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Managing National Parks

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How Public-Private Partnerships Can Aid Conservation

Positive experience with public-private partnerships in nature conservation in Africa shows that they can improve service through professional management and marketing, reduce the need for public subsidies, and mobilize capital for investment in park infrastructure and biodiversity. The best choice of structure for such partnerships depends mainly on the capacity of the incumbent public park agency.

Global spending on protected areas amounts to around US$6.5 billion a year, while estimates of the amount required to fully support conservation range between US$12 billion and US$45 billion. Less than 12 percent is spent in developing countries, which often have the greatest biodiversity. In fact, over the past decade many developing country governments have cut their budgets for protected areas by more than half. International aid for biodiversity conservation has also declined. As a result, protected areas in developing countries receive an average of less than 30 percent of the funding estimated to be needed for basic conservation management.

Many national parks in developing countries exist only on paper, lacking enough funds to pay for staff salaries, patrol vehicles, or wildlife conservation programs. Insufficiently protected, these parks are vulnerable to poaching, deforestation, and agricultural use by local communities. How to protect their valuable biodiversity? Responsible commercialization through public-private partnerships provides an important solution. But such ventures need to perform a range of functions requiring a broad set of skills (figure 1).

What are the policy choices?

As the creation of new protected areas has outpaced governments' ability to provide adequate financial resources, some park agencies have developed autonomous models that allow a more businesslike management approach and greater financial independence. And some governments have entered into public-private partnerships. These partnerships fall into two broad categories, with different levels of responsibility and risk for the private partner:

- *Traditional tourism partnerships.* The private partner uses the government's (natural) assets to provide services and generate income, such as by operating shops, lodges, and restaurants.
- *Biodiversity management partnerships.* The private partner performs a public function on behalf of the government, such as the con-

Figure 1 The range of functions in managing protected areas

Establishment	Restoration	Operation	Biodiversity management	Service provision
Land purchase Expropriation and compensation Identification of boundaries and proclamation of park Assessment of restoration needs Evaluation of commercial potential	Creation of basic park infrastructure (fences, gates, roads) Engagement of local communities Restocking with indigenous species	Fire management Maintenance of fences, roads, and equipment Law enforcement, community programs	Breeding, culling Stocking Environmental research Removal of alien flora and fauna	Lodging, restaurant, and marketing services Outdoor activities Filming, photography Education Licensing management

servation of public natural assets in protected areas.

Which option is most appropriate depends mainly on the technical and managerial capacity of the incumbent public park agency. The needs of the protected area (for environmental rehabilitation and investment in basic park infrastructure) and the level of support for reform among stakeholders also play an important part.

Autonomous public park agencies

Autonomous agencies are modeled after private corporations, with flat management structures, flexibility in staff compensation, and rewards for performance. They prepare multiyear budgets, set pricing policies, and manage license applications and concession contracts. To reduce their reliance on external funding, they focus on offering creative and innovative services.

Commercially oriented agencies have diversified their funding sources and lessened their reliance on tax revenue transfers from the central government. These agencies have developed such alternative revenue sources as recreation fees, hunting fees, green safaris, endowment funds, for-profit investments, tradable development rights, natural resource extraction revenues, commercial operations in protected areas, airport and hotel fees, wetland and carbon banking, revenue from the sale and trade of wildlife, and voluntary contributions from tourists and tourism operators.

With the ability to raise, retain, and reinvest their own funds, autonomous wildlife agencies have greatly increased their income and thus their capacity to support species conservation. Park pricing studies in Namibia show that tourists are willing to pay park entry fees 25–50 percent higher if an autonomous organization, rather than the government, is responsible for managing park revenues, because they have more confidence that the fees they pay will be efficiently used for conservation.

One downside of this model is the vulnerability of tourism revenue to fluctuations in demand and exchange rates. The Kenya Wildlife Service, for example, lost an estimated US$1.3 million in revenue (roughly 8 percent of its annual budget) when tourism dropped after the 2002 bombings in Mombasa.

Traditional tourism partnerships

South African National Parks (SANParks), created in 1998 from the transformation of the National Parks Board, became a successful autonomous parastatal entity, a leader in the development of the ecotourism industry with high research standards. Yet despite managing some of the world's most spectacular natural assets, SANParks was failing to deliver tourism products efficiently. Service standards were often mediocre, products were poorly differentiated, and prices were not determined by the market. In 1999, following a benchmarking exercise against similar, private operations, SANParks realized that it lacked the skills, incentives, and access to capital that it needed to make the most of tourism opportunities. Deciding that it would not run commercial ventures, but instead focus on its core function of biodiversity management, SANParks developed the concept of "commercialization as a conservation strategy."

Part of this strategy was the concession of exclusive rights to commercial use of lodge sites together with the surrounding parkland. Since starting to implement the strategy, SANParks has concessioned 12 lodges, 19 shops, 17 restaurants, and 4 picnic sites to private partners. The 20-year concession contracts for lodges (with no right of renewal or first refusal on expiration) include environmental and social obligations and penalties for noncompliance. The concessionaires pay SANParks an annual fee calculated as a percentage of the turnover bid during the tender process.[1]

In 2004 lodges, shops, and restaurants generated concession fees of US$13.5 million, and lodges attracted private investment of US$42.5 million.[2] SANParks is now independent from government transfers for more than 75 percent of its operating revenue. This is a spectacular financial achievement, even compared with conservation agencies in industrial countries. The commercialization strategy has vastly improved SANParks' standing in the eyes of stakeholders, reduced unemployment in neighboring communities, and created economic opportunities for previously disadvantaged ethnic groups. As a result of this success, the national government increasingly views national parks as a tool for economic development and has stepped up its annual financial commitment to SANParks. Thanks to the increase in public funds and the additional revenue from its partnerships, SANParks has been able to expand the land under its protection by 5 percent in the past 10 years.

Biodiversity management partnerships at the frontier of tourism

In contrast with SANParks, some park agencies realized that they lacked the institutional and financial resources to undertake biodiversity management themselves. For this reason some have chosen to enter into long-term concession contracts with private partners, delegating conservation and biodiversity management activities as well as the rights for commercial use of parkland.

Some of these contracts are with African Parks, which was created in 1999 as a private company by a group of senior SANParks employees and is now a foundation controlled by a wealthy conservationist. In 2003 African Parks started to develop partnerships with African governments to manage and finance protected areas. Within two years the company had signed six concession contracts in the Democratic Republic of Congo, Ethiopia, Malawi, Sudan, and Zambia, with terms of 5–30 years.

African Parks works in countries still at the frontier of the tourism industry. The protected areas for which it assumed responsibility were suffering from decades of neglect, uncontrolled exploitation, and the consequences of wars and famines. The natural environment was degraded to almost irrecoverable levels. To make these parks economically viable, African Parks had to invest significantly in restoring their flora and fauna: without the return of large mammals, tourists would not return.

Even though African Parks has only begun to restore the integrity of the parks under its management, and transport and lodging facilities are almost nonexistent, the results have been encouraging. Revenue from its park in Zambia, for example, rose from less than US$100 in 2002 (before the partnership was launched) to US$42,000 in 2005, with local communities earning an additional US$9,000 from tourism. In addition, the park employs 91 permanent staff (up from 14 before the partnership) and many more temporary employees. The park is now ready for at least one private tourism concession, which will contribute an estimated US$100,000 annually. More than US$2 million has been invested in its rehabilitation.

African Parks has mobilized more than US$23 million in private and public funds for future investments in the parks it manages. Despite the need for grants and donations to fund the initial investment in environmental restoration, the company aims to demonstrate that professionally managed protected areas can be economically self-sufficient.

Biodiversity management on a commercial basis

The size and number of parks it manages in different countries makes African Parks unique. Many small private companies have been created for the purpose of managing a single conservation area. One such company is Chumbe Island Coral Park Ltd. (CHICOP), which since 1994 has managed the first marine park in Zanzibar.

The island of Chumbe is a sustainable model of a protected area run on a commercial basis. The profits from ecotourism are reinvested exclusively in conservation and education for tourists and local communities. The revenues fully cover operating expenses (CHICOP receives no public funding), but are insufficient to repay the initial investment in environmental restoration and tourism infrastructure (around US$1 million, donated by the private project sponsor and by institutional donors).

Thanks to the public-private partnership, the overfished and depleted reef adjacent to the marine park has been restocked and the reef has become one of the richest and most pristine in the region, with 370 species of fish and more than 200 species of coral. The coral "forest" covering the island is one of the last intact in Zanzibar and has become a sanctuary for highly endangered species.

Conclusion

National parks in developing countries are home to the planet's most undervalued natural assets. Responsible commercialization offers a way to capture their significant economic value. Public-private partnerships can play an important part in this. They offer a powerful policy tool for improving the economic sustainability of parks, enhancing the quality of services, efficiently leveraging investment in conservation, and, through all this, contributing to the core function of protecting biodiversity.

Commercially managed protected areas can generate enough revenue to fully cover operating and maintenance costs. Most do not need operating subsidies to be economically viable. But parks where flora and fauna have been depleted will require significant up-front investment in environmental restoration and basic park infrastructure. Ecotourism is a competitive market, and parks must offer high-quality or unique environmental characteristics to succeed. Private and public grants are needed to finance this initial investment. Project finance won't work because natural parks generate too little income to repay the capital investment.

The vulnerability to fluctuations in the tourism market, the primary source of income for commercially managed parks, can be mitigated by developing a basket of complementary revenue sources, creating reserves, and ensuring guaranteed access to funding sources of last recourse.

Within a national system of protected areas a diversified funding strategy makes it possible to focus public resources on the protected areas that cannot be self-financing but are critical to achieving the system's biodiversity objectives.

Notes

1. To guarantee the transparency of the process and safeguard public interests, SANParks contracted the Private Sector Advisory Services unit of the International Finance Corporation as lead adviser. All concessions were subject to a minimum rental payment equal to 65 percent of the fees projected in the bid offers, to discourage "overbidding."
2. Exchange rate and values are as of March 31, 2004.

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