



SOKOINE UNIVERSITY OF AGRICULTURE

SUA INVESTMENT POLICY AND GUIDELINES

SEPTEMBER, 2005

SUA Investment Policy and Guidelines highlight the historical perspectives of Sokoine University of Agriculture (SUA), its vision and mission and the current funding opportunities which are heavily dependent on government subvention. The policy indicates the evolution of the Corporate Strategic Plan (CSP), which is mainly a result of rapid socio-economics and political changes both nationally and globally, and the recent increase in number of higher learning institutions that have resulted in a number of challenges including meager financial resources. SUA CSP emphasizes the optimal use related to teaching, research, extension and public services. The plan also advocated outsourcing non-core but equally important support services. Other measures undertaken by the university to meet the challenges imposed by under funding includes the revision and approval of the income generating policy and holding a stakeholders workshop.

The main objectives of initiating the investment policy are therefore to generate additional income to supplement the inadequate government subvention; provide support services to the university community to the university community for the betterment of academic endeavours and to provide quality infrastructure for academic activities. This will be achieved through establishing and promoting investment activities for sustainable income generation; attracting private investors on the university land and other facilities; publicizing and promoting goods, services, new technologies and innovations produced at SUA; the university serving as a strategic partner in investment; forming SUA investment Company Ltd; providing basic infrastructure support services for investment. The investment areas and modes of investment are also indicated. The policy also spells out the application procedures for investing in the university land; the responsibility of the prospective investors and means for monitoring and evaluating the investments and their contribution to university endeavour and public's interest.

LIST OF ABBREVIATIONS

BOOT	Build, Own, Operate, Transfer
CSP	Cooperate strategic Plan
ICE	Institute of Continuing Education
ICT	Information Communication Technology
MUCCoBS	Moshi University College of Cooperative and Business Studies
NGOs	Non Governmental Organizations
NSSF	National Social Security Fund
PPF	Parastatal Pension Fund
PSPF	Public Social Pension Fund
SMC	Solomon Mahlangu Campus
SUA	Sokoine University of Agriculture
SUATF	Sokoine University of Agriculture Training Forest
TEA	Tanzania Education Authority
TV	Television
USDM	University of Dar es Salaam

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PART ONE

1.0 INTRODUCTION

1.1 Establishment

The Sokoine University of Agriculture, hereinafter to be referred as SUA, was established on 1st July 1984 by Parliament Act No. 6 of 1984. However, its history goes back to 1965 when it started as an Agricultural College offering diploma training in Agriculture, With the dissolution of the University of East Africa and the consequent establishment of the University of Dar es Salaam. The College became a Faculty of Agriculture of the University of Dar es Salaam on 1st July 1970. This evolved into the faculty of Agriculture and Forestry and in 1976 it became the Faculty of agriculture Forestry and Veterinary Science before becoming a full-fledged university.

1.2 Vision

To become a centre of excellence and a valued member of the global academic community in agriculture and other related fields, with emphasis on implementing practical skills, entrepreneurship, research and integration of basic and applied knowledge in an environmentally friendly manner.

1.3 Mission

Sokoine University of Agriculture shall strive to promote development through training, research, extension, provision of services to the public and private sector in an environmentally friendly manner.

1.4 The University Governance and Management

The Vice Chancellor is the Chief Executive Officer of the University. He is responsible and answerable to the Council. The Vice Chancellor is assisted by the Deputy Vice Chancellor, who oversees all matters pertaining to academic activities and the Registrar who is responsible for Administrative and Financial matters.

The Deputy Vice Chancellor is assisted by Deans of Faculties and Directors of Institutes while the Registrar on the other hand, is assisted by Heads of Administrative Departments and Units.

1.5 Campuses

The University has two major campuses that are located in Morogoro and these are:

- (i) Main Campus in Morogoro, which is, located 5 km South of Morogoro Municipality. It has a total area of 2,376 ha.
- (ii) Solomon Mahlangu Campus (SMC) at Mazimbu in Morogoro located 11 km northwest of Morogoro. The Campus has a total area of 1,050 ha.

The University also has two other campuses located in Arusha na Tanga regions, which are mainly used for practical training and these are:-

- (i) SUA Training Forest (SUAT) campus at Olmotonyi in Arusha, which has a total area of 840 ha.
- (ii) Mazumbai Natural Forest Reserve Campus in Lushoto, Tanga, the Campus, which has a natural forest, used for training and research has a total area of 320 ha.

1.6 University College

The University has one college; Moshi University College of Cooperatives and Business Studies (MUCCoBS) formally Moshi Cooperative that is based in Moshi, Kilimanjaro region.

1.7 Funding of the University

SUA, being a public institution, is primarily funded by the government, one of the challenges, which the university has been facing, is inadequate funding which is due to:

- (i) rapid socio-economic and political changes nationally and globally that have automatically affected adversely the flow of resources.
- (ii) The recent increase in number of higher learning institutions which also depend on public funding.

In meeting this challenge, the University has called for new and more efficient modes of delivery of University services utilizing strategic

thinking and planning based on university's strengths, weaknesses, threats and opportunities. This resulted into the preparation and adoption of SUA Corporate Strategic Plan (CSP) to the year 2005 and beyond which was approved by the University Council in 1997. A revised CSP covering five years (2005 to 2010) has already been prepared and approved by Council on 16th September 2005.

1.8 SUA Corporate Strategic Plan

The Corporate Strategic Plan emphasizes, among other things, the following:

- (i) Optimal use of university resources on mission activities related to teaching, research, extension and public services.
- (ii) Outsourcing non-core but equally important support services needed by the university community such as provision of food, accommodation, merchandise, transport etc as approved by the University Council in 1997.

In supporting this endeavour, in September 2001 the University Council approved the revised income generating policy known as "Sera ya Mapato" whose main objective was to enable the university to generate more revenues from the existing income generating units as well as establishing new income avenues. In January 2002, the University also arranged and called for stakeholders conference that was officiated by His Excellency, the Vice-President of the United Republic of Tanzania, Dr. Ali Mohamed Shein and whose main purpose was to strengthen sound partnerships with various stakeholders for mutual benefit.

PART TWO

2.0 POLICY OBJECTIVES & STRATEGIES

2.1 The Objectives for Initiating Investments at SUA

Efforts made by SUA management to initiate investments are intended to address the institutional financial sustainability. The importance of initiating investments at SUA is three fold:

- (i) To generate additional income to supplement the inadequate government subvention and other financial support.
- (ii) To provide quality support services to the university community for the betterment of academic endeavours
- (iii) To support training programmes

2.2 Scope of the Policy

SUA Investment Policy shall apply to all income-generating activities and existing financial assets and others.

2.3 Objectives

2.3.1 General Policy Statement

To achieve the goals of safety, liquidity and yield in all of the university investment activities, the overall long-term objective of the policy is to attain institutional financial sustainability to ensure that SUA programs, projects and other activities are operated optimally and in a sustainable manner.

2.3.2.1 To establish an investment environment for sustainable income generation

Strategies

- (i) Put in place efficient and effective mechanism for promoting investments.
- (ii) Strengthen and operationalise business performance and entrepreneurship among the existing income generation units.

- (iii) Institute an investment promotion mechanism.
- (iv) Operationalise SUA consult.
- (v) Establish the Investment and Resource Mobilisation unit.
- (vi) Establish SUA Investments Company Ltd.

2.3.2.2 To attract private investors and investment partnership on the University land and other facilities.

Strategies

- (i) Revise SUA land use policy and Master Plan.
- (ii) Hold investment forum periodically.
- (iii) Devise mechanism for investment partnership
- (iv) Strengthen and develop Infrastructural support.
- (v) Provide adequate effective and attractive fiscal and non-fiscal incentives in mobilization of investments.

2.3.2.3 To publicise and promote goods and services offered by SUA and, technologies and innovations at the university.

Strategies

- (i) Establish outreach centres/stations
- (ii) Strengthen capacities for technology development and encourage private companies to collaborate with SUA in mass production of SUA technologies.
- (iii) Institute mechanism for patenting of SUA technologies.

PART THREE

3.0 POLICY GUIDELINES

Institutional Framework

3.1 Roles of the University

The roles of the University will be below that of a strategic partner; promotion of investment sectors and providing conducive environment for investments.

3.2 Roles of the SUA Investment and Resource Mobilisation Unit

The roles of the unit will be:

- (i) To oversee all investment activities including those undertaken by SUA Investment Company Ltd.
- (ii) To solicit funds from various sources and, to facilitate investment funding through provision of finance, forming joint ventures and fostering partnerships with potential investors.
- (iii) To undertake investment promotional activities and identifying markets or opportunities for the expansion of businesses and land for investment use.
- (iv) To advise University Management on all matters related to investments.
- (v) This unit will work closely with the office of the Chief Planning Officer and Bursar.

3.3 Roles of SUA Investment Company Limited

This company, which will be wholly owned by the University and answerable to the Investment and Resource Mobilisation Unit will be involved in investments through shares, forming joint ventures and fostering partnerships with potential investors.

3.4 Investment incentives

3.4.1 Fiscal Incentives

SUA will strive to make use of all tax and other investment provided by the government in facilitating investment. These will include, but not limited to:-

- (i) provisions made under the Financial Laws (Miscellaneous amendments) Act 1997 No. 27 of 1997, which provide for tax exemptions for education - related infrastructure and other materials.
- (ii) The Tanzania Investment Act No. 26, 1996, which provides tax exemption to investments.
- (iii) The Income Tax Act, 2004.

3.4.2 Non - Fiscal Incentives

The non - fiscal incentives available to investors at SUA include:-

- (i) Land that is available for lease.
- (ii) Quality human resource base with varying specializations.
- (iii) Easy accessibility to potential markets.
- (iv) Abundance of raw material for agro-based industries.
- (v) Availability of suitable infrastructural support services e.g. electricity and own source of water, ICT facility, TV services etc.
- (vi) The National Investment Promotional Policy that facilitates investments and safeguards the rights of investors.

3.4.3 Provision of Basic Infrastructural Support Services

- (i) The basic service infrastructural support services for investment include water supply, wastewater disposal systems, road network, power supply lines and communication systems etc.
- (ii) The University will assist and facilitate the development of infrastructural support services near to the potential investment areas.
- (iii) The prospective investors will therefore construct the basic utility services to the project land with the guidance of the University.

3.5 Legal Framework

The national legal framework clearly states the guarantees, rights and obligations of investors.

Right to private acquisition and ownership of property is enshrined in the constitution of the United Republic of Tanzania.

3.6 Investment Areas, Opportunities and Modes of Investments

3.4.4 Investment Areas

- (i) Purchase of securities and shares
The University, through the SUA Investment Company Limited or otherwise, may purchase government Securities (e.g bonds or financial instruments from the central bank and others from financial markets) and shares from listed companies in the stock exchange market.
- (ii) Land based investments
These refer to commercial developments of the University land according to the approved SUA's Investment Policy Land Use Policy.
- (iii) Professional skills based investment.
These types of investments will involve joint ventures between SUA - Consult with local and/or international consulting companies. Included also are industrial cooperation in research, technology development and adaptation, as well as production and marketing.
- (iv) Partnership/Joint venture
This involves enhancement of current production activities through capital injection or other forms of financing.

3.4.5 Investment Opportunities

The following are some of the proposed investment opportunities.

- (i) Eco-tourism, agro-based industries and, cash crop and livestock production.

- (ii) Student hostels, commercial apartments, office accommodation, shopping malls, conference facilities, hotels and catering facilities.
- (iii) Banking, postal, telephone, secretarial and information communication technology services etc.
- (iv) Pharmacies and medical laboratories
- (v) Sports stadium and gyms
- (vi) Production of vaccines and other medicines and, consumables.

3.4.6. Modes of Investments

- (i) Sole Proprietorship
SUA can establish a productive entity as a sole proprietor under the Investment and Resource Mobilization Unit.
- (ii) Joint venture/partnership/SUA Investments Company Ltd.
SUA through its Investment Company Limited can establish a productive entity and offer shares to private investor(s) This can be in the form of land, which will be considered as part of capital shares or shares in the form of financial contributions, equipments or any other agreed means.
- (iii) Lease mode
In this mode, the investors would occupy SUA land or property (e.g. buildings) and run their business on lease basis for an agreeable specific period. This can be done through the company or by SUA itself.
- (iv) Build, Owen, Operate and transfer mode (BOOT)
In this mode, no land is transferred to the investor, Agreement allows for invested sums agreed period and for a nominal rent. After recoupment of the invested sums, the agreement shall allow transfer of the landed property to SUA. A new lease agreement would be raised for a higher negotiated rent.
- (iv) Loan mode
SUA Investment Company Limited can apply for loans from commercial banks or other financial institutions through the use of title deeds as security on mortgage.

SUA can apply for loans from government agencies eg. Tanzania Education Authority (TEA), National Social Security Fund (NSSF),

Parastatal Pension Fund (PPF), public Social Pension Fund (PSPF), and some of the international organizations and Non Governmental Organizations (NGOs).

PART FOUR

4.0 TERMS, CONDITIONS AND PROCEDURES

4.1 Terms and Conditions

The terms and conditions for investing in the university land, among other things, include:

- (i) Expenses for preparing the business plan (feasibility study), environmental impact assessment (according to the national guidelines) and engineering design drawings have to be paid by the prospective investor. These expenses are not refundable.
- (ii) The prospective investor shall meet all tests related to the preparation of the investment including, but not limited to, the physical infrastructure development unless otherwise agreed with SUA and spelt out in the mode.
- (iii) The engineering designs and construction of the building have to meet SUA and statutory requirements imposed by the relevant Local Government Authorities.
- (iv) The prospective investor has to justify to SUA about his/her credibility and financial soundness to undertake a project of the envisaged magnitude. In this regard, the prospective investor has to present to SUA the relevant documents to certify the various modes of financing the proposed project.
- (v) The investor shall propose all types of businesses to be undertaken, and provide the designs and structures to be contributed in the university land. Thereafter, negotiations may take place between the two parties (Investor and University) subject to established standards and conditions set by the University.
- (vi) The registered professionals e.g. Architects Engineers and Quantity Surveyors, shall undertake the proposed project designs and supervision of works in accordance with the laws of Tanzania.
- (vii) Upon completion of the infrastructural works including fittings and fixtures, the prospective investor shall submit to the University the copy of the final detailed drawings of engineering design.

4.2 Procedures

The application procedures for investing in the university land are as follows:-

- (i) The prospective investor makes a formal application to the Registrar – Sokoine University of Agriculture P.O. B0x 3000, Chuo Kikuu – Morogoro indicating the type of investment to be undertaken, mode of investment, contact (physical and electronic) address of the investor and the size of the land required for the investment.
- (ii) SUA will assess the request and if it falls within the University Investment Policy, the prospective investor will be requested to furnish the University with a concept plan that consists of a brief description of the project, size of the land required, sources of project financing and layout plan, indicating how the land that has been requested would be utilized.
- (iii) Upon reaching an agreement on the concept plan, the prospective investor and SUA will enter into a memorandum of understanding (MoU) that will guide the investment development of the prospective proposed project.
- (iv) Subsequently, after signing the Memorandum of Understanding, the prospective investor will be required to submit architectural designs and model to be built; write ups of a business plan covering the market analysis, technical feasibility, reorganization and management of the project and analysis, including cost estimates, modes of financing the project turnover, profits and returns of the investment, etc. an environmental impact assessment report of the project will also be required.
- (v) An appraisal of the project bond on the submission made by the investor with respect to the business plan, environmental impact assessment and detailed architectural drawings together with the model of building will be made by the University – within the shortest time possible and an agreement shall be signed thereafter.

- (vi) The prospective investor will submit a full detailed engineering analysis and drawings, which have to include *inter alia*, soil analysis, structural, electrical, plumbing and other activities/services of the proposed buildings before being granted a building permit to start construction.
- (vii) Once the University Council approves the building permit, construction of the buildings and other infrastructure will commence.

4.3 Investment Responsibility and Financial control

- (i) The Vice Chancellor shall appoint the Investment Officer of the University who shall operate the investment program in a manner consistent with the policy.
- (ii) The Investment Officer shall be responsible for establishing and maintaining an internal control structure designed to ensure that assets of the university are protected from loss, theft and misuse. Specifically, the internal controls shall address the following:-
 - (a) Collusion
 - (b) Separation of duties
 - (c) Custodial safekeeping
 - (d) Clear delegation of authority
 - (e) Confirmation of transaction for investments
 - (f) Instruct the University's external auditors to review investment activity to determine if it is in compliance with policies and procedures.
- (iii) Unless specifically expressed in the Agreement signed between the Investor and SUA, or its designated authority, SUA Financial Regulations shall apply to all transactions made and all procedures expressed therein.

4.4 General Conditions of Terminating Negotiations or Agreements

The University will be obliged to terminate its negotiations and agreements with prospective investor if any of the following occurs.

- (i) If the investor fails to appear for ratification of the land lease agreement within 3 months of formal notification.

- (ii) Failure to observe the agreed schedule of project implementation and duration of the contribution without any reasonable cause. In this case, SUA will be indemnified against any loss/cost.

- (iii) In the event that the investor fails to make progress in construction without any reasonable cause within one year. In such circumstances, the prospective investor may be refunded construction expenses subject to the new investor accepting that design less costs, including opportunity costs, incurred by SUA for the same. However, an Investment valuer of a reputable institution/firm will determine the exact amount and that the value which has been determined shall be subject to the acceptance of both parties (SUA and new investor).

4.5 Monitoring and Evaluation

The University shall undertake periodical inspection of the project to observe compliance in accordance with Memorandum of understating or Agreement, whichever is applicable. If non-compliance to either of the two occurs, the project will be terminated using relevant existing clause(s).

References

SUA (1999) Corporate Strategic Plan to the year 2005 and beyond (objectives and strategies) Sokoine University of agriculture November 1997.

SUA (2001) work plans for implementation of corporate Strategic Plan to the year 2005, February 2001.

SUA (2002) p[roceedings of the First Stakeholders Conference held at the Institute for Continuing Education (IEC), SUA 25th January 2002.

The National Investment Promotion Policy, October 1996.

UDSM (1997) Investment Prospectus and Potential Areas for Investments.

Annexature A

**WORKPLANS FOR OPERATIONALIZATION OF THE SUA
INVESTMENTS POLICY**

	2005				2006					
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Investment Policy approved by Council										
Master Plan revised and Adopted										
Land Use Plan Prepared and Adopted										
SUA Investment Company Ltd. established										
SUA - Consult operationalised										
Investment and Resource Mobilization Unit Established										
Investment Prospectus prepared and put for use										