# POSTER PRESENTED AT THE ALLIANCES WORKSHOP AT THE IUCN WORLD CONSERVATION CONGRESS ENTITLED:

## "FOLLOWING THE NATURE, WEALTH AND POWER TRINITY TO HEALTHY ENVIRONMENTS AND HEALTHY PEOPLE"

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### Posters Presented By:

1. Peter Coppolillo, Wildlife Conservation Society – Chickens, nutrition and bushmeat in Tanzania.

2. Charles Foley, Wildlife Conservation Society – Conservation easements in Tanzania.

3. David Meyers, Madagascar Bamboo – Bamboo and carbon offsets in Madagascar.

4. Sharon Gordon, Millennium Development Goals Centre, East & Southern Africa - Using incentives for energy and resource management in Kenya

### Panelists:

1. Lisa Naughton, Land Tenure Center, University of Wisconsin

2. Ann Koontz, Enterprise Works/Vita

3. Alice Ruwheza, Forest Trends

4. David Wilkie, Wildlife Conservation Society

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# TransLinks
## Promoting Transformation by Linking Nature, Wealth and Power

## Environment and Poverty efforts in Kenya to get the policy right

### Natural systems under stress

Ecosystem services are key drivers of the Kenyan economy. Fertile soils and water resources for agricultural production, protected areas and the coast for tourism, forestry for timber and fuelwood, and fisheries for food and exports.

Since 1950, Kenya's population has increased from 6 million to over 35 million, putting enormous strain on the natural resources and ecosystem services upon which people depend for their livelihoods and health. Today fewer than 40% of rural families have access to safe drinking water, and life expectancy has declined to 48 years.

How can Kenya slow down, halt or better still reverse the degradation and pollution that is threatening the environment and the welfare of its citizens? The traditional approach of Kenyan governments has been to focus on regulations, which has largely been a failure. One answer lies in the use of economic incentives.


### Incentives rather than enforcement

The Millennium Development Goals Centre for East and Southern Africa is working with the Government of Kenya to explore options for correcting policy failures and providing businesses and individuals with economic incentives to manage the environment sustainably. Designing, implementing and monitoring a number of environmental incentives could contribute enormously to the achievement of UN's Millennium Development Goal 7.

The key to designing and implementing policies in Kenya that simultaneously help conserve the environment and secure local livelihoods, is environmental fiscal reform (EFR), which is an important component of Kenya's new environmental policy that should be launched in 2009. EFR is usually defined as a range of taxation or pricing instruments that can raise revenue and further environmental goals at the same time.

EFR is concerned with the intersection of two large policy areas – fiscal and environmental. Traditionally, this intersection has not received sufficient attention from either environmental or fiscal experts or their respective institutions in most parts of the world. EFR requires that the Ministries of Finance, Environment, Energy and Local Government find ways to work together to develop policies that provide incentives for environmental management that help secure local livelihoods.

### Reforming the power, water and forestry sectors

Kenya's energy sector ought to be a main target for EFR. The country's peak supply is approximately 1,050 MW per day. Currently the country is heavily dependent on hydro power — which is a renewable source but only if one looks after the watersheds — and thermal power, which is based on oil, a non-renewable, imported, increasingly expensive commodity.

During the droughts of 2002 and 2005, power rationing was the norm due to low reservoir levels.

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Given the increasingly unpredictable weather patterns expected with climate change, policies that provide incentives for protecting watersheds would do much to ensure that water flows remain sufficient for energy production to meet demand.

Studies in the 1980s indicated that potential geothermal resources in the Great Rift could generate around 2,000 MW per day of power. This is almost double Kenya's current demand. Though geothermal energy is a renewable resource, high start-up costs and the risk of significant environmental damage during exploration requires that the government provide electricity producers such as OrPower, Tsavo Power, Iberafrica or KenGen with economic incentives to develop geothermal power generation capacity.

The Ministry of Energy, in conjunction with the Ministries of Finance and Environment, should work together to offer the power sector tax breaks for geothermal power development combined with penalties for failure to achieve reasonable energy production and environmental management objectives. This may mean lost taxes for the government in the short-term but will benefit all Kenyans and its environment in the long run. And with sound economic forecasting it could actually be either budget-neutral, or revenue-raising.

A second opportunity for EFR is in the water sector. Kenya is in the process of introducing user-charges for operations using more than 5 cubic metres a day in urban areas and using 20-30m cubic metres a day in rural settings. Charges in the order of US$ 0.00625 per cubic metre are initially being applied in the Rift Valley Basin where commercial and industrial operations are concentrated. Success of this approach will require that charges are applied equitably across the country and that revenues from water use charges are reinvested in watershed management.

A third example of EFR is occurring in the forestry sector under the newly formed Kenya Forest Service (KFS). Plans are under way to bring the charcoal industry into the formal economy. Currently, charcoal production and transportation is illegal though it is economically critical to many rural families and has an estimated black-market value equal to the fresh horticultural product export industry of about US$ 500,000/year. Legalization would allow local communities to own and manage community woodlots and private sector firms to lease national forest lands. Tax revenues from the legalized trade could support the KFS and ensure that charcoal production was sustainable.

## Environmental fiscal reform and nature, wealth and power

The positive impacts of EFR on livelihoods in Kenya are predicted to be widespread and profound. Fiscal policy is one of the most powerful government tools to affect economic outcomes but is rarely used in a consistent and strategic manner to promote simultaneous economic and environmental benefits. It is hoped that Kenya will be a leader in EFR in the region and champion its use in and across different sectors.

## Contacts

Sharon Gordon
Environment Specialist
The MDG Centre, East & Southern Africa
PO Box 30677
Nairobi, 00100, Kenya
S.Gordon@CGIAR.ORG