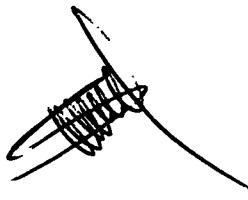


REPORT OF THE SECTORAL COMMITTEE ON TOURISM, TRADE AND INDUSTRY ON THE WAREHOUSE RECEIPT SYSTEM (AMENDMENT) BILL, 2024.



Office of the Clerk to Parliament
Parliament of Uganda
KAMPALA

April, 2024

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1.0 INTRODUCTION

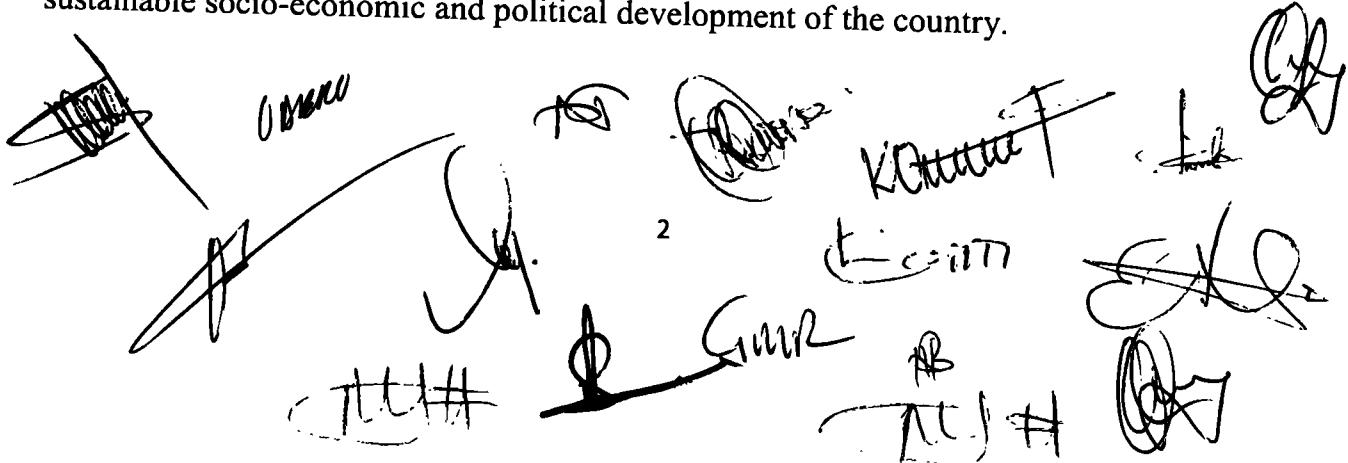
Rt. Hon. Speaker and Hon. Members,

The Warehouse Receipt System (Amendment) Bill, 2024 was read for the First Time on Thursday, 4 April 2024; and in accordance with Rule 129(1) of the Rules of Procedure of the 11th Parliament of the Republic of Uganda, was referred to the Sectoral Committee on Tourism, Trade and Industry for scrutiny.

The Committee scrutinized the Bill in accordance with Rule 129(2) of the Rules of Procedure and hereby reports to this House in accordance with Rule 130(2) of the same Rules.

2.0 BACKGROUND TO RATIONALISATION OF GOVERNMENT AGENCIES AND PUBLIC EXPENDITURE (THE WAREHOUSE RECEIPT SYSTEM AUTHORITY ACT 2006).

On 22nd February, 2021, Cabinet took a decision to merge, mainstream and rationalize Government Agencies and Public Expenditure, to facilitate efficient and effective service delivery. This decision followed the 2018 Report by the Ministry of Public Service that detailed findings and recommendations of the review of Government Agencies and Authorities. The primary goals of Rationalization of Government Agencies was to establish their operational relevance; determine their current operational costs; eliminate embedded duplications and overlaps; identify wasteful expenditures; and establish the resultant short term and long term savings, which would be optimally utilized for sustainable socio-economic and political development of the country.



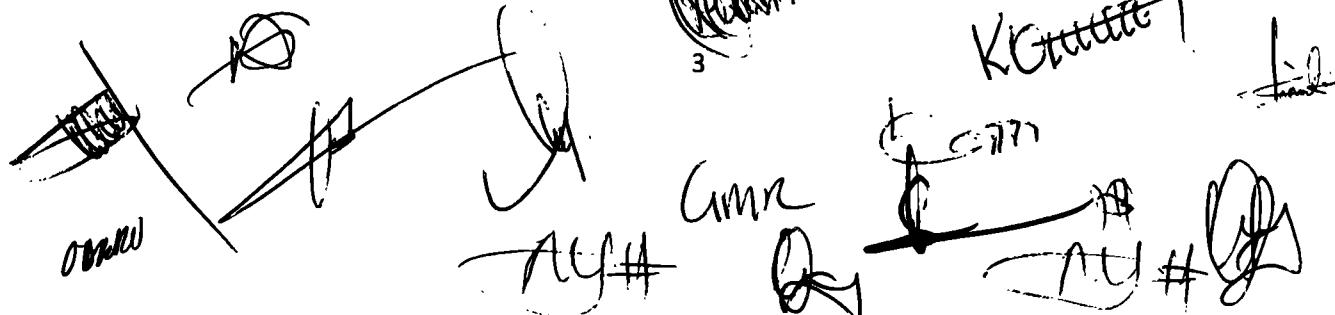
In the early 2,000s Government of Uganda witnessed an increase in the number of self-accounting government institutions: commissions, authorities and agencies that were created through parliament's key function of legislation. The creation of these self-autonomous government institutions through Acts of Parliament bestowed on policy/governance and management structures specified in such Acts, key responsibilities of formulation of strategic policies and direction as well as implementation of policies. The Acts of Parliament that created self-autonomous government institutions make specific provisions for cost drivers of such institutions, being Boards, accounting officers and their staff; and further make specific provisions relating to their sources of funds being through parliamentary appropriation, and fees and monies charged by such institutions for goods sold or services rendered. The funds allocated to self-accounting institutions through parliamentary appropriation to finance their activities suggested an annual charge on the Consolidated Fund.

Whereas the Acts of Parliament that created self-autonomous government institutions mandated Ministers to have direct control and oversight over their strategic policy direction through appointment of Boards and the accounting officers, most self-accounting government institutions executed their mandate independent of their Ministry Headquarters.

This Report will primarily focus findings, observations and recommendations on proposed mainstreaming of the functions of the Uganda Warehouse Receipt System Authority (UWRSA) into the Ministry responsible for trade.

2.0 POLICY AND PRINCIPLES OF THE BILL

The policy behind the Bill is to give effect to the Government Policy for Rationalisation of Government Agencies and Public Expenditure which was adopted by the Government on 22nd February, 2021.



3.0 DEFECTS IN EXISTING LAWS.

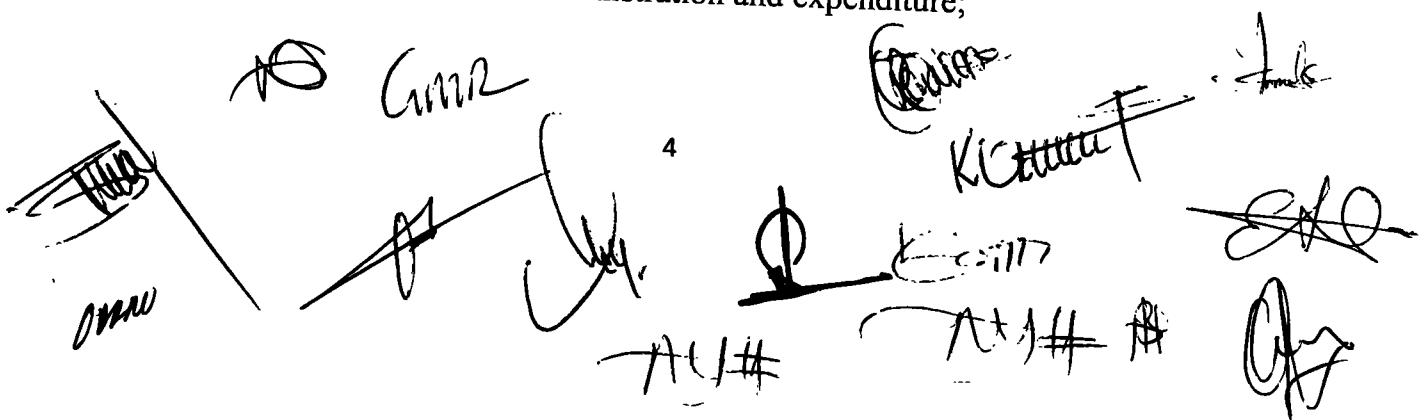
The Constitution establishes a definite number of Government agencies, including constitutional commissions, authorities, boards, local councils and other statutory bodies. These were established to perform certain specified constitutional functions. Over the years, however, there has been a proliferation of agencies established by Acts of Parliament, Executive Orders and administrative arrangements. Whereas most of the agencies are necessary due to the critical nature of the functions they perform, Government has established that a certain limited number of agencies were established without consideration to the aspects of institutional harmony, functional duplications, overlaps and affordability. Government has also established that some agencies have served the purpose for which they were established. The mandate of a few other agencies has been overtaken by events. Such events need to be rationalized.

More importantly, the proliferation of agencies has created mandate overlaps and jurisdictional ambiguities among the agencies. Additionally, the high cost of administering the agencies has drained the national treasury at the expense of effective service delivery. This has overstretched the capacity of Government to sustain them. Government has also established that the generous salary structures of the agencies has created salary disparities between employees of the agencies and public officers in the traditional civil service leading to demotivation of human resources in the mainstream public service.

4.0 REMEDIES PROPOSED IN THE BILL.

The object of the Bill is to amend the Warehouse Receipt System Act, 2006, to: -

- (a) enable the mainstreaming and rationalization of the functions of the Uganda Warehouse Receipt System Authority into the Ministry responsible for trade, thereby, *inter alia*, relieving the Government of the financial drain on its resources and the burden of wasteful administration and expenditure;



- (b) facilitate efficient and effective service delivery by clearly delineating the mandates and functions of government agencies and departments, in the performance of the function of warehouse receipts, thereby avoiding the duplication of mandates and functions;
- (c) promote coordinated administrative arrangements, policies and procedures for:
 - (i) ensuring the efficient and successful management, financial accounting and budgetary discipline of government agencies and departments;
 - (ii) enabling the Government to play its role more efficiently; and
 - (iii) enforcing accountability;
- (d) to restructure and reorganize agencies and departments of Government by eliminating bloated structures and functional ambiguities.

5.0 METHODOLOGY

During the process of considering the Bill, the Committee:

- (a) met and held discussions with the following stakeholders:
 - (i) The Hon. Minister of Trade, Industry and Cooperatives;
 - (ii) The Hon. Minister of Public Service
 - (iii) The Managing Director of Uganda Warehouse Receipt System Authority;
- (b) conducted documentary review of the following literature:
 - (i) The Constitution of the Republic of Uganda, 1995 (*as amended*)
 - (ii) The 2018 Report of the Ministry of Public Service on the Review and Rationalisation of Government Agencies and Public Expenditures;
 - (iii) The Warehouse Receipt System Act, 2006;

6.0 FINDINGS/OBSERVATIONS OF THE COMMITTEE.

6.1 Uganda Warehouse Receipt System Authority.

Uganda Warehouse Receipt System Authority (UWRSA) was established by an Act of Parliament, the Warehouse Receipt System Act, 2006 (Section 3) which was assented to by H.E the President of the Republic of Uganda on 24th May, 2005.

Uganda Warehouse Receipt Systems Authority (UWRSA) is a subvention of Vote 015: Ministry of Trade, Industry and Cooperatives (MTIC). UWRSA has been proposed to be mainstreamed with its mother Ministry (MTIC)

Section 4 of the Warehouse Receipt System Act 2005 mandates UWRSA to carry out the following functions: -

- (a) to license warehouses;
- (b) to license warehouse keepers;
- (c) to license warehouse inspectors;
- (d) to issue negotiable warehouse receipt books; and
- (e) to carry out and perform such other functions as are conferred or imposed on it by the Act or regulations made under this Act.

Recommended Structure for the Ministry of Trade Industry and Cooperatives.

The structure of the Ministry will be reorganized as follows

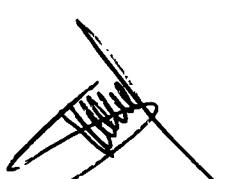
(a) Department of External and Internal Trade:

- (i) Division of Internal Trade
- (ii) Division of External Trade

(b) Department of Cooperatives Development and Management

(c) Department of Industry and Technology

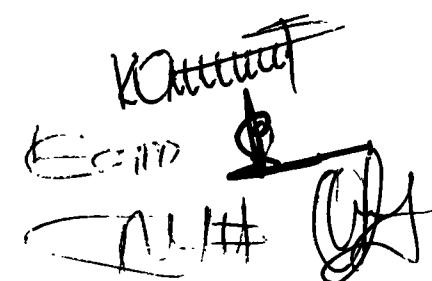
(d) Department of Processing and Marketing


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- (e) Department of Business Development and Quality Assurance
- (f) **Department of Warehouse Receipt System**
- (g) Department of Finance and Administration
- (h) Internal Audit Unit
- (i) Communications and Public Relations

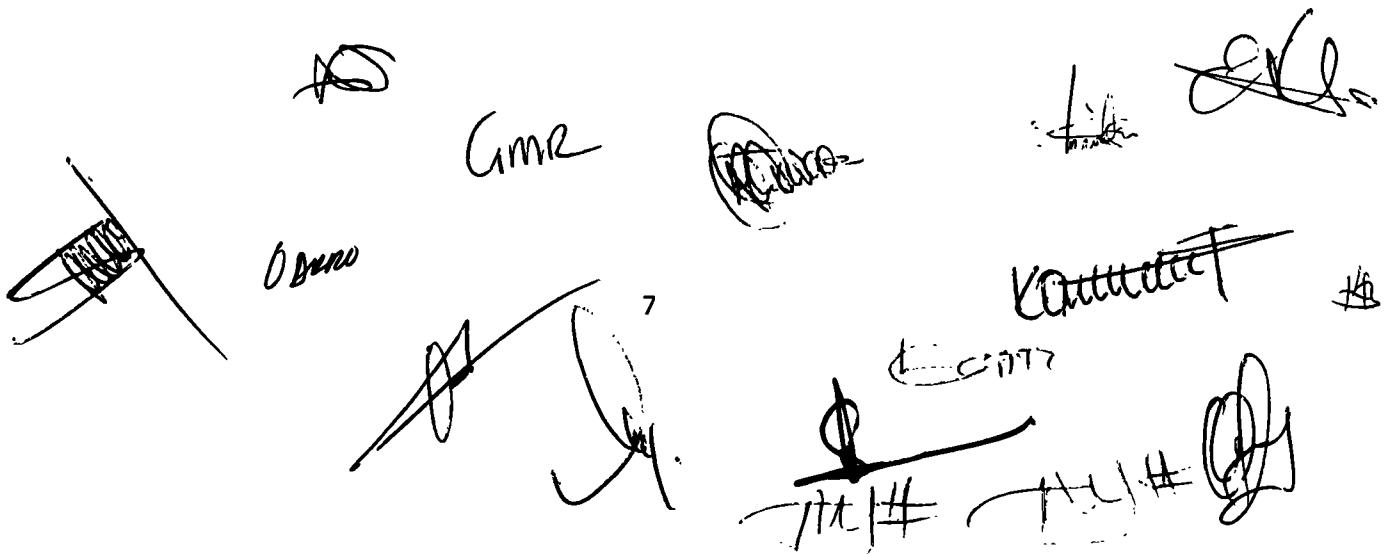
Notwithstanding Section 16 of the UWRSA on Funds of the Authority, the Committee noted that the aforementioned Sections 3, 4, 7, 12 and 14 bear significant wage and non-wage implications on the economy as Government has to finance for operations of the Authority. Below is the Table 1 for Budget Performance of UWRSA for the Financial Years 2019/20 - 2022/23.

6.2 Budget Performance for UWRSA for Financial Years 2019/2020

Table 1: Budget Performance for UWRSA for Financial Years 2019/20

FY 2019/20	0.68	0.68	2.72		3.399
FY 2020/21	1.679	1.06	7.22		8.899
FY 2021/22	1.61	1.29	3.31		4.917
FY 2022/23	1.61	1.59	6.39	7.07	15.067

From the table above, budget allocation to UWRSA has increased over time from UGX 3.399 billion (FY 2019/20) to UGX 15.067 billion (FY 2022/23) primarily to the wage bill, board expenses and procurement of capital related items like weighbridges and construction of warehouses. The above annual budget allocations suggest withdraw of funds from the Consolidated Fund.



6.3 Notable inefficiencies of UWRSA under the Current Governance Structure/Arrangement

Despite the enactment of the Uganda Warehouse Receipt System Act, in 2006, which created the Uganda Warehouse Receipt System Authority 15 years ago, the Authority has only licensed 4 warehouses. According to the Committee, even where the targets are not clear and specific, this performance under the current governance arrangement could be rated as poor and below average.

The Committee noted the following areas of concern relating to operations of UWRSA:

- (1) Deliberately overstepping its mandate by acting as an implementer and a regulator at the same time.
- (2) Poor absorption of funds allocated, continued utilization of funds in excess of parliamentary appropriation and persistent carryover of funds across financial years without authorization are indications of a poorly governed institution. For instance, at the end of Financial Year 2021/22, the Authority did not transfer UGX. 4.87 billion into the Consolidated Fund. Similarly, in FY 2022/23, the Authority did not transfer UGX.8.7 billion to the Consolidated Fund and instead utilized it in FY 2022/23 without authorization. **(Auditor General Reports FY 2020/21 and FY2022/23). “The Authority had UGX.8.78 Bn as an unspent balance from the prior financial year 2021-2022, that was subsequently included by management as part of the funds available for spending in the financial year under review” (2022/23)**

The above several financial irregularities among others, as sighted by Auditor General such as inefficiencies of the Board in providing supervision and oversight to the Institution.



6.4 Cost Benefit Analysis

	FY 2024/25	FY 2025/26
Category	UGX (billion)	UGX (billion)
Costs	0	
Staff to be laid off	0	0
o/w terminal benefits	0	0
Savings	12.427	12.427
o/w Wage	1.024	1.024
o/w Board expenses	0.503	0.503
o/w Nonwage	10.9	10.9
o/w Development	0	0
Net Savings	12.427	12.427

Source: Certificate of Financial Implications on the Warehouse Receipt System (Amendment) Bill, 2024

From the afore going, the Committee makes the following observations-

- (1) That there would be no costs accruing to Government as a result of mainstreaming UWRSA into the Ministry responsible for trade;
- (2) That the Bill addresses mischief and intends to improve market efficiency and mitigates risks, because it will be easier for farmers and traders to access credit using their stored agricultural commodities as collateral, leading to more efficient allocation of resources of resources in agricultural markets, reducing transaction costs and improving market liquidity;
- (3) That the mainstreaming of UWRSA into the Ministry responsible for trade would attract further investments in the agriculture sector by providing assurances to

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financiers that there are mechanisms in place to mitigate risks associate with lending to farmers and traders.

6.5 Other implications of Mainstreaming the roles and functions of UWRSA into the Ministry responsible for Trade.

During the meeting of the Committee held with the Minister of Trade, Industry and Cooperatives on the same, the Minister assured the Committee that the functions of UWRSA as enshrined in the Warehouse Receipt System Act, 2006 would be retained, but that these shall be executed under a specialized department tenable at the Ministry responsible for trade under the supervision of the Permanent Secretary, Ministry of Trade, Industry and Cooperatives.

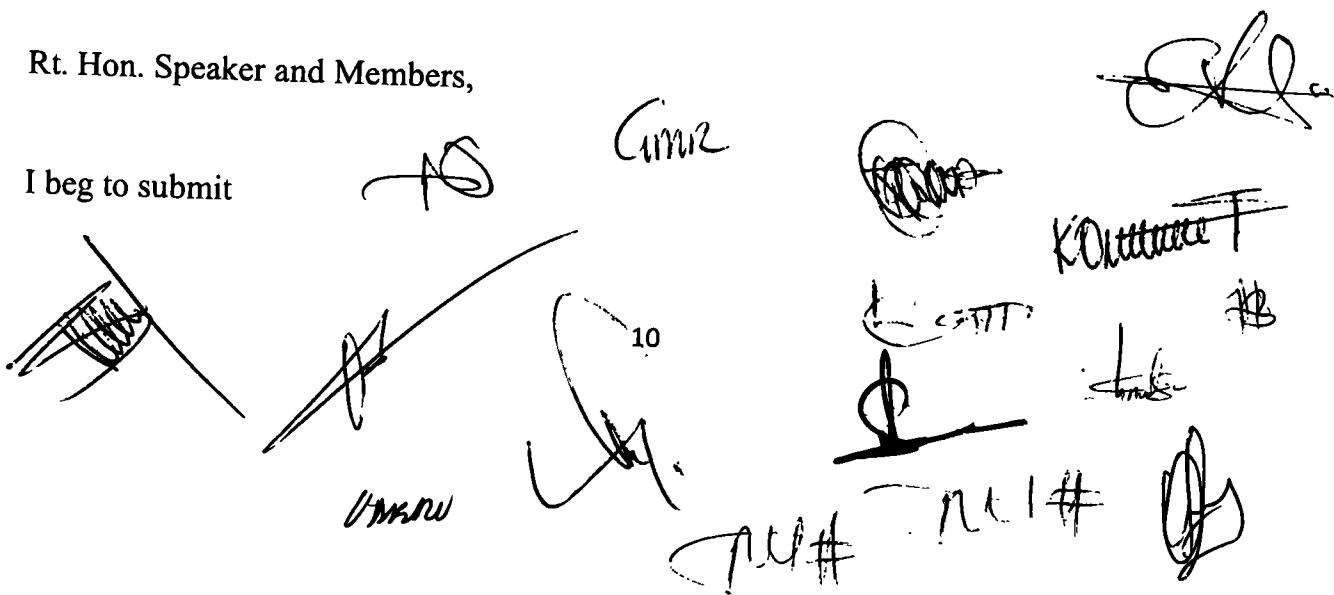
In another meeting of the Committee, the Minister responsible for Public Service buttressed that the mainstreaming of the functions of UWRSA into the Ministry responsible for trade would require staff formerly under the service of UWRSA to apply for career opportunities that would be advertised internally in the Ministry. The Minister also informed the Committee that first priority for consideration of applicants for career opportunities advertised internally, would be given to staff of UWRSA.

7.0 RECOMMENDATION OF THE COMMITTEE

The Committee recommends that since the savings from the mainstreaming of UWRSA significantly outweigh the costs and in addition to efficiency gains, Government should mainstream the roles and functions of UWRSA into the Ministry responsible for trade.

Rt. Hon. Speaker and Members,

I beg to submit





PARLIAMENT OF UGANDA

**REPORT OF THE COMMITTEE ON TOURISM, TRADE AND INDUSTRY ON THE
WAREHOUSE RECEIPT SYSTEM (AMENDMENT) BILL, 2024.**

No	Member	Signature
1	Hon. Mwine Mpaka, Chairperson	
2	Hon. Lamwaka Catherine, Vice Chairperson	
3	Hon. Afidra Ronald Olema	
4	Hon. Aleper Margaret Aachilla	
5	Hon. Alobo Joan Acom	
6	Hon. Atukwasa Rita	
7	Hon. Avako Melsa Naima Gule	
8	Hon. Awich Jane	
9	Hon. Awor Betty Engola	
10	Hon. Bright Tom Amooti	
11	Hon. Businge Harriet	
12	Hon. Byakatonda Abdulhu	
13	Hon. Dr. Apio Eunice Otuko	
14	Hon. Edakasi Alfred	
15	Hon. Gafabusa Richard	
16	Hon. Gaffa Mbwatekamwa	
17	Hon. Isabirye David Aga	
18	Hon. Kaala Kevin Ojinga	

19	Hon. Kamugo Pamela	
20	Hon. Kato Mohammed	
21	Hon. Kayemba Geofrey Ssolo	
22	Hon. Kemirembe Pauline K.	
23	Hon. Kinobere Herbert Tom	
24	Hon. Kirabo Agnes	
25	Hon. Kirumira Hassan	
26	Hon. Koluo Joseph Andrew	KJ
27	Hon. Kyebakutika Manjeri	
28	Hon. Lukyamuzi David Kalwanga	GL
29	Hon. Lutaaya Geoffrey	
30	Hon. Masaba Karim	
31	Hon. Mushemeza Elijah	
32	Hon. Mwijukye Francis	
33	Hon. Namukuta Brenda	BN
34	Hon. Nayebale Sylvia	NS
35	Hon. Okello Geoffrey Charles	
36	Hon. Olobo James	
37	Hon. Osoru Mourine	OM
38	Hon. Ssentaayi Muhammad	
39	Hon. Ssimbwa Fred	FS
40	Hon. Wakayima H. Musoke	WAM
41	Hon. Were Godfrey Odero	WGO