

Issue No. IX, July 2011

# MAENDELEO DIALOGUE

## Democracy in Tanzania



**COOPERATION AND SOLIDARITY -  
OPPORTUNITIES FOR  
AN INTERNATIONAL SOCIAL MARKET  
ECONOMY**



Konrad  
Adenauer  
Stiftung

**KONRAD ADENAUER STIFTUNG  
TANZANIA COUNTRY OFFICE**

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**COOPERATION AND SOLIDARITY -  
OPPORTUNITIES FOR  
AN INTERNATIONAL SOCIAL MARKET  
ECONOMY**

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**Tanzania Development Initiative Programme**  
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## TABLE OF CONTENTS

List of Abbreviations .....	iv
Introduction .....	1
Official Opening .....	2
Welcome Remarks by TADIP Executive Director .....	3
Opening Speech by Central Bank Governor Professor Benno Ndulu .....	6
Key Note Speech By Professor, Dr. Horst Koehler .....	9
<b>Panel Discussions-Part I</b>	
Comments by Dr. Camillius Kassala .....	16
Comments by Mr. Pascal Lesoinne .....	18
<b>Panel Discussions-Part II</b>	
Vote of Thanks by KAS Country Director .....	22
Summary of Main Issues Raised From the Discussions .....	23
<b>Appendices</b>	
<i>The Opening Remarks by Tadip Executive Director</i> .....	25
<i>Comments From an Industrialist, by Pascal Lesoinne</i> .....	29
<i>An Afrocentric Critical Perspective, A Commentary</i> <i>Presentation by Dr. Camillus D. N. Kassala</i> .....	34
<i>Guidelines For Prosperity, Social Justice and Sustainable</i> <i>Economic Activity</i> .....	48
<i>Photo Gallery</i> .....	57

## LIST OF ABBREVIATIONS

<b>BOT</b>	Bank of Tanzania
<b>CSOs</b>	Civil Society Organisations
<b>CCM</b>	Chama Cha Mapinduzi
<b>CETA</b>	Civic Education Teachers Association
<b>DRG</b>	Former Democratic Republic of Germany (East Germany)
<b>FBOs</b>	Faith Based Organisations
<b>FRG</b>	Federal Republic of Germany
<b>EU</b>	European Union
<b>EAC</b>	East African Community
<b>IFM</b>	Institute of Finance Management
<b>IMF</b>	International Monetary Fund
<b>KAS</b>	Konrad Adenauer Stiftung
<b>NGOs</b>	Non Governmental Organisations
<b>TADIP</b>	Tanzania Development initiative Programme
<b>SAP</b>	Structural Adjustment Programme
<b>UDI</b>	Ubungo Development Initiative

## INTRODUCTION

In June 2011 Konrad Adenauer Stiftung Tanzania Country Office was privileged to host the visit of Former German President, Professor, Dr. Horst Koehler. Among other activities in the country, Professor Koehler was a Key Guest Speaker to a Dialogue on “Cooperation and Solidarity - Opportunities for an International Social Market Economy” organized by Tanzania Development Initiative Program (TADIP) in collaboration with KAS Tanzania Country Office. The key aim of the dialogue was to explore opportunities for Tanzania and how the country could take the advantages of international social marketing under the realm of globalization.

The dialogue drew over 200 participants that included academicians, researchers, human rights activists, university students, media practitioners, politicians, civil servants, leaders of political parties, entrepreneurs and representatives of Civil Society Organisations (CSOs), Non Governmental Organizations (NGOs) and Faith Based Organisations (FBOs).

This publication covers the proceedings of the dialogue highlighting key issues raised by Professor Koehler and other speakers together with the main issues brought out by the participants.

## OFFICIAL OPENING

The Dialogue on “Cooperation and Solidarity - Opportunities for an International Social Market Economy” started with welcome remarks from Dialogue Moderator, Ms. Rosemary Mwakitwange from the East Africa Business and Media Training Centre. She said the dialogue was a special occasion for Tanzanians to rethink on social marketing as alternative path for sustainable development today.



*Dialogue Moderator, Ms. Rosemary Mwakitwange, introducing the day's topic*

## **WELCOMING REMARKS BY EXECUTIVE DIRECTOR OF TADIP, MR. STEVE MMBOGO**

In his welcome speech, Mr. Mmbogo set the dialogue theme by raising important questions that he said should guide the thrust and direction of the discussions. The issues that were raised by him were as follows;

- It is important to know important definitions that are key to that dialogue starting with the concept of ***Co-operation***, which is the process of working or acting together in order to achieve a certain goal. In the simplest form it involves people working in harmony side by side, while in its more complicated forms, it can involve something as complex as the inner workings of human being or even the social model of a nation.
- The second concept, ***Solidarity*** is an integration shown by a society or a group of people and their neighbours. It refers to the ties in a society and social relations that bind people to one another on the different levels of solidarity among nations. In simple terms it is a union of interests, purposes, or sympathies among members of a group or fellowship of responsibilities and interest.
- The third concept, ***Social Market Economy***, is a framework for global linkage between economic growth and social justice. The principles of Social Market Economy establish an order striving for justice. In many states these principles might provide an orientation guide in terms of sustainable economic and social development.





*Executive Director of TADIP, Steve Mmbogo giving a welcoming note*

- Many people are not happy that very little efforts are being done locally and international to address the chronic problem of unequal distribution of the national cake as well as the fruits of global development.
- There is a need to have national and international consensus for attaining prosperity, social justice and sustainable economic development based on shared principles and values.
- However, when addressing social justice, people must be aware of the variations among societies in terms of orientation of common good, cultural values, democratic legitimacy, inviolability of human dignity and the foundations upon which consensus can be built.

- Tanzania is a country with ample development opportunities, including fairly good climate, united and peaceful country, enough fertile land for agriculture, richly endowed with mineral resources, water bodies with endemic fauna and flora and geographically positioned, but it is still backward.
- It is a duty of every Tanzanian to find the key that will unlock these opportunities for the betterment of the lives of every Tanzanian and the nation at large.
- With regard to a booklet on “Guidelines for Prosperity and social Justice and Sustainable Economic Activity,” developed by KAS experts, it is important to debate exhaustively on how these guidelines can be applied in the Tanzania environment to overcome poverty and other social injustices.



*Part of audience listening attentively*

**OPENING SPEECH  
BY PROFESSOR BENNO NDULU,  
GOVERNOR BANK OF TANZANIA**

Professor Benno Ndulu an accomplished professor of economics was invited to grace the occasion on behalf the Finance and Economic Affairs Minister who could not make it.

Professor Ndulu delivered a provocative speech by outlining the challenges facing developing countries, including Tanzania and the world at large in balancing marketing efficiency and social justice. Main Issues brought out by Professor Ndulu were as follows:

- i. Championing the course in balancing market efficiency and social justice has been an unresolved issue for many years, starting from 1970s when there were incidences of market failures globally and in 1980s when the world economy swung to other extremes of unregulated market operations;
- ii. The market has important role to play in economic development, but unavailability of opportunity for sustainable economic growth with attainment of social justice is a missing link because political crisis happen in certain countries, while other countries get richer and richer. It is therefore very pertinent we revisit this challenge of balancing market efficiency and social justice;
- iii. The question of balancing market efficiency and social justice has become more complicated with increased capital flow, volume of trade and technological development globally;



*Prof. Dr. Benno Ndulu delivering his official opening speech*

- iv. Such changes in global scale have brought about three distinguished features including the fact that economies have become more interdependent and production system globalised. Trade has grown much faster than production, with increased interdependent that in turn has weakened the role of national state. In the arena of global financial system, multinational entities have become ungovernable. Economic crisis in one country can easily affect other countries of the world, taking for example recent economic crisis in the United States which has affected many countries, including Tanzania. This is a negative dimension of globalization. But globalization has also positive effects, like the robust economic growth in East Asian countries;

- v. The second feature is the fact that the world is witnessing sovereignty failures, while the third feature includes intergovernmental failures, which happen when international governmental institutions fail to curb market failures. It is therefore important to create strong institutions which can properly manage risks of globalization;
- vi. Globalization process has unmatched with the international governance system to deal with negative effects. This dialogue is supposed to address ways of tackling negative dimension of globalization in order to attain social justice.



*Part of audience listening attentively*

## **KEYNOTE SPEECH BY PROFESSOR, DR. KOEHLER**

The keynote speech by the Former German President was very enriching in many ways including the fact that the country is groping in the thick of darkness without a single iota on how things could be done better. Among pertinent issues brought forward includes:

- i. There can never be one International Social Market Economy because of the variations in cultural values, orientations, economic and social conditions from one country to another. “Happy families are all alike, every unhappy family is unhappy in its own way”. The Germans successfully attained progressive Social Market Economy after the World War II because of the prevailing economic and social conditions of that country by that time;
- ii. Social Market Economy is not a static concept, because it has to respond to ever new challenges. In 21<sup>st</sup> century, for example, it has to reconcile economy and ecology;
- iii. The Dialogue on Social Market Economy is very important for Tanzanians as it can borrow some ideas on development of Social Market Economy to suit their own material and immaterial conditions. Helping Tanzania to define its own way of Social Market Economy under the recent conditions of globalization is therefore important.
- iv. In order to build Social Market Economy there is a need for the state and other actors to dwell on how best balancing the state and the society, public policy and private enterprise,

power of the state and freedom of the individual, the general welfare and exclusive profit seeking motives;

- v. The state must regulate the forms of the economical process, it must set the rules of competition and guarantee compliance and the state must provide public good but should refrain from micro-managing the citizens' affairs;
- vi. The state has to rule out cartels and monopolies. It must ensure transparency because it is the most important way of fighting corruption. The state must go beyond to ensure social justice for all, that it is why it should invest in physical and educational infrastructures.
- vii. Tanzanians can further emulate Germans who have successfully ensured prosperity for all even under the EU economic integration, which has been a success story;
- viii. There are three important points for ensuring establishment of Social Market Economy, including first , the need to ensure that the Rule of the Law is embodied under the concept of Social market economy;
- ix. Secondly, the transition to a modern successful Social Market Economy means nothing less than the transition to the new society. This transition will take years, even decades and permeate every aspect of life: the quantitative and qualitative supply of jobs, the difference in education and income rise, interfamilial and tribal ties get weaker. Many gain from these developments, but some will –or at least they feel they will –be worse off;





*Prof. Dr. Horst Koehler delivering his keynote speech*

- x. Thirdly, globalization cannot be defeated. All success stories are written within it, not against it. That does not mean that there is only one way of achievement. On the contrary, each nation should make its own way, just as each should find its own balance of Social Market Economy-principles and policies. Economic integration pays off. State investment in infrastructure and education pays off and also diversification pays off;
- xi. Finally, it is important to note that German perception of Africa is changing as there is a view that African youth have different perception as they are eager to tap development opportunities existing locally and globally. The youth is stepping out of the shadow of colonial oppression and postcolonial despotism. The future of the continent is wide open. In Germany there must be a rigorous campaign that this partnership with African should be developed further.



**Professor Koehler’s keynote speech was followed by Questions and Answer session during which a number of Issues were raised by participants as follows:**

1. **Abdul Kinabo:** Tanzania is in the process of re-writing the national constitution. Is it important to incorporate national values in the envisaged constitution?
2. **Dunstan Bubelwa:** There is a symbiotic relation between market and society. But in Tanzania we just only have a slogan: Prosperity for all. Yet it is not put into practice. How can this idea be harmonised? To say let the market do miracle, the powerful feed on the weaker. How do we harmonise this tendency?
3. **John Malya, Representative of Ubungo Development Initiative (UDI):** What is your opinion on the current move of Tanzania to build economic integration with other nations under the East African Community?
4. **Bubelwa Kaiza, Activist:** The lessons we get from Germany is that you had a vision on building Social Market Economy, after the World War II. But in Tanzania we are trying, we do not have a national dialogue to have a common stand. Please, comment on this? How long is the learning process?
5. **Austerius Malya, Representative of Presbyterian Church:** How can Tanzania emulate international social market economy with weak economic base? The private sector has been mandated to manage economy; to the contrary the government is being mandated to frame the national constitution. Is that right?

## RESPONSES BY DR. KOEHLER

1. Yes, it is necessary to put values in the national constitution. Germany did that after the World War II when the new constitution was formulated. The first sentence in German constitution stipulates that Human Dignity is unquestionable.
2. I have no quick answer to give you. There are concerns for Tanzania's development initiatives that there are a lot of promises and paper work without translating them into practice.



*Prof. Koehler responding to questions from the floor*

You need to concentrate on implementation. Implementation is often forgotten. It is easy to draft papers without implementing them. Draft papers, but draft how can be implemented within the short time frame. You need to know who promised what and who delivered what. You need to apply accountability on who implemented the promises, and who did not.

3. We managed our economy after World War II because of strong European Economic Community. Without economic integration we could not attain prosperity. Now we have a market of 500 million people and strong EU market. We

have common market and powerful single currency. Under the East African Community (EAC), there is a need for more pace and vigour of integration. Discussions to strengthen EAC should not just be in papers and rhetoric but should be adequately implemented.

4. Business needs profit for sustainability. You need to accept that private business needs profit but you need to understand that profit should also bring advantage to the society. This is an aspect of corporate social responsibility. The profits are better if the workers feel that they are part and parcel of business. During the post World War period in Germany, the owners of the companies worked together with workers providing additional payments in the form of social partnership. It is also possible to transfer part of profits to society. Strong trade unions in this regard play significant role. It is also important to note that management needs productive workers.
5. Strengthening EAC, especially establishing strong common market and monetary union is very important. The start of monetary union should involve strong structural reforms. Under EAC the members, including Tanzania should practice the reforms agenda.

**The Moderator (Rose Mwakitwange) asked whether Germany was a factor behind the success of EU. Does the country like Tanzania has advantages when joining monetary union?**

**Dr Koehler's response:** The country should put it clear that the objective should not be depending on foreign aid for development. You have to emphasize on implementation of workable policies. You have to respect on diverse opinions. You should not depend on one view. Competition of political parties and other organizations should be productive competition. Establishment of EAC Monetary Union requires structural reforms among member countries which is not a short term strategy.



*Part of audience listening attentively*

## COMMENT BY DR CAMILIUS KASSALA OF THE INSTITUTE OF FINANCE MANAGEMENT

The comments put forward by Dr Kassala enriched the dialogue with innovative ideas as he traced historical development of Tanzania starting during the pre-colonial era to the present conditions of development. According to him, Tanzania will be celebrating 50<sup>th</sup> year of independence without a well defined development path. He said in 1959 the late Mwalimu Julius Nyerere, the first President of Tanzania, was optimistic on development.

He listed other development reports that had similar optimistic views, like the South Commission Report, Tony Blair Report and the Africa Commission Report. All have similar language that Africa is hopeful. He questioned whether Africans have the required prosperity. Perhaps Africans speak more than they do, he said listing resolutions of various gatherings namely; 1980 Lagos Plan of action, 1986 Africa's Priority Progress report,



*Dr. Camilius Kassala giving his comments*

1989 African Alternative path from the crisis of Structural Adjustment Programme (SAP), and African Charter for Popular Participation Agenda.

Dr. Kassala also posed other important questions:

- How does Africa get out of poverty? Is the answer Social Market economy?
- Does Africa have history to benefit from Social Market Economy?
- Are African nations given necessary space in international structural arrangements?

The following criteria are needed to be taken into account when assessing Africa's development:

1. Equity is the basic fairness in attaining social justice, including ecological justice, because capitalism destroys nature.
2. The need to stick on accountability because human being is subject to control measures.
3. Participation is necessary in any development initiative.
4. Sufficiency in terms of opportunities.
5. Subsidiary orientation that is inclusiveness in policy making.

According to Dr. Kassala, there are also other 11 conditionalities for development which must be also taken into consideration. Finally, he noted that many African countries have many problems which are not necessarily based on vicious cycle, but undefined directions. What is always practical is not always practical. What is always desired is not always logical.

**COMMENT BY MR. PASCAL LESOINNE,  
MANAGING DIRECTOR OF TANZANIA PORTLAND  
CEMENT COMPANY LTD (HEIDELBERG CEMENT  
GROUP, GERMANY).**

Mr. Lesoinne was invited to the podium as representative of the interest of private sector. The following were his observations:

1. Social Market Economy needs strong private sector. In Tanzania today the private sector is still very weak.
2. The trust for private sector to develop economy is not well entrenched. A classic example is the death of local industries and consequent importation of many substandard goods.
3. Tanzania has not been able to choose which way to take.
4. There is no clear stand on partnership between private and public sector in managing the economy.



*Pascal Lesoinne contributing to the dialogue*

5. The Rule of Law is not well entrenched. For example, Twiga Cement has pending Land and Labour cases in the Courts since 1998.
6. Business action against corruption is not given power
7. Resources allocated to infrastructure and education is not enough.
8. More efforts should be given to increasing tax base, because there more than 40 million Tanzanians depending on only one million tax papers.

**Then Moderator called upon Prof. Ndullu as an expert in economics to give his opinion on issues raised by participants.**

**Prof. Ndulu in his response made the following observations:**

1. It is not true that more than 40 million Tanzanians depend on only one million tax payers, because there is VAT which is paid by all consumers of goods and services.
2. It is important that the government has to work in partnership with the private sector to build infrastructure.



## SECOND ROUND OF QUESTIONS AND DISCUSSIONS FROM THE PLATFORM

**Participants were asked to raise more questions or air more views:**

1. **Wilson Mukama, Secretary General of CCM:** Amilcar Cabral talking about liberation of Guinea was clear on the weapon of theory. According to Cabral, if you lack theoretical clarity you will continue to suffer domination from foreign powers. Africa is suffering from the hangovers of colonialism which because of lack of theoretical clarity is grappling with colonial thinking. Here the rhythm is not determined by insiders but foreigners. We consume what we do not produce. To what extent can we balance the role of the state and the market? In the 50<sup>th</sup> year of independence, Tanzania is still donor dependent.

Was Germany determined by foreign powers in development under Marshal Plan? You cannot depend purely on market. U.S invested heavily in Europe during Marshal Plan after the World War II. Important of technology is not dependency. Do you think it is possible to develop without injection of foreign capital?

2. **Kizito, Student of Dar es Salaam University:** Regional co-operation is worthwhile, but no concrete action has been done regionally to transform agriculture. In Tanzania there is no direct support in agricultural investments. Is it not a challenge for many youths to break the development barriers?

3. **Another delegate from Dar es Salaam:** Transparency is very important in exploiting opportunities of social Market Economy. What is your comment on Tanzania's level of transparency?
4. **Nicholaus Mushi from the Ministry of Education and Vocational Training Education:** It is true that economic integration is significant in taking advantages of Social Market Economy, but the flow of investments from developed countries to poor that is working against them. Investments of industrial nations in poor countries do not favour them.

## **RESPONSE FROM PROFESSOR KOEHLER**

1. Colonialism debate is not a panacea for attaining sustainable development. Mind you Africa's young generation do not identify themselves with colonialism.

Your argument is like someone who is driving in a road with a steep slope and there is another car behind him, then instead of keep on driving, he decides to look at the back and the accident happens against him. Who is to blame for such kind of a problem?

2. There is no objection that market should balance with social justice. That concept has united our society.
3. There is also need for international debate on how to improve international marketing system characterized with unequal terms of trade, especially for agricultural commodities.

4. Tanzanian people must take care for young generation because it has new progressive thinking in development.

## **FINAL COMMENTS FROM DR KASSALA**

Africa's problems stem from themselves. There is thinking that African leaders are enslaved by 5 Ps which include:

- Power
- Prosperity
- Prestige
- Pomposity; and
- Popularity

## **Final Comments from Dr Koehler**

I encourage young people to air views responsibly. They should be allowed to air views. I urge you people to fight for their ideas.

## **VOTE OF THANKS FROM KAS COUNTRY REPRESENTATIVE**

KAS Tanzania Office Director Mr. Stefan Reith closed the dialogue with a vote thanks. He thanked the panelists and the audience for their active participation in the deliberations that made the dialogue very lively.

Mr. Reith had special thanks to the Former German President and the Central Bank Governor for taking time to actively engage in the dialogue with very fruitful deliberations.



*Stefan Reith giving a vote of thanks*

He also invited participants to take time and read copies of KAS booklet on “*Guidelines for Prosperity, Social Justice and Sustainable Economic Activity*”, which was distributed to them for future discussions on the way forward for Tanzania to attain rapid development. He equally lauded the participation of young people in national debates saying that is why KAS had invited Civic education Teacher Association (CETA) and students to participate in the dialogue.

## **SUMMARY OF MAIN ISSUES BROUGHT OUT**

- i. From the deliberations brought out it is clear Tanzania lacks a well defined development path.
- ii. Germany has interest to support Tanzania in her development endeavours but there must be improvement of Rule of Law, discipline and accountability

- iii. There is need for an effective governance system to ensure social justice across board
- iv. Tanzania should generate new ideas on what should be done especially by the youth. The young must continue to fight for new ideas
- v. The government should seriously invest in infrastructure, institutions to protect rights and resolve conflicts as well as in education in order to create productive labour force
- vi. African leaders allow themselves to be slaves of the five Ps: Power, Property, Prestige, Pomposity and Popularity
- vii. Colonialism destroyed African natural rhythm of development as it was forced to respond to western development rhythm
- viii. Tanzania should match words with deeds, that is reduce paper work and take concrete actions
- ix. Tanzania should take opportunities derived from positive dimension of globalization
- x. There is no clear stand between public and private sector partnership in Tanzania
- xi. Tanzania must take care of young generation because they bring new progressive ideas in the development process
- xii. Market efficiency for profit maximization is not a bad thing but the only problem is to ensure that profits accrued is transferred to the society

**THE OPENING REMARKS  
PRESENTED BY TADIP EXECUTIVE DIRECTOR,  
STEVEN A. MMBOGO**

**DURING THE DIALOGUE:  
“COOPERATION AND SOLIDARITY -  
OPPORTUNITIES FOR AN INTERNATIONAL SOCIAL  
MARKET ECONOMY”**

Your Excellency, Former President of the Federal Republic of Germany, Prof. Dr. Horst Köhler,

**Prof. Dr. Benno Ndulu**, The Governor of the Bank of Tanzania,

**Dr. Hardy Ostry**, Head of Africa/Middle East Department at KAS Berlin

**Stefan Reith**, Resident Representative for KAS Tanzania

**Dr. Camillius Kassala**, our presenter,

**Pascal Lesoinne**, our presenter,

**Ms. Rosemary Mwakitwange**, our moderator,

**Distinguished Guests,**

**Members of the Press Corps,**

**Dear Students and Friends,**

**Ladies and Gentlemen!**

On behalf of TADIP and KAS, the organizers of our today's Maendeleo Dialogue; I have the honour to welcome you to our dialogue. We expect to have an interactive dialogue for which your positive participation is crucial. Please feel at home.

For today suffice to say that Tanzania Development Initiative Program (**TADIP**) is an **NGO** formed by Tanzanians who are committed to the socio- economic and political development of our country. It was formally registered on 19<sup>th</sup> September 2006. We are collaborating with Konrad-Adenauer-Stiftung (**KAS**), a German **NGO** operating in Tanzania since 1964. Their main thrust is promoting democracy, good governance and international relations.

Our topic today reads: “*Cooperation and Solidarity - Opportunity for an International Social Market Economy*”.

**Ladies and Gentlemen,**

May I define cooperation, solidarity and attempt at Social Market Economy. We shall learn more from the experts, mine is only a curtain-raiser!

**Cooperation** is the process of working or acting together in order to achieve a certain goal. In its simplest form it involves people working in harmony, side by side, while in its more complicated forms, it can involve something as complex as the inner workings of a human being or even the social model of a nation.

**Solidarity** is the integration shown by a society or group of people and their neighbors. It refers to the ties in a society, social relations that bind people to one another though basis of solidarity varies between societies. In simple terms, it is a union of interests, purposes, or sympathies among members of a group or fellowship of responsibilities and interests.

**Social Market Economy** can be referred to as a framework for a global linkage between economic growth and social justice. The principles of the Social Market Economy establish an order striving for justice. In many states these principles might provide an orientation guide in terms of a sustainable economic and social development.

Most of us are not happy to observe that little to next-to-nothing being done to address the unequal distribution of the national cake. This sad state of affairs is bound to lead to increased political and social tensions within the countries. We need a National and an International consensus to enable prosperity, social justice and sustainable economic development based on shared principles and values. Of course we should be mindful of the variations between cultures and societies. Orientation to the common good, democratic legitimacy and the inviolability of human dignity are the foundations upon which such a consensus could be built.

Our country is a land of many opportunities and great potential. It is a united and peaceful country, with a fairly good climate and fertile arable land; a country richly endowed with minerals and other natural resources, and waters teeming with fish and other marine life, a country well positioned geographically. It is our duty to find the key that will unlock these opportunities and potential for the betterment of the lives of our people, and the development of our Nation.

**Ladies and gentlemen,**

Today we have a rare opportunity to share the experiences and wisdom of a very able world citizen. We should take advantage of his presence by listening and expanding our understanding by



asking relevant questions. However, we should not be surprised if we are also expected to answer some questions – our process is interactive!!

You will find seats found on your seat “Guidelines for prosperity, social justice and sustainable economic activity” – both in English and Kiswahili. May I congratulate our friends KAS for a job-well-done.

Using this booklet we can start debating whether, if and how these guidelines can be applied to Tanzania.

The current socio-economic development is not very inspiring – if you are poor!! You simply do not have a chance; and no one protects you!! Indeed, it is the law of the jungle where the poor die before their time!!

**Could the concept of true cooperation and solidarity offer us a way out of the current socio-economical status quo?**

May I leave the experts to respond to your spoken and unspoken questions.

Please allow me to end with a Chinese proverb which says, **“Strong souls have willpower; weak ones only desires.”**

With these words, I welcome you all and wish you a fruitfull dialogue. I thank you for your kind attention.

**Karibuni sana.**

**‘COOPERATION AND SOLIDARITY -  
OPPORTUNITIES FOR AN  
INTERNATIONAL SOCIAL MARKET ECONOMY.**

**“COMMENTS FROM AN INDUSTRIALIST“  
BY PASCAL LESOINNE,  
MANAGING DIRECTOR AT TANZANIA  
PORTLAND CEMENT COMPANY LTD  
(HEIDELBERG CEMENT GROUP)**

I would like to comment 3 aspects related to the social market economy in the Tanzanian perspective:

1. First: the strong link of the social market economy with a large private sector and industry;
2. Second: the rule of law seen as a crucial factor for the success of a social market economy
3. Third: the role of the state in such economy and the implications thereof.

I believe that social market economy needs a strong private sector to develop for the benefit of all.

In Tanzania today, the developments of the private sector are weak despite the country having a potential central position in a lot of commercial flows and being graced with a lot of natural resources. We can ask ourselves how it can be possible.

I will not pretend to have THE answer to that question but I would love to bring a few ideas that should help us to reflect on this issue:

- The tendency of having the Government to play a much bigger role in the economy is periodically coming back. The trust in the private sector to develop the economy for the benefit of all is often put in question, leading to variable support given to the Private actors in the economy.
- At the other extreme, ultra-liberals would promote a free-trade economy. The risk of seeing Tanzania turning in a dump place for cheap imports would then be major. The death of the local industry would be an immediate consequence. The cement sector is today under such a threat as the protective measures against subsidized cement imports.

I have the feeling that Tanzania has not been able to choose yet which way to go.

I'm strongly advocating that the way to go is to promote Industry. Western economies in the 19<sup>th</sup> century, US in the 20<sup>th</sup> century, BRIC countries in the recent years have all gone through an "industrial revolution", seeing their industry growing with the support of their governments. This has enabled social welfare to progress with schools, healthcare centres, etc. developed through and for the industry stakeholders. Later on came the "social revolution" where the balance between work and social welfare was further improved.

Why do we believe that Africa would leapfrog the gap and walk the path that took 2 centuries for others in only 20 years?

Wouldn't it be jumping steps? The consequences of this belief are that a lot of money brought to support Africa could be creating much more value if it was channelled with the private sector. The last developments in the concepts of Public Private Partnership developed by the German GIZ and other Governmental Organizations are a step in the right direction. In the recent past, some of these partnerships have helped Twiga Cement to develop specific trainings for the cement industry that made possible to improve skills of local engineers and to reduce the number of expatriates. Another example would be the legal obligation of quarry rehabilitation that turned in an opportunity to create an economic activity of seeds and plant production where more than 10 people got permanent employment. In addition to these examples, I can also say that with the multiplier effect, from cement to transport and selling, to concrete blocks manufacturing and selling, to construction activities, for every single job created at Twiga Cement, it is certainly 3 or 4 or 5 more created in the product chain.

This will hopefully inspire those who have to decide which way the policy should go.

We can now look at the rule of law. Dr Köhler has brought this as a very important pre-requisite for stable and long-term development and I can only strongly support it.

The rule of law is certainly an area of potential improvement. To only name a few, labour related court cases and land related issues will certainly scare more than one investor. The lengths of these never-ending procedures, the un-predictability of the outcome of such cases as well as the weak implementation of decisions of justice are the major problems faced. Tanzania Portland Cement

Limited is still today embroiled in a labour court case that started in 1998. A major conflict opposing TPCC and invaders of its land started in 2002 has finally been concluded in favour of the Company in 2010 but is now waiting for implementation. Problems of corruption as well as wrong perception of the private sector will often lead to surprising decisions. Justice and Police have been quoted in the Transparency International Report 2010 amongst the areas where corruption was affecting mostly the performance of the Country. We hope that, hand-in-hand with the business community; the authorities will take measures to curb this. As we are speaking, an initiative for developing a “Tanzania Responsible Business Network” is under study. Major actors from the Industry, Banking, Audit, Media and other sectors are coming together to join forces under the umbrella of the UN Global Compact Programme. A “Business action against corruption” similar to what has been developed recently in South Africa, Malawi and now in Kenya will be the first target for this group.

We can finally look at the role of the Government in a “Social Market Economy”. The government would be requested to take the leading role in some sectors of activity known as “public sectors” in Europe: transport, waste management, education, healthcare, etc. Such involvement requires a lot of resources and funds. It is obvious today, and the recently released budget is only a confirmation of this, that the Government of Tanzania does not have such resources available now. How could it get there? Obviously, if one looks at the revenue side, tax collection is the key. The news read in the newspapers last week that 15 major companies in Tanzania contribute to 80% of the tax collection gives a clear picture of what is going on. With more than 40 million inhabitants, amongst these approx. 10 millions in cities,

the tax authority only counts a mere 1 million registered tax payers. Increasing the tax base is a priority. Some have recently introduced initiatives, like the new Electronic Fiscal device to go in the right direction but in the meantime, the burden is on these few registered. Rule of law is also a problem in the tax matters but I do not want to repeat myself.

I think it is right and very important to take a step back and to look at the overall picture. As mentioned earlier, building on its Independence in the 60's and the early times of the Father of the Nation, Mwalimu Julius Nyerere, Tanzania has emerged as a stable, peaceful and promising country among those of the East African Union that is now regarded as one of the potential interesting regional integration concept.

The successive governments have played their role in enacting policies that have allowed the development of a real market economy, despite the challenges linked with poverty, the lack of infrastructure and other issues. I can even say today that Twiga Cement is regarded as one of the jewels of the crown in Heidelberg Cement Group which counts operations in more than 80 countries and I should not be the only one proud of this but also all the stakeholders that have contributed to it: members of the government, shareholders, suppliers, employees. To conclude on a very positive note, I would say that the achievements of the past are commendable but the potential for the future is 100 times higher and it needs all partners in the Tanzanian Economy. To succeed those partners will have to trust each other and work together for a better future.

Thank you for listening to me.

**COOPERATION AND SOLIDARITY -  
OPPORTUNITIES FOR AN INTERNATIONAL SOCIAL  
MARKET ECONOMY**

**AN AFROCENTRIC CRITICAL PERSPECTIVE  
A COMMENTARY PRESENTATION BY**

**CAMILLUS D. N. KASSALA, CPT  
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***towards A PEOPLE-CENTERED SOCIAL MARKET  
ECONOMY?***

1. Let me first point out right from the beginning the following parameters of my contribution. First, the **issue** of our discussion, today, I believe is attainability of socio-economic and ecological justice in Africa. Secondly, I **intend** to provoke a debate on whether Africa's socio-economic and ecological justice can be attained on the basis of the proposed *international social market economy*. Third, I am looking at the issue from an Afrocentric **perspective of ubuntu/ujamaa**. Fourth, the **context** of my presentation is the fact that the minority in the Euro-Atlantic part of the world is getting richer, while the Afro-Pacific majority is getting poorer. Fifth and last, **the method** or approach used is that of social analysis of the African socio-economic predicament. Finally, when

concluding I hope to provoke the debate by pointing out 12 preconditions or conditionalities which, I suggest, have to be fulfilled for the proposed *international social market economy* idea to work in Africa.

2. It is significant that this colloquium is taking place this year of 2011 when Mainland Tanzania will celebrate its 50th anniversary of independence on the 9<sup>th</sup> of December. For that reason, it is pertinent to ask the question, “What did we Tanganyikan Tanzanians want for and from independence?” I find no better answer than that of the Father of the Nation, Mwalimu Nyerere:, who on the 22<sup>nd</sup> of October in 1959 said:

*“We, the people of Tanganyika, would like to light a candle and put it on top of Mount Kilimanjaro which would shine beyond our borders giving hope where there was despair, love where there was hate, and dignity where before there was only humiliation”.*<sup>1</sup>

So the observation by Kofi Anan at the launch of the Africa Progress report 2011 that Africa “has now unquestionably become the continent of hope”, and that Tanzania is in the front row of the most promising countries in Africa have their origins in Mwalimu Nyerere’s shining ‘Candle on Kilimanjaro’!

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<sup>1</sup>*Mwalimu Julius Kambarage Nyerere* said this when he addressed the Tanganyika Legislative Assembly, before independence, in a speech that came to be known as “A Candle on Kilimanjaro”.



3. A look at the Africa Progress Report 2011 shows that the Report is dedicated to the transformative power of partnerships. The idea of pooling a range of actors around specific development challenges and report on their efforts is hardly new. One only needs to remember two famous reports on development challenges. One is “The Challenge to the South”, a report which was prepared by the South Commission in 1990 under the Chairmanship of the late Father of Our Nation, Mwalimu Julius Kambarage Nyerere; and the second one by the Tony Blair’s Commission for Africa. Both reports are at pains to explain efforts at overcoming socio-economic injustice and poverty and improving the quality of life for the poor majority of humanity living in yet-to-develop countries. Both reports examine the development record, assess the achievements, analyse the failings, and suggest direction for reform.
  
1. However, when we look back at the last twenty years, we realize that too few success stories have been replicated or brought to scale to effect lasting structural change, at least in the African continent. Once again, this year’s Africa Progress Report has done what the other two reports did previously, namely identifying partnership models that are claimed to have already proven their transformative potential. This year’s report assesses how to create the policy framework and incentive structure needed to spur further collaboration for progress. The report argues that all actors, including governments, international organizations, the private sector and civil society, can do more to facilitate the spread of successful models across sectors and countries, and that doing so is in their self-

interest. It also argues that much work remains to be done to convince all sides of the inherent benefits of partnering for progress.

2. Truly, indeed, a lot of work needs to be done to convince at least some of us in the civil society, both CBO's and FBO's, that there are inherent benefits of partnering for progress. Unfortunately, these inherent benefits of partnering or cooperation are true only in promises and hopes, promises and hopes which are yet to be fulfilled! Let me quote from Tony Blair's last year message:

But what the last five years has underlined is that the key message of that first Commission report holds true today: the continent *will* prosper best when African governments take the lead and the rest of the world supports them in their efforts. Indeed what has become even clearer since 2005 is that it is *improved standards of governance* rather than simply increased levels of aid which makes the most difference to the most lives. For without good, accountable and honest government, aid is too often wasted; investment is discouraged and ambitions, however strongly held, are unmet. It is *improved government* which has driven economic growth. It is *sound government*, above all, which is needed to turn this increased national wealth into real improvements in the lives of its citizens.<sup>2</sup>(emphasis added)

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<sup>2</sup><http://webcache.googleusercontent.com/search?q=cache:Kznbwmg5HIJ:www.commission-forafrica.info/articles/message-from-tony-blair+Tony+Blair+Africa+Commission+Report&cd=4&hl=en&ct=clnk&source=www.google.com>

3. Also in his keynote speech at the Center for Global Development in Washington on 16 December 2010, Mr Blair said that he believed that Africa “has the potential to be to the first half of this century what Asia was to the second half of the last: an engine of prosperity capable of lifting millions out of poverty”. He argued that government’s *capacity* to deliver a vision for change will be a decisive factor in fulfilling that potential and concluded that donors could be doing much more to support improvements in that capacity by aligning more of their support behind leaders’ own priorities; ensuring their support has the right scope – not too specific, not too broad; helping leaders develop the capacity of their own offices to develop policy and deliver leadership – and not undermining ministers capacity by demanding too much of their time; and by thinking politically not just technically.<sup>3</sup>
4. This conditional hopeful optimism qualified by belief is also characteristic of the South Commission’s Chairman. In his preface to the report, Mwalimu Nyerere, among other things, says:

“We have made recommendations on strategies *appropriate* for and conducive to development in the countries of the South in the 1990’s and beyond. ... It is certainly true that they usually demand hard work and some willingness to sacrifice, as well as dedication and commitment by peoples and governments; but they offer *hope* for the future – which the present equally difficult strategies in many cases fail to do” (p. vi, emphasis added)<sup>4</sup>

<sup>3</sup> <http://www.commissionforafrica.info/articles/africa-needs-game-changing-leadership-says-tony-blair>

<sup>4</sup> Nyerere, Julius K., (1990), *The Challenge to the South – The Report of the South Commission*, Oxford University Press: New York, USA.

5. However, unlike Mr. Blair's non-structural approach, Mwalimu Nyerere's South Commission report points out how developing countries could gain strength – and bargaining power – through mutual cooperation to change the *world arrangements* for trade, finance, technology which handicap the poor nations. In addition to that, the Report also argues that growing interdependence and the new issues – like the environment and the war on drugs – make it even more in the global interest *to change these arrangements* to give the developing nations a fairer chance to climb out of poverty.
6. But perhaps an interesting question today is this: Why is it that development initiatives specifically intended for the African countries, whether these are by Africans or non-Africans, have yet to deliver? For example, since 1980, several strategies have emerged to put Africa on the right footing with regard to develop. Examples of notable initiatives before Blair and Nyerere's Commissions are<sup>5</sup>:
- The 1980 Lagos Plan of Action for the period 1980-2000
  - The 1986 Africa's Priority Programme for Economic Recovery for the period 1986-1990
  - The 1989 African Alternative Framework to SAP for Socio-economic Recovery and Transformation
  - The 1989 World Bank's SSA : From Crisis to Sustainable Growth
  - The 1990 African Charter for Popular Participation for Development

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<sup>5</sup>Diescho, J. 2002. *Understanding the New Partnership for Africa's Development (NEPAD)*. Windhoek: Namibia Institute for Democracy.

- The 1991 UN New Agenda for Development of Africa
7. Despite these efforts, by 2002 Africa still fell short of the Millennium Development Goals and the targeted 7% annual GDP growth! For that reason two more initiatives came in to advance development in Africa, namely the African Renaissance and NEPAD. While the former stresses the need to revive all the good values that made Africa great in the past, the latter has quite ambitious goals (Diescho, 2002:13-14), which – interestingly – would help to make Africa happy: accelerated growth and sustainable development, eradication of widespread and severe poverty, and halting marginalization of Africa in the globalisation process; and all this by 2015! Will these initiatives contribute towards making Africa happy, i.e. in terms of peace, belongingness, better living conditions for all, sharing convictions of justice and fairness? But how will Africa develop the necessary conditions (moral tonus, openness for talent and initiative, reliable institutions and laws and decent caring for the weak and disabled) for this kind of happiness?
  8. Does the answer lie in the market social economy now being proposed? Maybe, maybe not! However, we need to ask: Is Africa at that stage of history, culture and development to benefit from the *international social market economy* arrangement? What kind of hermeneutic key of interpretation and strategy for its implementation does Africa need? If social market economy is “ordo-liberalism”, are African nations given the necessary

international structural space in order to balance state and society, public policy and private enterprise, state power and individuals freedom, the public good and the private good? As the poorest continent on the earth, Africa cannot rely on the logic of an economic theory which is based purely on empiricism and positivism. As a theoretical category poverty has now taken on ethical or moral dimensions. This 'poverty status' in Africa makes economics in Africa very much a matter of ethics, and as long as socio-economic and ecological injustice prevails in Africa, any attempt to deal with them have to use ethical or moral categories of both socio-economic justice and ecological justice.

9. In order to prepare for the journey towards cooperation and solidarity in an international social market economy, I suggest the following life-centered criteria for the evaluation of this new socio-economic and institutional arrangement at all levels of decision making:
- Equity as basic fairness that also extends to other life forms.
  - Accountability as the structuring of responsibility towards one another and the earth itself.
  - Participation as the optimal inclusion of all involved.
  - Sufficiency as a commitment to meet the basic needs of all life.
  - Subsidiarity as determining the most appropriate level for decision making while supporting a downward distribution of power.

10. These criteria arise from the logic of the Ubuntu/ujamaa (Afro-centric) perspective. It consists of that mentality and way of relating which are manifested by the human characteristics of generosity, consideration and humanness towards others in the community/extended family; i.e. a person becomes a person *through the people* or community. As Archbishop Desmond Tutu once put it:<sup>[2]</sup>

*“A person with Ubuntu is open and **available** to others, **affirming** of others, does **not feel threatened** that others are able and good, for he or she has a **proper self-assurance** that comes from knowing that he or she **belongs in a greater whole** and is diminished when others are humiliated or diminished, when others are tortured or oppressed.*

11. Therefore, if the social market economy is to work in Africa, it really has to be democratic (=people-centred) in all the classical aspects of the concept of **democracy**. **Economically speaking, this would mean** - all the resources of the economy are **of** the people (legally belonging to the people), the economy investing and producing wealth **with** the people, and the economy serving and caring **for** the people. For this to happen, the following preconditions or conditionalities have to be fulfilled:
- i. The **objective of any economy** is the **creation of material and cultural prerequisites which have**

**to enable individuals and social groups to develop consistently with human dignity**, since human beings are the source, the center and the purpose of all socio-economic life.

ii. The **social market economy should avoid certain temptations** to make it caring and liberative. These temptations are:

- **exaggerated economic rationality;**
- **blind obedience to technocratic efficiency; unrestrained profit making** for a maximal material happiness;
- **excessively suggestive advertisements** which mislead human imagination **at the expense of** the cultivation of **intellectual and spiritual values.**

iii. While respecting the autonomy of technical processes and economic laws, the social market economy should take its **proper position** in the sequence of African human life objectives. **Above economic objectives there are the following African life objectives:-**

- **Freedom and dignity of the African person and his/her community;**
- **Authentic values of marriage and of the extended family;**
- **African traditional religion and morality;**
- **African cultural and intellectual values.**



- iv. Any economic system, including **the social market economy, should not strive at technical or technological progress and economic or scientific rationalization, at the expense of the African values regarding the person and the family.** Striving at scientific or economic progress in that manner will plunge our African society into a moral chaos because of the resultant clash between African **humanity and Western technology.**
  
- v. The Western form of **social market economy is neither completely self-sufficient nor sufficiently capable to solve basic African human problems;** this is because its mechanism is not culturally capable of regulating the underlying economic affairs, e.g. **spreading justly and widely the national wealth, ensuring economic growth undisturbed by global and regional cyclical crises, overcoming unemployment, integral development and protection of the African eco-system, and the resolution of political conflicts.** This means there is a need for clearly defined policy or rationale of necessary **state involvement** in African economic affairs.
  
- vi. **No economic system, including the social market economy, in Africa can succeed without those social institutions which are necessary for the care of all problems and hazards of life,** which even the social market mechanism cannot remedy. Examples of such problems and hazards are **wars, natural calamities, illness and diseases, invalidity,**

**old age, famine, etc.** There is, therefore, **the need for inclusive social security and social protection schemes** that would ensure equitable and fair distribution of the national wealth.

- vii. **No economic system is morally justifiable** if it encourages technical or economic progress **at the expense of the bio-sphere or eco-system**, i.e. by damaging the physico-chemical foundations of life on earth. Hence, African economists are morally responsible to arouse and strengthen the feeling of responsibility among all individuals and African people about the African natural environment. Both African economists and African technological scientists are morally bound to answer the questions as to how devastation and pollution of the environment can be curbed.
  
- viii. The **social market economy in Africa should**, by all intents and purposes, **avoid the temptation of the creation of centers of power, monopoly or cartels**. These are abominable because they harm the African nations, they are an attack on universal freedoms, and because they are usurpers since they illegitimately make themselves the originators of commodity prices.
  
- ix. Because of the international or intraregional mobility of labour and the spread of the multinational corporations, **the problem of unemployment is no longer an intra-national phenomenon** because it has already been internationalized. Hence, any

policies arising from the social market economy, which do not consider humane measures to combat unemployment intra-regionally will be morally responsible for the consequences of the critical policies of **the role of indirect (often international) employer, i.e. the fabric or network of national and international agencies or corporations which are responsible for the whole implementation of national and international labour policies and regulations.**

- x. Capital and labour should not be separated at all the stages of the economic process, if the social market economic system is to be justified, and if the logic of human rights is to be followed to its final conclusion. The rationale for human rights is based on **the primacy of human beings over capital.** Hence, there are two **ways to mitigate the contradictions or conflicts between capital and labour** which are very common in Africa:
- **African management and trade unions should hold negotiations on the basis of socio-economic justice** and on the basis of building African solidarity, and not for the sake of group-interested confrontation.
  - **African employees should be encouraged and invited in the planning and formation of capital,** this will enable a widespread of private wealth which would in turn make it easy to spread widely both the capacity and propensity to save.

- xi. It is an African principle that the order of things must serve the order of persons. We even say in Kiswahili “utu ni bora kuliko vitu”. Literally this means “Humanity is better than material things”. The implication of this principle is that **profitability and cost-savings should not be valued more than those who participate in effecting those economic values**. Why take more care in servicing the non-human economic machinery than in servicing the African human person who operates that machinery?
- xii. Today, globally speaking, no nation can speak of itself as self-sufficient, least of all any African nation. But today, highly industrialized countries of the West and the multinational corporations keep down prices of African raw materials or commodities to exploit African weak nations or to abuse their economic power. The most powerful sign for this state of affairs is the **international debt situation**. **No international economic or trade system is morally and politically justifiable if it is not a system which guarantees for the marginal peoples a share of the global economic assets**. According to the United Nations Charter, service to the common good stretches to the entire planet by making sure that promotion of international justice is through a preferential option for the poor inhabitants of this global village.

Thanks for your attention!

**GUIDELINES FOR PROSPERITY,  
SOCIAL JUSTICE AND  
SUSTAINABLE ECONOMIC ACTIVITY**

**PREFACE**

Konrad-Adenauer-Stiftung (KAS) is one of the six German political foundations. KAS has been operating in Tanzania since 1964. The key thrust of our work is to promote democracy, good governance and international relations. We achieve our objectives through partnering with registered Tanzanian non-governmental organizations.

The dialogue on the principles of the Social Market Economy is one of the core topics of the European and international cooperation of the Konrad-Adenauer-Stiftung. We are convinced that the concept of the Social Market Economy can serve as an orientation framework for a global linkage between growth and social justice. The principles of the Social Market Economy establish an order striving for economic justice. In many states these principles might provide guiding orientation in terms of sustainable economic and social development. The experiences Germany made and particular elements of the Social Market Economy are of interest to our partner countries worldwide and support the economic debate on site.

After the immediate past financial and economic global crisis the call for more effective international regulations is gaining momentum. The debate continues on how the global financial and economic system should be structured in the future.

The concept of the Social Market Economy offers a framework for orientation that should be considered in the discussions. To this end Konrad-Adenauer-Stiftung, together with leading representatives of politics and science in the European Union (EU) have developed the “Guidelines for prosperity, social justice and sustainable economic activity”. These guidelines summarize the core principles and values of the Social Market Economy in a globalized world. They shall contribute to the worldwide debate on the reorganization of the global financial and economic system and the opportunities of an International Social Market Economy that can support the development of social justice in the countries and fair economic relations between the countries. The Guidelines have been published in more than 20 languages.

During a conference on “An African Perspective on the Social Market Economy”, September 2010 in Berlin, H.E. John A. Kufuor, Former President of Ghana, described the Social Market Economy “as promoting the values of competitiveness and profitability while at the same time advocating the moderating influences of state regulatory authority to ensure that the interests of the ordinary citizen within it are not overwhelmed by the profit-seeking tendencies of the former.” In his speech Kufuor, who is among the signatories of the Guidelines, urged the African states to develop an African Model of the Social Market Economy.

Following this suggestion from West Africa the Konrad-Adenauer-Stiftung Tanzania is happy to present a Kiswahili version to facilitate a public debate on the opportunities of an African Social Market Economy in East Africa. It is important to understand that these guidelines do not represent a blueprint for the economic policy; they shall rather serve as a contribution to the discussion on the values and principles that could serve as a base for a possible African Social Market Economy.

The launching of the Kiswahili version is a further step in the economic dialogue KAS is leading with their partners in Tanzania and the East African region.

**Stefan Reith**

## **PREAMBLE**

Increased economic and political interconnectedness has led to greater growth and competition in many countries around the world. It has improved education opportunities, strengthened the social infrastructure and reduced poverty. And yet, peace, freedom and justice are all under threat. The unequal distribution of global prosperity is a contributing factor for increasing political and social tensions. The only way to overcome the current financial and economic crisis is to have international rules for the financial markets.

This requires a shared commitment to sustainable economic activity. We need an international consensus to enable prosperity, social justice and sustainable economic activity based on shared principles and values. Even at times of crisis, the positive effects

of globalisation must not be put at risk by national or regional protectionism. Taking into account variations between cultures and societies, an orientation to the common good, democratic legitimacy and the inviolability of human dignity are the foundations upon which such a consensus shall be built.

## **GUIDING PRINCIPLES**

The guiding principles are solidarity and subsidiarity. Solidarity ensures that the market economy is continually legitimised by its orientation to the common good, while subsidiarity creates and guarantees the space for individual responsibility and initiative.

### **1. Legal framework**

A functioning, reliable and democratically legitimate legal system is the basis for efficient and sustainable economic activity. It creates the preconditions for a strong economy, an efficient and citizen friendly state administration, and compliance with the principles of good governance. Regulating elements and consistent supervision ensure that rules are adhered to and violations penalised. This is not an end in itself. Regulation is the appropriate and correct approach to shape incentives in a competitive economy in such a way that decentralised competitive activity benefits society.

### **2. Property ownership and employment**

An efficient economic structure geared to sustainability must be based on a system of private property ownership that places the power of disposal over goods in the hands of private enterprises and households. Private ownership provides the critical incentive for generating income through



work and is the basis of innovative entrepreneurship. Only an economic system that is based on private property can safeguard employment on a sustainable basis. This is the basis upon which individual responsibility and initiative can develop, without which an effective use of one's own potential and of education, innovation, growth and prosperity is unimaginable. Private ownership characterises a competitive system in which a multitude of owners of small and medium sized enterprises are liable for their economic activity through their personal property. Ownership entails social obligations.

Making use of it must serve the common good. This ensures careful and sustainable business activity and protects against a one sided concentration on short term profit seeking.

### **3. Competition as the basis**

Aglobal competitive system based on the free determination of prices optimises the allocation of scarce resources. Fully functional competition is the engine that drives sustained economic activity. It fosters efficiency and progress, reinforces responsible behaviour and prevents the establishment of one sided market power. Acompetitive system requires open markets, both nationally and internationally, and control of market power as well as concentration by the state and the international community. Competition is rooted in performance and equality of opportunity.

### **4. Application of the principle of liability**

Freedom of competition requires the application of the principle of liability by which competitive performance is tied to the responsible conduct of each participating player. The

prospects for profits stimulate competition, while personal liability in the event of losses curbs irresponsible and excessively risky behaviour.

**5. Stability of the economic environment**

A market economy needs a long term economic policy and the greatest possible macroeconomic stability. This applies particularly to national and international financial markets. Confidence in a stable economic framework is a prerequisite for investments and long term consumption decisions. Such confidence also requires the rejection of protectionist measures and of a monetary policy geared only to short term national economic and growth targets.

**6. Provision of public goods by the state**

In a market economy, the state must ensure the provision of public goods if the market is unable to provide these goods or can only do so inadequately. An efficient infrastructure, fundamental educational opportunities, and access to comprehensive healthcare provision are all areas that the state must be involved in shaping. The need for state involvement is particularly great where there is social disadvantage. However, there should be a limit to state intervention.

**7. Solidarity and social security**

Economic growth facilitates poverty reduction. The market economy cannot, however, prevent the development of income disparities and the disadvantaging of certain sections of the population.

Therefore a market economy needs effective, broad based social security systems functioning in line with market conditions, mechanisms for regional redistribution and a performance oriented system of taxation in order to safeguard social peace and to enable appropriate levels of participation by broad sections of the population in the development of the economy and society.

### **8. Incentive compatibility**

A market economy requires an incentive-oriented system of levies to finance state tasks. These taxes must be designed in such a way that they neither minimise performance incentives nor lead to allocative distortions.

### **9. Sustainability**

Every economic system must be judged also by its long-term results. In ecological, social and fiscal terms, sustainability is one of the most important criteria for success and an expression of intergenerational justice.

A legal system based on responsibility and liability facilitates sustainability. In particular, an active climate protection policy is an economic and moral obligation towards safeguarding the natural basis of existence for future generations.

### **10. Open markets**

Going it alone does not represent a cure for individual countries in the current crisis. On the contrary, it can exacerbate the global impacts of the economic crisis. What is crucial is a coordinated policy of open markets and respect for the rules of fair play.

The relevant international institutions must be further strengthened to counter protectionism and economic nationalism.

## **CONDITIONS OF SUCCESS FOR A GLOBAL SOCIAL AND MARKET-ORIENTED ECONOMIC ORDER**

An open, global economy requires an international framework. Principles and rules which have proved themselves at both national and European level within the framework of a social and market oriented system of values and economic rules must also be applied internationally.

These principles establish a link between freedom and responsibility for the benefit of all. They must be improved, particularly in the area of the financial markets, and reinforced within the system of global trade. What is required is the expansion of the legitimacy, functioning and cooperation of international institutions as well as the creation of integrative forums for cooperation. A reliable legal system and a democratic order geared to subsidiarity are the basis for this. Political competition and political participation within nations promote economic development and a stable international social and economic order. Only a framework of this kind can ensure the supply of essential information by independent media and associations. Consensus and commitment by the political, economic and social actors to the reconciliation of interests in both the national and international context are the prerequisites for “prosperity for all”.

*July 8, 2009*

**Signatories who support these guidelines are:**

**Prof. Dr. Hans-Gert Pöttering,**

Former President of the European Parliament,  
Chairman of the Konrad-Adenauer-Stiftung

**Prof. Dr. Bernhard Vogel**

Former State Prime Minister,  
Honorary Chairman of the Konrad-Adenauer-Stiftung

**John A. Kufuor**

Former President of the Republic of Ghana

**Dr. Wilfried Martens**

President of the European People's Party (EPP)

**Joseph Daul**

Chairman of the EPP Group in the European Parliament

**Jorge Pizarro**

President of the Senate of the Republic of Chile

**Jadranka Kosor,**

Prime Minister of Croatia

## APPENDIX 5



*Prof. Dr. Horst Koehler in discussion with Mzee Shafi Adam Shafi*



*Former President Ali Hassan Mwinyi exchanging views with former President Prof. Dr. Horst Koehler. Looking on is the German Ambassador Dr. Guido Herz*

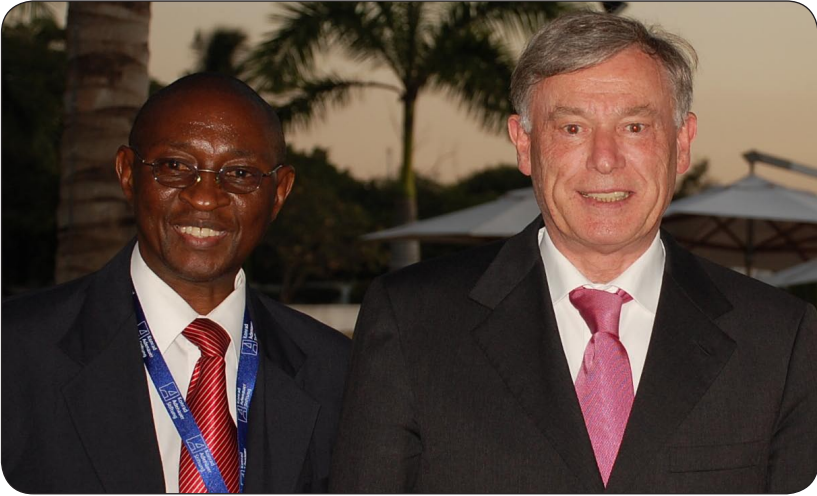


*Central Bank Governor Prof. Dr. Benno Ndulu sharing views with Prof. Dr. Horst Koehler.*



*From Left to Right: Prof. Dr. Horst Koehler, Stefan Reith and Sheikh Alhad Mussa Salum listening to Judith Mndolwa.*





*Prof. Dr. Horst Koehler with Richard Shaba*



*Prof. Benno Ndulu (L) Central Bank Governor, shaking hands with Dr. Hardy Ostry, Head of KAS- Africa/Middle East Department.*





*Central Bank Governor Prof. Dr. Benno Ndulu with KAS Resident Representative Stefan Reith*



*Prof. Dr. Koehler in discussion with Secondary School Students.*

# MAENDELEO DIALOGUE

## Democracy in Tanzania

Social Market Economy can be referred to as a framework for a global linkage between economic growth and social justice. The principles of the Social Market Economy establish an order striving for justice. In many states these principles might provide an orientation guide in terms of a sustainable economic and social development.

Most of us are not happy to observe that little to next-to-nothing being done to address the unequal distribution of the national cake. This sad state of affairs is bound to lead to increased political and social tensions within the countries. We need a National and an International consensus to enable prosperity, social justice and sustainable economic development based on shared principles and values. Of course we should be mindful of the variations between cultures and societies. Orientation to the common good, democratic legitimacy and the inviolability of human dignity are the foundations upon which such a consensus could be built.

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