

Institutional Design for Growth and Poverty Reduction: Property Rights Approach in Decentralisation Processes in Tanzania

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Abstract

Tanzania is a country that has been engaged in institutional design for poverty reduction through formal and informal institutional arrangements in a transition period from a “*Ujamaa*” kind of socialist mindset to capitalist economic efficiency. Capitalist economic efficiency requires assignment of property rights. In Coase’s treatise of “The Problem of Social Cost”, the property rights assignment is an important mechanism that decreases business transaction costs. When there is an absence of transaction costs and when property rights are well-defined, optimal allocation of resources is possible. Property rights vary according to time and space, and reflect changes in economic conditions as illustrated in the case of Tanzania. The main focus on in this case study research paper is to examine how informal ownership enabled the pro-poor to access market exchange, though without clear property rights assignment, “the Tragedy of the Commons” is an outcome. The poor acquire property rights through institutional arrangements; however, the institutional arrangement advocated in this paper is still far reaching because the central government is still dominant in every sphere of governance, even though decentralisation by devolution is underway. Case study analysis of the success story of both informal and formal institutional property rights in poverty reduction is explained with the aid of “The Problem of social Cost”[1] perspective in a Tanzanian institutional arrangement context.

Key words: The Problem of Social cost, the tragedy of commons, Tanzania, informal institutions, poverty, “Darwin Nightmare” film, centralisation, formal institutions.

1. Introduction

After the Arusha declaration¹ the government of Tanzania confiscated properties of individual firms. Since then, the central government has been running and managing the confiscated properties itself instead of selling them to individual investors. As a result, the concept of individual ownership in the Tanzanian mindset was eroded and there was a strong cultural transformation towards collectivism socialist. There was upholding of communal and collective means of production and ownership of land in rural areas declared as village properties in the “villagilization²” policy. Tanzania socialism was termed as African socialism as “*Ujamaa*”. The “*Ujamaa*” embraced informal rules of African traditions of collectivist production and distribution. Informal rules of this kind resulted in “the Tragedy of the Commons” in contrary to the Coasean model of distribution of property rights. However, Ujamaa legacy had notable positive informal behaviour among Tanzanians. The most important outcome of that policy was the creation of unity and peace among the 120 tribes of Tanzania. As a result, Tanzania has remained as an island of peace in the African continent. *Ujamaa* slogans used as propaganda to instil values of unit and peace among Tanzanians. The slogans used are “*Umoja*”³ which refers to upholding of unity and “*Amani*” that stands for peace. For this

¹ Arusha Declaration is the term used to refer to where the socialism policies were promulgated in Tanzania in year 1967. The first president of Tanzania, famous known as “the father of the nation” announced that Tanzania would follow the socialist policies. Since then ownership of business undertaking was no longer private entities, but the government took over control of all means of production.

² Villagilization policy was the policy for mobilising people to live in Ujamaa village settlements and own all means of production in unity.

³ Umoja stands for unity and have been used to unify 120 tribes speaking their tribal languages but unified by Swahili language. Swahili language is now spoken by many Africans and others around the world.

reason Tanzanians maintain “*Umoja na Amani*” which has been the Tanzanians identity, and has created a brotherhood/sisterhood for peace and respect of human rights in their African cultural context. However, as the English saying goes, “not all that glitters is gold”, eventually, socialism productivity declined nationwide, and there was party supremacy and different kinds of oligarchies whose contribution to economic development was almost nothing. The egoistic oligarchies behaviour have resulted in the accumulation of wealth through corruption and misuse of the scarce resources. After the collapse of socialism worldwide, Tanzania was not alone shifting from a socialist means of production to a market economy. Although the constitution still reflects both the Tanzanian experiment with socialism policies and tight. This paper confines itself to explain the role of property rights in poverty alleviation using , “the Problem of Social Cost” model, and the Case study approach of Nile perch in Lake Victoria illustrates the cave metaphor.

2. Role of Property rights in Poverty Alleviation

The change from socialist means of production to market economy (capitalism) is underway and assignment of individual property rights policy is ongoing using de Soto concepts[2]. Hernando de Soto in his Book; “*The Mystery of Capital*”, he explains the reasons why capitalism triumphs in the West and fails everywhere else. The book gives the perspectives that make the world poverty reduction activists to strategise a new way of tackling poverty through assignment of property rights to the poor. He is against the notion that the poor have nothing; he says the poor have more assets than they are

Recently Swahili language has been chosen by African Union (AU) members states to be spoken as their official language.

permitted to realise. According to him the poor are perceived to possess nothing simply because they own informal properties[3]. Furthermore, Lanjouw and Levy[4] conducted a research in Ecuador on informal property rights. They quantified the utility derived from a particular property right by comparing the sale value of a property with the right to that of similar property that does not have that right associated with it. Lea[2] comments on de Soto's work on "*The Mystery of Capital*" [3]. He argues that diversity of systems, customs and rules with respect to property has conspired to maintain the entrenched poverty of the developing world. It is the unified, codified and integrated systems of the West that has allowed these societies to mobilise capital to escape endemic widespread poverty of the pre-capitalism age. Based on de Soto[3] arguments, Lea[2] continues to use de Soto terminologies, he says that the West, transformed property from "dead to live capital". If assignment of property rights occurs in developing countries, the poor in these countries may be able to play part in the increasing global economy. They will be able to acquire access to world's wealth that at moment appears locked away in the developed world. The people of developing world remain trapped in what de Soto termed as "...the grubby basement of the pre-capitalist world". Lea[2] refers to the past efforts done by the "communitarian" or "culturist " who advocated traditional liberal approaches to governance and advocating centralised state, as policies that has exacerbated the poverty in developing world. Upholding cultural norms that do not support poverty alleviation and welfare of the people is ridiculous. As de Soto[3] explains, the cause of continuing economic failure is lack of system that would unify a diversity of local arrangements into codified, universally recognized and registered form of property rights (eg. Land tenure). Then registration help to transform capital from "dead to live capital"[2, 3]. Looking

back to Richmond[5-7], the diamond from Sierra Leon are exported in form of “dead capital “ to New York in a private ordering (informally) , because miners in the country are not registering their activities and diamond mines also do. The Kimberly Process is registered in the USA, and operates with “live capital” and in the downstream diamond industry; the miners operate in a “dead capital” situation.

Buscaglia and Shirley [8, 9] sites the problems of legal transplant that made without consideration of social norms , which has been a case in developing countries. Developing countries face dilemma in their contemporary legal evolution in the choice between centralized laws versus decentralized law making capabilities. In order to reduce market transaction costs, decentralized law making is appropriate taking into consideration of norms and customs of the country. Enacted law is irrelevant if it doesn't take care of norms, customs and values followed by the people in their daily lives. When regulations or laws lack compatibility to norms, the cost of complying and enforcing the law becomes higher[8, 10-12]. When governments centralise law-making process, creates high transaction costs and when law making is decentralised the transaction costs is reduced and the likelihood of attaining efficiency is high.

Auguring the future is a cultural phenomenon incline in human history, so individuals in social framework need clear predictable rules for generating wealth through their interactions. Hence, Buscaglia[8] says that when social norms and values supporting the prevailing and predictable rules of political and economic interaction is taken into consideration, allocative and productive efficiency will be reached since as transaction costs of interacting will be reduced. In this scenario, civil society's norms will be found

by public institutions and transformed into formalized legal rights and obligations. In a more comprehensive fashion, civil society's market and non-market rules for social interaction provide a law-making guide for the legislature and judiciary. By making laws familiar to individual, the transaction costs of human interactions decrease and allow society to achieve efficiency in a market and non-market activities.

4. Theoretical Frameworks of the Problem of Social Cost

Coase[1] explains the property rights model and the importance of assigning property rights to the individual actors in the economy. He used the following illustration to explain the need for assigning property rights, he says;

“Whether a newly discovered cave belongs to the man who discovered it, the man on whose land the entrance to the cave is located, or the man who owns the surface to the cave is located, or the man who owns the surface under which the cave is situated is no doubt depends on the law of property”.

Borrowing from Coase's argument, the law of property assignment is important in allocation and use of resources. Enforceable contracts depend very much on assignment of property rights and enforcement of the property rights laws. If the economy does not uphold property rights laws, there is no way the market economy can bring efficient allocation of resources. Property rights leads to bargaining power of business dealings. When property rights are assigned to individuals, the government's role remains just as an overseer of the private sector's economic activities. Individuals and firms enter enforceable contracts with zero transaction costs, given a transparent non-corrupt government. Nevertheless, since the contract deals are among the individual firms and entrepreneurs, it is obvious that there is no need for the government involvement in

settlement of business contract disputes. The number of contract dispute settlements in the judicial organs falls due to property rights assignment. Contracting parties do not need to wait for filing contract disputes, which increase transaction costs. The *ex ante* contractual regulations are binding enough to safeguard the parties from post ante transaction costs. The *ex ante* contractual regulation makes it possible for the parties to solve project their disputes at the first stage of search for contractors and bargaining of deals. The *ex ante* contracts are necessary for doing away with post ante transaction costs. The *ex ante* contracts cannot go smoothly unless the contract laws are binding and well stipulated by government bodies. Many business disputes are filed in the court of law because of lax government failure to enforce the laws. In other countries where these laws are enacted but not enforceable, the problem of high business transaction costs remains unsolved. Information necessary for resource allocation is not accessible in this case, and optimal efficiency allocation of scarce resources is not planned. However, it is intractable to enforce contract rules in a society where informal institutions outweigh the formal institutions in daily business operations. Although in some informal dominant institutional frameworks societies, social norms and values exert inertia towards informal enforcements of property rights and contract rules.

The assignment of property rights to individuals leads to efficient allocation of resources and support for the poor, commoners or ordinary people to enter enforceable contracts. Property is simply a “bundle of rights”. Any distribution of rights and privileges among persons with respect to things can be signified with the label “property”[13] . The fish

industry in the Lake Victoria as a case illustrates the remedy to the “tragedy of the commons” via the solution given by “The problem of social cost”[1] model.

5. Case Study Analysis: Informal Laws and Centralised Formal Rules in the Lake Victoria-Tanzania

Back to the cave metaphor mentioned by Coase[14] , the discovered cave in our case , is the Lake Victoria of East Africa. *Who discovered it?* The local communities around the lake make the entrance to the cave (The Lake Victoria). *Who is it?* The mushroom that can be grown in the cave is the fish in the lake. *What kind of fish and what are the owner’s rights and the associated social costs?* The top of the cave would be the water in Lake Victoria. *Who should use it and what is the social cost in retaliation to its use, both informally and formally?* All actors in fish business system need property rights and the rules on how to utilise their rights otherwise, there is a danger of the “tragedy of the commons” and its impact to the general productivity may be enormous. The above question is answered in the case study analysis. *How both centralised formal rules and informal rules co-exist and their impact on the Nile Perch industry?*

5.1 Methodology:

The author lives in close proximity to the lake and knows the indigenous people’s culture well. The main research design was case study. The data collecting technique is mainly documentary review and Internet search. Also she happened to be on holidays in Mwanza, serendipity, she was involved in Mwanza Region demonstration against “the Darwin Nightmare” film. In the demonstration, purposively, the author interviewed some

fishermen and people in Mwanza, Bukoba and Musoma. Also other methods used in data collection are participatory observation and in-depth interviews. Data analysis and presentation is done in a narrative way. Sampling techniques was snowballing purposively.

5.2 Presentation of findings

Who discovered the cave? Lake Victoria has been in existence from time immemorial and the people around the lake have used Lake Victoria's waters, the lake water is directly used for domestic purposes such as washing, cooking, and bathing. The was is used, also, for social economic purposed such as recreation and fishing. The Lake Victoria offers nutritional value to the people around the lake, as a source of cheap affordable lake (sea) protein and mineral related foods. It employs the majority of the riparian communities, contributing to earning their incomes. Fishery has been a main occupation of the people around the lake.

There are many independent fishermen who use traditional small boats, nets, small outrigger canoes, dhows, dinghies, hooks and arrows in fishing. The artisan fishery industry has been practiced in this area for long time. Recent technological developments has made it possible for the fishermen to use boats with simple gear, gillnets, traps, beach seines, purse seines, ring nets, deep nets, castanets, small long lines and hand lines.

The domestic value chain of fish has been unspecified, but one can trace it in a traditional way, that the hawkers buy fish and sell the in the villages around Lake Victoria.

Sometimes fishmongers buy fish at low price directly from fishermen and take the fish to far away villages. Preservation is done through smoking along the shore or in the villages surrounding the lake. Traders visit fish landing places and take the fish to far away places to sell in urban areas. There are no market agencies in rural areas, but recently the urban areas have started fresh fish shops. These shops do not store smoked or dried fish, but use deep freezing techniques. Pricing depends on the demand for fish and sometimes how far distance is the village is from the lake. Therefore the discoverers of the cave are the fishermen, one of the fishermen said in the interview;

“I was born here, and my father taught me fishing. I have already taught my son fishing activities as my father did to me. My father also learned fishing skill from my grandfather,”⁴

5.2.1 Informal Organisation in the Riparian communities of the Lake

What are the mushrooms? Having interest in informal institutions, one has to discuss the cultural context of the people alongside the lakeshore towards fish consumption and the use of the “cave”- The Lake Victoria. Also the discussion will go beyond to discuss the tension between informal and formal institutions when it comes to use of the lake’s resources; “mushroom” –the fish. The main ethnic groups surrounding Lake Victoria are Haya (Western side of the lake), *Wavinza* and *Wasubi* (Southern side of the lake). These ethnicities live in the Kagera region. On the Eastern side of the lake lives the Wasukuma of the Mwanza Region, and the *Wakulya*, *Wazanaki* , *Wathimbiti* of Mara Region. These tribes share cultural contexts at lower level of local government⁵.

⁴ This fisherman was interviewed in September 2006, when the author visited her home area Bukoba, after the demonstration against the Film , “The Darwin Nightmare”.

⁵ Lower local government level in Tanzania means Kitongoji, Village, District and Regions. As we have explained before, Tanzania is large country, which comprises 120 tribes, but they all speak English and

In this case the informal fishing organisation structure is explained in an ethnicity cultural context along Lake Zone. Traditionally, for example; the Haya tribe eat fish mixed with unripe cooked banana (plantain) called *Matoke*⁶. Usually mixed together and boiled. The *Haya* have different ways of cooking fish, but normally fish is eaten at every meal. Sometimes dried types of fish is burned on a fire, when ready at a certain level, it is mixed with banana-“*Ebitoke*”. The menu of the day depends on fish species from lake Victoria and these are , according to the *Haya*, dagaa,(sardines) -“*nkeije*” or “*obukena*”, Nile Tilapia-“*ngege*”. Another traditional fish in Lake Victoria were –“*mpaala*”, which has almost the same size as the Nile Perch that was introduced in the lake in 1954. After was introduced the Nile Perch (*Lates Nilocus*) into the lake by the European scientists, during British colonial power, the Nile Perch started to multiply faster than it was expected. As a result, at present, the Nile Perch dominated other species in the lake. Some other fish species are extinct, for example, the “*mpaala*” fish disappeared completely.

Informal rules in define the division of labour of in the riparian community of the lake. Women in the Haya tribe are known as “*Bakazi*” which means “the people who have a duty of drying fish and meat”. “*Bashaija*” –men means the people who fish and hunt. The word’s root was adopted from “*kushambya*” which, in short, stands for breadwinners. The Wasukuma and other tribes do the same with a little modification. It is easy to see the informal rules and relationship with the fishing industry as well as the lake and its

Swahili as official languages. At the national level, there is a Swahili national culture of peace and unity. At lower level, each ethnic group has its cultural values and norms.

⁶ Matoke is kind of banana that are soft when cooked.

natural resources. Eating rites of the riparian of the Lake Victoria are almost similar. The in-depth interviews conducted among the Haya, Kerewe, Kulya and Subi, showed that everybody in these tribes prefers to eat heads of fish or the tail rather than to eat fish fillets. In a snowball interview, a *Kerewe* professor at one of the universities in Tanzania said;

“I wonder, when I saw in the movie, “The Darwin Nightmare” that fillet are exported to the European Union market and the indigenous people are left to eat so called “*mapanki*”⁷”.

In that film Mr. Hubert Sauper, a filmmaker, reveals how the Nile Perch (*Sangara* or *Lates Nilocus*) trade from the Mwanza Region (Tanzania) is myopic on poverty alleviation, hunger, prostitution, children homelessness, environmental destructions, depletion of Lake Victoria’s biodiversity and human rights.

5.2.2 Lake Victoria Fishing Industry’s Ownership,

What is the cave, and what is the owner? At the regional level, Lake Victoria is one of the African Great Lakes, and it is the second largest lake in the world, covering an area of 68,000km². The lake is shared among three East African countries; Tanzania, Kenya owns 6%, 43% and 51% respectively. At the industry level both informal ownerships of fishing activities and other resource exist. There are about 12 fish processing industries on the shores of the lake, which are privately owned by Tanzanians with Asian origin (Indians), and these are the driving force of export industry. They pay taxes to both the local government authorities as well as the central government of Tanzania.

⁷ Mapanki is a Swahili term that means fish skeleton as Roberth Sauper, the film director of the Darwin Nightmare, used it.

At the same time ownership of fishing activities as labour ownership and remuneration are done according to the financial capacity to buy the boat. There were more than 131 boats [15] in the lake in 1998. These boats were family owned, the kinship and ethnicity plays part in labour remuneration. Also Wilson[15] reported that presence of the raising of economic and social gaps between the owner of the boats and the crews;.

“ The remuneration of both crew and owners⁸ usually takes the form of distributing shares of the catch. We found 72 different catch sharing arrangements among 131 boats. Most of these are close variations on a few basic, regional patterns. The most important regional difference is that share system parts of the lake are mainly based on dividing each day’s catch among the non-gear-owning crew and owners of boat and gear owner getting 60% of the proceeds from the catch after it is sold, and the crew getting 40% after deducting: Tshs 2000 (Tanzanian Tshs=\$1.00) for the crew’s food; Tshs 1,000 for the nets, 10% for boat maintenance and fuel. Eastern share systems are based on rotating days. Social identities play a prominent role in the Lake Victoria fishing industry. The main identities are the kin groups, ethnic groups and local religious congregations”[15]

Kinship is the most pronounced social identity found in the fishing community in the world, and in Tanzania like other African countries kinship and ethnicity are very important. There are many tribes around Lake Victoria and the fishing industry is divided ethnically, but in peace. Religion is also strong with different denominations, represented such as Muslims and Christians (Roman Catholic and Protestants). Anybody who has a boat or who needs to go fishing can fish, but he needs to get permission from the responsible department, mainly the representatives of the ministry of Natural Resources and Tourism at the district level (Central government). The fish exporters and industry owners also get permission from the central government bodies such as Tanzania

⁸ The term “owner” is used throughout as shorthand for the entrepreneur who has rights to the boat. He or she may own the boat or may be renting it. With a few exceptions, these people supervise the fishing from shore.

Investment Centre (TIC) which is centralised in Dar es salaam approximately 1200km from Mwanza.

5.2.3 Social Economic Benefits and Costs

In one of the most densely populated region, Lake Victoria plays a vital role in supporting the millions of people living around its shores. The introduction of Nile perch created employment for the fishermen and many people are making their livings through fisheries and other value chain activities in the industry. The industry has contributed a great deal to the export market as well as to the household incomes of the people around Lake Victoria, particularly in export of Nile Perch fillets.

“Since the introduction of the business in the early 90s, the statistics shows that an industry employment increased from 30,000 to 400,000. About 300,000 people work part time jobs in the industry and more than 4000 have been created” said one of the Fisheries Authority Officers.

Small businesses are booming in Mwanza including women food vendors, in Swahili “*Mama Ntilie*”⁹. The cultural value of eating the head of fish, the Nile Perch heads so called “fish skeleton” in the “Darwin Nightmare” film, have a higher demand in a domestic market than fish fillets. Also the fish skeletons, the left over after cutting off the fillets, are used to produce animal feed. Again the heads are exported to the neighbouring countries such as Zaire. The perch oil is used as cooking oil, which has high nutritional values.

⁹ *Mama Ntilie* are women who sell foods either in the open spaces or in allocated special buildings for such activities. Their market segment is not sophisticated; they mainly capture poor customers such as boat crews.

Unfortunately, Nile perch stock is declining, and production is lower than ever. As a result, Nile perch prices at the plant level are rising up to US\$ 2.00/kg. The Nile perch processing industry is struggling to survive, because of tough competition on the EU market from other freshwater species (Pangasius and tilapia) does not allow for further price increases. Import prices of fresh Nile perch fillets at US\$ 7.00/kg are not leaving much room for profit, taking into account rising transport costs. The industry is now keen to get some income from using the waste produced in the filleting process, which are exported to neighbouring countries and other by-products are used for producing animal feeds, as explained before. One company is investing in an omega-3 extraction plant; others are looking toward value added products from fillet cuttings. See the fish export trend in the European market as represented in tonnes in Table 1 and Figure 1 below.

Table 1: Quantity of Nile Perch Exports to the EU Market from East African Countries (Lake Victoria)

Origin	1997	1998	1999	2000	2001	2002	2003	2004	2005
Kenya	7488	24471	1121	30	2747	3972	5086	6737	5176
Tanzania	9015	12506	4581	26857	23063	23119	26965	30813	23880
Uganda	8621	8894	2731	3451	14776	12213	13062	18539	23793
Grand Total	25124	23846	8433	30338	40586	39303	45113	56089	52849

Source: Josupeit [16], available at: <http://www.eurofish.uk>

The in-depth interviews and the focus group discussions conducted in September 2006, showed that the Nile Perch harvest is declining because of over fishing. The researcher observed that almost every person from the Lake Victoria, who studies abroad, famous the Lake Zone, buys a fishing boat for his/her family¹⁰. As time goes on the capacity of

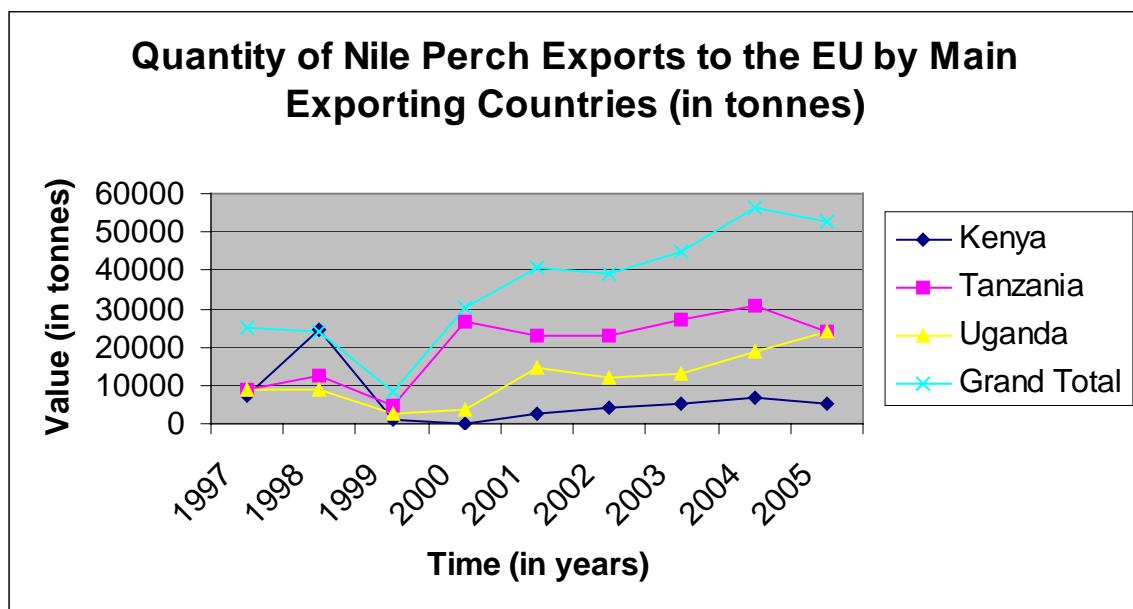
¹⁰ Further studies in Tanzania means getting education, but in addition it adds to the income of an individual. It is obvious that when Tanzanians get fellowship, the fellowship package is may pay him the amount of money he/she might have not gained if she study and work in Tanzania.

the Lake might have reached the point of saturation, or what could be “The tragedy of the Commons”. However, based on the Eurofish report [16]

“The decline of the Nile perch resource is dramatic for local fishermen and fish processors, but is positive for environmental diversity. The local authorities around Lake Victoria are very excited to see the re-emergence of indigenous fish varieties such as catfish, mudfish and lungfish, which diminished or disappeared following the introduction of Nile perch during the early part of the 1960s into the lake. The *haplochromis* species, which was once thought to be extinct, has also resurfaced in the Lake. The return of the *haplochromis* species to the Lake has been attributed to the decline in the population of Nile perch in the total biomass of the lake, down from 90% in 1980 to less than 50% in 2005. Researchers have also stated that the El Niño effect as well as water hyacinth weed had important roles in the resurgence of rare fish species in the Lake”.

Table 1 above shows the fish harvest trend. Jusupeit[16] continues to argue that because of scarcity, prices of Nile Perch has risen by 60% in early 2006 to reach US\$ 2.00/kg for whole Nile perch at the plant gate. This has also exacerbated by the decreasing trend of numbers of Nile perch in the European market due to the decrease of the Nile perch catch in the lake.

Figure 1:



Source: Josupeit [16], available at: <http://www.eurofish.uk>

Figure 1 above shows the decrease of the export in the European export market is due to the decrease in the catch in the lake and decrease in the water levels of the lake. The possibility of further decreases in fish and water levels in the lake, and make those who are employed by the industry to become vulnerable to unemployment and jobless. Currently, fishermen travel a long distances in order to get enough fish for supply the market. The shortage has increased transaction costs in the industry and the fish prices are escalating daily. Table 1 above and Figure 1 above show how the exports of fish fillets from Tanzania's Lake Victoria are at risk as a result of the sharp decline in fish stocks in the lake. Exports from this country were cut by 7 000 tonnes between 2004 and 2005[16].

Since Tanzania owns the, it largest part of the lake is still the main exporter of Nile perch fillets to the EU market. Kenya also cuts in its Nile perch fillet exports, while Uganda saw a 5 000 tonnes increase. Uganda is now very close to Tanzania as top Nile perch exporter to the EU market as it is indicated in Figure 1 above. Uganda has invested recently in its Nile perch processing industry by strict regulations in fishing in the lake. Also the figure shows that the overall quantity of Nile Perch exported to the EU from the Eastern African, three Lake Victoria countries, declined from 56 000 tonnes in 2004 to 52 800 tonnes in 2005[16]. Also the impact of the film “ Darwin’s Nightmare” could affect the customer’s perceived value; what has also added the transaction costs in the industry. The image of the Nile perch has suffered during the last year due to the airing of the documentary “Darwin’s nightmare” which projected the Nile perch industry as

responsible for various economic and social problems around Lake Victoria. The impact on the consumption of Nile perch was immediate in all countries where the film had been shown on television, resulting in a substantial decline. Fortunately the impact was rather short lived. Nevertheless, the Nile perch industry is looking for possibilities to improve its image, including the possibility to receive “fair trade” or eco labels.

6. Conclusion

To conclude, institutional design for growth and poverty reduction in a view of property rights approach in decentralisation processes in Tanzania, has been discussed in this paper. Tanzania informal institutional transformation to socialist economy of 1967 resulted to confiscation of individual firms’ properties. The economy worsened in that period throughout to 1982 when International Monetary Fund (IMF) and World Bank (WB) sanctioned the government to transform Ujamaa-socialism kind to free market economy (capitalism). Since 1982 the country has been trying to enact the property rights laws, though the enforcement is still far reaching. The change from socialist means of production to market economy (capitalism) is underway and assignment of individual property rights policy is ongoing using de Soto concepts[2] of changing “dead capital” to “live capital” by assigning property rights to individuals. Property rights assignment brings economy efficiency and it is the means where the poor can be effectively participating in reduction of poverty.

Property rights assignment needs decentralisation of law-making process so as to give the real meaning of decentralisation by devolution. When law making is centralised

creates high transaction costs and when law making is decentralised the transaction costs is reduced and the likelihood of attaining efficiency is high. By making laws familiar to individual, the transaction costs of human interactions decrease and allow society to achieve efficiency in a market and non-market activities. . Although in some informal dominant institutional frameworks societies, social norms and values exert inertia towards informal enforcements of property rights and contract rules.

The paper has narrated the fish industry of Lake Victoria in the East Africa using Coase cave discovery metaphor. The paper has shown that the indigenous people of different riparian ethnic groups discovered the cave-Lake Victoria. They have been harvesting the mushrooms-fish in the lake, the Nile perch species was introduced in 1954, and the indigenous people continue to benefit from fishing economically and socially. The country benefits from fish export, but the centralized government do not really know the real situation of why the decline of fish in the lake. The local people who have knowledge on their lake struggle for survival and if rule and regulations that takes care of norms and values, the depletion of the resources in the lake seems to lead to “tragedy of the commons”. More decentralisation of property rights law-making towards incorporation of the norms and values of the riparian ethnic groups can remedy the situation and lead into social benefits and efficiency production, redistribution and allocation of income around the lake.

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