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**VALUE FOR MONEY AUDIT REPORT
ON THE MANAGEMENT OF THE LAKE VICTORIA
ENVIRONMENTAL MANAGEMENT
PROJECT II**

A REPORT BY THE AUDITOR GENERAL

M A R C H , 2 0 1 3

THE REPUBLIC OF UGANDA



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ON THE MANAGEMENT OF THE LAKE VICTORIA
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MARCH, 2013

AUDITOR GENERAL

AUDITOR GENERAL'S MESSAGE

12th June, 2013

The Rt. Hon. Speaker of Parliament
Parliament of Uganda

In accordance with Article 163 (3) of the Constitution, I have undertaken a value for money audit on The Management of the Lake Victoria Environmental Management Project (LVEMP) and hereby submit this report.

My office intends to carry out a follow – up at an appropriate time regarding actions taken in relation to the recommendations in this report.

I would like to thank my staff: The Director, Mr Stephen Kateregga and Assistant Director Liz Nambuya; and team Bob Monday – Senior Principal Auditor, Patrick Ndahura - Principal Auditor, Martin Wamboza - Auditor, Babra M Okurut - Auditor and Lawrence Muhanguzi - Auditor who undertook this audit. I would also like to thank the staff of the Ministry of Water and Environment for the assistance offered to my staff during the period of the audit.

John F. S. Muwanga

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LIST OF ABBREVIATIONS

AAG	Assistant Auditor General
ADA	Assistant Director Of Audit
AG	Auditor General
APL	Adaptable Program Loan
WB	World Bank
BOU	Bank of Uganda
CAO	Chief Administrative Officer
CBOs	Community Based Organizations
CDD	Community Driven Development
CDO	Community Development Officer
CFO	Chief Finance Officer
CSO	Civil Society Organizations
DA	Director of Audit
EAC	East African Community
EIA	Environmental Impact Assessment
ESSF	Environmental and Social Screening Forms
FLTF	Fish Levy Trust Fund
FY	Financial Year
GDP	Gross Domestic Product

GEF	Global Environmental Facility
GIS	Geographical Information Systems
GOU	Government of Uganda
ha	Hectares
IDA	International Development Association
IFRs	Interim Financial Reports
KNCPC	Kenya National Cleaner Production Centre
LVB	Lake Victoria Basin
LVBC	Lake Victoria Basin Commission
LVEMP	Lake Victoria Environmental Management Project
LVEMP II	Lake Victoria Environmental Management Project II
LVETF	Lake Victoria Environmental Trust Fund
LVFO	Lake Victoria Fisheries Organization
M&E	Monitoring and Evaluation
MAAIF	Ministry of Agriculture Animal Industry and Fisheries
MIS	Management Information Systems
MoFPED	Ministry of Finance Planning and Economic Development
MoU	Memorandum of Understanding
MoWT	Ministry of Works and Transport
NaFIRRI	National Fisheries Resources Research Institute
MWE	Ministry of Water and Environment
NARO	National Agricultural Research Organization
NBC	National Competitive Bidding
NEMA	National Environmental Management Authority
NFPMs	National Focal Point Ministries
NFPOs	National Focal Point Officer
NGOs	Non-Governmental Organizations
NPC	National Project Coordinator
NPCT	National Project Coordination Team
NPCU	National Project Coordinating Unit
NPSC	National Project Steering Committee
NTAC	National Technical Advisory Committee
NWSC	National Water and Sewerage Corporation
PDE	Procuring and Disposal Entity
PIA	Project Internal Auditor
PPDA	Public Procurement and Disposal Authority
PS	Permanent Secretaries
RPC	Regional Project Coordinator
RPCT	Regional Project Coordination Team
RPSC	Regional Project Steering Committee
SIDA	Swedish International Development Agency
SLM	Sustainable Land Management
UCPC	Uganda Cleaner Production Centre
SHS	Uganda Shilling
USD	United States Dollar
VFM	Value for Money

EXECUTIVE SUMMARY

BACKGROUND

The Auditor General is required under Article 163 (3) (b) of The constitution of the Republic of Uganda to conduct financial and value for money audits in respect of any project involving public funds. This mandate is amplified by Section 21(1) of the National Audit Act 2008 which requires the Auditor-General to carry out value for money audits for purposes of establishing economy, efficiency and effectiveness in the operations of any department or ministry.

The Government of Uganda (GOU), partnered with the international Development Association (IDA) under the World Bank to implement the Lake Victoria Environment Management Project (LVEMP), which is aimed at improving the environment management of Lake Victoria. The implementing agency is the Ministry of Water and Environment. The project is in its advanced stages of implementation.

MOTIVATION

Lake Victoria, with a surface area of about 68,800Km², is a trans-boundary resource shared by Kenya, Tanzania and Uganda. The Lake Victoria basin is of enormous economic and ecological importance, supporting an estimated population of about 30 million people. The lake provides employment for about 197,000 fishers and approximately 600,000 fish traders. Annually, an estimated 500,000 metric tons of fish are produced earning foreign exchange valued at about US\$ 300 – 400 million. The lake fishery contributions to the GDP of the riparian countries are: Kenya 2%, Tanzania 2.8% and

Uganda 3%. It is also an important source of domestic and industrial water supply for approximately 5 million people living in major cities around the lake. The lake supports hydro power production and generation standing at 630 MW valued at US\$ 580 million per annum¹.

However, despite the above significance of the lake to the respective East African Countries (EAC), the lake is faced with a number of environmental stresses adversely impacting the Lake Victoria Basin (LVB) ecosystem as well as the region's economy and livelihoods. In order to improve on the environment management of the lake, the Governments of Uganda, Kenya, Tanzania, Rwanda and Burundi partnered with the International Development Association (IDA) under the World Bank to correct the situation through the establishment of the Lake Victoria Environmental Management Project (LVEMP). The project was funded to a tune of US\$ 114.80 million for a period of four years.

It is against this background that the Office of the Auditor General decided to undertake an independent assessment of the performance of the Lake Victoria Environmental Management Project (LVEMP) to ascertain how the Project activities were being implemented to achieve its set objectives.

KEY FINDINGS

Project Implementation:

The project implementation had severely delayed despite signing of the financing

1 The World Bank Project Appraisal document, 2009, Major economic and ecological importance of Lake Victoria

agreement on 29th October, 2009 and the project becoming effective on 25th January, 2010. This has led to the extension of Project period from four to six years. The project closure date was extended from 30th June, 2013 to 30th June, 2015. As at 30th June 2012, the project had only utilized 11.54% of its total budget despite being effective for more than two and a-half years and is expected to end by 30th June 2015. As a result of the delays, key outputs are likely not to be achieved within the life of the project. Delays have also led to government incurring commitment fees amounting to shs.842, 696, 487 on the undisbursed loan amounts.

Harmonization of policies and regulatory standards:

The audit established that policies and regulatory standards for the implementation of these activities had taken long to be completed and implemented while others were still under discussion, contrary to the terms of the International Development Association (IDA)/World Bank financing agreements signed.

Funds release and absorption:

The audit established that out of US\$ 27,500,000 earmarked for the project, funds totaling US\$ 6,692,679.02 (24.34%) were received from the World Bank and deposited onto the project accounts in the Bank of Uganda for a period of 3 financial years i.e. 2009/2010, 2010/2011 and 2011/2012. An analysis of total expenditure since inception of the project to June, 2012 revealed that only US\$3,174,410.37 (47.43%) of the funds disbursed had been

utilized on Project activities leaving a balance of US\$ 3,518,268.68 unspent and idle on the Project accounts as at 30th June, 2012. This expenditure represents only 11.54% of the total project budget.

Applied research:

Applied research was not conducted by the project despite spending shs.150,228,000 for this purpose. Another shs.201,215,450 paid to Makerere University to undertake post graduate courses is at risk since there is no M.O.U signed between Makerere University and the students undertaking research. There is also a risk that the project implementation process may not benefit from the student researches, since the project will be coming to an end by the time the students complete their studies.

Rehabilitation of waste water treatment facilities:

Through interviews with the NPCT, document review and inspections of the proposed sites, it was established that despite the Project receiving partial disbursement totalling to US\$ 1,642,617.32 (shs.3,917,133,309) as at 14th June, 2012, the construction and rehabilitation of selected wastewater treatment facilities had not yet taken off by close of audit (January, 2013). In addition, the construction of sanitation facilities on lake shores, connection of primary treated effluent discharge networks to wetlands and collection, treatment, and disposal of sludge in selected municipal areas had not yet been undertaken as planned.

CHAPTER ONE



CHAPTER ONE

Pollution risk management and safety of navigation:

Through interviews with the activity leader for pollution risk prevention and safety of navigation on Lake Victoria, it was established that by December, 2012, the survey and mapping of the Lake Victoria as well as the installation of the navigation equipment had not started despite availability of funds totalling to US\$ 5.3 million allocated for this activity.

Natural resources conservation and livelihoods improvement:

Through analysis of the project expenditures, it was established that despite the reported utilisation of shs.1,648,305,501 under sub component 3.1 (Water shade Management) no community group was trained in Sustainable Land Management (SLM) practices and as a result SLM practices were not adopted to improve land use. None of the targeted sub catchments had started afforestation activities, restoration and rehabilitation of the degraded wetlands and activities aimed at reducing water hyacinth prevalence in the targeted hotspots.

RECOMMENDATIONS

1. The Project Management Unit should expedite the implementation of the project without further delay.
2. Management should fast track the harmonization of policies, regulatory standards and management frameworks through to operationalization for the sustainable use of shared transboundary natural resources.
3. The Management of LVEMP should devise measures to improve its funds absorption capacity so as to reduce on the commitment fees charged on unabsorbed disbursements.
4. Applied research should be put into fresh consideration by management since it is critical in the Lake management.
5. The project management should ensure that Makerere University fast track the signing of M.O.U.s with the beneficiary students to safeguard the interests of the project.
6. Management should expedite the design and rehabilitation of selected wastewater treatment plants, construction of sanitation facilities on lake shores, and collection, treatment and disposal of sludge in the selected municipal areas.
7. Management should commence the implementation of pollution and safety navigation activities, without further delay, to protect the lake from pollution risks and fatal marine accidents, such as that of the MV Kabalega that resulted in avoidable loss of billions of shillings.
8. The project should fast track the implementation of natural resources conservation and livelihoods improvement sub projects in the targeted sub catchments.

INTRODUCTION

BACKGROUND

1.1 MOTIVATION

Lake Victoria, with a surface area of about 68,800Km², is a trans-boundary resource shared by Kenya, Tanzania and Uganda. The Lake Victoria basin is of enormous economic and ecological importance, supporting an estimated population of about 30 million people. The lake provides employment for about 197,000 fishers and approximately 600,000 fish traders. Annually, an estimated 500,000 metric tons of fish are produced earning foreign exchange valued at about US\$ 300 – 400 million. The lake fishery contributions to the GDP of the riparian countries are: Kenya 2%, Tanzania 2.8% and Uganda 3%. It is also an important source of domestic and industrial water supply for approximately 5 million people living in major cities around the lake. The lake supports hydro power production and generation standing at 630 MW valued at US\$ 580 million per annum².

However, despite the above significance of the lake to respective East African Countries (EAC), the lake is faced with a number of environmental stresses adversely impacting the Lake Victoria Basin (LVB) ecosystem as well as the region's economy and livelihoods.

2 The World Bank Project Appraisal document, 2009, Major economic and ecological importance of Lake Victoria

These stresses include: deteriorating water quality that costs a minimum of US\$ 3.5 million per annum in cleaning the water supply³, declining lake levels which have dropped by about 1.6 meters over the last 10 years,

Overexploited natural resources with the Nile perch catch per unit effort declining from 22.9 tons per boat per year in 1989 to about 4.5 tons per boat in 2006, resurgence of water hyacinth from approximately 3,400 ha in the year 2000 to approximately 5,100 ha currently and adverse climate change⁴. These distinct sources of stresses originate from the lake, littoral zone (near shore), within the basin, and outside the basin. Cumulatively, they cause degradation of the lake, reduce its resiliency, and contribute to some of the emerging conflicts over resources use. Environmental quality of the lake and catchment are, therefore, fundamental to maintaining and increasing the living standards of growing populations in the region.

In order to improve on the environment management of the lake, the Governments of Uganda, Kenya, Tanzania, Rwanda and Burundi partnered with the International Development Association (IDA) under the World Bank to correct the situation through the establishment of the Lake Victoria

3 Water quality and quantity and synthesis final report, LVEMP December, 2005

4 The World Bank Project Appraisal document, 2009, Main environmental challenges facing the LVB ecosystem

Environmental Management Project (LVEMP). The project was funded to a tune of US\$ 114.80 million for a period of four years.

It is against this background that the Office of the Auditor General decided to undertake an independent assessment of the performance of the Lake Victoria Environmental Management Project (LVEMP) to ascertain how the Project activities were being implemented to achieve its set objectives.

1.2 DESCRIPTION OF THE AUDIT AREA

1.2.1 General Description

The Lake Victoria Environment Management Project (LVEMP) is implemented by the Ministry of Water and Environment (MWE) in collaboration with districts, communities and agencies under four components, namely:

- Strengthening of Institutional capacity for managing shared water and fisheries resources, Point source pollution control and prevention, Watershed management and Project coordination and management. The Project is aimed at improving the collaborative management of the transboundary natural resources of Lake Victoria.

1.2.2 Mandate

The establishment of Lake Victoria Basin Commission (LVBC) is provided for under Article 114 of the Treaty for the Establishment of the East African community (1999). The mandate of LVBC is provided for under Article 33 of the Protocol for Sustainable Development of Lake Victoria Basin, which is to promote sustainable utilization and management of natural resources and to

promote the protection of environment within the Lake Victoria Basin. The Protocol details the scope of cooperation among the member states.

The supporting Legal framework for the implementation of the project in Uganda is derived from The National Constitution of the Republic of Uganda, 1995, The National Environment Act, 1995, The Water Act 1995, Land Act, 1998, The Local Governments Act, 1997, Town and County Planning Act, 1951, The National Environment Management Policy (1994), The National Water Policy (1999), and The Decentralization Policy (1993) as amended in 1997. There are also regulations, such as: the Environment (Waste Management) Regulations (1999), the Water (Waste Discharge) Regulations (1998) and the Sewerage Regulations (1999) that provide for pollution prevention and licensing of waste management activities in Uganda.

There are also three regulatory protocols governing the utilization of the financial resources of the LVEMP Project, namely: the loan Agreement between the Republic of Uganda and the International Development Association (IDA) signed on 29th October, 2009; and amendment to financing Agreement signed on 30th July, 2012; Conditions of Disbursement of the Credit Agreement between IDA and the Republic of Uganda including IDA's Disbursement Instructions and the Project appraisal document.

1.2.3 Vision and Mission

LVEMP does not have its own vision and mission but shares those of the implementing

agency – the Ministry of Water and Environment(MWE), which are as stated below:-

MWE Vision is:

“Sound management and sustainable utilization of water and environmental resources for the betterment of the population of Uganda.”

MWE Mission:

“To promote and ensure the rational and sustainable utilization, development and effective management of water and environment resources for socio-economic development of the country.”

1.2.4 Project Objectives, activities and Outputs.

The specific Project objectives are:-

1. To improve collaborative management of the Tran’s boundary natural resources of the Lake Victoria Basin (LVB) for shared benefits of the EAC partner states;
2. To reduce environmental stress in targeted pollution hotspots and selected degraded sub catchments;
3. To improve the livelihoods of communities depending on the natural resources of the LVB.

Project activities

The major Project activities are:-

- Strengthening institutional capacity for managing water and fisheries resources through harmonization of policies, legislations, and regulatory standards, ecosystem monitoring and applied research
- Point source pollution control and prevention through Rehabilitation of wastewater treatment facilities, Promotion of cleaner production technologies, Pollution risks management and safety of navigation.
- Watershed management through natural resources conservation and livelihoods improvement and Community capacity building and participation
- Project coordination and management of resources necessary for the effective implementation of the Project activities and monitoring and evaluation.

These activities are further illustrated in **appendix 3**

1.2.5 Organizational structure

The Project structure is based on a two level institutional set-up both at the EAC/region and at the national levels of respective EAC partner states. At the EAC/regional level, the protocol establishes Lake Victoria Basin Commission (LVBC), regional policy steering committee, Coordination Committee on LVB, and the Sectoral Council of Ministers.

At the national level, the designated national focal point ministry is the MWE. The structure at national level provides for the National Policy Steering Committee (NPSC), which comprises Permanent Secretaries of actively involved line ministries as well as that of the EAC affairs and finance, a National Technical Advisory Committee (NTAC) and a National Project Coordination

Team (NPCT) headed by the National Project Coordinator (NPC).

LVEMP, through MWE, has a designated Water Resources Management officer, Fisheries resources management Officer, Agriculture and Land Management Officer, Forestry resources Management officer, monitoring & Evaluation (M&E) Officer, Community participation officer, Senior Accountant, Senior Procurement Officer, and other support staff to oversee the coordination of implementation. The structure is summarized in appendix 6, showing the institutional implementation framework for LVEMP.

1.2.6 Funding

The LVEMP is largely a donor funded Project and the main donor is the IDA which provides funds to the partner states. The Global Environment Facility (GEF) and Swedish International Development Agency (SIDA) are the other donors whose grants are channeled through the Lake Victoria Basin Commission (LVBC). Total funding to LVEMP Uganda for the three (3) financial years (FY) amounted to US\$ 7,385,521.280 as summarized in Table 1 below.

Table 1: Showing Project funding for the years 2009/2010, 2010/2011 and 2011/2012

Financial year	IDA (US\$)	GOU (US\$)	Total Per year (US\$)
2009/2010	2,000,000.00	0	2,000,000.00
2010/2011	1,488,102.41	450,520.20	1,938,622.61
2011/2012	3,204,576.61	242,322.06	3,446,898.67
Total funding	6,692,679.02	692,842.260	7,385,521.280

Source: Interim Financial Statements for all FYs, Financial statements for 2010/2011 and draft financial statements for 2011/2012.

1.3 AUDIT OBJECTIVES

The overall audit objective of the study was to assess the implementation of the Lake Victoria environmental management project. The specific objectives of the audit were:-

- To assess the extent to which the project strengthened institutional capacity for managing water and fisheries resources.
- To assess the extent to which the project has controlled and prevented point sources pollution.
- To assess the extent to which the project has implemented watershed management activities.
- To assess the effectiveness of coordination and management of project activities.
- To assess the feasibility of future sustainability plans of project activities.
- To assess whether planned project funds were disbursed and utilized for the intended purpose.

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1.4 AUDIT SCOPE

The audit focused on the four broad LVEMP components of: strengthening of institutional capacity for managing shared water and fisheries resources; point sources pollution control and prevention; watershed management; and Project coordination and management.

The Audit Team visited the LVEMP National headquarters situated in Entebbe, MWE headquarters in Luzira, and the districts of Masaka, Rakai, Kalangala, Jinja, Kampala, Mityana, Mubende and Namiyingo where the Project activities were being implemented. The study also covered three (3) financial years of: 2009/2010, 2010/11 and 2011/2012.

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CHAPTER THREE

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CHAPTER THREE

SYSTEM AND PROCESS DESCRIPTION

3.1 ROLES AND RESPONSIBILITIES OF KEY PLAYERS

A. East African community Level

The EAC Summit and Council of Ministers

The EAC Summit consists of the Heads of State or Government of the Partner States and is responsible for giving general direction to the development and achievement of the objectives of the project for the benefit of the community in the member states.

The Council consists of the Ministers responsible for regional co-operation of each Partner State and such other Ministers as may be determined by each state. The council is responsible for:

- Making policy decisions for the efficient and harmonious functioning and development of the Community;
- Subject to the Treaty, give directions to the Partner States and to all other organs and institutions of the Community other than the Summit, Court and the Assembly;
- Making regulations, issue directives, take decisions, make recommendations and give opinions in accordance with the provisions of

the Treaty;

- Consideration of the budget of the Community;
- Consideration of measures that should be taken by Partner States in order to promote the attainment of the objectives of the Community;
- Making staff rules and regulations and financial rules and regulations of the Community;
- Submitting annual progress reports to the Summit and prepare the agenda for the meetings of the Summit;
- Establishing from among its members, Sectoral Councils to deal with such matters that arise under the Treaty as the Council may delegate or assign to them and the decisions of such Sectoral Councils shall be deemed to be decisions of the Council;
- Establishing the Sectoral Committees provided for under the Treaty; and
- Implementing the decisions and directives of the Summit as may be addressed to it.

Sectoral Council of Ministers, LVB

The Sectoral Council of Ministers on Lake Victoria Basin as established comprises the Ministers responsible for regional co-operation of each Partner State and such other Ministers of the Partner States as each Partner State may determine are responsible for matters created under this Protocol and perform the following functions: -

- Provide overall policy directions for the implementation of Projects and programs in the Lake Victoria Basin.
- Guide the implementation of development

programs in Lake Victoria Basin ;

- Make regulations, issue directives, take decisions and make recommendations and give opinions in accordance with the provisions of this Protocol;
- Consider and approve the budget and work programs of the Commission;
- Consider and approve measures that should be undertaken by Partner States in order to promote the attainment of the objectives of this Protocol;
- Formulate financial rules and regulations;
- Approve terms and conditions of service for the staff of the Commission;
- Adopt annual progress reports from the Coordination Committee;
- Promulgate its own rules and procedures of decision making consistent with the Treaty; and
- Perform its functions as provided for in the Treaty.

Coordination Committee, LVB

The Co-ordination Committee consists of the Permanent Secretaries responsible for regional co-operation in each Partner State and such other Permanent Secretaries of the Partner States as each Partner State may determine. The Co-ordination Committee for Lake Victoria Basin as established shall be responsible for matters created under this Protocol and shall perform the following functions: -

- Submit reports and recommendations to the Sectoral Council on the implementation of this Protocol;
- Implement the decisions of the Sectoral Council as it may be directed from time to time;

- Receive and consider reports of Sectoral Committees.
- Assign any Sectoral Committee to deal with any matter relevant to Lake Victoria Basin; and
- Perform such other functions as may be conferred upon it by this Protocol or as may, from time to time, be directed by the Council.
- Subject to any directions, which may be given by the Council, the Co-ordination Committee shall meet at least twice in each year preceding the meetings of the Council and may hold extra-ordinary meetings, as it deems necessary.
- The Co-ordination Committee shall determine its own Rules of Procedure to transact business consistent with the Treaty.

B. Donors

IDA, GEF/SIDA

These are responsible for maintaining the credit and grant accounts and timely release of funds once correct and proper documentations and accountabilities are submitted. They also supervise the implementation of the Project and participate in mid-term reviews.

C. Regional Institutional Arrangement

At the regional level, Protocol establishes LVBC, Regional Policy Steering Committees (RPSCs) and Regional Project coordination Team (RPCT).

Lake Victoria Basin Commission (LVBC)

The LVBC is mandated by the Protocol to coordinate programs and other interventions

undertaken by the EAC Partner States in the LVB. LVBC implements Regional activities and coordinates the Project regionally among the EAC Partner states through the appointed National Focal Point Officers (NFPOs), who are senior officials in the designated National Focal Point Ministries (NFPMs). LVBC is also responsible for:

- Harmonization of policies and regulatory Standards.
- Ecosystem monitoring and applied research.
- Promotion of cleaner production technologies.
- Pollution risk management and safety navigation.
- Coordination and communication.
- Monitoring and evaluation.

The LVBC reports to the Sectoral Council of Ministers through the LVB coordination Committee constituted at Permanent Secretaries level. The Coordination Committee submits reports and recommendations to the Sectoral Council of Ministers and then implements the decisions by the Council of Ministers.

Regional Policy Steering Committee (RPSC)

The RPSC is responsible for overseeing and guiding the implementation of regional Projects thus the overall responsibility for policy guidance of LVEMP II at regional level. The membership of RPSC consists of two Permanent Secretaries from each EAC partner state as follows: (a) the permanent secretaries responsible for the NFPMs and

(b) the permanent secretary responsible for Water (Kenya), Environment (Tanzania) and Fisheries (Uganda). Additionally, the committee invites permanent secretaries of relevant ministries, NFPOs and NPCs as resource persons as well as technical experts from among the partner states as and when circumstances warrant.

The RPSC provides overall guidance to the RPCT to ensure that Project components and activities implemented both nationally and regionally blend as intended to fulfill the regional objectives of LVEMP II. The RPSC plays an important role in;-

- Approving the annual work plan and budget submitted by LVBC.
- Coordinating and monitoring the overall progress in Project implementation.
- Providing advice about collaborative needs and arrangements Vis-à-vis other related regional initiatives and project activities ongoing in the LVB.
- Approving funding criteria for investment projects at the regional level.

Regional Project Coordination Team (RPCT)

The RPCT is responsible for planning, initiating, and the day-to-day management of LVEMP II regional activities and for implementing policies and work plans approved by the RPSC. The RPCT is headed by the Regional Project Coordinator (RPC) who is responsible for technical execution, supervision and coordination of project activities and reports to the Deputy Executive Secretary (Projects and Programs) within LVBC. The RPCT comprises RPC, Economist/Planning officer,

Water resources management officer, Information and communications officer, Natural Resources Management/GIS Officer, Monitoring and Evaluation (M&E) officer, Senior Accountant, Librarian/MIS specialist, and a Senior Operations Officer. This composition is structured in a way that allows for technical competence and experience for regional coordination of implementation of the Project's components of: (i) Strengthening Institutional Capacity for managing shared water and fisheries resource; (ii) Point Source Pollution Control and Prevention; (iii) Watershed management; and, (iv) Project Coordination and Management. The RPCT is responsible for:-

- Preparing the annual work plans, expected completion dates and estimated budgets of the Project's regional activities for the RPSC's approval in consultation with the NPCTs.
- Providing the technical input into the procurement process and assisting in the technical evaluation of bids/proposals and award of contracts.
- Supervising the implementation of project activities, and recommend payments under all procurement contracts.
- Coordinating and facilitating the participation of all relevant actors.
- Monitoring and maintaining adequate records of project grant funds.
- Monitoring of Project activities and preparing of regular progress reports, including IFRs for replenishment of funds into the LVBC designated Account.
- Working collaboratively with the NPCT to produce consolidated project progress

reports for submission to the RPSC and the co-financiers (Bank, GEF/SIDA).

- Ensuring that the projects financial statements are produced and the audit report(s) and audit opinion(s) are submitted to the co-financiers by the due date.

D. National Institutional / Implementation Arrangement

National Focal Point Ministry

The national focal point ministry serves as a hub in the respective country and the designated ministry in Uganda is the Ministry of Water and Environment (MWE). The MWE has the responsibility for setting national policies and standards, managing and regulating water resources and determining priorities for water development and management. It also monitors and evaluates sector development programs to keep track of their performance, efficiency and effectiveness in service delivery. The ministry also uses its Authorities and Agencies, such as: National Environmental Management Authority (NEMA), National Forestry Authority (NFA), National Water and Sewerage Corporation (NWSC) to regulate the activities of LVEMP.

National Policy Steering Committee (NPSC)

The NPSC comprises of Permanent secretaries of actively involved ministries and in Uganda they include: a) PS Ministry of Water and Environment (Chair), b) PS Ministry of Agriculture Animal Industry and Fisheries, c) PS Ministry of Finance, Planning and Economic Development, d) PS Ministry of East African Community Affairs, e) PS Ministry of

Local Government, f) PS Ministry of Works and
g) PS Ministry of Gender, Labour and Social
Development. The NPSC is responsible for the
following aspects on a national basis;-

- Policy guidance on all issues relating to the Project.
- Approval of Project Investments.
- Approval and monitoring of Project annual work plans and budgets.
- Resolving implementation bottlenecks and providing positive impetus to facilitate achievement of the Project development objectives (results/outcomes).

National Focal Point officers (NFPOs)

The NFPOs are appointed by the National Focal Point Ministries in the partner states. In Uganda the NFPO is the Principal Water Officer (MWE) and serves as the formal link between LVBC and the LVEMP II activities through the NPC.

National Project Coordination Team (NPCT)

The NPCT is headed by the NPC and comprises various technical experts, including: the Financial Management Specialist (Accountant), Community Participation Specialist, Communication Specialist, Procurement Specialist and the Monitoring and Evaluation Specialist as recruited officers and the Water Sector Specialist, Fisheries Sector Specialist, Agricultural Sector Specialist, Forestry Sector Specialist and Environmental Sector Specialist as Assigned officers. The NPCT is responsible for;-

- Planning and initiating the day-to-day management of the Project.

- Coordination of various sector activities to ensure implementation.
- Preparation of annual work plans and budgets.
- Ensuring compliance with work plans and budgets.
- Support Districts and communities in preparation and implementation of sub Projects.
- Ensuring implementation of NPSC decisions.

National Technical Advisory Committee (NTAC)

The NTAC comprises not more than 15 senior and technically competent persons from different sectors including: key line ministries, Local Governments, Universities/ Research Institutions, private sector and NGOs operating in LVB. These provide;-

- Advice on methods/approaches for successful implementation of Investment Projects/ Micro Projects.
- Advice on application of applied research activities and vetting proposals on recommended research topics.

The Government of Uganda represented by Ministry of Finance, Planning and Economic Development (MoFPED)

The Ministry of Finance, Planning and Economic Development (MoFPED) is responsible for signing the loan agreement, approval of the opening of bank accounts, issue of disbursement warrants and timely release of counterpart funding.

Bank of Uganda

Is responsible for maintaining project bank accounts for purposes of implementing the project and applies to each line of funding that is, IDA credit and counterpart funding, these accounts include: (1) Designated Account and (2) projection account.

Designated Account

Disbursements from the IDA credit are deposited in this account and these funds are to be used to support the national activities of the project and it is denominated in US dollars.

Projection Account

This account receives funds from the designated account and is denominated in local currency. Counterpart funds and transfers from the Designated Accounts (for payment of transactions in local currency) are deposited in this account in accordance with project objectives.

The signatories to these accounts include: (1) The Accounting Officer, MWE, (2) The Principal Accountant, MWE and, (3) the NPC.

E. Local Levels / District Technical Support Team

At the local level, the implementation of Project activities, particularly related to watershed management, involves Local Governments, Non-Governmental Organizations, Universities/ Research Institutions, Private Sector Agencies and Local level civil society Organizations.

At District level, the Chief Administrative

officer (CAO) has the overall responsibility of the Project activities and is supported in coordination and implementation of the district Project activities by a District Project focal person appointed by the district. The District Project Committee consisting of elected/ political leaders provides political oversight and approval of work plans and budgets. In addition, a District Technical Committee comprising of the CAO, Chief Finance officer (CFO), Community Development Officer (CDO), District Planner and other relevant technical officers are responsible for:-

- Overseeing and supporting the development of sub Projects.
- Steering actual Project implementation.
- Technical review of sub Project proposals and recommendation to DPC for approval
- Identifying Civil Society Organizations (CSOs) and opinion leaders to mobilize and organize the community
- Receiving and registering sub-Project proposals
- Undertaking field and desk sub-Project appraisals and approvals.
- Incorporating community activities into the district plans and budgetary framework
- Advising the CAO to sign FA with Cleaner Production Centers (CPCs)
- Advising CAO to release funds on the basis of approved sub-Project proposals and budget allocations
- Rescheduling approved sub-Projects to the ensuing fiscal year
- Technical supervision, monitoring and reporting.

3.2 KEY PROCESSES

LVEMP activities are implemented as described below:-

Planning

The LVEMP budgets are prepared on the basis of the participatory bottom-up Planning approach. By November of every year, the NPC together with the Natural Resources Management (NRM) sector coordinates all implementing Ministries, Agencies and Local Governments to review the annual Project report and ensures that Project strategies are prepared. This is done through sector participation in the preparation of medium term projections of resource requirements, review of financial and expenditure plans to ensure that they are consistent with sector objectives and strategies and also reviews of performance reporting and accountability focusing on outputs and outcomes. MoFPED also issues the Budget Call Circular (BCC) for policy guidelines and indicative ceiling figures for guidance while preparing draft work plans.

By December, the NPC ensures that component managers have received BCC for the preparation of component work plans and procurement plans with a draft ready by February. All draft budget plans by component managers are consolidated into the LVEMP work plans and procurement plan by April through the NPCT.

The National Policy Steering Committee ensures that by May, the approval of annual

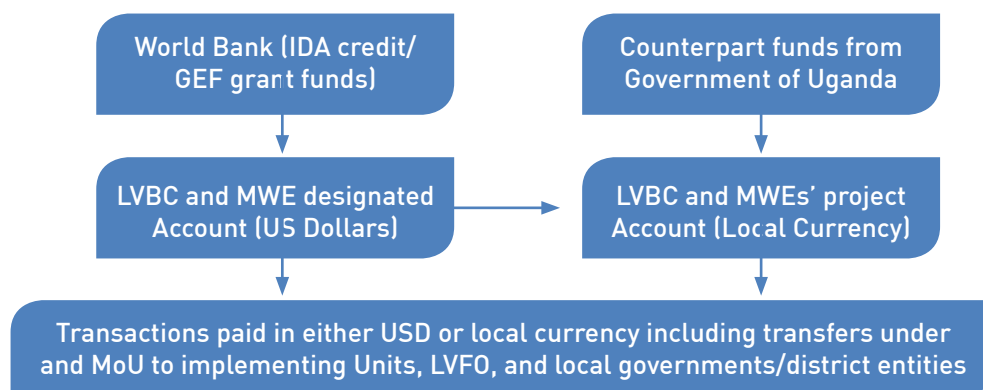
and medium term work plans, budgets and procurement plan is done. This is after component managers and the NPC have reviewed, discussed and refined the plans and budgets with the sector working groups. The NPC further ensures that a detailed final budget is in place and ready for submission to the Accounting officer.

By June of every financial year, the accounting officer (in this case the Permanent Secretary MWE) submits to the MoFPED a final budget for funding and the Bank endorsement. This, therefore, becomes the instrument to authorize the implementation of the work plan and spending the budget.

Fund Flow

Funds from World Bank (IDA Credit/GEF Grant) are remitted to the designated accounts (Dollar accounts) of the LVBC and the MWE, and eventually to the Project account (Local currency) to make payments in local currency. Project expenditures are paid either in the designated Account or project account. Counterpart funds from Government are deposited in local currency into the project account from which project expenditure can be incurred. Refer to funds flow chart below:

Figure 1: LVEMP II Funds flow chart



Funds Disbursement⁵

The MWE uses the report based disbursement method, under which cash flow forecasts, based on work plans, are submitted for a period of six months every quarterly period along with Interim Financial Reports (IFRs). The IFRs are submitted, as a requirement, for disbursements on a quarterly basis.

In addition, where necessary, the direct payment method of disbursement, involving direct payments to suppliers for works, goods and services upon the borrower's request, is also used and reported in the quarterly IFRs. The IDA Disbursement Letter⁶ will stipulate the minimum application value for direct payment and special commitment procedures, as well as detailed procedures to be complied with under these disbursement arrangements.

The NPC formally files withdrawal applications, through the Accounting Officer MWE and the Director of Accounts/Accountant General, for disbursement of six months' financing from the World Bank using the approved consolidated component annual work plans and budgets. This is done in accordance with agreed disbursement agreements of the World Bank. Disbursement applications are accompanied with (1) Cash balances of the Project; (2) Statement of bank balances.

As a remedy for non-compliance, if ineligible expenditures are found to have been made from the designated account, the borrower is obliged to refund the money. If the designated account remains inactive for more than six (6) months the Bank (IDA) will reduce the amount advanced. IDA has the right, as reflected in the terms of the financing agreement, to suspend disbursement of funds if significant conditions, including reporting requirements, are not complied with.

Implementation

The implementation of LVEMP commenced on 25th January, 2010 and was to end on 30th June, 2013 according to the financing agreement signed on 29th October, 2009 between Government

5 Disbursement arrangements – The World Bank project appraisal document for Lake Victoria Environmental Management Project II Page 106

6 IDA Disbursement letter

of Uganda and International Development Association under the World Bank. However, an amendment to the financing agreement has since been signed extending the project period to 30th June, 2015. Project activities are defined in the project result framework⁷ and its implementation is based on a two level institutional set-up provided by the protocol on sustainable development of the LVB, that is, at EAC/Regional level and National level.

EAC/Regional level

LVBC is responsible for the implementation of LVEMP II regional activities among the EAC partner states through the RPCT. These activities include: harmonization of policies and regulatory standards, ecosystem monitoring and applied research, promotion of cleaner production technologies, pollution risk management and safety of navigation on the lake.

National level

The NPCT is responsible for the implementation of the Project. The LVEMP Project design embraces the 'Subsidiarity principle' whereby most of the interventions are implemented at the national level. Under this principle, national institutions are responsible for implementing the Project through the key line ministries, local authorities, NGOs, CBOs, universities/ research institutions and local communities. The implementation of the respective Project activities in these institutions is based on contractual arrangements and signed M.O.U.s.

Under the Point sources pollution control and prevention component, the MWE, through National Water and Sewerage Corporation (NWSC), is implementing the rehabilitation and improvement of wastewater and treatment facilities at Kirinya in Jinja and carrying out a feasibility study for the construction of a wastewater treatment plant at Ggaba in Kampala. The LVBC coordinates, through the national cleaner production centers, the Ministry of Works and Transport and the NPCT in implementing the promotion of cleaner production technologies, pollution risk management and safety of navigation on Lake Victoria.

Under the Watershed management component, local authorities, under the guidance of the Sustainable Land Management committees (SLM), NPCT and, through responsible district water, fisheries, forest, agriculture, and environmental management offices are implementing the natural resources conservation and livelihoods improvement and community capacity building and participation sub components. Currently, there are ten (10) districts implementing this component, namely: Kalangala, Masaka, Kalungu, Gomba, Rakai, Mityana, Namiyingo, Buikwe, Mubende and Mpigi.

Procurement

All procurements follow a National Competitive Bidding (NCB) process and other local and small procurements follow the national public procurement law (the PPDA Act of 2003). **Appendix 4** refers. These

7 Annual Progress report 2012

procedures have been reviewed by the World Bank and found acceptable except for the following provisions that were adjusted to suit the Project.

- i. Allowing bidders only 21 days to submit bids. Invitations for NCB shall be advertised in at least one national newspaper with a wide circulation and at least 42 days prior to the deadline for the submission of bids shall be allowed for all NCB;
- ii. Negotiations with the best evaluated bidder. This practice is not appropriate except for consulting services contracts and for goods and works under exceptional circumstances, and for contracts procured through direct contracting.
- iii. The merit point system for bid evaluation. This shall not be applied for goods and works contracts procured on the basis competition (ICB, NCB or restricted tender).
- iv. Pre – qualifying bidders and then inviting only a few on a rotational basis. For shopping procedures, the Procuring and Disposal Entity (PDE) will not be allowed to pre –qualify suppliers on annual basis and invite all pre-qualified providers to submit proposals. Shopping will be undertaken on a basis of obtaining quotations from at least three suppliers.
- v. Direct contracting for contracts estimated to cost the equivalent of US\$ 1,100 or less. There will be no use of the micro procurement method for each contract estimated to cost the equivalent of US\$ 1,000 or less.

Most of the procurements are carried out by MWE; but some are carried out by National

Water and Sewerage Corporation and the Ministry of Agriculture, Animal industries and Fisheries.

Project Coordination and Communication

Coordination is a responsibility of RPSC, RPCT at the regional level and NPSC, NTAC, NPCTs at the national level. These teams organize, direct and harmonize Project activities in line with approved work plans and budgets to efficiently and effectively utilize project resources. Coordination is continuous through the project cycle and is done on a regular basis as and when activities are being implemented.

These teams, throughout the project life, develop an internal communication system so as to improve decision making and planning through sharing of data and information among implementing agencies at regional, national, local and community levels. This system is linked to the national GIS-based M&E system by the NPCT and is further linked by the RPCT to regional GIS-based M&E system located in Kisumu Kenya.

In addition, both the regional and national teams regularly carry out communication/ outreach programs through appropriate print and electronic media channels of communication targeting policy makers and the public at large. This is to provide an understanding of key environmental issues of LVB for the sustained public funding commitment to the project and for its long term sustainability.

Monitoring and Evaluation

The Project carries out Monitoring and Evaluation (M&E) activities to assess the progress of the Project and prepare Project reports in accordance with the provisions of the financing agreement.

M&E assists implementing agencies and other stakeholders in assessing Project performance based on the indicators outlined in the results framework of the Project. Monitoring consists of continuous and/or periodic review and surveillance of activities in respect to management, and implementation of the work plans. See **appendix 12** for the results framework of the Project.

The Project M&E focuses on three aspects:

- i. Project implementation, that is, monitoring Project management aspects and delivery of outputs;
- ii. Project performance, that is, assess the Project's effectiveness, focusing mainly on outcomes; and
- iii. Project impact and sustainability, that is, evaluation of the Project's impacts, resulting from its interventions.

The overall institutional responsibility for M&E rests with the NPCT and the GIS/M&E officer is the designated person for this purpose. The GIS/M&E officer, on a quarterly basis, is responsible for aggregating, disseminating of M&E data collected by the various Project implementing agencies.

Furthermore, community based M&E is regularly carried out on a quarterly basis to track the performance and impact of the Community Driven Development (CDD) - type watershed rehabilitation sub Projects.

Reporting

Financial Reporting and accountability

The financial statements of the Project are prepared in accordance with International Public Sector Standards (i.e. cash basis of recognition of transactions). The NPCT provides quarterly unaudited Interim Financial Reports (IFRs) to LVBC and MWE in regard to utilization of LVEMP II fund. These reports are submitted within thirty (30) days after the end of the quarter in order for LVBC and MWE to consolidate LVEMP II IFRs to be submitted to the World Bank within forty five (45) days after the end of the quarter.

Accountability for the sub-Project funds is regularly done in accordance with the Community Financial Management and Accounting Manual by implementing communities. This is through the respective district Chief Accounting Officer who later consolidates and submits the quarterly accountability report to the MWE through the NPC.

Progress reporting

Progress reporting is done at different levels on the basis of the performance indicators described in the LVEMP II strategy and reports prepared as shown in appendix 5. These reports are prepared on a monthly and quarterly basis and form part of the regular agenda for meetings of the NPTC and NPSC. The input tracking reports are prepared by Component managers for each component and they show the details of the inputs. The quarterly progress reports track progress for each component according to the agreed work plans.

CHAPTER FOUR | 4

CHAPTER FOUR

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

4.0 PROJECT IMPLEMENTATION

Project implementation arrangements were based on a two-level institutional set-up provided in the protocol on the sustainable development of the Lake Victoria Basin (that is, at the EAC/Regional level and at national level). At national level, the Project was expected to commence on 2nd June 2009 but the commencement became effective on 25th January 2010 delaying the Project by 8 months. The project implementation had severely delayed despite the signing of the financing agreement on 29th October, 2009 and the project becoming effective on 25th January, 2010.

This has led to the extension of Project period from four to six years. The project closure date was extended from 30th June, 2013 to 30th June, 2015. As at 30th June 2012, the project had only utilised 11.54%⁸ of its total budget despite being effective for more than two and a-half years and this has been attributed to a number of factors as explained below:

4.1 STRENGTHENING INSTITUTIONAL CAPACITY

Harmonization of policies and regulatory standards

Project implementation across the region was to be guided and regulated by regionally harmonised laws, policies, regulations and standards that were to be completed by the end of Project year 3 (30th June, 2012) as stipulated in the project design⁹. These policies and regulatory standards were to guide the implementation of activities in point sources pollution control and prevention, and watershed management components.

The audit, however, established that the policies and regulatory standards for the implementation of these activities had taken long to be completed and implemented, while others were still under discussion, contrary to the terms of the International Development Association (IDA)/World Bank financing agreements signed. The following policies and regulatory standards were completed, approved and adopted as at end of June, 2012 but were yet to be operationalized as at December, 2012 six (6) months after covenants stated in the project design documents and applicable to project implementation:

- Water hyacinth strategy
- Sustainable land management strategy
- Water policy
- Water discharge and affluent standards

⁸ See Table No. 1 Showing funds utilisation as at 30th June, 2012

⁹ Covenants applicable to project implementation, Project appraisal document for LVEMP II, February 3, 2009, page XII

The following policies/plans had not been completed and still under discussion:

- Fisheries Management plan
- Water resources management plan
- Water releases and abstraction Policy
- Fish levy trust fund
- Lake Victoria Environmental Trust fund

This was attributed to delays by the Regional Project Coordination Team (RPCT) to come up with regionally acceptable and agreed positions on policies and regulatory standards. The Consultancies instituted by the RPCT to consult with the implementing countries about the harmonisation of policies and regulatory standards had taken long to be completed.

Failure to harmonise laws, policies, and regulatory standards has delayed the take-off of a number of project activities whose implementation was to be guided by harmonised laws, policies and regulatory standards and as at December, 2012, the implementation of project activities in point sources pollution control and prevention, and watershed management components had delayed by more than 2 years. This has also led to a long lead time in preparatory activities that translate into subsequent disbursements of funds and as a result management of water and fisheries resources remain a challenge for the country.

Conclusion

The project has failed to harmonize policies, regulatory standards and management

frameworks for the sustainable use of shared transboundary natural resources within the stipulated time¹⁰, thus implementation of respective project activities in all LVB countries, Uganda inclusive, has become difficult, hence delaying the Project implementation for more than 2 years, while the situation of the lake targeted by the project is deteriorating further.

Recommendation

Management is advised to fast track the harmonization of policies, regulatory standards and management frameworks to ensure their operationalisation for the sustainable use of shared transboundary natural resources.

Management Response

It is true that a number of regional activities related to the harmonisation of policies, laws and regulatory standards were not completed in time as envisaged in the Project Appraisal Document and this has somewhat affected the utilization of the legal and policy framework to guide the implementation of certain project interventions uniformly across the Lake Basin.

The delays are as a result of the complex design which focuses on a regional outlook with implementation taking place at the national level.

Regarding the delays in completion of policies and regulatory standards beyond the stated covenants in the project design documents, it

¹⁰ Project appraisal document February 3, 2009, Covenants applicable to project implementation

should be noted that the Project Mid Term Review (MTR) examined the status of dated covenants in the GEF Grant Agreement and IDA Financing Agreements and agreed on changes that reflect their current relevance and the delayed start-up of project implementation. Accordingly, all dated covenants stated in the project design documents were dropped.

That notwithstanding, management, in collaboration with LVBC Secreteriat, will put in place a mechanism to expedite the operationalization of all adopted policies and regulatory framework for the sustainable use of the lake victoria shared natural resources.

Auditor's Comment:

All dated covenants were supposed to be adopted and implemented by June, 2012, however, it took long for management and the LVBC Secreteriat to realise that they were not feasible till July, 2012. Even the new adopted policies are still not operational and have not been presented before the EAC Summit for approval. No comment has been given on the development of the Fisheries Management Plan and the establishment of Lake Victoria Environmental Trust Fund.

Ecosystem monitoring and applied research

Ecosystem monitoring

According to the financing agreement, the project was to develop (in coordination with the EAC, Kenya and Tanzania) appropriate scientific and socio-economic data gathering protocols, ecosystem monitoring tools, and data sharing mechanisms for the LVB¹¹. Data from the ecosystem monitoring was to be used in guiding natural resources and environmental management decisions. These should have been established by the end of project year 3¹².

A review of project expenditures revealed that a sum of shs.1,668,624,060 had been spent on ecosystem monitoring activities out of a budget of shs.3,243,791,002¹³ for the three financial years audited. However, audit established that with exception of fish stock assessments and water hyacinth surveillance activities being carried out by MAAIF and National Agricultural Research Organization (NARO), respectively, the rest of the ecosystem monitoring tools were yet to be operationalized. Their development status was at different levels of development as shown in table No.2 below.

11 Financing Agreement between Republic of Uganda and IDA, Schedule 1, Part 1, section (b), page 6

12 Project appraisal document February 3, 2009, Summary of the program implementation plan, Table 4.3 page 74

13 Project work plan and budget for the FYs 2009/2010, 2010/11 and 2011/12

Table 2: showing eco monitoring tools

Eco monitoring tool	Status	Availability of tools	Updated annually
LVB Water resources information system	Ongoing	Not available still being developed	Not done its still being developed
LVB Decision support system for basis water resource	Yet to start	Not available yet to be developed pushed to next phase due to funding limitations	Not done since its yet to be developed
Fish stocks assessment	Ongoing activities being carried out by MAAIF under LVFO	available	Yes
Water Hyacinth surveillance and control strategy	Strategy completed and implementation plan developed and being implemented by National Agricultural Research Organization (NARO)	available	Yes
Atmospheric deposition monitoring network	9 automatic weather stations completed and functioning	9 Available	Yes
GIS-based data base	Yet to start	Not available yet to be developed	Not done since its yet to be developed

Source: OAG analysis of LVEMP annual performance reports 2011/2012 and minutes of interviews conducted with the project management team.

Funds spent on this sub component were utilised on fish stock assessments, water hyacinth surveillance, water quality analysis, flow and sediment load measurements, among others, without developing data sharing mechanisms to guide natural resources and environmental management decisions.

The delay to operationalize the ecosystem monitoring tools and data sharing mechanisms for the LVB has been attributed to the slow approval process at Regional level as tools developed in different implementing countries are submitted to the RPCT for approval at different intervals thus having to wait to standardise across the implementing countries.

Without ecosystem monitoring tools and data sharing mechanisms in place, there will be no reliable data to be used in guiding natural resources and environmental management decisions.

Conclusion

The project has delayed the development and operationalization of ecosystem monitoring tools and data sharing mechanisms, and in the absence of which, Uganda risks making poor policy decisions and planning for sustainable development and management since there is no reliable data on environmental health and natural resources (land, water, and fisheries) of the basin ecosystem.

Recommendation

Management should ensure fast tracking of the development and implementation of the use of ecosystem tools and data sharing mechanisms in order to achieve its intended objectives.

Management Response

It is true there have been delays in developing ecosystem monitoring tools and data sharing mechanisms that are regionally coordinated by LVBC. This has been occasioned by the prolonged procurement process, development and approval processes associated with regionally coordinated consultancies as earlier explained in section 4.1(a). On a positive note, all the consultants to develop the relevant tools, including the Geographical Information System (GIS) based Management Information System (MIS), have already been delivered as observed in the report.

Management, in collaboration with LVBC, will ensure that all tools are expeditiously developed and deployed to achieve their intended objectives.

Applied research

According to the project design, the project was to ensure continuation of priority water and fisheries research to fill knowledge gaps on environmental, social, and economic related aspects; and use outcomes to guide policy and management decisions.

Through reviews of work plans and budgets for the periods under review, audit established that, shs.704,914,500 was budgeted and earmarked for applied research in each of the two Financial Years (FYs 2010/2011 and 2011/2012). On 30th July, 2012 following the signing of amendment to the financing agreement, which restructured the project, this activity was dropped. The research topics, which had been planned (Table 3) were already under implementation by participating institutions by the time the decision to drop them was taken.

Table 3: showing research topics planned, implemented and later dropped

Research topic	Amount planned and budgeted for		Status
	FY 2010/11	FY 2011/12	
Research in aquaculture and capture fisheries	351,208,800	351,208,800	Research dropped with the signing of amendments to financing agreement 30 th July, 2012
Research in protection and conservation of critical wetlands and biodiversity	62,788,640	62,788,640	"
Research in community water supply and waste water management	62,788,640	62,788,640	"
Research in socio-economic impacts of Agro-chemicals	62,788,640	62,788,640	"
Research in integrated land use in LVB areas	62,788,640	62,788,640	"
Research in Land restoration practices from artisanal mining sites	62,788,640	62,788,640	"
Research in socio-economic status of the population in LVB	39,762,500	39,762,500	"
Total	704,914,500	704,914,500	

Source: OAG analysis of the LVEMP annual budgets and work plans for 2009/10, 2010/11 and 2011/12

On further analysis of Project expenditures, the audit established that shs.150,228,000 (Table 4) had already been spent on preliminary activities for applied research thus this shift in policy occasioned waste of the funds already spent by the Project.

Table No. 4 Showing summary funds utilized in applied research activities

Vhr No	Payee	Amount	Purpose
407	NaFIRRI	71,630,000	Field Surveys on activities during QRT3
409	NaFIRRI	73,000,000	Conduct applied research
426	Muyodi Fredrick	5,598,000	Purchase of Office items
	Total	150,228,000	

Source:OAG analysis of LVEMP payment vouchers

The balance of shs.1.26 billion¹⁴for the two financial years (FY2010/11 and FY 2011/12) remained idle, unspent and at a risk of misappropriation.

Furthermore, audit established that the project was sponsoring post graduate students at Makerere University to undertake demand driven research although this activity had not been planned and budgeted for by the project. A total of 14 students were awarded scholarships by the project, 4 of whom were at research level (scheme 1) while the remaining ten were beginning their post graduate courses (scheme 2). By the time the audit was concluded (15th January, 2013), none of the 4 students in scheme 1 whose research was expected to be completed by December, 2012 had completed.

In addition the 10 students under scheme 2 had just been enrolled in post graduate courses beginning academic year 2012/2013 and were expected to complete their research at the end of academic year 2013/2014, a time when the project will be in its last months of implementation thus these research papers will not be of benefit to the project implementation process.

Furthermore, it was noted that there were no Memorandum of Understanding (M.O.U) signed between the LVEMP II and Makerere University and the students to undertake this activity at the time of auditing (15th January, 2013). Records show that a total of shs.201,215,450 had been disbursed to the university for the purpose and spent.

The delay to carry out applied research was attributed to delayed clearance of terms of reference for applied research that had been prepared and approved by the National Technical Advisory Committee (NTAC). By the time of the project restructuring, it was realized that this delay in carrying out applied research implied that the findings would not be in time to aid policy decisions and planning for sustainable development and management of project activities hence cancelation of applied research related activities.

¹⁴ (Shs.704,914,500*2)-150,228,000= Shs.1,259,601,000

The shift from applied research to demand driven research caused a waste of shs.150,228,000 the Project had already spent on preliminary activities for applied research. In addition, sponsorship for post graduate students to undertake demand driven research will not add any value to the project as it is unlikely that the research will be completed to guide preparation and planning for Project implementation. Coupled with this, sponsorship for students without a memorandum of understanding does not commit these students to the Projects objectives.

Conclusion

Without a memorandum of understanding between the Project, Makerere University and the sponsored students, the students may exploit this weakness and deviate from the Project objectives or even deny the Project from using their works. This will result into waste of funds utilized under this arrangement. Additionally, sponsorship of Students for demand driven research will not add reasonable value to project implementation, considering that by the time these researches are completed, the Project shall be nearing its closure.

Recommendation

Applied research should be put into fresh consideration by management since it is critical in the Lake management.

The project management should ensure that Makerere University fast track the signing of M.O.U.s with the beneficiary students to safeguard the interests of the project.

Management Response

It is true that the project had spent Shs. 150,228,000 on preparatory work for applied research before project restructuring. Management considers the accomplished work as very useful and will form the basis for carrying out applied research under the Second phase of the project – also known as Adaptable Programme Lending 3 (APL 3) as well as the Directorate of Water Resources Management.

During the midterm review, it was noted that the process of awarding competitive grants would take longer than envisaged and it was agreed that applied research would be undertaken by the relevant government research institutions mandated to carry out the respective topics. Accordingly, the balance of 1,259,601,000 was re-allocated to fund the research topics for implementation by research institutions pending approval by the National Policy Steering Committee and the Bank. On the contrary, the restructuring paper that came out in October 2012 dropped applied research altogether. This matter was brought before the National Policy Steering Committee which advised that Management should pursue the issue with the Bank to re-instate applied research. Management is going to bring up the matter for review in the forthcoming World Bank Project Evaluation Mission scheduled for April 1st – 5th 2013.

The MoU between the project and Makerere University has been signed a copy of which is attached as Annex 2. There also exist agreements between Makerere University and the sponsored students stipulating roles and responsibilities of either party.

Auditor's Comment

The matter has not been logically concluded. The decision by the World Bank Project Evaluation Mission scheduled for April 1st – 5th 2013 has not been reached.

The M.O.U between the University and the Ministry was signed on 4th February, 2013, retrospectively, and no students' agreements have been provided for verification.

4.2 POINT SOURCES POLLUTION CONTROL AND PREVENTION

Rehabilitation of waste water treatment facilities

According to the financing agreement, the project was to carry out a program to reduce point sources pollution from municipal wastewater and improve sanitation services through construction and rehabilitation of selected wastewater treatment facilities, connection of primary treated effluent discharge networks to wet lands, construction of sanitation facilities on selected areas along the shores and collection, treatment and disposal of sludge in selected municipal areas. By end of year 3 (31st June 2012), the Project was expected to have completed a feasibility study, designed and rehabilitated the Kirinya waste water treatment plant in Jinja and at the same time should have completed a feasibility study and design for a wastewater treatment plant in Ggaba.

Through interviews with the NPCT, document review and inspections of the proposed sites, it was established that the construction and rehabilitation of selected wastewater treatment facilities had not yet taken off by close of audit (January, 2013). In addition, the construction of sanitation facilities on lake shores; connection of primary treated effluent discharge networks to wetlands and collection; and treatment and disposal of sludge in selected municipal areas had not yet been undertaken as planned.

A contract number MWE/SPLS/11-12/01011117/009 for consultancy to carry out feasibility studies, detailed design and construction supervision for the development of a waste treatment system for Ggaba landing site/trading centre and rehabilitation of Kirinya – Jinja wastewater treatment plant had just been signed on 16th October, 2012 and consultancy works were expected to be completed at the end of March, 2013. This means that the construction of waste treatment system for Ggaba landing site/trading centre and rehabilitation of Kirinya – Jinja waste water treatment plant will not take off till April, 2013 nine months beyond the initial date of completion.

Table 5: showing current status of core activities under sub component 2.1

Indicators	Baseline	Year 3 target	Status as at June, 2012	Variance	
Number of wastewater treatment facilities designed/rehabilitated / constructed		0 (Kampala & Jinja)	70%	40%	30%
Volume of BOD pollution loads removed at treatment plant outlets financed under the Project (tons/yr).		Kampala (344.5) Jinja (298.0)	300 250	344.5 298	344.5 298

Source:LVEMP II Annual performance report FY 2011/2012, National performance review matrix as at year 3 (2013)

The delay for the construction, design and rehabilitation of selected wastewater treatment plants was attributed to the slow procurement process that took two (2) years to secure a consultant to undertake the feasibility study. Construction and rehabilitation works could not go ahead without an approved feasibility study report.

This delay in commencement of construction and rehabilitation works has resulted in deteriorating quality of water in Lake Victoria¹⁵ due to increasing amounts of untreated wastewater discharged into the lake from the surrounding cities, towns and communities.

Picture 1-2: showing wastewater discharging into the lake



Picture 1 - Untreated wastewater (sludge) flowing into Lake Victoria through the Kirinya Sewerage treatment plant, its Rehabilitation and improvement is yet to take place awaiting feasibility studies



Picture 2- Direct flow of wastewater still under treatment into Lake Victoria at Kirinya Sewerage treatment plant due to broken pipe leading wastewater to the nearby wetland for further natural treatment.

15 Refer to table 4: showing current status of core activities under sub component 2.1

Conclusion

The project has severely delayed the construction, design and rehabilitation of selected wastewater treatment plants, despite the Project receiving partial disbursement totalling to US\$ 1,642,617.32 (shs.3,917,133,309) as at 14th June, 2012 to cater for the design and rehabilitation of selected wastewater treatment plants, construction of sanitation facilities on lake shores, and collection, treatment and disposal of sludge in selected municipal areas, physical work had not commenced as at 15th January, 2013 and the country continued to experience increasing amounts of untreated wastewater discharged into the lake by targeted lake-shore cities, towns and communities.

Recommendation

Management should expedite the design and rehabilitation of selected wastewater treatment plants, construction of sanitation facilities on lake shores, and collection, treatment and disposal of sludge in selected municipal areas.

Management Response

It is true that the rehabilitation of the waste water treatment facilities particularly for Gaba and Kirinya has delayed due to the prolonged procurement process. As observed by the audit, it took two (2) years to procure a consultant to undertake the feasibility study. Because this procurement required prior review by the Bank
However, with the consultant to carry out the feasibility study, design and supervise works now on board, it is expected that the actual work will move faster and completed within the project life time.

Promotion of cleaner production technologies

The LVBC procured the services of Kenya National Cleaner Production Centre (KNPCPC) through the Kenya regional coordination office to coordinate the implementation of Cleaner production technologies through Cleaner Production Centres operating in Kenya, Tanzania and Uganda.

Accordingly, a contract (MOU) was signed between KNPCPC and Uganda Cleaner Production Centre (UCPC) on implementation of activities under LVEMP II, UCPC was to ensure that targeted industries in Uganda reduce pollution loads from effluents through promotion of Cleaner Production technologies (CPT), compliance assistance for effluent standards and public education and awareness campaigns by end of June, 2013 in the targeted major polluting industries mainly in Kampala, Jinja and Entebbe¹⁶.

It was established that UCPC signed a contract of US\$ 623,900 (UGX 1,487,808,091)¹⁷ with KNPCPC to implement LVEMP II activities for three years ending June, 30th 2013 and has so far utilised US\$329,601(UGX 785,996,209)¹⁸ representing 53% of the total contract sum yet the UCPC has only completed training for only 16% of the targeted industries. This is due to the centre operating without a clear country work plan and budget to guide its operations.

16 Contract for management services signed between KNPCPC and UCPC, Article 3, Conditions of the Agreement, Section 3

17 Average exchange rate of US\$1= UGX 2384.69/=

18 Average exchange rate of US\$1= UGX 2384.69/=

The UCPC has no mandate to enforce the implementation of cleaner production technologies given to targeted industries during training and as a result the trainings have not yielded positive results. It was also noted that UCPC had failed to penetrate the major polluting industries in the LVB. Due to the fact that the UCPC reports directly to LVBC through the KNCP, its activities are not supervised and monitored by LVEMP, Uganda. However, the centre has achieved its target of 28 industries trained and assessed, though these are not necessarily the major polluting industries.

Further, through documents¹⁹ reviewed at UCPC, it was established that the centre had mapped and targeted 177 industries and factories across the LVB for training and adopting CPT. Of the targeted industries, 128 were located in the major polluting areas of Kampala, Jinja and Entebbe, however, it was established that only 21 out of 128 of these industries had received training and only 16 out of 21 had completed assessments as at December, 2012.

It was further noted that, the major industries with a high pollution risk to the environment which include Nile Breweries, Nile ply, Gomba fishing, Nile Agro, Mukwano, Marine & Agro Export Processing, Uganda Breweries Limited, and fuel depots, among others, were not part of the trained and assessed industries in adapting to cleaner production technologies.

¹⁹ Report on GIS Mapping and grouping of industries into priority clusters and sectors by UCPC page 9-11

Additionally, the centre had not updated the inventory of factories/industries and their pollution loads for posting the information on the EAC/LVBC's and focal point ministry/project's website and the media. As a result the industries are not under any pressure to adopt CPT and comply with effluent standards since information relating to their pollution loads is not readily available to the public for scrutiny.

The effects of this state of affairs are:

- Very few industries have adopted cleaner production technologies, thus the majority continue to discharge untreated industrial wastes into the Lake plus channels and rivers that drain into the lake.
- Information on pollution loads from most of the industries in the LVB is not readily available for the public and interested stakeholders to take any appropriate action as and when required.

Conclusion

Without prioritising the major polluting industries, mandate to execute enforcement for effluent standards and public education and awareness campaigns, the centre will exhaust its contracted budget of US\$ 623,900 without achieving its expected output of reducing the amount of untreated industrial waste in the lake and rivers in the basin.

Recommendation

The Centre should work hand in hand with the LVEMP, Uganda; NEMA and other stakeholders to ensure that its activities stimulate greater adoption of CPT in the targeted industries.

Management Response

It is true the Uganda Cleaner Production Centre has no mandate to enforce Cleaner Production as this lies with NEMA. However, the primary function of UCPC in the project is not to enforce but to provide technical assistance in order to help industries to minimise pollution.

Management further wishes to clarify that 122 industries and hot spots were mapped in the Lake Victoria Basin Uganda side. However, out of the mapped industries, only 27 were targeted for CP activities in Uganda just as in Kenya and Tanzania, translating into 81 industries in the entire Lake Victoria Basin in the three countries by end of project year 3. Out of the 27, a total of 21 industries have completed CP assessment and are at various levels of implementation.

That notwithstanding, Management has taken note of the challenges with the cleaner production activities and the weak linkage between the Uganda Cleaner Production Centre and NEMA, Directorate of Water Resources Management and the NPCT in the implementation of Cleaner Production Technology project activities. However, efforts have already been initiated for the UCPC, NEMA, DWRM/Water Quality Department and the department of fisheries to collaborate as shown in Annex 3.

Management will further raise the matter with the Regional Project Coordination Team and the Regional Policy Steering Committee with the intention of causing MoU's between the National Cleaner Production Centres in all participating countries, the National

Environment Management institutions (NEMA in the case of Uganda) and National Project Coordination Teams.

Auditor's comment

Management has not given the source of the data quoted; however, the audit figures were obtained from a report on GIS Mapping and grouping of industries by UCPC.

Pollution risk management and safety of navigation

The project through the LVBC was to carryout bathymetric survey and mapping of marine transport routes in Lake Victoria; in addition, the project was to install navigation equipment and facilities, such as light houses, lighted buoys, radar system, rescue operation equipments and early warning systems coupled with the implementation of a contingency plan for the oil spills and hazardous waste management in lake Victoria by end of year 2 of the project (June, 2011). Furthermore, the financing agreement provided that, LVEMP Uganda, through the Ministry of Works and Transport (MoWT), was to establish a maritime safety administration unit²⁰ to supervise the survey and mapping and installation of the navigation equipment. The established unit was to strengthen maritime administration on the lake to achieve its major objective of preventing marine vessel accidents, which are major sources of pollution, including oil spills; and also improve on safety of navigation from cargo and passenger ferries, and fishing vessels.

²⁰ Financing Agreement between Republic of Uganda and IDA, Schedule 1, Part 2, Section (b), page 7

Through interviews with the activity leader for pollution risk prevention and safety of navigation on Lake Victoria, it was established that by December, 2012, the survey and mapping of the Lake Victoria as well as the installation of the navigation equipment had not started despite availability of funds totalling to US\$ 5.3 million allocated for this activity.

Additionally, it was noted that there was inadequate communication between implementers of pollution risk management and safety of navigation activities at LVBC and activity leaders for the process at the MoWT. This has further delayed the implementation of these activities as activity leaders at country level are not well aware of the status and progress of works at regional level thus impacting on country based activities.

Furthermore, despite the availability of US\$ 300,000 (shs.715, 407,000)²¹ from IDA for strengthening the capacity of the maritime office and carrying out project field based activities, the construction of the maritime administration block had not started, thus hindering operations of the maritime safety administration unit. In addition, out of shs.88, 350,000 advanced to the MoWT in November, 2011 to carry out project field based activities, only shs.33, 080,000 had been utilised by June, 2012, implying that there was slow implementation of the field based project activities.

All these delays were attributed to the lengthy procurement process and delays in securing

21 Average exchange rate of US\$1= UGX 2384.69/=

clearances from the World Bank as well as inadequate communication amongst the implementers of this sub component.

The delayed implementation of activities under this sub component has resulted in continued risk of marine accidents and pollution to the lake. This has also aided the continued existence of untrained marine sailors who increase the risk of marine accidents on the lake.

Conclusion

The more the activities under this sub component continue to delay, the more the country is at risk of marine accidents resulting in increased pollution of the lake, particularly from oil spills, from lake Victoria transport and fishing vessels.

Recommendation

Management should implement the pollution and safety navigation activities without further delay, to protect the lake from pollution risks and fatal marine accidents, such as that of the MV Kabalega that resulted in avoidable loss of billions of shillings.

Management Response

It is true the bathymetric survey and mapping of marine transport routes in the Lake, in addition to installation of navigation aids, has delayed. This was occasioned by the under-budgeting for this activity and slow approval processes for budgetary changes, coupled with the lengthy procurement process of regionally coordinated activities as alluded to in section 4.1.

Indeed, there was poor communication between LVBC and the country implementing teams, a situation that further affected implementation at the national level. However, this matter was brought before the Coordination Committee meeting of the 13th Sectoral Council for the Lake Victoria Basin in February 2013, in Kisumu, Kenya and a decision was drafted awaiting the Session of Ministers' approval directing the LVBC Secretary to regularly share information related to this activity with Partner States/National Implementing teams.

Management, in collaboration with the Ministry of Works and Transport (MoWT) and LVBC, will put in place mechanisms to improve information flow and expedite the bathymetric survey, mapping of marine transport routes in the Lake, and installation of navigation aids in the lake to reduce fatal marine accidents and the risk of pollution.

4.3 WATERSHED MANAGEMENT

a) Natural resources conservation and livelihoods improvement

According to the national performance review matrix for LVEMP II, the project should have attained an increase of 500 hectares under improved land use, trained 300 community groups in improved Sustainable Land Management (SLM) practices and influenced adoption by 200 communities out of the trained community groups, increased afforestation by 100 hectares in targeted sub catchments, restored/rehabilitated cumulative 150 hectares of degraded wetlands, reduced the water hyacinth coverage by 350 hectares in identified hotspots by end of year three (30th June, 2012).

Through analysis of the project expenditures, it was established that despite the reported utilisation of shs.1, 648,305,501 under sub component 3.1 that is aimed at achieving the above mentioned targets, no community group was trained in SLM practices and as a result SLM practices were not adopted to improve land use.

It was also noted that none of the targeted sub catchments had started afforestation activities, restoration and rehabilitation of the degraded wetlands and activities aimed at reducing water hyacinth prevalence in the targeted hotspots.

The above amount was not utilised on the core activities aimed at improving the livelihoods of participating communities and conserving natural resources but was reported to have been spent on sensitisation workshops with district officials, allowances, retreats, trainings, fuel, etc. Table below refers.

Table 6: showing current status of core activities under sub component 3.1

Indicators	Baseline	Year 3 target	Status as at June, 2012
Hectares under improved land-use	0	500	0
Number of communities/individuals trained in improved sustainable land management (SLM) practices	0	300	0
Hectares under afforestation in targeted sub-catchments	0	100	0
Number of communities/individuals adopting improved SLM under the Project	0	200	0
Cumulative hectares of degraded wetlands restored and/or rehabilitated by communities in targeted sub-catchments	0	150	0
Reduction in area (hectares) covered by water hyacinth in identified hotspots	0	350	0

Source:LVEMP II Annual performance report FY 2011/2012, National performance review matrix as at year 3 (2013)

Pictures3-8: showing impacts of delayed natural resources conservation and livelihood improvement activities



Picture. 3 Drying tree seedlings at NyangaKentale tree nursery in Rakai District, the group had prepared seedlings in preparation for LVEMP funding of the environmental conservation project through tree planting.



Picture 4. Cattle rearing by the community at Nazigo Landing site as a result of lack of sensitisation. Such animals contribute to pollution of the lake



Picture 5. Brick making in Manwa Local forest reserve in Masaka district. The locals continue to de-forestate this forest reserve to burn the bricks.



Picture 6. A farmer spraying his crops with pesticides in Gambuze wetland in Masaka district. Farmers continue to encroach on wetlands in the area as the project delays to kick off its campaign to restore the wetland to its original ecological status.



Picture 7. Deforestation as a result of charcoal burning in a local forest reserve in Namayingo district. The district is still awaiting funds under LVEMP II to re-afforestate and conserve the local forest reserve.



Picture 8. Fishing ponds prepared by SibawoSyahayaOhuba farmer's group in Namayingo district. The group was yet to stock their fish ponds as they were still waiting for funding under LVEMP II aimed at reducing fishing pressure on the lake Victoria, increase fish stocks through aquaculture and improve on communities' livelihood.

This non-progression was attributed to:

- Delayed clearance of CDD sub project by the world bank, and
- Delayed operationalization of SLM strategy and water hyacinth control plan.

The effects of these delays are;

- Increasing water hyacinth prevalence in the LVB
- Increased degradation of wetlands
- Increasing deforestation,
- Increasing non-point source pollution (sediment loads, nutrients, and agro-chemicals),
- Increasing pressure on the Lake from surrounding communities.

Conclusion

The delayed implementation of natural resources conservation and livelihoods improvement sub projects implies that the targeted sub catchments continue to experience increasing harvesting pressure on fisheries and other natural resources, poor land practises and poor community livelihoods

Recommendation

The project should prioritize the implementation of natural resources conservation and livelihoods improvement sub projects in the targeted sub catchments.

Management Response

It is true Shs. 1,648,305,501 was spent on start-up activities that were crucial for the successful preparation and implementation of CDDs and Strategic Interventions as laid out in the CDD implementation manual. Start-up activities that were implemented by Kawanda Research Institute (NARO-KARI), National Fisheries Resources Research Institute (NARO-NaFRRI), Wetlands Management Department and the NPCT involved awareness raising in Local Governments and communities, identification of hot-spot catchments/areas for CDD interventions, Sub-project identification, Trainer of Trainers training in proposal writing, technical backstopping/support during proposal writing.

However, failure to get clearance from the World Bank to implement the CDDs and Strategic Interventions has greatly affected

the implementation of the natural resources conservation and livelihoods improvement interventions although initially it was not a requirement to submit the approved sub projects to the Bank for clearance. The delay in clearance, having submitted in June 2012, has consequently led to lack of early realization of the project outputs and outcomes under this thematic area.

It is expected that the benefits to accrue from the implementation of CDDs when finally cleared will off-set the investment in start-up activities. Management will continue to engage the Bank during the upcoming Evaluation Mission in April 2013 to expedite the clearance process.

Community capacity building and participation

According to the project national performance review matrix for LVEMP II, a thousand community members were to be trained in participatory approaches in preparation, implementation (community based procurement and financial management), and monitoring and evaluation of CDD sub projects by 30th June, 2012.

Through interviews conducted with a number of participating community groups in the implementing districts visited, audit established that, these communities had not received training in participatory approaches in preparation, implementation (community based procurement and financial management), and monitoring and evaluation of CDD sub projects. Information relating

to financial management, procurement management, social accountability, day to day management of sub projects and group management was not properly disseminated to the communities.

This was attributed to the delayed disbursement of funds to districts needed for CDD sub projects thus the team did not find it necessary to train community groups before their proposals were approved and funds released. Additionally, modules for training and teaching communities had not been developed by the NPCT.

The lack of training for communities hindered their capacity to write meaningful proposals for sub projects and to suggest long term projects with lasting social and environmental benefits. As a result a number of district technical officers took over the responsibility of proposal writing on behalf of most of community groups interviewed. This led to the delay of the proposal writing process and only 66 proposals were at approval stage by the end of June, 2012, a time at which implementation was expected to have been completed for most of the short term projects. This situation was further worsened by continued failure by the project team to attain a no objection from the World Bank for implementation. By 15th January 2013 when the audit was concluded, the project had not received any feedback on the 66 approved sub projects' proposals that were submitted to the World Bank in July 2012 for clearance, seven months after submission.

Additionally, it was also established that, community awareness and education programs that were supposed to run through local media (radio talk shows) and which were targeting a minimum of 2400 individuals in targeted communities did not take place despite a facilitation of shs.1,065,000 to LVEMP officials for the programs. As a result, the majority of the community members from the targeted sub-catchments were not informed on LVEMP activities and did not participate in the project activities. As a result, the objectives of conserving the natural resources in targeted areas through improving the community livelihoods may not be achieved.

Furthermore, only four out of nine implementing districts received funds (shs. 8,170,000/= each) to support initial preparation of CDD sub projects and strategic interventions. The four districts were: Masaka, Rakai, Gomba and Mityana. The other districts of Namayingo, Kalangala, Mubende, Kalungu and Mpigi had to rely on the community groups' ability to finance their own proposals thus leaving the poor community groups out of the project beneficiaries. This was attributed to delay by the affected districts to open LVEMP II accounts.

Conclusion

Without adequate community capacity building and awareness, the Project was unable to achieve full community participation. This will hinder the communities' ability to plan, implement and monitor subproject investments in the targeted areas.

Recommendation

The Project team should ensure that adequate community capacity building, awareness and participation program activities are carried out in implementing communities before implementation of CDD subprojects takes off.

Management Response

Management concurs with the finding that at the time of the audit, communities had not received training in participatory approaches in implementation (community based procurement and financial management), and monitoring and evaluation of CDD sub projects.

Management wishes to clarify that as a strategy, the project conducted Trainer of Trainers training for the district technical officers who were intended to train communities in proposal writing. Furthermore, the project provided technical backstopping to the Districts/communities throughout the proposal writing process. This led to the preparation of 101 sub-projects in the 9 districts in the first phase of Sub-project preparation out of which 66 bankable sub-projects were approved by NTAC.

Training in financial management, procurement management, social accountability, day to day management of sub projects and group management did not take place during preparation as this (training) was planned to be conducted during implementation of the Sub-projects.

Regarding communities that did not adequately participate in sub-project formulation, Management will ensure that the project team revisits these communities and adequately sensitizes them, secure their concurrence with the sub-project design and sufficiently build their capacity to implement CDD subprojects.

Community awareness and education for which Shs. 1,065,000 was advanced will be undertaken once the CDD sub projects commence. The delay to approve disbursement for these projects is the cause of the delay to undertake this exercise.

Environmental Impact assessments of CDD sub projects and strategic interventions

The Sub projects to be implemented under LVEMP II were required to be screened for environmental and social impacts. This was to be done with the aid of Environmental Impact Assessment (EIA) screening forms to determine if a proposed sub project did or did not have significant environmental and social impacts. Environmental officers located at local authorities were to assist beneficiary communities using Environmental and Social Screening Forms (ESSF) to identify the impact of each sub project, determine their significance, assign appropriate environmental category, and propose appropriate mitigate measures and, where necessary, recommend a full environmental impact study. All sub projects were to be issued with certificates of approval of the EIA issued by National Environmental Management Authority (NEMA) to exempt or

approve the sub project environmental aspects²².

Through interviews with district focal point officers and the project coordination team, and documents reviewed²³, Audit established that a total of 66 CDD and strategic intervention proposals valued at shs.5,967,039,340 that were approved by the NTAC for district implementation had not been screened for environmental and social impacts. All sub project files seen by the audit team lacked EIA screening forms, ESSF, and certificates of approval by NEMA. Details are shown in the table below;

Table 7: Showing valuations of CDDs and strategic intervention projects approved by NTAC

District	Number of projects approved by NTAC	EIA and ESSF on file	CDD value (shs.)	Strategic interventions value (shs.)	Total value (shs.)
Masaka	10	0	356,068,000	764,897,500	1,120,965,510
Rakai	7	0	320,071,740	180,500,000	500,571,747
Kalangala	11	0	508,853,600	270,785,000	779,638,611
Namayingo	12	0	574,985,000	355,264,000	930,249,000
Kalungu	3	0	0	465,037,500	465,037,500
Mpigi	9	0	359,480,600	432,698,000	792,178,600
Mubende	4	0	106,000,000	210,400,000	316,400,000
Gomba	5	0	126,859,600	425,454,800	552,314,400
Mityana	5	0	135,174,000	374,510,000	509,684,000
Total	66	0	2,487,492,540	3,479,546,800	5,967,039,368

Source: A summary report on the CDD subprojects and strategic intervention proposals for funding under LVEMP II.

Lack of EIAs was attributed to negligence by NTAC and district technical teams that were charged with the approval process of the sub projects.

Without approved environmental and social impact assessments, the audit could not determine if approved sub projects did or did not have significant environmental and social impacts. Implementation of these sub projects could worsen the prevailing social and environmental situation in the Country. This could easily result into closure of the project by the World Bank.

Conclusion

As a consequence to the above, the project's investments worth shs.5, 967,039,340 in both CDD and strategic interventions may not achieve the desired social and environmental improvements in the targeted sub catchments, coupled with the possible closure of the project by the World Bank.

²² Project appraisal document, Annex 10, Safeguard policy issues, institutional arrangements for environmental and social impact assessment, pages 145 – 152.

²³ A summary report on the CDD sub projects and strategic intervention proposals for funding under LVEMP II

Recommendation

- Management should strictly observe environmental and social impact assessment regulations for every project which is likely to have an impact on the environment.
- NTAC members should be put to task to explain why they approved the 66 strategic intervention proposals which had not been screened for environmental social impact

Management Response

Management concurs with the observation that there was an omission to use Environmental and Social Screening Forms during the sub-project preparatory process. Since the sub-projects were meant to improve the environment and were targeting already degraded areas, the project team overlooked the fact they could still have counter impacts.

However, management has taken note of the concern and will revisit and screen all approved CDDs and SIs to ensure that they conform to the environmental and social impact assessment regulations.

4.4 FUNDS DISBURSEMENT AND UTILISATION

Funds release and absorption

The audit established that out of US\$ 27,500,000 earmarked for the project, funds totalling US\$ 6,692,679.02 (24.34%) were received from the World Bank and deposited onto the project accounts in the Bank of Uganda for a period of 3 financial years i.e. 2009/2010, 2010/2011 and 2011/2012.

An analysis of total expenditure since inception of the project to June, 2012 revealed that only US\$3,174,410.37 (47.43%) of the funds disbursed had been utilised on Project activities leaving a balance of US\$ 3,518,268.68 unspent and idle on the Project accounts as at 30th June, 2012. This expenditure represents only 11.54% of the total project budget.

The low absorption was attributed to delayed clearance of project activities by the World Bank and the slow procurement process. Details are seen in table 8 below:

Table 8: Showing funds utilisation as at 30th June, 2012

Components	Project Budget (US\$) (a)	Amount Disbursed (US\$) (b)	Project Expenditure (US\$) (c)	Unspent Amount (US\$) (c)-(b)	Percentage Expenditure amounts disbursed	Percentage expenditure (Total project budget)
Component 1	3,684,000.00	2,143,733.21	757,632.3	1,386,100.91	35.41%	20.60%
Component 2d	6,968,000.00	1,642,617.32	193,409.23	1,449,208.12	11.77%	2.80%
Component 3	10,999,000.00	1,739,944.61	987,694.09	752,250.52	56.77%	9.00%
Component 4	2,566,490.00	1,166,383.88	1,235,674.75	-69,290.87	105.94%	48.10%
Unallocated	3,282,510.00	0	0	0	0	0%
Total	27,500,000.00	6,692,679.02	3,174,410.37	3,518,268.68	47.43%	11.54%
	Expenditure percentage of the total credit				11.54%	

SOURCE:LVEMP Quarterly interim financial reports from FY 2009/2010, 2010/11 and 2011/12

The low funds disbursement and absorption capacity has in turn greatly affected project implementation, leading to failure in achieving project objectives in time. This has also impacted on the loan absorption capacity of the implementing agency.

It was also noted that on component 4 – project coordination and management, the project had utilised US\$ 69,290.87 (shs.165,237,244.78) in excess of the funds disbursed. The project risks exhausting its budget of project coordination and management before mainstream activities are implemented.

The financing agreement provides that a maximum commitment charge rate payable by the recipient on the un-withdrawn financing balance shall be one-half of one percent (1/2 of 1%) per annum²⁴.

It was established that despite the loan nearing its closing date of 30th June, 2013, only 24.3%(Table 9) of funds had been disbursed as at 30th June, 2012, this may attract maximum commitment charge payable by the recipient for un-withdrawn amount of shs.744, 285,143²⁵

Table 9: Showing performance of funds disbursed to the Project

Loan Amount Granted US Dollar (\$)	Application No.	Date received	Amount received US Dollar (\$)	Cumulative % received
27,500,000	MWE/LVEMP – 09	14/06/2012	3,204,576.61	
	MWE/LVEMP – 06	11/04/2011	772,232.08	
	MWE/LVEMP – 03	04/01/2011	715,870.33	
	MWE/LVEMP – 01	12/05/2010	2,000,000	
		Cumulative Total	6,692,679.02	24.3%

Source: LVEMP Quarterly interim financial reports from FY 2010/11 and 2011/12

According to the terms and conditions of sub grant agreements, the beneficiary undertakes to contribute in cash or in kind, at least 20% of the total estimated sub project cost²⁶.

²⁴ Article II (Financing) of the Financing Agreement between the Republic of Uganda and IDA, section 3, page 2

²⁵ Commitment charge = (27,500,000 – 6,692,679.02) x ½ of 1% x 3 years = US\$ 312,109.81(approx. shs.744,285,143@an average exchange rate of Shs2, 384.69).

²⁶ Financing Agreement between the Republic of Uganda and IDA Schedule 2, Section 1, Sub section (D), Part 3 Terms and conditions of subgrant agreements

It was also established that counterpart contribution from the G.O.U that was budgeted at shs.1, 210,318,000 and 1,210,003,000 in the financial years 2010/2011 and 2011/2012, respectively, giving a cumulative total of shs.2, 420,321,000 was not all contributed. However, only shs.1, 829,486,000 was received leaving a shortfall of shs.590, 835,000 by the end of financial year 2011/2012.

Recommendations

- The Management of LVEMP should devise measures to improve fund absorption so as to reduce on the commitment fees charged on unabsorbed disbursements.
- Management and the World Bank should develop mechanisms of quickly resolving issues that delay clearance and issuance of notice of "No objection".
- Management should ensure that Project funds are spent according to work plan and budget.
- GoU should fulfil its counterpart financing obligations as agreed in the financing agreement.

Management Response

- It is true there was low absorption of funds in the project, which is attributed to disharmony between the World Bank and Country's internal clearance procedures for projects while others are a result of the complexity of the project design. In order to improve the performance of the project, the Bank and the implementing countries have now agreed to improve the situation by:
 - (i) Restructuring the project and reallocating expenditures for expeditious implementation and funds absorption.

(ii) Extending the project by 2 years up to 30th June 2015.

In addition, it should be noted that the bulk of the money was for high value procurements for which the bigger part of the processes have been finalised. Most of the contracts are under execution and once these contracts enter into payment stage, most of the funds will be absorbed.

- With regard to the shortfall on the GOU counterpart funding, Management will continue to lobby the Ministry of Finance and Economic Development to ensure that the budgeted counterpart funding is fully disbursed.
- Over-expenditure on Component 4 (Project Coordination and Management) was due to the fact that there were more regional activities that required the participation of the team than was planned by the Uganda project component. The mismatch was brought about by lack of synchronization between the two planning processes of the Regional Project Coordination Team at LVBC and the National Project Coordination Teams. However, this has now been rectified by holding joint planning sessions.

Management has noted the concern with regard to the risk to exhaust the budget for Project Coordination and Management and will request the Bank for a re-allocation from the un-allocated budget of US\$3,285,100 as indicated in table 8. This should ensure sufficient funds for component 4 till project end.

- Regarding engaging the Bank so that it appreciates the difficulties faced by the implementing agencies as a result of late clearance, Management will raise the matter during the forthcoming World Bank Evaluation Mission in April 2013. It is expected that the Mission will have an excursion to the CDD Communities to appreciate the readiness of the communities to commence implementation and the frustration caused by delayed clearances.

- As regards commitment fees, we are going to present our position to LVBC to handle the issue regionally since consensus has emerged that the delays encountered in project implementation arose because of project design flaws; the Bank should be requested to stay the charging of these fees for the period the Mid Term Review was being conducted.

4.5 MONITORING AND EVALUATION

Under project sub component 4.2: Monitoring and Evaluation (M&E), the project was to undertake Monitoring and Evaluation (M&E) activities so as to assess the progress of the project with regards to outcomes and impact, based on the indicators provided in the results framework and prepare project reports in accordance with the provisions of the financing agreement on a quarterly basis.

Audit established that for all project activities so far carried out, there was no monitoring or evaluation carried out by the NPCT in spite of the availability of a monitoring and evaluation

specialist for two (2) years paid up to a tune of US\$ 92,400 with no single report prepared since inception of the project. It was also noted that no single M&E work plans had ever been made. Only annual progress/performance reports were made in the FYs 2010/2011 and 2011/2012.

Audit attributed the failure to carry out M&E to weaknesses in the M&E team. For example, the project had at one time failed to employ an M&E specialist and when employed she failed to carry out M&E activities due to lack of an M&E plan and her continued absence from duty.

Failure to regularly conduct M&E activities resulted into M&E objectives not being realised hence implementing agencies and other stakeholders could not make proper and informed management decisions and plans. The salary of US\$ 92,400 paid out to the M&E specialist resulted into wasteful expenditure since no single M&E report was ever produced.

Furthermore, under the financing agreement, the project was supposed to establish a geographical information system (GIS)-based monitoring and evaluation, and management information system linked to the regional hub at LVBC.

It was, however, established that there was no functional national geographical information system (GIS)-based M&E and Management Information System (MIS) in place and

baseline data and information which could help in M&E had not been updated since inception of the Project.

This was attributed to the non-performance of the M&E function at country level and the delay by the LVBC to develop a regional based geographical information system (GIS) M&E and Management Information System (MIS).

Without a functional national GIS-based M&E and MIS in place, collection, analysis, storage, reporting and dissemination of data and information on the project's progress with regard to outcomes and impact, based on the indicators provided in the results framework could not be realised.

Conclusion:

Without M&E team and a functional GIS based M&E and MIS, M& E activities could not be carried out and management could not reliably assess the progress of the project with regard to outcomes and impacts, based on the indicators provided in the results framework.

Recommendations

- The Management of the Project should ensure that a national GIS-based M&E and MIS is established to ease the collection, analysis, storage, and dissemination of the projects implementation performance, outcomes, impact data and information.
- The Management of the Project should employ a well-qualified and experienced M&E expert with clear deliverables on M&E

Management Response

It is true there were weaknesses in the M&E function for the project. This was worsened by the slow start up project activities as reflected in the low project expenditure to date. As a result, there were minimal M&E activities to be undertaken. The situation was further compounded by the delayed procurement of a Geographical Information System (GIS) based M&E and Management Information System linked to the regional hub at LVBC until the expiry of the M&E officer's contract. The salary of the M&E Officer was inevitably paid as there was a running contract.

M&E functions are now being undertaken by the M&E officer of the Ministry as recommended by the project design to streamline posts within the government structure after project year 2. However, noting the requirement for M&E function, the project is in the process of procuring a dedicated M&E officer as provided for in the project restructuring paper of 2012. The shortlist has been approved by the bank and interviews are yet to start. Management will ensure that a well-qualified and experienced M&E expert is recruited and will be given clear M&E deliverables.

4.6 INEFFECTIVE INTERNAL AUDIT FUNCTION

According to the financial management manual for LVEMP II (2008), internal audit of MWE is supposed to conduct, on a quarterly basis, operational, compliance and financial audits; evaluate and report on compliance

with procedures and controls in accordance with provisions of Sections 28, sub section (1)(a) – (e), (2) and (3) of the PFAA. Further, advise the Accounting officer and the National Project Coordinator on the necessary actions to improve the management of project finances.

Contrary to the above obligations, audit established that the internal audit function was ineffective, as no quarterly internal audit reports had ever been produced since the inception of the Project; only two (2) annual internal reports for the financial years 2010/2011 and 2011/2012, both dated 26th November, 2012, were presented to the audit team for review, and besides there was no evidence that the two internal audit reports produced were circularized to various stake holders for action by the project management team and no action has been taken by the Accounting Officer and the NPC to address the issues raised in the reports.

This was attributed to lack of capacity by the internal audit department in terms of resources (funding for internal audit not budgeted for by LVEMP II) and human resources (There are only 4 members of staff in the internal audit office for the whole MWE). As a result of weak the internal audit function, internal control weakness, such as: lack of segregation of duties in accounts section, poor management of cash, and among others, continued existence for extended periods leading to repeated inefficiencies and ineffectiveness in project implementation activities. Several payments did not have

complete relevant supporting documents (expenditures totalling to shs.1,360,173,113 remained doubtful). Additionally, a sum of UGX 1,413,041,920 was withdrawn in cash but its intended activities could not be established and verified as a cash register and its ledgers were not availed for audit.

Conclusion

Without an effective internal audit function, strengthening of internal control systems of the Project could not be realized and internal control weakness continued to exist without being brought to the attention of those responsible.

Recommendation

The project should ensure that internal audits are carried out and reports issued on a quarterly basis as required in the Project's financing agreement.

Management Response

It is true that the capacity of the internal audit department is too inadequate to handle the existing demand for internal audit services. The unit has full staff strength of only 4 internal audit officers.

It is regrettable that the Unit did not produce quarterly reports for the project for the period under review which could be attributed to the insufficient manpower. However, the Unit was requested to carry out an audit of the Project and draft reports have been produced and will soon be finalised and circulated to all stakeholders.

Nevertheless, it should be noted that the Unit provided pre-audit services for all the payments the project made. In order to improve the internal audit function, the Ministry has approved the recruitment of two Internal Auditors on contract, one of whom will be deployed to LVEMP II. It is hoped that this will lead to prompt reporting.

4.7 DISBURSEMENTS OF PROJECT FUNDS BEFORE SIGNING OF MOUS

The implementation of LVEMP activities is through contractual arrangements and MoUs with relevant implementing ministries, local authorities, NGOs, CBOs, universities/research institutions, and local communities.

It was noted that funds amounting to shs.352, 158,750 were advanced to the implementing agencies for various project activities before any form of understanding was signed between the project and the agencies. See table below for details

Table 10: Showing agency and amount disbursed before MoU was signed

Agency	Amount disbursed before MoU
National Agricultural Research Organisation	64,785,800
Ministry of Agriculture, Animal industry and Fisheries	61,647,500
Districts(Masaka, Mityana and Gomba)	24,510,000
Makarere University	201,215,450
Total	352,158,750

Source:Results from examination of vouchers and signed MoUs

Additionally, audit established that the MoUs which were later signed with the implementing agencies did not stipulate the total amounts involved, and for what period, effective date of implementation, frequency and criteria of disbursement of funds, specific purposes and activities for which disbursed funds shall be used, and were also not specific on project outputs and outcomes per implementing agency.

This was attributed to delayed clearance by the Solicitor General to approve these MoUs for signing, omission of Makerere University from the list of implementing Agencies/Institutions submitted to the Solicitor General’s office for approval. In addition, due to management’s oversight, the TORs in the MOUs were missing specific details as mentioned above.

This further delayed the project as implementation could not take place without legally binding instruments in place hence leading to a long lead time in preparatory activities that translated into future disbursements.

Conclusion

The project severely delayed signing of MOUs with implementing agencies and without MOUs, project implementing agencies found it hard to implement any activity without legally binding documents, leading to a long lead time in preparatory activities.

Recommendation

- Management should desist from retrospective signing of MOUs in future projects.
- The Project management should improve the terms of reference in MoUs signed with implementing agencies to make them more specific, measurable, attainable, reasonable and time bound.

Management Response

It is true signing of Memorandums of Understanding (MoUs) delayed and there was no MoU between the project/Ministry and Makerere University. While processing the clearance of MoUs, the one for Makerere University was inadvertently left out of the list of institutions. This omission was later noted and a Memorandum of Understanding with Makerere University processed and signed by both parties.

Regarding advance funds without MoU, when the project started, it took quite some time for Memorandums of Understanding to be signed, as they had to be cleared by the Solicitor General. As an interim measure and in the interest of facilitating start-up activities, lead persons who are Government employees, appointed by the implementing Agencies were advanced funds.

Management acknowledges that ToRs in the MoUs did not contain total amount involved, effective date of implementation, frequency and criteria of disbursement e.t.c... as identified by the audit. Management will review the MoU's and cause addenda accordingly.

John F. S. Muwanga
AUDITOR GENERAL

GLOSSARY OF TERMS:

Term	Meaning
Basin	The Lake Victoria Basin
Cleaner production	Is a preventive, company-specific environmental protection initiative. It is intended to minimize waste and emissions and maximize product output.
Commission	The Lake Victoria Basin Commission established under Article 33 of this Protocol.
Community	The East African Community established under the Treaty for the Establishment of the East African Community signed at Arusha on 30th November 1999
Council	The Council of Ministers of the East African Community
Environment	Physical, biological and social components and processes that define our surroundings.
Environmental Monitoring	The process of examining a project on a regular basis to ensure that it is in compliance with an Environmental Management Plan (EMP) as will be approved by NEMA after EIA study.
Financing Agreements	The agreement to be entered into between the Republic of Uganda and the Association providing for a credit to the Republic of Uganda to assist it in the carrying out of the Uganda Project.
Lake	Lake Victoria
Lake Victoria Basin	That geographical area extending within the territories of the Partner States determined by the watershed limits of the system of waters, including surface and underground waters flowing into Lake Victoria
Littoral zone	Near shore of the Lake
Mitigation Measures	The actions identified in an EIA to negate or minimize the negative environmental impact that a project may have on the environment
National Focal Point Ministry	The Ministry of Water and Environment
Partner States	The parties to the Treaty for the Establishment of the East Africa Community namely, the Republic of Kenya, the Republic of Uganda and the United Republic of Tanzania
Pollution	Contamination altering the state of purity (e.g. chemical effluent discharge into a surface water body).
Project and Sub-Project	A set of planned activities designed to achieve specific objectives within a given area and time frame. With respect to the LVEMP II Project, the terminology can be confusing. The project in World Bank terms in the LVEMP II project; and all proposals subject to intermediary loans are subprojects.
Secretariat	The Secretariat of the East African Community
Significance	Level or scale of importance.
Stakeholders	All persons, legal or natural and all other entities being governmental or non-governmental, residing, having interest or conducting business in the Basin
Sustainable Development”	Development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs
Sustainable Utilisation	Use of resources by present generation, which does not impair the right of future generations to use the same to meet their needs
Treaty	The Treaty for the Establishment of the East African Community signed at Arusha on 30th November 1999
Uganda Project	The project to be carried out by Uganda in parallel with this Project, and for which a credit is proposed to be made by the Association.
Water Resources	All forms of water on the surface and in the ground including the living and non-living resources therein

APPENDIXES

Appendix 1-Documents Reviewed

Document	Purpose(s) of Review
	To ascertain:-
World Bank and Ministry of Finance, Planning and Economic Development financing Agreement	Project cost, terms and conditions.
Annual work plans and Budgets (2009/2010, 2010/2011 and 2011/2012)	Planned Activities, expected outputs, Projected costs and time frames
Monthly and Quarterly Progress Reports	Actual performance, challenges and suggested solutions for future improvements
Monitoring and Evaluation Reports and	The independent appraisal of the Project by Monitoring and Evaluation (M&E) Team
Manuals and Guidelines	Processes, Procedures and Guidelines for Project management
Mid-term Review Report(2012)	Donor evaluation of the Project
The Organogram/Project Organization Structure	Staffing levels and responsibilities
Loan and Grant Disbursement Hand book	Disbursement Guidelines
Project audited accounts (2010/2011)	To have an insight into the likely risks and the general Project performance.
Quarterly internal audit reports	To have an insight of the Project inter control systems
Project appraisal Reports (2010/2011 and 2011/2012)	Conceptual framework and recommendations for Project funding
Ministerial policy statements for MWE and MAAIF (2010/2011 and 2011/2012)	Activities and how they are integrated into the overall Ministerial programs
Procurement files	If all procurements were carried out in accordance with the requirements of the GoU and the World Bank guidelines for procurement and selection of consultants.

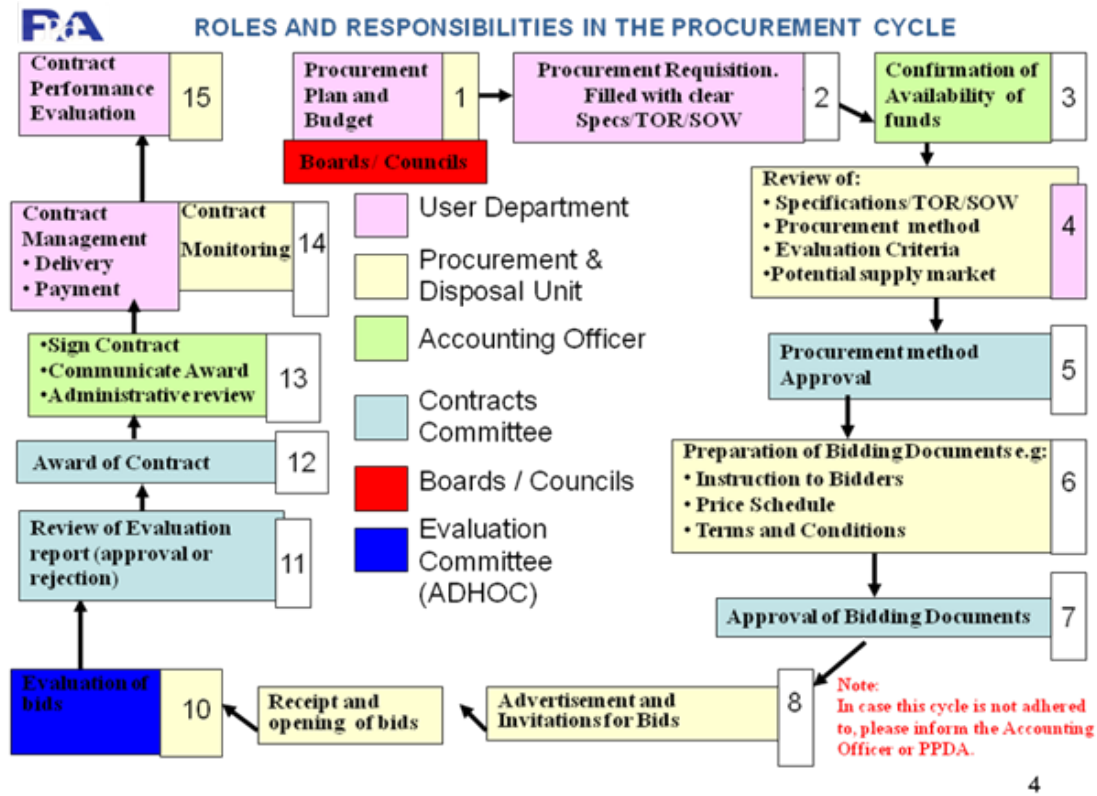
Appendix 2-Interviews Conducted

	Unit	Designation	Purpose of the Interviews
			To ascertain/Get:-
1	LVEMP Headquarters (NPCU)	National Project Coordinator (NPC)	<ul style="list-style-type: none"> - Reasons for the formation of the Project and how it is structured - Roles and responsibilities of key players - Monitoring and Evaluation (M&E) function - Project coverage and how it interfaces with other national programs eg. NAADS - Challenges and their impacts to the Project - How management is to mitigate the challenges
		National Focal Point Officer	<ul style="list-style-type: none"> - The link between LVBC and LVEMP II activities
		Internal Audit specialist	<ul style="list-style-type: none"> - To ascertain whether there are internal controls in place
		Project Accountant	<ul style="list-style-type: none"> - Disbursements so far received - The accountability cycle - Challenges in accounting and suggestions for improvement
		Monitoring and Evaluation Specialist	<ul style="list-style-type: none"> - When and how M&E is carried out - How performance is measured - Whether follow up on M&E reports is done - The current performance of districts - Challenges in M&E
		Procurement specialist	<ul style="list-style-type: none"> - Procurement related issues
		Activity manager	<ul style="list-style-type: none"> - Progress of implementation
2	Selected districts Rakai, Kalangala, Masaka, Namiyingo	Chief Administrative Officers (CAO's)	<ul style="list-style-type: none"> - An overview of the Project in the district and to introduce the audit team to the Project focal persons - District/Community facilitating teams in place - The progress of the Watershed management Component - Working relationship with the MWE and NPCU - Planning, Monitoring, reporting issues - General performance of the Project. - Challenges and way forward for the Project
		Chief finance Officer (CFO)	<ul style="list-style-type: none"> - Funding - Planning, Monitoring, reporting issues - General performance of the Project. - Challenges and way forward for the Project
		District Focal Point Person	<ul style="list-style-type: none"> - Guiding the audit team to implementation sites - Locating implementing groups and other beneficiaries
		District planner	<ul style="list-style-type: none"> - Planning and monitoring issues - How planning information is Gathered - Project activities are incorporated into the District plans - M&E activities planned for and included in the district work plan

Appendix 3-Project components and sub components

Project Component	Sub component	Activities
1 Strengthening institutional capacity for managing shared water and fisheries resources	1.1 Harmonization of policies, legislations, and regulatory standards	To finance national and regional dialogue to review and harmonize policies, legislation and regulatory standards.
		To finance the development and implementation of regional natural resources and environmental management frameworks (Water Resources Management Plan, Watershed Management Strategy, Lake Victoria Fisheries Management Plan etc.)
		To finance the development of sustainable financing mechanisms for management of Lake Victoria Natural Resources (e.g. study options for establishing Lake Victoria Environmental Trust Fund (LVETF))
	1.2 Ecosystem monitoring and applied research	To finance strengthening of existing national and regional scientific and socio-economic data gathering protocols, ecosystem monitoring tools and data gathering mechanisms e.g. Water Information system; Decision Support System for basin water resources; fish stocks assessment; and water hyacinth surveillance
		Undertake priority water, fisheries, and land research to fill knowledge gaps on environmental, social and economic aspects in the basin
2 Point Sources pollution control and prevention	2.1 Rehabilitation of wastewater treatment facilities	Reduce point source pollution from municipal waste
	2.2 Promotion of cleaner production technologies	To reduce industrial pollution, by promoting pre-treatment of factory waste on site and efficiency in raw material utilization thru sorting, reuse, and recycling activities)
	2.3 Pollution risk management and safety of navigation	Survey and mapping main and local marine transport routes in Lake Victoria
		Installation of navigation equipment and facilities, such as light houses, lighted buoys, radar system; and early warning system and provide rescue operation equipment
		Implement a contingency plan for the oil spills and hazardous wastes management in Lake Victoria
3 Watershed management	3.1 Natural resources conservation and livelihoods improvement	Support Natural resources conservation - e.g. sustainable soil and water management activities, water hyacinth control
		Support Livelihoods improvement - interventions that are largely household-based e.g. income-generating activities, such as small scale irrigation, aquaculture, and livestock keeping
	3.2 Community capacity building and participation	Mobilize communities and build their capacity in the preparation and implementation of CDD-type subprojects in watershed management
		Develop training modules on the environmental and socio-economic impacts of Lake Victoria's watershed degradation
		Conduct training on the participatory approaches in preparation, implementation (community-based procurement and financial management), and monitoring and evaluation of CDD sub-projects
		Develop synergies and linkages with existing community awareness and education programs in the LVB
		Develop mechanisms for resolving communities' conflicts on shared or common resources use
4 Project coordination and management	4.1 Project coordination and communication	Facilitate the operations of Regional Policy Steering Committee (RPSC), National Policy Steering Committee (NPSC), and the National Technical Advisory Committees (NTACs)
		Finance the operations of Regional Project Coordination Team (RPCT) at LVBC, and National Project Coordination Teams (NPCTs) mainstreamed in the National Focal Point Ministries (NFPMs)
		Develop the project internal communications system
		Develop regional and national communication and/or outreach programs
	4.2 Monitoring and evaluation	Establish the regional and national GIS-based M&E and Management Information System (MIS)
		Collect, analyze, store, and disseminate data and information on the project's implementation performance, outcomes, impact and sustainability

Appendix 4-Procurement cycle Flow Chart

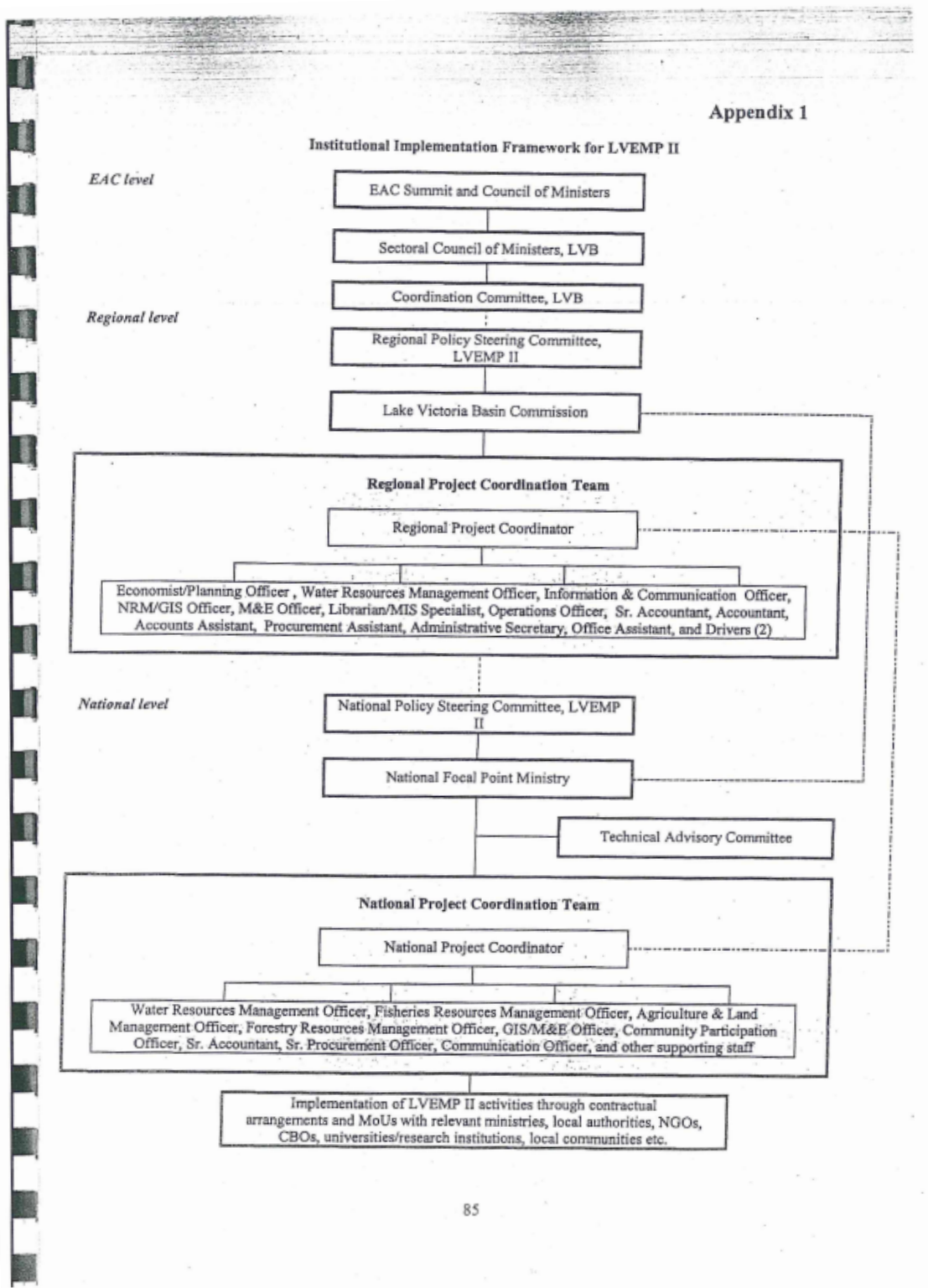


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Appendix 5-Reports prepared by LVEMP

Report	Frequency	Prepared by	Discussed and Reviewed by
Expenditure reports	Monthly	Project Accountant (PA)	NPC, NTSC
Input tracking	Quarterly	PA, NPC, Component managers	NPC, NTSC
Progress reports	Quarterly & Annual	PA, NPC, Component managers	NTSC, NPSU, The World Bank
Work Plans & Budgets	Quarterly & Annual	Component managers, NPC & PA	NTSC, NPSC, The World Bank, DPG (Annual)
Annual PA review report	Annual	Accountant General (AG), Component managers	NTSC, NPSC, The World Bank, DPG
Annual report	Annual	Component managers, NPC	NTSC, NPSC
Evaluation	To determine from time to time	Development partners (DP's) / GoU appraisal	NTSC, NPSC
Internal Audit Reports	Quarterly	Project Internal Auditor (PIA)	PA, NPC, NTSC, NPSC, AG
External Audits	Annual	Auditor General	PTC, NTSC, NPSC, PA, BOU, IDA
Aid memoir	Semi Annually	NPCT	The World Bank
Monitoring and Evaluation	Quarterly	M&E Specialist	NPCT, NPSC

Appendix 6-Institutional Implementation Framework for LVEMP



Appendix 7 - List of industries and factories trained in CPT

NO	Company	Sector	Location	RECP implementation status
1	Kakira sugar ltd	Sugar	Jinja	Assessment completed
2	Sky fat leather tannery	Leather	Jinja	Assessment completed
3	Leather Industries of Uganda	leather	Jinja	Assessment completed
4	Bidco (U) Ltd	Food	Jinja	Assessment completed
5	Jinja Nile Resort	Hotel	Jinja	Assessment completed
6	Crown Beverages Ltd	Foods & Beverages	Kampala	Assessment completed
7	Phenix Logistics (U) Ltd	Textile	Kampala	Assessment completed
8	Southern Range Nyanza Ltd	Textile	Jinja	Assessment completed
9	Picfare Industries Ltd	Paper & Pulp	Jinja	Assessment completed
10	Igara Growers Tea Factory Ltd	Tea	Bushenyi	Assessment completed
11	GBK Dairy Ltd	Dairy	Mbarara	Assessment completed
12	Paramount Dairies (2010) Ltd	Dairy	Mbarara	Assessment completed
13	BMTS Group Of companies	Metal fabrication	Mbarara	Assessment completed
14	Fresh Perch (U) Ltd	Fish		Assessment completed
15	Buwembe Brewers and Distillers Ltd	Beverage/Brewery	Jinja	Assessment completed
16	Sadolin Paints (U) Ltd	Paints	Kampala	Assessment completed
17	Roofings Ltd	Metal fabrication	Kampala	Assessment completed
18	Uganda Meat Industries (UMI)	Foods & Beverages	Kampala	Assessment completed
19	Jinja Leather works	Leather	Jinja	Trained
20	Uganda Pulp and Paper Ltd	Paper & Pulp	Jinja	Trained
21	Makepasi Match Ltd	Matches	Jinja	Trained
22	Steel Rolling Mills	Metal fabrication	Jinja	Trained
23	Lake Bounty ltd	Fish		Assessment completed
24	Byansi Fisheries Company Ltd	Fish		Trained
25	Lake View Resort Hotel	Hotel	Mbarara	Trained
26	Quality Chemical Industries Ltd	Pharmaceutical	Kampala	Trained
27	Kengrow Industries Ltd	Food	Jinja	Assessment completed
28	Ngamba island	Tourism		Trained
29	Sunset Hotel International	Hotel	Jinja	Assessment Completed
30	Tim Ton Hotel	Hotel	Jinja	Assessment completed

Appendix 8- Project budget and expenditure analysis

Project Component	Uganda project budget (US\$ m)	Uganda project budget (UGX) ¹	Cumulative expenditure as at June 30 th , 2012
1 Strengthening institutional capacity for managing shared water and fisheries resources			
1.1 Harmonization of policies, legislations, and regulatory standards	0.26	620,019,400	47,105,000
1.2 Ecosystem monitoring and applied research	3.04	7,249,457,600	1,818,852,060
Total Component 1	3.30	7,869,477,000	1,865,957,060
2 Point Sources pollution control and prevention			
2.1 Rehabilitation of wastewater treatment facilities	6.70	15,977,423,000	233,263,197
2.2 Promotion of cleaner production technologies	0.00	0	0
2.3 Pollution risk management and safety of navigation	0.30	715,407,000	157,550,000
Total Component 2	7.00	16,692,830,000	390,813,197
3 Watershed management			
3.1 Natural resources conservation and livelihoods improvement	9.40	22,416,086,000	1,648,305,501
3.2 Community capacity building and participation	1.60	3,815,504,000	1,065,000
Total Component 3	11.00	26,231,590,000	1,608,400,501
4 Project coordination and management			
4.1 Project coordination and communication	0.90	2,146,221,000	2,785,673,460
4.2 Monitoring and evaluation	1.20	2,861,628,000	27,960,000
Total Component 4	2.10	5,007,849,000	2,813,633,460
Sub – total (BASE COSTS)	23.40	55,801,746,000	8,885,037,922
Including 15% contingency (10% price and 5% physical)	4.10	9,777,229,000	0
Total IDA Allocation	27.50	65,578,975,000	8,885,037,922

Appendix 9- Showing status of harmonization of Policies, legislations, and regulatory standards

Policy, legislations, and regulatory standards	Current status	Completed	Approved	Adopted	Operationalized	Remarks
Water hyacinth strategy	On going	YES	YES	YES	YES	Delayed by the regional team, approved by council of minister, national guidelines to implement water hyacinth strategy developed under going implementation.
Fish Levy Trust Fund (FLTF)	On going	NO	NO	NO	NO	With the new agreement it's no longer a covenant/condition but process is still being funded.
Sustainable Land Management strategy	On going	YES	YES	YES	NO	Still awaiting regional completion of guidelines. developing national guidelines to implementation develop
Lake Victoria Environmental Trust fund (LVETF)	On going	YES	YES	NO	NO	Process ongoing, being championed by a consultancy, just presented to the sectoral council of ministers for adoption.
Fish Management plan	NO	NO	NO	NO	NO	It's a regional consultancy, Consultant not yet procured by the Regional office
Water Policy	On going	YES	YES	YES	YES	Atleast 90% complete, it's regionally initiated by LVBC, being carried out by a consultancy, has been adopted by the RPSC, Bill and M.O.U drawn and sent to individual country, implementation plan developed per country undergoing implementation
Water discharge and affluent standards	On going	YES	YES	YES	YES	Implementation plan adopted, undergoing implementation
Natural resources and environmental management frame work	N/A	N/A	N/A	N/A	N/A	N/A
Water resources management plan	On going	No	No	No	No	It's a regional consultancy, inception report to be presented to LVEMP on 19 th /11/12 in Mwanza

Appendix 10-National performance review matrix – as at year 3 (November 2012)

Intermediate outcome	Indicators	Baseline	Year 3 Target	Status (March 2012)	Status (August, 2012)	Remarks
2.1.1 Reduced amount of untreated wastewater discharged into the Lake by targeted lake shore cities, towns and communities	Number of wastewater treatment facilities designed/ rehabilitated / constructed	0 (Kampala & Jinja)	70%	40%	40%	Procurement for the consultant to design and supervise civil works for construction of WWT facilities in Ggaba (Kampala) and Kirinya (Jinja) is nearing completion – contract signing by end of August 2012. The Consultancy to commence in September 2012 after experiencing some delays in the lengthy procurement process.
	2.1.1.3 Volume of BOD pollution loads removed at treatment plant outlets financed under the Project (tons/yr.)	Kampala (344.5) Jinja (298.0)	300 250	344.5 298	344.5 298	The volume of BOD pollution loads will reduce after the rehabilitation works are completed in these towns. Currently procurement of the consultancy for the feasibility studies and design is nearing completion – signing by end of August 2012 and commencement in September 2012.
2.2.1 Increased adoption of cleaner production technologies and sustainable consumption by targeted industries	Number (%) of targeted industries trained on Cleaner Production Technologies	0	16%	28 Industries	28 Industries	Figure includes all achievements in APL1
	Percentage of targeted industries adopting cleaner production in-plant assessments and/ or generated cleaner production options	0	15%	28 Industries	28 Industries	Figure includes all achievements in APL1
3.1.1 Increased adoption of sustainable land management (SLM) and natural resources conservation practices by participating communities in the targeted sub-catchments	3.1.1.1 Ha under improved land-use	0	500	0 (0%)	0 (0%)	The actual acreage increment will be realized when the districts and communities start implementing the CDDs and SIs that have been prepared and approved by NTAC. The delay is attributed to the lengthy CDD processes as alluded to in the MTR
	Number of communities/ individuals trained in improved sustainable land management (SLM) practices	0	300	60 (2,400) (20%)	60 (2,400) (20%)	60 community groups each with 40 members (hence 2,400 individuals) were trained. The communities have been trained during sensitization and preparation of CDDs and SIs. However the mechanisms for disbursement of Project funds are yet to be finalized.
	3.1.1.3 Ha under afforestation in targeted sub-catchments	0	100	0 (0%)	0 (0%)	CDD Projects have been prepared and approved by the NTAC to cover afforestation. However implementation awaits finalization of mechanisms for disbursement of funds. The delay is largely attributed to the lengthy CDD processes as alluded to in the MTR.
	Number of communities/ individuals adopting improved SLM under the Project	0	200	0 (0%)	0 (0%)	CDD Projects have been prepared and approved by the NTAC to cover SLM. However implementation awaits finalization of mechanisms for disbursement of funds. The delay is largely attributed to the lengthy CDD processes as alluded to in the MTR.
	Cumulative hectares of degraded wetlands restored and/ or rehabilitated by communities in targeted sub-catchments	0	150	0 (0%)	0 (0%)	CDD Projects have been prepared and approved by the NTAC to cover restoration of degraded wetlands. However implementation awaits finalization of mechanisms for disbursement of funds. The delay is largely attributed to the lengthy CDD processes as alluded to in the MTR.
	Reduction in area covered by water hyacinth in identified hotspots	0	350	0 (0%)	0 (0%)	The actual acreage reduction will be realized when the communities start implementing CDDs that have been prepared and approved but await finalization of mechanisms for disbursement of funds. The delay is attributed to the lengthy CDD processes as alluded to in the MTR.

3.2.1 Enhanced communities' ability to plan, implement, and monitor watershed management interventions in the targeted sub-catchments	3.2.1.1 No. of community members trained	0	1000	1000 (100%)	1000 (100%)	25 community groups each with 40 members were trained in the 9 districts of the targeted catchment.
	Number of CDD sub-Projects implemented under the Project	0	50	66 (132%)	66 approved proposal 0% Implementation	101 CDD Projects were prepared and submitted for approval by the NTAC. However only 66 were approved as successful to proceed to implementation stage, which await finalization of mechanisms for disbursement of funds to start implementation.

Appendix 11-Project Results Frame Work

PDO/GEO	Project Outcome Indicators	Use of Project Outcome Information
<p>1) Improve collaborative management of the trans-boundary natural resources Lake Victoria Basin for the shared benefits of the EAC Partner States.</p> <p>2) Reduce environmental stress in targeted pollution hotspots and selected degraded sub-catchments to improve the livelihoods of communities, which depend on the natural resources of the LVB.</p>	<p>1. Adoption of harmonized policies, legislations and regulatory frameworks for water and fisheries management.</p> <p>2. Adoption of basin-wide water and fisheries resources management frameworks</p> <p>3. Percentage reduction in untreated effluent disposed by targeted municipals and industries into Lake Victoria</p> <p>4. Percentage reduction in harvesting pressure on the Nile perch fishery in Lake Victoria</p> <p>5. Percentage increase in land productivity for households selected to participate in watershed management activities</p> <p>6. Percentage reduction in water hyacinth infestation in Lake Victoria</p>	<p>☐ To determine the commitment of riparian countries to engage in a cooperative management of water and fisheries resources of Lake Victoria</p> <p>☐ To determine the amount of environmental stress reduction due to point sources of pollution</p> <p>☐ To determine the effectiveness of combined fishing standards enforcement and other natural resources co-management approaches</p> <p>☐ To determine the impact of the adoption of improved land use practices by communities</p> <p>☐ To determine the effectiveness of biological and manual control measures and willingness of fishing communities to participate in the management of water hyacinth</p>
Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
Component 1: Strengthening institutional capacity for managing shared water and fisheries resources		
Sub-component 1.1: Harmonization of policies, legislations, and regulatory standards		
1.) Use of harmonized policy, legal, and regulatory standards and management frameworks for the sustainable use of shared trans-boundary natural resources	<p>1. Harmonized water and fisheries policy, legal, and regulatory standards adopted and implemented.</p> <p>2. Lake Victoria Basin Water Resource Management Plan and updated Lake Victoria Fisheries Management Plan implemented.</p>	To show commitment of stakeholders to collaborate in the management of the LVB resources and environment
Sub-component 1.2: Ecosystem monitoring and applied research		
2.) Use of reliable environmental health and natural resources (land, water, and fisheries) data of the basin ecosystem for policy decisions and planning sustainable development and management	3. A functional Lake Victoria Ecosystem Management Information Systems (GIS-based MIS) available for public access and updated on annual basis.	To provide technical information and data with regards to the land use, water allocations, fish stocks management, and common environmental and/or effluents discharge standards, floods and water hyacinths.
Component 2: Point sources pollution control and prevention		
Sub-component 2.1: Rehabilitation of wastewater treatment facilities		
3.) Reduced amount of untreated wastewater discharged into the Lake by targeted lake shore cities, towns and communities	Per cent reduction of pollutants in effluent discharges from rehabilitated wastewater treatment facilities	To determine the extent of environmental stress reduction from priority hotspots – estuaries, gulfs, and bays adjoining the major urban centres
Sub-component 2.2: Promotion of cleaner production technologies		
Increased adoption of cleaner production technologies and sustainable consumption by targeted industries	Per cent of target industries in the LVB adopting Cleaner Production Technologies and adhering to the harmonized effluent standards	To assess the extent of reduction of pollution caused by industrial and municipal effluents
Sub-component 2.3: Pollution risk prevention and safety of navigation		
Enhanced environmental protection and safety of navigation in Lake Victoria	Number of marine/fishing vessels' accidents leading to oil spills and/or loss of lives	To evaluate the impact of the project interventions on marine transport and fishing industry
Component 3: Watershed management		
Sub-component 3.1: Natural resources conservation and livelihoods improvement		

Increased adoption of sustainable land management (SLM) and natural resources conservation practices by participating communities in the targeted sub-catchments	<p>Cumulative number of hectares under improved land use and range land management practices in the targeted catchments</p> <p>Cumulative number of hectares afforested and reforested in target sub-catchments</p> <p>Cumulative hectares of degraded wetlands restored and/or rehabilitated by communities in target sub-catchments</p>	<p>To assess the extent of reduction in non-point sources of pollution from target sub-catchments</p> <p>To assess the impact of community-driven natural resources conservation practices</p>
Sub-component 3.2: Community awareness and participation program		
Enhanced communities' ability to plan, implement, and monitor watershed management interventions in the targeted sub-catchments	<p>i. Cumulative number of Ha under improved land use and range management practices in the targeted catchments. Cumulative number of Ha under afforestation and reforestation activities in targeted sub-catchments</p> <p>iii. Cumulative Ha of degraded wetlands restored and or rehabilitated by communities in targeted sub-catchments.</p> <p>iv. Number of CBOs that implemented ENR sub-projects in accordance with the CDD guidelines.</p>	<p>To assess extent of reduction in non-point sources of pollution from targeted sub-catchments</p> <p>To assess the impact of community driven natural resources conservation practices.</p> <p>To identify both strengths and weaknesses in the implementation of the community-driven sub-project investments.</p>
Component 4: Project coordination and management		
Sub-component 4.1: Project coordination and communication		
Increased accountability of national institutions responsible for managing shared resources of the LVB	Realization of clean financial and implementation performance audit reports in each fiscal year	To assess the overall project implementation performance, including levels of achievement of outputs, outcomes, and project development/global objectives
Sub-component 4.2: Monitoring and evaluation		
Implementing agencies and communities utilize the M&E and GIS-based MIS for the management decision-making and development planning	Per cent adherence to approved annual work plans and budgets by participating countries	To determine project implementation efficiency and effectiveness

(Footnotes)

1 Average exchange rate of US\$1= UGX 2384.69/=

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