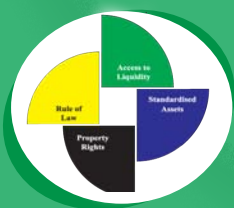


United Republic of Tanzania
President's Office

The Property and Business
Formalization Programme



EXECUTIVE SUMMARY (II)
REFORM DESIGN PHASE



“Empowering the Disadvantaged Towards Expanded Market Economy”

TABLE OF CONTENTS

Preamble	iv
1.0 Introduction	1
1.1 Goals and Objectives	3
2.0 Programme Phases	5
2.1 Reform Design Phase	5
2.2 Reform Design Methodology	5
3.0 Framework for Reform Packages	6
3.1 Property Reform Component	6
3.2 Business Reform Component	7
3.3 Institutional Arrangements	8
4.0 Work Plan, Monitoring and Evaluation and Cost Benefit Analysis	10
4.1 Work Plan	10
4.2 Monitoring and Evaluation Framework	10
4.3 The Cost Benefit Analysis	11
5.0 Sources of Finances for Reform Implementation	12
5.1 Sustainability Issues	12
5.2 Conclusion	13

PREAMBLE

A two days High Level Awareness Seminar, on Formalization of Property Rights in Tanzania was held on September 8-9 2003 at the Karimjee Hall in Dar es Salaam.

The Seminar was chaired by His Excellency Benjamin William Mkapa, the third phase (1995 – 2005) President of the United Republic of Tanzania on the first day and by Hon. Cleopa David Msuya, Former Prime Minister and 1st Vice President, on the second day.

It was attended by all Ministers, Deputy Ministers, Regional Commissioners, Permanent Secretaries, Senior Government Officials, Head of Public Institutions, Civil Societies and the media.

The Seminar was intended to create awareness to the Tanzanian leadership on the link between formal property rights and wealth creation, within the context of inclusive and equitable socio-economic development.

Dr. Hernando de Soto, President of the Institute for Liberty and Democracy (ILD) presented the ILD model for formalizing the extra legal (informal) real estate and business sectors to create a unified national regimes of property and business rights.

Mr. John Schjelderup Olaisen, Managing Director of Norway Registers Development presented a report on the Workshop on Formalization of Properties in Tanzania held in May, 2003.

President Mkapa, who gave an impressive opening address on the subject, emphasized the relevance of property and business formalization to the Empowerment of the majority of Tanzanians for self development and poverty eradication, as postulated in the CCM Election Manifestos of 1995 and 2000 and reflected in the orientation of CCM policies of 2000 – 2010.

After the two days deliberations, the national leadership, resolved to create a Program to formalize extra legal real estate and business assets with an objective of empowering the owners of these assets to participate in the formal economy through the use of their formalized assets as security in accessing financial capital and other benefits in the market.

It was further decided to adopt the ILD four phases approach and to obtain its consultancy services in implementing the first two phases of the Program. The four phases are namely Diagnosis phase, Reform Design phase, Implementaion phase; and Capital formation and Good Governance.

Implementation of the first two phases began in November, 2004 and were set to be completed in 31 months thereafter (July 2007). Due to several changes made in the scope and implementation arrangements the two phases i.e. Diagnosis of

the Extra legal Sector and Reform Design were completed in July 2008.

The outputs, available are:-

- Report on the Diagnosis - Provided in seven volumes with it's Executive Summary (I)
- Report on Institutional and Legal Reform Proposals also provided in seven volumes as with this Executive Summary (II)

The Third Phase of the Program, now in Progress, entails institutionalizing the Reforms and effecting properties and business formalization initiatives in line with a ten year implementation Program.

The fourth phase, often seamlessly connected to the third phase entails interventions to connect formalized assets to capital and other economic opportunities (Capital Formation) and effecting administrative simplification process in the management of properties and businesses as well capacitating key actors to strengthen institutional settings in property and business management (promoting good governance).

The implementation arrangements are centred on the Government Decentralization Policy.

MKURABITA Management Unit supports capacity building of Implementers in the Local Government, provides resources needed for the realization of predetermined aimed outputs, monitors progress and provides technical backstopping.

The Local Government Implementers are responsible for the actual implementation of the formalization activities while the Sectoral Ministries effect the legal and institutional changes geared at the establishment of the National Unified Architecture of property and business rights.

The proposed Reforms and implementation initiatives are living undertakings that allow changes in the course of implementation to respond to ascertained demands of beneficiaries.

1. Legal and economic mechanisms that increase productivity through the creation of distinct legal entities “incorporating asset partitioning” and an efficient division of labour;
2. Formal, fungible property rights that not only allow assets to be identified but also allow ordinary people to move them in the expanded market to capture as much economic value as possible;
3. Legal means for enterprises to operate in the expanded market, acquiring the capacity to gain access to networks beyond family members and circles of acquaintances

The diagnostic report further revealed the following statistics which help to explain why the majority of Tanzanian property owners choose to remain extralegal:

- To obtain a secure, registered legal title over a piece of property, 68 bureaucratic steps are involved and would take up to 8 years: first to obtain a legal title and register it (Valuation, planning, surveying and titling procedures), and second, to obtain a building permit. Land allocation for urban purposes on the mainland takes about 7 years.
- To have a plot surveyed to gain formal access to land, 22 administrative steps are involved and would take some 84 days to complete.
- To transfer and register rights of occupancy, 19 administrative steps are involved, and would take about 380 days.
- In the rural areas, formalization of 10 cases involving some 5,700 families took 1.5 years (application of the village land Act).
- High-level decisions virtually impossible to obtain are often required: On the mainland, all surveys and survey maps must be approved by the Director of Surveying and mapping; and all titles must be approved by the Commissioner for Lands.

The diagnostic study also indicates that 98% of all businesses in Tanzania mainland and Zanzibar operate extralegally. The business organization barriers, identified by the field study, that keep the majority in the extralegal sector are summarized below:

- 90% of the businesses in Tanzania are sole traders and partnerships, but the law makes no provision for separating their business and personal assets;
- Businesses fail to continue after the owner’s death. More specifically the current legal system does not allow for the formation of single shareholder companies with limited liability.
- Tanzania has no clear laws to suit small business entrepreneurs that can clearly separate the owners of small enterprises from their managers in order to hold them accountable for their management.
- Incorporating a private company and registering its business name can only be done in Dar es Salaam and it is thus virtually impossible for most of the 87% of the businesses located outside the capital; permits for officially declared special businesses (e.g. pharmacies, restaurants, tour agencies, cell phones) are only issued in Dar es Salaam and may cost between \$3,916 and

1.0 Introduction

The socio-economic reforms which were initiated and implemented since 1986 and deepened during the decade of 1995-2005, have generated some positive results at the Macro-level. A direct consequence of the improvement in economic performance was the decline in the inflation rate from 30 percent (in 1995) to 4.3 percent (by 2003), and the GDP growth rate from 2.6% in 1997 to 6.8% in 2005 for Tanzania mainland and 3.6% in 2000 to 5.6% in 2005 for Zanzibar. However, the benefits from the reforms did not translate into significant reduction of poverty among the majority of the people of Tanzania. The Government believed that the majority have not benefited, largely because they operate extralegally outside the formal economy where they face a legally prohibitive environment that makes it difficult for them to realize their full potential for economic empowerment and self-improvement.

In 2003/2004 it became obvious to the government and the people of Tanzania that the Macro Economic policies and legal reforms that were largely directed at the formal sector were not generating the expected trickle down effect that would uplift the majority of the people from poverty. As a logical follow up to this situation the Government initiated the Property and Business Reform Programme (PBFP or MKURABITA) in 2004 with instructions that MKURABITA should recruit local and international consultants to assist the government in making an accurate assessment and diagnosis of the nature and magnitude of the informal sector with a view to designing a program that would gradually move the majority into the formal sector.

Subsequently the government approached and hired the Institute of Liberty and Democracy (ILD) of Lima in 2004 as the principal consultant to MKURABITA to carry out a diagnosis of the informal property and business sector. In line with the ILD Model for reform design MKURABITA was designed as a programme with four phases. Phase one was the diagnostic study carried out by the ILD and MKURABITA from November 2004 to July 2005. This was to be followed up by the Reform Design Phase. The other phases of the program are the Reform Design, Implementation Phase, and the final phase the Capital Formation and Good Governance.

The diagnostic study which was done from November 2004 to July 2005 with ILD as the lead consultant, confirmed the Government's assumptions. It revealed that the formal policy, legal and institutional structure of property and business administration and management pose insurmountable impediments to the formalization of the majority of the properties and businesses in the informal sector. In particular the study revealed that 89% of real properties and 98% of all businesses in Tanzania are extralegal. Further, the ILD revealed that by remaining extralegal the owners miss three fundamental legal and economic mechanisms indispensable for the creation of wealth, elimination of poverty, and the foundation of an inclusive modern economy. These are:

\$5, 506. Whereas the whole process of incorporating a private company on the mainland costs \$2,669, the winding up process of a company voluntarily might costs \$2,753 which is almost four times the average annual wage for an ordinary Tanzanian.

- Due to the administrative bureaucracy, the procedure for legally incorporating, registering, and starting the operations of a private company in Dar es Salaam entails wading through almost 95 administrative steps in 24 government offices over 283 days, and paying a total of US \$ 3,816.
- The procedure for legally incorporating, registering, and starting the operations of a private company in Mbeya involves 103 administrative steps in 24 government offices over 379 days at a cost of US \$ 5,506.
- The procedure for legally recognizing, registering, and starting up the operations of a sole proprietorship in Dar es Salaam entails carrying out 28 administrative steps in 13 government offices over 86 days at a cost of US \$ 234.
- the obligations and formalities that private companies must fulfill to continue operating legally involve complying with 16 different laws, in the best of cases
- Regulatory Authorities related to business have excessive and unregulated discretionary powers with much pre-approval of business permits.
- Most of the Tanzanian companies and other small business entities are not able to raise financing by selling shares on the stock exchange unless they have been profitable for the past three years and have a minimum of TShs 50 million in capital, a description of less than one percent of the nations companies.

In order to overcome the difficulties posed by the present property and business regime, the Diagnostic Report established that Tanzanians in the extralegal sector have created their own system of acquiring property rights, opening businesses and managing transactions in business and property matters identified as “archetypes”. In short Tanzanians at the grass roots level have spontaneously generated facilitative institutions that are in fact the very building blocks needed for the law to work.

On the basis of the Diagnostic Report the Government determined that it was necessary to embark on phase two of the Property and Business Formalization Programme.

The design phase was required to produce policy, legal and institutional reform proposals, an implementation plan, a communication strategy and a monitoring framework for property and business formalization in Tanzania. The Design phase started in January 2006 with ILD taking the lead as implementers but due to the need for local ownership of the programme, MKURABITA took over the reform design process in July 2007 and the ILD continued to play the consultant role to provide technical advice on the reform design.

The terms of reference for the reform design state that from the extralegal practices (archetypes) revealed in the report Tanzania will be able to infer constitutive rules and put in place an initial strategy and a program that will help it design a modern

rule of law that actually fits the culture of the people, and in the process create a constituency for change. This new, reformed system will not be some kind of abstract, artificial rule of law imposed from above but one that has been fashioned from long-standing extralegal practices familiar to everyone. It was also envisaged that, the familiarity of such a system will most likely make it more acceptable to most people and thus easier to comply with and enforce.

Reform designing was undertaken while keeping in mind its general objective, that is, the establishment of an institutional framework that fosters an inclusive economy under a single rule of law to empower those deprived of the necessary legal mechanisms to become fully endowed members of the formal economy. Thus, the Reform Design stage is aimed at providing the Government with detailed policy and institutional proposals as well as a communications and implementation strategy to integrate extralegal real estate and businesses into the legal system, the result of which is to boost economic growth and create wealth, thus helping to reduce poverty. This represents a transformation process of the profoundest sort that will ultimately help to bring all the Tanzanian dispersed extralegal arrangements under one rule of law.

The reform proposals, developed in response to the findings of the diagnostic study, address different reform objectives and the output is compiled in seven volumes: Volume I) Executive Summary, Volume II) Property Formalization Reform Proposals for Tanzania Mainland, Volume III) Property Formalization Reform Proposals for Zanzibar, Volume IV) Business Formalization Reform Proposals for Tanzania Mainland, Volume V) Business Formalization Reform Proposals for Zanzibar, Volume VI) Institutional Arrangements for the Implementation of the Reform Proposals and Development Communication Strategy, Volume VII) Action plan, Monitoring and Evaluation Framework and Cost Benefit Analysis.

1.1 Goals and Objectives

Goal

The major goal of the Property and Business Formalization Program (PBFP) popularly known as MKURABITA in Kiswahili (Mpango wa Kurasimisha Rasilimali na Biashara za Wanyonge Tanzania), is to economically empower the poor majority in the country, by increasing their access to property and business opportunities, in order to develop a strong expanded market economy.

MKURABITA is conceived within the National Strategy for Growth and Reduction of Poverty (NSGRP) that is MKUKUTA for Tanzania mainland and MKUZA for Zanzibar. The program specifically seeks to facilitate transformation of property and business entities in the informal sector into legally held and formally operated entities in the formal sector of the economy. MKURABITA targets property and business owners in the informal sector, whose entry into the formal market economy will enhance their opportunities in using their assets to access capital and thus improve national economic growth and reduce individual household poverty. The ultimate goal of MKURABITA is to empower the target groups and

individuals, especially in the informal sector, so that they can participate effectively in the formal modern market economy.

Objectives

The following are the specific objectives of the Programme:

- To build an architecture of property and business rules that will bring together, standardize, and modernize the prevailing local customary arrangements dispersed throughout the country, so as to create one Tanzanian property and business legal system that incorporates all sectors of the society.
- To foster national integration by enabling the government to bring the informal sector into the legal system in order to govern the Nation's market activities more effectively.
- To ensure that assets of the poor, which are held and exchanged outside the existing legal system, are adequately documented and standardized into universally accepted property records that can be used to create liquidity.
- To develop the means to achieve broad-based support for change, for both traditional community leaders and the poor, towards a national property framework that can help realize the potential of a modern market economy.
- To enable overall economic policies and supporting mechanisms such as monetary and fiscal stimuli to actually work once most people are inside the legal market economy.
- To safeguard the economic interests of the poor majority of the people of Tanzania from adverse impacts of globalization.

2.0 PROGRAMME PHASES

MKURABITA is based on a specific model propounded by the Institute for Liberty and Democracy of Lima, Peru (ILD) consisting of four phases, namely: Diagnosis, Reform Design, Implementation, and Capital Formation and Good Governance. After completion of the Diagnosis Phase the follow up phase is the Reform Design phase.

2.1 Reform Design Phase

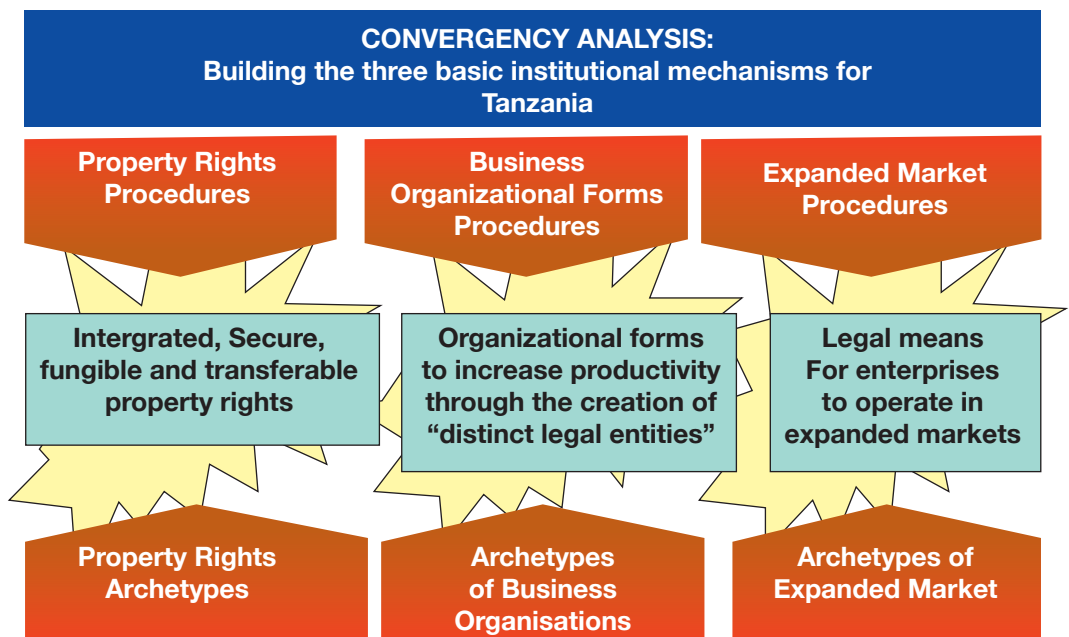
The general objective of the Reform Design phase is to provide the government with detailed policy, legal and institutional reform proposals, as well as an implementation strategy; and to integrate extralegal real estate and businesses into the legal system in order to boost economic growth, reduce poverty, and eventually expand the tax base.

2.2 Reform Design Methodology

The reform design is based on the unique methodology of convergence analysis which builds on well-established local legal and extralegal practices that Tanzanians identify with and respect. Using these practices or “Archetypes” as they are called, the objective is to standardize, harmonize and upgrade them by picking the best qualities of the archetypes and integrate them in a new enhanced legal framework. At the same time the current legal framework is streamlined to reduce the time and cost to enter, operate and exit in the legal sector. In addition, lessons from several reform programs and pilot projects have been taken into account in designing the new proposals.

Using the interactive processes illustrated above and a set of guidelines reform outlines and packages were developed within the framework shown in Figure 2 below.

Fig.2: Convergence Analysis



3.0 FRAMEWORK FOR REFORM PACKAGES

In summary there are 21 reform packages in property, business and institutional arrangement as presented hereunder: -

Fig.3: The Framework for Business and Property Reforms

TO FORMALIZE REAL ESTATE PROPERTY RIGHTS	TO ALLOW ECONOMIC USE OF REAL ESTATE ASSETS	TO FORMALIZE BUSINESSES (ENTRY/ OPERATION/EXIT)	TO ALLOW BUSINESS GROWTH AND ECONOMIC USE OF BUSINESS ASSETS
<ol style="list-style-type: none"> 1. Systematic, decentralized and simplified adjudication procedures for property formalization, built on well-established local practices (adjudication archetype) 2. Simplified mechanisms to solve disputes (adjudication archetype) 3. Simplified mechanisms to fix boundaries (adjudication archetype) 4. A unified land registry system with geographical database (registration archetype) 	<ol style="list-style-type: none"> 5) Simplified and low-cost mechanisms to facilitate documenting and recording wills, transactions and other agreements (documentation and registration archetypes) 6) Legal mechanisms that provides legal security to registered property owners and allows the economic use of assets 7) Simplified and low-cost procedures to create and enforce mortgages for facilitating the use of land as collateral to get credit (fungibility archetype) 	<ol style="list-style-type: none"> 9) New organizational forms: LLSSC, LLP 10) Registration (New registration system): incorporation and licenses. 11) Simplified Tax System 12) Simplified Accounting System 13) Simplified Labor and Social Security System 	<ol style="list-style-type: none"> 14) Contract formation 15) Dispute settlement mechanisms 16) Simplified Registration of Pledges, chattels and charges 17) Business information 18) Services Platform for training, info, etc
<ol style="list-style-type: none"> 8) A specialized public entity to manage formalization of urban and rural real estate assets 			
<ol style="list-style-type: none"> 19) Personal identification System 			
<ol style="list-style-type: none"> 20) Administrative Simplification Programme (for the sustainability of the reforms) 			
<ol style="list-style-type: none"> 21) A specialized vehicle to coordinate the formalization of business and real estate assets 			

There are five major categories (outlines) of the reform proposals: reforms that will allow for formalization of real estates in Tanzania Mainland and Zanzibar, reforms to allow for economic use of real estate assets; reforms to allow for formalization of businesses in Tanzania Mainland and Zanzibar; reforms to allow for business growth and economic use of business assets; and reforms for cross-cutting issues such as personal identification and administrative simplification and creation of a specialized institution to coordinate formalization of businesses and real estate assets.

3.1 The Property Reform Component

Several reform proposals have been recommended. Most of the proposals centre on repealing, amending and enacting legislations for simplification and reduction of

costs for land administration procedures; decentralization of approval duties from central government to local government, and rectifying institutional arrangements. Specifically, the reforms involve the review of the land policy and land laws, other sector laws and institutional arrangements.

Reforms to formalize real estate assets

- Systematic, decentralized and simplified adjudication procedures for property formalization, built on well established local practices
- Simplified mechanisms to solve disputes
- Simplified mechanisms to fix boundaries
- A unified land registry system with geographical database
- Reforms to allow for economic use of real estate assets
- Simplified and low-cost mechanisms to facilitate the documentation and recording of wills and other agreements
- Legal mechanisms that provide legal security to registered property owners and allows for economic use of assets
- Simplified low-cost procedures to create and enforce mortgages for facilitating the use of land as collateral to getting credit



Reforms to create a specialized public entity to manage formalization of urban and rural real estate assets. These reforms are laid out in Volume II-Reforms for Formalization of Rural and Urban Real Estates in Tanzania Mainland and Volume III-Reforms for Formalization of Rural and Urban Real Estates in Zanzibar.

3.2 The Business Reform Component

Business organization and administration in Tanzania is affected by a wide range of legislation and procedural regulations. Businesses are required to comply with a multitude of often confusing legal provisions for registration, licensing, employment and social security and other statutory obligations. The Diagnostics Report revealed that compliance with statutory business and social obligations is difficult and it is often a disincentive for small informal businesses to enter into the formal economy due to their small size and limited resources. At the same time the existing legal framework does not allow the formation of Limited Liability Partnership and Single shareholder companies which would be ideal for small individually owned and operated companies. Small businesses also face insurmountable problems trying to comply with complex and costly tax and accounting systems, complex recruitment procedures, labour and social insurance obligations, complex and costly systems regulating contracts and finally inefficient dispute resolution mechanisms.

Several reform proposals have been developed to tackle the daunting problems that discourage businesses from formalizing their activities. These proposals include the following: -

Reforms to formalize Businesses

- New organizational forms for Limited Liability
- Single Shareholder Company (LLSSC) and Limited Liability Partnerships (LLP)
- New Registration system-incorporation and licensing
- Simplified tax system for new business organization forms
- Simplified accounting system
- Simplified labour and social security system



Reforms to allow business growth and economic use of assets

- Contract formation
- Dispute settlement mechanisms
- Simplified Registration of Pledges, Chattels and Charges
- Business information
- Services platform for training and information

These proposals are laid out in Volume IV and V for Formalization of Businesses in Tanzania Mainland and Formalization of Businesses in Zanzibar respectively

3.3 Institutional Arrangements

Implementation of the third and fourth phases of the Property and Business Formalization Programme has to take place on two fronts simultaneously. At the central government level where policy, legal and institutional changes will be developed and effected on the one hand and at the Local Authorities level where policy, legal and institutional changes will be translated into procedures and administrative arrangements to be used in conceiving, designing and implementing interventions for properties and business formalization on the other hand.

In Tanzania mainland, with the substantially advanced government decentralization regime, defining the roles of the central government (sectoral Ministries and agencies) and those of the Local Government Authorities (District / Urban Councils and Village Councils as well as Ward Development Committee) is fairly straight forward. Property reforms will be channeled through the Ministry of Lands, Housing and Human Settlements Development which will prepare a cabinet paper to present the reforms. After approval the Ministry will send them to the Chief Parliamentary Draftsman for preparation of Bills and Regulations. The Bills will be sent to the Parliament for approval while the Regulations will be returned to the Ministry for the signature of the Minister and gazzement.

Business reforms will be channeled through the Ministry of Trade Industries and Marketing. The same process of cabinet paper will be used. After approval, the new legislation implementation will officially start all over the country through the Regional Administration and Local Government Authorities.

In Zanzibar a modus operandi that allows central Government actors to play a prominent role in effecting business and property formalization is foreseen. Be it as it may be, mainstreaming the implementation of the third and fourth phases of

MKURABITA in the Government structures in Tanzania mainland and Zanzibar is the most viable.

The Constitution of Zanzibar, though not explicit on the establishment of Local Government Authorities, provides for the establishment of the administrative division of Zanzibar into regions, districts and other administrative areas as the President of Zanzibar may deem necessary.

Districts are subdivided into Shehias in accordance with the criteria defined in the Regional Administration Authority Act No. 1 of 1998. A law also exists for the establishment of a District and Town Council – (The District and Town Council Act No. 4 of 1995). There is however, a specific legislation for Municipal Councils namely The Zanzibar Municipal Councils Act No. 3 of 1995. In both cases the powers and duties of the councils are not explicit on core areas of real estate (property) management including formalization; neither do the core activities in business formalization feature clearly in these laws.

For the Zanzibar property reforms, MKURABITA will send the reform proposals through the Ministry of Water, Construction, Energy and Lands. Once accepted the proposals will be discussed by a meeting of all Principal Secretaries, after which a Cabinet paper will be prepared and presented to the Revolutionary Council. After approval the layman's Bills and Regulations draft will be sent to the Attorney General for preparation of Bills and Regulations. The Bills will be sent to the House of Representatives while the Regulations will be sent to the respective Ministry for signature before being published in the official gazette.

For business reforms, MKURABITA will send the reform proposals through the Ministry of Constitutional Affairs and Good Governance. Once accepted the proposals will be tabled and discussed at the meeting of all Principal Secretaries, after which a Cabinet paper will be prepared for the Revolutionary Council. Its approval will lead to the layman's Bills and regulations being sent to the Attorney General for preparation of the Bills and Regulations. The Bills will be sent to the House of Representatives while the regulations will be returned to the respective Ministry for signature and publication in the official gazette.

4.0 WORK PLAN, MONITORING AND EVALUATION AND COST BENEFIT ANALYSIS

4.1 Work Plan

The work plan for the Property and Business Formalization Programme is categorized into short-term plans (one year), medium-term plans (five years) and long-term plans (ten years). This is the beginning of the third phase of the program, the implementation phase.

A consultative process which involved key actors in the formalization process was undertaken in developing this work plan. Representatives from the Ministry of Lands Housing and Human Settlements Development, the Ministry of Trade, Industries and Marketing, Agencies like BRELA and RITA, reform programs like the Local Government Reform Program were all involved in the process.

It was important to involve all interested parties because the implementation of the reform proposals will be done through existing Government administrative structures. As these MDAs and Local Government Authorities have their own plans in a short-run, medium term and long-run, it was important to involve them in order to integrate MKURABITA reform proposals in the existing plans.

The short-term plans are for the first year of implementation of the reforms (2008/2009). This will involve amending the laws and regulations, enacting new laws and regulations, and repealing some as pointed out in the introduction. It is worth noting that MDAs and LGAs are the major institutions involved in the initiation of the new bills and regulations. Some of these activities are prerequisites for implementation of succeeding activities.

Medium-term plans are for four years from year two to year five. Some of these activities have to wait for other activities to be performed in the first year and some need more attention and information dissemination. Most of these activities involve the initial implementation of the proposed reforms, and the establishment of campaigns for formalization training and promotional campaigns. It includes the establishment of new registries at the local authority level and in the villages.

Long-term plans are solely for implementation of the formalization program and will span from year six to year ten. Injection of Government funds to the formalization program will facilitate either high speed, medium speed or low speed formalization path.

4.2 The Monitoring and Evaluation Framework

This monitoring system is set out to track changes in the informal sector the number of properties and businesses formalized each year, and the value of the properties and businesses formalized each year. The system will provide the Government and other actors with an increased amount of information and data for decision making.

MDAs and LGAs are the main actors in the system since the implementation of the formalization program will be done by LGAs and MDAs. Formalization of rural properties in Tanzania Mainland is mainly the responsibility of LGAs while in urban areas the Ministry of Lands, Housing and Human Settlements Development and the LGAs are involved. Formalization of properties in Zanzibar is the responsibility of the Ministry of Water, Construction, Energy and Lands and the Registrar of Lands. Formalization of businesses will be the responsibility of BRELA and the LGAs in Tanzania Mainland and Office of the Registrar General in Zanzibar

The MKURABITA monitoring and evaluation framework will be linked to the MKUKUTA monitoring and indicator information Master Plan and the MKUZA poverty monitoring system.

4.3 The Cost Benefit Analysis

The cost benefit analysis has shown that the formalization program is very beneficial to the Tanzanian people whatever the speed of the formalization programme. However, with adequate resources allocated by the Government to the formalization programme it is recommended that a high speed formalization path should be adopted.

Some of the initial costs for establishment of the formalization institution will be replaced after 3 to 5 years. Computers and office equipment have a limited time of three years while furniture and motor vehicles are estimated to have a life time of five years. The Benefits from the property formalization programme are capital gains and improvement made on formalized property, whereas benefits from the business formalization programme are profit increases in businesses enjoying the economies of scale, businesses that will be exporting goods and or services and profit increases from the ability of skilled entrepreneurs to utilize opportunities that are available in a market economy. The other benefits are taxes and registration fees that are estimated to be on average only Tshs. 50,000 per annum for 30% of the manufacturing businesses, 40% for service businesses and 60% for commerce businesses. The analysis has been done using 10% and 12% discount rates for all benefits and costs in each formalization path.

The following table shows the results for each formalization path at different discount rates: -

Formalization scenario	NPV at 10% (USD Millions)	NPV at 12% (USD Millions)
High Speed	336.97	304.07
Medium Speed	183.41	164.62
Low Speed	122.65	110.13

5.0 SOURCES OF FINANCES FOR REFORM IMPLEMENTATION

Three sources of finances are possible:

1. Self- financing strategies by target groups of reforms
2. Government allocation
3. Support from national and international donors.

Experiences from the cadastral survey of the informal settlement at Dodoma Mnadani (Chang'ombe Area) and Hannanasif in Dar es Salaam show that citizens are often willing to co-finance regularization efforts. In the two cases the relatively poor people living in these settlements organized themselves and contributed amounts ranging from 20,000 to 40,000 Tshs to get the cadastral surveys done by private surveyors. However contributions from the target groups alone will not be adequate. The government must allocate a budget for the first registration exercise.

5.1 Sustainability Issues

However sound the reform design is, the success of the formalization exercise can only be guaranteed if measures are taken to ensure:

1. Political good will towards the exercise by all sectors of society
2. Institutional and Legal Framework for ensuring sustainability is put in place
3. Adequate budget levels are allocated towards the initiative
4. Effective Strategies for publicity and sensitization are arranged

CONCLUSION

In the past various efforts have been made to deal with the problem of property and business informality. These have included demolition of property built without proper authorization and arrest of street vendors. The MKURABITA initiative is the first attempt by the government to institute a holistic formal approach to a sustainable solution to the problem of informality. Assurance of success for this initiative depends on effective mass sensitization to the mission, goals and objectives of MKURABITA. What MKURABITA has achieved so far is to review 21 pieces of legislation in real estate, 21 pieces of legislation in business which has resulted in repealing 2 laws in business in Zanzibar, amending 11 laws in business in Tanzania Mainland, 7 laws in business in Zanzibar, 11 laws in properties in Tanzania Mainland, 8 laws in properties in Zanzibar, enactment of 1 business law in Tanzania Mainland, 4 new business laws in Zanzibar and 2 new laws in properties in Zanzibar. There are 5 new regulations in business in Tanzania Mainland, 4 in business in Zanzibar 1 in properties in Tanzania Mainland and 5 new regulations in properties in Zanzibar. There are 3 amended regulations in properties in Tanzania Mainland, and 4 in properties in Zanzibar.

The Cost Benefit Analysis has shown that it is extremely beneficial to invest in the Property and Business Formalization Programme it is therefore recommended that the program be financed by the Government as per the work plan. MKURABITA should hold finances for the programme to kick start the formalization process while MDAs should adequately support the program.

TO FORMALIZE REAL ESTATE PROPERTY RIGHTS	TO ALLOW ECONOMIC USE OF REAL ESTATE ASSETS	TO FORMALIZE BUSINESSES (ENTRY/ OPERATION/EXIT)	TO ALLOW BUSINESS GROWTH AND ECONOMIC USE OF BUSINESS ASSETS
1. Systematic, decentralized and simplified adjudication procedures for property formalization, built on well-established local practices (adjudication archetype) 2. Simplified mechanisms to solve disputes (adjudication archetype) 3. Simplified mechanisms to fix boundaries (adjudication archetype) 4. A unified land registry system with geographical database (registration archetype)	5) Simplified and low-cost mechanisms to facilitate documenting and recording wills, transactions and other agreements (documentation and registration archetypes) 6) Legal mechanisms that provides legal security to registered property owners and allows the economic use of assets 7) Simplified and low-cost procedures to create and enforce mortgages for facilitating the use of land as collateral to get credit (fungibility archetype)	9) New organizational forms: LLSSC, LLP 10) Registration (New registration system): incorporation and licenses. 11) Simplified Tax System 12) Simplified Accounting System 13) Simplified Labor and Social Security System	14) Contract formation 15) Dispute settlement mechanisms 16) Simplified Registration of Pledges, chattels and charges 17) Business information 18) Services Platform for training, info, etc
8) A specialized public entity to manage formalization of urban and rural real estate assets			
19) Personal identification System			
20) Administrative Simplification Programme (for the sustainability of the reforms)			
21) A specialized vehicle to coordinate the formalization of business and real estate assets			