Stakeholders' meeting: Structuring rewards for environmental services in Sasumua

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World Agroforestry Centre (ICRAF) Headquarters, Nairobi - Kenya

Introduction

Following on a previous stakeholders' dialogue held in February 2011, PRESA convened a follow-up meeting to address new hurdles encountered in taking forward the piloting of a rewards-based approach to water resources management in Sasumua.

Research findings by John Mwangi (PhD student) show that soil erosion from land use changes in the Sasumua watershed lead to sedimentation in the Sasumua reservoir, causing NCWSC to incur high costs in water purification. Using a hydrological model, there is evidence that appropriate landuse interventions such as contour grass strips, agroforestry, terraces and grassed waterways located in hotspots within the watershed, can reduce the flow of sediments, thereby improving the quality of water flowing into the Sasumua dam. Since the hotspots are located on privately owned farmlands, a rewards-based scheme should be considered. Cost-benefit analyses demonstrate that this would be cheaper and more sustainable than the current situation.

It had been agreed in the first stakeholder meeting (February 2011) that PRESA supports Sasumua WRUA leaders to develop a proposal to acquire funds from the WSTF for rewarding their members based on implementation of appropriate landuse interventions and reduction in sedimentation. The lessons learned from this piloting of implementing evidence-based watershed PES would be used to inform the enhancement of efficiency in collective management of water resource country-wide.

Progress by PRESA (ICRAF)

- Sasumua farmers had been mobilised (100 farmers)
- An MoU had been drafted between PRESA and WRUA with involvement of WRMA
- Farmers had been assisted to draft a proposal for PES to WSTF.
  The WRUA was to be assisted to draft a funding proposal to WSTF that incorporates PES

Challenge

Taking this route would be problematic since it would position the WSTF as a buyer, contrary to its mandate of funding capacity building. It would also bring into question why the WSTF would be doing this for Sasumua only and not the entire country.

Where then can reward money come from to finance a PES scheme?

Stakeholders were asked to advise on the following options as a way forward for piloting PES.

1. Expanding the mandate of the Water Services Trust Fund (WSTF) to include paying for watershed services
2. WRUA leaders to generate PES money by collecting fees from small abstractors
3. Nairobi water to reward communities for ES as a business case.
   The NWC is unlikely to engage in PES soon unless there is some policy amendment making it a requirement. With its monopoly of water supply with no competition as the only beneficiary of the WS it is unlikely to find it necessary. A good example is the Naivasha case where the water service provider has never agreed to contribute despite a lot of convincing.

   If it were possible to jumpstart the process using funds sourced elsewhere, NWC may jump ship with time and then there should at the same time be some advocacy for policy amendments to legally recognise PES and make PES contributions a regulatory requirement.

Discussion

Option 1: WSTF mandate expanded to pay for watershed services

The WSTF is a pro-poor fund for financing and providing financial oversight, first for capacity building, then for investment. WSTF originates from public funds designated to support public entities e.g., WRUAs. Getting into PES and paying farmers would take WSTF into the private realm, which is outside its mandate. Furthermore, subcontracting WRUA leadership to implement PES would be like a subsidy scheme, which does not exist in the WSTF and would increase management costs.

Option 2: WRUAs to generate PES finance from abstraction fees

WRMA concentrates on collecting fees only from the big abstractors. There are smaller abstractor from which WRUAs could be mandated to collect revenue for watershed management including PES. WRUAs can use WSTF funds to conduct a survey of abstractors, identifying their legal status (permit from the Water Resources Management Authority - WRMA) and quantities of water they abstract. This should be supported with information from WRMA on allowable abstraction thresholds, but currently WRMA is underfunded and under-resourced. Mobile phone money transfer, such as MPESA, could be explored as a way of ensuring accountability of funds. Participants referred to an experiment in the Mara River watershed where this option is being considered though not yet implemented.

However, this option cannot be implemented unless permitted under appropriate policy and legal documents.

Option 3: WRMA to levy extra fees for supporting PES

Some new revenue sources could be levies from infrastructure developments that affect catchment functions, and fines from pollution from shopping centres. A typical example is a fuel station authorized by the National Environment Management Authority, and which was built 200 metres near a dam that WRUAs have worked so hard to improve!

However, policy and legal documents should clearly empower WRMA to coordinate and regulate all actions affecting water resource.

Option 4: The Nairobi Water Company to buy ES

The Company pays multiple levies including 20% of proceeds from sales of water in Nairobi to Athi Water Services Board, which owns the dam and associated infrastructure, 9% to the Nairobi City Council, its main (if not sole) shareholder and abstraction fees to WRMA.

So far the language that the Company understands is in terms of *contractors*, *consultants* and *clients*. The Sasumua WRUA has approached the Company to consider reduction of upstream sources of sedimentation by rehabilitating small dams and piping water to farmers. The company is already considering this. The efficiency of this could be improved by turning it into a co-investment PES approach where the piping of water to farms is conditional on adoption of landuses that reduce sedimentation. Although PES is not necessarily an extra levy and may result in substantial cost reduction in treatment of sediments, the Company can only implement PES if this is clearly stipulated in the policy.

Conclusion

Coming from the above discussions, the key message is that financing a PES scheme for watershed management cannot happen from public institutions or private businesses unless explicit PES statements appear in relevant policies. PES should be embedded into the National Water Resources Management Strategy and explicitly mentioned in the Sasumua Environment Management Plan. Currently, water resource management is being moved from WRMA to the National Land Commission.

Action points

1. A draft paper on increasing the efficiency of water resource management through PES – especially via enabling the retention of abstraction fees at WRUA level - should be prepared and sent to relevant institutions including WRMA, WSTF, Water Services Regulatory Board (WSREB), etc. Forward the draft paper to Permanent Secretaries of relevant sectors, while copying (cc) technical persons. Include a cover letter on an official letterhead.

2. The draft paper should include definitions of environmental services and ‘payments’ and should mention climate variability. It should specify the policy documents to be targeted. Relevant policies include the Landuse policy, Irrigation Policy, Water Policy, Land Reclamation Policy, Forest Act, Agriculture Act, Environment Management and Coordination Act, etc.

3. While water resource management is likely to remain centralized under the National Land Commission, water services will likely be managed at county level.

4. Conduct a high-level meeting to ensure that policy changes are taken into consideration.

5. Have a PES booth at the Annual Water Conference in Feb 2012.

Other business

- Link the PRESA newsletter and research findings from Sasumua with the Mara Catchment Newsletter.
- Link with the Naivasha catchment news.
- Workshop participants were invited by Gibson Kiragu to join a Yahoo Group on watershed management, whose membership draws from 10 countries.

ANNEX

List of participants

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