

THE OPEN UNIVERSITY OF TANZANIA



# INVESTMENT POLICY 2020



[www.out.ac.tz](http://www.out.ac.tz)

The Open University of Tanzania

Kawawa Road

P.O. Box 23409

Dar es Salaam

TANZANIA.

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## **Preface**

This OUT Investment Policy is derived from OUT's vision and mission of being a leading Open Online University in knowledge creation and application. The policy outline the OUT investment Strategies to shows how to implement the investment objectives and Statements or instructions on how to achieve the objectives. The need for periodic review of the Policy is also described.

The Policy outlines the anticipated investment projects, which are considered of strategic relevance to the University, the issues involved the objectives together with the policy strategies and statements.

It is expected that the Policy shall guide the establishment of sustainable, efficient, user-friendly, secure investment projects to enable the university to generate substantial funds for improving and sustaining the university services.

I take this opportunity to thank the University participatory organs and in particular the Deputy Vice Chancellor – Resource Management, OUT Management, Estate and Investment Committee, Finance, Planning and Development Committee and Council for thoroughly discussing this document at different stages.

Prof. Elifas Tozo Bisanda

**Vice Chancellor**

Dar es Salaam

**November, 2020**

## **Acknowledgements**

On behalf of the OUT Management, I wish to thank all who played a critical role and those who have in one way or another, played a role in the production of this Policy. It is a necessary tool to support the University use of its available resources to produce additional funds that will supplement the funds provided by the government. Through this policy the university will easily realize its vision and mission through appropriate means of utilizing the available university assets. It is expected that this policy will provide a roadmap for investments which will generate income to support key functions of the university.

I wish to acknowledge the continuous support of the Government of United Republic of Tanzania for providing financial support needed to run the University. Finally, I acknowledge the efforts made for all those who worked tirelessly, to develop this Investment policy.

It is my sincere hope that OUT Management, staff, students and the general public will read and be familiar with the Policy. This policy provides Investment opportunities to all who wishes to improve their social economic development.

**Prof. George Silvanus Oreku**

**Deputy Vice Chancellor (RM)**

**November, 2020**

## **Abbreviations and Acronyms**

DVC - RM	:	Deputy Vice Chancellor Resource Management
IGU	:	Income Generation Unit
IUCEA	:	Inter - University Council of East Africa
M & E	:	Monitoring and Evaluation
NGO	:	Non-Governmental Organizations
OCB	:	Open University Consultancy Bureau
OUT	:	The Open University of Tanzania
SUA	:	Sokoine University of Agriculture
TCU	:	Tanzania Commission for Universities
TEA	:	Tanzania Education Authority
TIC	:	Tanzania Investment Center
URT	:	United Republic of Tanzania
VC	:	Vice Chancellor

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## **1. Institution Overview**

### **1.1 Establishment**

The Open University of Tanzania is an open and distance learning institution whose provision of education is based upon the national educational policy which seeks to create more opportunities to education through open and distance education, to people who did not manage to access it due to certain reasons. It was established by an Act of Parliament No 17 of 1992. The Act became operational on 1<sup>st</sup> March, 1993 by publication of Notice No 55 in the official Gazette.

The University operates through regional and coordination centers located in all regions of the United Republic of Tanzania and beyond. Besides that, the University has acquired assets such as land and buildings in those regions which could increase income and improve the provision of core functions of the University; however, there is lack of comprehensive investment policy to guide the best use of those resources. Therefore, the goal of this policy is to provide direction to OUT on where to invest, how best it can utilize the available resources and assets to achieve its objectives of delivering quality education to the mass of Tanzanians and world community at large.

### **1.2 Vision**

To become a leading Open Online University in knowledge creation and application

### **1.3 Mission**

To provide relevant, quality, flexible, accessible, and affordable open online education, research and services to community for social economic development of Tanzania and the rest of the world.

### **1.4 Core Functions**

According to the University Act No.7 of 2005 and the OUT Charter 2007, the core functions of the university are:

- a. Teaching and Learning
- b. Research and Publications and
- c. Consultancy and Community Services

#### ***1.4.1 Teaching and Learning***

The University provides affordable, innovative and quality education through Distance and Online Learning mode, it offers an enabling environment for integrated continuing learning for both students and staff.

#### ***1.4.2 Research and Publications***

In line with the OUT vision of becoming “*a leading Open Online University in Knowledge Creation and Application*” OUT has managed to implement and create a sustainable environment to conduct quality research and publications which are suitable for local and international media and journals as well as electronic repositories.

#### ***1.4.3 Consultancy and Community Services***

The university participates locally and internationally in providing excellent consultancies to both public and private institutions as well as the community at large.

### **1.5 Strategic Objectives**

In order to realize the Vision and Mission statements the University targets is to achieve the seven (7) strategic objectives below;

- a. Teaching, Research and Consultancy
- b. Governance
- c. Human resource management
- d. Financial sustainability
- e. Estate and infrastructure development
- f. Marketing and
- g. Cross-cutting issues

## **2. Situational Analysis**

This section provides information about the university current investment situations, available opportunities and potential areas for investment.

### **2.1 The Current Investment Situation**

Currently, the main sources of income at the university are student's fees; generated funds from consultancies through the Open University Consultancy Bureau (OCB); funds generated through Income Generation Unit (IGU); and government support. In addition to this, the university possesses other assets, including buildings and lands. However, despite the availability of assets such as building and lands, the university lacks an investment policy to guide the proper utilization of these resources. As such the university fails to realize financial returns in order to sustain and optimize running of the university services. In fact, lack of investment policy has caused difficulties in managing the available assets for profit. To address the situation, the university is working hard to come out with other means to sustain its financial needs and minimize over dependence of funds from the government. Therefore, the presence of investment policy shall help the university to properly utilize the available resource and assets to produce financial returns.

### **2.2 Investment Areas is**

The main investment areas at the university are:

- Agro business
- Security
- Food and beverages
- Hospitality
- Education

### **2.3 Investment opportunities**

Currently, the opportunities available for investment at the OUT include but not limited to the following:

1. Security company
2. Sports village

3. Recreational Park
4. Establishment of small industries
5. Agriculture, Horticulture, Processing, Agro processing business
6. Dairy, poultry, Bee keeping
7. Education

### **3. Policy Description**

#### **3.1 Background**

The Open University of Tanzania Investment Policy sets out the principles underpinning the management of the University's investment funds/assets of endowment and other capital. They includes, its real property investments and supports compliance with legal and regulatory requirements. The Policy also defined the management of the investments, and provides a framework for reporting.

#### **3.2 Purpose and Scope of the Policy**

##### ***3.2.1 Purpose of the Policy***

The purpose of the policy is to establish investment guidelines to ensure university assets are managed according to applicable statutory requirements, the prudent investment principles, and as per university investment objectives.

Specifically, the purpose for adopting this policy is to enable university to:

- a. Establish the plans, objectives, and guidelines for the investment of its assets.
- b. Establish the structure for managing all assets, including the university owned lands, buildings and Human Resources.
- c. Establish criteria to monitor and evaluate the investment performance results achieved by various investments projects.
- d. Comply with applicable national and international statutory requirements that experienced investment professionals would utilize and according to laws and regulations applicable in managing assets.

### **3.2.2 Scope of the Policy**

The policy shall apply to university staff, students and the general public. It shall govern investments in the areas as stipulated in section 2.2 of this policy document. Both short and long term investments will be considered.

### **3.3 Rationale of the Policy**

For the smooth operation and achievement of its strategic plan, the university requires adequate funds. The investment policy will help the university to optimize returns within a minimum risk in order to generate return on assets to fulfill strategies that are aligned with its mission, vision and values. The policy will facilitate the establishment of the framework for investment funds in order to build strategic asset allocation which are suitable for its short and long-run financial objectives and goals.

### **3.4 Policy Objective**

The primary objective of this policy is to generate additional income to supplement inadequate funds provided by the government in order to support university operations. While the pursuit of this objective requires the assumption of investment risk, the intention is to minimize the risk level, so as to provide a reliable and sustainable flow of funds to support the university mission, vision and strategic objectives. Specifically, the policy objectives are:

- a. To produce sufficiently funds within an acceptable level of risks to enable the university meet its operating requirements.
- b. To preserve the invested capital to minimize the probability of loss of the principal over the investment project.
- c. To manage the allocated investments funds and assets in order to attain market level rate of return.

### **3.5 Investment Policy Statements and Strategies**

This section of the policy presents strategies for execution of each policy objective.

**Specific Objective 1:** To produce sufficiently funds within an acceptable level of risks to enable the university meet its operating requirements.

## **Policy Statements**

- a. The university through its investment steering committee shall develop a comprehensive business plan that describes university values, opportunities, product and services and available resources.
- b. The university through its investment steering committee shall establish a desired asset allocation plan which shall define how much money shall be allocated in each asset class (i.e. bonds, buildings, and cash etc) and what will be the expected return for each asset class.
- c. The University through its investment steering committee shall provide the right decision to ensure the smooth flow of finance and smooth operation of production and distribution.
- d. University through its investment steering committee shall monitor the investment risks and implement the risk mitigation strategies to minimize its effects; this shall include defining the risk tolerance level for each investment project.

## **Strategies**

- a. Perform risk assessment and define risk benchmark indices for each investment projects.
- b. Creating an environment for sustainable income generation; this shall include enhancing the performance of OCB and IGU.
- c. Attract investors for available university land and other assets through communicating the developed business plan to both local and international investors.
- d. Liaise with Tanzania Investment Center (TIC) to seek for investment possibilities.
- e. Develop a land use plan for available university lands.

**Specific Objective 2:** To preserve the invested capital to minimize the probability of loss of the principal over the investment projects.

## **Policy Statements**

- a. The University investment wings shall develop monitoring and control procedures to be followed by everyone involved in the investment process.
- b. The University investment wings shall estimate the precise requirement of funds to avoid wastage and over-capitalization situation.

- c. The university investment wings shall establish an investment steering committee through its council. This shall include to define the roles and responsibilities of the committee.
- d. The investments returns shall be managed in accordance to the existing government regulations and university procedures.

### **Strategies**

- a. Create partnership with private sectors (individuals or firms)
- b. Develop sustainability plan for each investment projects
- c. Define performance indicators to each investment project and ensure the indicators are used to monitor the progress of investment projects.

**Specific Objective 3:** To manage the allocated investments funds and assets in order to attain market level rate of return.

### **Policy Statements**

- a. The university investment wings shall define the maximum spending amount for each investment project return and how to spend such returns.
- b. The University investment wings shall analyze the risk-return characteristics of the various assets.
- c. The university investment wings shall create monitoring mechanism to ensure investment guidelines and policies are adhered.
- d. The university investment wings shall define the process of reviewing and updating the investment policy statements.

### **Policy Strategies**

- a. Establish clear investment goals and objectives for each project.
- b. Define investments expectations and assign responsibilities to individual on investment activities.
- c. Develop proper reporting system for each investment project.

## **4. Assignment and Responsibilities**

### **4.1 The University Council**

The University Council shall have final authority in defining the strategic investment objectives and ensuring prudent oversight and governance of all aspects of investment management. The University council maintains accountability for investments through this policy and monitors compliance, investment performance, and investment strategies through reporting from the Deputy Vice Chancellor Resource Management. The council shall endorse the Investment Steering Committee proposed by the Vice Chancellor (VC) with the authority to implement this policy, monitor asset allocation and investment performance, and select and evaluate investment projects.

### **4.2 Investment Steering Committee**

The investment steering committee shall be chaired by the Deputy Vice Chancellor, Resource Management (DVC-RM). The committee shall manage and implement the investment projects. The appointment of other members shall be made by the Vice Chancellor in collaboration with other university executives and shall be presented to the council for approval. The Committee shall meet four times a year to oversee the implementation of the investment policy. The committee secretary shall present the investment progress report for the period and the committee shall review the information presented and provide advice to the university on issues related to investments. The Investments Steering Committee shall allocate funds for each investment in accordance with instructions provided by the University council.

Specifically, the committee shall:

- a. Establish structures, modify and approve investment guidelines and strategies for investing the university's resources in alignment with the university's mission, vision and strategic objectives;
- b. Administer the university's investments, including making shifts in investment strategy to align with the university strategy as needed;
- c. Reporting to the Estate and Investment Committee on strategies, performance, compliance and associated risks;



- d. Monitor the asset allocation and overseeing the progress of the investment projects at the university;
- e. Review the investment reports presented and provide guidance, recommendation and approval on investment related issues;
- f. Receive proposed investment projects proposals, discuss and provide recommendations to the Estate and Investment Committee;
- g. Review the investment methodology including investment objectives, guidelines and constraints.

### **4.3 The Vice Chancellor**

The Vice Chancellor have a right to request funds through the board of directors when the needs arise. However, the Vice Chancellor upon presenting such requests should be obliged to abide the government financial regulations as well as financial regulations that governs the investment projects.

### **4.4 Investment Principles**

The following section provides the guiding principles for OUT investment projects. The following principles shall apply:

- 4.4.1 Investment funds shall be invested in accordance to the investment specific objectives i.e. must ensure the investment funds are preserved and proper management principles are implemented.
- 4.4.2 The management of investment funds will be consistent with the university meeting its duties and obligations and meeting its contractual obligations.
- 4.4.3 The investment returns and risk measures shall be regularly assessed against benchmark indices and return objectives, consistent with the asset allocation.

### **4.5 Financing of Investment Activities**

Investments projects shall be financed from several sources including loans, investors and funds from internal and external sources.

#### ***4.5.1 Loans***

The OUT investment wings shall apply for loans from commercial banks or other financial institutions through the use of title deeds as security on mortgage. The OUT investment wings shall also apply for loans to finance investment projects from government agencies such as Tanzania Education Authority (TEA), Social Security Funds and some of the international organizations and Non Governmental Organizations (NGOs).

#### ***4.5.2 Investor Funding***

This shall include funds from investment partners who will hold some shares in the business. The university can also sell shares of stock to the public as another way to secure capital from investors.

#### ***4.5.3 Internal and External Earning***

The internal funds shall include grants provided to support university operations as well as funds generated from various internal researches and consultancies through Open University Consultancy Bureau (OCB).

### **4.6 Use of Investment Earnings**

The profit that will be realized from the investment projects will be used for re-investments; improving university services; payments of staff incentives and bonuses; and other areas as suggested by the Investment Steering Committee.

## **5. Monitoring and Reporting System**

The section of the policy describes how the investment projects shall be monitored to measure their progress compared to objectives, targets and expectations and ensure compliance with investments principles. Proper Monitoring and Evaluation System (M&E) systems will help the university increase transparency and accountability in the use of university resources.

### **5.1 Monitoring and Evaluation**

Monitoring the implementation of OUT investment policy, is an ongoing function that uses efficient collection of data on the OUT investment projects based on specified indicators to help

improve management of investment projects and develop intervention based on the extent of progress and achievement of goals from use of allocated university funds.

Monitoring and evaluation of the investment projects shall be the responsibility of OUT investment wings. The OUT investment wings shall do the following:

- a. Prepare performance indicators and prepare reports against the indicators for each investment project. Such reports should be submitted to Investment Steering Committee for discussions.
- b. Conduct inquiries through surveys methods to individual and stakeholders in order to get insight about investment projects.

OUT investment project evaluation shall be carried out internal and external in order to acquire credible information that are used in decision-making.

## **5.2 Reporting**

The following reports shall be prepared and presented in respective meetings on quarterly basis.

### ***5.2.1 Investment Financial Report***

This report shall be prepared by the Investment Steering Committee and presented in the Estate and Investment Committee for discussion and endorsement.

### ***5.2.2 Investment Policy Implementation Report***

The report shall be prepared by the Investment Steering Committee and presented in the Estate and Investment Committee for discussion and endorsement.

## **6. Investment Policy Review**

This policy shall be reviewed in every five (5) years. However, the university council can direct the review of the policy upon request from the Investment Steering Committee or when there is a significant change in the country investment structure or guidelines or where there is change in the market situation.

**References**

OUT Client Service Charter, 2010

OUT Consultancy Policy and Operational Procedures, 2015

OUT Rolling Strategic Plan 2018/19 – 2022/23

SUA Investment Policy and Guideline, 2005

The University of Dodoma Investment Policy, 2017

URT (2002). Investment Policy Review of the United Republic of Tanzania