UMNTSHOLI

A Newsletter of the Central Bank of Swaziland

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EDITORIAL

Umntsholi is an in-house publication of the Central Bank of Swaziland. It is published twice a year by the Bank's Corporate Communication Unit under the Office of the Governor.

Disclaimer:
Opinions and views expressed in this publication are not necessarily the official views of the Central Bank of Swaziland.

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M.G. DLAMINI

In April 2010, we started our new financial year and I am sure we are all enthusiastic about the work that lies ahead of us now that resources have been allocated accordingly. We have just come out of a difficult year in terms of the global economy whose effects were also experienced by Swaziland. During this recovery phase, it is important that we manage the use of our limited resources and control expenditure while aiming to achieve our strategic goals.

In February, the Bank's management together with the Board of Directors took time to review our Corporate Strategy. This was the first review following the launch of the corporate strategy document in 2009. Of particular importance was that this review exercise was aligned to our budgeting cycle, thereby making sure that our budgets advance our strategic goals. I encourage all staff members to familiarize themselves with the corporate strategy as it is the roadmap towards achieving the goals of the Bank. I have also challenged the Bank's management to come up with creative ways of communicating the corporate strategy to all members of staff and to ensure that it is sticky and contagious.

In the process of achieving our common strategic goals, the Bank continues to open existing communication channels and recreating new ones. In this regard, I am glad that initiatives such as this corporate newsletter continue to get your support. The Bank will soon be launching a revamped website and intranet which have both been re-designed to improve interactive communication with both our internal and external stakeholders. I also undertake to continue with our approach of "management by walking around" through the *Vusela* programme by the office of the Governor. A number of issues raised in the previous *Vuselas* have already been addressed and some are being addressed. This demonstrates our commitment to constructive engagement, conflict resolution and finding lasting solutions to our key challenges.

The Bank is open and continues to encourage and support constructive engagement and dialogue. I am therefore disappointed that some individual(s) ignore all these available platforms for effective communication and run to the media with the aim of tarnishing the image of the Bank. Be that as it may, the Bank will soon launch a suggestion box which will be used to direct important work-related matters straight to the Governor. Although not encouraged, it should be possible that a staff member can send an anonymous suggestion if they strongly feel that their matter is too sensitive and deserves anonymity. I appeal for utmost responsibility and constructiveness in the use of this facility. The Governor will not be interested in personal gossip and rumour mongering, but would prefer honest and frank suggestions about how we can improve our work to achieve our set goals.

Editor's Note

Sibusiso Mngadi

Welcome to our June 2010 edition of *Umntsholi* - one of our flagship publications aimed at celebrating the work that we do and sharing it with our stakeholders. I hope everyone is feeling the world cup fever and good luck to all your favourite teams, especially those from Africa. Due to a variety of good reasons, *Umntsholi* is now published twice a year - in June and December. In this regard, we have come up with various interventions to keep our communications regular and current.

Firstly, we shall publish a monthly news update that will be distributed online (email, intranet and website). Secondly, we shall make sure to publish press releases after each public event through electronic platforms. As we look ahead, we are excited about our revamped website and Intranet which shall be launched in July. We are also excited by the Swaziland International Trade Fair (SITF) coming in August, and we hope to scoop first price this year. Last year we got second place for the best stand display, beating other financial institutions in the country. We are also ecstatic about the introduction of a new series of banknotes, which will be accompanied by an extensive public education campaign. And the Family Fun Day is also coming in August.

There are many interesting articles in this newsletter, I hope you will enjoy your reading.

BOARD OF DIRECTORS

In line with the Central Bank of Swaziland Order 1974 (as amended), the Minister of Finance, Hon. Majozi Sithole has appointed new members of the Board of Directors. These are H.R.H Prince David, Ms. Carol M. Muir from the Swaziland Royal Insurance Corporation (SRIC) and Ms. Thabsile L.R. Vilakati from Robinson & Bertram Attorneys. They replace former Board Members, H.R.H. Prince Masitsela, Mr. M.N. Simelane from SIDC, and Dr. V.M. Mhlanga from FINCORP.

Newly-appointed Principal Secretary in the Ministry of Finance, Ms Khabonina Mabuza has also been confirmed as a CBS Board member as per statutory requirement. She replaces Mr Dumsane Masilela who is now the head of the new Swaziland Revenue Authority.

Other Board members are Dr. P.N. Joubert from the University of Swaziland, Dr K.D. Dlamini from the University of Swaziland and Ms. T.L. Vilakati-Jele from Swazi MTN. The Deputy Governor, Ms. S.G. Mdluli and the Governor, Mr. M.G. Dlamini are also members of the Board of Directors of the Central Bank of Swaziland.


M. G. Dlamini


S. G. Mdluli


H.R.H. Prince David


K. Mabuza


T.L. Vilakati-Jele


T.L.R. Vilakzi


C.M. Muir


Dr. P.N. Joubert


Dr. K.D. Dlamini

CBS to introduce new series of banknotes

The Central Bank of Swaziland has initiated a project to upgrade its entire series of banknotes in view of the fact that the existing portrait shown of His Majesty King Mswati III was outdated, and that banknote durability and security technology has advanced significantly since the issuing of the current series of notes in 1999.

The new notes are expected to be released in August/September 2010 at intervals of six months, starting with the E100 banknote.

In this project, the Bank is working with its long standing currency printers Giesecke and Devrient (G&D) based in Germany, following a tender selection process that involved five carefully selected banknote suppliers. The selection was based on, among other criterions, price, durability of the notes and performance in circulation.

"The Central Bank of Swaziland takes pride in its responsibility to provide high quality banknotes and ensuring public confidence in our money by minimising counterfeiting," says Governor, Mr. Martin G. Dlamini. "We spared no effort in making the new series of notes as durable and as secure as possible."

To get the public acquainted with the security features that are incorporated into the new Emalangeni banknote series, the Bank will produce a variety of information and educational material, explaining the functionality of the features in detail. Such material, which will include posters and flyers, will be laid out openly for public disposal at all main public institutions like banks, police stations, post offices, hospitals & clinics and Tinkhundla centres.

"I would like to ask all of our citizens to familiarise themselves with the new currency and the security features when they are released, so that they can gain trust in the authenticity of the new Emalangeni banknotes," says the Governor.

CBS corporate strategy review session

CBS Management and members of the Board of Directors pose for a group photo after the Corporate Strategy Review session at Pestana Kruger Lodge in Malelane, SA, in February 2010.

On the 24th to 27th February 2010, the Bank held a session to review its Corporate Strategy and finalise plans for the current financial year at Pestana Kruger Lodge in Malelane, South Africa.

Members of the Board of Directors, Senior Managers, Heads of Departments and Line Managers attended the review in accordance with the Bank's strategic planning and review cycle. The cycle begins with a strategic planning and review around January/February, followed by a budget alignment strategy in March; a 90 day strategy review in July/August; a half year financial review in October and a human resources strategy review in November.

In his opening remarks, the Governor, Mr. M.G. Dlamini expressed appreciation that the Bank was able to hold the review ahead of the budgeting process in March.

He emphasized the importance of adhering to the strategic planning cycle to achieve optimal performance as an aspiring leading central bank in the region. "The Bank's corporate strategy is testimony to a new way of doing things at the Central Bank and is aimed at creating a new and improved working environment that is conducive to improved Bank performance and welfare," stated the Governor. "The new management team is now in place and will be instrumental in driving the strategy of the Bank going forward."

The Governor further noted that the strategy, which incorporates an annual balanced scorecard performance measurement, would assist the Bank in positioning itself in an increasingly complex global environment. "We believe that the Bank is now, more than ever before, well poised for excellence as it executes its mission which is to foster financial sector stability conducive to development in Swaziland," he said. He stated that the evolution of the Bank's organizational structure and governance was an on-going process aimed at ensuring optimal performance and success in a dynamic internal and external environment.

The Bank's long term strategic objectives include promoting sustainable financial sector growth and stability; maintaining financial independence; improving operational efficiency; ensuring sound governance; improving customer service, stakeholder relationships and corporate image; and attracting, developing and retaining key talent.

The Governor challenged management to ensure full participation of staff in the implementation of the strategy. He urged departments to organize meetings on their strategic areas and ensure full buy-in. "This will ensure that the strategy is contagious and sticky and will also prepare management ahead of the strategic reviews in accordance with the cycle," he said.

Prof. Marius and Dr. Ingrid from Management Transfer & Associates, Mr. Quinton Coetze from Marie Grey & Associates and Mr. Norman Nottingham Consultant were the facilitators at the strategic review session.

In June 2010, the Governor began the cascading process of the corporate strategy by presenting the action points from the strategy review session to all members of staff. He expressed hope that future strategic plans will be developed from the bottom up rather than from management to lower levels.

Investing in our communities

The Central Bank of Swaziland, in accordance with its Corporate Social Investment (CSI) policy, recently provided financial support to local organisations involved in social and health programmes in communities.

Speaking during the official presentation held at the Bank premises on 7 April 2010, CBS Governor, Mr. M.G. Dlamini expressed appreciation to the Board of Directors for approving that the Bank's policy on social responsibility. He explained that the Board had approved a small budget for social responsibility because in terms of the law, the Bank is not allowed to be involved in such programmes. "Perhaps you have been wondering why the Bank has not participated in social responsibility programmes," he remarked. "It is mainly because the legislative framework does not support this kind of activity as the Bank is holding public funds on behalf of the Swazi nation. We are fully aware that every company must be responsible to the environment to which it operates, but people have to understand the dictates of our function."

While the bulk of the financial support went towards community-based health problems, the Governor emphasized that future assistance will prioritize leadership empowerment through the education of young people. He noted that the main objective of the assistance was to contribute to the upliftment of Swazi communities and that quality education plays a vital role in the process of economic growth and sustainable development.

CBS Deputy Governor, Ms. S.G. Mdluli, who is also chairperson of the CSI committee, revealed that the Bank availed a total of E125, 000, which was shared by the various organizations. She cautioned beneficiaries to use the funding appropriately and submit financial reports to the Bank for purposes of accountability.

The details of the funding are as follows:

? Ekwetsembeni Special School received a donation of E20, 000 to strengthen a life skills education project.

? The Swaziland Breast Cancer Network received a sponsorship of E10, 000 towards the development of awareness materials during the Breast Cancer Awareness Month in October 2009.

? The Church of the Nazarene received E16, 000 towards the activities of its HIV&AIDS Task Force, which seeks to support AIDS patients, terminally ill clients and their families with home-based care.

? The Central Bank sponsored the Ministry of Commerce, Industry and Trade by covering expenses of the closing and awards ceremony of the Swaziland International Trade Fair 2009 to the tune of E20, 000.

? Students In Free Enterprise (SIFE) – SCOT (E5, 000) got financial support to cover administrative costs such as transport for community outreach visits including materials for fencing, building and construction of water reservoirs.

? Sesikhona Foundation was supported to achieve its objectives of reaching out to widows and orphans in the communities.

? Imphilo Isachubeka Shiselweni Organisation was supported to procure food, clothing and money to help People Living with HIV in rural communities live long and productive lives.

? The Baylor Children's Foundation was supported to keep alive its monthly support groups for patients aged 10-19 years and in particular to host a camp for HIV-infected OVC in December 2009.

Members of the Nazarene HIV&AIDS Task Force display some food items bought for their home-based care programme

? Hope House (Caritas Swaziland) received financial support to carry out its objectives by covering operational costs and provide food for its terminally ill patients.

? Swaziland Hospice At Home was supported to carry out its objectives of caring for AIDS sufferers who have been sent home because hospital capacities cannot accommodate terminally ill patients.

? Selulasandla Children's Village, a faith based orphanage in Mbabane (Eveni, Township), received financial support to carry out its objectives by covering operational costs, school fees, food and clothing for the children orphaned and made vulnerable by HIV&AIDS.

? Mbabane Government Hospital Children's Ward looks after abandoned children and those who have lost their parents through death. The hospital received support to purchase hampers for children that included clothing, toys and food.

? Umoba UNISWA Society was supported to host a debate on the impact of the global financial crisis to Swaziland's economy.

The Governor, Deputy Governor and Assistant Governor pose with beneficiaries

CBS launches Foreign Private Capital flows survey

In February 2010, Minister of Finance, Hon. Majozi Sithole, officially launched a Private Capital Flows survey at the Happy Valley Resort and Casino.

The survey was conducted by the Central Bank of Swaziland, in collaboration with the Central Statistic Office (CSO) and the Swaziland Investment Promotion Agency (SIPA) between February and March 2010.

The aim of the launch was to sensitise the local business community about the survey and to encourage them to provide the necessary information required by the Bank and its partners. The statistics collected from this survey will be used as an important tool in understanding the nation's relationship with the rest of the world and to monitor flows of capital between Swaziland and the rest of the world. The exercise will improve data availability and assist market participants in making realistic assessments of economic fundamentals, especially at this time in Swaziland when private sector activity is on the increase.

In his opening remarks, Minister Sithole expressed concern that some investors were not banking their money in Swaziland. “They stash it in ceilings, in briefcases and some just cross the borders with millions to South Africa. Should we be allowing this?” he asked. He urged the Central Bank to address this practice.

In his remarks, the Governor of the Central Bank of Swaziland, Mr. Martin Dlamini underscored the importance of having reliable statistics in order to formulate reliable policies. He further emphasised the importance of undertaking the survey so that the country can maintain comparability with other countries of the world, as well as to understand trade and investment relations between Swaziland and the rest of the world. “The need to conduct this survey is important in light of improving data availability and aiding market participants in making realistic assessments of economic fundamentals,” said the Governor. “The results of the survey will go a long way in assisting the country in making sound policy decisions on the basis of timely, reliable, and comprehensive balance of payments and international investment position statistics. Furthermore, availability of this data will assist in ensuring that the country meets all its international reporting standards, for international comparability purposes.”

Speaking at the same occasion, SIPA CEO, Mr Phiwayinkhosi Ginindza emphasized that statistics are crucial to decision-making and economic development. “What cannot be measured cannot be managed,” he observed. “As an institution tasked with attracting FDI (Foreign Direct Investment) and developing local enterprises through linkages with foreign investors and large local enterprises, we are constantly challenged by the lack of proper statistics upon which to base our decisions.”

CSO Director, Mr Amos Zwane, urged the business community to provide timely, accurate and truthful information at all times. . “This is to avoid the 'garbage in, garbage out' principle,” he said. “The information that we collect is analysed and disseminated as official data, so the more accurate and timely it is, the more useful it is to everyone who uses it.”

Governor addressing stakeholders at the launching of the Foreign Private Capital flows survey


CBS staff preparing for the start of the launch


Minister with leaders from GBS, SIPA and CSO


Minister of Finance, Hon. Majozi Sithole

CBS Peer Educators Refresher Training

On 3-5 February 2010, the Central Bank of Swaziland conducted refresher training for its peer educators at the Bethel Court, Ezulwini. This was part of an employee wellness programme run by the Employee Assistance Programme (EAP) in the Corporate Services Department. Eleven wellness champions attended the refresher training facilitated by the Swaziland Business Coalition on HIV/AIDS (SwaBCHA). These were six males and five females aged 30-49 years.

"The aim of the workshop was to refresh information on HIV&AIDS and develop basic counseling and facilitation skills," said EAP Coordinator, Mr. Steven Mbuli.

SwaBCHA Programmes Director, Alice Tembe facilitated the training.

Human Resource Manager, Mr. Phakamile Dlamini, who officially opened and closed the ceremony on behalf of the General Manager, Corporate Services, expressed concern that HIV came to establish a kingdom among humankind. He stated that the virus destroys families, breaks marriages, steals our skilled people, over-fills our stress buckets and destabilizes our knowledge skills.

He noted that, as a bank, the need for a vibrant workplace programme was realised in 2009. He expressed hope that this programme will make a difference, even though the Bank may not have done as much as other institutions have. "This is o beginning," he said.

Peer educators pose for a group photo.

Peer educators interacting with the facilitator

CBS, UNISWA sign cooperative agreement to boost Swaziland's economic growth

The Governor of the Central Bank of Swaziland (CBS), Mr. M.G. Dlamini and the Vice Chancellor of the University of Swaziland (UNISWA), Professor C.M. Magagula have signed a Memorandum of Understanding to collaborate and cooperate in developing and deploying knowledge for the country's economic growth and development.

The signing ceremony was held at the CBS Offices in Mbabane on 19 May 2010.

While the two institutions agreed to define the specific areas of cooperation on an on-going basis, the general areas of cooperation were set out as follows:

? Collaborate in sharing agendas, knowledge and ideas and plan joint activities in areas of common interest;

? Facilitate the placement of UNISWA students in designated fields of study to gain practical experience;

? Facilitate the Parties' participation in relevant local and international debates, forums, workshops and seminars; and

? Where possible, promote conditions that will be conducive to the participation of outstanding staff in pursuit of graduate studies.

Speaking at the signing ceremony, the Governor expressed optimism that the agreement will develop capacity of the two institutions to contribute to economic development in the country. "We hope that by working together we are going to develop capacity within the two institutions that will help us participate in the economic development of Swaziland," he said. He added that the cooperation would combine the practical capacity that the Central Bank possesses with the educational capacity from UNISWA.The Vice Chancellor said the university was looking at close cooperation with the Bank, particularly in areas of providing field attachment and industry exposure to students in their third and fourth years. "It is through such partnerships that we are able, as a university, to determine the needs of the industry," he said. He added that other areas of cooperation would include coordinating debates on topical issues. "For instance, we recently experienced a global economic meltdown. We could have sponsored a forum or a debate on the causes of this crisis and how we were affected as a country," said Professor Magagula.

CBS Governor, Mr. M.G. Dlamini and UNISWA Vice Chancellor, Prof C.M. Magagula shake hands after signing MOU.
They are flanked by CBS Assistant Governor, Mr. Phil Mnisi and UNISWA Pro-Vice Chancellor, Prof. V.S.B. Mtetwa

Governor's Annual Monetary Policy Statement Address

Governor, Mr. M.G. Dlamini delivers his address

On 8 April 2010, the Governor of the Central Bank of Swaziland delivered his annual monetary policy address to stakeholders at a meeting held at the Happy Valley Resort and Casino, Ezulwini.

The theme for this year's policy statement was "Accommodative Monetary Policy 2009/10: weathering the economic crisis to grow the Swaziland Economy." Chief executives in the business community, senior officials in the public sector and economics academia attended the meeting. The Governor's address gave a rare opportunity for stakeholders to engage in an interactive discussion on the country's monetary policy and matters relating to the business of the Bank.

In his address, the Governor observed that the performance of the banking sector in Swaziland remained liquid despite the global economic meltdown. He noted, however, that growth in the real sector declined as exogenous factors such as the decline in export demand were experienced, including the decline in agricultural production as a result of persistent drought.

He further noted that the country's external reserves maintained a moderate level in 2009 mainly reflecting increased revenue receipts from the Southern African Customs Union revenue pool. He however warned that revenue from SACU will substantially decline in the coming year as trade flows, the basis of the Union's revenue pool, have substantially fallen throughout the region. "Another source of sustainable growth in external reserves, that is, foreign direct investment, has not shown any growth during 2009," he stated. "Inflation on the other hand has been gradually declining to record single digits from 12.9 percent at end December 2008 to 4.5 percent at end December 2009 reflecting a substantial decline in food prices.

"In Swaziland fiscal policy has a bearing to the direction of monetary policy; this year, despite fiscal restraint, the budget recorded a deficit equivalent to 13 percent of GDP. Financing this deficit will require that government does not substantially run down the country's foreign exchange reserves to compromise the peg between the lilangeni and rand; while domestic borrowing will have to be within sustainable limits such that the costs of servicing the debt is within the limited resources available to government and most importantly that government borrowing does not crowd out the private sector.

"As Swaziland has been experiencing adverse second round effects of the global recession, an opportunity to use this difficult occurrence will be that of introducing policies that will provide synergies for growth so that not only the present economic fall out should be averted, but an opportunity to build a strong foundation for future sustained economic stability and growth should be created.

"The basis of a strong domestic capital market will not only provide an opportunity for government to raise resources to finance it's capital projects to stimulate the economy but, will also enhance foreign capital flows. In addition, the development of a viable capital market will create a vibrant secondary market."

CBS General Managers at the event

SwaziBank Managing Director, Mr. Stanley Matsebula making a contribution

Mr. Muzi Dube from SIPA making a contribution

Old R200 notes Recalled

Following a decision by the South African Reserve Bank (SARB) to recall all E200 notes printed before 2005, the Central Bank of Swaziland has also announced the withdrawal of these banknotes.

CBS Governor, Mr. Martin Dlamini announced at a recent press conference that members of the public in possession of these notes are required to take them to the nearest bank or building society branch before 27 June 2010. After this date, the public will only be able to exchange the old notes at the Central Bank of Swaziland head office in Mbabane.

The decision to recall follows the discovery of high quality counterfeit copies of the old series of R200 banknotes, which have been circulating illegally in South Africa and other Common Monetary Area (CMA) countries, including Swaziland.

The Governor stated that no counterfeit copies have been discovered in the new series of the R200 notes that were printed after 2005. He then appealed to the public, especially retail outlets, to accept the new series R200 notes as legal tender.

CBS General Manager Operations, Mr. Hogan Thring explained that commercial banks and building society branches would exchange the old series of R200 banknotes for the same value at no charge. "However, normal bank charges will apply to customers wishing to deposit the R200 notes into their bank accounts," he said.

Mr Thring cautioned that members of the public who do not have bank accounts would be required to comply with normal Know Your Customer (KYC) requirements. He added that banks will confiscate all counterfeit notes that they identify and will provide full details of customers presenting these to the police for full investigation. "No value will be given for counterfeit notes," he emphasized.

The new series of notes, that is those printed after 2005, can be distinguished from the old one through some key features (*see advert at the back page of this publication*).

CBS signs MOU with the police

Governor, Mr. M.G. Dlamini shakes hands with Police Commissioner, Supt. Isaac Magagula at the signing ceremony

On 12 January 2010, the Central Bank of Swaziland (CBS) signed a memorandum of understanding with the Royal Swaziland Police Service to curb money laundering and terrorist financing in the country.

CBS Governor, Mr. Martin Dlamini said the signing of the MoU set a framework for cooperation and information sharing with the police. "This MoU will enable the Central Bank and the police to collaborate in the area of money laundering in order to facilitate the prevention and detection of money laundering," said the Governor.

He added that money laundering was an evil to society and to the country's economic development. "The Bank will use all resources at its disposal to fight this scourge, as it had a negative impact on the country's economy," he said. "Money laundering is the infiltration of money acquired illegally into our financial sector. People obtain such money through criminal means and try to clean it up by planting it back into the system."

Dlamini said criminals make laundered money look as if it had been obtained through appropriate means when, in fact, it was obtained through the sale of drugs, establishment of pyramid schemes, as well as sale of illegal cigarettes and other contraband products. "The bank's objective is to protect the country's economy. If such funds are known to circulate without hindrance, investors are scared off due to the belief that corruption may be rife in society," he said. "We have worked well with the police since inception of the CBS, and we hope this agreement would further strengthen our relationship," he said. Commissioner of Police, Supt. Isaac Magagula said the police were very happy to work together with the Central Bank in safeguarding the treasures of the country. He said the signing of the MoU with the bank was to do what other countries in the region had done. "Our work as police is to prevent the occurrence of crime at all levels," said the Commissioner. "The reason we had to sign an agreement with the CBS was that banking matters involve a variety of confidentiality issues. Signing this agreement is tantamount to giving the CBS assurance that all information that would be handed to us would be handled with care."

Ethics campaign for CBS staff underway

Ethics Officer, Ms. Bonsile Lukhele

It is said that you cannot teach an old dog new tricks. TRICKS right? But we are all about values, what we stand for at CBS: **INTEGRITY, EXCELLENCE, TRANSPARENCY, TRUST ACCOUNTABILITY.**

Granted, the buildings are CBS premises but premises without people means no life. You! are the lifeline of CBS, you bring CBS to life because of you we have a CBS community therefore ethics and values relate to you.

We need to awaken the synergy, the pride, the prestige of being part of the CBS community, the urge to want to live our values, the excitement of being part of the ethics drive towards a sustained CBS ethical culture, that is what ETHICNNOVATION stands for.

ETHICNNOVATION resembles the light towards a brighter, warmer ethical culture all encompassing in its promise for values banked. This is towards paving a way towards sound ethical standards and a community where values at all levels are embraced and cherished.

Let us all internalize our values and maintain an ethical culture that reflects what CBS stands for. Together we can make it, love CBS, love what you stand for, take a conscious decision to be part of the ethics drive and experience the pride of doing the right thing. It is the duty of each and everyone of us to preserve our values.

CBS banks on its values……..and you are the key to a sustained ethical culture.

ETHICNNOVATION

ETHICS, A KEY TO BETTER GOVERNANCE PRACTICES

CMA Governors meet in Swaziland

As per the Common Monetary Area (CMA) agreement, the central bank Governors of the member countries consisting of Swaziland, South Africa, Namibia and Lesotho held their usual consultative meeting in Swaziland on 19 March 2010 at the Royal Villas, Ezulwini.

This meeting, which is held on a rotational basis, focused mainly on issues pertaining to recent economic developments in the respective member countries. Over and above this the host country, in this case Swaziland, gave a presentation on global economic developments in as far as these developments have bearing on our economies. These discussions are intended to inform and assist in decision-making across the CMA region.

Their deliberations with respect to recent economic developments within the respective countries centred on real sector issues which include economic growth, employment and inflation developments over the 2009 period and the outlook for 2010. Countries also presented recent developments in the monetary sector, public sector and external sector.

The decline in SACU revenues of member countries formed a significant part of the discussions given the dominance of these receipts in the revenue composition of the smaller countries. Growing budget deficits as an immediate response to the fall in SACU revenues was also highlighted. Each member country member noted the various options on financing the deficits as well as possibilities of cushioning themselves from these shortfalls in future. In the case of Swaziland for example we highlighted the need for fiscal discipline on recurrent expenditure and the need to hasten the functioning of the much talked about Revenue Authority to reduce heavy reliance on SACU receipts.

CBS Statement on entities involved in illegal deposit taking

Many times reports concerning illegal deposit taking schemes shut down or taken over for liquidation by the Bank, are described or referred to as pyramid schemes, when in-fact the two are not necessarily one and the same thing.

This is grossly incorrect since at no point has the CBS branded nor taken any action on any scheme purely on the basis of being a pyramid scheme, rather the correct rendition and basis has been illegal deposit taking.

This is what our action has been based on and illegal deposit taking is governed by legislation, the Financial Institutions Act, 6/2005. Therefore for all purposes, all CBS action has been and is governed by law in that, Illegal deposit taking is both a criminal offence and civil wrong, and the CBS conferred with legal capacity (*locus standi)* to act where such laws have been violated. In acting, the CBS follows due legal process however short or long.

The CBS is in many instances on record warning the public against such practice. The Bank has had no favour on any transgressor in its action since it has had to follow the laid down legal due process in liquidating illegal deposit schemes, pyramid or not. And being a legal due process, no acceleration (process skipping) avenue is available to adopt other than the compulsory legal stages and processes the governing law prescribes within curatorship or liquidation.

The CBS in previous public notices has explained the legal process to the public with regard to the liquidation of illegal deposit taking schemes taken over by the Bank, having to explain in detail at every step is no doubt an unrealistic expectation to make, especially in light of the fore-warning the Bank has made to the public. Among the reasons for notifying the public to refrain from engaging in illegal deposit taking schemes, was precisely the reason of the time due legal processes take and the risks associated with the results of liquidation, being that, only what is recovered and found becomes available for distribution and in most times, it is less or nothing at all, since the illegal deposit taker would not have invested nor kept in safe custody the proceeds obtained from the deposit making public.

Like wise the issue concerning fees and costs related to liquidation, these are governed by law on how a liquidator's fees are paid and when (which is by law, before even the creditors of the liquidated estate are paid (distribution), this is a cost borne by the liquidated estate or fund. Currently the Bank is on the verge of concluding the liquidations of Diamond Africa and Aloe Funds, which shall be predicated by a final liquidation distribution court order.

No time frames can be given at this time and on such matters due to their protracted and complicated nature and owing to the legal process variables involved. The prime objective is to liquidate in full compliance with the law, since any derogation may result in legal liability on the Bank.

CBS public statement on Corporate Money Managers (CMM)

Corporate Money Managers (CMM) is being liquidated since it was a licensed financial institution duly licensed by the Bank in terms of the Financial Institutions Act 6/2005.

The local entity is being liquidated while the South African one is under curatorship. The reason is that the circumstances of both entities are varied, however identical as it may seem at face value. The Bank is in the process of preparing notification to the affected creditors in advisement of the current stage the matter is at.

The details of whether or not recovery will be made cannot be responded to at this stage since much depends on the process in South Africa. What suffices to say in this regard is that, the Bank is ensuring that to the extent possible, all what is possibly recoverable within the powers of a liquidator will be recovered unflinchingly, which may not exclude, personal liability of directors as supported by the law governing impeachable dispositions where such would be attempted in anticipation of evading legal due process responsibility.

All the other many aspects, not mentioned here will continue to be pursued by the Bank in the interest of the Bank's duties in protecting the public and the integrity of the country's financial market system.

We would like to state that while respecting the right of the public to be informed, it may not always be possible to respond to all questions in these matters as some may still be followed by court processes.

CBS Awards - December 2009

LONG SERVICE AWARDS

Martin Dlamini	35 years
John Mazibuko	35 years
Phumzile Simelane	30 years
Dudu Dlamini	30 years
Gilbert Mdluli	30 years
Linda Xaba	30 years
Johnson Z Dlamini	30 years
Naomi Bothma	30 years
Anna Cira	30 years
Phakamile Dlamini	30 years
Ellen Simelane	30 years
Sindi Zwane	30 years
Bongiwe Makhoba	30 years
Thandiwe Dube	30 years
Sibongile Magongo	30 years
Enock S Mthethwa	25 years
Sizakele Msibi	25 years
Nemah S Msibi	25 years
Gcinaphi S Mkhombe	25 years
Sandile R Mango	25 years
Esther M Magugula	25 years
Thobile Dlamini	25 years
Mashumi P Dlamini	25 years
Duma G Zwane	20 years
Moses G Shongwe	20 years
Mduduzi T Mtsetfwa	20 years
Henry S Mazibuko	20 years
Nelson S Matsebula	20 years
Jethro F Maseko	20 years
Timothy M Mamba	20 years
Mary T Malindzisa	20 years
Vusi V Mabilisa	20 years
Tsidi Loate	20 years
Nonhlanhla Dube	20 years
Tenhlanhla C Dlamini	20 years
John M Dlamini	20 years
Acute Dlamini	15 years
Ntombifuthi Msibi	10 years
Zanele Mkhonta	10 years
Pinky Mthethwa	10 years
Kenneth Mashaba	10 years

END OF YEAR BEST PERFORMERS AND MERIT AWARDS 2009

DEPARTMENT	WINNER(S)
INTERNAL FINANCE	
Accounts	Johnson Tsabedze
Salaries & Loans	Cyprian Ndzinisa
Budget	Nkosinathi P Dlamini
Compliance Risk	Skhumbuzo Vilakati
Settlements Back office	Tsidi Loate
Financial Markets	Ntombifuthi Mamba
RESEARCH	
Domestic Finance	Florence Sibiya
DEO	Simiso Mkhonta
External Sector	Sipho Skosana
Library	Sandile Mango
SECRETARIAT	
Secretary	Thobile Dlamini
Typist	Khangezile Mkhonta
Information & Records	Gcinile Nhlabatsi
	Penelope Mohale
FINANCIAL REGULATION	
Bank Supervision	Themba Busika
Exchange Control	Nelsiwe Mabundza
Capital Markets	Peace Mabuza
OPERATIONS	
Banking	Lungile Nkonyane
Development Finance	Bernard Mvubu
Currency- Mbabane	Tigezile Dlamini
Currency - Manzini	Solomon Mavuso
	Nkosinathi Sibandze
NPSS	Linda Khumalo
ICT	Pinky Cook
CORPORATE SERVICES	
ID/HR	Linda Xaba
Premises	Mduduzi Mabuza
Switchboard	Busisiwe Dlamini
Staff Canteen	Constance Dlamini
Cleaners	Mary-Jane Zwane
	Sisana Nkambule
Messengers	Cyprian Vilakati
Drivers	Jeremiah Shabangu
	Elijah Gama
Security - Mbabane	Eric Mkhonta
Security - Manzini	Mavusane Tsabedze
INTERNAL AUDIT	Zethu Mthethwa
LEVEL BELOW MANAGERS	Zandile Ndlela
MANAGERS	Mandla Dlamini
HEADS OF DEPARTMENTS	Mhlabuhlangeni Dlamini
GENERAL MANAGERS	n/a

SPECIAL RECOGNITION - MEFMI FELLOWS

Andreas Themba Dlamini
Linda Sacolo

SPECIAL AWARD - 35th Anniversary Celebrations Committee

J E Dlamini
Phakamile Dlamini
John Mazibuko
Bheki Mbuli
Cebsile Masuku
Sibusiso Mngadi
Patricia Mthupha
Wonderboy Maziya
Cynthia Lukumba
Masotja Vilakati
Hogan Thring

GOVERNOR'S OVERALL AWARD

Wellington Motsa
Themba Busika
Thulani Mnisi
Mhlabuhlangene Dlamini

CBS Long Service Awards - December 2009

The Governor, Mr. M.G. Dlamini with the Deputy Governor, Mrs. S.G. Mdluli and the Assistant Governor, Mr. P.F. Mnisi handed awards certificates to staff members. GM Corporate Services, Mrs. C. Lukumba was the Programme Director.

Mary T Malindzisa received 20 years award.

Timothy Mamba received 20 years award.

Sabelo Matsebula received 20 years award.

Sikelela Mazibuko received 20 years award.

Mashumi Dlamini received 25 years award.

Thobile Dlamini received 25 years award.

Nemah Msibi received 25 years award.

Thandiwe Dube received 30 years award.

Ombudsman for Swaziland banking services


Ombudsman, Mr. Phil Mnisi

I feel honoured to have been appointed the Ombudsman of the Swaziland Banking Services in line with the Central Bank of Swaziland Order of 1974 (as amended). Section 42 of the CBS Order provides that the Central Bank shall establish within itself an office of an Ombudsman for Financial Institutions in Swaziland. As announced by the Governor, the appointment as Ombudsman is with effect from the 1st August 2009 and it is in addition to my role as Assistant Governor of the Central Bank of Swaziland.

At this early stage of the establishment of Ombudsman office, I would like to appeal for cooperation from all stakeholders as we are still setting up a fully operational office with terms of reference, operational procedures and guidelines. However, I am happy to outline what we conceive to be the role of the Ombudsman in the context of Swaziland and how I will deal with complaints. This is work in progress and we hope to develop this further in the future.

We have recently visited the South African Banking Ombudsman with a view of learning best practice and our intention is to officially launch and introduce the Ombudsman concept to stakeholders in Swaziland. Plans are afoot whereby we shall source an experienced Ombudsman as guest speaker in a public workshop or seminar to share knowledge and best practices. The same planned session will also provide us with a platform to get input and buy-in from stakeholders.

One of the major initiatives that will be introduced by the Ombudsman office will be the Code of Banking practice. The Code of Banking Practice addresses the fundamental principles of the Client / Bank relationship. The Code establishes good relationships and promotes good banking practice by formalizing standards of disclosure and conduct.

Generally, an Ombudsman is an independent and impartial means of resolving disputes outside courts. It covers various public and private bodies and looks into matters after a complaint has been made to the relevant body and the complainant is not happy with the outcome.

A determination made by the Ombudsman, based on the Code of Banking Practice, may be made an order of the court.

The Ombudsman office always receives complaints from the public and will never seek or ask for complaints or undertake any investigation on the assumption that there is a latent or patent complaint.

The appointment of an Ombudsman in Swaziland is actually long overdue. I particularly commend the Governor for implementing the Ombudsman office as per CBS statutes. There was recognition by the financial services sector that a complaints resolution process outside the courts was necessary and appropriate to establish. The Central Bank accordingly addressed this need by amending Section 42 bis of the CBS Order. Other countries in the region including South Africa have long introduced the office of the Ombudsman. In most countries, it is an independent entity with a Board or Council. In our case, the Board and Governor of the Central Bank will, for the moment, oversee the operations of the Ombudsman.

It is important to note that as Ombudsman I am independent in my role and I am impartial between complainant and banking services provider. I am empowered to mediate, adjudicate and resolve disputes between banks and their customers.

All personal customers of banks, limited companies and other registered bodies ,including partnerships, charities, clubs and trusts can make a complaint. However, in other countries such as South Africa there is an eligibility threshold of not more than E5 million annual turnover for limited companies. We also hope to define more specifically a relevant threshold for Swaziland limited companies in due course.

In broad terms, the matters that can be complained of include:

? The provision of a financial service by a bank or building society.

? Failure by the bank or building society to provide a particular service that has been requested by the complainant.

However, a consumer is NOT entitled to make a complaint if the conduct complained of is or has been before a court or tribunal and occurred more than three years before the complaint is made. This is meant to enable the Ombudsman to obtain records. Consumers should also not bring a complaint where a matter is still being handled within the structures of a bank or building society, and it is still within a year. In addition, I will not investigate a complaint if, in my opinion, it is vexatious or frivolous or not in good faith.

The dispute resolution process is confidential to the parties concerned and the Ombudsman. Discussions and correspondence that form part of the dispute resolution will not be disclosed or used in any subsequent legal or other proceedings. The files of the Ombudsman are confidential and are protected from disclosure for all purposes. In addition, the Ombudsman will not be called to testify in any subsequent legal or other proceedings.

However, I consider that naming institutions in my annual report can be an important part of my function. I may name organizations that were not cooperative, where the situation was very grave and where the complaint should never have come to my office in the first place because of bad complaint handling procedures in the institutions. Some people refer to this as 'naming and shaming'.

Trade based money laundering

In the past we have defined the term money laundering and what are the effects or why should an individual care about it.

For the benefit of those who did not see the last issue, money laundering covers all procedures to change the identity of illegally obtained money so that it appears to have originated from a legitimate source.

It is not a stand alone crime. There are predicate crimes that are committed before money laundering. These include corruption, human trafficking, drug smuggling etc.

In general, there are three main methods by which criminals move money for the purpose of disguising its origin and integrating it back to the economy. The first one involves the movement of value through the financial system using methods such as cheques, cash and wire transfers.

Most of the time small economies like Swaziland tend to focus more on this method forgetting the other two. This has led to financial institutions toughening their standards when it comes to this.

The second method involves the physical movement of banknotes using methods such as cash couriers and bulk cash smuggling.

In the Common Monetary Area (CMA), this method is prevalent more so because there is free movement of cash. Another challenge is that most of our borders in the sub-Saharan region are porous; there are no sophisticated methods of body and luggage search.

The third one which will be our focus today involves the movement of value using methods such as false documentation and declaration of traded goods and services. It is coined as Trade Based Money Laundering.

Studies have shown that most customs agencies inspect less than 5 percent of all cargo leaving or entering their jurisdictions. Not only that we also know that these days most of the invoices that are presented to customs officials do not reflect the true value of the goods presented.

How many times have we seen people buying goods in South Africa and asking for two invoices. One for their accounts and the second one for the tax man.

And by the way if you have done that then consider yourself to be a launderer. You ask me why or how? You committed the offence of tax evasion and from that evasion (obtained the gains illegally). You had proceeds which constitute money laundering, because you will want to bring back those proceeds into the financial system. See how easy it is to be a launderer?

With Government looking at increasing revenue, if authorities could focus on this kind of crime, millions of Emalangeni could be recuperated back to the Government coffers.

Trade Based Money Laundering involves the proceeds of crime which are more difficult and the challenge about it is that it has received less attention in academic circles than the other means. The basic techniques include:

? Over and under invoicing of goods and services
? Multiple invoicing of goods and services
? Over and under shipments of goods and services
? Falsely described goods and services

An importer who is under-invoiced for the value of the goods he receives may be able to significantly reduce the value of the import duties (customs taxes) that he pays.

Bhekie Khumalo

Like I said before this has a long lasting effect to the revenue received by government. Less revenue for government means less service delivery, less service delivery means the poor gets poorer because they cannot access some basic needs, when people cannot access basic needs, then they start attacking Government structures (Terrorism), it goes on and on, but it started with simply tax evasion.

On a parting short, I would like to urge all of your to keep on reporting suspicious activities happening around you.

Till the next issue

Bhekie Khumalo is a Money Laundering Officer in the Financial Intelligence Unit (FIU). He writes in his personal capacity.

Are the budget deficits sustainable?

Armstrong Dlamini

To try and answer this question, this analysis will examine the fiscal position as presented by the Minister of Finance, Majozi Sithole in his Medium Term Budget Policy Statement (MTBPS) to Parliament on Monday, 23rd November 2009. This analysis will try and bring out the implications of the fiscal position in the next three fiscal years on the economy in general.

In addition, the analysis will compare the local budget position to the South African experience. This will examine the dynamics involved in the financing of government operations taking into account the global environment.

Fiscal Policy for 2010/11 to 2012/13

According to the MTBPS, the budget deficit will deteriorate to about 13 percent of Gross Domestic Product (GDP) in 2010/11 from 8 percent of GDP in the current fiscal year (2009/10), further worsen in fiscal year 2011/12 to 19.3 percent of GDP. A slight improvement is expected in the fiscal year 2012/13 to 16.6 percent. This has a direct impact on the debt levels since this financing will likely be secured from either domestic or foreign sources and also running down government deposits which has a direct impact on the country's reserves currently at 4.7 months of estimated imports as at end of December 2009.

On the South African situation, the budget deficit according to the fiscal framework presented by the South African Minister for Finance, Mr. Pravin Gordhan in October 2009, is expected to improve to 6.2 percent of GDP in 2010/11 from 7.6 percent of GDP in 2009/10 when taking into account the funding requirements of public entities, Eskom, and other state enterprises. However, an improvement in the budget position is expected in 2011/12 to 5 percent of GDP and a further improvement to 4.2 percent of GDP in 2012/13.

A number of reasons can be forwarded for the budget positions in both economies, but what is a major concern for the country's condition is the deterioration of the fiscal position and its magnitude if it is sustainable, going forward. It is important to note that Swaziland is a small open economy, so there are limits of how much the country can borrow locally or externally and some caution needs to be exercised.

For a start, there is a need to establish a well coordinated and consistent programme on how to meet the government borrowing requirements whether from the local or external sources. It is imperative that the cost and risks associated with these funds need to be established or measured. If one compares the country to Namibia which has three fiscal rules, namely a budget deficit of not more than 2 percent of GDP, an expenditure not exceeding 35 percent of GDP and a domestic debt ratio of GDP not exceeding 25 percent, Swaziland cannot be an exception being a member of the Common Monetary Area. Currently, there is a domestic limit of E1 billion which translate into 3.9 percent of GDP and no specific limit on external borrowing which has been the preferred source for government's capital projects.

Public Debt

As indicated earlier, the impact of the budget deficits in the next three fiscal years has a direct impact on total debt which stands at 14.9 percent of GDP as at end of December 2009. If one adds the deficits as pronounced by the MTBPS, the debt is expected to balloon to around 70 percent of GDP, way above the critical ratio for emerging markets and also it is above the SADC macroeconomic convergence indicator which both stands at 60 percent of GDP. Therefore, this calls for measures to cushion the impact as it has serious consequences for the country. In fact, this will create pressure on government budget to meet its obligation and this will require the government to identify new sources of revenue or request for assistances from overseas donors which is not likely to come with the current global meltdown.

For a start, it is important for government to consider building capacity on debt management in the form of establishing a unit in the Ministry of Finance that will be responsible for procuring debt and this unit will actively manage the situation unlike the current set-up. In other words, the unit will act as a focal point and it will inherit other responsibilities like building and maintaining information on both government guarantees and on-lending activities of the public sector. To complement the government activities, the Bank as the fiscal agent continues to issue domestic debt on behalf of government which currently stands at E396.3 million or 1.4 percent of GDP.

There are activities which government needs to undertake in order to improve the debt management process and these include a debt sustainability analysis and a credit rating for the country. The outcome of the analysis will assist government to develop a national debt strategy which currently does not exist and it will also ascertain the debt levels that are sustainable taking into account both external and domestic borrowing. Whilst it is expected that the credit rating will generate interest from foreign investors from whom the country can benefit their savings which are much needed by the government.

In 2005, the Cabinet approved a national debt policy which would guide and direct the procuring of debt in the country and this policy was developed with the assistance of MEFMI. Therefore, the country can benefit if the policy would be revisited and implemented at the same time. In fact, this would address the institutional arrangement which currently is fragmented and in terms of the legal environment, it is weak and pre – colonial (very old).

Foreign Exchange Reserves

If the budget deficits for the next three fiscal years to 2012/13 are partly financed by running down the country reserves, this will threaten the parity between the local unit and the South African rand. It is important that the government coordinates with the Bank on how the impact can be minimized since this is not a desirable option for government to use. This option has serious implications since the main source for these reserves (the SACU receipts) are set to decline in the fiscal year 2009/10 by 6.4 percent and a further 12.6 percent in the following fiscal year. It would be difficult to replenish these reserves going forward given that SACU receipts are the main source.

In addition a solid level of foreign reserves attests to the economic health of the country providing a strong measure of confidence to domestic and international economic partners. With the current level of 4.7 months of import cover recorded in December 2009 is far below the SADC macroeconomic convergence indicator of 6 months. Therefore, it would be in the country's interest to boost this level of the reserves rather than drawing them down.

Putting food on the table through public debt:

....A postponed calamity for the next generation

Sipho Skhosana

Former American President Herbert Hoover once remarked: "Blessed are our children, for they shall inherit the public debt."

But is this necessarily a blessing? Two kinds of public debt have to be distinguished. Domestic or internal debt and foreign or external debt. Internal debt is the debt incurred by the government when borrowing from local residents/institutions (assuming that the bonds are bought by locals only).

In this case the value of the debt is expressed in terms of the local currency. The sale of the bond therefore does not involve an inflow of foreign capital and the payment of the principal and interest does not cause an outflow of funds from the country. The balance of payments is therefore unaffected by transactions in such bonds.

Foreign or external debt, on the other hand, is the debt incurred by government when borrowing from foreign governments, residents or institutions. The value of the debt is normally expressed in foreign currency. The sale, repayment and servicing of the bond all affect the country's balance of payments. There is an impact on the balance of payments when:

1. Bonds are sold to foreigners, thus causing an inflow of foreign capital (affecting the financial account)
2. Foreigners sell bonds to Swazis before maturity resulting in an outflow of capital in the financial account
3. Bonds are repaid in the hands of foreign investors, also amounting to capital outflow in the financial account
4. Interest is paid to foreign bond holders which affects the current account

A view that characterizes economic thinking is that internal debt does not create a burden for the future generation. The argument is that certain members of the future generation will inherit a debt repayment or debt-servicing obligation, but the other members of the same generation will be the recipients of these payments. In other words, members of the future generation owe the debt to themselves.

On repayment of the debt, income is transferred from one group of citizens (those who do not hold bonds) to another group of citizens (the bond holders). As a whole, the future generation is therefore not in a worse position since it is capable of the same aggregate level of consumption that would otherwise have been the case. The repayment of the debt results in an intra-generational transfer or redistribution of resources (i.e transfer within the same generation) rather than an inter-generational transfer.

The situation is different when external debt is used. In this case the distribution of the burden depends on how the funds are used. If the borrowed money is used to finance current consumption expenditure (e.g paying salaries) the future generation has to repay the loan without enjoying the benefits. This implies that their income will be reduced by the amount of the loan and/or the accrued interest that needs to be paid to the foreign lender. Aggregate consumption will be lower than in the case of domestic debt repayment. Should the money be used to finance capital accumulation (e.g infrastructure development), the project's productivity is crucial. If it is a long term asset with a real return on investment in excess of the marginal cost of the loan obtained abroad (i.e the real interest rate on the loan), then the combination of the debt and the performing asset actually makes the next generation better off. The opposite applies when the investment return is less than the marginal cost of the borrowed funds.

It is imperative, therefore, that debt should be taken on only to finance those projects that yield long term benefits even to future citizens and when capital markets offer favorable terms regarding costs and benefits of each project.

It is of paramount importance that we are watchful not to contract debts greater than may be paid during the course of our own existence lest we become the worst predecessors the next generation will want to forget about.

Sipho Sikhosana is an Assistant Economist in the Economic Policy, Research and Statistics Department. He writes in his personal capacity.

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Conclusion

The foregoing analysis has indicated that the budget deficits for the next fiscal years to 2012/13 are not sustainable since these fiscal positions have a serious impact on total debt and the country's foreign reserves. To minimize this impact, the analysis is advocating for measures that could be taken to cushion the impact and also, it is important to improve the country's capacity on debt management issues.

It is essential for government to cultivate a good relationship with the key stakeholders since this would strengthen the coordination between the key macroeconomic policies and at the same time, improve the information sharing and flow.

Armstrong Dlamini is a Senior Economist in the Economic Policy, Research and Statistics Department. He writes in his personal capacity.

Benefits of Enterprise Risk Management

Zandile Ndlela

The idea of establishing an enterprise-wide risk management function in the Central Bank of Swaziland was conceived at a strategic planning retreat in 2005.

The reasons stipulated to justify the setting up of the function were to improve on good management practice through adopting a formal and strategic approach to Risk Management thus improving on decision making, enhance outcome and accountability. This is concrete enough to discredit any assumption that the Bank was merely being a copy cat of what the rest of the world is doing. It was finally implemented and started operating in February 2007.

It has been three years now and the question is; is it still justified to say it is a new function with teething problems? Not at all, but what results have been borne out of the establishment of this internationally prescribed tool for good governance? If at all there is any value added towards the attainment of the Bank's objectives - is it fully understood and appreciated or merely ignored because the whole risk management "thing" is perceived as one task that adds an unnecessary burden and actually distorting the original way of doing things in the Bank.

Ideally, an institution with an effective enterprise risk management function is expected to enjoy a number of **benefits** such as;

? Enables the organization to achieve its objectives with greater certainty because risk management is forward looking, anticipating any potential risks to physical and human assets.

? Improve deployment of capital and enhances asset management. Enterprise Risk Management does not only focus on physical assets but also focuses on soft assets like human resources, information and knowledge as well as organizational reputation.

? Reduces operational surprises and losses through increased risk awareness, transparent evaluation and sound mitigation of risks facing the organization.

?? As a management tool, risk management assist in achieving objectives more efficiently, through promoting effective and efficient use of resources.

?? Focuses management on understanding the nature of risks to ensure that they take steps to mitigate the potential negative consequences whilst proactively realizing opportunities.

? Enhances a culture of accountability and empowered decision making as management will consider the risk appetite of the organization in evaluating strategic alternatives and setting priorities.

? Assist the organization to align its auditing plan with the risk profile thus ensuring a focused audit plan, contributing to the monitoring of changes in the risk profile and leading to the measurement of the internal controls effectiveness.

All in all, management is able to effectively deal with uncertainty and associated risks and opportunities to enhance capacity to build value for its shareholders. It is therefore imperative to ensure the success of a risk management programme in view of the popular concept of adding value which emphasizes on growing the organization than merely sustaining it.

The status quo in an organization can be directly measured through the overall corporate performance assessment to ascertain the milestone towards effective and efficient attainment of the organization's corporate objectives. Other indirect implications on how far this function has added value to the organization is subject to attitudes and perceptions.

Common **perceptions** and **attitudes** towards the Risk Management function include;

o An argument that the Risk Profiles are to some extent a duplication of the corporate strategy.

o Other concerns centered around negative reporting about things that have not even happened in the organization.

o The mis-understanding that the most critical risks to be reported are the financial risks being a threat to the main reason for the existence of the organization than the operational risk which include people, systems and processes.

o This is further translated to concerns that issues pertaining to smaller business units, like the canteen operations need not be reported because they are an insignificant component in the operations of the organization.

o The stereo type attitude of doing business as usual, failing to accept and manage change.

o The "us and them" syndrome which causes opposition among departments and the different levels in the organizational structure.

Such attitudes and perceptions are both unproductive and destructive. Enterprise Risk Management is meant to bring coherence and cooperation within all divisions and activities of the institution.

The **realities to know about the risk management concept** in as far as addressing the above issues are broad but briefly it is worth appreciating that;

- o Each key performance indicator (KPI) captured in the corporate strategy document translate to a key risk indicator (KRI) captured in the risk profile/ register.
- o Risk addresses the "what ifs" that are often overlooked by operational managers but are a major concern for risk managers. To be forward looking and anticipate any potential risk involves thinking of the unthinkable hence risk managers are referred to as bearers of bad news.
- o The idea is to avoid surprises, recognize it so that you avoid it (negative) or take advantage of it (positive).
- o Thinking out of the box is encouraged in risk management; acceptably so because the business environment is dynamic and complacency can not be tolerated.
- o Risk integration is vital for successfully implementing Enterprise Risk Management as it emphasizes the need to align it with the vision and organizational objectives, day to day activities of the institution, similar risks in different functional areas, functional decision making, and all other business processes.

In summary, my personal take on the reasons behind failing to satisfactorily realize the benefits of enterprise risk management in an organization could be consequences of the corporate culture prevailing. Without necessarily blame-shifting (being in the risk coordinating office myself) I believe that until we extract the values we tend to so devotedly publish in all our corporate publications and apply them in our daily conduct, we shall all labour in vain, failing to realize the benefit of having an enterprise risk management function and remain a risk to our organizations.

Zandile Ndlela is a Senior Risk Analyst in the Risk Management Department. She writes in her personal capacity.

Occupational Health and Safety

Health and safety are fundamentals at any workplace. Both employers and employees have a role to play as far as these aspects are concerned.

These environmental aspects may be referred to as SHE, meaning Safe and Healthy Environment. According to the Occupational Health and Safety Act and Regulations 85 of 1993, Section 8 (1), *every employer shall provide and maintain, as far as is reasonably practicable, a working environment that is safe and without risk to the health of employees*.

This Act verifies the fact that employers are legally obliged to sustain a safe and healthy working environment for their employees. Imperative to this is that employers set up activities like awareness campaigns, training, work instructions and supervisions for SHE.

Also, employees have a role to play in controlling, reducing and eliminating any elements that might temper with good health and safety in the working environment. Because of specialization, workers perform diverse functions which might be associated with different risks. A cooks risk will not be the same as a teller's risks.

So to say, it is the rightful duty of the employee to report risks that are present. For example, it is the right of an electrician to have in possession protective wear.

Just imagine an article in our local newspapers, "Central Bank employee electrocuted by naked live wires". Obviously this would disrupt the reputation of this institution.

In occupational health and safety therefore, nothing is referred to as minor. Let us all act responsible and report all incidents, risks and other work-related hazards that may temper with the welfare of employers, employees, customers, visitors and the environment itself.

Sikelela Dlamini

Sikelela Dlamini is a Security Officer. He writes in his personal capacity.

Standard Bank Swaziland E80 Million DMTNP

Joseph Warring

Capital markets in Swaziland were on the 9th December 2009 boosted when Standard Bank Swaziland Limited (the Issuer) listed on the Swaziland Stock Exchange (SSX) an E80m Domestic Medium Term Note Programme (the Programme).

The programme was materially different from the bonds issued by the Issuer on the 25th August 2005, due on the 15th September 2015.

Consent was obtained from the Governor of the Central Bank of Swaziland prior to proceeding with a programme of this nature, in his capacity as the Regulator of all Banks in Swaziland, and as the authorized authority in terms of the Exchange Control Regulations.

Different advisors in Swaziland, South Africa and London were roped in to assist the Issuer put the programme together, these were:

Standard Bank of South Africa Limited acting as the Arranger; Waring Attorneys acting as the Legal Advisors for the Arranger; PriceWaterHouseCoopers services (Pty) Ltd acting as the Transfer Secretary, Calculation and Paying Agent; KPMG Swaziland acting as Auditors to the Issuer; Swaziland Stockbrokers (Pty) Ltd acting as the Sponsoring Broker; Sabelo Masuku acting as the Note Trustee; Nozizwe Mulela acting as legal representative for the Issuer.

Although the Notes are registered on the SSX, they are not available to the Public, but are only sold to limited investors in Swaziland i.e. (sophisticated investors or QUIB'S) by way of Private Placement. Proceeding in this fashion meant that the Issuer was exempt from certain requirements on the Companies Act (as it was then).

In putting together the programme, it was important to ensure that no **"misleading statements"** or **"material non disclosures"** were made in the programme documentation. This required the attorneys carrying out effective due diligence and even closing certificates to be signed by the relevant employee of the Issuer. The reasons for carrying out effective due diligence are obvious; i.e. to protect the parties in involved in the transaction against any damages claim that may be brought against the Issuer.

Usually in all issuances of debt and to some extent equity (IPO) the heading **"Risk Factors"** is one of the most important sections in any instrument, be it domestic or international. Under this heading the Issuer undertakes a self assessment, effectively opening its business (save for trade secrets) to potential investors who need to know the risks in the securities being offered.

It is important to mention that the **"Risk Factors"** heading, applies to all issuers, even sovereigns who may decide to issue debt. However, in a sovereign debt instrument, the disclosures are to some extent different from those that are made in a public or private company.

In the world of securities, the Issuer may not contemplate all the investors who may come into possession of the securities being offered. In the Standard Bank issuance for example, effective disclaimers were included in the programme, to ensure for instance, that the securities laws of other jurisdictions e.g U.S Securities Exchange Commission, did not step in to regulate the securities being offered for sale in Swaziland.

Now, as far as programmes go, the Standard Bank issuance was a "plain vanilla" debt issuance. However, compared to other debt instruments issued in our jurisdiction, the legal documentation was entirely different from previous debt instruments. The documentation was prepared in the form of an international note programme. This required not only painstaking detail in the nature of the disclosures being made about the Issuer, but also the inclusion of supporting legal instruments (programme agreements etc). The entire purpose of this robustness and care being to protect potential investors and to give assurance that their investment was safe as there were sufficient safe guards for the investors.

Previous debt instruments in Swaziland have generally consisted of a prospectus with limited disclosures being made. This generally would suffice in a domestic issuance under the old Companies Act of 1912.

From a legal perspective, putting such an extensive programme together gave rise to certain challenges in that securities laws in Swaziland are very scanty and scattered. Not to mention that there is no legislation governing the Swaziland Stock Exchange. However, the new Companies Act No. 8 of 2009, goes a long way to remedy this and we look forward in 2010 to the Securities Bill finally going through all the stages to make it an Act of Parliament.

Joseph Waring is a lawyer at Waring Attorneys. He writes in his personal capacity.

Restructuring Records Management

We all know that the Central Bank of Swaziland is charged with responsibility of managing the financial affairs of the country.

The Bank needs a well structured Information & Records office. Therefore, two Archivists from The Swaziland National Archives were engaged for the restructuring the Information & Records office.

The Archivists did a survey, and from the survey done, they found that the core business records were kept by action officers in their offices and this caused a lot of confusion and work for records officers when they receive mail regarding the core business.

The confidential records are managed by Secretaries who have other duties to look after. Semi-current, Current and non-current records were all kept in one place. Records had not been appraised and their retention and disposition is not documented. Lastly records were not classified according to their characters as each division has its own records.

On the 10th October 2009 the restructuring commenced and a Records Management Sensitization workshop was held first, which was officially opened by the Assistant Director of Swaziland National Archive Ms. Sibongile Nxumalo and the objective of the workshop was;

? To sensitize Records officers on the importance of proper records management.

? To improve the standard of service delivery and to realize greater efficiency and effectiveness in the performance of the Bank's functions.

? To come up with recommendations on how to improve the situation and to draw up the file classification, retention and disposal schedule for the Bank's active and non-active records.

? To review records keeping and retrieval system.

The appraisal of records commenced on the 18th October 2009. Records were separated into three categories; those to be reviewed, those to be preserved and those to be destroyed and they were listed. Files which were earmarked for destruction were finally destroyed and files for preservation are kept at the Information & Records office in Archival boxes for future refrences.

The restructuring was done on weekends to allow for normal duties to flow uninterrupted and it took eleven weekends. The team that was involved were two Archivists namely; Ms Sibongile Nxumalo and Ms Zodwa Simelane.

Gcinile Nhlabatsi

Ms Nonhlanhla Dube – PA to the Governor, Ms Penelope Mohale and Ms Gcinile Nhlabatsi- Records officers.

Difficulties encountered were the resistance from one division refusing with files, taking long time to give response to the Records officers as they indicated that they needed time to go through the list of files to be destroyed and preservation files. However, good progress had been made.

Gcinile Nhlabatsi is a Records Officer in the Information and Records Unit. She writes in her personal capacity.

Know your HIV status now!

Staff Movements - January to June 2010

APPOINTMENTS


Fitzgerald Graham

Head of the Financial Intelligence Unit (FIU)
Qualification: LLM (University of West Indies)
Appointed: 1 March 2010


Nombuyiselo Fakudze

Trainee Dealer - Investex
Qualification: B.Com Financial Management(University of Pretoria)
Appointed: 1 March 2010


Zodwa Nkambule

Examination Officer - BSD
Qualification: PostGrad Diploma in Accounting (UNISA), B.Comm (UNISWA)
Appointed: 1 March 2010


Nontsikelelo Mabuza

Examination Officer - BSD
Qualification: B.Com Accpounting (UNISWA)
Appointed: 1 March 2010


Jabulane C. Dlamini

Manager, Balance of Payments & International Affairs
Qualification: MBA (Africa University)
Appointed: 1 February 2010


Ntokozo Simelane

Reconciliation Clerk
Qualification: B.Com Accounting (UNISWA)
Appointed: 1 June 2010


Patrick Mashego

Driver
Qualification: BusAdmin. (Damelin)
Appointed: 1 April 2010

HORIZONTAL TRANSFERS

? Nonhlanhla Matsebula - 21/12/09 - Nostro Reconciliation Clerk
? Phumzile Mkhatshwa - 01/01/10 - Senior Domestic Debt Officer
? Nokuthula Dlamini - 01/01/10 - Domestic Debt officer
? Nhlanhla Mthethwa - 24/03/10 - Senior Dealer, Domestic Debt Market
? Sikhumbuzo Vilakati - 24/03/10 - Snr Risk Analyst
? Yvonne Mavuso - 14/04/10 - Secretary - Head of FIU
? Zanele Mkhonta - 1/05/10 - Secretary – Head of Communication, Exchange Control and Legal Office
? Zodwa Mkwanazi -1/05/10 - Typist- Investex
? Ntombifuthi Msibi - 01/06/10 - General Ledger Clerk

RESIGNATIONS

? Wandile Mngadi - Investex Division
? Nokuphila Thabede - 31/05/10 - Research Department

IN MEMORIUM

The Bank mourns the sad loss of one of its staff member.

PROMOTIONS

	Name	Promoted to
1	Felicia Dlamini – 01/02/10	Senior Economist in Real Sector
2	Rejoice Dlamini – 01/02/10	Senior Economist in Monetary & Financial Statistics – Research
1	Wellington Motsa – 1/06/ 2010	Manager BSD Off-site Monitoring Unit
2	Themba Busika – 1/06/10	Snr Examiner BSD Off-site Monitoring Unit
3	Lungile Nkonyane – 1/06/10	Salaries Clerk
4	Zanele Dlamini – 1/06/10	Settlements Officer
5	Sandile Mdlovu – 1/06/10	Settlements Officer
6	Simiso Mkhonta – 1/05/10	Snr Economist Modelling & Forecasting
7	Florence Sibiya – 1/05/10	Economist Monetary & Financial Statistics
8	Welcome Nxumalo – 1/05/10	Assistant Economist
9	Sukulwenkhosi Nxumalo – 1/04/10	Snr Compliance Officer
10	Cebsile Mamba – 1/04/10	Snr Dealer Investments
11	Lolo Hlophe – 1/04/10	Snr Auditor IT & Risk
12	Sandile Dlamini – 1/04/10	Auditor

MEET OUR INTERNS

On the 1st June 2010, the Bank was joined by students from the University of Swaziland as part of their internship programme. It is a norm that the university sends out some students to the field, after writing their examinations, to put into practice what they have studied and also assist the university to get industry feedback on the relevance of its study programmes.


Phumelele Mkhonta

Programme: Diploma in Journalism and Mass Communication (JMC)
Year: 2
Dept: Corporate Communication


Mbuso Nkumane

Programme: B.Com Accounting
Year: 4
Dept: Risk Management


Mayibongwe Dlamini

Programme: B.Com Management
Year: 4
Dept: Corporate Services


Nontsikelelo Dludlu

Programme: B. Comm Accounting
Year: 4
Dept: Internal Finance


Catherine Chikosemu

Programme: B.A. Social Science
Year: 3
Dept: Research


Majahonkhe Mncina

Programme: B.Com Accounting
Year: 4
Dept: Operations

CENTRAL BANK OF SWAZILAND

WITHDRAWAL OF OLD SERIES R200 BANKNOTES

Background

i. Two categories of R200 (Two Hundred Rand) banknotes exist. These are, R200 notes printed before 2005 (old series) and R200 notes printed after this period (new series)

ii. High quality counterfeit copies of the old series of R200 banknotes are currently being illegally circulated in South Africa and other CMA countries including Swaziland

iii. Compounding to the problem is that several conflicting messages have been broadcasted through various media regarding the features of the counterfeit notes and the strategies being undertaken to address the problem

As a result of the above:

i. The South African Reserve Bank (SARB) has undertaken to withdraw all R200 banknotes that were printed before 2005 (old series of R200 notes)

ii. R200 notes printed after 2005 (new series) will remain in circulation

iii. Swaziland and other CMA countries will also withdraw the R200 old series

iv. All traders and the general public are urged not to use or accept the old series R200 banknotes, as these will be withdrawn

The withdrawal of R200 notes that were printed prior to 2005 (old series) will take place as follows:

i. Members of the public in possession of these notes will be required to take them to their nearest bank or Building Society branch before **27 June 2010**

ii. Members of the public who do not have bank accounts will be required to comply with normal bank Know Your Customer (KYC) requirements

iii. Commercial banks and the Swaziland Building Society will exchange the old series of R200 banknotes for the same value at no charge

iv. Normal bank charges will apply to customers wishing to deposit the R200 notes into their bank accounts

v. Commercial banks and the Swaziland Building Society are to confiscate all counterfeit notes that they identify and must provide full details of customers presenting these to the police for investigation

vi. No value will be given for counterfeit notes

vii. After the **27 June 2010** commercial banks and the Swaziland Building Society will no

HOW TO IDENTIFY A R200 BANKNOTE THAT WAS PRINTED PRIOR TO 2005

The following information is published to allow customers to distinguish between R200 banknotes printed before 2005 and those printed afterwards The image of notes printed before 2005 is shown in Figure 1. Figure 2 then shows the image of those notes printed after 2005 and highlights some key features that distinguish the new series from the older one.

FIGURE 1: Image of the R200 banknote printed before 2005 (old series currently being withdrawn)

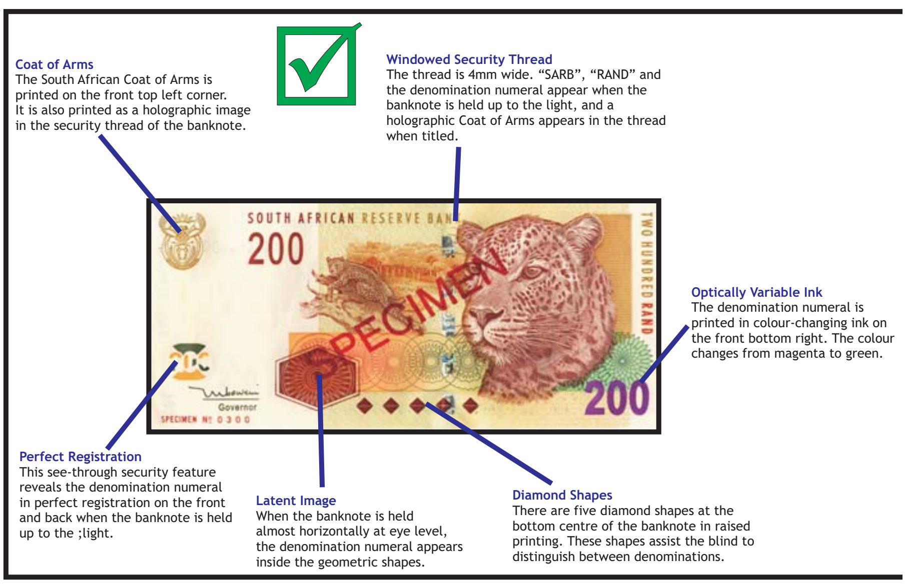

FIGURE2: Image of the R200 banknote printed from 2005 (new series that will remain in circulation)

The Central Bank of Swaziland

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