COMMUNITY ENVIRONMENT CONSERVATION FUND:
A pro-poor incentive mechanism for benefit sharing in the natural resources sector
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The Community Environment Conservation Fund (CECF) is a conservation benefits sharing model developed and, being piloted by IUCN for addressing immediate community livelihood demands through a micro-credit scheme, which in turn motivates local communities to actively address natural resource conservation challenges in their areas. The CECF model motivates and empowers local communities to manage natural resources sustainably and, for local communities to hold their leaders accountable on their level of participation for supporting natural resource management. For the model to be valued as successful, a clear link should be demonstrated between CECF, livelihood improvement, and environmental benefits.

This policy brief is part of the evaluation of the CECF, which was undertaken by IUCN in 2015 and 2016 to assess the performance of the model. The study assessed the financial viability of the CECF, its contribution towards forest landscape restoration and water resources management, as well as its long term institutional viability and legal alignment.

Findings from the assessment showed that the CECF model provides a strong entry point for Forest Landscape Restoration (FLR), and Catchment based Water Resources Management (CbWRM). The pilot investments by IUCN and partners into communities have created beneficiaries whose appreciation for environmental management is growing along with an increase in ecosystem services from the natural systems.

The brief provides evidence of the success stories and lessons learnt from field level implementation and gives key recommendations to stimulate policy level debate and consideration for national adoption and scaling up of the model. This brief advances the CECF model, as one of the incentive mechanism options for Benefit Sharing Arrangements (BSA) for Uganda’s REDD+ Strategy, and in sustaining implementation of Forest Landscape Restoration (FLR).

The CECF model is likely to be most effective where supporting legislation and regulations exist or can be established. Most importantly, funding for CECF is still a challenge as funds for direct implementation of activities have to be innovatively turned into a fund that goes into organized community groups. These groups must have clear restoration targets, and a defined role of the mandated institutions to train and build capacity, including monitoring. Such incentive and monitoring mechanisms are, however, not clearly defined and embedded in existing national policy frameworks for managing natural resources. This brief attempts to fill this gap by capturing the contribution of the fund to social and environmental sustainability.

1The evaluation of CECF was conducted in the Upper Aswa sub-catchment in the Northern Ugandan Districts of Lira and Otuke; in the Mt. Elgon catchment (Eastern Uganda) in Kween and Kapchorwa Districts; and in the River Rwizi catchment (South-Western Uganda) Districts of Mbarara, Sheema and Ntungamo.
The Community Environment Conservation Fund (CECF) is a benefit sharing model that strongly emphasizes addressing immediate community livelihood demands through a micro-credit scheme, which in turn motivates local communities to actively address natural resource conservation challenges. For the model to be valued as successful, a clear link should be demonstrated between CECF, livelihood improvement, and environmental benefits.

The CECF framework provides an entry point to local community groups living in sites that are rich in natural resources, or with a high risk of degradation. In areas where CECF has been piloted by IUCN and its partners, there is evidence that, CECF has motivated and empowered the local communities to manage natural resources in their areas, and at the same time, communities can derive benefits from the microfinance support. The model brings out a clear link between environmental conservation and livelihood demands, and adheres to key features of REDD+ and Forest Landscape Restoration in general by:

1. **being participatory;**
2. **having the ability to respond to social, economic and environmental change;**
3. **aiming at restoring ecological integrity of forests and other ecosystems across entire landscapes;**
4. **seeks to enhance human well-being, based on the principle that the joint objectives of enhanced ecological integrity and human well-being cannot be traded off against each other;**
5. **Targeting implementation at landscape scale.**

### The 7 CECF principles

- Enhancement of natural resources management and governance
- Clarity on individual & collective incentive actions
- Enhancement of self-determination
- Inclusive participation
- Transparency and accountability
- Linkage to local governance systems
- Revolving fund
2.0 How the CECF model operates

Figure 1 below summarises the basic operational modalities for the CECF and the details are briefly explained underneath. Whilst figure 2 illustrates the institutional structure for CECF at catchment level.

The CECF fund works by providing money for the establishment of a credit fund to communities who have collectively agreed to implement an environment management plan, as a response to the vulnerabilities identified. This means that environmental management work is promoted, undertaken and monitored by the entire community to ensure receipt of the credit facility, as well as adherence to the fund principles.

As a result, the fund delivers improved environmental management because it enables improvements in livelihoods by removing barriers to accessing credit and not by prescribing specific actions. This has proved to be more effective than ‘traditional’ conservation funds because livelihood priorities are very dynamic and dependent on the status of a household at a point in time. The CECF model thus enhances
motivation to management and conservation of ecosystems by providing a mechanism for micro-credit for poor rural communities in a way that contributes towards improving livelihoods, restoring and enhancing environmental services and natural resources management in the long-term.

In terms of implementation, the CECF money is disbursed in three tranches, only after the beneficiary villages or groups prepare environment action plans, with a direct linkage of the funding to environment management. The environment action plans are based on good environment stewardship; with actions such as improving provision of clean water, cleaning and protecting watering points, wetland demarcation and buffer zone protection, tree planting, soil and water conservation and other natural resource conservation interventions. The first disbursement is given based on approval of the environment action plan. The second and third disbursements are given out after assessing successful implementation of the action plan, with transparency.

The phased approach of giving out the funds provided lessons that contributed to formulation of CECF guidelines\(^2\). It is hoped that more of the lessons captured with continued implementation of the CECF model will be used to update the guidelines.

Some of the lessons learnt include:

a. Learning and adoption does not take place at the same pace for different community members, given that there are early and late adopters;

b. Local leadership contributes a lot to the level of buy in, which can also help to strengthen the sustainability of initiatives, after project closure;

c. Local community commitment has a strong bearing on the capacity of making the funding to grow in future.

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Districts of Mbarara, Sheema and Ntungamo

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Figure 2: Illustration of the institutional structure for CECF at catchment level
3.0 CECF model pilots and its impact in Uganda

In Uganda, CECF was piloted in the Aswa catchment in 2011, where it was introduced as an incentive for local communities to embrace and scale up activities targeting water resources management. Due to the positive results registered in Aswa, the model was adopted to catalyze community action for restoration in Mt Elgon, Karamoja and the Rwizi catchments in 2014. Specific interventions and impacts are given below.

3.1 Wetland buffer zone demarcation and protection

Within two years (2012-2013), an investment of $80,000 disbursed in installments to 100 villages in the districts of Alebtong, Lira and Otuke as a revolving fund, had benefited 4,942 households by increasing household incomes, enhancing community self-organization and promoting restoration of degraded landscapes. As a result, a total of 109.9 km out of over 350 km of river Aswa and its tributaries had been demarcated using sisal (Agave sisalana) and the buffer zone under regeneration. The first disbursements were based on good environment action plans for landscapes where the model was being implemented and subsequent payments were made after successful implementation of the action plans.

In the Rwizi sub-catchment from 2013 to 2014, CECF amount of USD 40,830 benefited a total of 1,017 households, and led to the restoration of about 350 hectares of degraded wetlands in Katara-Kanyabukanjya, Nyakambu and Rushanje Kibingo wetland systems.

Case study from the Aswa catchment:

Jimmy Onyaa is a Nursery operator based in Ado village, Ating Parish, Orum sub-county, Otuke District. In 2013, Mr. Onyaa participated in fulfilling the environmental actions of water source protection and wetland demarcation for his village which were conditions for qualifying to access the CECF fund. Afterwards, he borrowed UGX 100,000 from the village CECF fund. He used the money to buy Grivellia spp. seeds. Given the long gestation period for investing in a tree nursery, Jimmy could not pay back within the stipulated three months. He sold his chicken and paid back the CECF loan. However, with the loan from CECF he was able to raise and sell 3,000 Grivellia seedlings at a price of UGX 300 each. His gross income was UGX 900,000. Mr. Onyaa already had a plot of land with an area set with a nursery shed.

Case study from Mt Elgon: Successful application of CECF interventions in Kapchorwa District

Mr. Michael Silkei practices mixed farming in Kapchorwa District. Michael is one of the CECF beneficiaries from Rorok Village in East Division, Kapchorwa District. He was trained by IUCN, along with other CECF supported communities in tree nursery development and tree planting. Mr. Silkei has since set up a tree nursery in Rorok village. He sells seedlings of Eucalyptus species, Calliandra and Syzigium spp., mainly to other farmers.

In 2014 alone, Michael raised about 50,000 seedlings; and sold 30,000 to IUCN and 20,000 to UWA at an average price of Shs 300; earning a gross income of about Shs 15 million in a year. He also implements Soil and Water Conservation (SWC) interventions, which has improved his crop production. Before application of the SWC interventions, he used to harvest about 25 bags of Irish potatoes per acre. After the CECF training and applying SWC measures, he harvests about 40 bags per acre.
3.2 Provision of safe and clean water for domestic use

Water source management had been a challenge within the Aswa catchment before the introduction of the CECF. Most water sources were poorly managed with no functional water source committees, while a substantial number of boreholes had broken down due to non-maintenance and lack of compliance in collection of water user fees. One of the activities that communities committed themselves to implement, as part of CECF implementation in the Aswa catchment, was protection and cleaning of water sources. This included mobilization of materials and fencing off water source points, which were periodically maintained. The water source maintenance was carried out on designated days for issuing and recovery of loans given out as part of CECF funds and would be carried out prior to the loan meeting. Non-participation in water source protection was one of the conditions that would deny a member rights to be loaned out money. A total of 7 water points were cleaned in the 5 sampled villages of Orit Parish. The high number of community members turning up for the water source protection greatly improved hygiene that ultimately translates into improved livelihoods.

A total of twenty four micro-catchments and 196 water points were protected with grass and trees planted around the water points following the government of Uganda new water source protection guidelines.

3.3 Conservation of the Shea Nut Tree (Vitellaria paradoxa) in the Aswa-Agago sub-catchment

Implementation of CECF interventions in the Aswa-Agago sub-catchment was reported to have significantly contributed to the conservation of the Shea Nut tree (Vitellaria paradoxa) in Uganda. The IUCN Red list (2012) classifies the Shea nut tree among the vulnerable species, which deserve particular attention. The Shea nut tree has potential to improve nutrition, boost food supply, foster rural development, and support sustainable land care. The tree species however has faced great pressure due to harvest for charcoal and other products and is under conservation threat (Byakagaba et al. 2011; Katende et al. 1995). Among the measures proposed by Byakagaba et al. (2011) was formulation of bye laws, though they did not propose feasible implementation mechanism.

The CECF model supported the formulation and implementation of natural resources bye laws that discourage charcoal production from the Shea tree and other fruit trees. Reports from focus group discussions during the case study assessment indicated that implementation of these bye laws reduced charcoal production from these species, and in effect conserved the Shea nut tree. The CECF model therefore is useful in the conservation of tree species and ecosystems, and is an important tool in Forest Landscape Restoration efforts.
3.4 Strengthening governance arrangements.

In the Aswa-Agago and Rwizi catchments close interaction of the communities and their leaders, as required by the CECF model acted as an empowerment tool for communities to control the management and use of natural resources in their respective areas. The CECF served as an incentive that galvanizes them together and creates a sense of ownership of the natural resources; leading to a commitment to jealously guard against any form of degradation. Regular interactions by the local communities acted as a forum to bring them together to address development issues in their area, including those pertaining to natural resource use and sharing roles and responsibilities to contribute to the management and conservation of the resources. By-laws in six communities in Aswa catchment were developed and implemented, strengthening the parish accountability platforms to better manage natural resources. As a result, the by-laws have regulated tree cutting for charcoal burning, stopped wetland and stream bank degradation hence better ecosystem health which is critical for ecological and economic resilience to drought. The by-laws have strengthened the formal statutory framework for natural resource management and the Sub-counties are currently exploring avenues for making them applicable throughout the Sub-counties, including non project intervention parishes.

4.0 Conclusions

Community Environment Conservation Fund stimulates social and ecological resilience through provision of incentives that support communities to set up alternative Income Generating Activities (IGAs) both as a motivation to conserve their ecosystem, and to shift pressure away from the ecosystems. The process of planning and implementation of CECF is participatory, with the local communities and other stakeholders identifying priority activities that can restore the ecological integrity across their landscapes to constitute environment action plans. The environment action plans are based on good environment stewardship; with actions leading to conservation of ecosystems (Forests, woodlands, wetlands, rivers/streams, catchments), and eventually improvement in provision of environmental services such as clean water; control of floods, regulation of river flows, minimizing of landslides, and mitigation of climate change impacts. The CECF model also contributes to improved community livelihood through equitable sharing of benefits and increased agricultural productivity accruing from sustainable management of natural resources. Furthermore, the CECF model brings together communities to appreciate their resources, plan for their management and monitor implementation.
5.0 Recommendations for policy uptake and scaling up

In Uganda, the National REDD+ -Readiness Preparation Proposal (R-RPP) recognized poverty and the need to provide livelihood as one of the underlying causes of deforestation and forest degradation. It is on such ground that the Government of Uganda has developed Options for Benefit Sharing Arrangements (BSA) for Uganda’s REDD+ Strategy based on, i) any existing schemes, ii) options which could be established with low to moderate level changes. The proposed benefit sharing arrangements (BSA) fund model for the national REDD+ program involves disbursement of funds to households through village councils, based on a PES contract, and initially using an input based approach linked to performance based progress indicators.

CECF employs the same approach which has been tested, and therefore the model is recommended for implementing and managing the Benefit Sharing model at village level. Similarly, FLR projects that are designed to provide inputs and advisory services for implementation of restoration options will be better implemented by channeling such support though the CECF model. This approach would not only sustain implementation of the restoration options, but would also prevent the dependency syndrome that comes with provision of handouts. The goals of REDD+ in Uganda can be achieved through deploying FLR. Restoration options such as Agroforestry and woodlots have also been proposed as REDD+ strategic options. Hence there is an opportunity to align REDD+ monetary benefits to achieve both REDD+ and FLR objectives. The approach therefore provides a strong entry point for management of REDD+ Benefit sharing arrangements at community level. Given its inclusiveness, CECF adheres to the UNFCCC safeguards for REDD+ in respect to indigenous peoples and local communities.

The National REDD+ Program for Conservation of Biodiversity as well as maintaining and enhancing carbon stocks through enhancing sustainable management of landscapes and ecosystems such as Wetlands, Forests, Woodlands, and rangelands.

The key challenge that remains however, is the capitalization of the CECF. Incentive mechanisms such as CECF and Payment for Ecosystem Services in Uganda, are not clearly defined and embedded in existing policy frameworks for managing natural resources. However there are provisions within existing laws and policies for funding for restoration, or benefit sharing which can be used to capitalize CECF for channeling funds to communities. These include:

The wildlife Act, 1996 section (68) establishes the Wildlife conservation fund whereas section (69) subsection (4) provides for payment of 20 percent of the park entry fees collected from a wildlife protected area to the local government of the area surrounding the wildlife protected area from which the fees were collected.

The National Forestry and Tree planting Act 2003, section (40) sub section (1) provides for the establishment of the National Tree fund (to support tree growing), which though nonfunctional at the moment, efforts are underway to revive it and ensure its capitalized.

As a policy recommendation, mandated institutions should consider integration of innovative incentive models such as CECF into their structures, as vehicles for channeling funds to organized community groups, while at the same time meeting restoration targets as required and set out in respective Fund, policies, laws and plans. This will serve the dual purpose of capitalizing the CECF while at the same time meeting the requirements for the mandated institutions in a much more sustainable way.

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