ABRIDGED VERSION OF THE HITS AND MISSES FOR THE YOUTH IN THE 2021/2022 BUDGETS FOR KENYA, TANZANIA AND UGANDA.

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ABSTRACT

This paper examines the sectors of Health, Agriculture, Education and the concepts of Illicit Financial Flows, Domestic Resource Mobilization, taxation of the Digital Economy and improvement of the general business environment and shows how the National budgets of each of the three countries have either positively contributed to the growth of the same (Hits) or have had a negative impact on them (Misses). It also borrows from a multitude of sources to show how the three countries have fared in meeting their legal obligations under national, regional, continental and global instruments and concludes by providing recommendations on the way forward.

INTRODUCTION

The African Youth Charter defines a youth as a person between the ages of 15 and 35 years. According to the East Africa Youth Survey Report, about 80% of the estimated 146 million East Africans (excluding South Sudan), are below the age of 35 years.

Budgetary making processes are of utmost importance because they determine resource mobilization, allocation and utilization. Mobilization involves generation of resources through avenues such as taxation, debt, grants and donations. Allocation encompasses distribution of the resources to different sectors of the economies such as health, education, agriculture among others. Utilization involves use of the allocated resources for the intended purpose and proper accountability and transparency in the process.

UNIVERSAL HEALTH COVERAGE

According to SDG 3 the right to good health and well-being means that all individuals and communities receive the health services they need without suffering financial hardship. It includes the full spectrum of essential, quality health services, from health promotion to prevention, treatment, rehabilitation and palliative care across the life course.

Hits

The three states committed to improve on their health care systems in order to deal with the corona virus pandemic and other diseases.

Misses

All three countries failed to meet the standard allocation of 15% of their total budgets to health as required by the Abuja Declaration. With the Covid-19 pandemic still ravaging the three countries, there is still a shortage of personal protective equipment for health workers, medical equipment such as Intensive Care Unit (ICU) beds and oxygen. Access to health services is also very costly for an ordinary person to afford. Whereas the three countries have made some commendable effort to solve these problems, there is a lot to be desired.

Recommendation

The three countries should consider adopting the microfinance loans relief in the form of health saving plans or emergency health loans. This relief has the potential to protect vulnerable segments of society from catastrophic health expenditure especially during pandemics such as the current Covid-19 pandemic.

AGRICULTURE

In the Maputo Declaration 2003, the three countries committed to allocate at least 10% of their national budgets to agriculture development and to ensure a growth of the agricultural output of at least 6% annually.

Hits

The three countries set aside resources to improve value addition of their agricultural produce, digitize their agricultural sectors, provided tax reliefs to local farmers and imposed taxes on agricultural imports to protect local farmers and manufacturers.

Misses

The three countries failed to meet their obligations under the Maputo Declaration 2003.

The Covid-19 pandemic and resulting lock-down imposed to curb its spread led to increase in prices of agricultural inputs and price fluctuations which adversely affected the farmers. The digitization of the agricultural sector is still problematic because internet access is very costly and most farmers can't afford the necessary gadgets.

Recommendation

It is high time the three countries moved to regulate the market prices of agricultural products and inputs and their transportation to curb price fluctuation. The three countries run free market economies where market prices are determined by the forces of demand and supply. These have resulted into price fluctuations which have caused losses to farmers.

EDUCATION

Article 13 of the Africa Youth Charter guarantees every young person's right to education of good quality. The United Nations Special Rapporteur on Education has reiterated that the fundamental right to education must be protected even in times of emergency (United Nations Human Rights Council, 2020).

Hits

Kenya provided a tax relief to companies employing TVET graduates while Uganda amended the definition of exempt organization to include educational institutions whose object is not for profit. Tanzania abolished the 6% value retention fee on higher education loans and allocated Tshs 500 billion for student loans in institutions of higher learning.

Misses

In the FY 2020/21, the three governments committed to venture into digital and distance learning. Despite this, the United Nations Children's Fund (UNICEF) estimates that at least 49% of students in East and Southern Africa were unable to access remote learning and thus have urged governments to prioritize the safe reopening of schools when they begin easing lockdown restrictions (UNICEF, 2020).

Recommendation

The three countries should endeavor to align digital and distance learning with the principles of:- Availability – that systems are in place to safely enable in-person and remote learning; Accessibility – that all students are able to participate noting the specific socio-political and cultural challenges faced by vulnerable children and girls; Acceptability – that the quality of learning provided during the pandemic is high with the education materials being culturally appropriate for the students; Adaptability – that education provided during this time is adaptable to the changing needs of society in the face of the pandemic.

ILLICIT FINANCIAL FLOWS/DOMESTIC RESOURCE MOBILIZATION

Hits

The Uganda Income Tax Act has been amended to provide for the facilitation of automatic exchange of information where an International Agreement provides for automatic exchange of information for tax purposes. It also amended the definition of beneficial owner to align it with the OECD Definition. The Kenya Income Tax Act introduced provisions to prevent tax base erosion and profit shifting as well as restrict treaty benefits to curb tax evasion and avoidance. Kenya also ratified the Multilateral Convention for Mutual Administrative Assistance in Tax Matters (MAC) to facilitate automatic exchange of tax information. Tanzania introduced a special income tax at a rate of 3% on individuals engaged in small scale mining whose turnover does not exceed TZS 100 Million per year.

Misses

Tanzania repealed a provision that imposes a 100% penalty for failure by a person to comply with the Transfer Pricing Regulations. In the three countries were identified weak accountability and transparency measures which occasioned the governments massive loss of resources.

Recommendations

Uganda should adopt the global standard on automatic exchange of information which obliges countries and jurisdictions to obtain all financial information from their financial institutions and exchange that information automatically with other jurisdictions on an annual basis. Uganda should come up with a clear policy guideline for the issuance, management and monitoring of the different tax benefits and incentives issued by the Government. Tanzania and Kenya should develop a policy document to guide with the domestic mobilization of revenue in order to be able to maximize their potential.

TAXATION OF THE DIGITAL ECONOMY

According to the World Bank, in taxing the digital economy, the following principles must be taken into account:- Neutrality Principle (also referred to as efficiency) which postulates that taxes should neither distort economic decisions nor interfere with the investment and spending decisions of businesses and workers; Horizontal Equity which provides that two taxpayers with equal ability to pay should pay the same amount of tax; the Benefit principle which holds that tax burdens should be assigned according to the benefits that taxpayers receive from government goods and services, which can be specific or general in nature; Tax sovereignty principle which refers to the power of states to tax their citizenry and their territory, which is the basis for residence taxation and source taxation, respectively.

Hits

Uganda provided tax reliefs to non-taxable persons who transact with persons using EFRIS. It also repealed the 2% tax on Over the Top Services (OTT) commonly known as the social media. Kenya granted an exemption to residents from the digital service tax and the scope of the tax has been expanded to include income derived through internet and electronic network including a digital market place. Tanzania exempted Value Added Tax (VAT) on smart phones, tablets and modems to promote data usage and attain the target of 80% of users of internet services by 2025. It also reduced Customs Duty from 10% to 0 percent for one year on electronic machines used to collect Government revenue (Cash registers, Electronic Fiscal Device (EFD) Machines and Point of Sale (POS) machines.

Misses

Uganda imposed a 12% tax on internet data except data for provision of medical and educational services. Tanzania imposed a levy from TZS10 to TZS10,000 in withdrawing and sending on mobile money transactions.

Recommendation

The three countries should focus on ensuring that multi-national companies operating in the digital economy are the ones which bear the burden of paying taxes imposed on the digital economy.

IMPROVING THE BUSINESS ENVIRONMENT

According to SDG No. 8, the three countries have a duty to achieve full and productive employment and decent work for all women and men including youth, persons with disabilities and equal pay for work of equal value by 2030. The East Africa Community Vision 2050 focuses on initiatives that will create gainful employment to the economically active population.

Hits

The countries large-scale fiscal packages in response to the Covid-19 crisis to support incomes and businesses. Tanzania lowered its Pay As You Earn (PAYE) rate from 9% to

8% to increase on the disposable income of the employees and also granted relief to employers on Skills and Development levy (SDL) by increasing the threshold for employers with number of employees from 4 to 10 to pay SDL. It also amended the Workers Compensation Fund Act, Cap 263 by reducing the rate of contribution to the Fund applicable to the Private Sector Institutions from 1% to 0.6% of the total gross monthly salary of employees.

Misses

In Kenya the Financial Transparency Coalition report found that 92% of the Covid-19 related bailouts went to big corporations as compared to 6.68% which went to social protection, 0.75% which went to SME support and 0.11% which went to the support of the informal sector development. In Uganda, the Economic Policy Research Centre reported a decline among MSMEs in repaying outstanding loans due to the adverse impacts occasioned by Covid-19. 69% of the micro businesses, 72% of the small businesses and 88% of the medium businesses faced difficulties in repaying loans which has partly been attributed to the high interest rates. According to the background to the budget: fiscal year 2021/2022 formal jobs as captured by the Pay as You Earn (PAYE) register have experienced a significant decline from 1,336,234 jobs in 2017/18 to 1,210,450 jobs in 2020/21. This decline has been explained by the transmission effects of the Covid-19 pandemic lockdowns in FY 2019/20 that slowed business activity.

GENERAL RECOMMENDATIONS

I. The three countries should consider employing zero-based budgeting to curb misuse in public expenditure. Zero based budgeting is a method of budgeting in which all expenses must be justified and approved for each new period. Zero-based budgeting lays emphasis on identifying a task, finding ways and means of accomplishing the task, evaluating the solutions and alternatives of sources of funds and then setting the budgeted numbers and priorities then funding these expenses irrespective of the current expenditure structure. Since the zero based budgeting process can be quite time consuming and costly for the three countries, I would recommend that each of the three countries carry out a zero based budget every after five years that is before implementing a new strategic plan to ensure that every line item is justified to attain efficiency.

II. The three countries should embrace the open budget initiative, which ensures budget participation, an inclusive budget process and the publication of adequate budget information for transparency purposes regardless of the prevailing circumstances of the Covid-19 pandemic. According to Article 11 of the African Youth Charter, every young person has a right to participate in all spheres of society. State parties also have an obligation to guarantee the participation of youth in Parliament and other decision making bodies. A report published by the International Budget Partnership showed that Uganda and Kenya have only provided limited levels of accountability in the introduction and implementation of their early Covid-19 fiscal policy responses while Tanzania provided minimal levels.

III. There is still need to improve transparency in the budget making processes in the three countries. The High Level Panel Report on Illicit Financial Flows recommended that to eliminate the opportunity for IFFs from national and local government treasuries, African States should ensure that the public can access national and subnational budget information, and that processes and procedures for budget development and auditing are open and transparent to the public. According to the Open Budget Survey 201984: Budget transparency scores, Uganda and Kenya provided limited budget information with scores 58% and 50% respectively while Tanzania provided scanty budget information with a score of 17%.

IV. It is important to continuously develop Political will among youth leaders to be able to meaningfully participate in the budget making process. Political will has been defined as "the commitment of actors to undertake actions to achieve a set of objectives and to sustain the costs of those actions over time". This will enable them push for transparency and accountability in public expenditure and advocate for increase in funding of priority sectors of the economy such as health, education and agriculture among others.

V. There is still need to sensitize young people about the how and why they should participate in the budget making process. It has been noted that a number of youth in the three countries have no knowledge about the budget making process and why they should be concerned about it. It is also necessary to build the capacities of young people to meaningfully participate in the budget making processes at all levels.