



**Protocol on Finance and Investment Baseline Study: Swaziland Country Report**

October 2011



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A report reflecting the state of progress of implementation of the Protocol on Finance and Investment in SADC

### **Imprint**

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## LIST OF ABBREVIATIONS

AATM	Agreement on Assistance in Tax Matters
AfDB	African Development Bank
CBS	Central Bank of Swaziland
CISNA	Committee for Securities, Insurance and Non-Banking Financial Authorities
CMA	Common Monetary Area
COMESA	Common Market for Eastern and Southern Africa
COSSE	Committee of SADC Stock Exchanges
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
DFRC	Development Finance Resource Centre
DTAA	Double Taxation Avoidance Agreement
ESAAMLG	East and Southern African Anti-Money Laundering Group
EU	European Union
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FIP	Protocol on Finance and Investment
FSB	Financial Services Board
FSC	Financial Services Center
FSECC	Federation of Swazi Employees and Chamber of Commerce
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IAS	International Accounting Standards
IAIS	International Association of Insurance Supervisors
ICP	International Cooperation Partner
ICSID	International Centre for the Settlement of Investment Disputes
IFRS	International Financial Reporting Standards
IOPS	International Organisation of Pension Supervisors
IOSCO	International Organisation of Securities Commissioners
IMF	International Monetary Fund
IPA	Investment Promotion Agency
JSE	Johannesburg Stock Exchange
MEPD	Ministry of Economic Planning and Development
MIGA	Multilateral Investor Guarantee Agency
MoF	Ministry of Finance

MS	Member states
NBFI	Non-Banking Financial Institutions
NCP	National Contact Point
OECD	Organisation for Economic Cooperation and Development
PPDF	Project Preparation and Development Fund
PPP	Public Private Partnerships
RFI	Regional Financial Integration
RIRF	Registrar of Insurance and Retirement Funds
RISDP	Regional Indicative Strategic Development Plan
RTGS	Real Time Gross Settlements
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCBA	SADC Bankers' Association
SARS	South African Revenue Service
SEDCO	Small Enterprise Development Corporation
SIDC	Swaziland Industrial Development Company
SIPA	Swaziland Investment Promotion Authority
SME	Small and Medium Enterprises
SMSD	SADC Statistical Macroeconomic Database
SRA	Swaziland Revenue Authority
SSX	Swaziland Stock Exchange
USD	United States Dollar
VAT	Value-Added Tax
WEF	World Economic Forum

# 1. CONTEXT

Swaziland is a small-landlocked country, bordered by South Africa and Mozambique with a population of only 1.046 million people, with English and siSwati as official languages. Swaziland's economy<sup>1</sup> has a narrow industrial base, with production concentrated to a few sectors of the economy. Agriculture contributes 8.3% of GDP, while manufacturing contributes 28.2% of GDP. Manufacturing is concentrated in the following sectors:

- Sugar refining
- Light manufactured goods
- Wood pulp
- Textiles
- Processed foods
- Consumer goods

Swaziland's main trading partners are South Africa, the EU and Mozambique. In 2010, Swaziland's exports were USD 1.417 billion.

Swaziland is ruled by one of the world's last remaining monarchs, His Majesty King Mswati III, with an executive monarchy system of government. Swaziland's government is headed by a prime minister and parliament consists of both a House of Assembly and Senate. The Prime Minister is elected by the King from Parliament.

Swaziland is a member of the Common Market for Eastern and Southern African Countries (COMESA), the Southern African Customs Union (SACU) and the Southern African Development Community (SADC).

According to the International Monetary Fund's (IMF) Article IV Report, Swaziland is currently facing a fiscal crisis, driven by a large decline in SACU receipts and "one of the largest government wage bills in Sub-Saharan Africa"<sup>2</sup>. Swaziland has, therefore, requested but has not yet obtained financial assistance and technical assistance from the African Development Bank (AfDB), the IMF, the World Bank, the European Union and South Africa. In order to address these fiscal challenges, the Swazi government have embarked on a series of economic programmes to meet these challenges, including the Fiscal Adjustment Roadmap and the Economic Recovery Strategy.<sup>3</sup>

Further, the IMF Article IV Report states that the Swazi economy is underperforming in comparison to other SACU members, which points to a lack of competitiveness and

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<sup>1</sup> Information available at: <http://www.state.gov/r/pa/ei/bgn/2841.htm>

<sup>2</sup> IMF. 2010. Article IV report on the Kingdom of Swaziland. (available online) <http://www.imf.org/external/pubs/ft/scr/2011/cr1125.pdf>

<sup>3</sup> Information provided by the Ministry of Commerce, Industry and Trade

underdevelopment of the private sector<sup>4</sup>. In order to improve the performance of the private sector, the Swazi government has recently launched the Private Sector Development Strategy, which includes a focus on improving cooperation between the public and private sectors.

It is striking that this macroeconomic environment must contribute to developments in the finance and investment sectors of the economy, however very little reference was made during interviews with government and central bank officials about macroeconomic challenges requiring remedy in this policy space.

## **2. STATUS OF IMPLEMENTATION**

### **2.1. STATUS OF FIP RATIFICATION**

Swaziland has not ratified the Protocol on Finance and Investment (FIP). However, based on accounts from interviewees in the various institutions responsible for FIP implementation, there is a desire to fast track its approval by Parliament.

### **2.2. FIP STRUCTURES**

Swaziland's Ministry of Foreign Affairs and International Cooperation has a dedicated SADC Unit which is mandate to oversee and coordinate FIP activities, as well as the activities relating to the other SADC protocols. The SADC Unit is managed by the SADC National Contact Point, through which it liaises with the SADC Secretariat. The SADC Unit has established a national planning committee to improve FIP coordination. This committee consists of technocrats from all relevant institutions tasked with FIP implementation, the private sector (represented by the Federation of Swazi Employees and Chamber of Commerce, FSECC, and the Federation of Swaziland Business Community (FESBC)), and members of civil society. The committee meets quarterly, or as deemed necessary. The Ministry of Finance, however, is the custodian of the FIP, tasked with ensuring that the FIP is ratified, and ensuring that commitments are implemented.

These domestic implementation institutions provide an indication that all appropriate structures are in place to ensure that domestic coordination is effective. However, according to the Director of the SADC Unit, meetings of the national planning committee are poorly attended. Further, the Director mentioned that communication between the SADC Unit and FIP stakeholders is proving difficult. This has made it particularly challenging for the SADC Unit to gauge how much has been achieved in FIP implementation, and to mobilise resources to improve the pace of FIP implementation. A specific issue raised is that the SADC Unit has realised that stakeholders responsible for FIP implementation are not the people who are attending regional subcommittee meetings. This may point to FIP stakeholders in various Swazi institutions not being sufficiently committed to the national planning committee initiative to enable it to operate effectively, rather than to poor coordinating infrastructure or management of coordination by the SADC Unit.

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<sup>4</sup> IMF. 2010. Article IV report on the Kingdom of Swaziland. (available online) <http://www.imf.org/external/pubs/ft/scr/2011/cr1125.pdf>

Based on interviewees' comments, it is clear that this committee is still in the early stages of implementation and that there are a number of structural and organisation issues to solidify. According to the Ministry of Commerce, Industry and Trade officials, communication challenges and poor committee attendance may be attributable to a lack of clarity on which ministry should be leading and organising meetings.

Importantly, Swaziland has already involved the private sector in FIP implementation, even at this early stage. The private sector, represented by FSECC, has a good knowledge of the FIP and which issues are relevant and important for developments in the private sector. FSECC has also taken it upon itself to communicate information about the FIP with its members, who constitute approximately 80% of all businesses operating in Swaziland across all sectors. The FSECC official interviewed stated that the primary weakness at this stage is that they only receive report backs from Swazi FIP stakeholders rather than be consulted in advance of particular processes, and that they find this is too late to influence FIP implementation in the country.

Swaziland is represented on all FIP subcommittees.

### **2.2.1. ANNEX 1: COOPERATION ON INVESTMENT**

The Investment Subcommittee meetings are attended by the Ministry of Commerce, Industry and Trade's Department of Industry and by the Chief Executive Officer of Swaziland Investment Promotion Authority (SIPA). SIPA has also attended the SADC Investment Promotion Agency (IPA) Forum. Swaziland has an institution charged with the promotion of small and medium enterprise investment, Small Enterprise Development Corporation (SEDCO). According to the Department of Industry officials, there is close coordination between the department, SIPA and SEDCO. These initiatives include the Ministry of Commerce, Industry and Trade being represented on SIPA and SEDCO's boards, joint promotional visits and direct investor targeting.

SIPA is mandated by an Act of Parliament to promote both foreign and local investment with the primary aim of job creation. SIPA takes the government pronouncement of current industrial and investment policy focus to guide the direction their initiatives take. Currently, SIPA is concentrating on agribusiness, mining, light manufacturing and textiles, and hospitality and support services.

SIPA and the Central Bank of Swaziland (CBS) both collect data on foreign direct investment (FDI) stocks and flows. Table 1 below provides Swaziland's FDI statistics for the years 2007 to 2010. The table shows that FDI has shown a worryingly volatile trend. According to the SIPA official interviewed, this volatility has characterised FDI inflows since 2002. Moreover, FDI has never constituted more than 5% of GDP. The SIPA official stated that Swaziland attracts FDI mostly into the textile and apparel sector, light manufacturing, agribusiness, mining and tourism and hospitality. Recently, India has become a significant source of FDI, however South Africa remains an important investor in Swazi industry.

**Table 1: Swaziland's FDI inflows (Source: SIPA)**

<b>Year</b>	<b>FDI flows</b>
2007	USD 37 million
2008	USD 106 million
2009	USD 66 million

Year	FDI flows
2010	USD 40 million

Swaziland has a system of investment related policies and regulations that ensure that foreign and domestic investors have the same rights. All policies and regulations are available on the centralised government website<sup>5</sup>. However, these policies and regulations are in the process of being formalised and unified within a legal framework. The Investment Policy has been drafted and is awaiting submission to Cabinet and approval by Parliament. This legal framework is intended to incorporate all existing laws that impact investors (for example, regarding foreign exchange, emigration and land uses) as well as including amendments (for example, recent changes to trade licensing arrangements). Progress has also been made in the implementation of the Investor Roadmap which addresses the administrative and legislative procedures and processes hindering investment.

Importantly, investment laws concerning SMMEs exist in the Citizens Empowerment Bill, which is also intended to be a transparent policy framework that enables investor awareness regarding all requirements. This bill is under the custodianship of the SMME Unit, who are also responsible for its implementation.

As members of the Multilateral Insurance Guarantee Agency (MIGA) and the International Centre for the Settlement of Investor Disputes (ICSID), the Department of Industry official interviewed stated that Swaziland is committed to ensuring that investors are protected against the loss of property through expropriation and nationalisation. Swaziland has not, however acceded to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. The Swaziland constitution provides legal impetus to this commitment through the Acquisition of Property Act. This legislation details all processes and procedures to be followed if government were to acquire private property for public use. Particularly, the Act provides for prompt and market-related compensation to investors and right of access to courts. The Ministry of Natural Resources is responsible for the administration of the Acquisition of Property Act.

Despite these provisions, Swaziland received a rating of 4.3 according to the Organisation for Economic Cooperation and Development (OECD) Strength of Investor Protection Index, which is below the SADC average of 6. Improvements in Swaziland's investment climate are currently the focus of the Cabinet subcommittee on Investment, which is chaired by the Ministry of Commerce, Trade and Industry with representation by the Ministries of Economic Planning and Development, Agriculture, Natural Resources and Energy.

The Department of Industry officials interviewed stated that they had missed a number of regional Investment Subcommittee meetings and, as such, were unsure as to developments regarding the Regional Investment Policy Framework<sup>6</sup>. However, the officials stated that they see the FIP and the Trade Protocol as mutually complementary. In this way, the completion and approval of the Regional Investment Policy Framework is viewed by the officials as essential to attracting FDI, increasing inter- and intraregional investment and developing

<sup>5</sup> Information available at: <http://www.business-swaziland.com/>,  
[http://www.gov.sz/index.php?option=com\\_content&view=article&id=377&Itemid=141](http://www.gov.sz/index.php?option=com_content&view=article&id=377&Itemid=141) and  
[http://www.sipa.org.sz/index.php?option=com\\_downloads&Itemid=35](http://www.sipa.org.sz/index.php?option=com_downloads&Itemid=35)

<sup>6</sup> The officials cited budgetary constraints as the primary cause preventing them from attending subcommittee meetings

development finance institutions (DFIs) within SADC. The officials stated that more needs to be done to market the region as an investment destination, but an analysis has to be made as to each country's competitive and comparative advantage to avoid harmful investment competition. Further, the SIPA officials expressed that the Regional Investment Policy Framework should be informed by an attempt to identify and leverage forward and backward linkages between member states.

The Department of Industry officials believe that the SADC Investment Portal is a commendable initiative to enable marketing of the region as a whole. The challenge that the officials foresee is ensuring that all member states commit to regularly updating information. SIPA officials stated that the SADC Investment Portal will be especially useful if it is used to create awareness among member states regarding investment opportunities and trade fairs, internationally and in the region.

## **2.2.2. ANNEX 2: MACROECONOMIC CONVERGENCE**

CBS officials, Ministry of Finance (MoF) officials and Ministry of Economic Planning and Development (MEPD) are represented on the regional Macroeconomic Convergence subcommittee. Likewise, macroeconomic convergence indicators are collected by both institutions as well as the centralised statistics agency<sup>7</sup>.

According to the Ministry of Finance, Swaziland's year-on-year inflation averaged 4.5% in 2010. The CBS officials interviewed provided interim inflation statistics, with year-on-year inflation as of July 2011 at 6.12%. According to both institutions, inflationary pressures are mostly imported. The increase in inflation is reportedly from the global increase in oil prices and subsequent food price inflations. Moreover, the weakening of the Rand translated directly into a depreciation of the Emalangeni. This also puts upward pressure on the inflation rate. According to the MoF officials interviewed, Swaziland's inflation rate is projected to be at approximately 6.5% for 2011, well below the FIP target of inflation below 9.5%.

Swaziland's fiscal deficit expanded to 13.1% of GDP in 2010, well above both the FIP target of below 5% of GDP and the IMF projection provided in their budgetary support programme extended to Swaziland. The MoF officials interviewed stated that the primary cause behind this fiscal deficit expansion was the decline in SACU receipts, which usually constitute almost 60% of official fiscal revenue. However, during the financial crisis, SACU receipts halved. The MoF were forced to cut planned public capital expenditure during 2009 and 2010, in response to lower than expected SACU receipts.

The MoF officials interviewed stated that Swaziland does not expect SACU receipts to increase due to the establishment of a SADC and SACU free trade area. As such, the ministry is in the process of introducing revenue reforms to expand the tax base. A primary component of this reform programme is looking for ways to grow the economy, for example identifying and remedying blockages to growth, implementing the Economic Recovery Strategy<sup>8</sup> and the fiscal adjustment roadmap, and implementing the proposals made by the AfDB regarding diversification of the economy. A major tax reform, through the promulgation of the new value-

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<sup>7</sup> Information provided by CBS and Ministry of Finance officials

<sup>8</sup>Information and documentation available at <http://www.trademarksa.org/news/economic-recovery-strategy-workshop-swaziland>

added tax (VAT) legislation by parliament, is also expected to contribute to broadening the tax base.

Swaziland's public and publicly guaranteed debt was low and stable until the onset of the financial crisis<sup>9</sup>, however, the crisis has placed considerable strain on government finances. This has meant that Swaziland has found it necessary to obtain a ZAR 2.4 billion (USD 344 million) loan from the South African government<sup>10</sup>, as well as increasing the value of their AfDB loan. While the MoF officials interviewed believed that public and publicly guaranteed debt would remain below 60% of GDP, they also stated that the public debt stock would have to increase in the next three years in order to compensate for shortfalls in fiscal revenues.

The MEPD officials are tasked with submitting macroeconomic statistics to the SADC Macroeconomic Statistical Database (SMSD) but they stated that there is some confusion regarding the process to submit information and when Swaziland's last contribution was. The officials acknowledged that information sharing at subcommittee meetings was useful in learning about the experiences of other SADC member states, especially concerning the effect and mitigation of exogenous shocks to the macroeconomy.

Regarding the proposed Peer Review Mechanism, Swaziland MEPD officials indicated that this body would be useful in terms of encouraging compliance with FIP commitments. However, the officials argued that since SADC member states retain sovereignty, compliance with macroeconomic convergence targets will always be balanced with national interest.

Finally, the MEPD officials reported that capacity constraints exist within the ministry and the CBS in terms of data collection, macroeconomic forecasting and the management of a statistical database.

### **2.2.3. ANNEX 3: COOPERATION IN TAXATION AND RELATED MATTERS**

A major reform currently being implemented by the Swaziland Revenue Authority (SRA) and the MoF is the adoption of new value-added tax (VAT) legislation to replace the current sales tax legislation expected to be completed in 2012. In drafting the VAT legislation, the SRA and the MoF made extensive use of South Africa's legal framework as a benchmark. The legislation is intended to harmonise tax rates and exempted goods, such that only a zero-rating and a 14% rating exists in Swaziland<sup>11</sup>.

In terms of information exchange, Swaziland has drafted a bilateral agreement concerning the efficient administration of taxes. According to SRA officials interviewed, the intention of this agreement is to improve cooperation at borders and to facilitate information exchange between revenue authorities in the region. Since the SACU region is already considerably integrated, this agreement is essential to formalise processes for information exchange. The bilateral

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<sup>9</sup> Information provided by Ministry of Finance officials interviewed

<sup>10</sup> The South African government has agreed to the loan but has not advanced the loan as yet, but this loan is conditional on confidence building measures to be undertaken by the Government of Swaziland, implementation of fiscal and technical reforms required by the IMF and accepting capacity building provided by the government of South Africa taken from National Treasury (2011). "RSA statement on loan to Swaziland" available at: <http://www.trademarksa.org/news/full-text-rsa-statement-loan-swaziland>

<sup>11</sup> Information provided by SRA officials interviewed

agreement has been drafted and negotiations have been completed between the SRA and the South African Revenue Services (SARS), but awaits signature from both the Swazi and South African ministers of finance. The intention is extend a similar agreement to other SADC member states.

The SRA officials interviewed stated that cooperation and information flows between revenue authorities is essential, especially as trade flows increase in the region. The SRA officials reported that Swaziland contributed to the drafting of the Agreement on Assistance on Tax Matters. To this end, membership to the regional Tax Subcommittee has increased the SRA's network and facilitated communication channels between the region's revenue authorities.

The SRA officials voiced confusion regarding how to go about updating Swaziland's tax legislation presented on the SADC Tax Database. The officials stated that they had attended a workshop to this effect, but require further clarification on systems for contributing to the SADC Tax Database.

The SRA officials were involved in drafting SADC guidelines for tax incentives; however the officials believe that some issues require further clarification. In particular, the regional Tax Subcommittee must address the issue that member states are at different levels of development and therefore have different needs in terms of attracting foreign investment. Notwithstanding this concern, SRA officials reported that subcommittee discussion regarding tax incentives was useful in informing Swaziland's tax incentives reforms. All tax incentives are now governed by legislation, which provides no allowance for discretionary tax incentives or tax holidays, outlines all processes to be followed when investors apply for tax incentives, and guidelines for the administration of tax incentives. These reforms are incorporated in the Income Tax Act, available on the SRA website<sup>12</sup>.

SRA officials reported that Swaziland does not currently uses a cost-benefit analysis tool when considering reforms to tax policy. However, when implementing reforms on tax incentives, a qualitative analysis of the revenue implications of these changes were considered. The SRA has highlighted that the introduction of a cost-benefit analysis tool is important for inclusion in the institution's internal processes.

Swaziland uses both the SADC and OECD double taxation avoidance agreement (DTAA) models. In completing negotiations, Swaziland evaluates both DTAA models on their merits before deciding which to use. DTAA's have been signed with South Africa and Mauritius. Negotiations have been completed with Botswana and Seychelles; however these DTAA's are yet to be signed. Negotiations are also underway with Lesotho and Mozambique. The completed DTAA's are available on the SRA website<sup>13</sup>.

According to the SRA officials, the establishment of the SADC Tax Disputes Settlement Mechanism has not progressed far enough. At domestic level, Swaziland has completed treaties with various states, with mutual agreement clauses performing the function of a disputes settlements mechanism.

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<sup>12</sup> Information available at: <http://www.sra.org.sz/>

<sup>13</sup> Information available at: <http://www.sra.org.sz/>

SRA officials stated that they had benefited from attending both SADC and African Tax Administrators Forum (ATAF) capacity building initiatives. These workshops included short courses on exchange of information, the negotiation of tax treaties and customs administration. A recent proposal submitted to the subcommittee was for SADC revenue authorities to participate in the exchange of staff.

#### **2.2.4. ANNEX 4: COOPERATION AND COORDINATION OF EXCHANGE CONTROL POLICIES**

Swaziland has embarked on the liberalisation of both the current and capital account, however limits remain on foreign exchange transactions in both accounts. Examples of limits on foreign exchange flows from the current account are restrictions on foreign travel allowances and study allowances. An example in the capital account is that private individuals may only be allowed to keep foreign bank accounts, onshore foreign currency denominated bank accounts, and fixed property up to a limit of 2 million Emalangeni.

Swaziland has implemented an automated system for recording and reporting information regarding cross-border foreign exchange transactions. This system was established in 2001. All Authorised Dealers submit information regarding foreign exchange transactions to the CBS on a daily basis.

Swaziland has also signed an agreement with the Reserve Bank of South Africa regarding the repatriation of Rand bank notes. Swaziland has a similar agreement with Absa Bank operating in South Africa, which stipulates that Emalangeni will be sent back to the CBS once the bank accumulates 1 million Emalangeni (approximately USD 125,000).

Importantly, Rand is legal tender in Swaziland. This means that there is indirect currency convertibility through the Rand into currencies with which the Rand is convertible. However, the converse is not true since the CBS does not keep enough Rand reserves<sup>14</sup>.

#### **2.2.5. ANNEX 5: HARMONISATION OF LEGAL AND OPERATIONAL FRAMEWORKS<sup>15</sup>**

Currently, the CBS does not have operational independence and has not been mandated to achieve the objective of price stability. The CBS is able to borrow to the government, but this is limited to the purchase of government securities<sup>16</sup>.

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<sup>14</sup> All information in this section was provided through email correspondence with the CBS official who represents Swaziland on the Exchange Control subcommittee.

<sup>15</sup> Information on this section was obtained through desktop research since it was not possible to interview the Legal and Operational Frameworks subcommittee representative from the CBS.

<sup>16</sup> UN Economic Commission for Africa & SADC 'Governance of Financial Institutions in Southern Africa'

## **2.2.6. ANNEX 6: COOPERATION ON PAYMENT, CLEARING AND SETTLEMENT SYSTEMS**

The CBS implemented a Real Time Gross Settlements (RTGS) system in 2007. The system is used by the CBS and the four commercial banks operating in Swaziland<sup>17</sup>. According to the CBS official interviewed rules and procedures for risk mitigation have been developed in consultation with all participants in the banking sector and have been implemented with all participants' approval.

The CBS has a central oversight unit that monitors transactions and performs a regulatory function. This is in accordance with an oversight framework which has been disseminated to all participants through circulars. The oversight framework includes on-site inspections, methodology for data collection and reporting and a disaster recovery system. All reports are reviewed by the CBS's management committee<sup>18</sup>.

Swaziland's RTGS uses a clearing house that is owned by the CBS and the four commercial banks in equal shares. The clearing system is automated and was implemented in 2001<sup>19</sup>.

Swaziland now has a National Payments and Settlements law, which was passed in November 2011. In drafting the law, the CBS made extensive use of the principles in the SADC Model Central Bank Law. The law is intended to support existing rules and procedures used in the management of the RTGS, and to provide legal effect to these rules and procedures through the introduction of sanctions and penalties for non-compliance<sup>20</sup>.

A national payments systems strategy has been devised and was launched in 2010. The strategy document is available on the CBS website<sup>21</sup>. Swaziland makes use of the Common Monetary Area (CMA) strategy and oversight mechanisms for cross-border payments<sup>22</sup>.

According to the CBS officials interviewed, the CBS looks forward to the launch of a linked SACU RTGS. The adoption of this regional system for the SACU member states is believed to be important in increasing efficiency and to decrease transmission costs. Looking forward to the 2012 implementation date for the pilot, the CBS officials stated that all appropriate technology has been implemented. Since the CBS RTGS already makes use of the SWIFT platform, officials do not foresee any issues in linking to a regional RTGS. In terms of the pilot, the CBS officials mentioned extensive consultation with the commercial banks operating in Swaziland, and it is believed that these commercial banks are committed to the pilot.

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<sup>17</sup> Information provided by CBS officials interviewed

<sup>18</sup> Information provided by CBS officials interviewed

<sup>19</sup> Information provided by CBS officials interviewed

<sup>20</sup> Information provided by CBS officials interviewed

<sup>21</sup> Information on the national payments systems strategy is available at [http://www.centralbank.org.sz/index.php?option=com\\_content&view=article&id=10&Itemid=27](http://www.centralbank.org.sz/index.php?option=com_content&view=article&id=10&Itemid=27) (along with other information relevant to the national payments systems)

<sup>22</sup> Information provided by CBS officials interviewed

## 2.2.7. ANNEX 8: COOPERATION ON BANKING SUPERVISION

Banking regulation and supervision frameworks are stipulated in the Financial Institutions Act of 2005. This articulates all policies and procedures for the regulation of the CBS and the banking sector in Swaziland<sup>23</sup>.

According to the CBS official interviewed, Swaziland has achieved partial compliance with the Basel Core Principles. The CBS's level of compliance is provided by Table 2 below<sup>24</sup>. In terms of capital adequacy ratios, the CBS is fully compliant with the original requirements of Basel 1 however these requirements have since been amended. The CBS is currently investigating the ramifications of the new method of calculating the capital adequacy ratio and how to implement reforms to comply with Basel 1.

**Table 2: Compliance with 25 Basel Core Principles**

<b>Basel Core Principle</b>	<b>Level of compliance</b>
Principle 1: Objectives, independence, powers, transparency and cooperation	Compliant
Principle 2: Permissible activities	Compliant
Principle 3: Licensing criteria	Largely Compliant
Principle 4: Transfer of significant ownership	Compliant
Principle 5: Major acquisitions	Compliant
Principle 6: Capital adequacy	Compliant
Principle 7: Risk management process	Compliant
Principle 8: Credit risk	Compliant
Principle 9: Problem assets, provisions and reserves	Largely Compliant
Principle 10: Large exposure limits	Compliant
Principle 11: Exposures to related parties	Compliant
Principle 12: Country and transfer risks	Compliant
Principle 13: Market risk	Not Compliant
Principle 14: Liquidity risk	Compliant
Principle 15: Operational risk	Compliant
Principle 16: Interest rate risk in the banking book	Compliant
Principle 17: Internal control and audit	Compliant
Principle 18: Abuse of financial services	Partly Compliant
Principle 19: Supervisory approach	Compliant
Principle 20: Supervisory techniques	Compliant
Principle 21: Supervisory reporting	Partly Compliant
Principle 22: Accounting and disclosure	Compliant
Principle 23: Corrective and remedial powers of supervisors	Compliant
Principle 24: Consolidated supervision	Not Compliant
Principle 25: Home-host relationships	Partly Compliant

CBS is currently introducing risk-based supervision practises into the Swaziland banking sector. Consultants were engaged to advise on this process. To date, two commercial have introduced this approach, and reforms will continue to be rolled out to the remaining banks into 2012. All changes to banking supervision and regulatory frameworks, including the introduction of risk-based supervision, are communicated to the private sector banking stakeholders

<sup>23</sup> Information provided by CBS officials interviewed

<sup>24</sup> All information provided by CBS officials interviewed

through circulars and notifications. According to the CBS official interviewed, the CBS has identified that there are gaps between the content of these circulars and discussions within the CBS regarding international developments in the banking sector. At the moment, the CBS is working on methods to bridge these gaps.

The CBS official interviewed stated that the CBS currently does not implement self-assessment audits and does not use the International Financial Reporting Standards (IFRS) in the completion of internal audits. However, the CBS is audited by independent external auditors who ensure that all financial reporting and audit statements are adapted to be compliant with IFRS.

The recent auditing process identified that internal auditing staff lack specific skills that require immediate attention and remediation<sup>25</sup>. To address this skills constraint, internal auditing staff members of the banking supervision department have been seconded to the internal finance department of the CBS, in order to work on implementation of IFRS. However, this internal capacity building project is insufficient, according to the CBS official interviewed, pointing to a need for external capacity building initiatives.

The CBS is a member of the East and Southern African Anti-Money Laundering Group (ESAAMLG). A mutual evaluation has been completed for Swaziland in 2010, however the report is not available to the public as yet<sup>26</sup>. In order to improve Swaziland's compliance with the Financial Action Task Force's (FATF) 40 plus 9 Special Recommendations, the CBS's Financial Intelligence Unit has formed a national task force, comprising of both public and private sector stakeholders.

According to the CBS official interviewed, compliance with the FATF recommendations is not really a priority for the CBS due to the fact that it is an expensive initiative. At the same time, Swaziland has porous borders and has experienced increased activity in white collar crime and corruption. As such, the CBS official has voiced the need for increased capacity among law enforcement agencies and improved technology to assist Swaziland in dealing with the issue of money laundering before the issue becomes more serious.

## **2.2.8. ANNEX 9: COOPERATION IN RESPECT OF DEVELOPMENT FINANCE INSTITUTIONS**

Swaziland is represented by three development finance institutions (DFIs) in the DFI network, namely the SwaziBank, the Swaziland Industrial Development Company (SIDC) and the Swaziland Development Finance Corporation (FINCORP)<sup>27</sup>, as well as the CBS.

FINCORP is an SME financing institution, established in 1996 to improve SMEs' access to credit and business development support. FINCORP operates across all sectors of the economy, however is only mandated to lend to majority Swazi-owned SMEs with geographical

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<sup>25</sup> Information provided by CBS official interviewed.

<sup>26</sup> Information provided by CBS official interviewed.

<sup>27</sup> SwaziBank and SIDC did not attend the scheduled interview and have not responded to the consultant's request that the information be submitted via email. Therefore, this section only reports information from Fincorp and the CBS

presence in Swaziland<sup>28</sup>. Swazibank is a savings bank founded in 1965 by the late King Sobhuza II to stimulate savings and investment into development projects like smallholder farming and housing. Today, Swazibank provides numerous financial products for both personal and business use<sup>29</sup>. SIDC was formed through a partnership between government and major international financial institutions in order to support domestic industrial investment through the provision of equity, loans and property lease.

Currently, FINCORP has a loan book of 434 million Emalangeni, which amounts to 8000 active loans. FINCORP initially made only uncollateralised loans, however; in order to better manage risks in their portfolio, FINCORP has instituted a partial collateralised loan arrangement. This collateral requirement falls away where SMEs are able to provide an assertion of proceeds or are willing to enter into a contract, in which FINCORP is entitled to 5% of future profits. FINCORP has recently introduced salary-based lending through its subsidiary, FirstFinance. The subsidiary already has over 6000 clients who use loans mostly for education, rural housing and electrification.

The CBS acts as a DFI by managing the operation of two government guarantee schemes since the early 1990s. These guarantee schemes are intended to assist SMEs in accessing funds from commercial banks, up to a maximum loan guarantee of 75% of the loan value or 150 000 Emalangeni. The CBS is mandated to operate solely in the manufacturing sector and to only guarantee the loans of Swazi-based and Swazi-owned companies.

FINCORP has recently gone through a the credit rating process, however; the rating and analysis still needs to be finalised and only interim results are available for internal purposes.

Both the CBS official and FINCORP's Acting Managing Director stated that the capacity building events provided by the Development Finance Resource Centre (DFRC) have proved to be useful. The interviewees made special mention of exchange programmes, training provided on managing corporate governance arrangements and training on formulating a strategic direction for operations. However, FINCORP's Acting Managing Director stated that he felt the DFRC had too heavy a bias towards general capacity building rather than implementing initiatives that are relevant to specific groups of similar DFIs. He believes that the SME wing at the SADC Secretariat was more helpful for his DFI (and other DFIs in the region that are mandated to serve domestic businesses or SMEs).

FINCORP's Acting Managing Director also stated that the DFRC could play a more useful role in visiting DFIs around the reason and pre-empting issues that put these DFIs at risk of failure. The DFRC could then consult on the best means of preventing failure. Besides this, information sharing through the DFI Network should concentrate on sharing experience with the many challenges faced by DFIs operating in the SADC region, how best to mitigate risks and to improve operations. The interviewee stated a need for the DFI Network to be strengthened.

Regarding the proposed Regional Insurance Guarantee Scheme, a public-private partnership (PPP) framework, and the Project Preparation Development Fund (PPDF), both the CBS and

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<sup>28</sup> To date, there has only been one board-approved exception to which Fincorp extended a loan, primarily because the SME was supplying to other Swazi-based and Swazi-owned SMEs.

<sup>29</sup> Information available at <http://www.swazibank.sz/about-us.html>

the Fincorp interviewees stated that these may be important regional initiatives but were outside their institutions' ambit<sup>30</sup>.

## **2.2.9. ANNEX 10: COOPERATION ON NON-BANKING FINANCIAL INSTITUTIONS**

Both the Registrar of Insurance and Retirement Funds<sup>31</sup> (RIRF) and the CBS<sup>32</sup> attend meetings of the Committee for Insurance, Securities and Non-Banking Financial Authorities (CISNA). There is an initiative to implement a new consolidated legislation concerning all non-banking financial institutions (NBFIs), and to unify the CBS capital markets regulator and the RIRF within a single independent regulator. However, this process is delayed pending the appointment of a chief executive officer and confusion in Parliament as to how the divisions within this consolidated regulator would work<sup>33</sup>.

Swaziland has achieved compliance with the International Organisation of Pension Supervisors' (IOPS) and the International Association of Insurance Supervisors' (IAIS) requirements, but not the International Organisation of Securities Commissioners' (IOSCO) requirements<sup>34</sup>. Regarding the last, the CBS official interviewed stated that the CBS has done well to improve compliance with IOSCO with the assistance of the Financial Sector Board (FSB) of South Africa. Currently, Swaziland is substantively compliant with IOSCO, although nine new requirements have been included which the CBS is currently reviewing for implementation. The CBS official commended the CISNA Secretariat on facilitating SADC country's membership to international organisation and attendance of conferences, primarily by campaigning for fees to be reduced.

Both the RIRF and CBS officials reported that self-assessments were recently completed for both institutions to assess the level of compliance with IOPS, IAIS and IOSCO. The institutions are also engaged in reviewing draft harmonisation frameworks devised by CISNA, checking general compliance and instances in which adherence with the frameworks should be strengthened.

Swaziland has signed CISNA's multilateral memorandum of understanding regarding information exchange. The CBS official interviewed stated that CISNA has been helpful in improving information exchange, especially through the presentation of market development reports by each member state at CISNA meetings. The CBS official added that the standard format for these market development reports is a useful addition to improve communication and information flows.

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<sup>30</sup> The interviewees did mention that these may be more relevant to SIDC and SwaziBank, however the DFIs were unavailable for comment

<sup>31</sup> The RIRF regulates three short-term insurers and six long-term insurers, as well as 64 pension funds (some of which are incorporated under umbrella funds)

<sup>32</sup> The CBS regulates the Swaziland stock exchange and collective investment schemes, as well as the operations of investment advisors and stock brokers.

<sup>33</sup> Perspective provided by CBS official, who believes that the confusion arose primarily from the fact that the legislation was drafted in isolation to the establishment of the consolidated regulator.

<sup>34</sup> Information provided by CBS officials interviewed.

The CBS official interviewed stated that the central bank has not sent updated information for the CISNA website, since all information is available on the Swaziland Stock Exchange website<sup>35</sup> and the link is provided on the CISNA website. The RIRF official stated that the institution did not really make use of the CISNA website as it is currently not the most effective mechanism for accessing the information required. CISNA has actively assisted the RIRF in forming and strengthening a network of regulators in the region, which has enabled the institution to easily share information through personal interactions. The RIRF also provides all necessary policy documents and legislation on their website<sup>36</sup>.

Both RIRF and CBS officials have benefited from capacity building initiatives organised by CISNA, mostly through the FSB and Financial Services Centre (FSC) in Mauritius. The CBS official stated that these have served to compensate for overly expensive courses for regulators. The RIRF official added that FSB and FSC training, as well as training provided by the Toronto Centre of IAIS, was helpful and interesting.

The CBS official stated that the central bank's capital markets regulator is fully engaged with consumer awareness. The regulator currently focuses on high school students, through the school's challenge initiative, in which each student is given a hypothetical amount of 500 000 Emalangeneni to invest (approximately USD 60,000). The regulator also makes presentations at high schools and at trade fairs to improve consumers' understanding of the stock exchange and the performance of listed companies. The CBS plans to roll-out this consumer awareness campaign to universities and colleges in the future. The CBS official interviewed stated that a number of scams were being run in the Swaziland capital market, therefore consumer education is critically important.

The RIRF is also active in consumer education, as reported by the official interviewed. Consumer education takes the form of radio spots, newspaper adverts, information clips on television and an Industry Day, during which all market participants are invited to exhibit to the public. The most recent Industry Day was well-attended, and the RIRF plans for it to be an annual event.

## **2.2.10. ANNEX 11: COOPERATION ON SADC STOCK EXCHANGES**

The Swaziland Stock Exchange (SSX) has a market capitalisation of approximately 1.6 billion Emalangeneni (approximately USD 200 million). The market capitalisation of all listed companies is provided on the Swaziland Stock Exchange website, as well as in the CBS annual report. SSX currently has six listed firms, consisting of a commercial bank, a hotel, a sugar company and three investment-related firms. SSX also hosts a bond exchange. Previously, SSX had two dual listings, but currently all firms are Swazi.

SSX is a company, however its shareholders are also its regulators and a board has not been established as yet. SSX is managed by a listings committee and the main stock exchange committee, who are responsible for overseeing all operations. SSX uses a manual trading system. According to the official interviewed, the main impediment to self-regulation and self-assessments is that the exchange has a shortage of staff.

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<sup>35</sup>Information available at <http://www.ssx.org.sz/>

<sup>36</sup>Information available at <http://www.rirf.co.sz/>

The SSX official stated that the Committee of SADC Stock Exchanges (CoSSE) has proved an exceptionally useful tool to enable information sharing and to access capacity building. The SSX officials have attended familiarisation visits to the Johannesburg Stock Exchange (JSE), and will be attending one more regional training workshop planned for this year.

## **3. CONCLUSIONS AND RECOMMENDATIONS**

### **3.1. CONCLUSIONS**

Swaziland has made particularly good progress in establishing FIP coordination structures. However, much must still be done to ensure that these structures are effective in improving coordination and communication on the pertinent issues at domestic level. Similarly, the SADC Unit in Swaziland has made notable progress in involving the private sector in FIP implementation. According to the consultant's experience during the country visit, domestic coordination internally at the CBS is far better than all other FIP stakeholders in Swaziland. This is perhaps attributable to the fact that CBS stakeholders are contained within one institution, and is not to detract from the commendable efforts of the SADC Unit to improve coordination and information flows at domestic level.

It is of particular concern, however, that stakeholders interviewed were in many instances not the same people who attend regional subcommittee meetings, or indeed training events.

Overall Swaziland has done well to implement many FIP commitments. An area of weakness is the liberalisation of exchange controls on the current account and the capital account, as Swaziland is lagging behind many peers in the region. Swaziland has also not implemented operational independence of the central bank or the adoption of price stability as the central bank's mandate. However, these are political decisions which must be made at a level beyond that of the ministry officials.

Finally, perhaps because Swaziland is a member of SACU and therefore is particularly close to SADC arrangements, very little reference was made to Swaziland's membership to COMESA during interviews. This could be an indication of Swaziland's commitment to SACU-SADC reforms and harmonisation processes.

### **3.2. RECOMMENDATIONS**

Swaziland should concentrate and allocate resources to the implementation of those FIP commitments which are not dependent on political decisions to be made in order to progress.

There are many instances where new legislation intending to improve FIP implementation has been tabled before Parliament, but has awaited promulgation for a prolonged. It is the Director of the SADC Unit's belief that a more strongly aligned FIP national committee will be able to lobby for these reforms to be enacted by Parliament. While this view remains to be tested, it is clear Swaziland's ratification of the FIP is essential to revive the process of FIP implementation.

A common theme in interviews is stakeholders' expression of need for more capacity building and training in order to implement FIP commitments. Specific capacity building requirements are:

- Macroeconomic convergence: data collection and management
- Tax: exchanges, secondments and attachments of staff
- Banking supervision: implementation of IFRS for internal accounting and auditing

Finally, perhaps the most urgent recommendation is that Swaziland should ensure that the same (and most relevant) people attend subcommittee meetings on each occasion the subcommittee meets and that these are the same people who serve on the FIP national committee. This is essential to ensure that traction is gained in the implementation of FIP commitments.

## 4. REFERENCES

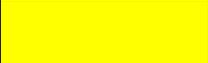
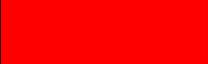
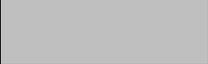
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## 5. APPENDICES

### 5.1. APPENDIX 1: INTERVIEW LIST

Annex subcommittee	Institution	Name
Macroeconomic Convergence	Ministry of Finance	Mxolisi Fakudze
Macroeconomic Convergence	Ministry of Finance	Bongani P. Dlamini
Macroeconomic Convergence	Ministry of Economic Planning and Development	Banele Mavimbela
Macroeconomic Convergence	Ministry of Economic Planning and Development	Nombuso Dlamini
Macroeconomic Convergence	Ministry of Economic Planning and Development	Vangile Dlamini
Banking Supervision	Central Bank of Swaziland	Lulo Hlophe
Exchange Control	Central Bank of Swaziland	Nelisiwe Mabundza
Exchange Control	Central Bank of Swaziland	Beverley Gilbert
ICT	Central Bank of Swaziland	Kenneth Mashaba
CISNA and CoSSE	Central Bank of Swaziland, and Swaziland Stock Exchange	Esther Magagula
Payments System	Central Bank of Swaziland	Fikile Shongwe
Bank Supervision	Central Bank of Swaziland	Fitzgerald Graham
Payments System	Central Bank of Swaziland	Mandla Dlamini
Bank Supervision	Central Bank of Swaziland	Walter Dlamini
CISNA	Registrar of Insurance and Retirement Funds	Sandile Dlamini
Investment	SIPA	Martin N. Masilela
Investment	SIPA	Mandla A. Nkambule
Investment	Ministry of Commerce – Department of Industry	Phumelele Dlamini
Investment	Ministry of Commerce – Department of Industry	David Mabuza
DFI Network	Central Bank of Swaziland	Gana Nxumalo
DFI Network	FINCORP	Dumisani Msibi
Private Sector	FSE&CC	Sebenzile Dlamini
SADC unit	Director	Chazile Magongo
FIP Coordinator	Ministry of Finance	Patrick Dlamini

## 5.2. APPENDIX 2: MATRIX OF COMMITMENTS

Colour	Status
Achieved	
Partially achieved	
Not achieved	
Not assessed	
Not applicable	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
None	None	FIP instrument ratified by all member states.		SADC Secretariat	
None	None	National FIP coordinating structures in place to facilitate better FIP implementation.		SADC Secretariat	
<b>Annex 1: Cooperation in Investment</b>	5,6,8,9,27	Existence of domestic investment law that: Protects investors, allow repatriation of profits, allows access to courts		SIPA, Ministry of Commerce - Department of Industry	All three present = green

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	21	Signatory to international conventions: New York Convention		<a href="http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention_status.html">http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention_status.html</a>	Member = green
	21	Signatory to international conventions: ICSID		<a href="http://icsid.worldbank.org/ICSID/FrontServlet">http://icsid.worldbank.org/ICSID/FrontServlet</a>	Member = green
	21	Acceded to international conventions: MIGA		<a href="http://www.miga.org/about/index_sv.cfm?stid=1695">http://www.miga.org/about/index_sv.cfm?stid=1695</a>	Member = green
	8	Investment policies, information etc. easily accessible to investors	Information available online on central government website and published in various brochures and memos	<a href="http://www.sipa.org.sz/index.php?option=com_jdownloads&amp;Itemid=35">http://www.sipa.org.sz/index.php?option=com_jdownloads&amp;Itemid=35</a>	
	23	MS has an active IPA	SIPA	SIPA, Ministry of Commerce - Department of Trade	
	2	Member ranked above (or equal) to OECD average rating of the Strength of Investor Protection Index	4.3	<a href="http://www.doingbusiness.org/data/exploretopics/protecting-investors">http://www.doingbusiness.org/data/exploretopics/protecting-investors</a>	Better than or equal to OECD average = green; worse = red
	19	Regional Investment Policy Framework is drafted and agreed to by MS	No standard framework yet exists in the region.	Investment subcommittee	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	19	MS's national policies and regulations comply with the Regional Investment Policy Framework and/or the minimum principles for investment regimes in the region.	Not Assessed (not measured in 2011)	SIPA, Ministry of Commerce - Department of Industry	
	23	Evidence of events and activities run by IPA Forum and attended by MS IPAs	The SADC IPA forum has been established, however the most recent event was poorly attended by CEOs of IPAs operating in MS	Investment subcommittee	
<b>Annex 2: Macroeconomic Convergence</b>	2,3,4	Inflation rate low and stable (< 9%)	4.50%	Ministry of Finance, Central Bank of Swaziland	Within range = green; out of range = red
	2,3,4	Public and publicly guarantee debt to GDP < 60%	9.30%	Ministry of Finance, Central Bank of Swaziland	Within range = green; out of range = red
	2,3,4	Budget deficit to GDP ratio at widely accepted prudent levels (< 5%)	-13.10%	Ministry of Finance, Central Bank of Swaziland	Within range = green; out of range = red
	5,8	Cooperation/Information Sharing: submission of data to SMSD		Ministry of Finance, Central Bank of Swaziland	
	7	Cooperation/Information Sharing: participation in peer review panel	N/A	Ministry of Finance, Central Bank of Swaziland	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	7	The Peer Review Mechanism is approved for establishment and operational	Discussions towards establishment of the mechanism are on-going. Framework and guidelines have not yet been adopted. Generally, MS are supportive of the Peer Review Mechanism, but have specific concerns which need to be addressed at subcommittee level.	Macroeconomic Convergence subcommittee	
<b>Annex 3: Cooperation in Taxation Matters</b>	5.3	Number of DTAs signed with other SADC member states	Signed with South Africa and Mauritius, concluded but not signed with Botswana and Seychelles. Negotiation underway with Lesotho and Mozambique.	Swaziland Revenue Authority	< = 6 red, 7 - 10 orange, 11 - 14 green
	2	Up to date and publicly available tax database (national)		<a href="http://www.sra.org.sz/">http://www.sra.org.sz/</a>	
	2	Up to date information submitted to SADC Tax Database (when fully operational)	N/A	Ministry of Finance or Swaziland Revenue Authority	
	6.6	Signatory to the Mutual Agreement for Information Exchange with member states (AATM)	N/A	Ministry of Finance or Swaziland Revenue Authority	
	6	Harmonised to the regional guidelines for the administration of Indirect Taxes	N/A	Ministry of Finance or Swaziland Revenue Authority	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	4	Harmonised to the regional tax incentives guidelines	N/A	Ministry of Finance or Swaziland Revenue Authority	
	3	Tax officials participate in capacity building activities		Ministry of Finance or Swaziland Revenue Authority	
	5	Existence of Model Double Taxation Avoidance Agreement	Model DTAA and Commentary approved and adopted by all member states.	Tax subcommittee	
	4	Guidelines for the appropriate treatment of tax incentives drafted and approved for adoption by MS.	Drafting of guideline documents still in progress.	Tax subcommittee	
	4	A Fiscal Model for cost benefit analysis developed and approved by Ministers of Finance. Fiscal Model must comply with items articulated in Art. 4 section 5.	Cost Benefit Analysis model not yet developed.	Tax subcommittee	
	6	SADC Agreement for Assistance in Tax Matters (AATM) approved and signed by all member states (multi-lateral agreement).	Finalised in 2008, waiting for approval by Ministers of Justice/Attorneys General awaiting clearance and signature by Summit.	Tax subcommittee	
	6	Guideline for the administration of indirect tax in the region is approved for adoption by member states.	Still under review by the Indirect Taxation working group.	Tax subcommittee	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	7	Mechanism for the Settlement of Tax Disputes developed and approved by Ministers of Finance.	Has not been developed or approved for implementation	Tax subcommittee	
<b>Annex 4: Cooperation on Exchange Control</b>	2a	Liberalised Current Account		Central Bank of Swaziland	
	2a	Liberalised Capital (Financial) Account		Central Bank of Swaziland	
	2c,3.1.c	Full Currency Convertibility	Indirect convertibility through the Rand	Central Bank of Swaziland	
	2d, 3d	Collect and publicise data on foreign exchange transactions (e.g. automated cross border reporting system)		Central Bank of Swaziland	
	2a	Roadmap for exchange control liberalisation in current and capital (and financial) account transactions is drafted and approved	The roadmap has been drafted by the subcommittee. All countries except the DRC have signed and approved the roadmap, and so it has not been implemented as yet.	Exchange Control Subcommittee	
<b>Annex 5: Harmonisation of Legal and Operational Frameworks</b>	3b	Autonomy/independence of Central Bank		UN Economic Commission for Africa & SADC 'Governance of Financial Institutions in Southern Africa', Central Bank of Swaziland	
	2	Compliant with SADC Central Bank Model Law (when/if made binding)	N/A	Central Bank of Swaziland	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	4.2	Adoption of price stability as mandate		UN Economic Commission for Africa & SADC 'Governance of Financial Institutions in Southern Africa', Central Bank of Swaziland	
	3c	Ability of Central Bank to set own budget	Not Assessed	Central Bank of Swaziland	
	2e	Extent to which central bank can lend to government	Yes - but cannot directly extend credit to government; only limited values of government securities.	UN Economic Commission for Africa & SADC 'Governance of Financial Institutions in Southern Africa', Central Bank of Swaziland	
	3	Existence of Model Central Bank Law	The Model Central Bank Law has been drafted and approved by all SADC member states	Legal and Operational Frameworks subcommittee	
	2	Roadmap for the establishment of a Common Central Bank developed and approved.	Legal & Operational Committee has recently been tasked with the development of a roadmap for the establishment of a single Central Bank. No progress yet on this matter.	Legal and Operational Frameworks subcommittee	
<b>Annex 6: Cooperation on Payments Systems</b>	3a	Payments systems in place domestically		Central Bank of Swaziland	
	3c, 3e, 4.1.c	Risk mitigation strategy implemented		Central Bank of Swaziland	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	4.1.d	Existence of national payments system law	To be promulgated by parliament	Central Bank of Swaziland	
	2	National payment system law aligned to regional model law	N/A	Central Bank of Swaziland	
	2, 3d	MS linked to SADC regional payments systems (when operational)	N/A	Central Bank of Swaziland	
	2	Model Payment System Law developed and approved	Law is being drafted for approval at regional level	Payments System subcommittee	
	3	Model Payment System Strategy is developed.	This is not in place yet. However, the strategy is being developed for the CMA countries to be piloted in this sub-regional bloc. The intention that this will allow a 'tried and tested' strategy to be rolled out to the rest of the region	Payments System subcommittee	
<b>Annex 7: Cooperation in the area of ICT</b>	3, 4	Legal framework for data privacy in place	Not Assessed (not measured in 2011)	Each Central Bank & IT Forum	To enable cross border business based on ICT taking in account that all business are supported by ICT

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
					platform
	3	Standard regarding ICT systems interpretability in place	Not Assessed (not measured in 2011)	IT Forum	Promote cross border business specifically for Payment Systems
	3.5	IT Governance framework adopted for the region.	Not Assessed (not measured in 2011)	Each General Bank & IT Forum	
	3	ICT communication Infrastructure to connect member states in place	Not Assessed (not measured in 2011)	IT Forum	
<b>Annex 8: Cooperation in Banking and Regulatory Supervision</b>	2	Compliant with the 25 BASEL core principles	Compliant with 20 of the Basel Core Principles	Central Bank of Swaziland	Less than 20 = red; 21 to 25 orange; 25 green
	2	Self-assessment audit happening on annual basis		Central Bank of Swaziland	
	Annex 14	Membership of ESAAMLG & completion of a mutual evaluation		Central Bank of Swaziland	
	Annex 13	Compliant with international standards for auditing and accounting - IFRS	Internal auditing only partially compliant, but external auditors use IFRS	Central Bank of Swaziland	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	2, 4	Regional agreement on framework for central bank supervision.	Harmonisation of banking supervision and regulatory principles in progress.	Banking Regulation and Supervision subcommittee	
<b>Annex 9: Cooperation on Development Finance Institutions</b>	3, 9	Participate in regional development projects through cooperation in pooling of funds, project identification, project management.		SIDC, SwazilBank, Fincorp, Central Bank of Swaziland	
	3f, 7	Attending capacity building activities organised by DFRC (secondment, work placement, training)		SIDC, SwazilBank, Fincorp, Central Bank of Swaziland	
	Annex 1	PPP: Establishment of PPP Policy Framework, Legal Framework, Institution Framework	Not Assessed (not measured in 2011)	Ministry of Commerce, Department of Industry	
	2	The DFI network and DFRC are established and active.	Yes.	SADC Secretariat	
	11	Regional Insurance Guarantee system in place and approved.	The Regional Insurance Guarantee scheme has not been agreed upon or implemented.	DFI Network	
	3	Number of regional development projects in progress (where regional refers to projects with benefits to more than one country, or with more than one country collaborating on a project)	Only evidence of regional projects is DBSA projects, which are not necessarily attributable to the DFI network. No collaboration between DFIs on regional development projects.	DFI Network	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
<b>Annex 10: Cooperation on Non-Banking Financial Institutions and Services</b>	7	Membership of IOSCO (harmonising to international standards)		<a href="http://www.iosco.org/lists/display_members.cfm?memID=1&amp;orderBy=none">http://www.iosco.org/lists/display_members.cfm?memID=1&amp;orderBy=none</a>	
	7	Membership of IOPS (harmonising to international standards)		<a href="http://www.iopsweb.org/document/14/0,3343,en_35030657_35030370_35152654_1_1_1_1,00.html">http://www.iopsweb.org/document/14/0,3343,en_35030657_35030370_35152654_1_1_1_1,00.html</a>	
	7	Membership of IAIS (harmonising to international standards)		<a href="http://www.iaisweb.org/IAIS-members-31">http://www.iaisweb.org/IAIS-members-31</a>	
	3, 4, 5	Committed to information sharing (Multi-lateral agreement signed by all CISNA members)		RIRF and Central Bank of Swaziland (note: consolidated independent regulator being established)	N.B. except Seychelles who has not yet participated in CISNA
	10	Participating in capacity building activities		RIRF and Central Bank of Swaziland (note: consolidated independent regulator being established)	
	9	Alignment to SADC regulatory framework for Non-Banking Financial Institutions (when drafted and approved)	N/A	RIRF and Central Bank of Swaziland (note: consolidated independent regulator being established)	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	9	SADC regulatory framework for non-banking financial institutions established and approved for the region	SADC Framework is not yet developed. But progress has been made in that member states' NBFIs authorities have been tasked with drafting the various components of the framework.	CISNA	
<b>Annex 11: Cooperation in SADC Stock Exchanges</b>	2	Cooperation: Member of COSSE		Central Bank of Swaziland, Swaziland Stock Exchange	
	2	Cooperation: Information Exchange		Central Bank of Swaziland, Swaziland Stock Exchange	
	2.3	Participate in capacity building activities (either attend or host)		Central Bank of Swaziland, Swaziland Stock Exchange	
		MS harmonised to SADC common principles.	Not Assessed (not measured in 2011)	Central Bank of Swaziland, Swaziland Stock Exchange	

<b>Annex</b>	<b>Article</b>	<b>Indicator</b>	<b>Status 2011</b>	<b>Source/Institution</b>	<b>Criteria</b>
	2.5	MS who are completing the minimum standards for surveillance and risk assessment.	Not Assessed (not measured in 2011)	Central Bank of Swaziland, Swaziland Stock Exchange	
	2.7	Extent of diversification of the registered market participants on MS stock exchange (% individuals, % trusts, % corporates)	Not Assessed (not measured in 2011)	Central Bank of Swaziland, Swaziland Stock Exchange	