



Partnerships for Adaptive Co- Management

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PRESS RELEASE

ILLICIT FINANCIAL FLOWS IN THE WILDLIFE AND TOURISM SECTORS IN SOUTHERN AFRICA

Pretoria, South Africa

11 July, 2017

“We predict that at least \$10 billion could be lost in wildlife-related IFF in 2017 in the eight countries covered in this study. That is roughly 2 per cent of the entire GDP of the eight countries studied.” – Rowan Martin

Resource Africa, whose mission is to promote good governance, sustainable development and effective natural resource management, is pleased to announce the release of a four volume study “ASSESSING THE EXTENT AND IMPACT OF ILLICIT FINANCIAL FLOWS IN THE WILDLIFE AND TOURISM SECTORS IN SOUTHERN AFRICA”.

This study on IFFs in the Wildlife and Tourism sectors in Southern Africa emanated from the TrustAfrica and Open Society Initiative for Southern Africa partnership project “Assessing the extent and impact of illicit financial flows in key economic sectors in Southern Africa”. The project seeks to address the problem of substantial knowledge gaps on illicit financial flows in Southern Africa in three key economic sectors: Mining, Agriculture and Wildlife.

Rowan Martin and Daniel Stiles, the authors, have decades of experience in African wildlife management, utilisation and trade research.

IFFs are illicit movements from one country to another of money or products that are illegally acquired. The money typically originates from three sources in the private sector: commercial tax evasion, trade mis-invoicing and abusive transfer pricing. However, other types of criminal activity can produce IFFs, which, in this study, include the trafficking of live animals and plants and their products and associated corruption (bribery and theft by corrupt government officials) whereby the proceeds end up in another country.

This wildlife trade and tourism IFF study is the first of its kind. As such, Martin and Stiles developed the methodology from scratch. The authors limited their research to eight species groups in developing the trade quantity and valuation methodology – elephants, rhinos, lions, pangolins, crocodiles, abalone, sharks and rays, and cycads.

RESOURCE AFRICA is the trading name of Africa Resources Trust, a not-for-profit company registered in South Africa and incorporated under section 21A of the Companies Act of South Africa

Registration No: 1996/004810/08, Not-For-Profit Registration No: 037-189 NPO

“We used a combination of population modelling, estimated product offtake and open source information on trade to come up with our figures”, said Martin. “We made heavy use of the CITES Trade Database and various TRAFFIC reports to find data.”

The study concluded that for the period 2006-2014, Southern Africa lost almost US\$ 1.5 billion in illicit transfers of funds or products overseas in trade, or close to 50% of the value of all declared wildlife exports.

“If birds, reptiles and other mammal and plant species are included, the losses annually would be in the billions of dollars”, said Martin. “Add to this the forecast IFF losses of \$7 billion or more per annum in Wildlife Tourism sector, we predict that at least \$10 billion could be lost in wildlife-related IFF in 2017 in the eight countries covered in this study. That is roughly 2 per cent of the entire GDP of the eight countries studied.”

Rowan Martin conducted the study on the high profile elephant ivory and rhino horn trafficking and commented, “South Africa has lost almost US\$ 385 million worth of poached rhino horn in 2006-2014. If we added 2015 and 2016, it would be almost half a billion dollars lost to poachers and traffickers. The value of ivory poached and smuggled out was US\$ 342.5 million, or perhaps US\$ 410 million if we add 2015 and 2016. Imagine if this US\$ 900 million total had gone to communities and to conservation.”

Daniel Stiles studied the other species. He said, “Surprisingly, illegal exports of abalone meat made up almost half of the trade IFFs. I estimated the losses at US\$ 720 million, with another US\$ 123 million lost through financial fiddling.”

Stiles added, “Much has been made lately of the lion bone trade, but the total legal and illegal worth in the nine years was only about US\$ 8 million. Only around US\$ 1 million of this was illicitly exported. The illegal export value from pangolins was virtually nil.”

The IFFs in the wildlife tourism sector were much larger, estimated at over US\$ 22 billion in the ten years 2006 through 2015, deriving mainly from tax evasion and trade mis-invoicing, sometimes involving offshore shell companies, as described in the Panama Papers.

Martin and Stiles concluded from their analysis that the main causes of these huge losses to the economies of Southern Africa in wildlife trade were CITES trade bans and the fact that local communities were not empowered to manage what should rightfully be their resources on their land. Trade bans and disenfranchisement led communities to illegally harvest and sell wildlife products to illegal exporters.

Martin summed it up, “We conclude that the only way to mitigate these losses would be to do away with trade bans, bring most species into the legal sector, and establish supply and demand regulatory systems that would ensure conservation of the species while also satisfying legitimate stakeholder interests, primarily those of communities and enterprises that live in association with the wildlife and which share common habitats.”

Media can find the report here: <http://ssrn.com/abstract=2996874>.

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FACT SHEET

Eight countries in Southern African lose:

- almost \$43 million a year on average to illegal rhino horn exports
- about \$38 million a year to illegal ivory exports
- almost \$94 million a year to illegal abalone exports and tax evasion
- about \$4 million a year to illegal shark meat and fin exports and tax evasion
- about \$3.5 million a year to illegal crocodile skin and meat exports and tax evasion
- about \$300,000 a year to cycad illegal exports and tax evasion
- only about \$195,000 a year to lion parts exports, mainly bones, and tax evasion
- there are no appreciable losses to live elephant or pangolin exports
- a total of almost \$183 million a year to illegal exports and tax evasion of only seven wildlife species groups

The species with the highest proportion of illicit financial outflow and second highest financial value is rhino horn at 89%. There have been complete international and national bans on rhino horn trade for over 25 years.

The species with the lowest proportion of illegal exports is crocodile meat and skins at 13.3%, most of that is estimated financial fiddles. International trade has been legal for 30 years.

Abalone meat is legal to export with regulated harvest, but over 40% of total export value ends up as IFF - \$94 million a year - because local coast communities are excluded from resource management, which enables organized crime to exploit the void.

Priority recommendations to curtail wildlife trade IFFs are:

- Southern African countries should develop policies and practices that assign ownership in some form to wildlife in order to confer tangible economic value to owners and preclude a 'tragedy of the commons' situation, which has proven so detrimental to wildlife conservation;
- In cases of wildlife on State or Communal land, and where community rights can be determined, full devolution of decision-making authority and management involving quota-setting and other trade matters should be accorded to defined community groups.

The results of this study do not necessarily represent the views of TrustAfrica and OSISA.

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