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Private Investments to Support Protected Areas: Experiences from Malawi

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Abstract

The role of private investments in supporting protected areas in Malawi cannot be overemphasized. The Government of Malawi’s Wildlife Policy (Malawi Ministry of Tourism, Parks and Wildlife 2000, pp2, 4) stresses the “development of partnerships with all interested parties to effectively manage wildlife both inside and outside protected areas and the encouragement of the participation of local communities, entrepreneurs, Non-Governmental Organizations (NGOs) and any other party with an interest in wildlife conservation”. There is recognition that the state’s dwindling financial resources cannot effectively maintain and manage protected areas. Thus, alternative mechanisms of financing protected areas or encouraging private investments in protected areas are continually being sought.

In Malawi the private sector has invested in such areas as advocating legalization of protected areas, ecotourism, conducting ecological research and monitoring, environmental education, infrastructure development, law-enforcement and re-introduction and management of game. However, the degree of private sector involvement has been limited to a few stakeholders, those directly or indirectly affected by wildlife, those deriving benefits from wildlife such as tourism companies, and those with vested interests in wildlife conservation such as conservation organizations and “green companies”. Private investments have focused on specific individual protected areas according to the particular interest of the private investor. Even though the government has put in place institutional arrangements, incentives and mechanisms to attract private investments and ensure that investments benefit protected areas, these are still in their infancy. While there is high potential for private investments to support protected areas, most private investors are neither aware nor sure about how they can invest in protected areas.

1.0 Background Information

Malawi has a total surface area of 118,480 km² of which 94,270 km² is land, while the rest constitutes water. Of the 94,270 km², 28% is classified as forest, of this, 7% is accounted for by natural woodlands on
customary lands, 11% by national parks and wildlife reserves and the remaining 10% by forest reserves and protected hill slopes. With a per capita income of just US$200, Malawi is one of the world’s poorest countries. Protected areas remain central and critical to the livelihoods of its people. They provide a range of valuable goods and services. However, due to increasing human populations, poverty, the impacts of HIV/AIDS, and undervaluation and under-appreciation of the resources, there is widespread habitat loss and over-exploitation of protected area resources. There are a number of constraints associated with managing protected areas, including: lack of adequate law enforcement; lack of funds to deploy law enforcing agents; and lack of alternative sources of income to alleviate people’s poverty and divert them from exploitation of protected areas. Indeed, the overall financial allocation to the Department of National Parks and Wildlife (DNPW) has been decreasing over the years. For example, in the 2002 financial year, the government approved a budget of MK31m (US$295,200.00) but actual allocation was MK22m (US$210,000.00); in the 2003 financial year, DNPW requested MK105m (US$1 million) but the government has approved only MK55m (US$523,800.00). Most likely, the department will get about half of this. On average, individual protected areas have been getting less than MK10000.00 (US$95.00) per month or MK120000.00 (US$1140) per annum. Additional financial resources are required to supplement government resources. Without such additional support, protected areas will continue to face critical management problems. This is where the importance of private sector investments in supporting protect areas becomes critical.

2.0 The Importance of Private Sector Investments in Malawi, an overview

The private sector has been involved in managing protected areas in Malawi in areas such as lobbying the government to establish protected areas; promotion of environmental education; infrastructure development; re-introduction and game management; promotion of effort-based law-enforcement; snare bounty scheme; research activities; and ecotourism.

2.1 Lobbying Government for protected area establishment

In 1947, the private sector, through the efforts of the National Fauna Preservation Society of Malawi (NFFPS), now the Wildlife and Environmental Society of Malawi (WESM), lobbied and assisted the government in setting aside the following protected areas: Mwabvi Wildlife Reserve to protect the black rhino-1951, Nyika National Park-1952 and the Majete Wildlife Reserve to save the Nyasa Klipspringer-1955, proposed Lengwe National Park to be retained a protected area in 1970 to save the Nyala. WESM also campaigned for tighter hunting controls.

2.2 Promotion of environmental education in protected areas

The private sector has been involved in the promotion of environmental education. For example, WESM has kept Malawians and visitors to Malawi informed about the state of protected areas, the environment and wildlife through various publications. An essential activity of WESM has been assisting and encouraging more people to visit national parks in order to create awareness and increase their understanding about nature through recognising the plants and animals they see. This recognition is the first step towards a deeper appreciation and wider knowledge of the country’s fauna and flora. To this
end, the Society has assisted with infrastructure development of student hostels for visiting school parties in Lengwe, Nkhotakota, Liwonde and Nyika National Parks, providing a school bus and subsidies to Wildlife Clubs visiting protected areas.

2.3 **Infrastructure development**

One major component of private investments has been the development of infrastructure in protected areas. These include provision of utilities such as piped water and electricity, construction of hides for game viewing, student hostels and visitor centres, maintenance of trails and guides, and construction and maintenance of road networks and fences.

2.4 **Re-introduction and management of game**

The private sector has assisted the government in re-introducing and managing game in protected areas. For example, in 1987 Malawi was reported to have about 25 black rhinos, *Diceros bicornis*, but in 1990 the species was officially declared extinct when Malawi’s last black rhino was poached in Mwabvi Game Reserve (Taylor, 2003). From 1993, J&B Circle and J&B Care for the Rare started to support a rhino re-introduction project in Liwonde National Park. Through the efforts of J&B, Liwonde National Park is home to eight rhinos.

In addition, J&B under the new management of Total Friends continue to support Liwonde National Park with fencing, firebreaks and road network maintenance within the rhino sanctuary.

After the success of these operations, the Malawi DNPW introduced more game into Liwonde National Park with funding from the South African National (SAN) Parks and Frankfurt Zoological Society. This saw the translocation of eland, zebras, hartebeests, buffalo, and roan antelopes and other species making Liwonde National Park a jewel. Liwonde is now the only Malawi national park hosting the Big Five: Elephants, Rhinos, Lions, Leopards and Buffalos.

Plans in the offing include the relocation of fifty Gnus from Tanzania into Liwonde National Park with support from the membership of WESM, SAN Parks and J & B. However, due to several logistical problems, this has not happened yet.

2.5 **Promotion of effort-based law enforcement**

WESM has been assisting DNPW law enforcement work in Majete Wildlife Reserve, Liwonde and Lengwe National Parks through a snare bounty scheme. The scheme is an incentive based system where park staff are
rewarded based on effort. Since 2000, WESM has provided MK677,500.00 (US$7,000.00) to support Michiru Conservation Area Patrolmen. This assistance has been greatly appreciated by the government, as it has motivated staff to work extra hard.

2.6 Conducting research and monitoring activities

The private sector also conducts long term ecological and socio-economic research. For example, WESM has carried out and monitored research, and undertaken management activities in national parks and forest reserves. The major example is the annual Nyala count at Lengwe National Park that has taken place for over thirty years. The Nyala counts have revealed a slight decline in Nyala population from 1024 in 1996 to 904 in 2002 (WESM, 2002).

Individual members have also been involved in similar activities. Important examples include ornithological studies, vegetation surveys and monitoring at Kasungu and Liwonde National Parks and in the Mulanje and Zomba Forest Reserves in Malawi. WESM has also conducted a number of socio-economic surveys around protected areas to better understand the relationships between protected areas and adjacent communities.

2.7 Ecotourism

Until recently, ecotourism activities in protected areas have been a government business. In the 1990s, the private sector was brought on board to apply for concessions to manage and run lodges in protected areas. The first concession was awarded to the Central African Wilderness Safaris (CAWS) in 1994 to manage Mvuu Lodge in Liwonde National Park for a period of ten years. During this period, CAWS has been involved in:-

- Day-to-day maintenance of the rhino sanctuary
- Maintenance of roads and fences,
- Pumping water from the Shire River into the Rhino Sanctuary,
- Built a primary school for local communities,
- Donated one second hand aluminium boat to park management for anti-poaching activities,
- Donated a maize mill,
- Flying over the park to monitor illegal activities,
- In June 2002, CAWS handed over to the DNPW 10 chalets worth about US$10,000.00 and a canteen, which are in full use at Liwonde National Park.

More recently, tourism concessions have been awarded to Nyika Safari Company, Nyika National Park, Jambo Africa in Lengwe National Park, and Chinguni Hills Lodge in Liwonde National Park. These operators are involved in a number of park development and management activities such as renovation of tourist facilities, grading of roads, informal assistance to national parks, providing transportation, and creating employment opportunities for local communities. This is in line with a new Tourism Strategy for Malawi (2002) that aims to:

- Generate increased tourism and foreign currency earnings;
- Create long term employment opportunities;
- Raise the standards of living for the poor people; and,
- Support conservation of wildlife and areas of outstanding national beauty.

3.0 Preconditions for generating private investments

A number of factors have determined the path of private investments in protected areas in Malawi. These include:
• An enabling policy environment that encourages private investment,
• Political stability;
• Long term security of tenure;
• Clear rights and responsibilities for the investor; and,
• Good public relations.

3.1 An Enabling Policy Environment

An enabling policy environment that provides freedom for investment encourages private sector investments. Similarly, political stability is essential for encouraging long term private investments in protected areas.

Since 1994, the government of Malawi has formulated a number of policy reforms. The main objective of the reforms have been and continues to be: to achieve economic growth; to reduce dependence on external balance of payment support; to reduce inflation; to improve social services and economic infrastructure; to alleviate, reduce and ultimately eradicate poverty; and to manage the ecosystem and use natural resources in a sustainable manner (Government of Malawi, 2002).

The Government has also made political and social reforms such as the introduction of a multi-party democracy; liberalization of most economic sectors; some privatization of parastatals engaged in commercial production and marketing; reform of the financial sector; and liberalization of the foreign exchange regime.

To attract private investment, the Government of Malawi has put in place a number of investment incentives. Some of these include:
• free access to foreign exchange;
• no license requirements for imports;
• full remittance of dividends;
• corporate tax rate of 35%;
• generous tax allowances including 40% allowance on new buildings & machinery, additional 15% allowance for investments in designated areas;
• up to 20% allowance for used buildings & machinery;
• 50% allowance for qualifying training costs;
• 100% deduction for manufacturing company operating expenses during the first 18 months and transport tax allowance equal to 25% of international transport costs (Malawi Investment Promotion Agency).

However, there are no specific incentives that promote private investments in protected areas. This is evidenced by complaints of Tourism Operators in Malawi who indicate that "Malawi is one of the most overtaxed tourism industries in the SADC region and as a result one of the least successful. Unlike other countries, there is no incentivisation and no tax breaks here in Malawi" (Badenoch, 26th September 2002).

3.2 Political stability

Political stability is very important for encouraging long term investments in protected areas. War disturbs both investments and any meaningful development within a country. During war, protected areas are habitats of rebel fighters, making it impossible for the private sector to make any investments. Malawi experienced total demise of the entire elephant population and other animal species in Majete Wildlife Reserve during the war in Mozambique in the 1980s.

3.3 Long term tenure security

Most private companies believe that they can only invest in protected areas if there is clear long term tenure security to allow for full recovery of investment costs on capital and to generate some reasonable
profit margins. The Government of Malawi is aware of this as exemplified from the first ever concession agreement signed between the Government and the African Parks (Majete) Limited to manage Majete Wildlife Reserve for 25 years with a possible extension (Wilson and Morgan, 2003).

3.4 Clear rights and responsibilities

The clarification of rights and responsibilities in concession agreements is very important if the private sector is to invest in protected areas. For example, African Parks (Majete) Limited has the right and responsibility to manage the protected area in a sustainable manner and make its own decisions on the utilization of the protected area and its resources. To quote, some of the responsibilities and rights of the company:

“…shall include park management including but not limited to road and building construction, maintenance, fencing construction and maintenance, fire breaks, burning programmes and other range management practices such as mowing of grass, water provisioning, culling, tourism and visitor use management, game sales, game introduction, community involvement, concession term, sourcing donor funds, administration, private leases, staff management, problem animal control, fishing, boating, hunting quotas, trophy fees and hunting operations, all of which will be executed in an environmentally sound manner and in accordance with the best conservation and business practice and in compliance with the Wildlife Policy of Malawi and the National Parks and Wildlife Act” (Wilson and Morgan, 2003 p5).

Clear rights and responsibilities give the investor commitment, trust and confidence to fully invest in a business. As of August 2003, African Parks (Majete) Limited had already started to fully invest in the reserve. Construction of quarantine fence for animal translocation had already begun, expecting the first translocation of animals before the end of August 2003.

3.5 Promoting public relations

Most private sector investors are motivated to invest more if their business is promoted and their efforts recognized. Such recognition is the first step to maintain long lasting relationships and continued investment within protected areas. Recognition by government and the general public have been in the form of sign boards, certificates and promotional material in the mass media.

3.6 Clear benefits from conservation efforts

The private sector aims at generating profits from any business undertaking. Therefore, to attract private investments in protected areas, the profitability of such investments should be clearly focused. As in the case of African Parks (Majete) Limited, the agreement stipulates that:

“…the Company shall be entitled to any income arising from the management of the reserve including, but not limited to, entrance fees, tourism, concession income, lease repayments, hunting revenues and proceeds from the sale of game and animal and plant by-products. The major generator of income for the Company is expected to be from tourism” (Wilson and Morgan 2003).

CAWS has re-invested in Liwonde National Park because the economic benefits of investing in the park have been very good; they also intend to renew their contract (Piriminta, June 2002).

Benefit should be translated beyond financial gains. Some investors such as Illovo Sugar Company operating in Nhango Sugar Estate continue to invest in Lengwe National Park to keep problem animals,
especially buffaloes, at bay. The Company provides water for animals and maintains fence around the park to keep problem animals inside, which would otherwise damage the sugar plantation adjacent to the park.

Pure satisfaction and national duty is another benefit compelling some private investments made in protected areas. Most private conservation organizations, including WESM, and green companies have invested in protected areas to fulfill their national mandates and to be part and parcel of the development process.

3.7 Promote mass awareness about protected areas

Potential private investors feel that most protected areas are “suffering in silence” because problems and challenges facing those protected areas are not publicized. For example, none of the protected areas in Malawi has ever organized field days for the private sector. As such, few of the problems facing protected areas are known by the private sector, making it difficult for the private sector to invest in protected areas. Protected area managers need to be proactive in mobilizing private resources to assist the management of protected areas.

4.0 Necessary mechanisms for protected areas to benefit from private investments

Protected areas can only benefit from private investments if the following mechanisms are in put in place.

4.1 Political Commitment

Both the private and public sector agree that unless the government is serious and committed to the implementation of protected areas and environmental policies in Malawi, the private sector will not have the motivation to invest in protected areas. Therefore, the government needs to commit itself to fully implement and enforce conservation policies and their related bills.

4.2 Financing mechanisms

In Malawi, the channeling of financial resources to benefit protected areas has been problematic. If financial resources are channeled through the government’s Central Treasury, the funds do not benefit the intended protected areas. To ensure that funds benefit the intended protected area, it has been found appropriate to channel funds directly to an individual protected area. This explains why most private sector investors have been dealing with individual protected areas; and most assistance to protected areas has been in kind rather than in hard cash. If it is hard cash, the protected area has been advised to open a separate bank account. Unfortunately, most protected areas do not have the legal mechanism to facilitate this process. Some possible mechanisms include the following:

4.2.1 The National Parks and Wildlife Fund

The National Parks and Wildlife Bill (1992) proposes the National Parks and Wildlife Fund as a conduit through which financial resources can be mobilized for the purpose of “development, promotion, management and administration of national parks and wildlife reserves in Malawi.” At the national level, any funds received by the DNPW would be invested in this Fund. However, implementation of this fund has not materialized.

4.2.2 Special Funds through Retention Scheme

At the protected area level, individual initiatives to establish Special Funds have been attempted. In Nyika National Park, a retention scheme was established to retain a position of financial resources from the park for its development. In Liwonde National Park, the first initiative to establish a separate fund...
started in the early 1990’s when WESM proposed the establishment of the Liwonde Management Fund. Signatories to the specific fund originate from various stakeholders -- the public, private and local communities -- to ensure that principles of accountability and transparency are adhered to. In some situations, the private sector has channeled funds through Non-Governmental Organizations to individual protected areas. For example, the Electricity Supply Commission of Malawi (ESCOM) provided funds for research and management activities of Majete Wildlife Reserve during the construction of the Kapichira Hydro-Electric Power Plant through WESM in the 1990s. In turn, WESM distributed the funds to the Department of National Parks, Forestry Department and the National Herbarium and Botanical Gardens to implement specific activities in the reserve.

4.3.3 Trust Funds

Establishment of Trust Funds: There is a general agreement that every protected area should have its own Trust Fund. Nyika Trust has been established through the Nyika Safari Company. In Malawi, the first step was the establishment of the Mulanje Mountain Conservation Trust (MMCT). The MMCT is meant to provide sustainable financing mechanisms for the management of Mount Mulanje Forest Reserve. The first endowment will come from the Global Environmental Facility through the World Bank. Meanwhile, the MMCT has started to implement some management activities in the reserve.

Liwonde National Park, with support from the Frankfurt Zoological Society, envisages having a £7 million Trust Fund in the near future (Thamala, personal communication, 2003). The same applies to the protected areas in the Lower Shire, namely Lengwe, Mwabvi and Majete, which have established various Natural Resources Management Trusts around protected areas.

The Malawi Environment Endowment Trust (MEET) established in the late 1990s is financing a range of environmental programs in Malawi. As of August 2003, MEET had US$1.2m in endowment. MEET provided MK3m (US$30,000) for the construction of a 20 km boundary fence at Liwonde National Park (MEET, 2002).

4.3.4 District Environmental Fund (DDF)

Under the Decentralization Policy, districts are mandated to establish a District Environmental Fund. This Fund can receive funds from various sources, including the private sector, for the purpose of managing the environment in that particular district. However, such funds are not specific to protected areas and may be used for other environmental issues in the district. Secondly, the capacity of District Assemblies to manage the DDF is still inadequate in most districts.

5.0 Institutional arrangements necessary to attract private investments

There are three main institutional arrangements that may be necessary to attract private investments to benefit protected areas. In order of priority, these are:

1. Awarding management concessions to private operators
2. Collaborative Management with various stakeholders
3. Government as the sole manager of protected areas

5.1 Awarding Concessions for the management of protected areas

The general opinion is that the business of managing protected areas should be left in the hands of the private sector. First, the private sector has the financial managerial skills plus commitment to resource protection and conservation. Second, the private sector is able to take into account social, economic and ecological considerations when managing protected areas. Third, it is argued that
protected areas aught to be managed as a business to generate enough financial resources and that government lacks the financial muscle to do so. Furthermore, it is argued that governments should be responsible for monitoring, enforcing the law, and collecting taxes and fees rather than implementation and doing business.

It is against this background that the Malawi Government is experimenting with the first concession agreement with the African Parks (Majete) Limited to manage Majete Wildlife Reserve (Wilson and Morgan 2003).

A successful story of a privately owned protected area is the Nyala Park managed by Illovo Sugar Company in Chikwawa District. The park, 300 km², is one of the best managed protected areas in Malawi having a rich diversity of wildlife. It is the only park in Malawi having giraffes and gnu. The park generates income from visitors and the sale of live animals.

### The Case of Majete Wildlife Reserve

Majete Wildlife Reserve is located in Chikwawa District, to the South West of Blantyre in Malawi. It lies on the western Mozambique Border to the west of the Shire River, which runs from Lake Malawi to the Zambezi River in Mozambique. Covering an area of approximately 780 Km², it is dominated by low hills, separated by many streams draining into the Shire River. The dominant vegetation type is *Brachystegia* Woodland, with denser patches of forest along streams and the Shire River. The Reserve used to be home to elephants, *samango* monkey, sable, kudu, hartebeest, waterbuck, bushbuck and duiker. Crocodiles and hippos occupy the stretch of the Shire River. Majete used to be the only place in Malawi where rock *pratincoles* dwelled. They used to nest on islands of rock above Kapichira Falls along the Shire River.

However, most of the large mammals have been hunted down to zero due to heavy poaching. Illegal tree cutting for timber, curios and charcoal is evident in some pockets of the reserve. Development of the Kapichira Falls into a dam to generate electricity has also occurred. The habitat of the rock *pratincoles* was submerged by the dam, causing their nesting place to disappear. Current conservation is focusing on communities living in the fringes of the reserve. It is hoped that the Concession Agreement awarded to African Parks (Majete) Limited will bring back some life to Majete Wildlife Reserve.

### 5.2 Collaborative Management of Protected Areas

The Malawi Wildlife Policy (2002, p16) states that “…collaborative management involves the sharing of accountability and decision making as well as costs and benefits between all interested parties. Stakeholders must assume clearly defined rights and responsibilities”. The policy seeks to negotiate and share responsibilities with stakeholders in a transparent manner. In this process, the private sector should be fully involved in identifying their roles and responsibilities, rights, benefit sharing, decision-making and conflict resolutions issues. Co-management is good because it increases the effectiveness of protected area management through shared experience, knowledge and resources; increased public awareness; and in lessening the management burden on park staff. However, the process of creating a viable co-management system demands heavy costs.

Once a Co-management system is put in place, a Natural Resource Management Trust with a constitution is established, charged with the responsibilities of overseeing the management of the protected area, receiving funds from different sources, and ensuring that benefits accrued from protected area management are shared equitably amongst the various stakeholders. The private sector can channel resources through these Trusts.
5.3 Government as the sole manager of protected areas

There are merits and demerits of government management of protected areas. The private sector is quick to point that it is difficult to do business with the government. There is little commitment from the government to sustain management operations in the long term. Therefore, many people support the idea of transferring protected area management to the private sector while charging government with the responsibility of monitoring, enforcing the law and collecting fees and taxes.

6.0 Conclusions and Recommendations

6.1 In Malawi, there is clear evidence that private sector investments in protected areas can make a very big difference. However, there are still some challenges that the government must deal with for effective private sector investments. These include:

- **Lack of specific protected area investment incentives.** While general investment incentives exist, these continue to change every financial year. The protected area and tourist sector would require stable, long term incentives to attract investors to establish the required infrastructure and generate revenue from such investments.

- **Cross-cutting issues:** Malawi continues to face threats to the environment due to encroachment and poaching as a result of poverty, high population growth rate and the impacts of HIV/AIDS. Thirdly, there is economic instability as a result of several economic and environmental factors and due to poor governance.

6.2 The government must ensure that preconditions for private investments in protected areas are improved and maintained. These include:

- Creating an enabling policy environment that attracts private investments;
- Maintaining political stability;
- Arranging for long term security of tenure;
- Creating clear rights and responsibilities for investors; and,
- Creating and maintaining good public relationships with the private sector.

6.3 The private and public sector should agree on the best mechanisms that would ensure that protected areas benefit from private investments. This would require:

- Political commitment from the government to accept changes and implement such changes, and,
- Creating and sustaining viable financing mechanisms for protected areas.

6.4 Finally, the government should consider awarding concessions to the private sector to manage protected areas or enter into collaborative management arrangements with stakeholders to attract private investments in protected areas. The government should also let DNPW have the responsibility of enforcing the law, setting management standards, monitoring, and collecting fees and taxes.

Abbreviations

CAWS Central African Wilderness Safaris
DNPW Department of National Parks and Wildlife
J&B Justerini and Brooks
MMCT Mulanje Mountain Conservation Trust
NFPS National Fauna Preservation Society of Malawi
WESM Wildlife and Environmental Society of Malawi
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