OPENING ADDRESS BY THE PRESIDENT OF THE UNITED REPUBLIC OF
TANZANIA, HIS EXCELLENCY BENJAMIN WILLIAM MKAPA, AT AN
AWARENESS PRESENTATION AND SEMINAR ON THE FORMALISATION OF
PROPERTY RIGHTS IN TANZANIA, KARIMJEE HALL, DAR ES SALAAM, 8
SEPTEMBER 2003

Hon. Dr. Ali Mohammed Shein,

Vice President of the United Republic of Tanzania;

Hon. Amani A. Karume,

President of the Revolutionary Government of Zanzibar;

Hon. Cleopa D. Msuya,

Former Prime Minister of the United Republic of Tanzania;

Honourable Ministers, and Deputy Ministers;

Excellencies Heads of Diplomatic Missions;

Chief Secretary and Permanent Secretaries;

Mr. Hernando de Soto,

Founder and President of the Institute of Liberty and Democracy;

Mr. John S. Olaisen,

Managing Director of Norway Registers Development;

Distinguished Participants;

Ladies and Gentlemen:

I should like to thank all of you for coming, and for being prepared to contribute two days of your valuable time and effort to this important session focussing on the empowerment of people in the informal sector.

I want especially to thank the former Prime Minister, Hon. C. D. Msuya, for agreeing to my request to join us, not only as an elder leader in my Party, but also to bring into play the wealth of his experience in many aspects of the subject of our discussions today and tomorrow. I also thank him for agreeing to chair tomorrow’s session.
We are privileged to have Mr. Hernando de Soto, the renowned economist and founder of the Institute of Liberty and Democracy (ILD) in Peru, among us. I should like to thank him for accepting my personal invitation to come to Tanzania and make a presentation of his model for the effective empowerment of the informal sector.

When I passed through London last month, I bought 70 copies of Mr. de Soto’s book, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. All political leaders in this room have received a copy. I trust most have read it and, therefore, Mr. Hernando de Soto does not need much introduction.

I should only add that Mr. de Soto is a Commissioner in the World Commission on the Social Dimension of Globalisation, which I am privileged to co-chair with President Tarja Halonen of Finland. That is where I first met him, and was impressed by his sharp analysis of, and clarity of thought on, why formal capitalism has problems in taking root in countries such as ours, and the prescription he offers in dealing with this problem.

I also thank the Norway Registers Development, represented today by its Managing Director, Mr. John Schjelderup Olaisen, for coming to this event. He will later present a Report on the Workshop on Formalisation of Property Rights in Tanzania held in May 2003, which seeks to prepare for a full ILD Programme for Tanzania.

Lastly, I want to thank the Norwegian Government for the grant assistance extended to us to finance this groundbreaking initiative in our war on poverty. I look forward to continued support.

Ladies and Gentlemen:

The people of Tanzania have the right to ask what it is I am trying to do, and why. My answer is a simple one. I am implementing the Policies and the Election Manifesto of my Party, Chama Cha Mapinduzi. I want to emphasise this point in the light of a recent, and on-going, debate in this country about the need for some form of affirmative action in the empowerment of our people. Let the record show that my party is committed to the empowerment of all those Tanzanians that are marginalized in the emerging modern formal economy. And I mean all
Tanzanians, without regard to gender, religious beliefs, race or ethnic origin. Tanzania is one, it must remain one, and it is completely wholesome as far as gender, faith, race and ethnicity are concerned. My Party is a mass party—a party of inclusion, not exclusion.

Let me now state and reaffirm the policies of my Party, and therefore remind everyone of what is the guiding vision of this government. The CCM Election Manifesto for the 1995 General Elections, as well as for the 2000 General Elections, both of which brought me to power, laid great emphasis on poverty eradication, and the empowerment of our people to self-develop.

The Party Document, “The Orientation of CCM Policies in the Years 2000 – 2010” has a whole chapter (chapter 3) on “Strategies for the Economic Empowerment of the People”. Part of paragraph 51 in that chapter states as follows:

“…The strategy of empowering our people economically is a mechanism being developed to enable the majority of Tanzanians to own and to participate in the economy of their country. The principal concept here is empowerment, that is to establish a conducive environment that would provide opportunities, among others, for the people to own land, industries, working tools, capital for investing in economic activities and to obtain the necessary education and skills to trade and engage in other economic activities. In implementing this strategy for economic empowerment of the people, the youth and women are to be accorded priority.”

On its part, the CCM Election Manifesto for the 2000 General Elections, upon which I was re-elected, stated as follows in paragraph 6:

“…Chama Cha Mapinduzi has developed a strategy for the economic empowerment of the people, which will enable the majority of Tanzanians to own and manage economic activities in their country. The concept of empowerment entails creating a conducive
environment to provide opportunities for Tanzanians to own and manage the economy of their country.”

This strategy has two main components. The first one is about macroeconomic fundamentals. **In a liberal market economy, no amount of economic empowerment will bear long-term and sustainable results if the macroeconomic fundamentals are not in place.** This is what we did in the first five years of my administration, and the results are obvious. We have won the first battle in what is, in effect, a long war. All serious followers of developments in this country, including serious leaders of opposition parties, when talking in private, acknowledge this fact.

Macroeconomic fundamentals and good governance are necessary first steps in the war on poverty. They are means, not an end—a road, not a destination. And that is why those who criticise us for, allegedly but falsely, focussing too much on macroeconomic fundamentals and good governance in the first years of my administration are very wrong. We never argued that macroeconomic fundamentals and good governance would, on their own, eradicate poverty. But we know, and all serious people know, that they are a necessary strong foundation of a growing economy, of increasing Foreign Direct Investment, of an internal dynamic investment momentum and hence of broad based development.

Tanzania’s macroeconomic performance has continued to improve consistently in recent years. The economy has, in macroeconomic indices, stabilized, which, among other things, explains its growth and sustainability, its attractiveness to foreign direct investment, and improvements in the monetary sector. The decline in the inflation rate from 30 percent in 1995 to 4.3 percent has been of great benefit.

Unfortunately, persistent income poverty has meant that the benefits of a low inflation are mostly enjoyed by those few in the urban money economy, and only partially among the majority of our population with low purchasing power. This is the major challenge ahead, and we hope that what Mr. de Soto will tell us today will be part of the solution to this problem.
In other words, we now embark on the second phase of our reforms geared to ensure the benefits of macroeconomic fundamentals and stability translate into a legally recognisable value and therefore better life for the men and women in the street. This is the second battle forward in our long war on poverty. We now have to move from the macro level to varying areas at the micro level—from trade, monetary and investment policies, to the web of legal, administrative and financial impediments entangling small initiatives and businesses, and those inhibiting and condemning the informal sector into a state of permanent marginalisation and exclusion.

A number of policy initiatives have already been taken in this regard, including the Small and Medium Enterprises Policy launched last month. Implementation of this policy will benefit greatly from the empowerment of our large informal sector, in which many of our people find sustenance.

Ladies and Gentlemen:

I must say one other thing. The time has come for the government, both central and local, and for the people in the public and formal sector as a whole, to accept the informal sector for what it is: a reality of life, and an important provider of goods and services, and a market for goods and services provided by the formal sector. A thought recently crossed my mind. What would happen if the entire informal sector in Dar es Salaam were to go on strike? The truth is that if that were to happen, God forbid, much in this city could grind to a halt. The informal sector is presently a key thread of the fabric of our society, and of our economy. That is the reality. But its owners, managers and speculators need the help of every one of us in this room to give this role a better and legal legitimacy.

This is why we are here, and why I should like to pay tribute to the pioneering work carried out by our good friend, Hernando de Soto, and the Institute for Liberty and Democracy (ILD). The ILD model respects and promises the expansion of our formal economy by embracing the abundant potential and bubbling energies of the informal sector. The model proceeds from an acknowledgement that there is indeed an immense potential within the informal sector. It further acknowledges that this potential has been condemned to function outside the existing legal regime, constraining its ingenuity and productivity, and thereby denying the poor and the economy as a whole the benefits of the entrepreneurship that is vital to their self-determined well-being and the prosperity of their country.

Indeed, when you think about it, you realise that we live in a conspiracy of silence that benefits no one. The government pretends those people in the informal economy do not have assets so they do not have property rights, and those people pretend they do not have assets so they do not have to pay taxes on them or follow rules and regulations. I must admit that most of the real estate in our urban areas is outside the formal, legal, sector. Yet, if we could bring in all these assets and properties into legality, that legality would unleash a lot of investment capital.
This pursuit is also born out of the realisation that poverty in our country is not only manifested in poor access to quality health and education but to opportunities for investment capital as well. We shall continue to explore expeditiously all measures necessary to remove these barriers.

It is also true that regulatory obstacles and facilitation inadequacies prevent the informal sector, predominantly comprising of women and the youth, from working as agencies for empowering our people and communities. These obstructions also prevent considerable private capital that is lying idle in most of our banks from flowing into the informal sector. Consequently, many small businesses in the informal sector are denied the ability to realise their full potential. **And, for me, development is about realising the full potential of every citizen.**

The ILD model can help us to move this sector from illegality to legality, from informality to formality and from exclusion to inclusion. Mr Hernando de Soto brings with him his vast knowledge and experience on the constraints that the informal sector faces when struggling to unleash its potential. I should, perhaps, point out that during the time Mr de Soto served as President Alberto Fujimori's Personal Representative and Principal Advisor, **he and the ILD were responsible for some 400 laws and regulations that have modernized Peru's economic system, opening it up to greater participation by the majority.** So he will not only talk theory, he will talk about proven prescriptions to some of the likely comparative problems we have.

On our part, we outline, first, the problem. But we also put in relief the target constituency, our knowledge of the sector reforms we have set in motion, and our political will and determined resolve to make this partnership work in the interest of our people, our economy and our country. Together with the support we get from the Norwegian Government, we can create a partnership in the war on poverty that we can all be proud of.

The forcefulness and indeed the attraction of the Hernando de Soto’s idea lies in its simplicity and its appeal: that alongside our efforts to attract foreign investment, equal energy can be directed at mobilising and unleashing domestic capital, otherwise lying dead. I see no reason why it should be possible in Western Europe for a modest home, a small plot of land, or merely a solid credit history, to be sufficient to secure a loan but that similar circumstances should not energize growth in Tanzania. Similar opportunities should not be denied our people and our economy, and certainly, we need to mobilise these assets to survive the pressures of globalisation.

I am pleased that our own participants at the Workshop on Creating an Inclusive Property System to Build the Capital of the Poor in Tanzania organised by the Ministry of Finance, NRD and ILD in Dar es Salaam in May 2003 broadly shared and advocated the logic of this paradigm. I note from the Workshop Report, for example, that “the ideas and recommendations given by the participants during the workshop support the necessity of establishing an integrated system of property rights as the basis for a transition to a market economy where the assets of all Tanzanian citizens can be used to create capital.”
This is really an opportunity for empowerment. I should, therefore, like to suggest four practical propositions through which I believe we can collectively make this vision inherent, and its goal achievable.

First, political will. We must act in concert and with singular determination to put in place a credible system of property ownership that would enable those with assets in the informal sector to have a properly recognised right to their assets—assets that can have an ascertained value and which can be transferable. This is basic in granting many in the informal sector the necessary empowerment and the opportunity to raise capital and participate further in wider economic activities.

Second, a re-examination of our regulatory framework. We should accept this as a challenge. It should not be enough that we have promulgated and legislated a new land policy and a new land law, and that we are prepared to review it further. Neither should it be sufficient that we have put in place the necessary policy framework for small and medium enterprises, and the Business Environment Strengthening Programme for Tanzania (BEST). We should be bold enough to examine and embrace fresh concepts, ideas and other nations’ experiences. We must change our attitudes. We must overcome our natural, almost knee-jerk, resistance to change. Without this disposition, we will not fulfil our responsibility and commitment to empower our people, most of who function in the informal sector.

Third, involving the private sector. We must draw from the best of our multifaceted experiences in business and the civil society, as well as the media. The private sector needs to see our effort in the transformation of the informal sector as a matter of its own self-interest. Formalising the informal sector would expand economic activities and strengthen the private sector as a whole. The formal private sector would, therefore, do well by considering itself a stakeholder in this enterprise whose overall impact will be to promote business and market expansion.

Fourth, public awareness. Our people must equally be sensitised that this idea can work; that it is not anti-people, but has their best interest at heart. I extend a special appeal to everyone in the informal sector to cooperate with us. They are important partners to the success of this project. This poses another challenge to leadership at all levels, among all political parties and civil society. Our Local Governments have a key role and I invite them to come on board.

This project will not be accepted in the field if it is misconstrued to constitute Government intervention to dispossess and oust. The people must be assured that this is not the beginning of another exercise that can be considered a harassment of our fellow Tanzanians in the informal sector. It must clearly be understood for what it is: a programme to affirm and formalise existing interests as an element for titling and ownership. There will be powerful vested interests that may not necessarily see it that way. Indeed, they may want to project it differently in order to continue profiting from current illegality and disorder. Our resolve, and the aspirations of all those who are struggling to convert the assets they hold into valuable properties, must not be left in doubt. Again, the media and civil society have an important role to play. I urge them to be, if not paratroopers, then foot soldiers in this enterprise.
Let me conclude by once again thanking Mr. Hernando de Soto and Mr. John Schjelderup Olaisen for being here with us today, and for their willingness to share their thoughts and experiences with us. I know that some of their thoughts will seem heretical to some of us here, but sometimes heresy is the trigger for reform. I hope that the question and answer session that will follow Mr. de Soto’s presentation will serve to clear many lingering doubts or suspicions.

Robert F. Kennedy once said, “Progress is a nice word. But change is its motivator and change has its enemies.”

He was right. No one in this room or outside would say he or she is against progress. It is such a nice positive word. But not everyone is ready to pay the price for progress—the price of change. I appeal to my fellow Tanzanians that the time has come for all of us to be motivators, not enemies, of change; to be not purveyors of backwardness, but agents of progress. For, that is the essence of ownership and of leadership for development.

I thank you for your kind attention.