Lake Naivasha, one of the fresh water lake within Kenyan Rift valley which gets its recharge from Aberdares water towers is the nerve of the horticulture business that contributes to over 10% of Kenya’s agricultural export, generating more than €350 million annually and creating direct employment opportunities for over 30,000 people as well as benefiting above 350,000 people indirectly. The lake also holds the lifeline of the unique and diverse rich biodiversity; private Wildlife Sanctuaries, National Parks which are great tourist’s attraction equally important contributors to the national GDP. Rural communities depend on the lake for domestic water use and livestock as well as fish stocks for livelihoods. Successful operation of the huge geothermal power plant expansion commissioned by the Kenya government in July 2012 at an estimated cost of USD 981 million will depend on the Lake. The immense importance attached to the lake which is a closed ecosystem (with no surface outlet) was the main drive behind PES scheme to sustain development around the Lake and improve community’s wellbeing upstream.

World Wide Fund for Nature (WWF-Kenya Country office) in partnership with CARE-Kenya has been implementing the phased Equitable Payment for Watershed Services (EPWS) scheme in (reference to water services) within Naivasha basin -Kenya since 2006 (implementation phase commenced in 2008). The PES project goal is to improve the livelihoods of Targeted households in the Malewa Catchment area by introducing Payment for Watershed Service. The pro-poor EPWS scheme involves land use transformations by the upstream farmers such as rehabilitation and maintenance of riparian zones, grass strips, terracing along steep slopes, reduction in agro-chemicals use and tree planting to provide downstream users with quality water as environmental services-ES. The aim is to improve water quality, secure livelihoods and habitats for biodiversity and sustainable economic development. The PES scheme is designed to benefit all stakeholders involved; Private-Public sector and local communities to ensure equity and sustainability of the project in the long run. Naivasha PES project involves watershed services as the main business ES and complements Forest services, Biodiversity and Landscape beauty. The PES design involves two Water Resource Users Associations-WRUAs (Turasha and Wanjohi) representing sellers located in the Turasha and Wanjohi sub-catchments of the Malewa River at the western foothills of the Aberdare mountains in Kenya -the main catchment area of the Malewa River crucial for both Kenya’s horticulture and tourism industry around Lake Naivasha and Nakuru Town. The two WRUAs represent
land managers (sellers) while buyers downstream are represented by Lake Naivasha Water Resources Users Association-LANAWRUA.

Initially, Naivasha PES initiative started with 565 pilot farmers, the sellers of ecosystem services and buyers primarily Lake Naivasha Growers Group -LNGG members of LANAWRUA (mainly the commercial horticulture business owners) downstream. The PES scheme which started at slow pace has now gained momentum and interest beyond initial expectations. Buyers of ecosystem services have incentivized land managers (communities upstream) for the last three years. In 20th May 2010, 470 Ecosystem Service-ES providers in two WRUAs were rewarded by receiving USD 10, 000 from LANAWRUA and similarly Wanjohi WRUA received Kshs. 438, 815.16 and Upper Turasha WRUA Kshs. 360,909.57 for 504 farmers (Wanjohi 276 and Upper Turasha Kinja 228) during 2011 reward.

The third payment was done on 21st June 2012 when the two WRUAs received Kshs. 1,151,696 for 784 members (including Kshs.132, 496 administrative costs for the two WRUAs 13% of (784*Kshs.1, 300) as incentive from LANAWRUA. Wanjohi WRUA received Kshs. 586,131 for 399 members while Upper Turasha Kinja WRUA received Kshs 565,565 for 385 members. Each farmer’s incentive voucher was valued at Kshs. 1,300. The 2012 event attracted more stakeholders; Water Resources Authority (WRMA), UNEP, ICRAF, government line ministries (Water, Agriculture and Livestock, Provincial administration, public schools, buyers and sellers (the two business partners) and the WWF as the main project intermediary. The reward event was graced by UNEP representative Dr. Richard Kagwamba. Each speaker at the event underscored “the need to sustain the working innovative scheme to manage natural resources for enhanced sustainable socio-economic development as well as replication of the project countrywide”

The Naivasha PES project now at its scale-up phase has attracted 765 farmers/farms (initially 565). Other than Lake Naivasha Growers Group-LNGG as the main buyer; more potential buyers have joined the scheme including Ranchers and other farmer companies. Benefits include reduced soil erosion, increasing farm productivity an indicator of improved soil fertility (improved food security), increased income for land owners from different on-farm green enterprises on conserved farms, qualitatively observed increase in water clarity-confirming silt load reduction, community acquired skills and knowledge on good land management practices to protect land and water ecosystems for future sustainable agricultural activities, over 46 ha of land under different soil and water conservation structures. Gender equity and involvement of marginalized community in socio-economic development has been realized. The good agricultural practices combined with soil and water conservation upstream has improved quality water flow for down stream users important for commercial enterprises for the buyers of ecosystem services. Private sector other than securing enterprises, also will in the long run achieve high competitive edge in the international market for their horticulture products through recognition by international community for their conservation efforts to promote green economy

The project progress is monitored jointly by buyers/sellers representatives in partnership with WWF as project intermediary and WRMA. Farms are verified for structures implemented as agreed in the buyer-seller contract before payments are done through voucher system. For the purpose of benefit equity, the voucher value is equal for all farmers who have been verified. The voucher is redeemed from selected agro-shops where farmers can purchase farm inputs equivalent to the voucher value. Quality monitoring is done by trained WRUAs members using turbid-meters to record silt load changes in the rivers. Increasing demand by the non PES farmers to join the scheme against low number of buyer has been one of the main challenges. The project is however addressing the challenge by talking to other potential buyers to join the scheme. Other challenges include degraded public land, complex land tenure system (continuous land sub division), low capacity of the institutions involved and lack of policy framework governing PES in the country, though PES has been suggested casually in Kenya’s March 2012 National Water Policy draft Sec. 6.3 (d).