



Jumiko la Maliasili Tanzania

Tanzania Natural Resource Forum

INFORMATION ON WILDLIFE IN TANZANIA

**Wildlife for all Tanzanians:
Stopping the loss, nurturing
the resource and widening the
benefits**

BRIEF 3

MAXIMIZING REVENUES FROM SUSTAINABLE WILDLIFE UTILIZATION

MAIN ISSUES:

- ⇒ Wildlife is one of Tanzania's most valuable resources and a key source of competitive economic advantage to the nation.
- ⇒ To obtain the greatest economic returns on wildlife, it is important to promote open market competition with safeguards for access to wildlife through activities like tourist hunting and photographic tourism.
- ⇒ The problem of under-valued tourist hunting concessions cannot be fixed by the government raising the fees payable for concessions and individual animal trophies. Neither the government nor the hunting companies know what the 'right' price should be. Only the open competitive market can determine the 'right' price.
- ⇒ Photographic tourism and tourist hunting are alternative ways of utilizing wildlife. Hunting generates more revenue from every visitor, but photographic tourism can expand and grow much more than hunting.
- ⇒ Hunting tourism will continue to be important particularly in lower potential wildlife tourism areas where it remains the best wildlife use option.
- ⇒ In areas where there is high tourism potential it is much more economically productive for the wildlife to be used for photographic tourism. Tourist hunting can be carried out with photographic tourism with the right arrangements.
- ⇒ The Wildlife Division needs to be funded fairly and properly resourced for it to effectively manage wildlife in partnership with the private sector, communities and civil society. Currently, there is insufficient re-investment in the wildlife sector outside protected areas.

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Tanzania's wildlife and wild landscapes are unique natural assets in today's world. However the resource is not being managed in a way which generates the most benefits for the nation. This brief examines why this is so and what can be done to maximize national benefits from wildlife.

Wildlife can contribute much more to national economic growth

Tanzania's wildlife populations, which are greater than any other country in Africa or the world, are valued by the photographic tourism industry and the tourist hunting industry. Wildlife is therefore a source of **competitive economic advantage** to the nation. This means that Tanzania has natural characteristics which make it better than other countries at producing wildlife, and selling it to the world through photographic tourism or tourist hunting. While Tanzania has other valuable sources of revenue and trade, such as coffee, flowers, and cashews, it is much easier for other countries around the world to compete with Tanzania in terms of trading these products.

For example:

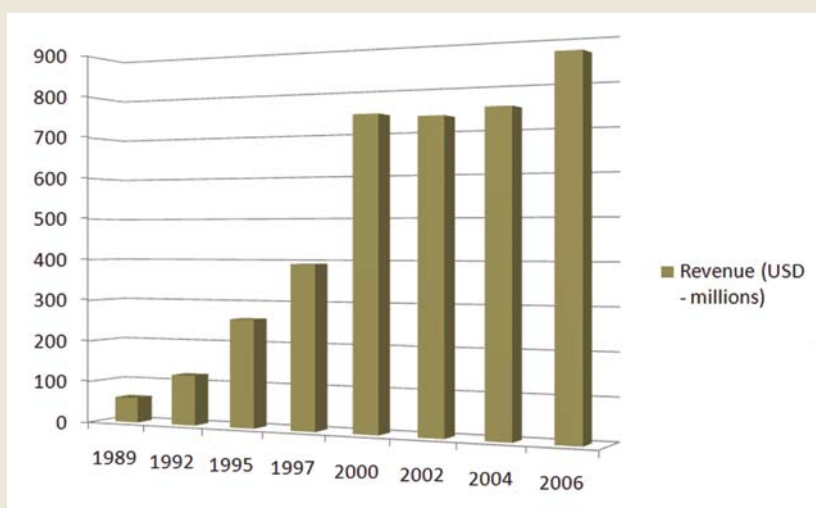
⇒ Some other countries can produce more coffee or cashews per hectare than Tanzania can because of differences in climate, crop diseases, and production technologies.

⇒ During the 1990s the price of coffee in Tanzania declined dramatically because other countries greatly increased their production in areas with very favourable environmental conditions for coffee.

Wildlife is currently one of Tanzania's most valuable natural resources. It is the key asset in a tourism industry worth an estimated USD 862 million (TZS 1.03 trillion) as of 2006. Tourism has been one of the key drivers of macro-economic growth and economic recovery during the past twenty years (see Figure 1). Through tourism, wildlife is a leading contributor to Tanzania's growing reserves of foreign exchange. The Tanzanian government is currently attempting to boost earnings from tourism, including new efforts to market the country's tourist attractions.

No country in the world has a natural competitive advantage when it comes to wildlife. No country can all of a sudden start producing more wildlife than Tanzania because Tanzania has a natural competitive advantage by virtue of its ecological richness. Because Tanzania has this competitive economic advantage with respect to wildlife, a logical objective of wildlife policy should be to maximize the economic returns on this natural asset.

Figure 1: Total revenues from tourism in Tanzania, 1989-2006



Source: Ministry of Natural Resources and Tourism (MNRT), Economic Survey, 2006



Many sectors of the economy, such as aviation, directly depend on the Wildlife Sector

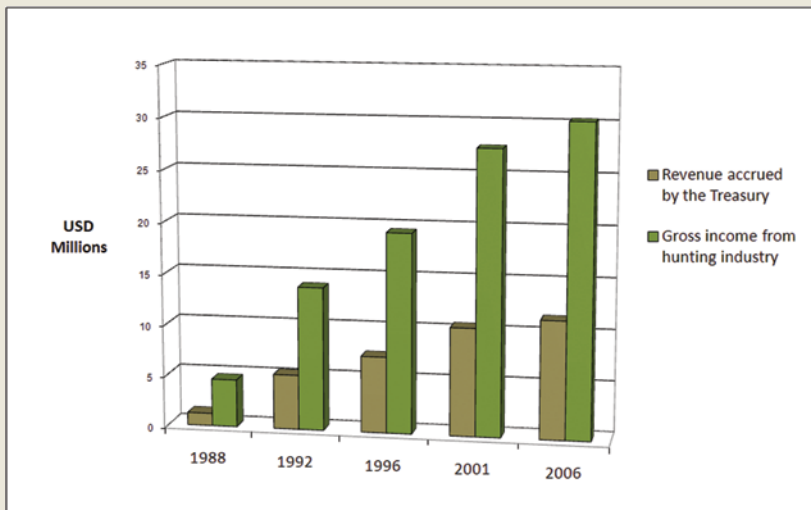
Wildlife also provides the basis for **Tanzania's tourist hunting industry**, which is one of Africa's largest national hunting industries (behind only South Africa's) and which generates an estimated USD 30 million (TZS 36 billion) in total annual revenue (as of 2006), including about USD 11 million (TZS 13.2 billion) in estimated direct government revenue (see Figure 2). About 250,000 km² are used for tourist hunting (see Figure 3) - nearly one-third of Tanzania's

total land area - including nearly all of Tanzania's Game Reserves and numerous areas outside of state protected areas. Hunting blocks are issued on five year leases granted and administered by the Wildlife Division; current leases expire in 2009.

One of Tanzania's main policy goals, at the national level, is maximizing wildlife's sustainable revenues and income to the economy. In order to achieve this there two basic management issues which must be considered.

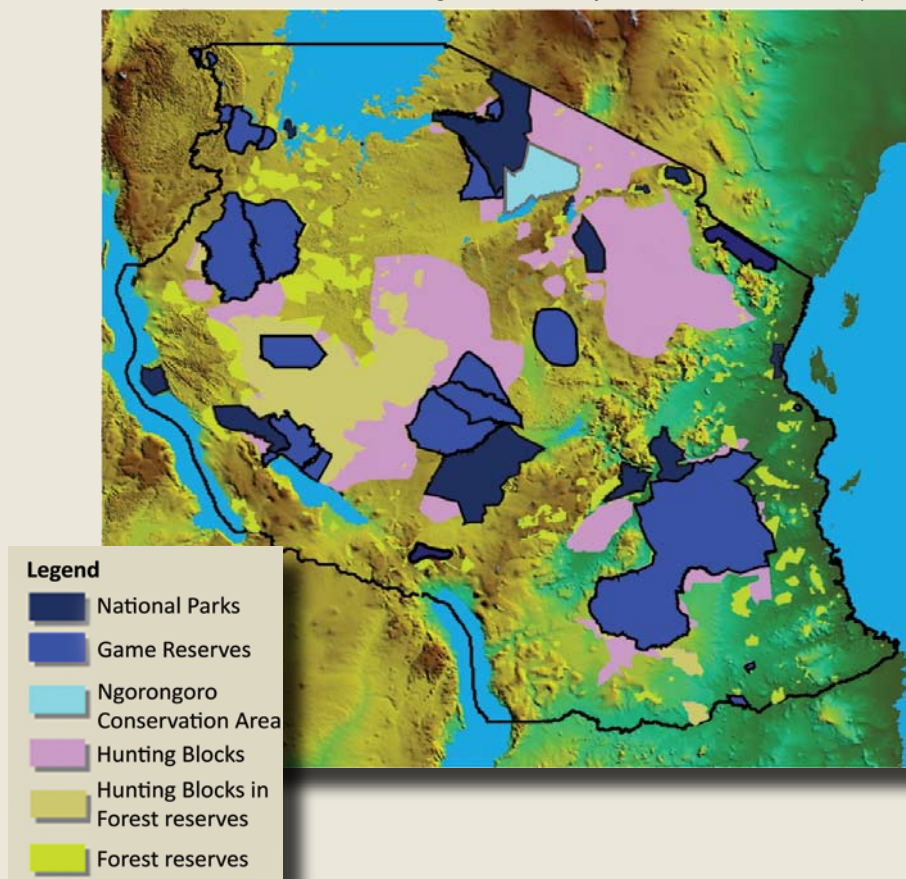
1. Are hunting concessions allocated in a way that leads to the most revenue being generated from sustainable wildlife utilization?
2. Is the pattern of wildlife utilization, including the balance between photographic tourism and hunting, being considered in a way which maximizes wildlife's economic returns to the nation?

Figure 2: Estimated income from tourist hunting, 1988-2006



Source: MNRT Economic Survey, 2006; Baldus & Cauldwell 2004; Lindsey, et al 2007

Figure 3: Wildlife protected areas in Tanzania in 2004 (note that all Game Reserves have hunting blocks except the northern Selous)



Hunting Concession

Leasing Procedures

It is a basic economic principle that open competition between buyers for the purchase of a product results in the market determining the best and most accurate price of that product. That is why, for example, local livestock herders in Tanzania take their livestock for sale at weekly markets - so that they can get the best possible price by selling their produce in a public competitive marketplace. This is called the '**law of supply and demand**'.

Tanzania is one of the only countries in east and southern Africa that is not using the principle of economic competition to help it get the most revenue out of its wildlife resources. Tanzania does not use open tender or public auctions to allocate hunting concessions, but instead grants hunting blocks administratively by the Wildlife Division, with some input from an 'advisory committee'. Tanzania's system of allocating hunting concessions has two problematic outcomes: **undervaluing wildlife** and **encouraging corruption**.

Competition among hunting operators for the best hunting blocks would lead to higher prices in those high-quality blocks. This is what happened in other countries which use competitive systems like **public auctions** or **tendering systems** - prices rise as a result of supply and demand.

For example:

⇒ The trophy fees for elephants in Zimbabwe increased from USD 1,200 (TZS 1.4 million) in 1984 to over USD 9,000 (TZS 10.8 million) in 1999 as a result of open market competition driving up prices.

In Tanzania, the price for annual hunting block leases was for many years set at USD 7,500 (TZS 9 million), which was well below their market value according to prices in other SADC countries. Similarly, the trophy fees for Tanzania's wildlife were often set at levels well below the fees for those animals in other countries in the region. Realizing that this was a problem, the Ministry of Natural Resources and Tourism raised the hunting block fees and trophy fees during last year's (2007) Parliamentary budget session, with no forward notice. These changes prompted criticism from members of the hunting industry and the fees were subsequently lowered.

The 'take-home' lesson from this experience is that the problem of under-valued hunting concessions cannot be fixed by administratively raising the fees payable for concessions and individual animal trophies. Neither the government nor the hunting companies know what the 'right' price should be.

Only open market competition among the companies for the concessions can ensure that Tanzania maximizes

Box 1: Some key issues in reforming the Hunting Industry

Reforming the hunting industry so that it reflects the true market value of wildlife in Tanzania will need careful preparation by government in consultation with the hunting industry, experts and civil-society. It has been suggested by experts that an **open tendering system with prequalification** may be the best way forward. In designing such a system the following issues need to be considered carefully in terms of how to achieve the following:

- Attract companies with the best track record of management and performance;
- Develop a hunting system that balances economic performance with resource stewardship over an appropriate length of concession period with competitive renewal options;
- Build **performance-driven** long term **partnerships** between government and the private sector with **open monitoring and evaluation against a clear set of criteria**;
- Provide strong incentives for good wildlife and habitat stewardship and the restoration of depleted wildlife and declining trophy quality;
- Attract interest in both good hunting blocks and marginal hunting blocks requiring restoration;
- Regulate ultra-wealthy bidders with little management track-record in gaining inappropriate access to hunting blocks;
- Promote local Tanzanian companies and enable them to gain entry and compete with non-Tanzanian companies;
- Allow companies sufficient flexibility to achieve maximum performance.

the revenue from wildlife hunting. **Only the market knows the 'right' price.** There is a need for safeguards to ensure that the market is operating fairly and efficiently, and has not been distorted (see Box 1).

In the absence of a transparent and competitive system of allocating hunting concessions, there will always be the potential for corruption in the hunting block allocation system. This was the conclusion of a recent report on tourist hunting in the Southern African Development Community by the international monitoring organization, TRAFFIC:

'The failure to adopt a transparent and fully accountable process for the allocation of hunting concessions in government or communal land areas inevitably invites allegations of corruption, cronyism or mismanagement. Concession tender processes should allow for a high degree of competition between safari operators and be designed to ensure maximum financial benefit to public landowners, foreclosing on any potential for 'back door' arrangements or deals that end up rewarding individuals rather than government and/or communal stakeholders.'

Source: Barnett & Patterson 2006

It should be noted that in 1995 the Ministry on Natural Resources and Tourism produced a **'Management Plan for Tourist Hunting'** which called for the adoption of a transparent market-based system for allocating hunting blocks, but this plan was never implemented. **It should also be noted that Tanzania's Public Procurement Act requires that public resources be allocated according to open and transparent tender bidding systems and yet wildlife resources are an exception, much to the detriment of the country's economy.** This also has a negative

Use of wildlife resources is seriously undervalued and therefore this sector is contributing much less to the nation than it could. Despite the potential for maximising returns from wildlife through principles of open economic competition, this is not happening. This creates a heightened opportunity for corruption. Current practices in wildlife management are not maximizing national economic benefits from Tanzania's valuable wildlife resources.



A professional hunter, client and support team with a trophy – an Eland (Taurotragus oryx) in Central Tanzania

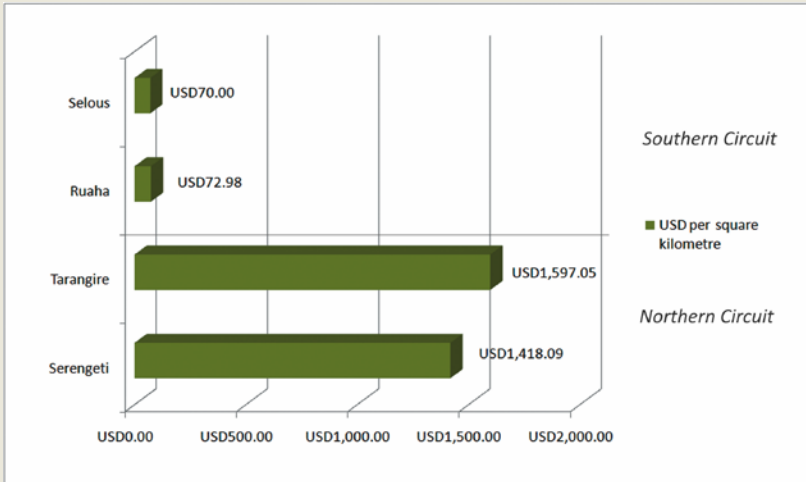
impact on the capacity of the authorities mandated to manage wildlife.

Balancing Hunting Tourism and Photographic Tourism

Tourist hunting, and photographic (or 'non-consumptive' tourism), are two important but, economically and financially, quite different ways of generating revenue and investment from wildlife. Tourist hunting commands much higher fees from each client; a three-week hunting safari with only one or two clients can sell for over USD 50,000 (~TZS 55 million). Even the most expensive luxury photographic tourism packages with accommodation at the most exclusive camps and lodges do not command prices as high as those for hunting safaris. However, hunting can only accommodate a limited number of clients in a given area each year because the number of animals that can be hunted responsibly is limited and only one client group can hunt in an area at any given moment.

Photographic tourism, by contrast, can accommodate many more customers - after all, thousands of people can view or photograph a single lion in the Serengeti, while only one tourist hunter can shoot that lion in a hunting block in the Selous. Photographic tourism is thus lower-priced but higher-volume than hunting. An additional difference is that photographic tourism tends to require more infrastructure - roads, camps, lodges - while tourist hunting can be carried out in areas with virtually no permanent facilities. Photographic tourism, because it involves more visitors, also tends to generate more indirect investments, jobs, and incomes through numerous other services - these are called **'multiplier effects'**.

Figure 3: Direct state income per land area from non-consumptive tourism in Serengeti, Tarangire, and Ruaha National Parks, and from tourist hunting in the Selous Game Reserve



Source: 2006 data from MNRT Economic Survey, 2006;
2003 data from Baldus & Cauldwell 2004

Note: Data from the three National Parks is from 2006, while the figure from the Selous is from 2003.



Photographic tourism is the optimal revenue generator in prime wildlife areas of Tanzania

These differences between tourist hunting and non-consumptive tourism have important implications with regards to efforts to maximize national income from wildlife. In general, **tourist hunting is very important as a way of earning income from wildlife in remote areas** which lack the infrastructure, scenic attractions, and dense wildlife populations that photographic tourists generally demand. **But where photographic tourism becomes established, revenues from increasing volumes of photographic tourists may eventually overtake the revenue that tourist hunting can generate.**

The average revenue from tourist hunting concessions nationwide was estimated in 2004 at USD 40 (TZS 48,000 per km²); in the Selous Game Reserve, the figure is USD 70 (TZS 84,000) per km² (see Figure 3). Based on this figure, the Selous Game Reserve generated about USD 3.3 million (TZS 3.96 billion) as of 2003. Unfortunately, more recent data from hunting block revenues are not available to the public.

By contrast, Serengeti National Park alone, which is the second highest earning park after Kilimanjaro, is reported to have earned USD 21 million (TZS 25.2 million) in 2006, which is more than the total direct income for government from the entire tourist hunting industry. Figure 3 illustrates that parks in the northern circuit earn vastly more revenue per square kilometre of land area than hunting areas such as the Selous in the southern circuit.

It is important to understand these earnings figures and the reasons behind them because policy-makers and wildlife managers (the Wildlife Division and local communities) need to be able to understand the benefits and costs of allocating different areas to tourism or hunting.

For example:

⇒ If the National Parks in the northern circuit were used for tourist hunting instead of photographic tourism, this would result in large losses of revenue. **While hunting remains the most effective way of generating revenue from wildlife in many areas, particularly in the western and southern parts of the country** (e.g. Tabora, Rukwa, and Lindi Regions) where photographic tourism visitors are limited in number at present, as tourism numbers build up in other areas such as the Selous, **it may be economically advantageous to consider converting some hunting areas to photographic tourism.** This has already been done in part of the Selous Game Reserve and the overall area devoted to tourism as opposed to hunting is likely to increase in the future. An **alternative is to combine photographic and hunting tourism in the same area** through careful seasonal and spatial management

These economic issues are also important on village land.

For example:

⇒ Emboreet village in Simanjiro District earns over USD 40,000 (TZS 48,000,000) per year from two tourism ventures located on 156 km² of its village lands, for a yield of about USD 270 (TZS 324,000) per km². All of Simanjiro District's hunting concessions generate for the Wildlife Division an estimated USD 250,000 (TZS 300 million) from over 12,000 km², for a yield of about USD 20 (TZS 24,000) per km² (Kibebe 2005; Sachedina 2006). Clearly, **in village lands where there is high tourism potential - such**

as in the villages adjacent to National Parks such as Tarangire, Lake Manyara, and Serengeti - it is much more economically productive for these areas to be used for village -operator tourism ventures than for tourist hunting concessions. Tourism's economic potential across parts of northern Tanzania is now higher than tourist hunting following the growth of Tanzania's tourism industry for the past two decades.

Under-investment in wildlife management

The insufficient transfer of wildlife use, benefits and management rights as a key factor behind the decline in wildlife populations also can be seen as an under-investment in wildlife management at community level.

Likewise, the level of resources that the **Wildlife Division** is provided with by the Treasury constitutes an under-investment in wildlife management across 250,000km² of Tanzania's wildlife estate. The Wildlife Division has insufficient human resource capacity, management systems and logistics to be able to effectively manage over 250,000km² of wildlife estate. Even with collaboration and support from the private sector, communities and civil society, the task is often daunting. The current situation of poor equipment and facilities, understaffing and low pay are precursors for corruption and under-performance.

Compare the situation of Tanzania National Parks with the Wildlife Division. Tanzania National Parks (TANAPA) is a Parastatal with its own board, management structure and systems, and staff. TANAPA pays 20 percent Value-added Tax on its earnings, and retains

Government figures suggest that:

TANAPA is able to spend about USD1,130 per km² per year on wildlife management, ...while...

Wildlife Division only has access to funds equivalent to about USD24 per km² per year

However,

In 2007 Tanzania National Parks earned TShs 69.0 Billion of which it allocated only 1.8 percent to community conservation services (TANAPA Annual General Report 2007).

Conversely, in 2006 the Wildlife Division earned TShs 15.3 Billion from sustainable wildlife utilisation, and was able to return 12.8 percent back to Districts (Economic Survey 2006).

Why is so little revenue being re-invested in communities and wildlife management - particularly by TANAPA - when wildlife is declining?

the rest for its operations. In comparison, the Wildlife Division receives 25 percent of all income collected from wildlife use outside Tanzania National Parks and the Ngorongoro Conservation Area, and has varying access to an additional 25 percent that goes to the **Tanzania Wildlife Protection Fund**. This fund is not transparently managed and its audited accounts are not publically available.

How can the wildlife sector revenues be more efficiently re-invested in wildlife?

The Tanzanian government is under great pressure to increase revenue collection from natural resources so as to be able to increase the national budget, provide services, and develop infrastructure.

Given that wildlife is one of Tanzania’s most important natural resources and provides the basis for the country’s tourism industry, much greater consideration needs to be given to the current under-investment in wildlife management in Tanzania. Wildlife has a substantial multiplier-effect on increasing economic activity thus broadening the taxation-base of the country.

The wildlife resource-base can be sufficiently re-invested in by a adopting a combination of options:

- ⇒ Allowing the **Wildlife Division** to retain all wildlife user fees and concession fees in Game Reserves
- ⇒ Allowing **communities** (Authorised Associations

and Village Governments) to retain all concession fees on Village Land

⇒ Allowing **communities** (Authorised Associations and Village Governments) to share user fees directly with the **Wildlife Division** from wildlife use on Village Land

This will lead to increasing economic activity and production from wildlife, which can be taxed through Value-added Tax (VAT), Corporation Tax and other taxes. Village Governments and Authorised Associations can also pay VAT as they are bodies corporate under the law.

With more funds being retained by the Wildlife Division and communities for re-investing in wildlife management in partnership with the private sector, there is a much greater chance that wildlife populations will improve. **Better wildlife populations will lead to higher direct revenues for the Wildlife Division and communities and higher indirect tax revenues for the Treasury through increasingly strong multiplier effects.**

It is the responsibility of Government to re-invest in wildlife as a public resource. Given its economic importance, it is ill-advised to continue to ‘milk the cow dry’. It is asking the Wildlife Division, Local Government Authorities, Authorised Associations and Communities to achieve the impossible.

Figure 4: A conceptual diagram showing how income from the Wildlife Sector could be structured. Only indirect taxes are collected by the treasury, while the rest is re-invested in wildlife management and local development

