



**THE REVOLUTIONARY GOVERNMENT OF
ZANZIBAR**



THE OFFICE OF THE TREASURY REGISTRAR

President's Office Finance and Planning

**GUIDELINES FOR DEVELOPMENT OF
DIVIDENDS POLICIES FOR PUBLIC
INVESTMENT ENTITIES**

Draft,

2025

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FOREWORD

For the purpose of enhancing effective management and oversight of Public Investment Entities, the Treasury Registrar Office under section 6 of the Treasury Registrar Office and Public Asset Management Act No. 6 of 2021 is mandated to issue guidelines that will be used by Public Investment Entities in order to prepare dividends policies.

These Guidelines are intended to provide a framework by which Public Investment Entities will use to prepare dividend policies that will be used as a standard methodology for dividend distribution based on financial performance and strategic needs.

The expected output of the guideline is to prepare a dividend policy that serves as a formal communication from Public Investment Entity (usually by its board of directors or financial management) outlining how it intends to distribute profits to shareholders in the form of dividends. It will improve regular dividend remittances to the government, increase fiscal revenues without raising taxes, strengthening governance and oversight of public investments and enhancing financial sustainability of Public Investment Entities.

Thus, the development of the guidelines marks a strategic step forward in maximizing the value of public investments in Zanzibar. By ensuring consistent and transparent dividend practices, the Government will be in a better position to leverage its investments to fund national priorities, promote good corporate governance and drive long-term financial sustainability. The Treasury Registrar Office will act as a catalyst in reaching to the efficient public financial management.

Therefore, Public Investment Entities shall be required to comply with these Guidelines when preparing dividends policies in order to meet the purposes of dividends payments to the Government.

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Waheed Muhammad Ibrahim Sanya
Treasury Registrar

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2025

ACRONYMS

AGM	Annual General Meeting
GDDPPIE	Guidelines for the development of dividend policies for Public Investment Entities
PIE	Public Investment Entity
TR	Treasury Registrar
TRO	Treasury Registrar Office

DRAFT 01

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VISION, MISSION AND GUIDELINE STATEMENT

Vision

“To be an excellent Institution in regulating Public Investment Entities and managing public assets within East Africa”.

Mission

“To establish and oversee management frameworks for public investments and public assets through comprehensive guidelines, competent skilled staff and excellent management information system in order to achieve an intended economic and social outcome”.

Statement of the Guidelines

To develop a standardized and enforceable dividend policy guidelines for Public Investment Entities in order to govern the preparation of dividend policies.

Guidelines for Development of Dividends Policies for Public Investment Entities 2025

1. INTRODUCTION

The Guidelines for the Development of Dividend Policies for Public Investment Entities (GDDPPIE) intends to show a roadmap to Public Investment Entities (PIEs) in preparing dividend policies. Dividend policies are important aspect of shareholder relations and corporate governance which help to set expectations for returns, reinforce confidence in the PIEs financial health, maintain a balance between rewarding investors and supporting future growth.

The Revolutionary Government of Zanzibar (RGoZ) through the Treasury Registrar Office (TRO), holds significant investments in various PIEs. These entities play a vital role in economic development and service delivery. However, the return on government investments through dividend payments has historically been inconsistent, unstructured and not aligned with national fiscal planning.

To address these challenges and improve the accountability and financial contributions of PIEs, the TRO developed Guidelines that will govern dividend policies preparation for PIEs. These Guidelines will ensure systematic, transparent and predictable dividend declarations from PIEs, enhancing revenue mobilization to support broader fiscal sustainability, and aim to maintain clarity in dividend practices in order to support sustainable long-term value creation for shareholder.

These Guidelines outline the principles and framework that PIEs follow in preparing dividend policies that will help to determine the dividend payout to its shareholders.

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2. INTERPRETATION

“Annual General Meeting” means a mandatory yearly meeting of shareholders that allows stakeholders to stay informed and involved with Public Investment Entity’s decisions, working and dividend declaration;

“Board” means Board of Directors or any other governing body by whatever name called holding position comparable with those Board of Directors;

“Chief Executive Officer” means the Head of a Public Investment Entity;

“Dividend” means sums of money paid regularly by Public Investment Entities to shareholders out of its profits;

“Dividend payout” means a portion of Public Investment Entity’s profit that is paid to shareholder as dividend;

“Government” means the Revolutionary Government of Zanzibar;

“Public Investment Entity” means any commercial entity, company or Government owned enterprises;

“Shareholder” means the owner of a share in Public Investment Entities;

“Treasury Registrar Office” means Office established under the provisions of Act No. 6 of 2021;

3. PURPOSE AND OBJECTIVE

Purpose

The purpose of these Guidelines is to provide a framework for PIEs to prepare dividend policies.

Objectives

The objectives of preparation of dividend policies are:

- (a) ensure consistent and predictable dividend payments;
- (b) balance between reinvestment needs and return to government;
- (c) enhance financial discipline, transparency and operational efficiency;

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- (d) support government fiscal planning and budgeting;
- (e) enhance accountability by improving responsibility and consistency; and
- (f) encourage long-term sustainability of PIEs.

4. SCOPE

These Guidelines cover Public Investment Entities.

5. STATUTORY FRAMEWORK

Amongst the statutes governing Public Investment Entities in Zanzibar are:

- 1) The Office of the Treasury Registrar and Public Assets Management Act No. 6 of 2021;
- 2) The Public Finance Management Act No. 12 of 2016; and
- 3) The Companies Act No. 15 of 2013.

6. RESPONSIBILITIES

The Guidelines have set up the following responsibilities of the key stakeholders:

6.1 Treasury Registrar

- a) provides Guidelines for the PIEs to prepare dividend policies;
- b) supervise the implementation of these guidelines;
- c) makes recommendation to the Minister responsible for finance on dividend policies;
- d) approves dividend policies submitted by the PIEs;
- e) sets up fiscal target linked to dividend contribution; and
- f) supervises and monitor implementation of dividend policies.

6.2 Chief Executive Officer

- a) prepares dividend policies in accordance with Guidelines issued by the TR;
- b) ensures implementation of approved dividend policies;
- c) financial forecasting on dividend calculation;

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- d) assesses liquidity, profitability and reinvestment needs;
- e) conducts meetings for dividend declaration;
- f) submits audited financial reports to the TR; and
- g) submits dividend policies approved by the Board to the TR.

6.3 Board of Directors

- a) approves dividend policies of the PIEs;
- b) approves payment of dividend to the Government after the Annual General Meeting (AGM); and
- c) issues directives to the management on matters related to dividend payment.

7. COMPONENTS OF A DIVIDEND POLICY

A dividend policy outlines how a PIE decides whether, when, and how much profit to distribute to its shareholder in the form of dividends. The key components of a dividend policy are:

(a) Background of the PIE

In this component, PIE shall explain clearly its short history, establishment instrument, shareholder and purpose of establishment.

(b) Mission

This component shall state the mission statement of a PIE

(c) Vision statement

This component shall state the vision statement of a PIE

(d) Core values

This component shall outline the core values of a PIE

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(e) Scope

In this component, PIE shall explain the coverage of the dividend policy, specifying that it applies to the PIE and its subsidiaries (where applicable), and governs all forms of dividend payments to shareholder.

(f) Interpretation

This component shall state the interpretation of the terms and words that appeared in the policy.

(g) Objectives of the policy

This component outlines the specific objectives of a policy to be achieved. It shall clearly explain why the policy exists and what outcomes it seeks to deliver for both the entities and the government (as shareholder). It shall align the dividend payouts with fiscal needs and strategic goals and promoting transparency, accountability and good corporate governance.

(h) Factors to be considered for dividend payment

This component highlights key variables to be considered for dividend payment. The Board shall review the dividend policy periodically and, at its discretion, declare dividends after considering the following factors:

- (i) **Financial performance;** historical, current and projected profitability, cash flow from operations, current liquidity, solvency ratios, and debt servicing capacity of a PIE.
- (ii) **Investment requirements;** capital expenditure plans, strategic investments, potential acquisitions, and working capital needs essential for maintaining and growing the business as approved by the TRO.
- (iii) **Legal and regulatory obligations;** Comply with all relevant laws, regulations and internal policies. PIEs require approval from the Board before declaration of dividend.

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- (iv) **Macroeconomic and industry outlook**; the current and projected economic environment, industry-specific trends and competitive landscape.
- (v) **Social impact**; for PIEs with a social mandate, the dividend policy should consider the impact on service provision and the achievement of social objectives.
- (vi) **Prior dividend practices**; consideration of past dividend payments to maintain stability and predictability where appropriate; and
- (vii) **Strategic Goals and Risk Management**; align dividend decisions with the PIEs strategic plan, national development priorities and risk preparedness

(i) Utilization for retained earnings

In this component, PIE shall explain reasons for utilization of retained earnings. Retained earnings represent the cumulative portion of a PIE net profits that is not distributed to shareholder as dividends but instead reinvested in the business or held for future use. In the context of PIEs, retained earnings play a crucial role in supporting sustainable growth, capital development, and strategic initiatives aligned with national priorities.

PIEs may retain earnings for the following reasons:

- (i) **Capital Expenditures (Capex)**; financing major investments in infrastructure, equipment, or technology upgrades to enhance service delivery and operational efficiency.
- (ii) **Business Expansion**; supporting expansion into new markets, development of new products or services.
- (iii) **Debt Reduction**; reducing outstanding debt obligations to strengthen the balance sheet and reduce interest burdens.

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- (iv) **Working Capital Requirements;** ensuring sufficient liquidity to meet short-term operational needs and manage cash flow fluctuations.
- (v) **Reserves for Future Obligations;** establishing or strengthening statutory, contingency, or strategic reserves.
- (vi) **Research and Development (R&D);** funding innovation, digital transformation, or product improvement initiatives.
- (vii) **Compliance with Regulatory or Contractual Requirements;** meeting conditions imposed by lenders, regulators, or international financial institutions, which may require a minimum level of retained earnings.

Governance and approval of utilization of retained earnings

The proposed use of retained earnings must be:

- a. Justified with cost-benefit analysis or financial projections; and
- b. Approved by the Board and submitted to the TRO for review and approval. The TRO may approve the retained earning proposal if:
 - i. PIEs clearly articulate the proposed utilization of retained earnings in their annual financial and strategic plans; and
 - ii. Utilization aligns with the entity's strategic objectives, investment plans, and the national development agenda.

(j) Eligibility criteria for declaration of dividends

In this component, PIEs shall declare dividend in a particular financial year through AGM. The declaration of dividend shall consider the following factors:

- (i) The proposed dividend must be paid only out of current year's audited net profit after tax;
- (ii) PIEs must meet requirement of transfer to contingencies;
- (iii) The proposed dividend must meet capital adequacy that will allow PIEs to take more risks requirement; and

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- (iv) PIEs must maintain sufficient liquidity and solvency ratios to meet short-term and long-term obligations even after dividend payout.

(k) Circumstances under which shareholders may not receive dividends

In this component, PIE shall state the circumstances under which the shareholder may not receive dividends, such as:

- (i) PIE has reported a net loss for the year;
- (ii) Cash flow from operations is negative;
- (iii) The capital adequacy metrics of PIE are weak;
- (iv) Economic recession;
- (v) Liquidity constraints;
- (vi) PIE has been prohibited from declaring dividend by any regulatory authority; and
- (vii) If there are any other extraordinary factor as determined by the shareholder.

(l) Factors affecting PIE's approach to dividend payout

In this component, PIE shall state the factors to be considered by the Board before making recommendation for dividends. These include:

- (i) Net profit earned during financial year;
- (ii) Future capital requirements;
- (iii) Cash flow positions;
- (iv) Amount available for distribution after setting aside regulatory transfer;
- (v) Past dividend trends; and
- (vi) Reinvestment opportunities.

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(m) Procedure for declaration of dividend

In this component, PIE shall explain the procedures for declaration of dividends to its shareholder. These are:

- (i) Explain the process of proposing dividends to the Board;
- (ii) The Board formally meets and passes a resolution to declare a dividend proposal at the AGM;
- (iii) Discuss any regulatory requirements, such as approvals from authorities or compliance with corporate law;
- (iv) Explain the process that requires shareholder to approve dividend at the AGM;
- (v) Describe important dates involved in dividend declaration that are declaration date and payout date; and
- (vi) Explain the mode of dividend payout.

(n) Dividend payout ratio

In this component, PIE shall state the percentage of net profit after tax that is paid out to a shareholder as dividend.

Dividend payout ratio = (Dividend/Net profit after tax) x 100

Each PIE shall determine an appropriate dividend payout ratio based on:

- (i) government expectation as directed by TRO;
- (ii) profitability;
- (iii) retained earnings position;
- (iv) investment and capital expenditure plans; and
- (v) liquidity and solvency status.

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(o) Review

In this component, PIE shall state the timeframe in which the dividend policy will be reviewed. The timeframe must be consistent with the PIE's strategic plan.

(p) Amendments

In this component, PIE shall provide room for amendment of the dividend policy when necessary to ensure that the policy remains relevant, effective, and responsive to evolving financial, strategic and regulatory conditions.

(q) Approval and effective date

In this component, PIE shall state the approval authority and the date when the dividend policy comes into force.

8. REVIEW OF THE GUIDELINES

The TRO may review provisions of these Guidelines when the need arises.

9. EFFECTIVE DATE

These Guidelines for the development of a dividend policies for PIEs shall be effective from the date signed by the Treasury Registrar.