

# A Light touch on Property and Business Formalization Programme

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The property and Business Formalization Programme (MKURABITA) is a programme meant to formalize all small businesses and properties of the poor people. The programme aims at empowering the majority of poor people in the country by increasing business opportunities towards development of a strong expand market economy.

The programme was first on 30<sup>th</sup> of September, 2003 by the President of the United Republic of Tanzania at that time, Hon. Benjamin William Mkapa where he told the Citizens of government's plans of starting a programme which will help in formalization of small business and properties of the poor people in Tanzania.

The president on his speech in November 30<sup>th</sup> told the citizens that the programme has already started in the mid of October 2004. He told the citizens that this programme is part of government's strategies towards development of a strong expanded economy and poverty eradication.

In addition to that, the president added that all those people of low income level own properties, conduct businesses and other economic activities by using traditional ways or methods of the community they belong which are not formal or recognized by any law. This system creates a barrier between the government and the targeted groups in sharing formal economy nationally and internationally.

## **Goal:**

The Goal of the Programme (MKURABITA) is to empower the target groups in informal sector to participate fully in formal market economy rather than informal economy.

## **Objective:**

The main objective is to develop a national style that will bring together ownership of businesses and property in a standardized and modernized style so that to create one legal system that incorporates all sectors of the society.

## **Targeted Groups:**

The target groups of this programme are Tanzania, women, men and youth who own their properties, businesses in an informal way.

## **Strategies and Step of Formalization:**

The programme is based on methods applied by The Institute of Liberty and Democracy Lima-Peru led by Dr. Hernando de Soto, who is an expert of informal sectors in the world. According to him the formalization process has three main characteristics:-

1. Business legally separate from owner.
2. Conditions for operating in the wider market beyond immediate conducts, e.g. running business by using identity system
3. Formal, fungible property rights to maximize rights value of assets e.g. through easily transferable land title.

According to De Soto knowledge of the programme, he divides implementation into four phases:-

- **Diagnosis Phase:** In this phase what is done is a research on how big the informal sector is, its value to economy of the country, how to run and where it is situated. Also the problems that made the individuals to join formal institutions or interests that make them stay in an informal sector.
- **Reform Design phase:** Under this phase what is meant is formation of one legal system of ownership and formalization of property and business.
- **Implementation phase:** The implementation phase will follow soon after all stages of formalization of property and business is agreed by the target group.
- **Capital formation and governance phase:** In this phase what is done is the formation and implementation of the formalized properties and business by joining them with formal markets nationally and internationally in order to increase their capital from the formal markets of capital hence be benefited and also benefit the countries' income in general.

#### **Expected Results of the Programme:**

Reduced individual household poverty, improved living standards of the target groups, and an expanded national market economy that is governed by rule of law.

## **Mkurabita and Best**

Is MKURABITA different from the ongoing project under the Ministry of Lands and Human Settlement Development to survey and register land? Is it different from the reforms to improve the business environment under BEST?

MKURABITA can add value by making different reforms work together. Registration of land title on its own will not bring dead capital to life. A certificate of title may give you more control over your land and enable you to exclude others. But the certificate on its own is usually not enough to enable you to raise capital through taking a loan selling your land or other means.

Moreover, many people fear that registering land- or registering a business will make them poorer not richer because they may be exposed to more taxation or other conditions.

One way to make formalization of land property or business more valuable is to create strong systems of identification, so that people can be more easily trusted if they apply for a loan or want to do business with someone else. Still, if you want a loan from a reputable lender you will need to show a sound business plan or other evidence that you can repay the loan on time.

The value of MKURABITA is not just to make sure that it becomes easier to formalize property or business, but to address many different factors that make formalization beneficial for people. Some of these factors are addressed by the BEST programme (for example abolishing the need for most business to be licensed and establishing a stronger system of personal identification.) But small informal sector businesses need special consideration and support if they are to benefit from becoming formal.

For example MKURABITA should ensure that business development services and easy conditions of taxation etc are provided for small businesses as they formalize themselves. The forms of business that are most relevant and attractive to small informal enterprises should be able to register easily as a form of business (such as partnership or sole proprietor) that is relevant and attractive to them and governed by very simple clear rules. If they wish, business owners should be able to select a limited liability form of business so that they cannot take money or property from the business and their own money or property cannot be taken if the business goes into debt.

Above all MKURABITA should ensure that the poor are not lured into visibility in order to impose unguided taxation and difficult regulations; this is a question of governance and the regulation of powers. Instead, MKURABITA can help low- income people by creating conditions in which their livelihoods are facilitated and nurtured.