

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

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.