



THE ROLE OF PENSION FUNDS AS INSTITUTIONAL INVESTORS IN TANZANIA: CHALLENGES AND OPPORTUNITIES

**By
ELIAS BARUTI
LAPF-TANZANIA**

AGENDA

- Introduction.
- The Investment Portfolio of SSIs
- The Global Financial Crisis and its impact to PFs operations
- The Role of PFs as Institutional Investors
- The Investment Opportunities
- Conclusion and recommendations

1.0 INTRODUCTION

- Social Security Institutions (SSIs) mobilizes substantial funds from contributions and income.
- The funds are invested in high yielding avenues to facilitate provision of improved benefits.
- Limited investment avenues i.e., Gov. Securities, FDs, Real Estates.

1.0 INTRODUCTION Cont'd

- The GFC have insignificant impact to the investments of PFs in Tanzania.
- The impact noted include investment losses and increased administrative expenses.
- The paper recommends the feasible approaches to address the challenges of GFC.

2.0 INVESTMENT PORTFOLIO OF PFs:

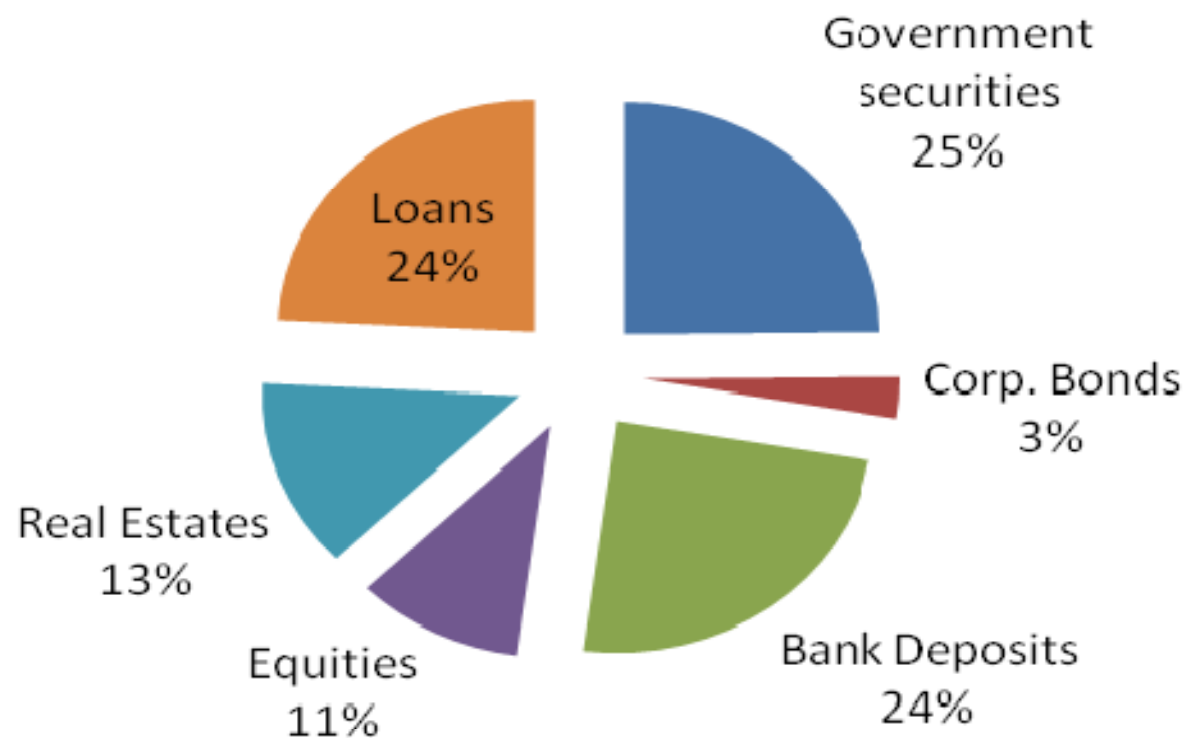
- The Social Security System comprises Seven (7) formal SSIs
- The PFs investment activities are guided by principles of safety, yield, liquidity and socio-economic utility.
- The investments of 4 PFs as at June 2009 was TZS 2.26bn or USD 1.7bn.

Table 1: Investment Portfolio of PFs As at June'09 :

S/N	Type of Investment	LAPF	NSSF	PPF	PSPF
1	Government securities	104.78	156.94	86.88	212.65
2	Corp. Bonds	2.08	8.45	42.08	11.99
3	Bank Deposits	55.04	149.29	178.87	167.50
4	Equities	15.94	62.99	73.37	86.00
5	Real Estates	21.39	198.16	62.07	16.51
6	Loans	10.47	280.66	72.52	182.70
	TOTAL	209.70	856.49	515.79	677.35

2.0 Investment Portfolio of PFs:

Fig.1: Total Investment Portfolio as at June 2009



3.0 THE IMPACT OF GLOBAL FINANCIAL CRISIS TO PFs IN TZ:

- The GFC impact to the Financial sector was minimal because the sector is adequately regulated i.e., No offshore investments for Institutional Investors.
- Interest rate structure depicted a declining trend e.g. FDR 6.73% (Sept'09) to 5.96% (Apr'10)
- The reduced donor funding created new investment opportunities-Govt Supported Projects.

3.3 The Impact of GFC – Decline of Investment income (LAPF Case):

Table 2: Income from Investments –Fig in Mill TZS:

Type of Investment	2008/09		2009/10	
	TARGET	ACTUAL	TARGET	ACTUAL
Treasury Bonds	16,924	12,133	14,167	15,043
Government Stocks	4	4	4	4
Treasury Bills	985	913	5,356	898
Fixed Deposits	2,906	3,939	5,747	5,945
Corporate Bonds	323	265	516	213
Loans	1,147	1,281	1,019	2,185
Equity Investments	323	495	450	657
Real Estates	1,788	1,656	1,870	1,814
Sub Total	24,400	20,686	29,129	26,759

3.3 The Impact of GFC Cont'd

Table 2 depicts that:

- The 2008/09 Investment Income target of TZS 24.4 bn (USD 18.21mn) was not met i.e., Actual was TZS 20.7bn (USD 15.4mn)
- The 2009/10 Investment Income target of TZS 29.12 bn (USD 21.73mn) was not met i.e., Actual was TZS 26.76bn (USD 19.97mn)

4.0 THE ROLE OF PFs AS INSTITUTIONAL INVESTORS:

- The Role of PFs as Institutional Investors is explained by their involvement in the implementation of Gov. supported projects.
- The projects include: Housing Schemes, Construction of colleges etc
- The Housing schemes are members' demand driven.
(see the table below)

4.0 The Role of PFs cont'd

Table 3: Types of Loan Facility preferred by LAPF Members

Type of Loans	No. of respondents	Percentage (%)
Housing Loan	390	44.5
Salary Loan	350	39.9
Small Business	69	7.9
Education loan	51	5.8
Motor vehicle Loan	5	0.5
No preference	12	1.4
Total	877	100.0

4.0 The Role of PFs Cont'd

The rationale for PFs to invest in Housing schemes are:

- Is an investment avenue;
- Housing loan facility is the most preferred benefit (45%);
- The investment is both SRI and ETI

4.0 The Role of PFs Cont'd

The Challenges facing PFs include:

- Financing of Housing Development
i.e., Land delivery system;
- Financing of Infrastructural Projects
i.e., Introduction of special Govt. bonds or
Infrastructural bonds.

5.0 INVESTMENT OPPORTUNITIES

The investment opportunities include:

- Investment in equities
- Implementation of SRIs and ETIs projects.

5.0 INVESTMENT OPPORTUNITIES

5.1 The PFs have played a remarkable role in the Housing Development. These include:

- SSNIT (Ghana)
- SSHFC (Gambia);
- NSSF (Kenya);
- SSFR (Rwanda).

5.1 Development of Housing Schemes Cont'd

Fig. 2: Umucyo Housing Scheme-Kigali



Fig. 3: Vision City Prototype - Kigali



4.0 Development of Housing Schemes Cont'd

Fig. 4: Kinyerezi Low Cost Housing Scheme (NSSF) -DSM



5.2 The Investment Approaches:

The following Approaches are feasible for PFs investments:

- Low Cost Housing schemes;
- Public-Private Partnership;
- Loans Schemes
- Special Government Bonds/Infrastructural;

6.0 CONCLUSION & RECOMMENDATIONS

6.1 Conclusion:

- The GFC did not have significant impact in the operations of PFs in TZ.
- PFs can play a significant role in the national development programmes;
- The Housing development is both a SRI and ETI;
- There are four investment approaches for PFs.

6.2 Recommendations

It is recommended that:

- PFs should participate in the investments that are promoted by Government.
- PFs should strive at seizing the opportunity of increasing urban housing deficit & GFC to participate in the national devt programmes;
- The PPP is among the investment approaches as it focuses on cost effective and mass production of houses.

***THANK YOU ALL
FOR YOUR
PATIENCE IN
LISTENING TO ME***

Merci

