

# EFFECTIVENESS OF MARICULTURE ENTERPRISES DEVELOPMENT PROJECT

## PERFORMANCE AUDIT



SAI MALDIVES

# WHY THIS AUDIT

## (audit rationale)

Before such industries as tourism and construction dominated the economy of Maldives, fisheries sector was the country's top income generating activity. Although tides have now shifted, fisheries sector still continues to play an important role in the economic sphere, with many livelihoods still dependent on the sector.

The government executes many programs and initiatives, funded from the government budget and loan and grant aids from international donors, to expand the industry and enhance the livelihoods of those dependent on the sector. Fisheries industry also happens to be one of the main sectors in the country that directly exploit natural resources for commercial purposes. Maldivian fishermen, although employ sustainable forms of fishing, have been experiencing a decline in their catch, as an adverse effect of overexploitation in the Indian Ocean by foreign vessels. Hence, both conservation of resources and adaptive strategies are prevailing concerns in the local fisheries sector.

It is imperative that government spending to develop the fisheries sector return value, its promised benefits to the citizens and achieve sustainability goals. An audit focused on fisheries sector was found to be both impactful and relevant. Hence, the topic Effectiveness of Fisheries Sector Programs was selected to be included in the Annual Work Plan.

# WHAT DID WE INTEND TO ACHIEVE

*(audit objective)*

The objective of this audit was twofold, that is to; a) examine the extent to which the outcomes of fisheries sector programs have been achieved and to b) assess the extent to which such outcomes are sustained post project or program implementation.



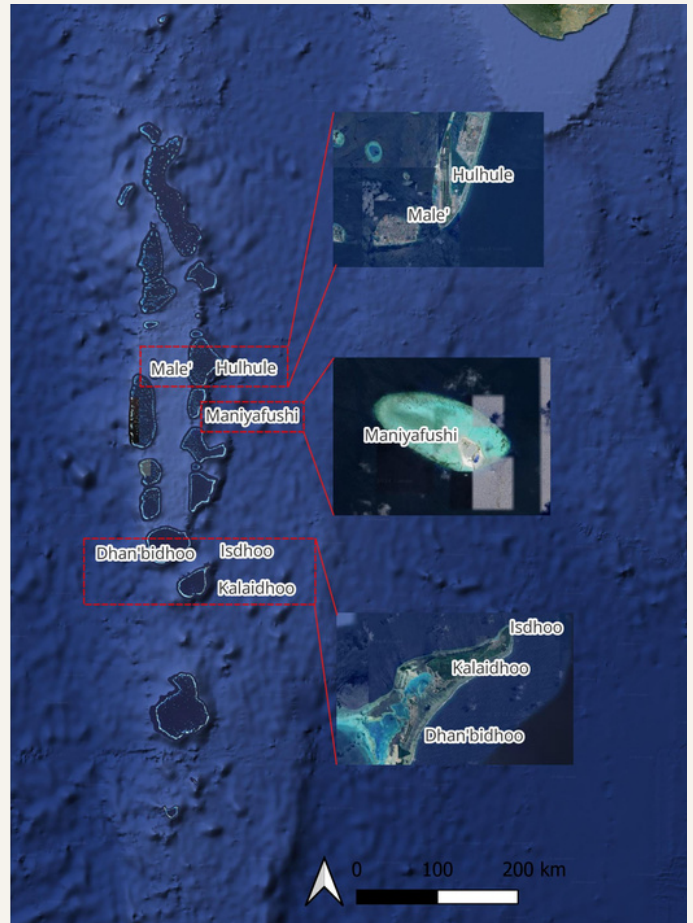
Aquaculture grow-out works carried out from donor funded projects

# WHAT DID WE AUDIT

## (audit scope)

To form an opinion against the audit objective two projects were selected. That is the Mariculture Enterprise Development Project (MEDeP) and Fisheries and Agriculture Diversification Project (FADiP), both implemented by the Ministry of Fisheries, Marine Resources and Agriculture (henceforth referred to as the Ministry). However, due to the extensive nature of the two projects, audit findings were presented in two separate audit reports. This document focuses on the findings of MEDeP.

The sample timeframe of the audit was from the beginning of project design phase that started in 2011 till its completion in 2020. However, based on the nature of the areas examined the date was extended to include the most up-to-date information and evidence. Audit was mainly conducted in Male' and auditors made field visits to beneficiary islands and project sites (that are pinned on the map).



Map of Maldives, marked with project sites

# ABOUT THE PROJECT

Mariculture Enterprise Development Project (MEDeP) is a donor funded project executed by the Ministry of Fisheries, Marine Resources & Agriculture. A Project Management Unit (PMU) was formed under the Ministry to implement the project. The project goal was diversifying fisheries industry from the presently predominant tuna fishery to other marine resources. Through this diversification effort, the project intended to enhance the livelihoods of low income earning women and youth. The project was structured into two components, which are;



Distinct outputs were identified under the components to achieve the outcomes of the respective components that would consequently contribute to achieve the project goal.

# PROJECT AT A GLANCE

## FUNDING

**\$1,290,363**

Government  
Budget

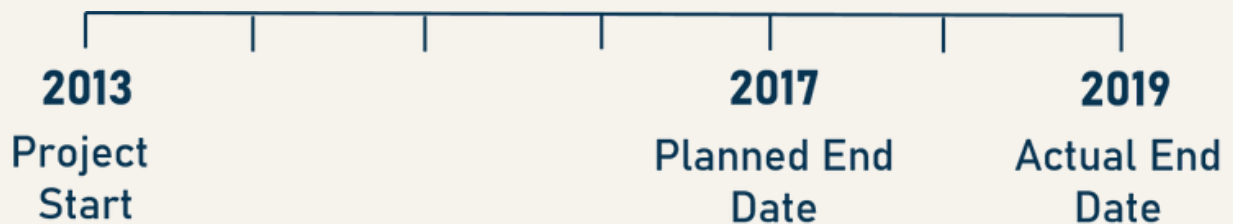
**\$1,705,704**

International  
Donor

**\$2,996,067**

Total  
Funds

## PROJECT TIMELINE



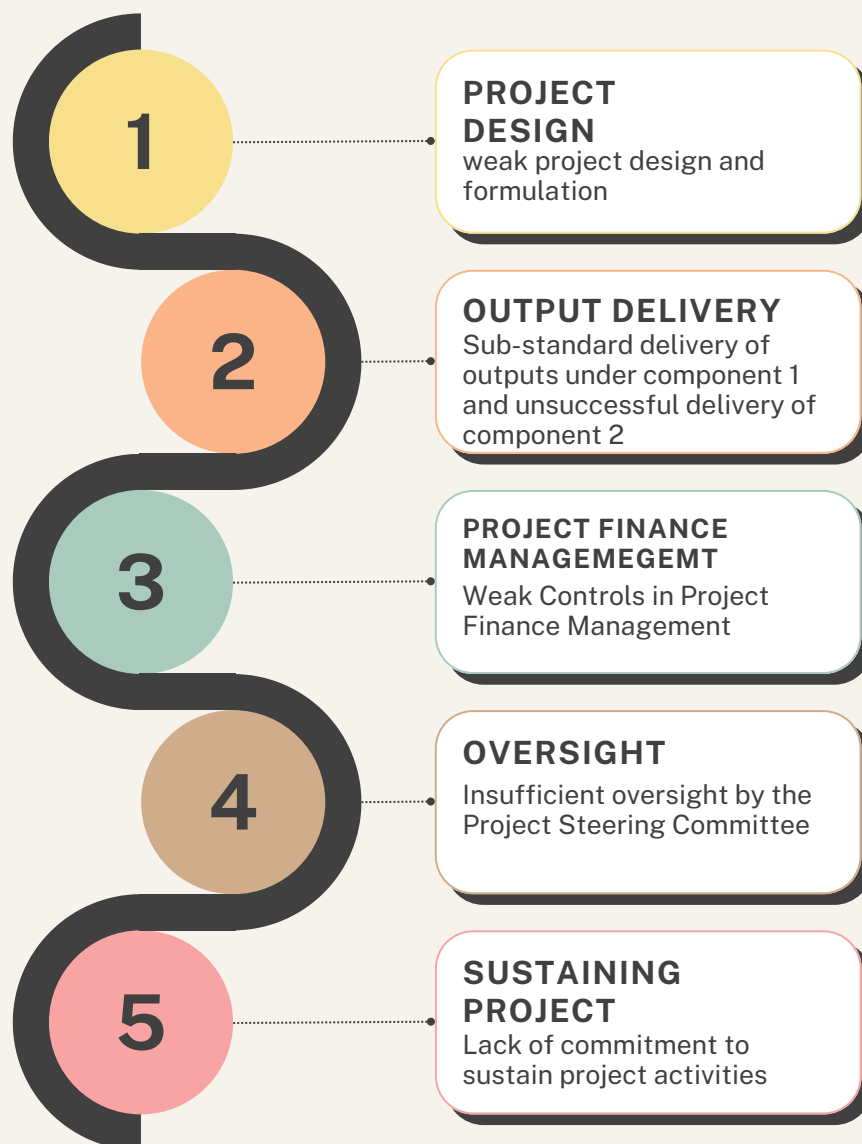
## BENEFICIARY TARGETS

TARGET	ACTUAL	ACHIEVED TARGET MONTHLY INCOME
<b>150</b>	<b>112</b>	<b>0</b>
BENEFICIARIES	BENEFICIARIES	BENEFICIARIES

# WHAT DID WE FIND

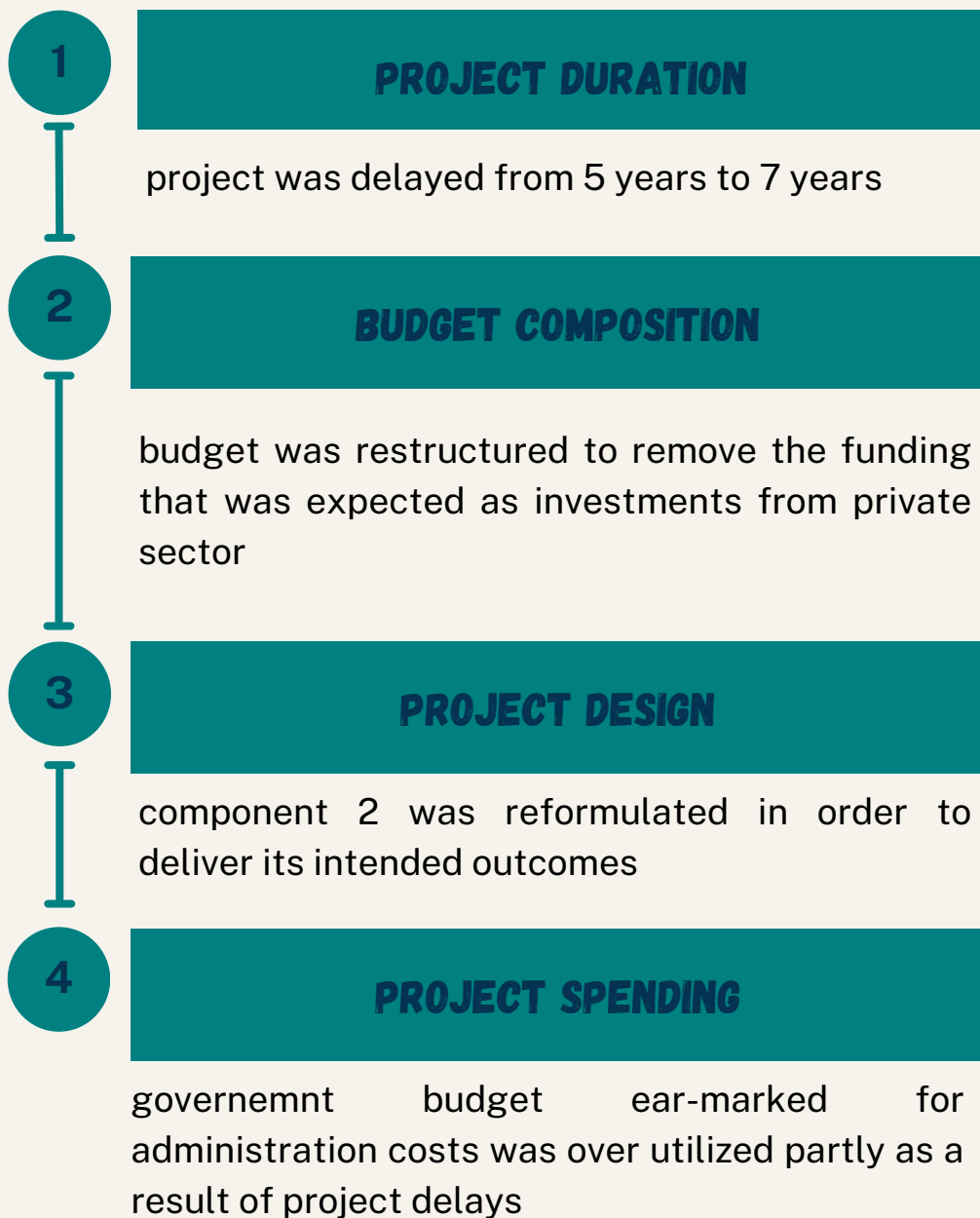
## (audit findings and recommendations)

The findings of the audit can be categorized into five categories. These are;



## A) WEAK PROJECT DESIGN AND FORMULATION

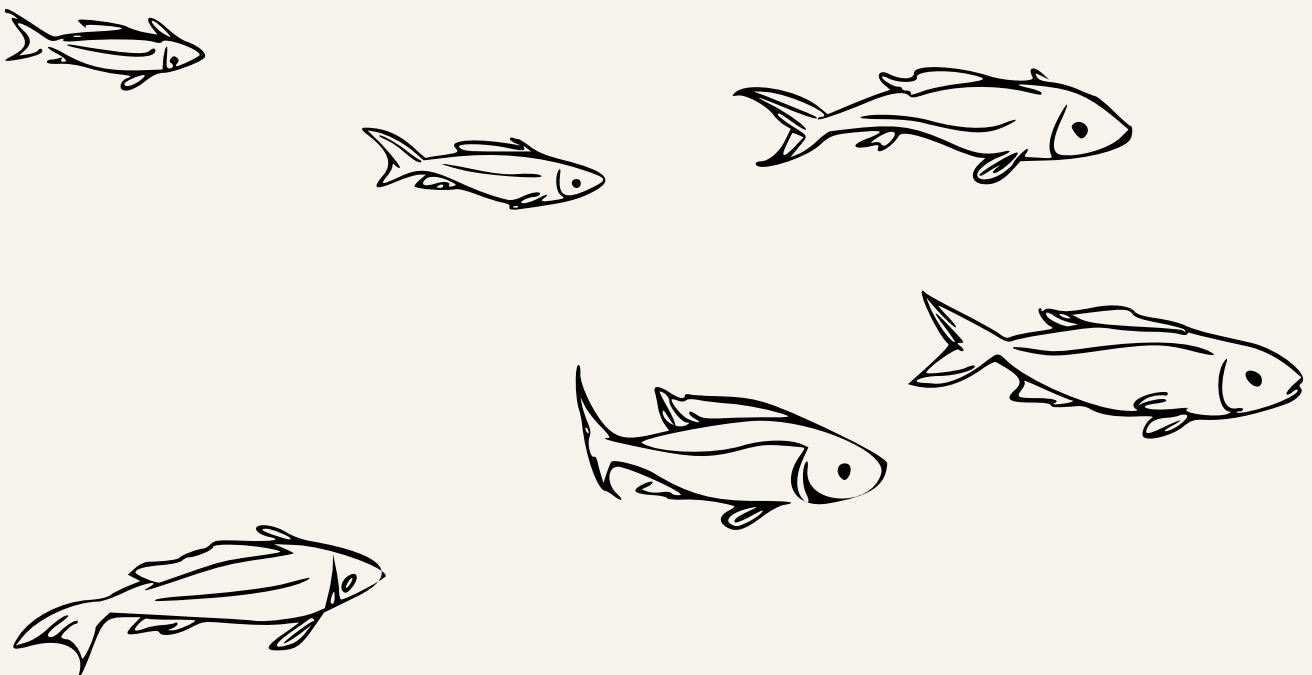
The project was designed with the expectation that there would be strong support and engagement from the private sector to invest in mariculture initiatives that were going to be introduced from the project. Contrary to this, two years into the implementation of the five-year project, there was no progress in component 2 - that had planned the delivery of outputs with the involvement of the private sector. Consequently, this caused substantive ramifications to;



Project documentations show that the lack of progress in component 2, was due to inadequate financial and operational capacity of private sector to invest in mariculture initiatives. It concluded that the private sector was not yet mature enough to contribute to the mariculture industry to the scale the project had initially envisioned.

However, our findings reveal that a thorough research of the external environment including a study of the existing mariculture industry and close engagement with stakeholders would have enabled the Ministry to flag the capacity and readiness issues during the project formulation and design stage itself.

The audit recommended conducting extensive research and closely engaging with key stakeholders in the design phase of future projects to assure the feasibility and practicality of proposed project activities.



## **B) SUB-STANDARD DELIVERY OF COMPONENT1 OUTPUTS**

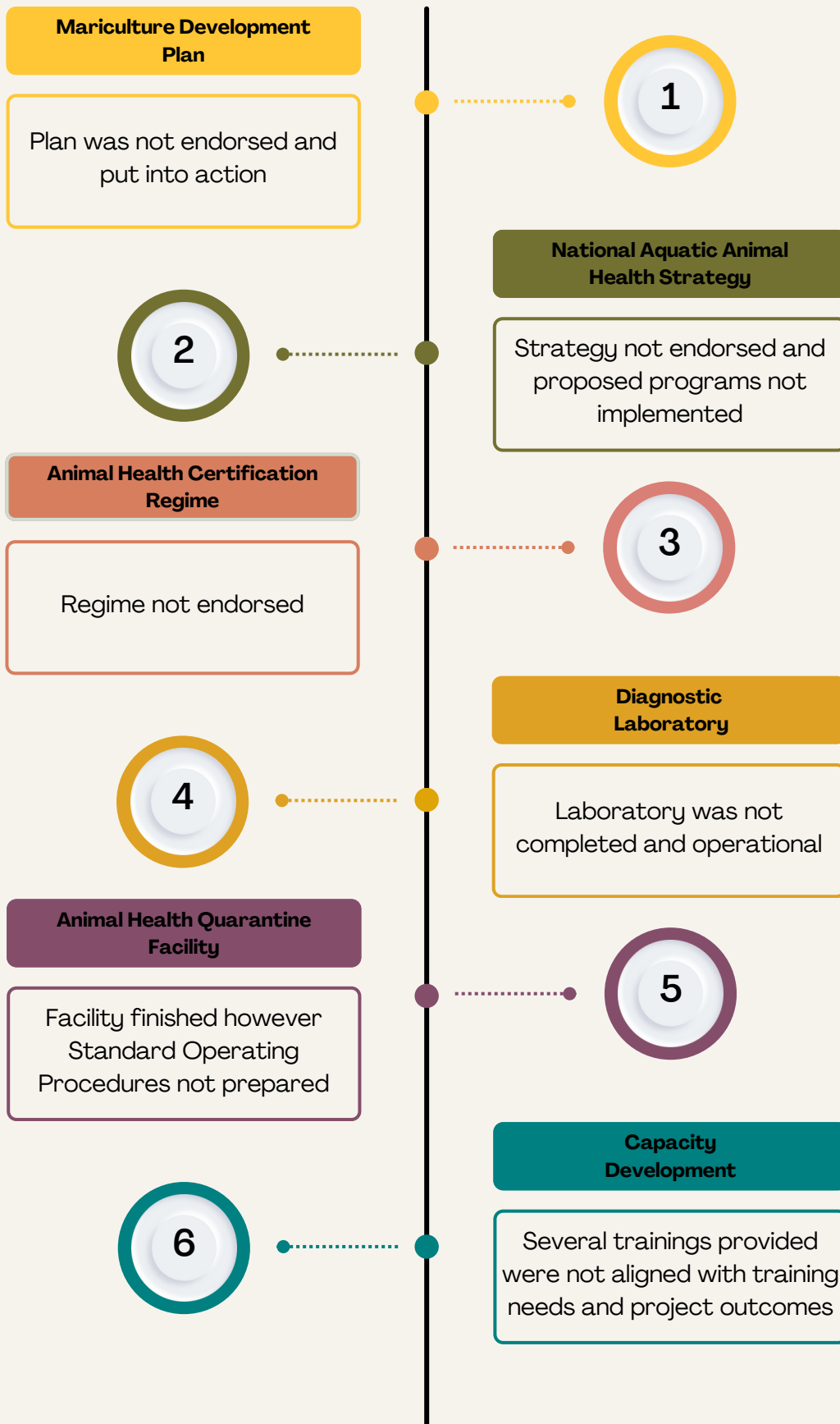
The outputs of component 1 were dedicated to strengthening the institutional capacity of the Ministry to regulate and monitor the mariculture industry. These outputs were either partially delivered or produced sub-optimal results at the completion of the project.

This was mainly because, outputs that were delivered in the form of plans, strategies or certification regimes were not endorsed by the Ministry and put into action. And outputs related to infrastructure development of facilities failed to bring such facilities into operation. Additionally, capacity development activities deviated from targeted training needs to include non-relevant areas such as human resources and office administration. The status of achievement of outputs under component 1 is shown on the next page.



The island of Maniyafushi, where Marine Research Institute of Maldives established under the Ministry, carries out rearing and grow-out experimentations of marine species.

# Output Delivery of Component 1



Acheivement of outputs under component 1.

The delivery of the outputs under component 1, excluding overseas trainings for staffs, were outsourced to contractors. Hence, the realization of outcomes from these outputs largely depended on managing the quality of contractors' work through close engagement, monitoring and evaluation.

Weak practices surrounding these control measures caused a void in holding contractors accountable for unsatisfactory and at times unfulfilled contract deliverables. Regardless of these compromises in contractors' performance, all contractors were paid in full.

The audit recommended strengthening contract management to ensure sound performance monitoring and accountability mechanisms are enforced. The audit also recommended to closely align project activities with the defined outputs and outcomes of the project and that project funds should be used for its intended purposes.

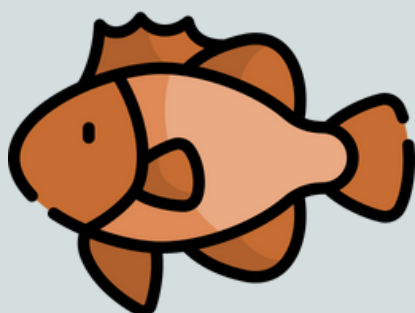


Aquatic Animal Health Quarantine Facility developed under the project

## C) UNSUCCESSFUL DELIVERY OF COMPONENT 2

When component 2 did not take off as planned, it was restructured to deliver two pilot projects in mariculture, with the advice of the project donor. The pilot projects were;

### grouper pilot project



The objective of the Grouper Culture pilot project was to test the technical and economic viability of grow-out culture of Tiger grouper to introduce to island communities.

Experimentation was assigned to Maldives Marine Research Institution, an organization under the mandate of the Ministry.

### sea cucumber pilot project



Sea cucumber pilot project was designed to introduce sea cucumber grow out to local communities with the aim that it will provide an additional monthly income of USD 1300 for each beneficiary.

Both these projects failed to deliver on its outcomes. The grouper pilot project was terminated citing technical difficulties in rearing grouper and therefore was deemed non-vialble to be introduced to beneficiaries. In the case of sea cucumber pilot project, it caused substantive damages to the beneficiaries involved.

# Sea Cucumber Pilot Project

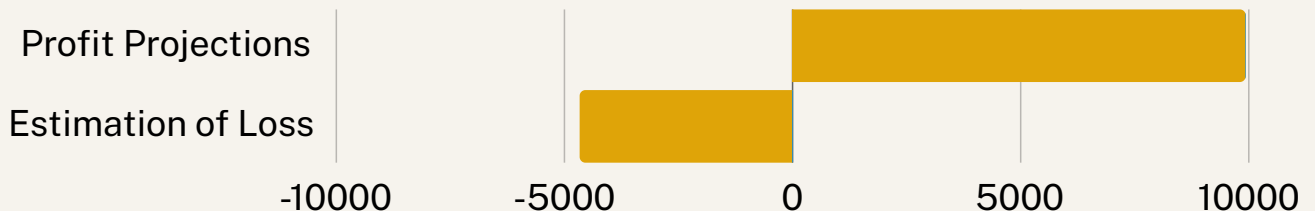
The sea cucumber pilot project held the promise of finally delivering on the project goal. It had envisioned that that the initial batch of sea cucumber, would reach marketable size within 6 months from being stocked in beneficiaries' cages. And subsequently, beneficiaries would be able to make sales through the market linkages facilitated from the project and they would generate a monthly income of approximately USD 1300. However, these targets did not come into fruition and by the end of the project many beneficiaries had abandoned their cages citing financial losses and opportunity costs.



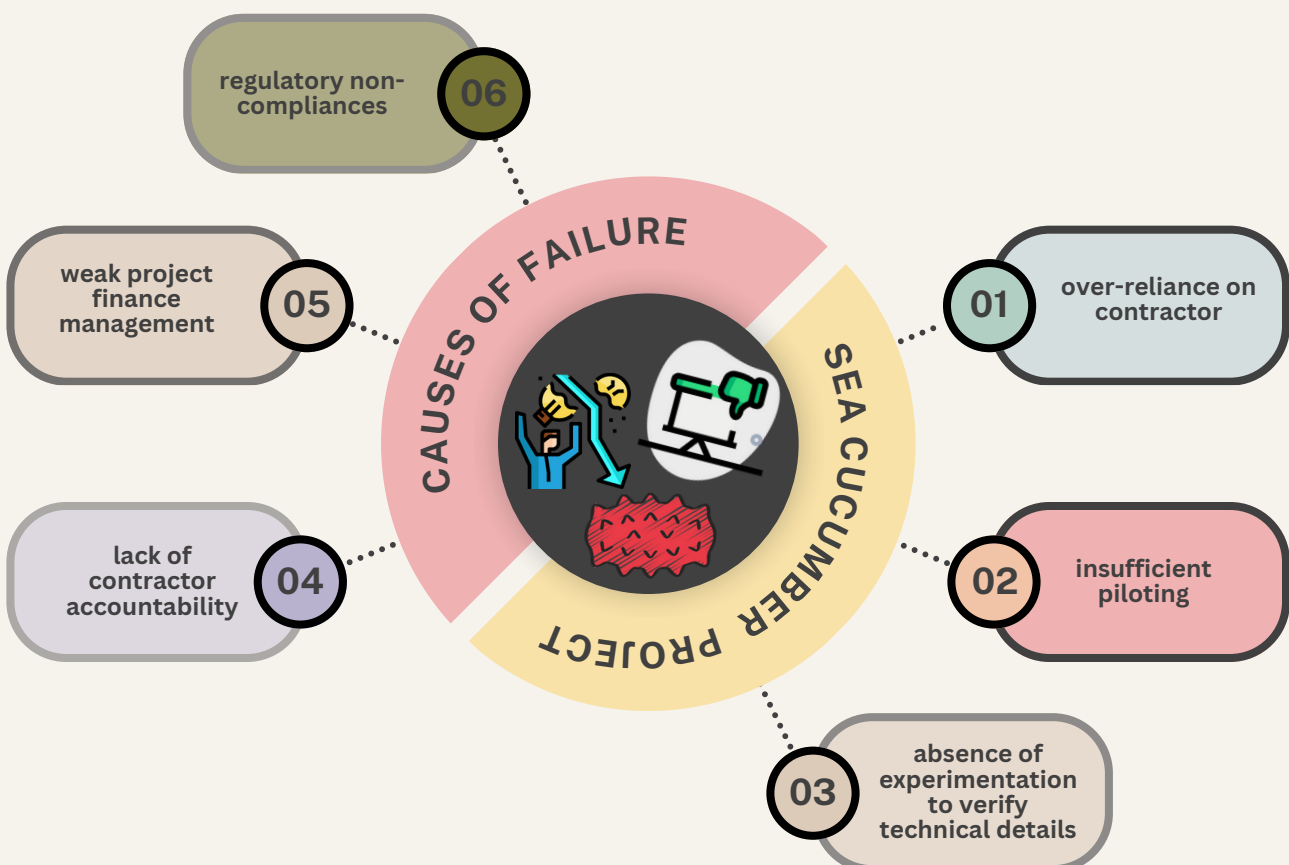
damaged sea cucumber cages in beneficiary islands

# contributing factors

Auditors' calculations against the projections of the project revealed a common beneficiary would make a net loss of USD 4667.



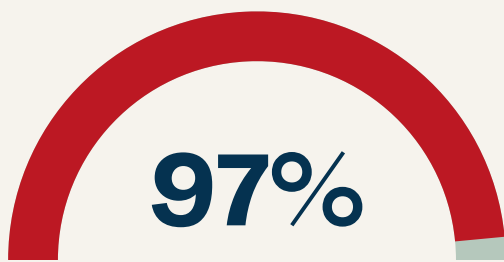
Project documentations cited such reasons as, technical errors, miscalculations in the design of the project (i.e. size of sea cucumber cages and density of juveniles stocked in cages) and the unsuitability of the environment of the locations chosen to carry out the mariculture activities for the failure of the sea cucumber pilot project. While these factors had its share in project failure, audit evidence pointed to additional factors, such as inappropriate dealings and agreements with the main contractor and over-reliance on the said contractor.



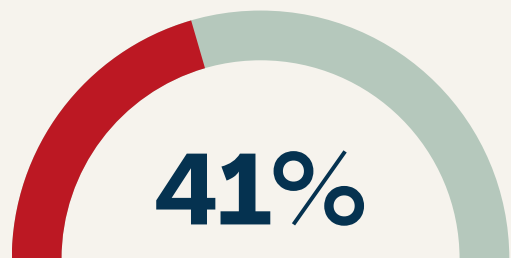
# implications

With the failure of the two main outputs under component 2, the Ministry failed to achieve the project goal. And as a spillover effect, other outputs that had a direct link to these pilot projects - such as creating market linkages and operating a revolving fund from the initial loans given to beneficiaries - also failed to produce their intended results causing wastage of project funds.

Hence, a total of **USD 1,233,941** utilized for the pilot projects and related outputs are deemed as ineffective usage of funds.



This amount is 97% of funding of Component 2.



And 41% of the total utilized project funding.



We made recommendations to the Ministry to strength project management practices in the Ministry, especially Project Management Units. These recommendations include a) conducting proper pilot program and experimentations where necessary, b) monitoring project activities and taking corrective actions, c) establishing robust accountability mechanisms to hold project personnel and contractors answerable for deviations from project plan, schedule and performance standards and other negligences.

## D) WEAK CONTROLS IN PROJECT FINANCE MANAGEMENT

Substantive control weaknesses that had far-reaching consequences were identified in various aspects of project finance management. Most notable were the dealings with one of the main suppliers of the project, that were non-compliant with national Public Finance Regulations and best practices in project finance management. Identified issues include;



making large sums of advance payments to the supplier that ultimately caused the PMU to lose all its control to hold the supplier accountable,



basing financial arrangements on verbal understandings between the parties involved, instead of written agreements.

A total of **USD 73,442** was paid in excess to the said contractor due to these control weaknesses. Recovery works were still on-going at the time of auditing.

We recommended the Ministry to comply with the procurement standards of donors and the Public Finance Regulation in all their dealings with suppliers and contractors.

# E) WEAK PROJECT OVERSIGHT

The Project Steering Committee (PSC) was tasked with the responsibility of the overall oversight of the project. However, the PSC's role in project monitoring and direction was negligible. We drew this conclusion from the following findings:

## committee representation



all identified stakeholders were not involved



## PSC meetings

5 meetings held during the 7 years, as opposed to the annual quarterly requirement

## committee composition



several members were not of policy level



## monitoring & accountability

advice & guidance on corrective measures not provided

The deficiencies in project oversight resulted in the project management unit (PMU) being held unaccountable for its contribution to the project failure.

We made recommendations to the Ministry to establish a robust monitoring and accountability mechanism going forward, to strengthen its oversight over different project actors, including the PMU and PSC.

## F) INADEQUATE SUSTAINABILITY EFFORTS

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A clear exit plan that paves the way for sustaining project outcomes have not been prepared at the end of project implementation. The activities started from component 1 were planned to be picked-up from another donor funded project that is being implemented by the Ministry. However, such support is missing for the outputs of component 2.



The island of Maniyafushi, where grouper grow-out experiments were carried out from Component 2.



Sea cucumber stocked in a beneficiary's cage

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While Component 2 outputs are directly related to the beneficiaries of the project, necessary buffers to support their works and legal protection to secure locations are largely absent. As a result, beneficiaries who wish to continue the grow-out works are posed with the risk of losing their right to their cages which will eventually cause them to cease grow-out activities.

We recommended the Ministry to revisit the exit plan to correctly identify actions required to sustain project activities. Additionally, we recommended the Ministry to explore their options to provide technical and financial support to beneficiaries who wanted to continue sea cucumber grow-out.

# CONCLUSION

Audit findings revealed that the Mariculture Enterprises Development Project was not successful in achieving its targeted outcomes and project goals. Additionally, project activities and interventions caused ramifications not only to the Ministry but also to project beneficiaries. Deficiencies in project monitoring and management, contractor management, project finance management, project oversight, scaling up and sustainability were revealed to be the contributing factors.

While the project had already reached the end of implementation at the time of completion of this audit, our findings and recommendations were yet relevant to improve ongoing and future projects carried out by the Ministry. It was against this backdrop that the audit made recommendations to establish robust mechanisms within the Ministry to strengthen all aspects of project management and its oversight to ensure effective delivery of its projects.



**PERFORMANCE AUDIT  
DEPARTMENT**

26 February 2024