

10 Annual Budget Review 2008-09

10.1 Overview

Total expenditures of SBP and its subsidiaries are classified into three broad categories, namely corporate expenses, establishment expenses, and operating expenses. A brief comparison of actual versus budgeted expenditures of the SBP and its subsidiaries is given in **Figure 10.1** and **Table 10.1**.

The relative size of each of these heads in total expenditures is shown in **Table 10.2**.

The total consolidated expenditure of SBP and its subsidiaries amounted to Rs19,084 million against budget of Rs18,186 million; thus showing negative variance of Rs898 million, i.e., 4.9 percent. The variance of actual results against budget, in terms of major heads is shown in **Table 10.3**.

Fig.10.1 Budget vs Actual Expenditure (million rupees)

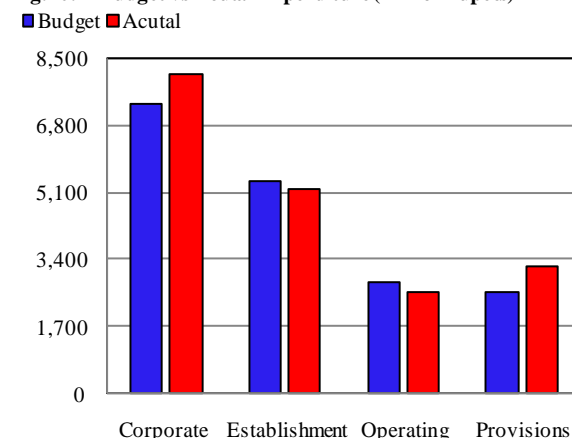


Table 10.1: SBP Annual Review for FY 2008-09

(Rs in million)

| S.N. | Head of Account | Consolidated | | | Variance % age |
|------|--------------------|---------------|---------------|-------------|----------------|
| | | Budget | Actual | Variance | |
| 1 | Corporate | 7,359 | 8,092 | -733 | -10.0 |
| 2 | Establishment | 5,403 | 5,203 | 200 | 3.7 |
| 3 | Operating | 2,837 | 2,587 | 250 | 8.8 |
| 4 | Provisions | 2,587 | 3,202 | -615 | 23.8 |
| | Grand Total | 18,186 | 19,084 | -898 | -4.9 |

10.2 Corporate Expenses

Corporate expenses of the Bank comprise three components, namely agency commission to National Bank of Pakistan (NBP), currency notes printing charges, and charges on allocation of Special Drawing Rights (SDRs) of IMF. Head- wise analysis of corporate expenses is given as under:

| Table 10.2: Breakup of Revenue Expenditure during FY 08-09 | | | Table 10.3: Head wise Variance of Actual from Budget (percentage) | |
|--|------------|------------|---|----------------|
| Description | Budget | Actual | Description | Budget |
| Corporate | 40 | 42 | Corporate | (-) 10.0 |
| Establishment | 30 | 27 | Establishment | (+) 3.7 |
| Operating | 16 | 14 | Operating | (+) 8.8 |
| Provisions | 14 | 17 | Provisions | (-) 23.8 |
| Total | 100 | 100 | Total | (-) 4.9 |

- 1. Agency Commission Charges.** Agency commission charges are paid to National Bank of Pakistan on account of government transactions and remittances on behalf of SBP as per agency agreement. Agency commission exhibits a negative variance of Rs864 million, i.e., 31.4 percent due to enhanced volume of government transactions.

2. **Currency notes printing charges.** Negative variance of Rs322 million, i.e., 8.3 percent has been witnessed in note printing charges, attributable to the price variances.
3. **Charges on Allocation of SDRs.** The charges on allocation of SDRs resulted in positive variance of Rs453 million, i.e., 61.4 percent, represents lower rate of SDR charges Rs467 million, which is partially offset by higher exchange rate (Rs14) million.

In corporate expenses, negative variance in ‘Note Printing Charges’ and ‘Agency Commission Charges’ were to a large extent offset by the positive variance in ‘Charges on Allocation of SDRs’. Consequently overall variance in ‘Corporate Expenses’ resulted in overall negative variance of Rs733 million, i.e., 10.0 percent.

10.3 Establishment Expenses

Establishment expenses include employees’ salaries, benefits and training expenditures. The establishment expenditures showed positive variance of Rs200 million, i.e., 3.7 percent. The positive variance is mainly attributable to delay in recruitment of new employees.

10.4 Operating Expenses

Operating expenses include rent, rates and taxes, legal and professional charges, stationery and publications, communication, traveling expenditure, repair and maintenance, depreciation, etc, including NIBAF. On overall basis, operating expenses have shown positive variance of Rs250 million, i.e., 8.8 percent owing primarily to lower expenses in depreciation, communication, repair and maintenance, traveling expenditures, computer consumables and misc expenses, as against the budgeted amount.

10.5 Provisions

Provisions include allocations for staff retirement benefits, agriculture bonafied losses and other miscellaneous expenses. Actual provisions recorded against budgetary allocation have shown negative variance of Rs615 million, i.e., 23.8 percent owing primarily to staff retirement benefits. Provision for staff retirement benefits is based as per actuarial advice; however, negative variance is attributable to subsequent changes in the assumptions for calculation of the provision by the actuary.