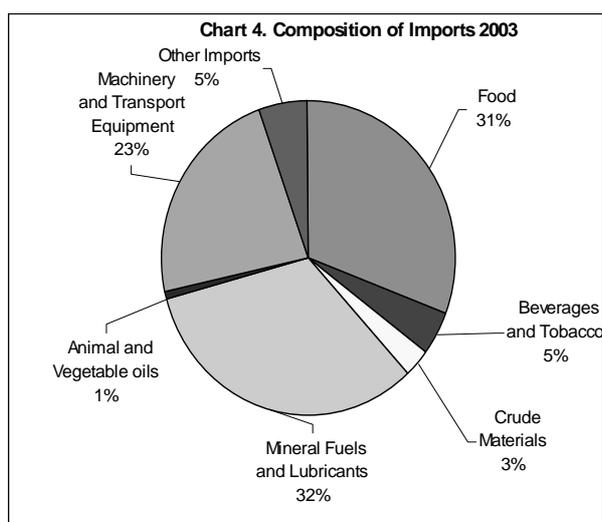
Total export earnings during the year under review amounted to US\$92.40mn (11.5% of GDP) and was US\$43.69mn (89.7%) above the corresponding earnings in 2002. The significant increase in export receipts was reflected in all the categories i.e mineral, agricultural, other exports and re-exports [although earnings from the export of coffee and piassava dropped by 85.3 per cent and 89.3 per cent to US\$40.10 thousand and US\$2.80 thousand, respectively]. Proceeds from the export of diamonds increased by 83.7 per cent to US\$76.67mn in 2003 from US\$ 41.73mn in the preceding year. This reflected the increase in export volume by 44.1 per cent to 506.8 thousand carats as the buoyancy experienced in 2002 was sustained. It also accounted for 83 per cent of total export earnings and continued to be the sole mineral in the

mineral sub - sector. The volume and value of the mineral exported comprised 246.7 thousand carats of gem diamonds valued at US\$69.83mn and 260.1 thousand carats of industrial diamonds valued at US\$6.84mn. The unit prices for gem and industrial diamonds exported during the reporting period were US\$283.1 and US\$26.3 per carat respectively and were 10.5 percent and 34.6 percent higher than the unit prices in 2002 thus reflecting higher quality diamonds exported over the year. The value of gem diamonds exported in the reporting period, at US\$69.83mn, was 85 per cent above that of US\$37.74mn recorded for 2002; while that for industrial diamonds increased by 71 per cent from US\$3.99mn in 2002 to US\$6.83mn in 2003.

Export earnings from agricultural commodities at US\$2.64mn was a significant 71.43 per cent increase on US\$1.54mn recorded in 2002. The increase was mainly due to a marked upshot in proceeds from export of cocoa, which at US\$2.57mn more than doubled (111.1%) receipts in the previous year, though still below pre – war years. The increase in the value of cocoa exports was mainly attributed to intensification of production activities on expanded farm areas, as resettled farming communities increased, culminating in increased output. In addition, there was sustained price hikes in the world market for the commodity. Earnings from coffee and piassava however plummeted to US\$ 40.1 thousand and US\$2.8 thousand as compared to their respective levels of US\$ 272.1 thousand and US\$ 26.1 thousand in 2002. The persistence of low world market prices for coffee was a contributory factor to the lull in export receipts whilst a significant drop in the

Table 6
-International Trade and Reserves
(Thousand US Dollars)

	Jan-Dec'02	Jan-Jun '03	Jul-Dec '03	Jan-Dec'03
1	2	3	4	5
Merchandise Imports	264,277.0	168,994.7	134,691.0	303,685.7
<i>of which:</i>				
Food	70,783.2	38,556.6	35,954.2	74,510.8
Beverages and Tobacco	11,320.0	6,293.0	4,756.4	11,049.4
Crude Materials	9,212.1	3,826.0	3,054.4	6,880.4
Mineral Fuels and Lubricants	51,728.9	47,845.2	30,366.0	78,211.2
Animal and Vegetable Oils	2,826.6	1,981.9	239.5	2,221.4
Chemicals	18,302.7	9,566.8	9,699.5	19,266.3
Manufactured Goods	35,900.5	28,444.4	13,741.3	42,185.7
Machinery and Transport Equipment	50,216.8	26,358.8	30,037.4	56,396.2
Other Imports	13,986.2	6,122.0	6,842.3	12,964.3
Merchandise Exports	48,704.8	42,354.3	50,041.1	92,395.4
<i>of which</i>				
Mineral Exports	41,732.2	37,786.2	38,879.7	76,665.9
Diamonds	41,732.2	37,786.2	38,879.7	76,665.9
Gold	-	-	-	-
Agricultural Exports	1,539.2	2,272.7	365.6	2,638.3
Coffee	272.1	17.8	22.3	40.1
Cocoa	1,218.7	2,253.0	319.8	2,572.8
Piassava	26.1	0.9	1.9	2.8
Fish and Shrimps	22.3	1.0	21.6	22.6
Others	3,090.2	1,558.4	3,091.6	4,650.0
Re-exports	2,343.2	737.0	7,704.2	8,441.2
Trade Balance	(215,572.2)	(126,640)	(84,650)	(211,290)
Foreign Reserves (\$mn)	84.57	78.09	59.58*	59.58*

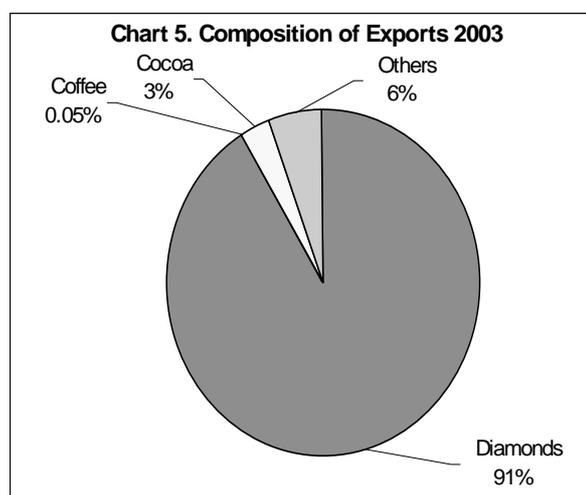


production of piassava was responsible for the lower export receipts.

The value of “other exports” category which include mainly assorted plastic wares, household and personal effects, palm oil and audio cassettes increased by 50.5 per cent over the year to US\$4.65mn. This was reflected in all its components, indicating the vibrancy in business activities. The value of re-exports also surged by more than threefold to US\$8.44mn from US\$2.34mn in 2002, mainly on account of the relocation of machinery, transport equipment, building materials and other relief items by the United Nations Assistance Mission in Sierra Leone (UNAMSIL) and other humanitarian agencies to Liberia.

The total import bill showed an increase of 14.9 per cent to US\$303.69mn (38.8% of GDP) over 2002. This mainly followed substantial increases in the import payments for petroleum products, machinery

and transport equipment and manufactured goods by 51.0 per cent to US\$78.21mn, 12.3 per cent to US\$56.40mn and 10.6 per cent to US\$55.15mn respectively. The increase in payments for petroleum products reflected higher volumes to meet the rising domestic consumption as well as an increase in world market prices for petroleum products during the year. The value of consumer items, which accounted for 28.9 per cent of total imports, also increased, though moderately, to US\$87.78mn when compared to US\$84.93mn in 2002. The increase was due to a 5.3 per cent rise in the payment for food, which more than offset the decreases in the values for “animal and vegetable oils” and ‘beverages and tobacco’. Total payment for imported rice increased only slightly by 4.8 per cent to US\$28.59mn in the reporting period, with a marginal increase in volume of 2.4 percent from 146.42 thousand metric tons in 2002 to 149.88 metric tons in the reporting period. Payments for the import of manufactured goods and machinery and transport equipments also recorded increases of 17.5 per cent and 12.3 per cent respectively at US\$ 42.19mn and



US\$ 56.4mn in 2003. The bill for machinery and transport equipments was lower in the second half of the reporting period. The higher import duties imposed on used vehicles(which fall under the machinery and transport and equipment category) in August may have discouraged importation in the second half of the reporting period. Import of 'intermediary goods', comprising crude materials and chemicals, at US\$26.15mn was 5.0 per cent lower than the value in 2002.

The trade deficit was marginally reduced (2.0%) to US\$ 211.29mn from US\$ 215.6mn in 2002 as a result of the marked increase in export receipts which dampened the increase of 14.9 per cent in value of total imports.

2 Supervision Of Banks and Other Financial Institutions

(a) Banking Sector Performance

The Banking System maintained a sustainable growth over the review period. The resource base increased

by 12.76% from Le345.81 billion (2002) to Le389.92 billion (2003).

The steady growth in the banking sector could be attributed to an increase in deposits by 15.10% from Le174.32 billion (2002) to Le200.65 billion (2003). Foreign Currency deposits increased to Le78.71 billion in 2003 from Le62.16 billion in 2002. Demand, Savings and Time deposits increased during the year, with Time deposits registering the highest growth rate of 66.61% and demand deposits the lowest of 4.38%.

Shareholders' funds recorded an increase of Le18.50 billion from Le58.84 billion (2002) to Le77.34 billion (2003). This increase was mainly due to the rise in current profit by 30.57% from Le15.50 billion (2002) to Le20.24 billion (2003). Retained Earnings and paid up capital also increased marginally by 9.42% and 3.98%, respectively.

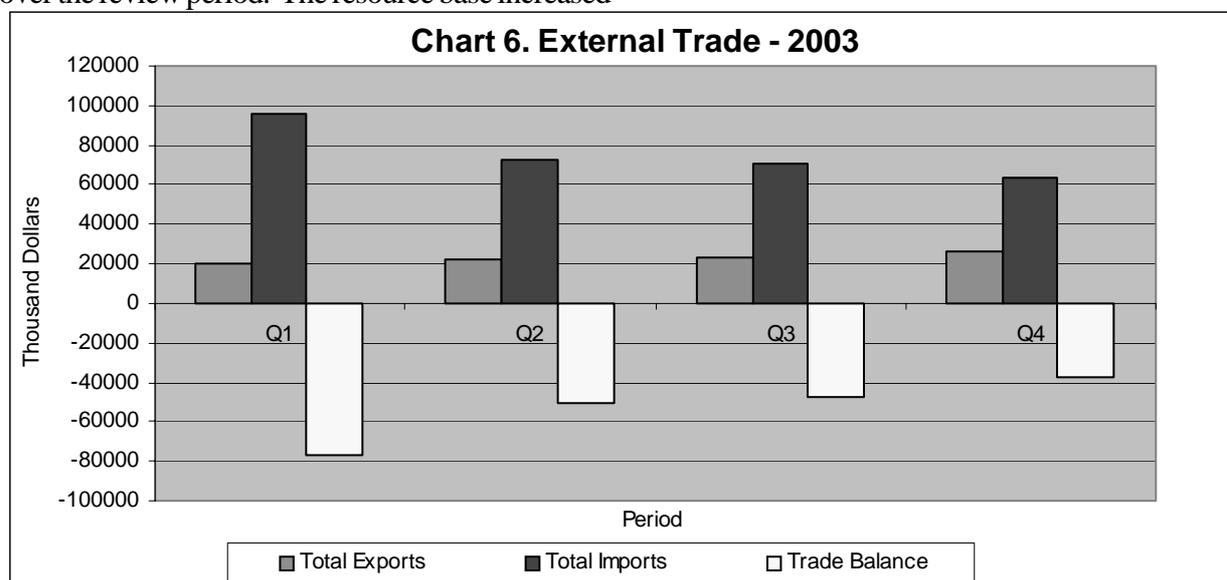


Table 7
Commercial Banks Operating in Sierra Leone
Prudential Indicators (Unaudited)
(In Thousand Leones)

	31-Dec-03	31-Dec-02	31-Dec-01
1	2	3	4
Total Assets	389,923,007	345,812,089	255,211,407
Average Total Assets	367,876,690	293,340,338	246,928,039
Loans and Advances (Gross)	103,847,889	58,644,559	37,781,904
Bad Debt Provision	(5,879,246)	(5,598,532)	(5,814,678)
Interest in Suspense	(3,976,155)	(5,366,997)	(5,610,380)
Loans and Advances (Net)	93,992,488	47,679,030	26,356,846
Investment - TB, TBB, SLGDS*	121,780,761	130,266,205	100,875,613
Fixed Assets	41,133,790	38,755,227	22,591,219
Deposits:-	174,322,932	174,322,932	125,602,199
Demand	102,899,112	102,899,112	72,218,334
Savings	67,674,297	67,674,297	49,757,897
Time	3,749,523	3,749,523	3,625,968
Foreign Deposits	62,162,299	62,162,299	50,807,572
Capital:-	69,169,085	61,263,945	49,956,910
Share Holders' Funds	69,169,085	61,263,945	49,956,910
<i>Paid-up</i>	11,723,732	11,274,746	7,526,939
<i>Statutory and Other Reserves</i>	8,475,948	8,231,882	5,935,379
<i>Retained Earnings</i>	28,732,880	26,258,499	18,087,397
<i>Current Profit</i>	20,236,525	15,498,818	18,407,194
Primary Capital	69,169,085	44,852,686	49,956,910
Revaluation Reserves	6,416,065	6,416,065	5,203,818
Adjusted Capital base	78,980,694	83,364,644	32,249,508
Adjusted Aset Base	198,494,067	172,408,681	142,672,997
Capital Adequacy Ratio	39.79	48.35	29.35%
Surplus(Shortfall):(%)	24.79	33.35	23.36%
Surplus(Shortfall):	49,206,679	57,498,295	47,491,730

TB- Treasury Bills
TBB- Treasury Bearer Bonds
SLGDS- Sierra Leone Government
Development Stock

Table 7 (Contd.)			
Commercial Banks Operating in Sierra Leone			
Prudential Indicators (Unaudited)			
	31-Dec-03	31-Dec-02	31-Dec-01
1	2	3	4
Average Shareholders' Funds	77,336,829	58,840,510	47,392,865
Asset Quality			
Performing Loans	93,529,947	48,610,769	26,819,240
Non-Performing Loans	10,317,942	10,033,790	10,962,663
Loan Loss Provisions	5,879,246	5,598,532	5,814,678
Non-Performing:			
Total Advances	9.94%	17.11%	27.99%
Loans Loss Provisions:			
Non-Performing	56.98%	55.80%	56.42%
Profitability: Pre-Tax Profits	39,269,518	30,594,419	28,753,438
Post Tax Profits	25,525,186	19,567,017	18,666,700
Return on Assets	10.67%	10.43%	10.46%
Return on Equity Funds	33.01%	33.25%	32.40%
Liquidity: Liquid Assets	137,925,097	148,149,858	116,797,451
Cash	11,140,125	10,578,764	9,950,022
Current A/C with BSL	8,959,281	11,117,394	7,262,221
Treasury Bills	107,592,430	115,165,184	91,199,894
Placement with FDHL*	5,650,061	7,750,016	7,198,950
Treasury Bearer Bonds	4,583,200	5,972,750	9,355,719
Cash Ratio	12.83%	17.82% ^R	22.56%
Overall Liquidity Ratio	68.74%	86.38%	95.01%
Surplus/(Shortfall): (%)	38.03%	54.57%	63.35%
Surplus/(Shortfall)	76,307,283	95,128,024	77,233,344
Foreign Assets:	78,838,680	58,382,503	47,295,432
Foreign Curr: (Cash)	5,240,333	1,359,493	155,256
Bal. with Other Banks Abroad	73,598,347	57,023,010	47,130,496
Foreign Liabilities:	79,334,357	64,589,673	48,392,784
Foreign Deposits	78,714,294	62,562,561	47,853,875
Foreign Other Liabilities	620,063	2,027,112	502,909
Net Foreign Deposits Assets/(Liabilities)	(495,677)	(6,207,170)	(1,061,352)

* FDHL - First Discount House Limited

As a result of the drop in the capital base from Le83.36 billion (2002) to Le78.98 billion (2003), the capital adequacy ratio decreased from 48.35% (2002) to 39.79% (2003), the banks however remained adequately capitalized. The banks' holdings of government securities decreased from Le130.27 billion (2002) to Le121.78 billion (2003) due a reduction in holdings of Treasury Bills and Treasury Bearer Bonds.

Gross advances increased significantly by 77.08% from Le58.64 billion (2002) to Le103.85 billion (2003). Import trade, manufacturing and construction constituted 26.40%, 21.49% and 18.05% respectively of total advances. The ratio of non-performing loans to total advances decreased from 17.11% (2002) to 9.94% (2003) and loan loss provision to non-performing advances increased by 1.18% from 55.80% (2002) to 56.98% (2003).

Due to the expansion of banking activities during the year, pre-tax profit increased by 28.36% from Le30.59 billion (2002) to Le39.27 billion (2003). The increase in the pre-tax profit resulted in a minimal increase in the Return of Asset (ROA) from 10.43% (2002) to 10.67% (2003), whereas the Return on Equity (ROE) was reduced to 33.01% (2003) from 33.25% (2002) despite the increase in both the post-tax profit and average shareholders' funds. The increase in the shareholders' funds was higher than the increase in the post-tax profit.

The cash ratio of the commercial banks dropped by 4.99% to 12.83% (2003) from 17.82% (2002) due to decreases in the current account balance with Bank of Sierra Leone (down Le2.16bn) and

placement with the First Discount House Limited (down Le3.72bn). These decreases coupled with the reduction in the investment in treasury bills and treasury bearer bonds (down Le8.54bn) resulted in the overall liquidity ratio as at December 2003 of 68.74% from 85.98% as at December 2002.

(b) Licensing of Financial Institutions

The Bank of Sierra Leone gave approval-in-principle to International Commercial Bank Sierra Leone Limited on the 20th June 2003 (which was incorporated in Sierra Leone on 18th September 2002 under Cap 249 of the Companies Act) to proceed with arrangements to set up a bank in Sierra Leone under the Banking Act 2000.

The licences of Guaranty Trust Bank and First International Bank were renewed for 1 (one) year each, while that of Standard Chartered Bank was renewed for 3 (three) years.

With the increase in the demand for banking activities, approval was granted to First International Bank to open branches at 3 College Road, Cline Town, Freetown and 10 Suku Tamba Street, Koidu town, Kono. Rokel Commercial Bank was authorized to reopen its Koidu Town branch at 2 New Sembehun Road and an outlet at 11 Wilberforce Street, Freetown. Approval was also granted to Sierra Leone Commercial Bank to open branches at 2 Station Road, Makeni and at Post Office Road, Koidu.

The Marampa-Masimera Community Bank and Yoni Community Bank were given licences on the 7th and 14th February 2003 respectively, to undertake

banking business under the Banking Act 2000 at Siaka Stevens Street, Lunsar and Freetown Road, Mile 91, for a period of one year each.

The National Co-operative Development Bank was issued licence on the 1st December 2003 to commence deposit-taking business at 28 Siaka Stevens Street, Freetown for a period of 6 (six) months under the Other Financial Services Act 2001.

Licences were granted to the following new foreign exchange bureaux: - Aiemahs, Ayoub, IAS, Katabai, Navos, West Africa, Yours and Ama Express to carry out buying and selling of foreign currency under the Other Financial Services Act 2001 for a period of one year each bringing the total of licensed Foreign Exchange Bureaux to thirty nine in 2003.

Sanda and GMK Foreign Exchange Bureaux were given permission to open branches in Freetown. City Centre and Manans Foreign Exchange Bureaux also opened branches in Makeni and Bo respectively.

The expired licences of the existing Foreign Exchange Bureaux were each renewed for a period of one year.

(c) Other Financial Institutions

In a bid to regularise and legalise the operations of the National Co-operative Development Bank the Banking Supervision Department issued it with a licence under the Other Financial Institutions Act on the 1st December 2003. First Discount House Limited(FDHL) continued with its operations and introduced 'Over the Counter'(OTC) services as part of its products dealing with the sale of shares in the equity of corporate bodies and commercial banks. Sales included new issues and trade in the secondary market.

All licensed bureaux including their branches in the provinces were examined to ascertain that their books of account were properly kept and that their operations were in compliance with the Operating Guidelines issued to them.

Bank	No. of Branches 2002	No. of Branches 2003	Freetown	Bo	Kenema	Makeni	Kono
Sierra Leone Commercial bank	5	7	3	1	1	1	1
Rokel Commercial Bank	5	7	4	1	1	-	1
Standard Chartered Bank	3	3	2	1	-	-	-
Union Trust Bank	3	3	1	1	1	-	-
Guaranty Trust Bank	2	3	3	-	-	-	-
First International Bank	1	3	2	-	-	-	1
Community Banks Operating In Sierra Leone							
Bank	Location						
Marampa-Masimera Community Bank	Lunsar						
Yoni Community Bank	Mile 91						

Table 9
Licensed Foreign Exchange Bureaux and their Branches in Sierra Leone

No.	Bureau	Freetown	Bo	Kenema	Makeni	Lungi
1	Kakua Foreign Exchange Bureau Ltd.	1	-	-	-	-
2	Ama Express Foreign Exchange Bureau Limited	-	1	-	-	-
3	Frandia Foreign Exchange Bureau Ltd.	1	-	-	-	-
4	Jalloh & Barrie Foreign Exchange Bureau Ltd.	1	-	-	-	-
5	IAS Foreign Exchange Bureau Limited	1	-	-	-	-
6	Continental Foreign Exchange Bureau Ltd.	1	-	-	-	-
7	KTI Foreign Exchange Bureau Ltd.	1	-	-	-	-
8	Afro Foreign Exchange Bureau Ltd.	1	1	1	-	-
9	Sanda Foreign Exchange Bureau Ltd.	2	-	-	-	-
10	Chartered Trust Foreign Exchange Bureau Ltd.	1	-	-	-	-
11	Navos International Foreign Exchange Bureau Limited	1	-	-	-	-
12	TAP Foreign Exchange Bureau Ltd.	-	-	-	-	1
13	Blue Circle Foreign Exchange Bureau Ltd.	1	-	-	-	-
14	Monorma Foreign Exchange Bureau Ltd.	1	-	-	-	-
15	Best Foreign Exchange Bureau Ltd	1	-	-	-	-
16	Siera Foreign Exchange Bureau Ltd.	1	-	-	-	-
17	Manans Foreign Exchange Bureau Ltd.	1	1	-	-	-
18	I.B.C. Foreign Exchange Bureau Ltd.	1	-	-	-	-
19	First Foreign Exchange Bureau Ltd.	1	-	-	-	-
20	Kallah Foreign Exchange Bureau Ltd.	1	-	-	-	-
21	Dynamic Foreign Exchange Bureau Ltd.	1	-	-	-	-
22	Creative Foreign Exchange Bureau Ltd	1	-	-	-	-
23	Massie Foreign Exchange Bureau Ltd.	1	-	-	-	-
24	MIK Foreign Exchange Bureau Ltd.	1	-	-	-	-
25	Ayoub Foreign Exchange Bureau Limited	1	-	-	-	-
26	Paramount Foreign Exchange Bureau Ltd	1	-	-	-	-
27	Kay Pee Foreign Exchange Bureau Ltd.	1	-	-	-	-
28	Maranda Foreign Exchange Bureau Ltd.	1	-	-	-	-
29	Nimo Foreign Exchange Bureau Ltd.	1	-	-	-	-
30	Yours Foreign Exchange Bureau Limited	1	-	-	-	-
31	Fulladu Foreign Exchange Bureau Ltd.	1	-	-	-	-
32	Katabai Foreign Exchange Bureau Limited	1	-	-	-	-
33	Denarius Foreign Exchange Bureau Limited	1	-	-	-	-
34	City Centre Foreign Exchange Bureau	1	-	-	1	-
35	West Africa Foreign Exchange Bureau Limited	1	-	-	-	-
36	GMK Foreign Exchange Bureau Ltd.	2	-	-	-	-
37	Aiemahs Foreign Exchange Bureau Limited	1	-	-	-	-
38	Paradise Foreign Exchange Bureau Ltd.	1	-	-	-	-
39	Jones Sons & Associates Foreign Exchange Bureau Ltd.	1	-	-	-	-

(d) Technical Assistance

With the aid of the technical assistance provided by the International Monetary Fund, the Bank of Sierra Leone has reviewed the Banking Regulations 2001 and issued the Banking Regulations 2003 in conformity with international standards. Also, the Bank of Sierra Leone has drafted an Anti-Money Laundering Act that is receiving the attention of the Attorney General's Office for its enactment.

particularly during the 4th quarter as government had recourse to central bank borrowing to finance its deficit.

During the year, a total of Le72.68 billion in outstanding Ways and Means Advances was converted into tradeable government securities for monetary operations. Of this, a total of Le43.89 billion or 60.40% was issued in the form of Treasury bills while the remaining Le28.79 or 39.60% were issued in the form of Treasury Bearer Bonds.

3. Open Market Operations**Monetary Policy Objectives for 2003**

The objective of monetary policy during the year 2003 was to control inflation at single digit level through careful management of the growth of the Bank of Sierra Leone's net domestic assets. Active monetary operations were therefore necessary in mopping up the excess liquidity generated by the requirement for government to repay its domestic arrears to enterprises. This was a performance criterion under the Poverty Reduction Growth Facility Programme (PRGF).

The liquidity situation engendered by this development contributed to an increase in demand for government securities during the year especially by the non-bank public. Interest rate on Treasury bills declined from an average of 15.09 per cent in January to 14.88 per cent in September 2003 while that on Treasury Bearer Bond fell from 17.0 per cent to 15.0 per cent during the same period. Owing to technical delays in the disbursement of external budgetary support and project grants however substantial liquidity was also injected into the system

At the end of the period commercial banks holdings accounted for 37.03 per cent of government securities while the non-bank public accounted for 39.0 per cent of the total outstanding government securities of Le345.57 billion. The overall performance of the monetary programme during the year 2003 was mixed as money supply expanded culminating in inflationary pressures that persisted throughout the year. The Reserve Money target was also breached marginally at end December 2003.

4. Payment Systems

As payments systems are so closely aligned to the seigniorage benefit, the Bank of Sierra Leone is interested in promoting public confidence in the Payments System as in the value and integrity of the national currency.

During the review period the National Payments Committee reviewed and produced a first draft of the Bills of Exchange Act and The Payments System Act to support the National Payments System reform and modernization. The Bank also entered into a

contract with MISYS International Banking System for the procurement of Bank Master version 7 Banking Application as part of the process of updating its existing operating system. The Bank has set up a Project Team that is doing preparatory work in documenting the Bank's information and reporting requirements.

The Bank also plans to acquire and install a Book Entry System from the International Technology Consultants with assistance from First Initiative. This is to dematerialise Government Treasury Securities and provide a secure repository that will greatly enhance the Bank's ability to supervise and control trading in the securities market. The Bank also plans to computerize the clearing and settlement operations by December 2004 with the introduction of an Electronic Clearing and Settlement System using

Truncated Image Code Line Clearing and Magnetic Ink Character Recognition (MICR) payment instruments.

5. Foreign Exchange Management

(i) Foreign Assets

Bank of Sierra Leone's Gross Foreign Exchange Reserves fluctuated during most of the year. From a level of US\$84.57mn at end December 2002, the reserves declined gradually to its lowest level of US\$60.24mn in April 2003. The reserves then moved upwards and reached its peak of US\$83.64mn in September 2003. It however declined from this level and closed at US\$66.45mn in December 2003. This represented an increase of 10.31 percent from the lowest level in April 2003

	2003	2002	Change
1	2	3	4
A Stock Position			
1 Treasury Bills	231,532.80	187,646.05	43,886.75
Bank of Sierra Leone	65,609.95	33,597.15	32,012.80
Commercial Banks	113,414.50	117,347.40	(3,932.90)
Non-Bank Public	52,508.35	36,701.50	15,806.85
2. Treasury Bearer Bonds	114,042.05	85,253.55	28,788.50
Bank of Sierra Leone	17,219.35	12,101.25	5,118.10
Commercial Banks	14,545.45	18,411.20	(3,865.75)
Non-Bank Public	82,277.25	54,741.10	27,536.15
3. Total Government Securities	345,574.85	272,899.60	72,675.25
Bank of Sierra Leone	82,829.30	45,698.40	37,130.90
Commercial Banks	127,959.95	135,758.60	(7,798.65)
Non-Bank Public	134,785.60	91,442.60	43,343.00

but a decrease of 21.43 percent from December 2002.

Inflows to the foreign reserves during the review period mainly constituted receipts from disbursements of grants and loans such as the disbursement of the 4th tranche under the IMF PRGF programme, UK/SL Government Programme Grant and replenishment from the European Development Fund. The poor performance during the fourth quarter of 2003 was due to the postponement to 2004 of major disbursements .

Outflows of foreign reserves were predominantly in respect of goods and services (private sector support, Embassies, Other Government, etc), external debt service to key creditors (i.e. the IMF, ADB and World Bank) and commercial creditors.

During the period under review, total inflows decreased by 22.33 per cent or US\$31.18mn from US\$139.61mn in 2002 to US\$108.43mn in 2003.

This decrease was mainly due to the non-disbursement of some programme receipts expected in quarter 4 2003. The expected disbursements not realized amounted to US\$46.08mn and included EU-2nd tranche post conflict budget and balance of payment support of US\$19.63mn, IMF-PRGF Assistance of US\$19.45mn and ADB-ERRLI of US\$7.0mn.

The key disbursements in the review period included UK/Sierra Leone Programme Grant for balance of payments and budgetary support of US\$16.25mn (GBP10.00mn), World Bank Economic Rehabilitation and Recovery Credit (ERRCII) of US\$15.39mn, IMF Poverty Reduction and Growth Facility (PRGF) Assistance from the IMF of US\$19.45mn (SDR14.00mn), and IDA/World Bank project funding of US\$0.43mn. Receipts realized from other donors were mainly from the European Development Fund (EDF Replenishment) of US\$7.91mn for funding EC projects in the

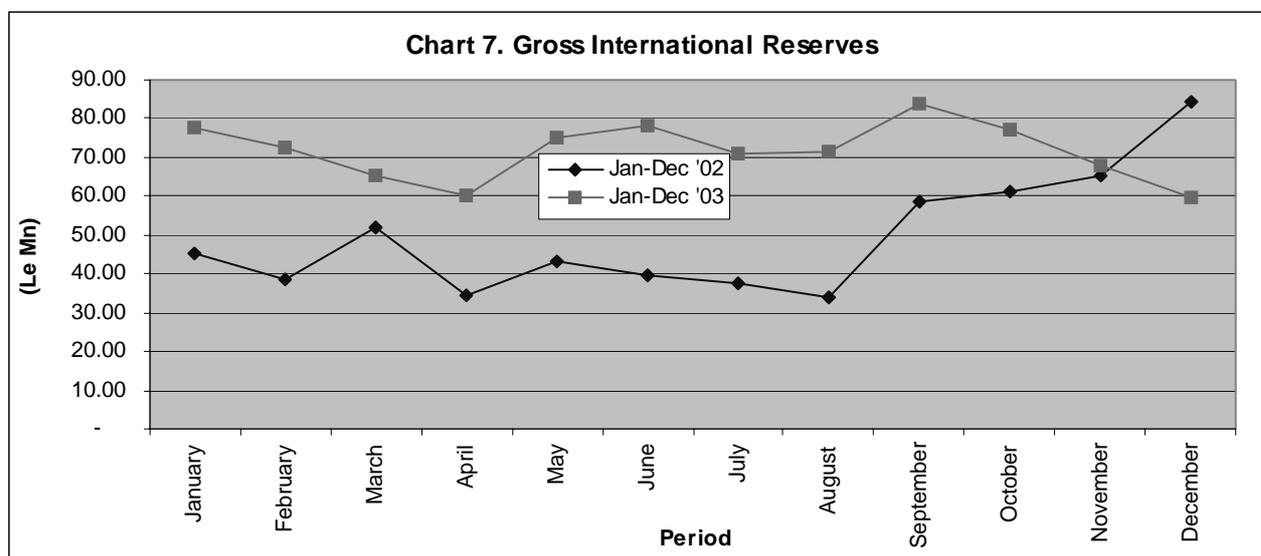


Table 11.
Bank of Sierra Leone Foreign Exchange Cash-flows
(In Million of US\$)

	January-December 2003	January-December 2002
INFLOWS	108.43	139.61
Receipts from exports	2.25	1.94
Diamond License fees	1.20	1.09
Diamond Exporters Income Tax	0.52	0.31
Fishing Royalty/License	0.53	0.53
Others	2.07	2.20
Inspection Fees	0.18	0.03
BSL Purchases of Notes/ T Cheques	0.09	0.24
Transactions with Commercial Banks	1.75	4.52
Privatization receipts	0.01	0.02
Disbursement of loans & grants	102.08	128.88
IMF	19.54	36.42
AFDB	0.99	6.37
UK (DFID)	16.24	15.50
EC (EDF Replenishment)	7.91	5.04
EC-SASP	0.00	0.00
WB ERRC LOAN	17.02	28.50
IDA/World Bank	0.43	0.47
Others/IDB	5.23	3.40
DDR(CAFSL/DFID)	0.01	0.63
HIPC Relief	34.71	31.67

Table 11 (Contd) Bank of Sierra Leone Foreign Exchange Cash flows (in Million Dollars)		
	January-December 2003	January-December 2002
OUTFLOWS	133.41	106.39
<i>Payments for Goods and Services</i>	87.64	59.80
Embassy/Missions	7.31	7.29
BSL	1.54	2.77
Printing of Currency	2.43	0.68
Government Travel	1.73	1.25
Other Government	4.54	10.37
Subscription to Intl. Organisations	2.73	1.34
Military Payments	2.48	1.30
Private Sector Support	60.21	34.82
HIPC Related Imports	4.70	0.00
<i>Debt Service</i>	45.77	46.59
IMF	35.54	32.51
World Bank	1.90	3.12
AFDB	2.48	2.01
IFAD	1.07	0.78
EEC/EIB	0.35	1.81
Other Multilateral & Bilateral	2.12	1.50
Paris Club Creditors	0.44	0.10
Other Commercial Creditors	0.90	3.60
Clearing of Arrears	0.97	1.16

country and Islamic Development Bank project funds disbursed under various projects including the Integrated Rural Development Project (IDB-IRDP-US\$2.58mn) of US\$5.23mn.

Total official receipts from exports increased by 15.98 per cent from US\$1.94mn in 2002 to US\$2.25mn in 2003. As shown in Table 11, major inflows within the sector were generated from two sources; Diamond License fees and Diamond Exporters Income Tax, which recorded improved performance during the review period compared to the preceding year. Inflows realized from Diamond License fees and Diamond Exporters Income Tax exceeded the previous year's performance by 10.09 per cent and 67.74 per cent respectively. However, Fishing Royalty/License receipts remained at the same level of US\$0.53mn recorded in 2002.

Total foreign exchange outflows of US\$133.42mn in 2003 were higher when compared to US\$106.39mn recorded in the previous year due largely to the increased amount sold in the weekly foreign exchange auction. Of that total, 65.69 per cent or US\$87.64mn was in respect of goods and services and 34.31 per cent or US\$45.78mn for debt service payments. Out of the total payment of US\$87.64mn made for goods and services, 68.70 per cent was foreign exchange provided to the Private Sector through the weekly foreign exchange auction. This was to supplement the existing sources of foreign exchange in the banking system for essential imports such as rice, petroleum products and raw materials for manufacturing.

(ii) Investment Activities

A total of US\$1.04mn was earned out of an average deposit of US\$45.00mn invested in 2003. In 2002, an average deposit of US\$40.00mn invested yielded US\$1.08mn. The decrease in earnings was due to the late disbursements of programmed donor funds coupled with lower global interest rates. This situation resulted in low level of reserves for investment at very low rates for most of the period as the available funds were utilized to meet recurrent payments including funding the foreign exchange auction. Earnings recorded for the review period was 3.70 per cent lower than those for 2002 and the returns on investment for 2002 and 2003 were 2.70 per cent and 2.31 per cent respectively.

(iii) Foreign Currency Management

The Bank of Sierra Leone's policy objective for currency management continues to be the holding of reserves in currencies to match transaction needs with debt service payments and private sector support being the most significant. Table 12 shows holdings of currencies by the Bank of Sierra Leone as at end December, 2003 (excluding donor import support funds) 53.44 per cent was held in SDRs, 20.74 per cent in Pound Sterling, 19.62 per cent in United States Dollars, 6.08 per cent in Euro and 0.12 per cent in Japanese Yen.

(iv) Foreign Exchange Market

(a) Overview

The foreign exchange market was characterized by scarcity of foreign exchange in the banking system

as a result of the increased demand for imports and weak exports. This scarcity resulted in a pronounced depreciation of the Leone against other international currencies and the gradual widening of the margin between the official and other rates in the market. The foreign exchange auction, that was introduced to supplement the available sources of foreign exchange and provide stability in the market was not strong enough to stop the depreciation. Notwithstanding this, the auction continued to provide some influence and instill confidence by providing foreign exchange in a competitive and transparent manner.

(b) Volume of Transactions

Aggregate purchases of foreign exchange by the commercial banks and foreign exchange bureaux decreased by 16.1 % from US\$140.73mn in 2002

to US\$118.12mn in 2003 while sales of foreign exchange increased by 2.3% from US\$149.89m in 2002 to US\$153.33 in 2003 (Table 13). The volume of purchases transactions reported in each quarter of the current year was less than those of the corresponding quarter in 2002. The reason for the decrease was the reduction in the activities of International NGO's and UN agencies involved in refugee and post war humanitarian activities. The volume of sales transactions on the other hand increased as against those of the previous year.

(v) Foreign Exchange Bureaux

Foreign exchange bureaux have continued to complement the activities of commercial banks by rendering foreign exchange transaction services to the public. They have also helped to facilitate trade in the West African Sub-region especially in enabling

	December 2002	%	December 2003	%
Currency				
US Dollars	39.75	47.97	11.81	18.61
Pound Sterling	16.75	20.21	13.33	21.00
Euro	2.34	2.82	3.91	6.16
Japanese Yen	0.07	0.09	0.08	0.13
Holdings of SDR	23.96	28.91	34.34	54.10
Total Balance	82.87	100.00	63.47	100.00
Donor Funds				
US Dollars	1.26	100.00	0.80	100.00
Balance	6.84	100.00	0.80	100.00

small businesses to access foreign exchange, and in the mopping up of foreign exchange that would have found its way into the parallel market.

Aggregate purchases and sales of foreign exchange by bureaux for the review period increased by 33.80% and 14.82% from US\$13.58m and US\$14.91m to US\$18.17m and US\$17.12m respectively. (Table 13)

(vi) Commercial Banks

Aggregate purchases of foreign exchange by commercial banks for the review period decreased by 21.39 % from US\$127.15mn in 2002 to US\$99.95mn in 2003 while sales of foreign exchange for the review period increased by 0.91%

from US\$134.98mn in 2002 to US\$136.21mn in 2003. This decrease in purchases by commercial banks reflected the scarcity of foreign exchange over the period.

(vii) Foreign Exchange Auction System

The Bank of Sierra Leone continues to use weekly foreign exchange auctions to complement the supply of foreign exchange to the market in a competitive, transparent and consistent manner, in order to stabilize the exchange rate.

During the period under review there was a sustained high demand for auction funds, which was reflected in excess demand over supply and the gradual depreciation of the auction rate. A total of

Table 13.
Purchases and Sales of Foreign Currency
for the Period January 1, 2003 - December 31, 2003
(in Million of US Dollars)

	2003						
	Q1 Jan-Mar	Q2 Apr-June	Q3 Jul-Sept	Q4 Oct-Dec	Total (2003)	Total (2002)	% Change
1	2	3	4	5	6	7	8
A Purchase							
Commercial Banks	24.96	22.29	25.92	26.78	99.95	127.15	-21.39
Foreign Exchange Bureaux	4.82	4.71	3.49	5.15	18.17	13.58	33.80
Total	29.78	27.00	29.41	31.93	118.12	140.73	-16.07
B. Sales							
Commercial Banks	32.02	31.61	34.43	38.15	136.12	134.98	0.91
Foreign Exchange Bureaux	4.43	3.91	3.16	5.62	17.12	14.91	14.82
Total	36.45	35.52	37.59	43.77	153.33	149.89	2.30
Official Average Exchange Rates							
	Q1	Q2	Q3	Q4			
Buy	2,201.35	2,265.52	2,344.40	2,476.58			
Sell	2,245.83	2,311.29	2,391.76	2,526.62			

52 foreign exchange auction sessions were conducted. In addition to the regular (competitive and non-competitive) windows, a special oil facility window was introduced in January, 2003 to assist in meeting the foreign exchange requirements of the oil companies and avert a possible shortage of petroleum product. Out of a total offer amount of US\$61.85 million, allocations made were US\$43.00 million in the competitive window, US\$5.20 in the non-competitive window and US\$13.65 in the special Oil Window. Total amount sold amounted to US\$60.23 million of which US\$42.44 was in the competitive window, US\$4.14 in the non-competitive window and US\$13.65 in the special facility window. The difference of US\$1.62 million in amount sold relative to the amount offered was due to the relative low utilization of funds in the non-competitive window.

On a sectoral basis, commercial banks' share of the total amount sold in the auction was US\$9.52 million (16%), Oil Companies US\$16.35 million (US\$13.65 in the special oil window, and US\$2.7 in the regular auction) (27%), Industry US\$7.46 million (12%) and general imports US\$26.90 million (45%). Funds won by banks were for sale to their customers.

Unlike the previous period when Non-Governmental Organizations (NGO) sold US\$0.68 million to the auction, there was no sale of foreign exchange at the auctions during 2003.

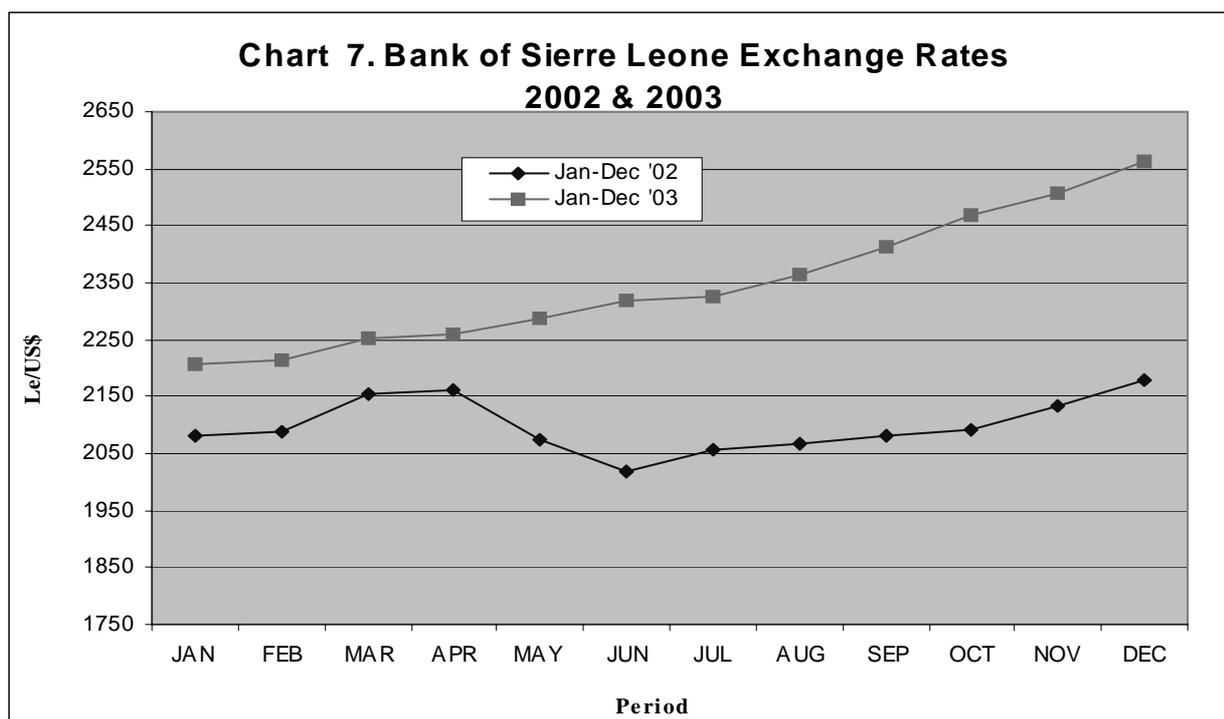
The lowest auction rate of Le2,342.86 was on 8th January 2003 and the highest on 17th December 2003 at Le2,687.11. These movements reflected the pronounced depreciation of the auction rate

experienced during the review period.

The Foreign Exchange Auction rate has continued to be regarded as the reference rate for the pricing of all foreign exchange transactions. Banks and foreign exchange bureaux closely monitor the weekly auction rate in fixing their rates.

(viii) Exchange Rate Developments

The weekly foreign exchange auction by the Bank of Sierra Leone continued to be one of the markets used in determining the exchange rate and a regular source of foreign exchange complementing the other available official sources for import financing. The expansion in domestic economic activities, against the backdrop of limited supply of foreign exchange continued to exert additional demand pressures on the exchange rate throughout the review period. This culminated in further depreciation of the Leone against major foreign currencies in all the foreign exchange markets. The depreciation of the Leone against the US Dollar was more marked in the parallel and official markets with their respective annual average midrates depreciating by 11.74 per cent to US\$2,530.16/US\$1 and 11.73 per cent to Le 2,345.42/US\$1. The official rate for most part of the year however stayed within the plus or minus fifteen percent ($\pm 15\%$) band of the Central Parity Rate of Le 2,165.32/US\$1 under the Exchange Rate Mechanism (ERM) of the Second West African Monetary Zone (WAMZ). It however fluctuated in and out of the band starting from the last week in October through the end of the reporting period. The bureaux rate was next (11.19%) at Le 2,376.75/US\$1 and the commercial banks' rate the least



(10.01%) at Le 2,294.52/US\$1, having moved respectively from Le 2,137.61/US\$1 and Le2,085.73/US\$1 in 2002.

The auction rate (weighted average) also depreciated significantly over the year though there was increased supply of foreign exchange through the Bank's weekly foreign exchange auction. The monthly average exchange rate consistently weakened especially in the last five months of 2003 resulting in a depreciation of the annual average rate by 14.81 per cent to Le 2,486.84/US\$1. The yearly premium between the official and parallel rates widened by 7.88 per cent (Le184.74) from Le 165.24/US\$1.

6. External Debt Management

(i) *An Overview*

As at end December 2003, Sierra Leone's total disbursed and outstanding official medium and long-term debt, including principal arrears was US\$ 1,630.4 million. The stock of debt continued to be dominated by debts owed to multilateral and bilateral creditors, accounting for 58% and 26.7% respectively of the total. Other debts like military debts accounted for 1.2% whilst the residual of 14.1% is owed to commercial creditors. This classification is shown on Table 15. The principal multilateral creditors are the World Bank, the International Monetary Fund (IMF) and the African Development Fund (ADF).

Table 14 shows the stock of principal and interest arrears owed to all creditors. A total of US\$ 288.5 million of the stock of disbursed outstanding debt represented principal arrears owed mainly to the commercial and other creditors. Interest arrears amounted to US\$ 7.4 million of which US\$2.9million is owed to official bilateral creditors.

(ii) *Major Developments*

- ❖ During the period under review, the Government of Sierra Leone continued to make timely debt service payments to the key multilateral creditors; the International Development Association (IDA), the International Monetary Fund (IMF) and the African Development Fund (ADF) and to other external creditors for which an agreement has been reached for the settlement of arrears.
- ❖ The European Investment Bank (EIB) on August 5, 2003, informed the Government of the modalities of the interim relief provided by the European Commission under the Enhanced HIPC Initiative. To this end, there was a partial cancellation of arrears outstanding as at March 2002 amounting to Euro 4,134,909.90 and total cancellation of debt service falling due between April 1, 2002 and December 31, 2003 amounting to Euro 3,667,827.86, thereby making a total of Euro 7,802,737.76.
- ❖ The Government of Sierra Leone continued to receive interim relief from the key creditors namely the IDA, IMF and ADF. Total debt relief granted during the period under review amounted to US\$ 44.74mn of which US\$ 33.07mn was from IMF, US\$ 6.81mn from IDA and US\$ 2.67mn from ADF. The residual of US\$ 2.19 was received from the European Investment Bank.
- ❖ On October 25, 2003, the Government of Sierra Leone reached an agreement with the OPEC Fund for the settlement of arrears of US\$ 9.5mn under a Commodity Import Programme (CIP). The CIP involves a back to back transfer of funds between the Government and OPEC. In effect, the Government would first make a repayment of the outstanding loan due to OPEC and forward import documentation for the same value. After confirmation of these documents, OPEC will automatically refund the amount paid in the form of a new concessional loan. The first payment would be US\$ 1.5mn and thereafter, subsequent payments of US\$ 1mn will be on a monthly basis until the amount is fully repaid.
- ❖ During the period under review, disbursements from external creditors amounted to approximately US\$ 56.59mn. Of this amount, US\$ 23.11mn was from the International Development Association - (IDA) ; US\$ 19.54mn from the International

Table 14
Principal and Interest Arrears as at End December 2003
(In Millions of US Dollars)

	December 2002		December 2003	
	Principal Arrears	Interest Arrears	Principal Arrears	Interest Arrears
Total Arrears	287.4	7.6	288.5	7.4
Total Commercial Obligations & Short-Term Debt 1/	230.2	-	230.0	-
Total Long-Term Debt, of which:	57.2	7.6	58.5	7.4
Multilateral	9.5	0.8	8.6	1.0
World Bank Group	-	-	-	-
IMF	-	-	-	-
Others	9.5	0.8	8.6	1.0
Official Bilateral	27.2	3.3	30.1	2.9
Paris Club	1.6	1.8	1.0	1.4
Others 2/	25.6	1.5	29.1	1.5
Other Creditors	20.5	3.5	19.8	3.5
Executive Outcomes	19.0	3.5	18.6	3.5
J. S Franklyn Ltd & Deftech BV Corp.	1.1	-	0.8	-
Chatelet Investment Ltd	0.4	-	0.4	-

1/ Amount updated in June 2001 to include both validated and non-validated commercial arrears
2/ China, Morocco, Kuwait & Saudi Fund

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Table 15				
Stock of Sierra Leone's Disbursed Outstanding Debt and Debt Indicators.				
<small>(Incl. Principal Arrears) (In Millions of US Dollars)</small>				
	2002 ^R	Percent of Total	2003 December	Percent of Total
Bilateral:				
Paris Club Creditors	343.9	22.4	371.6	22.8
Other Bilateral	62.8	4.1	63.1	3.9
Total Bilateral	406.7	26.5	434.7	26.7
Multilateral				
African Development Bank/ Fund	473.0	30.8	533.7	32.7
World Bank (IBRD/IDA)	174.8	11.4	165.7	10.2
International Monetary Fund	145.2	9.5	149.2	9.2
Other Multilateral	85.6	5.6	97.3	6.0
Total Multilateral	878.6	57.2	945.9	58.0
Other Creditors	20.5	1.3	19.8	1.2
Commercial and Short-Term Debt	230.2	15.0	230.0	14.1
Grand Total	1,536.0	100.0	1,630.4	100.0
	2002		2003	
Debt Indicators (US\$Mn)				
Debt Service Payment due	53.1		45.4	
Debt service payment made	46.4		45.7	
Exports	48.7		92.4	
Gross Domestic Product	790.2		803.8	
Debt Ratios				
Stock of Debt as a percentage of Gross Domestic Product	194.4 ^R		202.8	
Stock of Debt as a percentage of Export	3,154.0 ^R		1,764.5	
Debt Service as a percentage of Export	95.3		49.5	
Multilateral Debt as a percentage of Stock of Debt	57.2 ^R		58.0	
Bilateral Debt as a percentage of Stock of Debt	26.5		26.7	
Debt Service Payments Made				
<small>(in millions of US Dollars)</small>				
	2002		2003	
Bilateral:	1.07		1.57	
Paris Club Creditors	0.09		0.44	
Other Bilateral	0.98		1.13	
Multilateral	41.80		43.25	
African Development Bank/Fund	2.01		2.47	
<i>HIPC foreign exchange savings on debt service</i>	1.23		2.67	
World Bank (IBRD/IDA)	3.13		1.89	
<i>HIPC foreign exchange savings on debt service</i>	4.10		6.81	
International Monetary Fund	32.35		35.54	
<i>of which: HIPC debt relief</i>	30.40		33.25	
Other Multilateral	4.31		3.35	
<i>HIPC foreign exchange savings on debt service</i>	0.00		2.19	
Other Commercial/Military Debts	3.50		2.19	
Total	46.37		45.72	

R Revised

Monetary Fund (IMF); US\$ 4.2mn from the African Development Fund (ADF) and the residual of US\$ 9.74mn was from Kuwait, Arab Bank for Economic Development in Africa (BADEA) and the Islamic Development Bank (IDB) under various projects.

currency that dominates Sierra Leone's debt. The total debt in Leones increased from Le 2,829,419,524mn in 2002 to Le 3,670,967,705mn in 2003 by approximately 30%. This was as a result of the depreciation of the Leone against the other currencies and also the disbursements of new loans during the period.

(iii) External Debt by Creditor Category

Sierra Leone's stock of disbursed outstanding debt including principal arrears to all external creditors stood at US\$ 1,630.4 million as at end December 2003 as compared to US\$ 1,536 million as at end December 2002. This is shown in table 15. The increase was as a result of disbursements made on existing and new borrowings mainly from the World Bank during the period under review.

The increase in the disbursed outstanding debt to the Paris Club creditors was due to the rescheduling of current maturities, which led to the capitalisation of interest falling due during the review period.

(iv) Foreign Currency Composition

Table 16 shows the currency composition of Sierra Leone's Disbursed Outstanding debt including principal arrears. It shows the amount of debt classified by the currency of liability and the Leone equivalent. The Special Drawing Rights and the United States Dollars continue to be the major currencies that dominate Sierra Leone's debt. They account for 50.8% and 18.0% respectively as at end December 2003. Loans from IMF and IDA are mainly denominated in SDRs, which accounted for the high percentage of the total debt. The Euro, which accounts for 17.4% represents the third major

(v) Debt Indicators, Debt Ratios and Debt Service

Table 15 also shows the debt indicators and debt ratios for the period ended December 2002 and 2003. Debt service payments decreased from US\$ 46.4million in 2002 to US\$ 45.7 million in 2003. This decrease was a result of the additional interim debt relief granted by the multilateral creditors during the review period. Debt service to export ratio also decreased from 95.3% to 49.5% as a result of the significant increase in exports as against the slight decrease in the debt service payments. The stock of debt as a percentage of GDP increased by 4.3% in 2003 due to the increase in the stock of debt.

The Government continues to pursue policies of strengthening external debt management capacity and adhere to its commitment to avoid non-concessional external borrowing in line with the PRGF program with the IMF.

7. Status of Convergence- West African Monetary Zone

As the countdown towards a monetary union in the Second Monetary Zone in July 2005 approaches, three statutory meetings of the Coverage Council

Table. 16						
Disbursed Outstanding Debt, including Principal Arrears as at End December 2003						
Classified by Currency of Liability (Amounts In Thousands)						
	End Dec-2002			End Dec-2003		
	Debt in Foreign Currency	Total debt in Le.	Percent of total	Debt in Foreign Currency	Total debt in Le.	Percent of total
1	2	3	4	5	6	7
Currency						
Canadian Dollars	1,324	1,837,981	0.07	1,260	2,536,723	0.07
Swiss Francs	39,721	62,562,672	2.23	39,347	83,348,120	2.27
Chinese Yuan	183,447	48,582,372	1.74	183,447	58,959,992	1.61
Danish Kroner	350	108,181	0.00	337	149,738	0.00
EURO	180,778	414,693,885	14.81	194,267	637,867,923	17.38
British Pounds	6,584	23,137,742	0.83	4,186	19,754,422	0.54
Japanese Yen	10,000,000	185,100,000	6.61	9,609,000	238,980,464	6.51
Kuwaiti Dinar	4,544	35,822,400	1.28	5,839	50,639,308	1.38
Norwegian Kroner	86,064	27,141,164	0.97	88,980	34,918,568	0.95
Saudi Riyal	4,875	3,129,380	0.11	3,997	2,822,784	0.08
Swedish Kroner	2,759	691,101	0.02	2,615	953,472	0.03
United States Dollar	260,538	571,028,288	20.40	258,017	661,085,312	18.01
Special Drawing Rights	463,988	1,363,744,249	48.72	496,834	1,865,537,145	50.82
Islamic Dinar	1,733	5,094,551	0.18	3,572	13,413,734	0.37
Total		2,799,350,910	100.00		3,670,967,705	100.00

of the West African Monetary Zone were held during the year to assess progress made by member states towards compliance with the prescribed quantitative and qualitative performance criteria. At the 13th meeting of the Council held in Accra, Ghana, from 14th - 19th December 2003, it was noted that performances of member countries towards macroeconomic convergence in the first nine months of the year (as at September 2003), with the exception of Ghana, deteriorated considerably compared to the first half of the year, though marginal improvements were made on some indicators by individual countries. On the whole, the level of quantitative convergence dropped from 65 percent in June to 35 per cent in September, the lowest since the commencement of the process. This was primarily due to difficult domestic and international environments facing member countries. It was resolved that measures be put in place to improve on the fundamental macroeconomic indicators of the respective economies. Such measures would entail good governance, structural and fiscal reforms to improve the revenue collection process and also the implementation of expenditure - reducing policies. The meeting also noted that progress towards convergence with regards to the qualitative criteria was unsatisfactory though there were significant progress in some areas particularly with respect to compliance with International Financial Standards and Data base Development and Statistical Harmonization.

During the year a Forum of Finance Ministers of WAMZ was established to discuss issues pertaining to fiscal convergence and the adoption of remedial policy measures to facilitate and sustain the convergence process. The Forum met twice, in

March and October 2003.

The Authority of Heads of State and Government of the Zone, at its sixth Summit held in Accra, Ghana, decided that the headquarters of the proposed West African Central Bank would be located in Accra, Ghana.

Sierra Leone's Macroeconomic Performance

During 2003, Sierra Leone experienced a reversal in the positive strides previously attained in her move towards convergence. This was attributed to the difficult environment for fiscal and monetary management. A significant proportion of the budget is being financed from external sources and late or non-disbursement results in recourse to Central bank financing of the deficit. The table below illustrates Sierra Leone's macro economic performance as against the prescribed primary and secondary criteria for the period January – December 2003.

As at the end of December 2003, Sierra Leone failed to meet any of the four primary criteria. The inflation rate moved upwards from -3.1 per cent in December 2002 to 6.5 per cent in June and 11.3 per cent in December 2003 exceeding the WAMZ criterion of a single digit inflation rate. The fiscal deficit/GDP ratio of 16.8 per cent was much higher than the target of less than 4 per cent by 2003. This was however an improvement on 19.7 per cent for 2002. There was a sharp rise in central bank financing of the budget deficit from 1.9 per cent in 2002 to 25.60 per cent in 2003, exceeding the WAMZ target of 10 per cent. Sierra Leone's gross

external reserves as at end December 2003 stood at 1.9 months of imports, (well short of the required 3 months of import cover), compared to 3.1 months for end December 2002.

A similar performance was indicated relative to the Secondary Criteria. None of the six criteria was met. The tax revenue to GDP ratio was 14.5 per cent, short of the required 20 per cent or more. The ratio of salary mass to total tax revenue at 59.3 per cent was well beyond the prescribed criterion of 30 per

cent or less but a slight improvement on 63.2 percent recorded in 2002. The share of public investment in total domestic receipts, at 11.33 per cent, was less than the required 20 per cent or more. Real interest rates for the first time recorded a negative position from the positive positions recorded for previous periods. The exchange rate of the Leone to the US Dollar remained unstable during 2003 and by the end of December 2003 had depreciated by 16.90 per cent thus moving out of the 15 per cent fluctuation band.

WAMZ CRITERIA	Target	Performance		
		2001 ^R	2002 ^R	2003
Primary Criteria				
Budget deficit excluding grants/GDP (commitment base)	less than or equal to 4 percent	16.7%	19.7%	16.8%
Inflation rate (end period)	Single digit	3.4%	-3.1%	11.3%
Central Bank advances to government (as percent of previous year's tax revenue)	less than or equal to 10 percent	8.9%	1.9%	25.6%
Gross reserves (months of imports)	greater than or equal to 3months	2.3 months	3.1 months	1.9 months
Secondary Criteria				
Domestic Arrears	0	N/A	N/A	N/A
Tax revenue/ GDP ratio	greater than or equal to 20 percent	13.4%	14.5%	14.5%
Wagebill/tax revenue ratio	less than or equal to 35percent	55%	63.2%	59.3%
Public Investment from Domestic Receipts	greater than or equal to 20 percent	6.6%	8.9%	11.3%
Nominal exchange rate (+ = depreciation)	plus or minus 15 percent	-23.2	-1.4	16.9
Real interest rate	greater than 0	1.4%	8.6%	-5.8%

R Revised

The main reasons for Sierra Leone's inability to meet the criteria include the following:

- Low domestic revenue mobilisation: especially taxes revenue.
- High government expenditures as a result of increased government spending in the areas of wages bills, interest payment on domestic debt, reconstruction and rehabilitation outlays.
- High central bank financing of the deficit
- Excessive liquidity in the financial system
- Low exports and capital inflows

Measures are however being taken by the government to ensure Sierra Leone meets the set of Macroeconomic Criteria. They include the following:

- Measures to cut down on government expenditure, especially the share of government wages and salaries.
- The setting up the National Revenue Authority aimed at increasing domestic revenue particularly tax revenue.

8. Progress of Sierra Leone's Poverty Reduction and Growth Facility (PRGF) Arrangement

The PRGF is the IMF's concessional facility for low income countries. It is intended that PRGF-supported programs will in time be based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners, and articulated in a Poverty Reduction Strategy Paper (PRSP). This is to ensure that PRGF-supported programs are consistent with

a comprehensive framework for macroeconomic, structural and social policies to foster growth and reduce poverty.

On June 30, 2001 the Government of Sierra Leone presented an Interim Poverty Reduction Strategy Paper (I-PRSP) to the Executive Board of the International Monetary Fund (IMF). The I-PRSP describes the country's macroeconomic, structural and social policies to foster growth and reduce poverty in a three-year economic adjustment program supported by PRGF resources, as well as associated external financing needs and major financing sources. Following this, a joint mission of the International Development Association (IDA) and the International Monetary Fund (IMF) visited Freetown and together with the authorities conducted the Debt Sustainability Analysis (DSA). The results showed that the country's external debt situation would remain unsustainable even after the application of traditional debt relief mechanisms.

On September 20, 2001, the Executive Board of the International Monetary Fund (IMF) approved a three-year Poverty Reduction and Growth Facility (PRGF) Arrangement in the sum of SDR 130.84mn (about US\$179mn) in support of Sierra Leone's medium term program having considered that Sierra Leone was also eligible for debt relief under the Enhanced Heavily Indebted Poor Countries Initiative (HIPC).

On March 12, 2002 the Executive Board of the IMF completed the First Review under the PRGF Arrangement. As a result Sierra Leone was able to draw up to SDR9.33 (about US\$12mn) from the arrangement immediately.

Sierra Leone on March 19, 2002 reached the decision point under the HIPC Initiative and became eligible for debt relief. Total debt relief from Sierra Leone's creditors was about US\$950.00mn which

is the equivalent of US\$600 million in Net Present Value (NPV) terms, a reduction of nearly 80 percent of the country's external stock of debt. The Executive Boards of the IMF and the World Bank Group's IDA approved support for a comprehensive debt reduction package for the country. Under the decisions taken by the two organizations, assistance committed by IDA—US\$122 million in NPV terms—would be delivered over a 20-year period and would cover on average 89 percent of debt-service obligations falling due to IDA. Debt relief provided by the IMF-US\$123 million in NPV terms—would be delivered over a ten year period. The poverty spending plan of these funds would be guided by the I-PRSP. The bulk of assistance from other creditors under the enhanced HIPC Initiative would be delivered when the country completes a number of agreed measures, paving the way for reaching a completion point in a few years' time.

On September 18, 2002 the Executive Board concluded the Second Review under the PRGF Arrangement and commended the country's efforts in implementing economic reforms despite major institutional and financial constraints. As a result, Sierra Leone was able to draw up to SDR 18.66 million (about US\$25 million) from the arrangement immediately.

Performance in regard to the program targets for 2002 was broadly satisfactory. All quantitative performance criteria for end-September and end-December 2002 were observed, except for two of the end-September 2002 criteria, namely those relating to the limits on (i) net domestic bank credit to the government and (ii) the government primary budget deficit. The implementation of structural policy reforms was generally satisfactory. On the basis of measures taken in 2002 and those proposed

in the authorities Medium-Term Expenditure Framework Paper (MEFP) the Executive Board granted waivers for the end-September performance criteria that were not observed. In April 2003 the Executive Board of the International Monetary Fund (IMF) completed the Third Review of Sierra Leone's performance under the Poverty Reduction and Growth Facility (PRGF) arrangement. The Board also granted a waiver of performance criteria. As a result, Sierra Leone was able to draw up to SDR14mn (about US\$19mn) from the arrangement.

The Fourth Review under the PRGF Arrangement is based on performance under the programme for end September 2003. The completion of the Review is expected early 2004.

9. Human Resource Development

Capacity building and capacity strengthening of the Human Resources available in the Bank for an efficient and high performing workforce triggered a bank-wide restructuring process during the period under review. The restructuring exercise gave the Bank the opportunity to critically examine its role and emerging responsibilities vis-à-vis its capacity to actualize its goals especially in the areas of capital market development and the supervision of banks and financial institutions. Significant outcomes of the restructuring are an enhanced organizational structure and an improved working environment where staff can continue to grow and respond to the challenges and goals the Bank has set itself.

For the period under review, the staff complement of the bank increased from 540 as at end 2002, to

564 as at end 2003. The majority of the staff continues to be in the professional and sub-professional cadres with staff strength currently as follows:

About 80% of staff recruited were sub-professionals. These would be trained on the job and encouraged to pursue academic/professional courses which would qualify them for elevation into the professional cadre.

Table 17
Human Resource Statistics

	2001			2002			2003		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Number of staff as at December 31	334	131	465	400	140	540	399	165	564
<i>of which</i>									
Management	4	4	8	3	4	7	4	4	8
Professionals	109	48	157	141	48	189	128	47	175
Sub-professionals	98	75	173	114	80	194	120	92	212
Others	123	4	127	142	8	150	147	22	169

During the review period, 45 staff were recruited while 32 staff severed from the Bank for the following reasons:

	2001	2002	2003
Resigned	17	9	8
Retired	7	12	9
Voluntary Retirement	3	3	3
Vacated	2	2	2
Terminated	3	6	5
End of Contract	3	1	2
Early retirement due to ill health	1	-	1
Deceased	1	2	2
Total	37	35	32

Staff Development

Staff training plays a critical role in ensuring individual performance and organizational effectiveness is achieved, thus sustaining institutional growth. As a result, Heads of Department were closely involved in determining the thrust of their departmental training needs. The Bank also continues to create opportunities for staff to pursue and achieve professional skills in short/long term courses both local and overseas.

Overseas Training Included:**(i) Degree programs**

Name of Programme	Number Started	Number Completed
Masters in Economic Policy Management	2	4
Masters in Business Administration	1	-
Masters in Human Resources	1	-
Masters in Internal Auditing and Management	1	-
Masters in Economics	-	1

(ii) Long/Short Courses**Financial Stability Institute**

- Training of Junior and Middle Level Examiners of West and Central Africa
- Focused Seminar on On-Site and Off-Site Supervision of Banks

Financial Stability Institute and the Committee of Banking Supervisors of West and Central Africa

- Regional Course on Training of Banking Supervisors of West and Central Africa

SWIFT

- SWIFT Training Programme

Bank of Ghana

- Foreign Exchange Reserve Management

International Monetary Fund

- Monetary & Financial Statistics Course
- Course on Financial Programming & Policies

Joint African Institute (JAI)

- Course on Financial Programming & Policies
- Course on Monetary and Financial Statistics

United Nations Capital Development Fund

- Micro Finance Training Programme

Association of African Development Financial Institutions

- Professional Development for Senior Secretaries

African Rural and Agricultural Credit Association (AFRACA)

- Women Exposure Visit

European Central Bank

- Payment and Settlement Systems

RIPA International

- Management of Information Systems
- Contracting and Contract Management

Rokel Commercial Bank

- Shared Local Training Introductory Aspects of SWIFT

West African Institute For Financial and Economic Management (WAIFEM)

- Regional Course on Macro-Economic Modelling Forecasting & Policy Analysis
- Regional Workshop on New Financing
- Demand for Money Estimation Models
- Course on Balance of Payment Compilation & Analysis
- Course on Techniques of Economic Analysis
- Regional Workshop on Human Resources Management
- Regional Course on Report Writing
- Workshop on Domestic Debt Management
- Course on Central Bank Accounting and Auditing
- Regional Course on Micro Finance and Non-Bank Financial Institutions Management
- Regional Course on Financial Programming and Policies
- Advanced Banking Supervision
- Computing Auditing

WAIFEM and Debt Relief International (DRI)

- Regional Workshop on Debt Strategy Analysis (DSA) Tools
- Regional Workshop on External Assistance & Management

Crown Agents

- Foreign Exchange Management
- Reserves and Sovereign Risk Management

Association of African Central Banks (AACB)

Secretariat

- Workshop of Information Technology

Local Training

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

Name of Programme	Number Started	Number Pursuing	Number Completed
Masters in Development Studies	3	2	1
Bachelor of Education Programme	-	-	2
Bachelor of Science in Financial Services	-	4	2
Bachelor of Science in Applied Accounting	-	-	2
Bachelor of Science in Business Studies	-	1	-
Post-Graduate Diploma in Business Administration	-	-	1
Technician Diploma in Accounting	1	1	-
Diploma in Data Processing and Information Technology	1	1	-

Exposure to these programmes have provided staff with added skills and knowledge to handle their schedules. In its bid to motivate staff who have acquired additional qualifications, the Bank promoted 9 (nine) staff to higher positions and re-designated 7 (seven) staff.

(ii) In-house Training

Local training in the form of In-service Programmes continues to be one of the Bank's main instruments used for achieving efficiency. These include Transfer of Knowledge seminars, Computer training and other related courses. In-service Programmes were

conducted at the Auditorium of the Sam Bangura Building during the review period. These programmes consisted of:

- Financial Programming and Policies
- Macroeconomic Modeling Forecasting and Policy Analysis
- Inter-Bank Foreign Exchange Market
- Basic Poverty Measurement and Diagnostic Course
- Middle and Back Office Functions in Reserve Management
- Seminar on Monetary and Financial Statistics
- Seminar on Banking Supervision

Management of the Bank including Independent Units

Governor	-	Mr. James D. Rogers
Deputy Governor	-	Mr. Mohamed S. Fofanah

Directors

Secretary to the Board	-	Mr. Kaifen S. T. Kallay
Director, Research	-	Ms Andrina R Coker
Director, International Finance	-	Mr Francis B Roberts
Director, Accounts and Budgeting	-	Mrs Khadi R Saccoh
Director, Human Resources	-	Haja Ajaratu A M Mahdi
Director, Banking Supervision	-	Ms Yeabu M D Kamara
Director, Banking	-	Mr Ibrahim K Lamin
Director, Special Duties	-	Mr Sidique A B Sesay
Ag. Director General Services	-	Mrs. Grace Hassan

Heads of Unit

Internal Auditor	-	Mr. Ralph Ansumana
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Bank of Sierra Leone Organisational Structure

