

## ABSTRACT

This study examined direct payments for environmental services (PES) as a program for supporting the conservation of forest resources and services where environmental conservation is financed on the basis of beneficiaries pay for the environmental services (ES) they enjoy, while contributors to these services are compensated for their provision. The objective of the study was to determine distribution of forest resource benefits among different interest groups and assess impacts of PES on conservation efforts and total value of forest utilization in terms of improved environmental service provision. Data was obtained through administration of a questionnaire to 376 households in two districts adjacent to Mt. Elgon forest. Data was analyzed using SPSS. Results show that conservation impacts are indirect and realized with considerable efforts only in the long term. In order to implement PES schemes, there is need to build a strong legal and institutional framework that consider land use decisions affecting both forest and non-forest land cover. Payments for restoration and conservation would help landowners have long term obligation to accelerate forest re-growth and gains in water services. The other benefit of PES includes lessening competition between conservation efforts and improving local community welfare.