

EXECUTIVE SUMMARY

BACKGROUND

The Ministry of Water and Environment (MWE) and the Ministry of Agriculture Animal Industry and Fisheries (MAAIF) being coordinated by the National Project Coordination Unit (NPCU) are responsible for the implementation of the Farm Income Enhancement and Forest Conservation (FIEFOC) project. FIEFOC aims at contributing to reducing poverty, increasing agricultural growth rates, diversifying agricultural production and expanding non-farm employment without jeopardizing the stability of the agricultural ecosystem.

The project is being funded by African Development Fund (ADF), Nordic Development Fund (NDF) and co-funded by the Government of Uganda (GoU). By June 2010 funding of Uganda Shs 59 billion (equivalent to Unit of account (UA) 21 million), had been received by the project, representing 41% of the total project funding.

The project which was to initially run for five years from January 2005 to December 2010, delayed to start which necessitated management seeking an extension to December 2012, which was granted.

The rate of funds absorption is low and may lead to payment of avoidable commitment charges by Government on undisbursed funds and delays in attainment of project intended objectives.

It is against this background that an independent assessment of the management of the project in the Ministries of Water and Environment (MWE); Agriculture Animal Industry and Fisheries (MAAIF) and the National Project Coordinating Unit (NPCU) was undertaken.

AUDIT SCOPE

The study was carried out in two ministries of Water and Environment (MWE) and Agriculture, Animal Industry and Fisheries (MAAIF), where interactions with the managers of the project components of Forest Support, Agricultural Enterprise Development and National Project Coordination Unit (NPCU) were held.

The study further involved visiting twelve (12) out of 36 project districts selected from four regions in the country.

The study also covered four financial years from 2006/07 to 2009/2010.

AUDIT FINDINGS

The following audit findings were noted:-

Project feasibility Study and Design

It was noted that there were no feasibility study reports prepared. Feasibility studies could have identified critical success factors, risks and possible solutions. Risks like land ownership, high land preparation and maintenance costs were not identified and therefore no mitigation measures were put in place. This has led to the majority of the rural poor not participating in tree planting.

Targeted Beneficiaries

It was observed that the rural poor were participating and benefiting from apiculture whereas in tree planting and community watershed management sub-components, it was mostly the well to do who were participating in the project. This may render the project unable to fully achieve its objective of improving the incomes and livelihood of the rural poor.

Planning at the Districts

- It was established that districts prepared their Annual Work plans and Budgets (AWP&Bs) in line with the indicative planning figures but delayed by an average of two and a half (2½) months. This affects the timely implementation of activities.
- The AWP&Bs were not prepared by Sub-counties themselves, but by the districts on their behalf. The minimal involvement of the sub-county technical committee in the planning process of the project affects proper identification of sub county priority needs.

Planning at the Project Implementation Unit and National Project Coordination Unit

The Project Implementation Units (PIUs) and National Project Coordination Unit (NPCU) consolidated the AWP&Bs but the dates of their submission could not be ascertained. Management however stated that there were delays in the submissions to both the NPCU and the Bank/Fund thereby delaying the release of annual funds.

Project Grant and Loan performance

The project had received loans and grants totaling Shs. 57 billion (UA 20,439,560) out of the expected Shs. 111 billion, representing 51% performance by Project Year (PY) 4. The rate of grant and loan performance of the project if not addressed may lead to poor overall project performance and the targeted results not being attained by 31st December 2012.

Counterpart funding

- By June 2010, GoU had remitted only Shs. 2.8 billion of the expected disbursement of Shs. 12 billion by PY4 representing 24% performance level. This performance however does not include salaries to designated officers. Failure by GoU to remit counterpart funds as expected created a funding gap leading to over reliance on donor funds to finance project activities.
- Beneficiaries for treadle pumps did not contribute any money towards the procurement of treadle pumps and therefore did not benefit from Small Scale Irrigation.

Release and Utilization of Funds

- It was noted that funds were not released to the project as per approved AWPBs due to the delayed accountability and low funds absorption rates by the project.
- We also noted that despite the low levels of release of funds, even what was availed was not fully utilized by the year end and may affect the attainment of intended project objectives.

Disbursements to Districts

It was noted that disbursements to districts were not made quarterly as stipulated in the financial procedures manual but were made once in most cases and twice in others. This has led to some districts failing to implement planned activities on schedule.

Procurement of agro inputs

- Procurement of agro inputs was centrally undertaken at the PIUs and NPCU, contrary to the requirement to make use of the private sector present in the district. This led to districts being supplied with stressed seedlings from distant areas and which are sometimes supplied in non-planting seasons thus affecting survival rate.
- The project had established 35 sub-county nurseries out of 396 (9%) and 6 community nurseries out of 100 (6%). These nurseries were later discontinued and this deprived the participating farmers of income and skills.
- The cost of seedlings from centralized purchases was noted to be on a higher side compared to the cost of seedlings from NFA and other local suppliers.

Staffing

- All the positions in NPCU and PIU staff structures had been filled.

- The unfilled positions were mostly at the districts and sub-counties. The staffing gaps have affected the delivery of technical services such as giving advice on seedling spacing, weeding and timing of planting.

Participation of Women in the Project

Women participation in community watershed management and tree planting was 20% in each of the sub-components as opposed to the expected 50% and 30% respectively. This has affected their representation and involvement in decision making.

Project deliverables

There were low levels of performance in all project outputs, except in the re-vegetation of degraded watersheds where good performance was attributed to involvement of the well-to-do farmers. The low levels of implementation of project activities may hinder attainment of the overall project objective of improving the incomes and livelihoods of the rural poor.

Restructured Agricultural Enterprise Development Component

- Three sub-components in Agricultural Enterprise Development Component were re-structured in preference to rehabilitation of four (4) medium scale irrigation schemes of Doho, Olweny, Mobuku and Agoro. Shs. 44 billion (UA 15,926,260) was set aside for this purpose.
- Government had spent and committed funds worth Shs 5.9 billion (UA 2,134,800) on the three sub-components by the time of restructuring.

Project Branding

It was noted that FIEFOC project sites in all the twelve districts visited lacked identification signposts. This made it difficult to confirm whether the sites visited during audit were for FIEFOC project and the possibility of being taken to non FIEFOC sites cannot be ruled out.

Monitoring and Evaluation

- The NPCU, MWE PIU and the districts carried out M&E monitoring activities and produced reports. However no monitoring by MAAIF was done.
- There was no evidence of feedback by the NPCU and the MWE PIU to the districts and no follow up of recommendations at all levels and therefore there was no timely corrective measures taken on the deviations from project objectives, plans and outcomes.

- A midterm review was carried out in April 2009 and its recommendation of extending project life had been implemented.

RECOMMENDATIONS

Following our findings, it is recommended that:-

Project feasibility Study and Design

- For future project planning, feasibility studies should be undertaken to determine project viability, identify potential risks and propose practical measures to address them to ensure the realization of project objectives.
- Feasibility study reports should be properly filed for ease of reference.

Project Beneficiaries

- Project implementation should target the intended beneficiaries by following the project design during execution. If the design is found to be impractical, it should be adjusted in line with the objective of the project.
- Sensitization of the intended project beneficiaries about the project objectives and how they will benefit should be emphasized so as to create interest in project participation.

Planning at the Districts

- Sub-Counties should be involved in the planning process as stipulated in the project implementation manual to ensure that the activities selected for implementation meet sub county priority needs.
- Districts should develop capacity to ensure effective participation in the planning process.
- NPCU and PIUs should hold regional planning meetings on time so as to meet stipulated timelines.

Planning at the PIUs and NPCU

- Management should ensure that the planning process right from the Sub-Counties and districts starts in time so that the delays do not spill over to the PIUs and the NPCU. This will ensure timely submission of the AWP&Bs to the Bank and timely release of funds.
- Management should expedite the recruitment of the two officers and in future ensure that requisite staff are recruited before the project is operationalised.

Project Grant and Loan performance

- The restructuring process of the agricultural enterprise development component should be expedited to allow the utilization of funds set aside without further delay.
- In future, donor financial procedures should be fulfilled as agreed to enable timely disbursement of funds.

Counterpart funding

- Government counterpart funding (both cash, salaries and in kind) should in future be properly identified and defined.
- Proper feasibility studies for future projects should be undertaken to ensure that proposed initiatives address the needs of the intended beneficiaries.

Release and Utilization of Funds

Management should urge district leaders to enforce the requirement of timely accountability for funds and should sensitize them on the consequences of non-compliance.

Disbursements to Districts

Management should make timely disbursements to districts which account for funds in order to enable them undertake their planned activities.

Procurement of agro inputs

- Farmers should be empowered to improve their capacity to run and maintain sub-county and community nurseries.
- Centralized purchase of specialized species should be restricted to local suppliers on the prequalified list of the project to avoid transportation of seedlings over long distances.
- The deliveries of seedling to the districts should be synchronized with the district planting seasons to ensure improved survival rates.
- District focal persons should reject poor quality seeds and deliveries in off planting seasons.

Staffing

- For future projects, careful consideration on the manpower requirements should be made at design level in order to ensure smooth implementation of projects and to avoid emergency recruitments.
- The project should fill the vacant staff positions at districts and sub-counties to hasten the implementation of project activities.

Participation of Women in the Project

- Management should enforce the requirement to capture and report on gender participation in all project activities.
- Through sensitization, women should be encouraged to join and participate in the project.

Project deliverables

Protection of Natural Forests from De-forestation

- Management should expedite the process of having the targets under protection of natural forests reviewed to reflect what can be implemented within the remaining project period and harmonize their responsibility with UWA and NFA on the protection of natural forest reserves.
- Management should continue engaging owners of natural forests by sensitizing them on the benefits of opening and protecting forest boundaries.

Establishment of contour hedges

- Management should expedite the process of having the targets reviewed to reflect the actual hilly areas in the project and expedite the establishment of the contour hedges.
- In future, similar projects should be designed based on realistic data to avoid implementation challenges.

Maintenance of forest/farm roads

Management should speed up the maintenance of forest/farm roads which had lagged behind in order to meet the targets by end of the project life in December 2012.

Apiculture Promotion Sub component

Participating bee keeper groups should be sensitized on record keeping and be encouraged to report their outputs to district focal persons.

Re structured Agricultural Enterprise Development Component

- For future projects, stakeholders should ensure that staff to implement projects are available and have the time.
- Thorough feasibility studies should be done prior to project appraisal and design to ensure practicality at all project levels.
- The process of acquiring contractors for the rehabilitation of medium scale schemes should be hastened so as to be on schedule.

Project Branding

Management should expedite the funding of this activity for ease of identification of project sites to enhance accountability and transparency.

Monitoring and Evaluation

Management should enforce the requirement of giving feedback to the districts and following up on the recommendations as required in the M&E manual.