

VI. BUDGET

Budget Cycle

The proposed SEACEN budget is discussed and approved at the SEACEN EXCO Meeting and then ratified at the annual SEACEN BOG Meeting, which usually takes place before the month of April, in time for the start of the SEACEN operating year on 1 April. Once the proposed budget is approved, Bank Negara Malaysia (BNM), as the host central bank, will provide an advance to The SEACEN Centre to meet its expenditure, starting with the initial amount of 50 percent of the total approved budget at the beginning of April. At the beginning of October, BNM will provide additional advance for the balance of 50 percent of the approved budget.

At the end of the SEACEN operating year (31 March), The SEACEN Centre finalises its accounts to be audited by an external auditor. The audited accounts, which are normally completed by early September, are then submitted for review and approval by the SEACEN Board of Directors (BOD) at its Annual General Meeting in September. The SEACEN Centre normally notifies the member banks of the approved audited expenditure and the contribution due from each member bank (on an equal sharing basis) for reimbursement to BNM in October.

As requested by the EXCO, BNM has also been providing a team of internal auditors once every two years, to audit the accounting practices and internal controls and procedures of The SEACEN Centre to ensure compliance with the approved guidelines. The audit findings are reported to the Centre, SEACEN BOD and the SEACEN EXCO.

Trends in Approved Budget and Expenditures for OY 1993/94 - OY 2010/11

Table 7 APPROVED BUDGET AND ACTUAL EXPENDITURE shows the approved budget and actual expenditure for 15 years from OY 1994/95 to OY 2010/11.

It should be noted that the figures for institutional expenses, research expenses and training expenses in operating years after OY 2005/06 are not comparable with those in the previous years. Up until OY 2005/06, all staff salary are included under the item “institutional expenses”, while research and training expenses only reflect operating cost of implementation of the activities. Following the suggestion by the SEACEN EXCO at the 3rd Meeting in Colombo, the budgets for research and training have been revised to allocate expenditure on staff to the respective departments.

The approved budget for OY 2010/11 was prepared with conscious efforts to allocate adequate resources for undertaking the proposed strategic initiatives and programme of activities while containing institutional expenditure without compromising the quality of learning and research. In light of this, the approved budget for OY 2010/11 records an increase of 16.7 percent over the approved budget for the previous OY, as against an increase of 8.68 percent for OY 2009/10. The increase in the approved budget was mainly due to new strategic initiatives and an increase in training and research expenditure. The compositions of budgets for OY 2009/10 – 2010/11 are also reflective of the BOG decision to refocus The SEACEN Centre’s activities, emphasising on training. As shown by the figures below, the relative share of expenditure for training has increased to about 54 percent in OY 2010/11.

Percentage Composition of Major Category of Expenditure			
	OY 2008/09	OY 2009/10	OY 2010/11
Training	54.6 %	55.5%	54.1%
Research	23.6%	24.1%	24.0%
Institutional	21.8%	20.4%	21.9%
Total	100%	100%	100%

Chart 13 TOTAL APPROVED BUDGET AND ACTUAL EXPENSES compares the total approved budget and total actual expenditure during OY 1993/94-2010/11. It can be observed that since OY 1993/94, except in OY 2005/06, total annual actual expenditure has been lower than the approved budget, which could be mainly attributable to expenditure rationalisation measures. The unaudited expenditure for OY 2009/10 amounts to RM 6,808,464 representing 87.02 percent of the approved budget of RM 7,823,800.

It should be noted that the contribution from each SEACEN member is based on an equal sharing of actual expenditure and not approved budget. Accordingly, when actual expenditure falls below the approved budget, each SEACEN member's contribution will be correspondingly smaller.

Arrangements with Collaborating Institutions

The SEACEN Centre has benefited from the collaboration with several international financial institutions and other reputed training providers in conducting the training activities. The major institutions are listed in Table 3 INSTITUTIONS AND AREAS OF COLLABORATION IN TRAINING ACTIVITIES.

The basis for collaboration and the existing arrangements with these institutions could be summarised as follows:

1. The collaboration is based on mutual benefits.
2. No formal memorandum of understanding (except with BOJ for financing a few selected training events); arrangements are based on informal contact and agreement.
3. The collaborating institutions usually provide:
 - *speakers, free of charge,*
 - *pedagogic materials, free of charge, and cover the cost of air travels for speakers and their officials (which is a very high component of training costs).*

Financing Arrangement

At the 20th BOG Meeting in Singapore on 1 June 2001, the BOG agreed in principle to adopt the Consultants' proposal to depart from current practice of equal cost sharing for all activities, and to divide the SEACEN budget into 2 parts:

1. Core budget: Covering the staple activities of The SEACEN Centre, which would continue on an equal cost-sharing basis; and
2. Supplementary budget: Covering programme-oriented activities to be financed through voluntary contributions by members and/or interested non-members.

Since OY 2004/05, the Bank of Japan (BOJ) had been providing a grant of up to 10 million Yen per year to fund selected SEACEN training activities. The selection of BOJ-funded training events had been based on the list of the approved SEACEN training programme for each operating year. The funding had been provided on a reimbursement basis and the SEACEN BOG has ratified the formalisation of the funding at its 29 July 2007 Meeting in the "Agreement between the Bank of Japan (BOJ) and The SEACEN Centre Concerning Financial Assistance for Training Assistance" and granted permission to the SEACEN Executive Director to sign the Agreement on behalf of The SEACEN Centre.

Budget for Operating Year 2010/11

SEACEN's OY 2010/11 budget allocates resources to ensure the execution and achievement of the identified strategic initiatives. To meet the expectations of member banks, preparation of the budget is guided by:

- Strategic initiatives identified
- Strategy to leverage on collaborators for funding and subject matter experts
- Strategy to leverage on member and non-member central banks for subject matter experts
- Review of costs and processes to avoid wastage and optimise the use of existing assets
- Prioritisation of expenses
- Outsource non-core service

The budget for the Operating Year 2010/11 amounts to RM 9,130,000, reflecting an increase of 16.7 percent from the approved budget of OY 2009/10. As mentioned earlier, the budget increase reflects mainly the new strategic initiatives as well as the increase in training and research activities. The budget increase could have been higher if not for the estimated cost savings arising from the reduced number of support staff, engagement of short-term VREs instead of long-term expatriate senior economists, free utilities and free access to Bank Negara Malaysia's Knowledge Management Centre when the Centre moves to Sasana Kijang as well as lower cost of seminar packages for SEACEN learning and research programmes scheduled to be conducted in Lanai Kijang and Sasana Kijang of Bank Negara Malaysia.

A comparison of the major budget items for Operating Years 2009/10 and 2010/11 is shown in Table 8 COMPARISON OF MAJOR BUDGET ITEMS BETWEEN OY 2010/11 AND 2009/10.

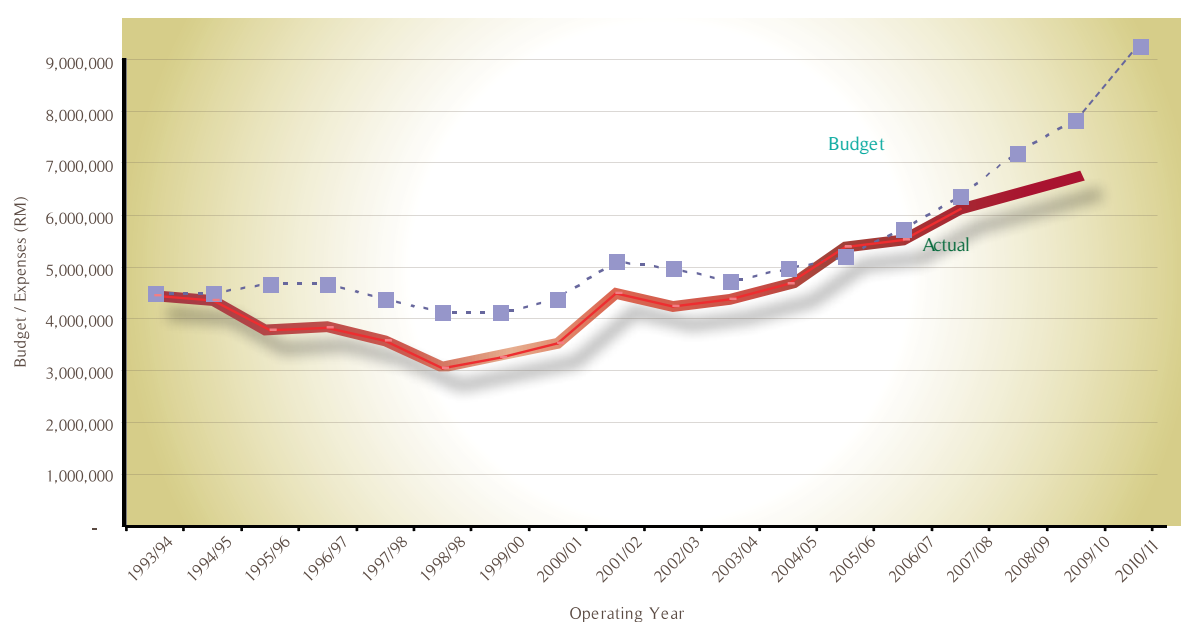
Based on the agreed formula of cost sharing among the member central banks and monetary authorities, the estimated amount of core programme budget payable by each member central bank and monetary authority for OY 2010/11 is RM 570,625 equivalent to US\$ 167,831.

**Table 7 APPROVED BUDGET AND ACTUAL EXPENDITURE
OPERATING YEARS 1994/95 – 2010/11**

Operating Year	Institutional Expenses		Research Expenses		Training Expenses		Total Expenses	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
1994/95	3,519,663	3,418,034	207,500	193,925	754,000	745,681	4,481,163	4,357,640
1995/96	3,548,112	2,952,648	198,160	71,099	917,000	747,215	4,663,272	3,770,962
1996/97	3,516,837	3,044,478	201,000	71,068	953,000	699,521	4,670,837	3,815,067
1997/98	3,226,655	2,824,375	189,200	85,020	949,000	664,719	4,364,855	3,574,114
1998/99	3,346,490	2,418,576	210,580	165,988	555,930	462,430	4,113,000	3,046,994
1999/2000	3,257,423	2,527,605	179,395	125,081	676,182	595,100	4,113,000	3,247,786
2000/01	3,498,815	2,834,411	155,485	65,228	715,700	622,630	4,370,000	3,522,269
2001/02	3,977,622	3,565,304	188,378	183,394	951,000	745,008	5,117,000	4,493,706
2002/03	3,849,341	3,516,701	123,275	117,910	1,007,384	595,612	4,980,000	4,230,223
2003/04	3,913,700	3,789,393	146,300	138,901	652,000	442,778	4,712,000	4,371,072
2004/05	4,067,300	3,876,334	165,700	159,410	745,000	635,168	4,978,000	4,670,912
2005/06	4,121,420	4,246,926	326,230	322,720	761,500	816,301	5,209,150	5,385,947
2006/07*	1,265,100	1,273,317	1,872,250	1,744,878	2,592,200	2,510,874	5,729,550	5,529,069
2007/08*	1,397,000	1,403,015	2,095,400	1,783,364	2,865,400	2,635,733	6,357,800	5,822,112
2008/09*	1,568,600	1,529,887	1,700,500	1,574,787	3,930,000	3,289,539	7,199,100	6,394,213
2009/10*	1,599,600	1,549,712	1,883,900	1,724,342	4,340,300	3,534,410	7,823,800	6,808,464
2010/11*	1,998,600		2,188,800		4,942,600		9,130,000	
AVERAGE FOR (2006-07) TO (2010/11)	1,565,780	1,438,983	1,948,170	1,706,843	3,734,100	2,922,639	7,248,050	6,138,465
PERCENT OF TOTAL (AVERAGE)	21.6	23.4	26.9	27.8	51.5	48.8	100.0	100.0

* The sectoral amounts in 2006/07, 2007/08, 2008/09, 2009/10 and 2010/11 are not comparable to those in the previous years due to reclassification of budgetary items.

**Chart 13 TOTAL APPROVED BUDGET AND ACTUAL EXPENSES
THE SEACEN CENTRE'S OPERATIONAL YEAR BUDGET (OY1993/94 - OY2009/10)**



**Table 8 COMPARISON OF MAJOR BUDGET ITEMS
BETWEEN OY2010/11 AND OY2009/10**

	Operating Year 2009/10		OY 2010/11 Budget	Percentage Change over OY 2009/10	
	Budget	Actual Expenses		Budget	Actual Expenses
I. Institutional Expenditure	1,599,600	1,549,712	1,998,600	20.0	22.5
· Staff	1,264,300	1,224,586	1,356,200	6.8	9.7
· Administration	124,700	116,037	135,200	7.8	14.2
· Premises & Equipment	33,200	32,705	104,800	68.3	68.8
· Computerisation	169,500	168,484	390,400	56.6	56.8
· Contingency	7,900	7,900	12,000	34.2	34.2
II. Research	1,883,900	1,724,342	2,188,800	13.9	21.2
· Staff	1,373,500	1,319,967	1,236,500	-11.1	-6.8
· Library	36,400	28,906	20,400	-78.4	-41.7
· Publications	106,000	110,781	187,600	43.5	40.9
· Research Programme	368,000	264,688	744,300	50.6	64.4
III. Training	4,340,300	3,534,410	4,942,600	12.2	28.5
· Staff	1,989,500	1,699,648	1,953,400	-1.8	13.0
· Administration	145,100	144,460	254,000	42.9	43.1
· Training Programme*	2,205,700	1,690,302	2,735,200	19.4	38.2
IV. Total	7,823,800	6,808,464	9,130,000	20.0	22.4

* Training programme budget comprises courses, seminars, workshops, meetings, case studies and does not include the supplementary budget of events financed by Bank of Japan and self-funded activities.
Note: Actual for OY 2009/10 are provision and unaudited.