

CEPF Final Project Completion Report

Organization Legal Name:	Nature Kenya
Project Title:	Water Payment for Ecosystem Service Scheme in Mt Kenya
Grant Number:	66139
CEPF Region:	Eastern Afromontane
Strategic Direction:	3 Initiate and support sustainable financing and related actions for the conservation of priority KBAs and corridors.
Grant Amount:	\$100,000.00
Project Dates:	May 01, 2016 - December 31, 2017
Date of Report:	February 21, 2018

Implementation Partners

List each partner and explain how they were involved in the project

1. Kenya Forest Service
2. Hombe CFA
3. Kabarú CFA
4. Naromoru CFA
5. Ngarendare CFA,
6. Gathiuru CFA
7. Mt.KEBIO SSG
8. KENVO
9. Wetlands International
10. East Africa Breweries Limited
11. VIVO Energy:
12. The Nature Conservancy (TNC)
13. National government
14. County Government of Nyeri
15. County Government of Laikipia

Conservation Impacts

Summarize the overall impact of your project, describing how your project has contributed to the implementation of the CEPF ecosystem profile

The overall impacts of the project were;

1. Private sector players are able to connect business success with sustainable water and electricity supply and are willing to contribute to forest restoration. This was demonstrated by the responses given during the presentation of the Mt. Kenya forest restration business case to private sector stakeholders
2. Businesses are willing to engage. However, the representation in the meetings did not attract sufficient senior level decision makers in these businesses. Also, businesses have not carried out internal analysis to agree their appropriate impactful contributions to water catchment management.
3. Water Payment for Ecosystem Services schemes take a long time to set up, as evidenced from the Upper Tana and Nairobi Water Fund process. With lessons from this project, forest restoration actions have commenced and are implemented ahead of formal PES schemes by the Community Forest Associations.
4. CFAs and CBOs from around Mt. Kenya presented themselves as avenues for delivering forest restoration programs in key national forums such as the national dialogue for ‘mainstreaming biodiversity in sectors of the economy’ which catalyzed the implementation of the Kenya National Forest Program (NFP). As a result, the Minister of Environment agreed to set up a desk at ministry level where CFAs can engage closely with the duty bearers.
5. CFAs and CBOs are an asset for forest restoration in Mt Kenya.
6. The Nature Conservancy is yet to operationalize the Upper Tana- Nairobi Water Fund. When operational, it will cover Mt Kenya where the water flows to the Tana River or is abstracted and used in Nairobi. The TNC is also considering to expand the water fund idea to cover other key selected water catchments in Kenya.
7. It is possible to foster a relationship between CBOs and CFAs and downstream water users over and above the Nature Kenya direct relationship.
8. Trained CFAs and CBOs are willing and able to mobilize financial support from the private sector
9. Businesses are willing to fund CFAs and CBOs that demonstrate financial management capability and delivery of planned targets

Planned Long-term Impacts - 3+ years (as stated in the approved proposal)

Impact Description	Impact Summary
Improved management of Mt. Kenya Forest Reserve area of 199,500 hectares	The project built capacity of 5 CFAs whose membership comprises of households living adjacent to the forest reserve. The CFAs identified degraded areas of the forest that needed restoration. These sites approximately 700ha in size are targeted for restoration. So far the CFAs have restored over 55ha in 2017 and planned to restore an additional 300ha in 2018. As a result, of improved skills and capacity of CFAs, the forest adjacent community now recognizes the importance of continued protection of the forest resource for local and national good. This has improved the management of forest reserve due to continued community engagement where tangible benefits

	received through Payment for Ecosystem Services.
Improved management of Mt. Kenya National Park area of 71,500 hectares	The capacity of 5 CFAs has been enhanced to recognize ecosystem services derived from the forest. An additional 10 CFAs have been reached to raise their awareness on payment for ecosystem services. Kenya Forest Service, Kenya Wildlife Service, Laikipia County and Nyeri County staff awareness on ecosystem services from the forest has been raised. At a national level, private sector players are able to connect business success with sustainable water and electricity supply and are willing to contribute to forest restoration. These effort have resulted to a more informed community that Mt.Kenya forest is important for the sustainability of business, climate regulation and local community livelihood. This will ensure overall management of the Mt.Kenya will continuously be improved for the good of the people and nature.
Flow of KSh 50 million/year from PES scheme supports 2,000 hectares/year of restoration of the forest area in the KBA	Mt.Kenya forest restoration business case was developed, published and presented in a national private sector stakeholders forum bringing together 58 (39men, 19women) participants from 32 companies. The business case illustrated restoration targets of 2000 ha of degraded forest and the projected total financing required of KSh.140,000,000. As a result East Africa Breweries Limited-KBL committed to support the initiative with KSh.8million to restore 100ha of forest in 2017-2018.

Planned Short-term Impacts - 1 to 3 years (as stated in the approved proposal)

Impact Description	Impact Summary
Four upstream community groups engaged as potential sellers of water services	5 CFAs (Ngarendare CFA, Kabarú CFA, Naromoro CFA, Gathiuru CFA, Hombe CFA) and Mt.KEBIO SSG capacity enhanced to engage as sellers of water services. Eight training workshop carried out reaching out to 260 community group representatives (177 men, 83 women) with an outcome of CFA specific forest restoration action plan.
Two downstream water users engaged as potential buyers of water services	A Mt.Kenya forest restoration business case was developed and presented to 32 private sector companies in a national forum, and two county meetings in Kiambu (15 companies) county and Laikipia county (22 Companies). Four business packages were developed and presented to potential buyers of water services (EABL, VIVO energy, TPS Serena, Orange Telkom). EABL adopted the business package and committed KSh.8million as buyer of water services. TPS Serena Hotel, committed to supply CFAs with tree seedlings during the forest restoration season.

Four financing agreements facilitated between downstream water users (buyers) and upstream community groups (sellers)	Nature Kenya brokered agreements between 5 CFAs and KBL where Nature Kenya was pre-qualified as a conservation program service provider to KBL. As a result 5 CFAs received support for establishing and enhancing tree nurseries with capacity of 100,000 trees each. Two CFAs Hombe and Naromoro CFAs signed agreement with Water Services Trust Fund for forest rehabilitation financing of approximately KSh.2.3million.
Restoration process began on 2,000 hectares of forest area in the KBA.	A total area of 775ha of forest was identified for forest restoration by the 5 CFAs. Total financing was secured to restore 150ha of degraded forest. The process to restore degraded forest areas commenced by restoring a total of 55ha was restored through tree planting in 2017. Continued forest rehabilitation/restoration planned to continue in 2018.


Describe the success or challenges of the project toward achieving its short-term and long-term impact objectives

The project recorded the following successes;

- 1. Hombe and Naromoro CFAs received support of KSh. 3.8 million from the Upper Tana Water Services Trust Fund for forest rehabilitation.**
- 2. East Africa Breweries Limited committed KSh. 8 million to plant 100,000 trees within the Ngarendare, Kabaruru, Gathiuru, Hombe and Naromoru CFAs**
- 3. The Kabaruru CFA, through engagements and follow-ups, were able to get Constituency Development Fund funding amounting to KSh.306,000 to fence forest restoration sites.**
- 4. Serena Mountain Lodge donated 5,000 tree seedlings for rehabilitation of degraded areas**
- 5. Twenty community members from 5 CFAs participated in a Community Exchange visit to Naivasha flower farms which illustrated modalities for engaging with local private companies**
- 6. Water buyers pledged to collaborate with the CFA during the tree planting seasons to increase forest cover in and outside the forest through rehabilitation of riparian areas and establishment of more tree nurseries.**
- 7. Commitment from stakeholders to increase surveillance and information sharing in the forest for wildfires during the dry season as well as stopping illegal water abstraction.**
- 8. Local hotels offered to partner with the CFAs by purchasing farm produce from the plantation establishment and livelihood improvement schemes, where the proceeds earned will be used in activities for the conservation of Mt.Kenya forest**

The project also had some challenges faced;

- 1. Lack of a policy framework that provide guidance on how payment for ecosystem services scheme can work**
- 2. Insufficient awareness on what Payment for Ecosystem Services is by the water buyers, and how it is implemented.**
- 3. Lack of incentives to businesses and large water users from government to engage on forest restoration**
- 4. Some of the stakeholders are not aware of the existence of the CFAs and their activities in the forest.**

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5. Limited capacity of local community in knowledge about relevant legislation, i.e. Water Act, Forest Act, etc.
 6. Inadequate resources to facilitate meetings with the local stakeholders.
 7. Both water resources and water users are not restricted to particular forest areas. Some river basins include various forest blocks, and some large resource users are unknown.
 8. Lack of commitment from water buyers.
 9. Conflict between WRUA (Water Resource Users Association) and CFA operations which were observed to be reading from different scripts when it comes to the conservation of the forest.
 10. Over-abstraction of water, caused by limited law enforcement creating loopholes for illegal water abstraction.

Were there any unexpected impacts (positive or negative)?

As a result of this project, a positive impact was achieved where the Minister of Environment and Natural Resources agreed to set up a desk at the ministry level to support Community Forest Associations activities. This desk would provide an avenue to local communities to directly link with the national government which would bring governance closer to the people. This was as a result of CFAs presenting themselves as agents of change in forest conservation and management during a national dialogue meeting on mainstreaming biodiversity to sectors of economy, supporting the government to achieve its conservation objectives,

Project Components and Products/Deliverables

Describe the results from each product/deliverable:

Component		Deliverable		
#	Description	#	Description	Results for Deliverable
1	Engagement and strengthening of water services sellers	1.1	1.1. Community action plan from Mt. Kenya Biodiversity Conservation Group.	Mt. Kenya Biodiversity Conservation Group capacity was enhanced. They developed and finalized their community conservation action plan. This action plan was integrated to the Gathiuru CFAs action plan mainly linked with awareness creation activities. As a result, the community group has been implementing agreed action by hosting at several awareness creation events at the resource center, reaching out to 1500 local community members. In addition in collaboration with Gathiuru CFA, they restored 5ha of indigenous forest area in 2017.
1	Engagement and strengthening of water services sellers	1.2	1.2. Community action plan from NaruMoru CFA	Community action plan for Naromoro CFA was developed. Actions from the plan were implemented and achievements recorded. The CFA received financial support from the Upper Tana Water Services Trust Fund for forest rehabilitation of 20ha, and further support from EABL for 100,000 tree nursery establishment.
1	Engagement and strengthening of water services sellers	1.3	Community action plan from Gathiuru CFA	Community action plan for Gathiuru CFA was developed. Actions from the plan were implemented and achievements recorded. The CFA received support from EABL for 100,000 tree nursery establishment. As a result, the CFA rehabilitated an initial 5ha during the tree planting season in 2017. Additional support from local businesses was realized mainly in provision of manure for the tree nursery establishment and transport during the tree planting season.
1	Engagement and strengthening of water services sellers	1.4	1.4 Community action plan from Ngare Ndare CFA	Ngarendare CFA developed community action plans. During the reporting period, the CFA received support from EABL for 100,000 tree nursery establishment. The CFA has continued to engage neighboring local businesses to support forest conservation actions. This has resulted to the CFA including a Payment for Ecosystem Services as part of the resource mobilization option.
1	Engagement and strengthening of water services sellers	1.5	1.5. Report on training provided to each community group to prepare for	A total of 8 training workshops were held with the 5 CFAs representatives. A total of 260 CFA members were trained (177 men, 83 women). Training were done with the following content;1. Understanding PES (21men, 5women) 2. Two training on development of action plans (69 men, 38 women) 3. Development of site based business cases (23 men, 9 women) 4. Training on

			engagement with buyers, including content of training, number, and gender of participants.	presentation and negotiation skills (13 men, 10 women) 5. Site exchange visit to Naivasha to learn more on private sector engagement (8 men, 5 women) 6. Interpreting the National Forest Program (22 men, 9 women) 7. Lesson sharing workshop following project implementation (21 men, 7 women) .
1	Engagement and strengthening of water services sellers	1.6	1.6. Four project packages from upstream CBOs for review by buyers	Four business packages were developed and presented to potential buyers of water services (EABL, VIVO energy, TPS Serena, Orange Telkom). The customized project packages aimed to raise KSh.25 million from private sector. As a result, EABL approved their business package and committed KSh.8million as buyer of water services. TPS Serena Hotel, committed to supply CFAs with tree seedlings during the forest restoration season.
1	Engagement and strengthening of water services sellers	1.7	1.7 Draft “CBO Guide to PES in Kenya”	A Community guide to engage in PES in Kenya was developed and published. A total of 2000 copies were produced. These were shared with CFAs around Mt. Kenya and will continue to be used as a suitable guide of community based organisation to be engaged in PES across Kenya.
2	Engagement of water services buyers	2.1	2.1. Report on initial engagement of small-scale water buyers (hotels and lodges) in surrounding urban centers (Nanyuki, Chuka, Karatina) and assessment of their ability to pay for forest restoration	Small scale water buyers were engaged in Nanyuki (Laikipia County) and Ruiru (Kiambu County). During these engagements 13 companies were reached in Kiambu County and 13 Companies in Laikipia County. We supported 4 CFAs to reach out to other small scale water buyers at their site level, an additional 15 small scale water buyers were reached.
2	Engagement of water services buyers	2.2	Report on initial engagement of large-scale buyers based in Nairobi and assessment of	At national level, Nature Kenya engaged 32 large scale water buyer in the break fast meeting officiated by Minister of Environment. During this meeting, Nature Kenya presented the Mt. Kenya business case. As a result, EABL agreed to commit KSh.8 million to restore 100ha of degraded forest area in Mt. Kenya.

			their ability to pay for forest restoration	
2	Engagement of water services buyers	2.3	2.3. Business case, presented to buyers, showing value of Ksh 50 million payment/year for 2,000 hectares/year of restoration	Mt.Kenya forest restoration business case was developed, published and presented in a national private sector stakeholders forum bringing together 58 (39men, 19women) participants from 32 companies. As a result East Africa Breweries Limited-KBL committed to support the initiative with KSh.8million to restore 100ha of forest in 2017-2018. The business case was presented in two county meetings in Kiambu (13 companies, 28 participants; 7 women, 21 men) county and Laikipia county (13 Companies, 52 participants; 14 women, 38men).
3	Facilitation of agreements between buyers and sellers	3.1	Indicative financing agreement No. 1 (as a basis for negotiation between buyers and sellers)	Naromoro CFA secured KSh.1.9million which was negotiated and signed financing agreement with Water Services Trust Fund to;establish one tree nursery, capacity building on tree nursery establishment for 35 CFA members and support the CFA to carry out pruning and coppice reduction of 142Ha of forest to reduce fire risks. In addition Nature Kenya negotiated financing agreement on behalf of the CFAs with EABL where KSh. 8 million was committed to support 100ha of degraded forest is rehabilitated.
3	Facilitation of agreements between buyers and sellers	3.2	3.2. Indicative financing agreement No. 2 (as a basis for negotiation between buyers and sellers)	Hombe CFA negotiated and signed a financing agreement with Water Services Trust Fund of KSh.1.99 million; to support forest rehabilitation of 28ha, capacity building of 30 CFA members on forest management and conflict resolution. Nature Kenya negotiated financing agreement on behalf of the CFAs with EABL where KSh. 8 million was committed to support 100ha of degraded forest is rehabilitated. This supported purchase of equipment and tree seeds for propagation.
3	Facilitation of agreements between buyers and sellers	3.3	3.3. Reports on negotiations for completion of two financing agreements between buyers and sellers	Nature Kenya carried out negotiations on behalf of 5 CFAs and 1 CBO with EABL which resulted to commitment of KSh.8 million to support rehabilitation 100ha of degraded forest. Following the finalization of the negotiations, 5 CFA and 2 CBO representatives were invited to witness the financing award event. In theory, the agreement was between 5 CFAs, 1 CBO and EABL (6 Agreements) with Nature Kenya being the broker for funds management. This followed planning meeting at site level to commence the forest restoration activities. As a result by end of the project phase 55ha of degraded forest had been rehabilitated through tree planting. Two CFAs Naromoro

				and Hombe, signed financing agreements with the Water Services Trust Fund, witnessed by Kenya Forest Service representatives.
4	Strengthening of Nature Kenya	4.1	Baseline and final CEPF civil society tracking tool	Nature Kenya completed the CSTT at the beginning and end of the project phase. The following were scores recorded in components; 17-HR, 16-Financial Management, 20-Management Systems, 20-Strategic Planning, 19-Delivery

Please describe and submit any tools, products, or methodologies that resulted from this project or contributed to the results.

The project generated useful material which can be replicated in other sites. These tools and products include;

- 1. Mt. Kenya forest restoration business case which was used to engage private sector for their buy-in to link business sustainability to sustained water supplies which would encourage them to allocate resources for forest restoration**
- 2. Payment for Ecosystem Services Guidelines for communities to engage in forest restoration. These guidelines offered a step by step process for communities to engage with private sector in forest restoration initiatives**
- 3. Lesson Sharing report as a result of the project implementation, which is aimed to contribute to formalising PES scheme in Kenya, intergration of lessons in the operations of the Upper Tana-Nairobi Water Fund by the The Nature Conservancy**

Lessons Learned

Describe any lessons learned during the design and implementation of the project, as well as any related to organizational development and capacity building.

Consider lessons that would inform:

- Project Design Process (*aspects of the project design that contributed to its success/shortcomings*)
- Project Implementation (*aspects of the project execution that contributed to its success/shortcomings*)
- Describe any other lessons learned relevant to the conservation community

We learned that water PES scheme takes a long time to set up as evidenced from the Upper Tana and Nairobi Water fund process. There is need to have a policy framework to guide how PES scheme should be implemented which Kenya lacks at the moment. We therefore created awareness around the existing CSR schemes by companies that do not need lengthy administrative processes. During the project implementation we learned that the success of such schemes depend on the demand created by grass root organisations for private sector and government and local communities to internalise biodiversity and ecosystem services in policies, plans and funding strategies and action

plans and ultimately increased financing. As a result of these lessons Nature Kenya mainstreamed this concept and idea into routine operations especially marketing work. This has enhanced the internal staff capacity in the organisation through skills acquired in aspects related to PES.

Sustainability / Replication

Summarize the success or challenges in ensuring the project will be sustained or replicated, including any unplanned activities that are likely to result in increased sustainability or replicability.

As a result of the project, a guideline for communities to engage in PES was developed and published. This guideline will be shared widely across the country to community groups starting with the 22 Site Support Groups affiliated to Nature Kenya. We hope that this will create grassroots demand for similar initiatives across the country. Lessons learned from this project will be shared with additional 15 CFAs who surround the entire Mt. Kenya forest. This will ensure that the forest adjacent community around Mt. Kenya are more aware of the importance of ecosystem services and how they can use PES as a resource mobilisation tool to support conservation initiatives.

The Upper Tana-Nairobi water fund is a more advanced PES scheme being set up by TNC. The TNC promised to engage Nature Kenya as a collaborator and Nature Kenya promised to help publicise the water fund. When operational, it will ensure a legal financing mechanism that will in the longer term provide financial support to the CFAs and other groups to engage in forest restoration and sustainable land management.

Safeguards

If not listed as a separate Project Component and described above, summarize the implementation of any required action related to social, environmental, or pest management safeguards


The project adhered to the safeguards on Environmental aspects where there was no adverse impact on the environment. Social aspects, where the project did not have adverse impacts on the local community. In Pest Management, the project did not use any herbicides, insecticides and any other poisoning to the removal of invasive species.

The project complied with the project's safeguard policy as indicated in the signed agreement

Additional Comments/Recommendations

Use this space to provide any further comments or recommendations in relation to your project or CEPF

This project initiated community interest to engage in Payment for Ecosystem Services. With communities understanding that forests are not just trees but a suite of ecosystem services which are



provided as a result of the trees, appreciation of continued conservation was registered. The introduction of PES at community level, has resulted lobbying from local communities to government duty bearers where they are advocating for resource allocation as an incentive to forest conservation. If this momentum is maintained, local community voice will be heard and relevant legal engagement framework will be set up.

Additional Funding

Provide details of any additional funding that supported this project and any funding secured for the project, organization, or the region, as a result of CEPF investment

Total additional funding (US\$)

Type of funding

Please provide a breakdown of additional funding (counterpart funding and in-kind) by source, categorizing each contribution into one of the following categories:

- A Project Co-Financing (other donors or your organization contribute to the direct costs of this project)*
- B Grantee and Partner Leveraging (other donors contribute to your organization or a partner organization as a direct result of successes with this CEPF funded project)*
- C Regional/Portfolio Leveraging (other donors make large investments in a region because of CEPF investment or successes related to this project)*

N/A

Information Sharing and CEPF Policy

CEPF is committed to transparent operations and to helping civil society groups share experiences, lessons learned, and results. Final project completion reports are made available on our Web site, www.cepf.net, and publicized in our newsletter and other communications.

1. Please include your full contact details (Name, Organization, Mailing address, Telephone number, E-mail address) below

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