



OPPORTUNITIES FOR SUSTAINABLE FINANCING OF CBNRM IN MALAWI

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Opportunities for Sustainable Financing of Community-based Natural Resource Management in Malawi: A Discussion

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ACRONYMS

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| ADMADE | Administrative Design (Zambia's community-based wildlife management program) |
| CAMPFIRE | Communal Areas Management Programme for Indigenous Resources |
| CBNRM | Community-based Natural Resource Management |
| CBO | Community-based Organization |
| CDM | Clean Development Mechanism (of the Kyoto Protocol) |
| COMPASS | Community Partnerships for Sustainable Resource Management |
| DANIDA | Danish International Development Agency |
| EU | European Union |
| FDI | Foreign Direct Investment |
| GDP | Gross Domestic Product |
| GOM | Government of Malawi |
| IFC | International Finance Corporation |
| IPA | Investment Promotion Agency |
| JICA | Japan International Cooperation Agency |
| KEPEM | Knowledge and Effective Policies for Environmental Management (Madagascar) |
| MEET | Malawi Environmental Endowment Trust |
| MELISSA | Managing the Environment Locally in Sub-Saharan Africa |
| NGO | Non-Governmental Organization |
| SADC | Southern African Development Community |
| UK | United Kingdom |
| UNEP | United Nations Environment Program |
| UNCTAD | United Nations Conference on Trade and Development |
| USAID | United States Agency for International Development |

Opportunities for Sustainable Financing of Community-based Natural Resource Management in Malawi: A Discussion

Background

CBNRM as an approach to conservation and sustainable development has seen increasing adoption in Malawi by donors, government and NGOs. Currently, six Government of Malawi (GOM) Departments in four different Ministries actively promote community-based approaches to natural resource management¹. Seven donor organizations are heavily involved in supporting these efforts² either through provision of funds directly to the GOM or through funding of programs and projects or support to more than a dozen national and international NGOs working in Malawi. The vast majority of financial support for these efforts comes from multilateral or bilateral donors either as development aid or soft loans.

The strong support at present is very encouraging and there has been considerable progress in the past two to three years in developing a policy and legislative framework that is very supportive of CBNRM. Moreover, there has been considerable progress in increasing grassroots awareness of CBNRM promoting field-based initiatives. This notwithstanding, there has been little progress toward reducing the level of dependence on donors when it comes to funding these efforts. As the GOM struggles to relieve its burden of debt through negotiations with the multilateral banks, other lenders and donors, few people appear to have considered the implications of debt relief on the willingness of the banks to provide support in the future. At best the present dependence on donor funds does not augur well for long-term financial sustainability. At worst, the progress made to date could be for naught if short and medium-term donor support weakens.

The purpose of this brief review is not to point out the poor financial underpinnings of CBNRM in Malawi but to explore options for greater sustainability. To do this, we will first examine what aspects of the country's CBNRM program require financial support and, second, what funding sources are potentially available.

Financing of What?

There are three categories of activities that are critical to the successful adoption and implementation of improved natural resource management through greater involvement of community groups. The first is cross-sectoral coordination and oversight; the second is service provision by government, NGOs and the private sector; and the third is support to CBNRM practitioners. In all of these cases, the financial requirements include funding for recurrent operational costs (overhead), capacity building (training) and actual implementation activities. While all of these are essential, it is worth noting that in many instances the

¹ The Departments of Environmental Affairs, Fisheries and Forestry of the Ministry of Natural Resources; the Department of National Parks and Wildlife of the Ministry of Tourism, Parks and Wildlife; the Department of Land Resources Conservation of the Ministry of Agriculture and Irrigation; and the Department of Water Resources of the Ministry of Water Affairs.

² The World Bank/Global Environmental Facility, the United Nations Development Programme, the United States Agency for International Development, DANIDA, the European Union, the Department for International Development (UK) and the German Gesellschaft für Technische Zusammenarbeit. Other donors include the Dutch Government, JICA and independently funded foundations and NGOs.

current trend is for the majority of donor funds to be channeled into covering salaries and overhead and the provision of training and allowances (whether to Civil Servants, program/project or NGO staff or CBOs). Funding of CBNRM activities often represents less than 25% of the budget. Nevertheless, many CBNRM initiatives are successful and one compelling argument is that this is possible because many such activities are not heavily dependent on financial resources. In other words, effective CBNRM does not cost a lot if overhead costs are minimized, if training is limited to what is needed and allowances are not provided as cash incentives to encourage participation or supplement salaries and income³.

We will briefly examine the functions of the key groups involved in CBNRM.

The CBNRM Working Group as a coordinating body: the Working Group was created in early 2000 following approval of recommendations made to the National Council on the Environment. The Terms of Reference of the Group include that it acts as a body that will help coordinate the development and revision of sectoral policies that impinge on CBNRM as well as the implementation of field initiatives. In addition, the Working Group is charged with monitoring the impact of CBNRM on natural resources and on users of these resources. Currently, the USAID/Malawi-funded COMPASS activity provides resources to support Working Group meetings. Since COMPASS is not designed to be a sustained activity⁴, funding for the Working Group's meetings and other functions will eventually have to be sourced elsewhere.

NGOs, government and the private sector providing support services: field-based CBNRM activities are largely supported by government extension services - especially forestry, fisheries and wildlife - and by NGO field projects. At present there is little private sector involvement in such activities. In order to maintain the provision of such services to CBOs and other practitioners of CBNRM, District extension services and the NGOs will require continued capacity building as well as operational support in the form of overhead for salaries, transport and materials. A particularly important function that these groups will have to support is the assimilation of data that will help monitor the impact of CBNRM initiatives⁵.

We believe that the days of major donor support to cover overhead for service provision of this sort are numbered. Perhaps there will always be a requirement for donors to finance basic welfare services while the GOM's revenue base is so limited. In the education, health and certain development sectors there remains limited scope for tapping alternative funding mechanisms. With regard to natural resource management, however, the current trend in Malawi and elsewhere in the region is toward a demand-driven, fee-for-service approach. In effect, service providers are expected to recover costs and to some extent overhead from their customers rather than relying exclusively on public or donor funds to cover their operational expenses. This, however, does beg the question of where the customers obtain the financial

³ Several applications for COMPASS small grants demonstrate this insidious trend: in one instance 87% of the budget for implementing an activity was designated for field and training allowances.

⁴ If fully funded, COMPASS will end in early 2004.

⁵ COMPASS has promoted the concept of participatory or community-based monitoring. This approach is founded on the belief that monitoring is an essential tool for management of any project and that the project implementers must themselves develop clear objectives and interim targets that help measure progress toward achieving performance goals and having desired or anticipated impact. Such an approach helps reduce the costs of data collection for monitoring activities but synthesis and analysis are still essential if the overall impact of CBNRM is to be gauged.

resources to purchase these services when in most cases the community groups are marginalized relative to the cash economy⁶.

An even more fundamental question is whether the extension services and NGOs are actually providing the sorts of services and expertise that are valuable to rural communities trying to address natural resource issues. Providing training on tree-nursery establishment is undoubtedly of value but teaching farmers how to use wheelbarrows and watering cans and how to develop leadership skills is typically a waste of resources⁷. Furthermore, many service providers are not realistic about the capacity of rural communities to sustain their activities. Whether through provision of water-supply pumps, beehives or other equipment and materials, awareness and training must be based on the realization that if sustainability depends on additional funds or outside expertise, the initiatives are unlikely to succeed.

Community-based Organizations implementing natural resource management activities: in reality, depletion of natural resources can only be addressed at the local level through changes in behavior on the part of the resource users. In part these modifications require changes in attitude that may result from increased awareness of the dangers of mismanagement of resources. More importantly, however, people require access to alternative but appropriate technologies or resources that are no more expensive in economic or social terms than those upon which they currently rely.

In effect, the viability of CBNRM in Malawi depends at least in part on the following:

- provision of domestic energy sources that are alternatives to harvesting wood and producing charcoal from community woodlots and natural woodlands at an unsustainable rate;
- incentives to utilize timber and non-timber forest products (wild foods such as mushrooms and honey, building materials, medicines) in a sustainable manner; and
- availability of fish and other sources of animal protein that obviate the need or desire to poach.

None of these are impossible to accomplish provided that there is a genuine will on the part of the community members to adopt new strategies in a way that is socially equitable: those that put in the most effort reap most of the benefits. Moreover, the economic costs are not necessarily overwhelming provided that overheads are minimized and appropriate technologies are promoted.

While CBNRM approaches and activities can be promoted and implemented at relatively little cost in rural communities, we must not lose sight of the fact that there are some 40,000 such communities in Malawi. Even if beehives are made from broken clay pots, if wild-harvested seeds are used to start woodlots or if woodlands are allowed to regenerate rather than be reforested, the cost of promoting and encouraging these approaches and monitoring their impact will require supplementary financial resources. This is particularly true when communities hope to realize tangible economic benefits from the sustainable use of natural resources. While we are unswerving in our belief that such activities hold the most promise

⁶ While the average per capita income in Malawi is about US\$200/annum, it is estimated that almost half the population lives below the poverty line, which is US\$45/annum.

⁷ In some cases, extension officers have provided detailed training to community groups on site selection for tree nurseries when Traditional Authorities have already designated the available sites.

for encouraging CBNRM, we acknowledge that the financial and organizational support required to make such ventures both successful and sustainable are far from insignificant.

Economic Instruments:

At this juncture it is appropriate to review and assess some of the economic instruments that might be used to help achieve sustainable financing of CBNRM in Malawi. While the situation in Malawi differs from many neighboring countries, many of the principles and options for achieving sustainable financing of environmental programs are essentially the same (see, for example, Panayotou, 1994 a and b).

Donor funding: while there is little, if any, sustainability in depending on donor funding of development and conservation objectives, we must be realistic and acknowledge that Malawi will be reliant on such support for the foreseeable future⁸. This notwithstanding, there are opportunities to reduce donor-dependence and some of these are outlined below.

Trust Funds and Endowments: over the past ten years or so, there have been a number of efforts to create trusts and endowments that are capitalized with donor money or other funds. The trusts and endowments are designed to generate sufficient income from investments to cover operating costs and offset inflation and currency depreciation while generating additional capital to fund development activities. Up to 1998, USAID had capitalized 43 endowments around the world to the tune of over US\$620 million: 17 of these had environmental objectives (Page, 1999). Only one of these environmental endowments was in the Africa Region⁹. Current efforts to create the Malawi Environmental Endowment Fund (MEET) are strongly influenced by the lessons learned in this one example - Madagascar.

There is a considerable amount of literature on the subject of establishing the enabling legislative, fiscal and organizational conditions for efficient operation of endowments (P. Jones, 1996; Ellsworth, 1997; Page 1999, Norris, 2000) that will not be summarized in any detail here. Two critical provisions are, first, that the assets of the Endowment should be capable of being invested on the international market and, second, that the Endowment is allowed to operate on a tax-free basis. In Madagascar, for example, meeting these provisions required changes to legislation defining the fiscal requirements and responsibilities of non-profit organizations and relaxation of certain exchange control regulations.

Other important considerations include: first, the level of risk that the Governors and Trustees are willing to allow the Asset Manager to take in his investment decisions; and, second, the amount of investment earnings that are designated for covering operating costs. If endowment fund earnings are used to provide small grants, the investment in terms of staff and logistical field support can be very high¹⁰. In other words, for efficient monitoring and

⁸ It should be noted that donor support needs not to be solely in the form of monetary contributions (whether aid or loans). Provision of technical assistance, in-kind donations such as computers and vehicles are all valuable assets (Moye, 1998).

⁹ The *Tany Meva* National Environmental Endowment Fund in Madagascar was established through USAID's Knowledge and Effective Policies for Environmental Management (KEPEM) Project.

¹⁰ In the first nine months of operations of the COMPASS small-grant facility, it has become apparent that many CBOs require considerable investment in training and support services amounting to about 2 person days per month. Inclusive of overhead costs, this can total about \$6,000 to \$10,000 over the

support to grantees either the number of grants should be small or the levels funding designated for support services must be large.

Options for capitalizing trusts and endowments are diverse. While *Tany Meva* in Madagascar and MEET in Malawi rely heavily on donor funds, sometimes a degree of creativity is possible. The use of Debt Swaps to capitalize environmental trusts has been explored in Indonesia (McManus *et al.*, 1998) and Cameroon (Moye, 1998) and the provisions of the US Tropical Forest Conservation Act (1998) offer considerable opportunities in certain instances¹¹. Unfortunately, the nature of its debt with the US Government does not allow Malawi to make use of this facility.

Other options that are less clearly defined at present include the possibility of using the provisions of the Kyoto Protocol¹² (and subsequent international agreements). The Protocol, through its Clean Development Mechanism, may allow public or private sector entities in developed countries of the North to capitalize funds that promote the conservation of carbon sinks or encourage enhanced carbon sequestration in developing regions that are mainly in the South. The opportunities to obtaining funding for improved forest management or diversification away from Malawi's current reliance on wood energy through trading carbon credits is a distinct though probably distant possibility. The potential for attracting such "investment" for greater rural (and peri-urban) electrification to reduce charcoal use merits further study.

Public funding - taxes, fees and royalties: we must recognize that the weak tax base in Malawi as well as inefficiencies in the collection and management of public funds severely constrain the GOM's ability to support even essential public services. If taxes are to be levied to support critical environmental services and programs, it is essential that these do not act as disincentives to investment that will benefit other sectors or the economy as a whole¹³. In effect, the logical goal would be to tax goods and services that cause environmental damage but not those that are potential targets of investment. In the UK, for example, an escalating "environmental tax" added to the price of petrol has been intended to gradually create incentives for alternative fuels and more fuel-efficient vehicles. If, however, the provision of these alternatives does not meet market demand for whatever reason, increased fuel prices will have a negative effect throughout the economy as transport costs and linked prices increase. In Malawi the possibilities of taxing goods and services that are detrimental to the environment and to conservation of natural resources are limited. Taxes on polluting industries or those that do environmental damage such as mining must be weighed against the economic benefits that such initiatives may have¹⁴.

duration of the grant depending on the period, the amount and type of support needed and the amount of travel required.

¹¹ One hundred and Fifth Congress of the United States of America - H.R. 2879: "To amend the Foreign Assistance Act of 1961 to facilitate protection of tropical forests through debt reduction with developing countries with tropical forests."

¹² The United Nations Framework Convention on Climatic Change (1997).

¹³ President Muluzi was recently reported as urging "those developing investment policies" to make every effort to improve the investment climate in Malawi (*The Daily Times*, September 29th 2000). First and foremost, this responsibility lies with the GOM.

¹⁴ In recent debate over the Internet, some correspondents have argued that mining of bauxite deposits on Mulanje Mountain should proceed regardless of the apparent environmental damage this would cause because the damage can always be corrected at a later date using the profits generated by the mining operations. Regardless of the other economic arguments for and against this project, the

Increased taxation in the tourism sector or duties on the export of wood products and non-timber products are warranted only if they are having a detrimental impact on the resource base. If the commercialization of these products is genuinely ecologically sustainable and socially equitable, the activities should be encouraged through providing economic incentives to business ventures. This notwithstanding, an equitable sharing of revenues is essential especially with the communities that use or harvest the resources or, in the case of wildlife, those that have to suffer the costs of living near elephants or crocodiles that represent a genuine threat to life. Sharing of revenues from park entrance fees with surrounding communities or devolving the right to profit from the culling of animals is currently being explored but more needs to be done.

One example of a natural resource that is being exploited in a way that is not sustainable is the production of charcoal from indigenous woodlands. The domestic demand for charcoal in the largest towns and cities is extremely high but charcoal production and commerce is illegal¹⁵. The possibility of taxing charcoal would presumably have the effect of increasing revenues from the new tax base and, at the same time, make alternative energy sources such as electricity, gas and briquettes more attractive since the increased costs would be passed on to the consumer. Higher energy prices would also encourage greater efficiency in the use of fuel thereby reducing per capita consumption. Having said this, the lessons of the earlier example of energy taxes in the UK should not be missed. If escalating prices are not offset by provision of cheaper alternatives or energy-saving options, widespread public disapproval can result in severe economic disruption. In the case of charcoal in Malawi, the incentive to seek cheaper, uncontrolled but illegal sources of fuel would be even stronger than now.

In some countries, attempts have been made to recover royalties from the use of genetic resources. Some success has been claimed in Costa Rico where the government has sold bio-prospecting rights and introduced a scale of fees based on the final value of any resource that is commercialized. In Central and South America, pharmaceutical companies or their agents undertake most bio-prospecting. The situation in Malawi is somewhat different in that the level of endemism (geographical uniqueness) of plant resources is perhaps not as great as in the rainforests of the Americas. Nevertheless, there are some resources for which Malawi has cornered the market. The several hundred species of cichlids of Lake Malawi are endemic. Moreover, there are several large mammal species that are better represented here than anywhere else. The potential to capture increased revenues from these resources and the ecological impact of doing this should be thoroughly explored¹⁶.

The possibility of channeling some of the revenues from privatization activities into environmental protection and natural resource management should be seriously considered.

concept of post facto mitigation is fundamentally flawed since the real costs of mitigation are unknown. The approach of using replacement cost accounting to estimate the cost of mitigation often demonstrates that there are significant hidden costs than can severely undermine the economic viability of such development activities (see, for example, C.A. Jones, 1996). Under these circumstances, appropriate fiscal measures to guarantee that funds are available to cover the cost of rehabilitation are likely to further jeopardize the project's viability.

¹⁵ The Department of Forestry has not issued the required permits for charcoal production for many years.

¹⁶ At present populations of Roan in Nyika National Park are estimated to be sufficient to allow some offtake for sale though recent attempts to do this appears to have caused some ecological disruption. In the future, there may be a possibility of selling or trading Sable and Black Rhinoceros from Liwonde National Park for translocation to neighboring countries.

Privatization of forest plantations and possibly indigenous woodland could at once both generate substantial revenues and relieve public institutions of recurrent operating costs that are not being recouped.

An important component in the debate on how to generate public funds to finance CBNRM is the issue of decentralization. Certain CBNRM support functions such as the operations of the CBNRM Working Group should logically be financed using centralized funds. At the District level, however, government support services and local initiatives should logically be funded from decentralized accounts. The possible sources of revenues include taxes, fees and licenses, service charges and revenues from commercial ventures. Again, it is important that the economic burden is placed more on goods and services that have a detrimental environmental impact rather than on those that have potentially positive effects. Moreover, it is crucial that neither the true costs of revenue collection nor the provision of services outweigh the sums generated. Privatization of some of these functions, under contract to local authorities, has been shown to increase efficiency. It should be noted that some 80 to 90% of GOM funds currently allocated to local authorities are earmarked for essential services in the health, education and water sectors. Environment and natural resource management will always take a back seat to these sectors, so local authorities will be reluctant to invest in revenue collection and provision of services unless there are tangible benefits after all the costs are taken into account.

Perhaps the most promising approach for revenue generation within the decentralized administrative framework is adoption of a fee-for-service strategy. COMPASS is promoting this through several small-grant initiatives that involve grantees covering some of the costs of providing technical extension services (whether by government officers or NGOs). Clearly in these cases, the funding is still derived from donor support but we believe that provided the CBNRM activities generate some revenues, a portion should be made available for service provision.

Private Sector funding: private sector investment in the environmental and natural resource sectors in Malawi will only occur if the investment climate is improved. High taxes, corruption and excessive bureaucracy will stifle investment.

Africa received US\$10 billion in foreign direct investment (FDI) in 1999, up from US\$8 billion in 1998, with Angola, Egypt and Nigeria in the top three positions. Significantly, natural resources remain the principal attraction, although foreign investment in manufacturing and services has been growing rapidly in recent years. Still, the majority of African countries receive little inward investment. An UNCTAD survey of investment promotion agencies (IPAs) and multinational enterprises found the IPAs believe that investors place more importance on access to global markets, regulatory frameworks and incentives in deciding where to invest. In contrast, the survey found that multinational enterprises place more emphasis on access to domestic markets than on any other factor¹⁷.

In Malawi there are several sectors where opportunities appear to be very good: tourism; certain high-value timber products; a few non-timber forest products; and tourism. It is estimated that tourism and related industries will generate \$27 billion/year by 2010 and that over 30% of GDP in the SADC region will come from travel and tourism. Tourism is

¹⁷ <http://www.unctad.org/en/press/pr2857en.htm> (United Nations Conference on Trade and Development) and IPAnet Briefing - October 2000 (The World Bank).

currently the fastest growing industry in the world and eco-tourism is its fastest growing sector. Malawi with its cultural, ecological and biological diversity and scenic beauty should be poised to make the most of this opportunity. At present, however, economic instability and lack of investment incentives severely constrain growth.

The worldwide market for natural and organic products is growing by leaps and bounds. Malawi should be poised to capture revenues from this but once again there have been few if any inroads. Currently, several hundred tonnes of wild honey are exported from Zambia to overseas markets (largely in Europe)¹⁸. Malawi has not yet entered this market. Herein lies another opportunity to generate revenues from sustainable management of natural resources that does not require heavy investment on the part of donors or the public sector.

Undoubtedly, launching of such commercial ventures often entails significant start-up costs. Facilities are available, however, that provide favorable opportunities to leverage capital. New programs such as the joint EU/World Bank initiative MELISSA (Managing the Environment Locally in Sub-Saharan Africa) and the Overseas Private Investment Corporation's support for US businesses looking to make foreign investments, provide genuine opportunities to promote development. In addition, organizations such as the International Finance Corporation and USAID have allocated funds to support small enterprise development programs. IFC's Small and Medium-scale Enterprise Program (funded jointly with the Global Environmental Facility) specifically targets enterprises that promote the sustainable use and conservation of biological diversity for long-term, low interest rate loans (up to 10 years at an annual rate of 2.5%).

There are several recent examples of private sector developments that have provided compensation for environmental disruption by capitalizing trust funds that promote environmental protection or by creating protected areas and funding their management. The possibility of channeling investment revenues into environmentally friendly ventures by using such mechanisms (rather than having the revenues suffer attrition as they pass through government accounts) should be explored.

Self-financing - income from what? Perhaps the Holy Grail of sustainable financing of natural resource management is the identification of products that can be exploited sustainably and generate tangible, economic benefits. There are few models that we can draw on and still fewer known opportunities in Malawi. We have briefly discussed the possibility of generate significant revenues from ecotourism and perhaps natural products such as honey. There are several others that are just now being explored in Malawi¹⁹

Some 23% of Malawi are officially designated as protected areas - mainly Forest Reserves. These contain large quantities of high-value timber that theoretically could be exploited on a

¹⁸ In virtually all countries of the world where honey is produced commercially, bees require treatment with pesticides to control parasites and disease. Their honey cannot be marketed as "organic". Africa is the exception and European consumers are willing to pay a premium for honey that is organically produced and generates benefits for disadvantaged rural communities.

¹⁹ COMPASS Document 15 - *A strategic framework for CBNRM media campaigns in Malawi* by T. Sneed outlines some opportunities for creating natural resource based businesses. COMPASS is in the process of examining many of these in greater detail by assessing potential markets based on supply and demand as well as viability in terms of production and marketing costs as well as constraints relating to ecological sustainability.

sustainable basis through co-management agreements with local communities. Some timber is selling at prices approaching \$10,000/m³ on the international market. Moreover, the potential for adding value through local processing especially making curios for the regional tourist market holds enormous potential. There are, however, enormous obstacles to be overcome. The market for timber and wood products increasingly demands certification that the products are being harvested sustainably and that the woodlands are managed in accordance with guidelines on social equity. Obtaining such certification is a long and expensive process that will require investment in developing forest management plans and rigorous monitoring systems.

Elsewhere in southern Africa, the commercial exploitation of wildlife resources has funded several community-based natural resource management programs. ADMADE in Zambia and CAMPFIRE in Zimbabwe derive most of their revenues from the sale of hunting licenses. To a lesser extent this also occurs in Botswana and Namibia (see Watson, 1999 for a more detailed description). Since wildlife resources in Malawi are almost all restricted to National Parks and other protected areas, the potential for such ventures is virtually impossible within the present policy framework. Nevertheless, there are some genuine opportunities outside of the protected areas. Crocodiles provide a geographically limited though nevertheless potentially remunerative opportunity to generate revenues from wildlife²⁰. Over the past three years, the sale of crocodile skins has generated almost \$40,000 (1997-1999) with prices reaching \$115/skin (1997) (Cold Storage, pers. com., 2000). The adoption of licensing procedures that would channel some of these revenues back to communities is a distinct possibility with the recent proposed revisions to wildlife management policy²¹.

In the case of all potentially marketable natural resources it is essential to ascertain who will buy the products, how great is demand, what prices can be commanded and what are the true production and marketing costs. It is salutary to realize that in this day of economic globalization, businessmen are scouring the earth for investment opportunities and relatively few possibilities to realize windfall profits have been overlooked. Having said this, it is also important to recognize that even a small revenue stream can be sufficient to encourage local communities to conserve their natural resources and manage them in a sustainable way rather than wasting them for the sake of insignificant, short-term gains.

The potential for community organizations to derive tangible economic benefits for tourism should not be underestimated. We have already mentioned the phenomenal expansion in this sector and its projected rate of growth. How can rural communities in Malawi climb aboard this potential gravy train? The lessons learned in recent years in Kenya and Botswana are very pertinent. Communities must establish themselves as legal entities and to do this properly they must acquire or purchase good legal services. In addition, guidelines and provisions for equitable sharing of revenues must be in place at the earliest stages of the initiatives. Finally, the skills and resources required for the business operations must be in place: in many instances these are services that must be purchased. Of course, another prerequisite is that the group has the legal authority to sell a product or service for which there is a market demand. To date there is just one example in Malawi of a legally

²⁰ See COMPASS Document 18 - *Crocodile and hippopotamus management in the Lower Shire*.

²¹ In early July 2000, the Department of National Parks and Wildlife issued a statement that opens the door for communities to play a substantial role in the management of wildlife in Malawi's protected areas and share the economic benefits. The new policy would require that community groups form legally registered village trusts that would be legally responsible for ensuring that the approved management activities are soundly implemented.

recognized community organization that has been registered in this way: Chembe Village on Cape Maclear. The members of this trust are poised to enter into agreements with businesses that want to invest in tourist development of Lake Malawi National Park that encircles the village. The progress of this group will be watched with great interest by donors and investors as well as local and national authorities... and, of course, their neighbors.

Prospects

In Malawi, the prospects for generating sufficient revenues from internal sources to sustain the various programmatic requirements of CBNRM are undoubtedly limited in comparison to several neighboring countries. Nevertheless, there are numerous opportunities that should be explored. In effect, diversification in the sources of revenues will be essential but this is in itself an economically healthy approach. It has been noted elsewhere that heavy reliance on one source of income (such as elephant-hunting licenses in Zimbabwe) can be a recipe for disaster. In Malawi, the public and private sectors must strive to identify and build on opportunities.

Decentralization of administrative and fiscal responsibilities will not be a panacea. Indeed, preliminary assessments suggest that the economic benefits of decentralization will be very limited in terms of the impact on the central fisc (Schroeder, 2000). This notwithstanding, devolution of decision making and revenue collection does hold the promise of greater accountability and increased impact of the limited financial resources that are destined to support improved management of natural resources. As such, decentralization must be viewed as a genuine opportunity for promoting and implementing CBNRM on a wider stage with a larger cast of actors.

Recommendations

In reviewing the financial requirements for supporting the different aspects of CBNRM in Malawi and seeking to identify various opportunities to generate revenues through assorted economic instruments, there are five principal areas that we feel warrant a concerted effort:

- Provide incentives to encourage investment in eco-tourism - especially ventures that generate tangible economic benefits for communities perhaps through the creation of legally registered village trusts.
- Invest in improving public and community management of natural resources - especially through promoting certification of natural products, which holds the promise of adding significantly to their marketable value.
- Explore win-win possibilities for creating a revenue base from natural resources - especially through greater involvement of the business community.
- Support decentralization of services and assist in building capacity for improved revenue generation and collection: perhaps through privatization of revenue collection functions.
- Support the creation of trusts and endowments capitalized through innovative mechanisms such as the CDM, debt-swaps, and other. While there are undoubtedly economies of scale that militate for limiting the number of trusts, there is also a strong argument for minimizing risks through diversification.

In order to achieve sustainable financing of CBNRM in Malawi, government, NGOs, the private sector and community groups will all have to play a role in investing time, money and other resources in the effort. Without such commitment, the efforts to create a sustainable CBNRM program that promotes the rational use of natural resources for the benefit of all Malawians are unlikely to succeed. We hope that some of the ideas, options and recommendations presented here will encourage all stakeholders to reassess carefully the current situation and strive toward developing a strategy that promises to be able to sustain careful stewardship of natural resources without undue dependence on foreign donors or lenders.

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| Document 7 | Policy Framework for CBNRM in Malawi: A Review of Laws, Policies and Practices | Trick, P. | Dec-99 |
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| Document 12 | Thandizo la Ndalama za Kasamalidwe ka Zachilengedwe (Small Grants Manual in Chichewa) | Mphaka, P. | Apr-00 |
| Document 13 | Njira Zomwe Gulu Lingatsate Powunikira Limodzi Momwe Ntchito Ikuyendera (Guidelines and Tools for Community-based Monitoring in Chichewa) | Svendsen, D. - Translated by Mphaka, P. and Umphawi, A. | May-00 |
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