

Preservation of endangered species by commercial enterprises:  
Where can it work?

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The depletion of the earth's biological wealth results in real costs for the human population. The extinction of species and the loss of biodiversity can result in substantial decreases for the future well-being or even survival of humans. The avoidance of biodiversity loss requires the development of conservation instruments. One of these instruments can be commercial exploitation of the species and the establishment of exclusive private ownership rights in wildlife.

Commercial exploitation preserves the species because they are viewed as financial assets. Commercial exploitation is, of course, not a panacea for the conservation problem. This paper aims to the understanding of the situations in which commercial exploitation can result in species preservation. It proceeds with the assumption that conservation of natural ecosystems is a legitimate policy objective. It is then concerned with the potential of the policy instrument of privatization and commercial exploitation of wildlife to achieve the policy objective of conservation. It is argued that "the key to good policy is to identify the conditions under which an institutional structure is effective in addressing environmental concerns"\*. The paper analyzes the institutional structure that might exist in the environment of an enterprise with a property right in wildlife. It tries to identify the conditions which exist in the environment of such an enterprise, assess their impact on conservation, and evaluate the potential of an enterprise to practice conservation looking at these conditions.

The conditions are presented in the form of twelve questions pertaining to the desirability of a privatization policy. The first five questions address the broader international/national institutional feasibility of privatization. The next six questions address factors that would influence the enterprise's decision on levels of exploitation, and the general financial desirability of such an enterprise to a profit-maximizer. The last question addresses how a national government can assist or restrain an enterprise.

The conditions are developed within a framework, which is also used to analyze three case studies: The African elephant, the Nile crocodile in Zimbabwe and the green iguana in Costa Rica and Panama. The potential of the three case studies for conservation through private ownership is assessed, and found to be substantial, but not lacking in conditionalities. These conditionalities represent the issues that policy interventions should address to influence the institutional setting towards conservation.

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\* Swaney, James A. 1992. Market Versus Command and Control Environmental Policies. *Journal of Economic Issues* 26 (2): 623-633.