



# SEPARC

SWAZILAND ECONOMIC POLICY  
ANALYSIS AND RESEARCH CENTRE

*Generating Evidence · Shaping Decisions*



**ANNUAL REPORT 2016**



THE AFRICAN  
BUILDING FOUNDATION

Economic Research and Policy Analysis  
Training/Capacity Building  
Public Policy Dialogue  
Dissemination of Research

THE AFRICAN  
CAPACITY FOUNDATION

THE AFRICAN  
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# BOARD MEMBERS



**Chairperson**  
Mr. D. E. Masilela



**Member**  
Prof C. Magagula



**Member**  
Mr. M.V. Sithole



**Member**  
Mr. E. N. Ndlangamandla



**Member**  
Mrs. L. P. Magagula



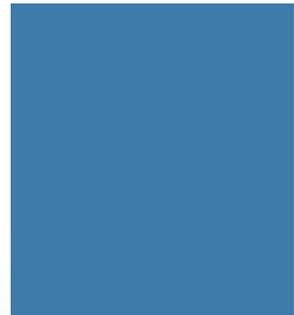
**Member**  
Mr. N. S. Ntshangase



**Member**  
Mr. P. E. Ginindza



**Member**  
Ms. T. R. Zwane



**Member**  
Mr. A.T. Dlamini

# CHAIRMAN'S MESSAGE

**Dumisani E. Masilela**

*Chairman*

**“The Centre is showing great strength in positioning itself to be at the heart of policy debates in Swaziland”**



In reviewing the performance of the Swazi economy in 2015: it is difficult to avoid a sense of ‘we have been here before’. Many of the problems that were – and continue to be - in need of solutions in Swaziland today seem to be the same as in preceding years. The fiscal crunch of 2010/2011 is repeating itself all over again. Perhaps the only difference in recent times is the intensification of the drought.

The pace of policy implementation was a bit slow and at times incomplete. While there was consensus that the implementation of the Poverty Reduction Strategy and Action Plan (PRSAP), which prioritises

poverty reduction in the National Development Strategy (NDS), had to be expedited, there were no clear and visible programs to achieve this. This resulted in very mixed outcomes when poverty indicators were interrogated. SEPARC’s response, therefore, has adapted to the current needs of the policymaking environment in Swaziland: SEPARC researchers put more emphasis on conducting detailed analysis of the impact of government policies on social development in Swaziland, with a special focus on poverty reduction, economic growth, and service delivery. An excellent example of some of our studies was the finalisation of the Country Capacity Needs Assessment Report,

# CHAIRMAN'S MESSAGE

which was completed with funding assistance from the African Capacity Building Foundation (ACBF).

I am glad that finally we are starting to see some action at SEPARC after a long period of stagnation. The Board was able to find a substantive Executive Director of SEPARC. I have been happy to observe, along with the rest of the members of the Board, that SEPARC's incoming Executive Director has enthusiasm for increasing the visibility, reliability, trustworthiness of, and the confidence that stakeholders have on, SEPARC. I have no doubt that with enough support from stakeholders, he will succeed.

2015 was a rather difficult year, where the drought intensified and we witnessed some significant external shocks. For instance, some developments in South Africa caused the exchange rate to depreciate sharply against major currencies, which eroded any prospective benefits, which could have accrued to the country due to the decline in the international price of Brent Crude Oil. For the very first time in its history, the Centre is showing great promise and strength in positioning itself to be at the centre of economic policy discussions in Swaziland. I am particularly relieved as I could see that our major stakeholder, government, was ready to can the idea. My fear was that this was tantamount to throwing out the baby with the bath water. This

recovery and demonstration of value is bound to make everyone comfortable and yield some important benefits to stakeholders.

2015 is also the year in which SEPARC phase I project was concluded and as such funding from ACBF concluded. It is very unfortunate that the funding from ACBF expired without the Centre delivering much on its plans as articulated in the project document. While this was primarily a function of a change in the resourcing of ACBF and their priorities, I do believe our failure to implement this project has contributed to the lack of enthusiasm on ACBF's part to engage. I am, however, confident that the team we are developing will convince them otherwise and have them back supporting this initiative in no time. This confidence comes from the alliances and commitments that have already been secured with reputable multilateral agencies.

In that funding uncertainty, the Government of Swaziland came to our rescue, providing the Centre with 100% funding. It, therefore, gives me great pleasure to, on behalf of the Board, management and staff of SEPARC, express our deepest gratitude to the Government for their continued funding support. I want to promise that we have turned the corner and we will most definitely reward the faith that the Government has shown in us.

# PAC MEMBERS



**Member**  
Dr. Bhadala Hlophe



**Member**  
Dr. Dumsile Dlamini



**Member**  
Ms. Bonsile Ntando



**Member**  
Mr. Linda Hlophe



**Member**  
Mr. Dumsani Sithole



**Member**  
Mr. Sive Kunene



**Member (Resigned)**  
Mr. Bhekinkhosi Dube

# EXECUTIVE DIRECTOR'S INTRODUCTION

## Dr. Thula Sizwe Dlamini

*Executive Director*

**“This confirms the growing reality of Climate Change and calls for heightened focus on developing systems and strategies to make the country drought, and generally Climate Change, prepared”**



The El Nino drought has tested the efficiency and, in the process, exposed the insufficiency of our water harvesting infrastructure - unleashing an unending uncertainty on what is coming next.

As if that is not enough, meteorologists are now warning that the country will experience the opposite of the El Nino: The La Nina. This confirms the growing reality of Climate Change and calls for heightened focus on developing systems and strategies to make the country drought, and generally Climate Change, prepared. Climate Change, like drought, affects the poorest of the poor. The social problems created by the El Nino drought will have long-term effects

on the economy and have delayed, without doubt, the implementation of the country's developmental mandate.

The SEPARC project focuses on evaluating the impact of the National Development Strategy (NDS) and the Poverty Reduction Strategy and Action Plan (PRSAP). Our studies cover a broad range of areas including service delivery, employment creation, trade and industrial policy, and education policy. We shall continue to align our work with the emerging imperatives of the Swazi economy and tackle topical policy issues.

While much of our work has focused on the government, the Centre is

# EXECUTIVE DIRECTOR'S INTRODUCTION

*On behalf of the entire SEPARC team, I can promise you that we continue to go-all-out to improve economic policy making in Swaziland. Guiding our work is our core values: quality, credibility, accuracy and reliability, impartiality, and accountability.*

expanding its footprint. We intend to undertake independent studies on how Climate Change is affecting peoples' livelihoods and the economy. The focus is on developing strategies to enable the Government to respond to the needs of the people.

In 2015, SEPARC took on demand driven work, conducting a study that assessed the living wage in the handicraft sector in Swaziland. Over and above focus on service delivery and employment creation, the Centre undertook studies that sought to identify strategies that will fast-track economic recovery.

Going forward, the Centre will focus on conducting sector reviews, and assist in the development of knowledge and policy strategies that will expedite the full recovery of the economy.

SEPARC will also analyse education policy in Swaziland with a hope of developing the required knowledge to help the Government think about how to adapt education policy to meet the needs of a young, and tech savvy, population.

In 2015, the Centre's team participated in various government processes,

built service delivery capacity within government, and contributed in the implementation of the country's development mandate. SEPARC will continue to direct its efforts toward developing a full understanding of the rural sector and the informal (shadow) economy in Swaziland.

SEPARC is more concerned about making an impact in the economic policy making space in Swaziland, by generating evidenced-based policies and policy strategies. However, we are still below ideal size and therefore intend to continue to grow.

To deliver results to stakeholders, SEPARC will leverage on Information Communications Technologies (ICT). We shall deploy a smartphone-based application (APP) to deliver research outputs to stakeholders.

On behalf of the entire SEPARC team, I can promise you that we continue to go-all-out to improve economic policy making in Swaziland. Guiding our work is our core values: quality, credibility, accuracy and reliability, impartiality, and accountability.

We look forward to working with you to make an impact on policy.

# SEPARC AT GLANCE

SEPARC is a semi-autonomous think tank specialising in economic policy analysis in Swaziland. Established in 2008, SEPARC is the only institution that focus on economic policy research in Swaziland. Its mission is to improve the quality, timeliness, and effectiveness of public policies in Swaziland.

The organisation started operations in 2012, with a staff compliment of

13. Our staff compliment had not changed by much in 2015: SEPARC had six researchers at various stages of academic qualification and seniority.

Since 2012, SEPARC has endeavoured to improve capacities within the government sector and this continues to be at the heart of the Centre's work.

# IMPROVING SERVICE DELIVERY IN SWAZILAND

The conclusion of the Country Capacity and Institutional Assessment revealed some of the challenges facing the public sector in Swaziland.

The report demonstrated that above all, capacity issues originate from a skills mix-match and in some cases lack of qualified personnel within government, which impinges on the productivity of the civil service and subsequently service delivery.

The report found that there was inadequate skills diversification among staff in the public service to

enable the full implementation of diverse development programmes for the country. The report also established that even institutions entrusted with building capacity in the public service also lacked sufficient capacity.

SEPARC recognises this and will direct more resources toward hatching a plan of action to build capacity within the Public Service, in 2016/17. We shall give more efforts in the direction of developing tailor-made courses in different areas of public policy making, implementation, and monitoring and evaluation.

# SWAZILAND ECONOMIC POLICY ANALYSIS AND RESEARCH CENTRE PERFORMANCE 2015/16

## GOVERNANCE

A Board of Directors governs SEPARC. The Directors come from a variety of stakeholders including the Ministry of Finance, the Ministry of Economic Planning and Development, the Ministry of Commerce, Industry, and Trade, the Prime Minister's Office - Policy Programmes Coordination Unit, the Central Bank of Swaziland, the University of Swaziland, and Civil Society which is represented by the Coordinating Assembly of Non-Governmental Organisations and the Federation of Swaziland Employers and Chamber of Commerce.

The Minister of Finance appoints the Board's Chairperson while the Executive Director provides overall leadership of the Centre and acts as the Secretary to the Board.

The Board has two special committees. These are the Project Advisory Committee (PAC), which is responsible for advising both the Board and SEPARC's management in shaping the Centre's Research Agenda and the Finance, and Administration Committee (FAC), which is responsible for advising and guiding management on the financial and administrative aspects of the Centre.

## CORPORATE PROFILE

SEPARC is a semi-autonomous entity, which established in 2008 through a

joint agreement between the African Capacity Building Foundation (ACBF) and the Swaziland Government. The main goal of SEPARC is to build sustainable national capacity to improve the quality and timeliness of public policies in Swaziland.

## VISION

To be a leading institution in public policy research and analysis in the kingdom of Swaziland, providing timely research-based contribution to policy formulation processes and procedures, thus shaping a better future for the nation.

## MISSION STATEMENT

To contribute to the achievement of national development goals-through provision of policy advice to the Government, the Private Sector and other stakeholders – by conducting high quality and objective economic research and policy analysis.

## CORPORATE VALUES

Our core values are:

- Professionalism
- Excellency
- Integrity
- Independence
- Commitment
- Respect
- Equality
- Fairness
- Transparency
- Accountability

# SWAZILAND ECONOMIC POLICY ANALYSIS AND RESEARCH CENTRE PERFORMANCE 2015/16

## THE GOAL AND OBJECTIVES OF SEPARC

To build sustainable national capacity in order to improve the quality and timeliness of public policies in Swaziland.

The main objective is to improve economic governance in the Kingdom of Swaziland and to generate evidence for use by government institutions responsible for various aspects of

economic policy formulation and implementation, as well as the private sector and civil society.

The more specific objectives are to:

- Conduct economic policy research
- Analyse economic policies
- Facilitate public policy dialogues and dissemination
- Provide training and capacity building

# STAFFING

A team of dedicated professionals who fall under two departments, namely Research Department and Finance and Administration, conducts the work of the Centre. The Research Department performs the core duties of the Centre and is comprised of 7 researchers of which two (2) (Executive Director and Senior Research Fellow) are vacant.

The research department has two (2) sub-divisions: Macroeconomics and Microeconomics. The structure of SEPARC is such that Research Assistants report to research fellows

who in turn report to the senior research fellow.

The senior research fellow reports to the Executive Director. The Finance and Administration Department provides support to the Research Department and has a staff compliment of six members of which two (2) (Librarian and Cleaner) are vacant. The Finance and Administration Officer (FAO) who reports directly to the executive director heads the unit. The FAO is also part of management together with the senior research fellow.

## RESEARCH

### Dumisani C. Sithole

### Senior Research Fellow

Dumisani joined SEPARC in January 2013. He holds a MSc. in Decentralized Governance and Development (University of Birmingham Edgbaston, Birmingham); and a B.Sc. in Economics and Statistics (UNISWA).

### Sive Kunene

### Research Fellow

Sive holds an MSc. in Agricultural and Applied Economics and a B.Sc. in Agricultural Education from the University of Swaziland. Sive joined SEPARC in October 2012, and his research focus is on agriculture policy.

### Terence Bongani Mabaso

### Research Fellow

Terence joined SEPARC in August 2012. He holds a B.S. (Economics and Finance) from the University of Hartford (U.S.A), and a Masters in International Law and Economics (MILE) from the University of Berne (Switzerland). Terence conducts research on trade and industrial policy.

# STAFFING

## Tanele Peggy Kunene

### Research Assistant

Tanele holds an MPhil (Multidisciplinary Human Rights), a Bachelor of Social Science (Honours) in Industrial Sociology specialising in Gender Studies and a Bachelor of Social Science (Industrial Sociology and Labour Studies) from the University of Pretoria (South Africa). She joined SEPARC in February 2014. Her research interests include gender and poverty.

## Gugulethu Mgabhi

### Research Assistant

Gugulethu joined SEPARC in October 2012. She holds a Bachelor of Education (UNISWA) and various other postgraduate qualifications in the field of youth and rural development. Gugu's research focus is on education policy.

## Thula Sizwe Dlamini

### Executive Director

Thula joined SEPARC in April 2016. His research focuses on science and technology policy, agriculture policy, economic development, impact studies, and rural development. He joined SEPARC from the Agricultural Research Council, in Pretoria, South Africa where he worked as an Agricultural Economist focusing on agricultural science and technology policy research. He holds a PhD in economics from Rhodes University.

## STAFF WELFARE

During the year under review, two members of staff resigned, one from

the research department and the other from the administrative department.

# RESEARCH AND POLICY ANALYSIS ACTIVITIES

## Operational Overview

The research department focuses on evaluating the Poverty Reduction Strategy in the broad areas of Economic Management and Governance, Poverty Reduction, Employment Creation, International Trade and Public Sector Reforms. In addition to the above, the capacity building aspect focuses on issues of economic governance/management, policy analysis and public sector reforms.

Targeted stakeholders include the Government of Swaziland, the private sector, civil society organizations, development partners and the public. The Poverty Reduction Strategy and Action Plan and the Country's National Development Strategy (NDS) guide the research studies. The PAC plays a significant role in the determination of research projects and papers to be undertaken and in the review and approval of studies for publication.

## The Centre's Outputs Completed Papers

Country Policy and Institutional Assessment (CPIA) and Economic Report.

## External Papers

The Centre commissioned four studies during the year:

- i. Strategic Positioning of Rural Development Areas (RDAs) for Effective Service Delivery
- ii. Fiscal Sustainability in Swaziland:

Challenges, Opportunities and Policy Options?

- iii. The Desired Action: Is it reducing the Public Sector Wage Bill or Growing the Economy?
- iv. Foreign Direct Investment (FDI) inflows into Swaziland: Trends, Impact, Challenges, Opportunities and Policy Options.

## Completed Papers

The Country Capacity Profiling and Needs Assessment for the Public Sector. A validation workshop of the Country Capacity Profiling and Needs Assessment for the Public Sector exercise held on May 22, 2015.

## Meetings and Conference/ Staff Training

- Mr Dumisani Sithole attended the launch of the 2015 African Capacity Report on Capacity Imperatives for Domestic Resource Mobilization in Africa, held on 7 December 2015, in Harare, Zimbabwe.
- Mr Sive Kunene attended a Five (5) day training workshop on Introduction to Economy-wide Modelling for Policy Analysis, hosted by the Trade and Industrial Policy Strategies (TIPS) on the 2-6th November 2015.
- The Centre, through the Assistant Executive Director, participated in the second African Think Tank Summit held in Addis Ababa on the 6-8 April 2015 hosted by UN

# RESEARCH AND POLICY ANALYSIS ACTIVITIES

Economic Commission for Africa along with the African Capacity Building Foundation.

- Mr Dumisani Sithole represented the Centre in the first Annual COMESA Research Forum, held on 10-14 August 2015 at the Laico Lake Victoria Hotel in Entebbe, Uganda.
- SEPARC, through the Acting Executive Director, participated in the fifth Consultative Forum of the African Capacity Building Foundation's Policy Institute Committee in Kigali, Rwanda, held on the 21-23 October 2015.
- Ms Tanele Dlamini, Ms Nelsiwe Kunene, and Ms Gugulethu Mgabhi attended a Policy Analysis, Formulation, and Management training, held on the 10 - 22 August 2015, ESAMI, UGANDA.
- SEPARC participated in the First Turkish- African Think Tank Summit in Turkey that held on the 19-20th December 2015.
- Ms Tanele Dlamini, Ms Nonqaba Keatimilwe, and Ms Gugulethu Mgabhi attended a 'Getting Published in High Impact Journals' workshop which was held on the 13 - 15<sup>th</sup> March 2016, Birchwood Hotel, Johannesburg.



# ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

The reports and statements set out below comprise the annual financial statements presented to the board of directors:

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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# GENERAL INFORMATION

for the year ended 31 March 2016

## Nature of Business and Principal (activities)

Swaziland Economic Policy Analysis and Research Centre is a semi autonomous economic and policy analysis and research centre established to conduct research in areas of economic policy formulation and management. It provides training to Government officials and policy advice to government and promote policy dialogue within Swaziland through dissemination workshops, conferences and publications.

## Directors

Chairperson: Dumisani E. Masilela

Members:

Phiwayinkosi E. Ginindza

Thembi R. Zwane

Prof. Cisco M. Magagula

Lonkululeko P. Magagula

Newman S. Ntshangase

Majozi V. Sithole

Abner Dlamini

Emmanuel N. Ndlangamandla

Nkululekho H. Dlamini

Executive Director:

Dr. Thula Sizwe Dlamini

## Business Address

Seventh Floor, Dlanubeka Building,  
Mbabane, Swaziland

## Postal Address

P. O. Box 8804, Mbabane, H100

## Auditors

Kobla Quashie and Associates  
Chartered Accountants (Swaziland)  
Manzini

## DIRECTOR'S RESPONSIBILITIES AND APPROVAL

for the year ended 31 March 2016

The directors are required in terms of the Swaziland Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Organisation as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the organisation and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the organisation and all employees are required to maintain the highest ethical standards in ensuring the organisation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the organisation is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risk cannot be fully eliminated, the organisation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

## DIRECTOR'S RESPONSIBILITIES AND APPROVAL

for the year ended 31 March 2016

The directors have reviewed the organisation's cash flow forecast for the year to 31 March 2017 and, in the light of this review and the current financial position, they are satisfied that the organisation has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the organisation's annual financial statements. The annual financial statements have been examined by the organisation's external auditors and their report is presented on pages 21 to 22.

The annual financial statements set out on pages 23 to 42, which have been prepared on the going concern basis, were approved by the board on 02 December 2016 and were signed on its behalf by:



.....  
Chairperson: Mr. D. E. Masilela



.....  
Executive Director: Dr. T. S. Dlamini

# INDEPENDENT AUDITOR'S REPORT

for the year ended 31 March 2016

## To the Board of Directors of Swaziland Economic Policy Analysis and Research Centre Report on the Financial Statements

We have audited the accompanying annual financial statements of Swaziland Economic Policy Analysis and Research Centre, which comprise the directors' report, the statement of financial position as at 31 March 2016, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 25 to 36.

### Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Swaziland Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditors' considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements.

# INDEPENDENT AUDITOR'S REPORT

for the year ended 31 March 2016

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the company as of 31 March 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Swaziland Companies Act.

## Report on Other Legal and Regulatory Requirements

In accordance with the relevant requirements from the donor, African Capacity Building Foundation we also report the following:

- We have obtained all the information and explanations we consider necessary for the purpose of our audit
- In our opinion the special account has been maintained properly and
- We verified that:
- Withdrawals were properly authorized
- Interest due to the account was credited by the bank and properly recorded
- The balance at 31 March 2016 agrees with project records.



**Kobla Quashie and Associates**  
**Chartered Accountants (Swaziland)**  
**Manzini**  
**Registered Auditor: Daniel Bediako**

**02 December 2016**

The directors submit their report for the year ended 31 March 2016.

## **1. Review of Activities**

### **Main Business and Operations**

#### **Background**

The organisation was incorporated on the 30th of April 2008. Swaziland Economic Policy Analysis Research Centre (SEPARC) is a semi autonomous economic policy analysis and research centre established to conduct research in areas of economic policy formulation and management. It provides training to Government officials and policy advice to government and promote policy dialogue within Swaziland through dissemination workshops, conferences and publications.

#### **Funding of SERPAC**

The organization is funded by the Government of Swaziland and ACBF. SEPARC has signed a grant agreement with its donors of US\$3.4 million from which US\$1.8 million will be funded by ACBF and US\$1.6 million funded by the Government of Swaziland. These funds have been based on budgeted expenditures to be incurred by SEPARC. The organization has been designed to have an enabling institutional framework that will make it possible in the long run to generate its own revenue from the sale of its services to clients.

ACBF officially concluded its project on the 30th of April 2015.

The operating results and state of affairs of the organisation are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

## **2. Going Concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the organisation to continue as a going concern is dependent on a number of factors. The most significant of these is that the Directors continue to procure funding for the ongoing operations for the organisation.

# DIRECTOR'S REPORT

for the year ended 31 March 2016

## 3. Events after the reporting period

The Directors are not aware of any matter or circumstance arising since the end of the financial year.

## 4. Directors

The Directors of the organisation during the year and to the date of this report are as follows:

Name	Changes	
Chairperson:	Mr. D. E. Masilela	
	Mr. E. N. Ndlangamandla	
Member:	Mr. P. E. Ginindza	
Member:	Ms. T. R. Zwane	
Member:	Prof. C. M. Magagula	
Member:	Mrs. L. P. Magagula	
Member:	Mr. N. S. Ntshangase	
Member:	Mr. M. V. Sithole	
Member:	Mr. A Dlamini	Appointed
	Appointed 19 January 2016	
Member:	Mr. N. H. Dlamini	Term expired
	Resigned 31 January 2016	
Executive Director:	Dr. T. S. Dlamini	

## 5. Auditors

Kobla Quashie and Associates Chartered Accountants have been appointed as auditors for the current accounting year.

# STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2016

Figures in Lilangeni	Note(s)	2016	2015
<b>Assets</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	2	1,038,622	1,080,513
<b>Current Assets</b>			
Trade and other receivables	3	2,793,073	16,564
Cash and cash equivalents	4	4,600,902	7,735,996
		<b>7,393,975</b>	<b>7,752,560</b>
<b>Total Assets</b>		<b>8,432,597</b>	<b>8,833,073</b>
<b>Reserves and Liabilities</b>			
<b>Reserves</b>			
Share capital	5	2	2
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	6	864,459	97,003
Deferred income	7	7,568,136	8,736,068
		<b>8,432,595</b>	<b>8,833,071</b>
<b>Total Equity and Liabilities</b>		<b>8,432,597</b>	<b>8,833,073</b>

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

Figures in Lilangeni	Note(s)	2016	2015
Grant Income		6,567,931	6,472,240
Other income		201,443	298,337
Operating expenses		(6,769,374)	(6,770,577)

# STATEMENT OF CHANGES IN FUNDS

for the year ended 31 March 2016

Figures in Lilangeni	Share Capital	Total equity
<b>Balance at 01 April 2014</b>	<b>2</b>	<b>2</b>
<b>Balance at 01 April 2015</b>	<b>2</b>	<b>2</b>
<b>Balance at 31 March 2016</b>	<b>2</b>	<b>2</b>

# STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

Figures in Lilangeni	Note(s)	2016	2015
<b>Cash flows from operating activities</b>			
Cash used in operations	9	(2,993,453)	3,467,441
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(141,640)	(6,517)
<b>Total cash movement for the year</b>		<b>(3,135,093)</b>	<b>3,460,924</b>
Cash at the beginning of the year		7,735,996	4,275,072
<b>Total cash at end of the year</b>	4	<b>4,600,903</b>	<b>7,735,996</b>

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2016

## 1. Presentation of Annual Financial Statements

Swaziland Economic Policy Analysis and Research Centre is a Government parastatal established in terms of the Companies Act of 2009. It is a corporate body with perpetual succession capable of suing and being sued, subject to the provisions of the Act

The addresses of the office and principal place of business are disclosed in the introduction of the annual report on page 1.

### Statement of Compliance

The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

The following are the principal accounting policies adopted in the preparation of these financial statements as set out below. These policies have been consistently applied in all material respects with those of the previous year, unless otherwise stated.

### 1.1 Basis of Preparation

#### a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards(IFRS).

#### b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

#### c) Functional and presentation currency

These financial statements are presented in Emalangeni, which is the entity's functional currency. All financial information presented in the Emalangeni have been rounded to the nearest figure.

#### d) Use of estimates and judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2016

## Trade Receivables

The Company assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

## 1.2 Property, Plant and Equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the organization; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the reducing balance method over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2016

## 1.2 Property, Plant and Equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Furniture and fixtures	11 years
Motor vehicles	5 years
Office equipment	11 years
Computer	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

## 1.3 Financial Instruments

### Classification

The organisation classifies financial assets and financial liabilities into the following categories:

- ° Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

### Subsequent Measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2016

## 1.3 Financial Instruments (continued)

### **Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the organisation has transferred substantially all risks and rewards of ownership.

### **Loans to Managers and Employees**

These financial assets are classified as loans and receivables.

### **Trade and Other Receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

### **Trade and Other Payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2016

## 1.3 Financial Instruments (continued)

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### Bank Overdraft and Borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the organisation's accounting policy for borrowing costs.

## 1.4 Impairment of Assets

The organisation assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the organisation estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2016

## 1.5 Employee Benefits

### Short Term Employee Benefits

The cost of short term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

### Pension Obligation

The organisation currently operates a defined contribution plan with African Alliance. The organisation pays contribution to a privately administered pension plan on a mandatory, contractual or voluntary basis. Once the contribution has been paid, the organization has no further payment obligation. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The amount contributed during the year ended 31 March 2016 in respect of accumulated contributions was E480,265 ( 2015: 546,104)

### Terminal Benefits

Termination benefits are repayable whenever an employees' employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The organization recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility or withdrawal or to provide termination benefits as a result of offer made to encourage voluntary redundancy. Benefits falling due more than 12 months are discounted to present values.

### Statutory Obligations

The organization contributes to a statutory fund, Swaziland National Provident Fund (SNPF) in accordance with the Swaziland National Provident Fund Order of 1974.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2016

## 1.6 Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the organisation and the amounts of revenue can be reliably measured.

### Government Grants

Grants from Government are recognized at their fair value where there is a reasonable assurance that they will be received, and the organization will comply with the conditions applying to the grants. The balance of grants received but not shown as income is classified as deferred income.

### Interest Income

Interest is recognised, in the income statement, using the effective interest rate method. When a receivable is impaired, SEPARC reduces the carrying amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

## 1.7 Related Parties

The major related party to the organisation apart from its Directors is the Government of Swaziland who exercises a significant influence over its financial and operating decisions as it provides funding for its annual budget. The organisation received a subvention of E5,400,000 (2015: E9,520,000) for the year under review.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

Figures in Lilangeni 2016      2015

## 2. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation	Carrying Value	Cost / Valuation	Accumulated Depreciation	Carrying Value
Furniture And Fixtures	536,335	(156,298)	380,037	536,335	(118,712)	417,623
Motor Vehicles	621,120	(352,413)	268,707	621,120	(285,237)	335,883
Office Equipment	175,200	(61,063)	114,137	175,200	(49,775)	125,425
Computer	559,028	(238,287)	275,741	417,388	(215,806)	201,582
<b>Total</b>	<b>1,891,683</b>	<b>(853,061)</b>	<b>1,038,622</b>	<b>1,750,043</b>	<b>(669,530)</b>	<b>1,080,513</b>

### Reconciliation of property, plant and equipment 2016

	Opening Balance	Additions	Depreciation	Total
Furniture and Fixtures	417,623	-	(37,586)	380,037
Motor Vehicles	335,883	-	(67,176)	268,707
Office Equipment	125,425	-	(11,288)	114,137
Computer Equipment	201,582	141,640	(67,481)	275,741
<b>Total</b>	<b>1,080,513</b>	<b>141,640</b>	<b>(183,531)</b>	<b>1,038,513</b>

### Reconciliation of property, plant and equipment 2015

	Opening Balance	Additions	Depreciation	Total
Furniture and Fixtures	475,973	-	(58,350)	417,623
Motor Vehicles	430,215	-	(94,332)	335,883
Office Equipment	147,912	-	(22,487)	125,425
Computer Equipment	277,486	6,517	(82,421)	201,582
<b>Total</b>	<b>1,331,586</b>	<b>6,517</b>	<b>(257,590)</b>	<b>1,080,513</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

## 3. Trade and Other Receivables

	2016	2015
Employee costs in advance	42,678	9,778
Prepayments	47,982	-
Other receivables	2,413	6,786
Government grant	2,700,000	-
	<u>2,793,073</u>	<u>16,564</u>

## 4. Cash and Cash Equivalents consist of:

Petty cash	2,000	1,500
Bank balances	4,598,902	7,734,496
	<u>4,600,902</u>	<u>7,735,996</u>

### Bank Balances

Standard Bank Current a/c	1,598,902	6,227,480
Central Bank of Swaziland Fixed deposit a/c	3,000,000	1,501,263
Standard Bank ACBF Current a/c	-	6,176
Standard Bank ACBF Dollar a/c	-	(423)
	<u>4,598,902</u>	<u>7,734,496</u>

## 5. Share Capital

### Authorised

1000 Ordinary shares of E1.00 each	<u>1,000</u>	<u>1,000</u>
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### Issued

Ordinary	<u>2</u>	<u>2</u>
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

	2016	2015
<b>6. Trade and other payables</b>		
Trade payables	864,459	97,003

## Trade payables

Provision for gratuity	76,086	-
Accrued Expenses	788,373	97,003
	864,459	97,003

## 7. Deferred Income

Opening Balance	8,736,068	4,910,430
ACBF	-	777,878
Swaziland Government Grant	5,400,000	9,520,000
Other Income	200,180	236,239
Profit on Foreign Exchange	1,262	62,098
Grant utilized	(6,769,374)	(6,770,577)
	7,568,136	8,736,068

## 8. Auditors' remuneration

Fees	140,453	52,412
Audit Fees		
KPMG	72,453	52,412
Kobla Quashie and Associates	68,000	-
	140,453	52,412

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

## 9. Cash used in operations

Surplus for the year	-	-
<b>Adjustments for:</b>		
Depreciation and amortisation	183,532	257,591
<b>Changes in working capital:</b>		
Trade and other receivables	(2,776,509)	(16,564)
Trade and other payables	767,456	(599,223)
Deferred income	(1,167,932)	3,825,637
	<u>(2,993,453)</u>	<u>3,467,441</u>

## 10. Related Parties

Relationships

Parastatal Organisation

Donor

Members of the Board

Government of Swaziland

ACBF

Mr. D. E. Masilela

Mr. E. N. Ndlangamandla

Mr. P. E. Ginindza

Ms. T. R. Zwane

Prof. C. M. Magagula

Mr. N. S. Ntshangase

Mr. M. V. Sithole

Mr. A. Dlamini

Mrs. L .P. Magagula

Dr .T. S. Dlamini

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

## Related Party Transactions

Income

Government of Swaziland Grant	5,400,000	9,520,000
ACBF	-	777,878

## Board Expenses

Sitting Allowances	235,320	344,885
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## 11. Comparative Figures

The comparative figures are for the 15 months' period ending 31 March 2015

## 12. Rent Paid

Swaziland National Provident Fund	477,591	609,674
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# DETAILED STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2016

Figures in Lilangeni	Notes	2016	2015
<b>Income</b>			
Government Grant		6,567,931	6,472,240
<b>Other Income</b>			
Interest Received		186,180	86,309
Recoveries		-	149,930
Sales Tenders		14,000	-
Profit on exchange differences		1,263	62,098
		201,443	298,337
<b>Operating Expenses</b>			
Agenda Setting Workshops		-	113,895
Auditors Remuneration	8	140,453	52,412
Bank Charges		48,680	46,854
Board Expenses		235,320	344,885
CPIA Country Policy Institutional Assessment		234,899	-
Computer Expenses		59,549	44,098
Consultancy Fund		343,503	248,749
Contingency		59,442	60,397
Country Capacity Profile		-	44,673
Depreciation		183,532	257,591
Dissemination Workshops		11,400	11,400
Employee Costs		3,423,420	4,098,370
Insurance		82,090	83,269
Motor Vehicle Repairs & Maintenance		44,487	43,722
Office Expenses		108,548	75,010
Project Advisory Committee		28,651	-
Publications and Publicity		66,077	225,834
Publicity and Communications		232,027	-
Rent		477,591	609,674

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

## Operating Expenses

Repairs and Maintenance	46,246	54,448
Research Policy Analysis Costs	442,022	-
Staff Welfare	54,362	-
Subscriptions	15,140	20,637
Technical Sub Committee Expenses	49,357	31,397
Telephone	70,951	95,942
Training	106,101	48,759
Travelling Expenses	171,070	108,439
Utilities	28,300	34,732
Website Development	6,156	15,390
	<u>6,769,374</u>	<u>6,770,577</u>

# DETAILED INCOME STATEMENT

for the year ended 31 March 2016

	Government & ACBF	Other income	Total	2015
	E	E	E	E
<b>Income</b>				
Government grant (deferred) / recognised				-3,825,638
Grants Income Received	6,567,931	-	6,567,931	10,297,878
Interest Income	-	186,180	186,180	86,309
Profit on Foreign Exchange	-	1,263	1,263	62,098
Recoveries	-	-	-	149,930
Sales Tenders	-	14,000	14,000	-
<b>Total Income</b>	<b>6,567,931</b>	<b>201,443</b>	<b>6,769,374</b>	<b>6,770,577</b>
<b>Expenditures</b>				
<b>Core Programme Staff Costs</b>				
ACBF Salaries	-	-	-	1,144,480
Agenda Setting Workshops	-	-	-	113,895
Board Expenses	235,320	-	235,320	344,885
Consultancy Fund	343,503	-	343,503	248,749
Country capacity profile	-	-	-	44,673
Dissemination Workshops	11,400	-	11,400	11,400
Publications and Publicity	66,077	-	66,077	225,834
Training	106,101	-	106,101	48,759
Website Development	6,156	-	6,156	15,390
<b>Total</b>	<b>768,557</b>		<b>768,557</b>	<b>2,198,065</b>

# DETAILED INCOME STATEMENT

for the year ended 31 March 2016

	Government & ACBF	Other Income	Total	2016
Administration Expenses				
Auditors Remuneration	140,453	-	140,453	52,412
Bank Charges	48,680	-	48,680	46,854
CPIA Country Policy Institutional Assessment	234,899	-	234,899	-
ADSL Charges	59,549	-	59,549	44,098
Contingency	59,442	-	59,442	76,748
Depreciation	183,532	-	183,532	257,591
Employee Costs	3,423,420	-	3,423,420	2,989,574
General Expenses	7,016	-	7,016	-
Insurance	82,090	-	82,090	83,269
Motor Vehicle Repairs & Maintenance	44,487	-	44,487	43,722
Office Expenses	101,532	-	101,532	75,010
Project Advisory Committee	28,651	-	28,651	-
Publicity and Communications	232,027	-	232,027	-
Rent	477,591	-	477,591	609,674
Repairs and maintenance	46,246	-	46,246	54,448
Research Policy Analysis Costs	442,022	-	442,022	-
Staff welfare	54,362	-	54,362	-
Subscriptions	15,140	-	15,140	-
Technical Sub-Committee Expenses	49,357	-	49,357	-
Telephone	70,951	-	70,951	95,942
Travel and Subsistence	171,070	-	171,070	108,439
Electricity costs	28,300	-	28,300	34,732
Total	6,000,817	-	6,000,817	4,572,513
<b>Total Expenditure</b>	<b>6,769,374</b>	<b>-</b>	<b>6,769,374</b>	<b>6,770,577</b>
<b>Net Surplus for the Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# ACBF US DOLLAR BANK TRANSACTIONS ANALYSIS

for the year ended 31 March 2016

<b>Date</b>	<b>Transaction description</b>	<b>Debit</b>	<b>Credit</b>	<b>Cumulative Total US \$</b>
01/04/2015	Opening statement balance		-	74.67
	Funds returned to ACBF		74.67	-
31/03/2016	Closing statement balance			-



## Contacts

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**SEPARC**  
SWAZILAND ECONOMIC POLICY  
ANALYSIS AND RESEARCH CENTRE  
*Generating Evidence - Shaping Decisions*

