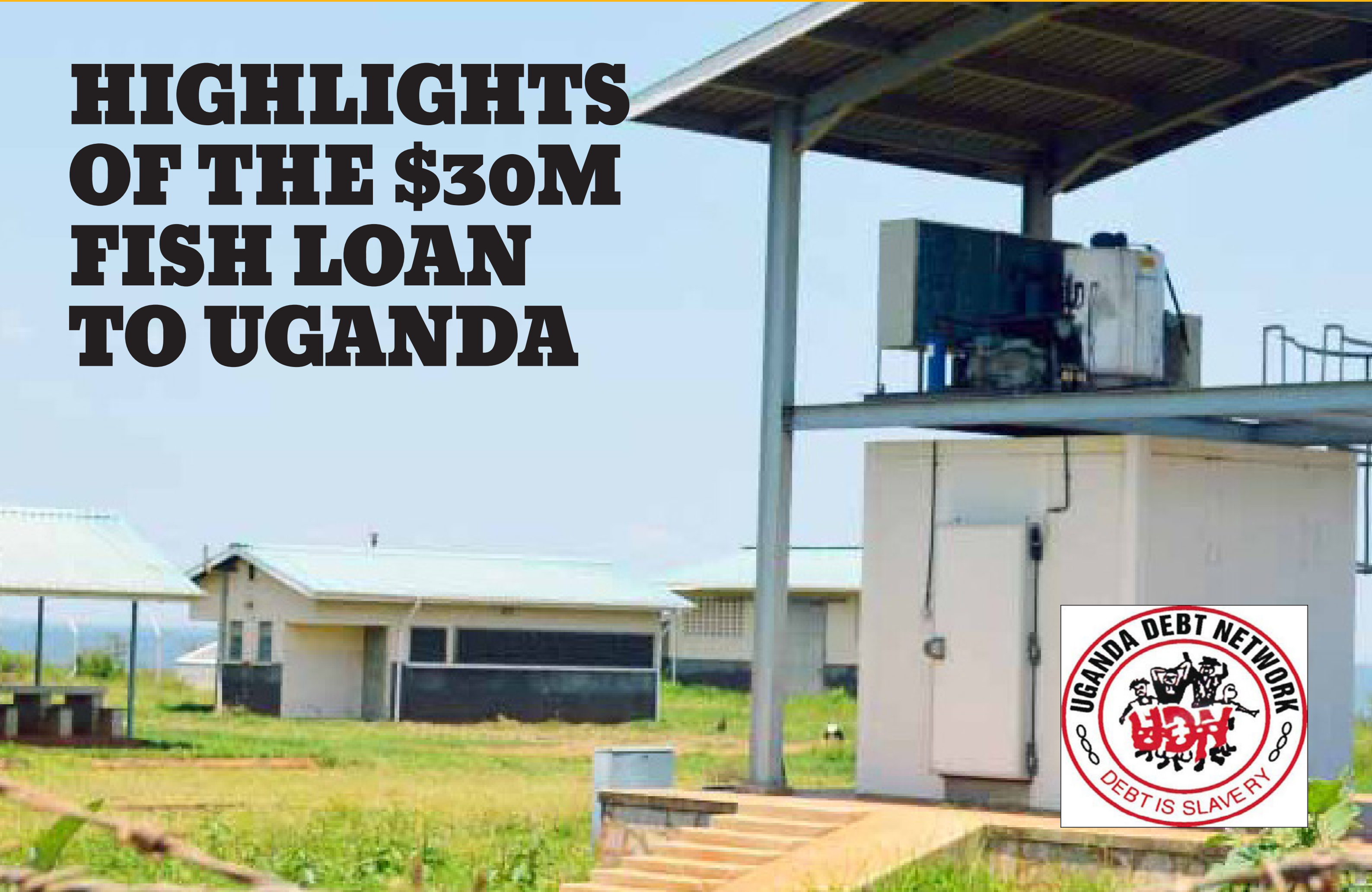
HIGHLIGHTS OF THE $30M FISH LOAN TO UGANDA



UGANDA DEBT NETWORK
UDN
DEBT IS SLAVERY

EXECUTIVE SUMMARY:

Uganda Debt Network (UDN) is a policy advocacy organization working to promote and advocate for the poor and marginalized people to participate in influencing poverty-focused policies, demand for their rights and monitor service delivery to ensure prudent, accountable and transparent resource generation and utilization.

Formed in 1996, UDN has been and remains at the forefront of promoting accountable management of public resources, so that Government interventions benefit all the people of Uganda, especially the poor and marginalised people.

During implementation of its work, Uganda Debt Network has noted that while the Government in 2001 borrowed $30m from African Development Bank (AfDB) to boost the fish sector, there is little on ground to show for the investment.

The project resulted from a push to reform the fish industry following a series of bans on Uganda's fish exports by European Union (EU), which is East African's largest market for fisheries products. The reforms were ordered by cabinet following a study: Fisheries Master Plan Study of 1999, which was carried out just two years after Uganda's fish, had been banned in the European Union market over allegations that poison was being used on Lake Victoria to catch fish. This study showed there was need for quick reforms to save the industry.

The loan project was expected to yield multiple dividends, including 140,000 direct jobs for mostly those people settling around the five lakes Victoria, George, Kyoga, Albert, Kyoga and Edward, which represents about 39,000km² of fishing grounds. The development included building modern fishing markets landing sites and equipping them with state of the art facilities in a bid to increase the quality of catch for export.

In addition, 10 local governments, including Buikwe, Busia, Kampala, Nakasongola, Mukono, Buikwe, Buvuma, Namayingo, Mayuge, and Bugiri, were to benefit from the project by way levies on the busy landing sites, hence boosting their local revenue streams.

According to an economic analysis of the project by AfDB, realisation of the full economic benefits would peak in 2017.

However, UDN has learnt that the project was haphazardly implemented. And while the money was released by the Government, not all the infrastructure was set up raising accountability issues. UDN also found out that while all infrastructure was set up like at Bukungu and Lwampanga landing sites in Buyende and Nakasongola respectively, it was lying idle and had been shunned by fishermen, making the project a waste.

Local governments accuse Ministry of Agriculture Animal Industry and Fisheries, the agency that implemented the project, of messing the contractual process resulting in poor quality civil works.

As a result, many landing sites have remained rudimentary. This state of affairs, UDN has learnt, is a threat to the promising fish industry, which as of 2017 was Uganda's third largest forex earner.

Subsequently, UDN calls upon Government to:

i) Invite the National Economy Committee and the Auditor General to interest themselves in full-scale investigation/audit of the hitherto borrowed loan

ii) Devise/ adhere to relevant mechanisms for monitoring the procurement process of projects, which UDN has learnt was largely lacking in this project, hence the collapse of the project

iii) Hold accountable and discipline officials in breach of the guidelines laid out for the project

iv) Improve the road network to the landing sites to expedite deliveries of fish for export due to its perishable nature

v) Adopt a bottom up approach in project implementation to improve their appreciation by beneficiary communities and improve their success rates.

Highlights of the $30m fish loan to Uganda

The Auditor General's report released in 2012 revealed that 138 landing sites, most on Lake Victoria, did not qualify to land fish for export as cold storage infrastructure there was either non-existent or very poor

Fish is one of the high value commodities that contribute to economic growth in Uganda. It contributes about 3% to Uganda's Gross Domestic Product (GDP) and 12% to agriculture sector GDP, employing about 1.3 million people. Records from the Finance Ministry show that it was Uganda's second largest foreign exchange earner, bringing into the country $123m (sh456b), after Gold $327m (sh1.2 trillion) and Coffee $439m (sh1.6 trillion)[1] in 2017.

The fisheries sector targets to increase annual fish production to 674,028 metric tonnes by 2020, valued at approximately $6.4b [up from the current 460,000].

That remarkable performance has been, in part, due to Uganda's recent promotion to the Harmonized Standard Market of European Union (EU). The market gives Uganda exporters the privilege of selling fish [mostly Nile perch] to Europe on the same terms as other developed countries trading in the product thus earning a fairer price[2].

However, poor handling of the resource is threatening this crucial market and EU has variously expressed concerns in that regard[3]. The concerns relate to the condition of beaches where fish is kept after being landed and also the questionable hygiene standards at our landing sites.

A value for money audit done by the Auditor General (AG), John Muwanga, on the fisheries sector revealed many problems in sector. The audit released in 2012 revealed that 138 landing sites, most on Lake Victoria, did not qualify to land fish for export as cold storage infrastructure there was either non-

1 Ministry Of Finance Planning And Economic Development Quarterly Macroeconomic Report July-September 2017

2 EU import conditions for seafood and other fishery products manual

3 EU moves to ban Uganda fish exports, *Daily Monitor,* September 8, 2011; Government fears fish ban over pollution, June 27, 2017

existent or very poor[4].

In his report, Muwanga pinpointed thirteen districts including Mukono, Buikwe, Buvuma, Namayingo, Mayuge, Mpigi, Masaka, Rakai, Kalangala, Wakiso, Jinja, Bugiri, Busia and Kampala and ordered them to address the issues, most critical of which were, poor toilet coverage and cooling facilities at the landing sites.

However, an investigation by UDN showed very little had changed since that audit, which was compromising the quality of fish landed at the beaches. This, it should be noted, could result in the country's fish exports losing a foothold in the lucrative international market.

That state of affairs would be surprising considering that the government has over the years invested massively in the sector.

4 Auditor General 2012, *Value for Money Audit Report on Management of Fisheries on Lake Victoria*

The site in Lwampanga of the proposed modern pier. It is instead occupied by water weeds. Locals said money for the project was stolen. Fishermen experience difficulty docking

Fish loan

UDN has learnt that Uganda government in 2001 secured a loan worth $30m from the African Development Bank (AfDB) to upgrade 13 landing sites on lakes Victoria, George, Kyoga, Albert, Kyoga and Edward representing about 39,000 km² of fishing grounds into modern fishing markets handling fish for export.

According to a calculation of economic analysis of the $30m loan, Uganda stood to reap huge dividends. The benefits accruing to the country were expected to come from a reduction in post-harvest losses of fish, which was expected to drop by about 70%. This would result from improvement in various points of fish handling from catch (use of ice) to the landing-sites (improved inspection services) and ultimately the fish markets (provision of ice and better sanitation) among other improvements.

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In 2001, the Uganda government secured a loan worth $30m from the African Development Bank (AfDB) to upgrade 13 landing sites

"Due to improvement in quality of fish, the export earnings are expected to rise during the project period. The full impact will be realised after completion of landing centers with provision of adequate post handling facilities at project sites," an assessment by AfDB before giving Uganda the loan revealed.[5]

In total, the Government had predicted that about 140,000 people would directly benefit from the project, mostly fishing communities in 10 ten districts. The project officially set off in 2002.

An investigation by UDN years later, however, shows little trace of fruits from that investment. In fact, of all the landing sites financed by the loan, only one — Kiyindi in Buikwe district located on Lake Victoria — has operational infrastructure.

5 African Development Bank Group: *Uganda Review of the bank group assistance to the Agriculture and rural development sector, October 24, 2002*

Abandoned office furniture at Bukungu landing site in Buyende

PROJECT ALLOCATION PER DISTRICT

According to documents seen by UDN, each of the 13 districts was to get fully fledged modern fish handling infrastructures, fitted with running water, weighting equipment, washing slabs, conference facilities, toilets and ample paved area for fish trucks to park and modern pier for boats to dock. In addition, five of the 13 landing sites drawn from five regional districts would get an Ice plant, with capacity to make at least 10,000 kilos of ice per day to preserve fish.

By the time of compiling this report, only Kiyindi, in Buikwe district had functional infrastructure. This raises serious queries about how the project was implemented.

On their part, Buikwe Local Government officials told UDN that the Ministry of Agriculture Animal Industry and Fisheries (MAAIF) had handed over to them incomplete facilities — even when they were using them at the time of compiling this report. This, they said, was compromising the quality standards of fish being landed.

Kiyindi landing site is one of the biggest handlers of fish for export in the country, landing about 10 tons of fish a day, according to Buikwe fisheries department records.

Dilapidated facilities at Bukungu in Buyende district. Locals have shunned the landing site and want an independent audit done on the project by the government

Bukungu in Buyende was one of the landing sites that got an ice plant, but it has never produced a single speck of ice

speck of ice.

"Now we have to rely on trucks from the city that come to pick the fish and delivery of ice. But some come from as far as Entebbe (about 114km away) and often get stuck in traffic jam. By the time they arrive, some of the fish has gone bad," said Buikwe LCV boss, Mathias Kigongo.

QUALITY ASSURANCE RULES BROKEN

According to the Fish (Quality Assurance) Rules, developed by the government in 2008, landing sites are required to comply with strict standards in line with international phytosanitary requirements. Among others, the rules require that fish must have been kept at a temperature no more than 0 degrees Celsius from the time of harvest for it to qualify for export, which the landing site was unable to comply with due to shortage of ice to preserve the fish.

UDN investigations showed that as well as Kiyindi, none of the other landing sites had sufficient ice and relied heavily on supplies from far places. This problem would have been addressed had the money released to equip landing sites with ice making facilities been put to good use.

Although the ice making facilities were set up in five districts, including Buikwe, Nakasongola, Kalangala, Buyende and Busia districts, UDN has established that none of them has produced a single

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JUNK FACILITIES

In many of the landing sites, the fishermen had turned junk ice facilities into stores for their fishing gear.

UDN discovered that only Kiyindi was able to salvage part of the investment and were using the other facilities at the landing site like toilets, parking area, conference room etc. Elsewhere in other districts, infrastructures constructed with the AfDB loan were in disuse and lying in thick bushes. Many fishermen UDN talked to said they could not occupy facilities that are incomplete. For example, in Bukungu fishermen said occupying facilities 'as is' would exonerate the officials from MAAIF, whom they accuse of profiting corruptly from the project at their expense, from reprimand.

COSTLY VENTURE

The mishandling of the fish project may affect Uganda's goal of continuing to tap

A team of parliamentarians led by Obongi County MP Hassan Fungaroo on a fact-finding mission in Bukungu into the lucrative EU fish market. It should be noted that EU is a chief source of the market of Nile perch that earns Uganda about half a trillion shillings annually. EU has one of the world's biggest fish and fishery products deficit amounting to 11.7b euro[6]s.

About 58% of fish consumed in EU comes from non-EU countries, including developing countries such as Uganda. This is due to growing reductions in annual catch quotas in EU, making Europe's fishing processing sector increasingly dependent on imports from third world countries. This is a great opportunity for developing countries, including Uganda, with ample fresh water endowments. ■

Fishermen at Lwampanga landing site in Nakasongola district expressed dissatisfaction with project implementation

6 *Globalization in Fisheries and Aquaculture: Opportunities and Challenges,* a book produced by Organisation for Economic Co-operation and Development (2010)

FISH STAKEHOLDERS' EXPERIENCES

It is expensive to source ice — Juma

HAMIDA JUMA, a fish dealer, has been in the business for more than a decade.

"It is now very expensive to source ice locally for fish preservation, especially catch for export. Due to lack of ice, many dealers who deal in fish for export have abandoned us. We now sell to local markets which attract lower prices. I now sell my fish to Busia and some parts of Kenya. ■

We can't afford boat engines, fuel — Kitenda

YAFESI KITENDA, a fisherman at Kiyindi landing

I have been in this business for seven years. To get onto the lake is very expensive. You need a boat engine, fuel and nets. Many of those things many us can't afford. The only way is through a loan, which is offered by the bank. Ice is a big problem here. Sometimes, you make good catch on the lack but end up losing all of it because you don't have enough ice. In the end, you could lose everything to the bank. Government should help us. ■

Parliament should come to our rescue - LCV

Local Governments that are supposed to manage the landing sites feel MAAIF is to blame for the problems owing to the mismanagement of the project.

"They decided to do everything from the center. We were ok for as long as they handed over a complete end product. But they have not delivered. We hope Parliament will help us now that they know who is to blame," said Kigongo, the Buikwe district LCV boss.

He added that they were suffering as a result of inadequate works on Kiyindi by the contractor, and that they may struggle to keep up with the required quality fish landing standards.

"The jetty [landing stage or small pier at which boats dock or are moored] is supposed to be fenced off. But they left it open. Now everything including cows, goats can access it which is affecting hygiene of (fish) landing," he said.

"Sometimes, you find the place smelling so bad." The landing site also faces erratic power supply due to constant power cuts, he said. "After accumulating bills of over sh50m (during civil works), they ran away. Now Umeme is harassing us," he said, adding that as a result, the site is forced to ration power. This has affected other utilities like water supply to the site. This has further affected the achievement of the objectives and the effectiveness of the loan as a whole. ■

Chairman, BMU BKUNGU, Julius Isabirye

KIGONGO: THE JETTY [LANDING STAGE] IS SUPPOSED TO BE FENCED OFF. BUT THEY LEFT IT OPEN. NOW EVERYTHING INCLUDING COWS, GOATS CAN ACCESS IT WHICH IS AFFECTING HYGIENE OF (FISH) LANDING

Locals meeting officials of MAAIF at Bukungu facility last year to chart a way forward

CARRY OUT AUDIT — UDN DIRECTOR

The Director of Uganda Debt Network, Patrick Tumwebaze says it is prudent that the Government through the relevant institutions institutes a full audit on projects funded with borrowed resources.

“We invite parliament through the National Economy Committee and the Auditor General to interest themselves in full-scale investigation/ audit of the hitherto borrowed loan, at least over the last five years,” he said.

“The audit should investigate if the resources are prudently utilised to meet the intended objectives.”

According to Tumwebaze, roads, energy, health and agriculture are recipients of large chunks of borrowed resources over the last 10 years. Therefore to avoid the country losing colossal sums of money in shady deals, projects in these sectors need serious scrutiny. Only this way can we avoid wasteful spending on donor-funded projects, which would push up national debt.

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