

## **Audit report on the efficiency of use of the state budget funds allocated to the development of fisheries management**

Ukraine possesses favorable natural and climatic conditions and adequate resources for the development of the fishery. Fund for the fishing water bodies of Ukraine is 16 ml. hectares including the coastal areas of the Black Sea and the Sea of Azov. Around 1.5 ml hectare is the total fund of the inland water bodies that are used or can be used for aquacultures and fishing.

Ukraine is the second in Europe after the Russian Federation by the number of water storages, ponds, lakes, salt lakes, cooling water bodies of the power systems.

Development of the fishing in Ukraine has many-century history. Pond fishing is the oldest traditional craft. As it is mentioned in the historical documents and literature, the ponds were constructed and operated on the territory of present-day Ukraine already in 14-15 centuries.

Annually Ukrainians require 1 ml tons of fish and its products including 300 thousand tonne of fresh-water fish. Theoretically keeping in mind the natural resources which Ukraine has in stock, the living fresh-water catch satisfies the country's need since an estimated potential fish capacity of the natural and artificial water bodies amounts to 350 kg per hectare.

However following the statistical tracking data, recently the actual consumption of fish and its products has not been in line with the existing need of Ukrainians and reached only 60 per cent. At the same time the expenditures from the State Budget of Ukraine for the fishery development has tripled for the last 5 years.

Hence the fishery development and provision of the national food supply are in a direct relation to an efficient management of the state financial resources allocated to given industry.

Based on such considerations the Accounting Chamber of Ukraine conducted the audit of the state funds allocated to the fishery development. Audit objective was to establish the progress while utilizing the state funds designated for such purpose, executing the relevant budget programs in terms of legality, efficiency and effectiveness, as well as giving an assessment of the internal control in this area.

The Government activity concerning providing the population with fish products was defined to be one of the tasks of the audit.

The Concept for fishery development in Ukraine specify the national strategic policies for provision of favorable conditions for stabilization and acceleration of competitive fish products in order to guarantee the domestic food supply and satisfy the people's need for fish and its products.

According to the Concept the main objective of the fishery activities for a short-term period should be the supply of Ukrainians with fish products and gradual approaching of fish production and consumption to the level of early 1990th.

In line with the approved Concept, during 2002-2004 the Ukrainian authority approved the National Program for Construction of Fishing Fleet Vessels for the years of 2002-2010.

As it is provided for in these Programs, the planned activities should increase the catch level of fish and other water living resources up to 750 thousand tonne in the year 2010. As a result of putting into the operation of newly built vessels at the fishery companies, this would create 11.5 thousand working places, 140 ml baby fish would be farmed to put into natural water bodies and storages, an average consumption level for fish and other living water resources per head would be increased to 20 kg a year.

It is precisely these program key figures which are deemed as efficiency criteria while utilizing the state funds allocated to the fishery development.

In analyzing the budget expenditures' structure for 2007 it was established that 76 per cent was planned for the economic activities of the fisheries, 22 per cent for training and only 2 per cent for researches and investigations in the field of fishery that has remained unchanged for the last 5 years.

In turn, out of the total expenditures for the economic activities 89 per cent of the budget allocations were planned for running the central administration, fish protection services and support of international cooperation (contributions to the international organizations). Only 11 per cent is designated for the rehabilitation of water living resources and breeding activities that had a detrimental effect on the industry's performance.

Thus, manufacture of the food fish products has decreased three times since 1990 and amounted to 211 thousand tonne in 2007.

Audit findings indicate that the fishery industry was furnished with strategic policies, priorities and main objectives till 2010 as a result of approving of the State Program for Development of Fishery in Ukraine for the period to 2010 and National Program for Construction of Fishing Fleet Vessels for the years of 2002-2010.

However, due to improper budget planning, the funds for financing the National Program are not allocated from the State Budget of Ukraine and the activities within the given Program have not been realized since the very moment of its approval. It resulted in exceeding the extreme limit set for aging the fishing vessels (average age is 20-30 years). Sea transport consisting of 165 vessels in 1995 decreased to 16 items in 2007 that sharpens the whole complex of economic, social and other problems.

Based on the audit results, it was stated that none of 65 measures included into the State Program was fulfilled due to the inefficient management and utilization of the State Budget funds. In the end the program key indices were not achieved and their realization was made impossible.

It has been stated that with the aim to solve ecological problems the essential tasks on providing further efficient fishery development on the inland water bodies of Ukraine it should be stressed upon the extension of scope for breeding and genetic and biotechnological processes in the fishery.

Problems of mitigating the fish diseases became urgent under conditions of the fishery acceleration against the increased anthropogenic effect on water ecosystems. Ukrainian scientists elaborated the methods for early diagnosis of fish virus diseases by molecular and genetic tests. They searched for new medicated and preventive agents to exclude toxic health impact on fish and people.

Referring to the audit findings established by the Accounting Chamber, overall shortage in qualified fishery staff led to the major faults in the industry under the conditions of market economy and transformation of the management processes.

During the last 10 years a specially authorized fishery authority lost its status of Fishery Ministry of Ukraine 1994-1997 and was dissolved in 2006. On average the registered fishery staff decreased almost three times for this period. About 20 per cent of engaged specialists was not qualified following the results of staff provision analysis.

The auditors concluded based on projected data that a steady increase in production of fresh-water aquaculture in Ukraine on the level of 9-10 per cent a year at least could be achieved in case of efficient application of scientific developments, targeted improvement of existing fishery companies and establishment of new fish-breeding farms with high-intensity aquaculture. All this would increase a total production to 100 thousand tonne a year during 2015-2020.

Audit results were made public in the mass media and particular conclusions and recommendations of the Accounting Chamber were forwarded to the relevant Ukrainian authorities.