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

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<u>JULY 2021</u>

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ACKNOWLEDGMENTS

Special gratitude to goes out to Jason Braganza and Lyla Latif for the unwavering support and guidance accorded to me in putting this piece together.

I appreciate the psychological and spiritual support accorded to me by my family members towards the development of this paper.

DEDICATION

This paper is dedicated to all the young people out there. I send you the message ***"We Shall Overcome".***

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.

Contents

INTRODUCTION

A youth is defined as a person between the ages of 15 and 35 years.[2] The Youth represent the majority of the population in the three EAC countries. According to the 2019 population and census results, 75% of the 47.6 million Kenyan population is under the age of 35[3]. In Uganda, according to the National Development Plan III[4], 78% of the population is of age 30 years and below, representing 31.2 million people. In Tanzania, in 2012, youth (15-35 years) constituted about 35% of the population.[5] In absolute numbers, the youth aged 15-34 were 17.8 million in 2015 and are projected to increase to 62 million under the UN Medium variant or 47.7 million under Low variant scenarios by 2065.[6] Ultimately the youth are the biggest beneficiaries or losers in the budget making process.

Uganda's National Development Plan III[7] states that one of the biggest challenges from the past 10 years of implementation of National Development Plan I and National Development Plan II is insufficient creation of quality and gainful jobs in the economy, especially for the youth with an estimated unemployment rate of 13.3%. The International Labour Organization estimates show that in 2019, the Kenya youth unemployment rate stood at 7.17%. In the second quarter of 2020, the rate stood at 10.40%.[8] While the Tanzania youth unemployment rate was projected at 12.80% in 2021.[9] Eastern Africa has been the worst hit region by the Covid-19 pandemic with 38 million jobs lost.[10] Furthermore, according to the International Labour Organization, young people are in a vulnerable state in the labour market because many of them lack the skills, work experience, job search abilities and financial resources to find employment.[11]

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[2] Africa Youth Charter.

[3] Accessed on 13th July 2021 via https://citizentv.co.ke/news/out-of-47-6-million-kenyans-35-7-million-are-under-the-age-of-35-323822/

[4] Accessed on 13th July 2021 via http://www.npa.go.ug

[5] National Bureau of Statistics. (2013). 2012 Population and Housing Census (PHC). Population Distribution by Age and Sex

[6] United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision. Accessed in August 2017

[7] Accessed on 22nd/07/2021 via https://www.npa.go.ug

[8] Kenya National Bureau of Statistics.

[9] Accessed on 22nd/07/2021 via https://tradingeconomics.com/tanzania/youth-unemployment-rate

[10] Economic and Social Impacts of COVID-19 in Eastern Africa 2020.

[11] Accessed on 23rd/07/2021 via https://www.ilo.org/skills/areas/skills-for-youth-employment/WCMS_672181/lang-en/index.htm

On the 10th day of June 2021, the Finance Ministers of Kenya, Tanzania and Uganda read out their respective budgets for FY 2021/22. The themes of the budgets are in tandem with the overarching theme that runs through the East Africa Community Vision 2050 that is Transformation, Value Addition and Growth but also add a dimension of socio-economic recovery from the adverse impacts of the Covid-19 pandemic. The EAC Vision 2050 focuses on initiatives that will create gainful employment to the economically active population. It therefore aims to accommodate development pillars and enablers that would create jobs to absorb the expected expansion of workforce in the next decades of the Vision 2050.

The budget reading came at a time when the three countries were still grappling with the adverse effects of the Covid-19 pandemic. At the time of writing this paper, Uganda had registered 91,162 confirmed cases, 2,425 deaths, 70,519 recoveries, 1,434,303 samples tested and only 1,106,762 people had been vaccinated[12]. Uganda was also in a second lockdown to curb the spread of the virus.[13] Kenya had registered 195,111 cases, 3,826 deaths, 184,461 recoveries and only 1,648,869 had been vaccinated.[14] Kenya had also imposed a nationwide curfew from 22:00 until 04:00 local time as part of its restrictions to combat the spread of Covid-19.[15] Tanzania had registered 509 confirmed cases with 183 recoveries and only 21 deaths.[16] With the third, fourth and fifth waves of the corona virus in the offing, the economic and social future in the three countries remains uncertain.

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.

[12] Accessed on 22nd/July 2021 via https://www.health.go.ug/covid/
[13] Accessed on 22nd July 2021 via https://www.africanews.com/2021/06/07/uganda-imposes-another-lockdown-what-are-the-restrictions/
[14] Accessed on 22nd July 2021 via https://www.worldometers.info/coronavirus/country/kenya/
[15] Accessed on 22nd July 2021 via https://www.africanews.com/2021/07/07/kenya-protesters-clash-with-police-at-lockdown-demo/
[16] Accessed on 22nd July 2021 via https://covid19.who.int/region/afro/country/tz

UNIVERSAL HEALTH COVERAGE

The right to good health and well-being[17] 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. The delivery of these services require adequate and competent health and care workers with optimal skills mix at facility, outreach and community level and who are equitably distributed, adequately supported and enjoy decent work.[18] The Corona Virus Pandemic has brought to attention the weaknesses of public healthcare systems in the three countries particularly because of poor disease surveillance systems which can be attributed to poor health financing, which in turn stems from weak tax systems and low budgetary allocation to the health sector.[19]

A study conducted using a sample of five East African countries which included Uganda, Kenya and Tanzania shows that there is a significant positive relationship between total healthcare expenditures and total life expectancy and a negative relationship between healthcare expenditures and the number of neo-natal, infant, and under-five deaths in Africa.[20]

HITS

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

Kenya

It allocated Ksh 121.1 billion to the health sector to support programmes aimed at attainment of a Universal Health Coverage such as rolling-out of Covid-19 vaccines to create herd immunity, enhancement of access to affordable medicine and equipment for management of COVID-19 and other chronic diseases, recruitment of health workers, free maternity health care, medical cover for the elderly and disabled, procurement of medical equipment among others.

In order to support the contributors and encourage more non-registered persons to join the National Health Insurance Fund, the Minister proposed to amend the Income Tax

[17] Sustainable Development Goal 3.

[18] https://www.who.int/news-room/fact-sheets/detail/universal-health-coverage-(uhc). Accessed on 28th/06/2021

[19] Health Financing & Taxation for Sustainable Healthcare. A research conducted by Tax Justice Network Africa (TJNA). Accessed on 28th/06/2021 via https://taxjusticeafrica.net/resource-type/publications/

[20] Bein, M. A., Unlucan, D., Olowu, G., & Kalifa, W. (2017). Healthcare spending and health outcomes: evidence from selected East African countries. African health sciences, 17(1), 247–254. https://www.ajol.info/index.php/ahs/article/view/156385 Accessed on 28th/06/2021.

Act to allow its contributors qualify for tax relief at the rate of 15 percent of the contributed amount. This relief is intended to attain universal health coverage for all and also increase on the disposable income of youth in employment.

In order to strengthen the healthcare system, make the cost of medicines affordable for Kenyans and step up the fight against the COVID-19 Pandemic Kenya introduced a Value Added Tax (VAT) exemption on medicaments used in health facilities including decongestants and food supplements.

Kenya further provided Value Added Tax (VAT) exemption to diagnostic and laboratory reagents, artificial respirators including therapeutic respiration apparatus, breathing appliances, gas masks as well as medical equipment and technologies used in the provision of medical services.

In order to promote local manufacturing of pharmaceutical products, the Minister introduced a Value Added Tax (VAT) exemption on inputs used in the manufacture of medical ventilators and breathing appliances. This is expected to enhance access to these products that are essential in management of the COVID-19 complications.

Uganda

It committed to:- prevent against COVID-19 through widespread vaccination and enforcement of Standard Operating Procedures (SOPs); UGX 560 billion was set aside towards the vaccination of 6 million vulnerable persons, that is, teachers, health workers, the elderly and those with chronic ailments; prioritize measures to improve health workers' skills and work environment; maintain health infrastructure and systems in order to ensure increased efficiency and effectiveness in health care delivery; employ digital technology in delivering health skills training and health systems; upgrade 43 health facilities and construct new Health Centre IIIs in 60 sub-counties; recruit additional staff for each of the upgraded health facilities; complete construction and equipment of the Uganda Heart Institute at Mulago; establish the Regional Oncology and Diagnostic Centre in Gulu by the Uganda Cancer Institute; and UGX 600 Billion has been allocated to National Medical Stores to ensure adequate supply and delivery of essential medicines and health supplies.

Tanzania

The government allocated Tzshs 149 billion to cater for health insurance cover for disadvantaged households. It committed to continue adding to that amount annually so that by 2034/35, all citizens should be covered by health insurance.

The government committed to invest in industries which will engage in the production of essential medicines and medical equipment. It set aside Tshs 233.3 billion for the purchase of medicines, medical supplies and reagents.

In order to stimulate human development, the government committed to implement projects that will improve people's lives by strengthening access to social services including health and social welfare, water services and sanitation and social protection through the Tanzania Conditional Cash Transfer (TASAF) program.

The government abolished the Education and Vocational Training levy for hospitals owned by religious institutions as these institutions have been very helpful to it in delivering health services even in areas where it has not been able to deploy service due to Budget deficits. In addition, these institutions have been in co-operation with the Government by special agreement in some areas of health care delivery. The goal of this measure is to provide relief to health care delivery facilities owned by religious institutions and to encourage them to continue providing health care services.

East Africa Community

To sustain the fight against the COVID-19 Pandemic, EAC Partner States agreed to extend the duty-free importation window for raw materials and inputs for manufacture of masks, sanitizers, ventilators and personal protective equipment remission for a further one year.

They further reduced Customs Duty from 10% to 0% for one year on LABSA (Organic surface-active agents - Anionic) known as HS Code 3402.11.00 for duty remission procedure. Goal of this step is to provide relief to soap manufacturers and sustain the fight against Covid-19.

The East Africa Community deployed nine (9) mobile laboratories and corona virus test kits to all EAC partner states in a bid to detect and respond highly to infectious diseases such as Covid-19 and Ebola.[21] In Uganda, the two laboratories were deployed to Adjumani and Malaba.[22]

[21] Accessed on 21st/07/2021 via https://www.eac.int/press-releases/147-health/1713-eac-deploys-mobile-labarotories-and-testing-kits-to-all-partner-states
[22] Accessed on 21st/07/2021 via https://kampala.diplo.de/ug-en/aktuelles/-/2372286

MISSES

All three countries failed to meet the standard allocation of 15% of their total budgets to health as required by the Abuja Declaration[23].

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.

Uganda

Members of the public have raised complaints over exorbitant daily charges to treat critically ill Covid-19 patients which go as high as Ugshs 5 million.[24] As a result a petition has been filed in court against the government for allegedly allowing private health facilities to charge Covid-19 patients exorbitant fees.[25] It has been reported that patients have passed on because they couldn't pay cash beforehand to medical facilities to have them treated for Covid-19.[26] It has also been reported that oxygen failure at the National referral hospital caused the death of 30 Covid-19 patients.[27] The salaries of health workers are also very low. On 18th May 2021, the Federation for Uganda Medical Interns (FUMI)[28] announced a sit down strike over low pay and poor working conditions. They urged government to increase the monthly remuneration from Ugshs 750,000 to Ugshs 3,000,000/- for doctors and pharmacists. They also demanded that the remuneration for graduate nurses be increased from Ugshs 750,000 to Ugshs 2,200,000/-.

The government and Ministry of Health have also been accused of getting their priorities wrong in the fight against Covid-19.[29] For example the Ministry of Health announced that more than 200 pickups had been procured using Ugshs 29 billion that was contributed in 2020 during the fundraising drive to fight the pandemic and

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[23] Accessed on 14th July 2021 via https://au.int/sites/default/files/pages/32894-file-2001-abuja-declaration.pdf
[24] https://www.monitor.co.ug/uganda/news/national/covid-treatment-hospitals-defend-shs5m-per-day-bill-3447714 Accessed on 3rd July 2021.
[25] https://www.aa.com.tr/en/africa/uganda-government-taken-to-court-over-covid-19-treatment-cost/2285532 Accessed on 3rd July 2021.
[26] https://www.monitor.co.ug/uganda/news/national/three-hospitals-toss-covid-patient-over-cash-dies-in-ambulance-3453532 Accessed on 28th June 2021.
[27] https://www.monitor.co.ug/uganda/news/national/oxygen-failure-kills-30-covid-patients-at-mulago-3440170 Accessed on 28th June 2021.
[28] https://www.monitor.co.ug/ugand/news/national/intern-doctors-go-on-strike-3404364 Accessed on 3rd July 2021.
[29] Accessed on 30th July 2021 via https://www.monitor.co.ug/uganda/news/national/activists-ask-mps-to-return-shs200-million-for-cars-3484280

Government disbursed a total of Ugshs 105.8 billion to the 529 legislators and 26 ex-officio members to buy cars of their choice. All this was done when the country hadn't bought any single vaccine for the citizenry and medical and personal protective equipment were still lacking in medical facilities.

Kenya

According to a report[30] by a team from Kenya Medical Research Institute (Kemri), it costs about Kshs 24,000 to treat an asymptomatic Covid-19 patient under home based isolation and care with the cost surging to more than Kshs 712,000 for patients who become critically ill from the viral infection and require hospital admission. The cost of Covid-19 admission in a private hospital ICU could hit as much as Kshs 120,000 per day making it out of reach for an overwhelming majority of Kenyans. Pharmaceuticals and personal protective equipment (PPEs) are the key contributors to costs for the management of patients with severe Covid-19 at Kshs 71,946 and Kshs 243,176 respectively because more health workers are involved in the care of these patients (increasing PPE costs) and the patients receive pharmaceutical and non-pharmaceutical interventions such as antibiotics, fluids and oxygen. Staff costs (upto Kshs 350,500) contribute the largest share of costs for critical Covid-19 patients because they need more medical staff and staff time as well as more specialized medical care such as physicians and anesthetists which cost more. The report recommends the development of a sustainable financing arrangement for Covid-19 given that if these costs were to be borne patients, then it will push them into penury. It also recommends that Kenya should explore additional service delivery adaptations that will reduce unit costs.

The Auditor General's report on special utilization of Covid-19 funds by national government entities[31] stated that the Ministry of Health procured ventilators at double the price. That means Kenya bought a ventilator at Kshs 1.7million each yet a survey showed that the price of each ventilator machine ranges from Kshs 800,000/- to Kshs 1 million in the market. It also stated that tens of ventilators bought have never been utilized by hospitals as they have no facilities to place them. Out of the 100 ventilators ordered, only 75 had been distributed to hospitals at the time of the audit. Further, only 37 had been put into use as others are lying idle in various hospitals. The report also indicated that most of the hospitals that were given were not ready since some of them didn't even have intensive care units such as the Mama Lucy Kibaki Hospital, Kauwi

[30] https://allafrica.com/stories/202011020174.html Accessed on 3rd July 2021. https://kemri-wellcome.org/news/what-does-it-cost-to-treat-a-covid-19-patient-in-kenya/ Accessed on 3rd July 2021.
[31] Accessed on 29th July 2021 via https://allafrica.com/stories/202106200034.html

Level four hospital, Kitui County, Ngong level four hospital in Kajiado and Ruiru Sub-county hospital in Kiambu where the items were neatly kept in the store.

The report identified that the Ministry of Health wasn't able to account for other Kshs 32 million public money. It stated that Kshs 14million was lost because of the inadequate control of management of fuel, unsurrendered imprests worth Kshs 8 million, conflicting documentation on notification of tender award and letters of acceptance for Kshs 5 million.

Tanzania

According to a survey of maternal and newborn health professionals[32], summary from the Covid-19 frontline: Tanzania country brief study, only four out of 26 health workers interviewed felt well or completely protected from Covid-19 in the work place. They were concerned about the lack of Personal Protective Equipment (PPEs) and about staff and patients becoming infected with Covid-19. A Tanzanian nurse working at Amana Regional Referral Hospital interviewed by Human Rights Watch testified about the lack of PPEs and yet she commutes to her work place using public transport.[33] The declaration by the Late President of Tanzania John Pombe Magufuli that Tanzania was Covid-19 free left the health sector incapacitated to handle the pandemic. Zakayo Mmbaga, a general physician based in Dar es Salaam said "*seeing patients lose life in front me just because we have no access to oxygen therapy and adequate intensive care units left me demoralized*…"[34]

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.

[32] Summary from the Covid-19 frontline: Tanzania country brief, Survey of maternal and newborn health professionals. https://bit.ly/2X2LdJt

[33] Africa: Covid-19 exposes healthcare shortfalls. Accessed via https://hrw.org/news/2020/06/08/africa-covid-19-exposes-healthcare-shortfalls Accessed on 3rd July 2021.

[34] Covid-19: Counting the cost of denial in Tanzania by Syriacus Buguzi. Accessed via http://www.bmj.com/ on 3rd July 2021.

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.

In December 2020, the Organization for Economic Co-operation and Development (OECD)[35] projected that the Covid-19 pandemic is expected to affect agricultural markets over the next decade. Agricultural production and productivity in FY 2020/21 in Uganda and Kenya was affected by the triple effect of the COVID-19 pandemic, locust invasion and floods.[36] The COVID-19 pandemic and the associated control measures further presented a wide range of challenges on agriculture and food systems in the three countries. The widespread disruptions to agricultural production and market access resulted in distortions in agricultural supply chains and reduced farmers' incomes and posed significant challenges to national agricultural production, food security and nutrition in the three countries.

Agriculture is the backbone of the three economies. In Kenya it contributes approximately 33% of Kenya's Gross Domestic Product (GDP) and employs more than 40% of the total population and 70% of the rural population[37]. In Uganda, it contributes nearly 25% of national Gross Domestic Product (GDP) and 49% of total merchandise exports. As of 2019, agriculture sector employed 73% of the population. In Tanzania, agriculture accounts for 26.7% of its Gross Domestic Product (GDP) and provides employment to the majority of the nation's population[38].

Maximization of agriculture output is key to the three economies ending poverty and hunger by 2030[39].

[35] Tackling coronavirus (COVID-19): Contributing to a global effort. Impact of Covid-19 on agricultural markets and GHG emissions. Accessed via https://www.oecd-ilibrary.org/agriculture-and-food/the-impact-of-covid-19-on-agricultural-markets-and-ghg-emissions_57e5eb53-en on 2nd July 2021.
[36] Impact of Covid-19 on agriculture, food systems and rural livelihoods in Eastern Africa: Policy and Programmatic options. Accessed via https://reliefweb.int/report/burundi/impact-covid-19-agriculture-food-systems-and-rural-livelihoods-eastern-africa-policy on 2nd July 2021.
[37] Agriculture and Food Security. Accessed via https://www.usaid.gov/kenya/agriculture-and-food-security on 2nd July 2021.
[38] FAO in Tanzania. Accessed via http://www.fao.org/tanzania/fao-in-tanzania/tanzania-at-a-glance/en/ on 2nd July 2021.
[39] Sustainable Development Goals No. 1 and 2.

HITS

Kenya

Ksh 1.97 billion was allocated for improving agriculture and food security. In FY 2020/21, the Kenyan government committed to subsidize the supply of farm inputs through the e-voucher system to reach the young small scale farmers. This system was rolled out. Joan Kirui a maize farmer in Nakuru County was quoted as saying "*I am now able to pay for tractor services to do land preparation…we managed to put up a store using off-cuts and are in the process of putting up a better house*."[40]

The government has made investments of Ksh 210.4 million for coffee industry revitalization; Ksh 59.2 million for modernization of cooperative cotton ginneries and Ksh 50 million for the Cotton Development as subsidy and extension support. It has set aside Ksh 60.0 billion for the National Agricultural and Rural Inclusivity Project, the Kenya Cereal Enhancement Programme, the Emergency Locusts Response, the National Value Chain Support Programme, the Agricultural Sector Development Support Programme II, the Small Scale Irrigation and Value Addition Project, Food Security and Crop Diversification Project and to improve livestock and fish production.

In order to increase agricultural productivity and enhance resilience to climate change risks in targeted smallholder farming and pastoral communities, the government set aside Ksh 8.9 billion for the Climate Smart Agricultural Productivity Project; Ksh 1.1 billion to enhance drought resilience and sustainable livelihood; Ksh 178.0 million towards ending drought emergencies in Kenya and in addition, Ksh 529.5 million for the Livestock and Crop Insurance Scheme to reduce the vulnerabilities of Kenyan farmers to diseases and natural disasters.

Tanzania

The government allocated money to industrial projects that aim at adding value to agricultural produce, livestock and fisheries.

It committed to fund programs that will strengthen domestic markets and take advantage of regional and international marketing opportunities in business promotion. Targeted markets are defined as the ones that will provide opportunities for locally produced goods, including products derived from agricultural, livestock, fisheries and forestry products.

[40] https://ruralsolutionsportal.org/en/-/e-finance-vouchers-support-growth-for-kenyan-smallholders Accessed on 2nd July 2021.

The following items were exempted from Value Added Tax (VAT):- i) Cold rooms (HS Code 9406.10.10 and 9406.90.10) to reduce production costs and encourage youth to engage in modern horticultural farming in the country; ii) Insurance of livestock farming to encourage youth to insure their livestock farming hence increasing credit ratings which is critical for financing farming activities in Tanzania.

The Tanzania 2021/2022 budget introduced a non-final withholding tax of 2 percent on payments which are made to suppliers of agro-products, livestock and fisheries when supplied to processing industries, millers and other Government Agencies. This amendment will however not apply to small scale farmers and sales to Agricultural Marketing Cooperatives Societies. The purpose of this amendment is to maintain equity in the collection of taxes for all Companies engaged in agricultural, livestock and fisheries thereby curbing tax evasion and avoidance and therefore generate more domestic revenue. It will provide an incentive for the youth to engage in farming.

Uganda

It committed to unlock the potential of agriculture by allocating Ugshs 1.67 trillion to support the agro-industrialization strategy which will address low production and productivity of primary agriculture, poor post-harvest handling and storage, limited value addition and insufficient market access.

Through the Agriculture Cluster Development Project (ACDP) which launched the electronic voucher (e-voucher) management system in 2018, Uganda has made major strides in raising input agricultural subsidies. This custom-made system enables the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) to administer input subsidies to beneficiary farmers in a value chain that involves coffee, maize, beans, cassava and rice, among others. It has been reported that the government and the farmers have raised up to Ugshs 81 billion in input subsidies.[41] Dr. Henry Nakelet Opolot, the ACDP coordinator, highlighted this during a briefing with Hon Frank Tumwebaze, the new Agriculture minister.

"*We have attained 93 per cent success so far in training and enrolling farmers into the e-voucher system*," he said. Of this, about 200,984 have already accessed and used the subsidized inputs.

[41] Accessed on 15th July 2021 via https://www.agriculture.go.ug/govt-farmers-raise-shs-81bn-in-input-subsidies/

East Africa Community

The East African Community Common External Tariff and the East African Customs Management Act, 2004 were amended to increase customs duties on cotton fibres (cotton yarn), peanut butter, imported tea, linen bags (sacks and bags of jute or other textile bast fibers of heading 53.03), imported cocoa powder to protect local producers and manufacturers of these products.

They were further amended to reduce Customs Duty to 0 percent on milk cans, raw materials recycling leather, raw materials forming fertilizers, packaging processed tobacco, processed tea packaging, to provide relief to the local producers and manufacturers.

They were also amended to impose 35% Customs Duty instead of 25 percent for one year on vegetable and horticultural products to protect local farmers to promote fruit farming, vegetables and flowers in the country.

MISSES

Uganda

According to the Economic Policy Research Centre (EPRC)[42], Uganda businesses in agriculture experienced the largest decline in business activity with 76% of the firms reporting severe decline and 12% reporting moderate decline. This was largely attributed to COVID-19 containment measures such as transport restrictions, quarantine, social distancing and ban on weekly markets, which have hindered farmers' access to input and output markets, thus undermining their productive capacities (Mutegeki, 2020).

Further still, the lockdown measures imposed by the government increased transport fares which made it more expensive for farmers who sell stock in rural areas to travel to Kampala to purchase more stock resulting into inflated prices of agricultural inputs and products[43].

With Uganda now in the midst of a second lock down caused by the second wave, it hasn't been shown how these challenges are being combatted.

[42] How has the COVID-19 pandemic impacted Ugandan businesses? Results from a business climate survey. Special Issue No. 01 May, 2020. By Corti Paul Lakuma, Nathan Sunday, Brian Sserunjogi, Rehema Kahunde and Ezra Munyambonera.

[43] Alleviating the impact of Covid-19 on farmers in Uganda and Tanzania accessed via https://www.coffee-partners.org/covid-19-in-uganda-and-tanzania/ on 2nd July 2021.

Basing on the way the Ministry of Agriculture managed the emergency locust evasion, the Auditor General noted that it is inadequately prepared to handle such emergencies[44]. The Ministry was disbursed a sum of Ugx 24billion to handle the emergency but used it to pay arrears, changed strategy to spraying amidst implementation and the pesticide suppliers delivered the pesticides beyond the time the spraying was supposed to be carried out which affected implementation. As a result, there arose a lack of accountability report and unaccounted for funds worth UGX.98,601,479.

In this financial year, it hasn't been shown how the Ministry is going to improve on its preparedness to handle such emergencies and yet it has been allocated money for the same purpose.

Kenya

Despite the e-voucher roll out, only 36% of farmers increased their use. In fact 25% decreased their use primarily because they don't have funds to pay for internet/airtime bundles, network related issues and lack of access to digital devices.[45] The government doesn't seem to have come up with a solution to these challenges.

Tanzania

It has been reported that market prices for crops like maize, beans and tomatoes have plummeted forcing farmers to sell their crops at almost half their usual prices.[46]

Apparently, the three countries haven't done enough to cushion farmers against the price fluctuations of agricultural products and the increasing prices of agricultural inputs. The e-voucher systems launched in the three countries expected to subsidize the prices of agricultural inputs are still in their infant stages and need to be fast-tracked in order to bear fruit.

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.

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[44] Auditor General's report for the financial year ended 30th June 2020. Accessed via https://www.oau.go.ug on 2nd July 2021.

[45] How are Kenyan farmers faring in the face of Covid-19? Accessed via https://www.poverty-action.org/recovr-study/how-are-kenyan-farmers-faring-face-covid-19 on 2nd July 2021.

[46] Alleviating the impact of Covid-19 on farmers in Uganda and Tanzania accessed via https://www.coffee-partners.org/covid-19-in-uganda-and-tanzania/ on 2nd July 2021.

EDUCATION

Sustainable Development Goal No.4 ensures inclusive and equitable quality education and promotes lifelong opportunities for all by 2030.

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) as espoused in Article 17 of the African Charter on Human and People's Rights and Article 11 of the African Charter for the Rights and Welfare of the Child (Human Rights Watch, 2020). The current pandemic should therefore act in no way as an impediment in this regard as outlined in the Abidjan Principles Number 43 to 46 which state that to uphold the right to education and mitigate the effects of learning loss will require that governments make deliberate efforts towards mobilizing funds and other resources for education, despite competing needs. To do any less will be courting disaster.[47]

Following the outbreak of the Covid-19 pandemic, the three countries shut down schools to reduce on the risk of the students contracting the deadly virus and ventured into digital and distance learning.

HITS

Kenya

An amendment was made to the Income Tax Act to provide for a tax rebate to employers who offer internship to a minimum of 10 Technical and Vocational Education and Training (TVET) graduates for a period of one year. These employers will be allowed to deduct, from their taxable income, an extra fifty percent out of the cost of the apprentice emoluments. This is an addition to the current provision which allows the same incentive to employers who offer internship to a minimum of 10 university graduates. With the current emphasis on technical and vocational training to solve the unemployment problem among the youth, this move is expected to avail opportunities for the youth in Technical and Vocational Education and Training (TVET) to gain practical experience so as to expand their employability.

It set aside a total of Ksh 202.8 billion to support programmes in the education sector to cater for free Primary Education, recruitment of teachers, free day secondary education including insurance under the National Hospital Insurance Fund (NHIF) for secondary

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[47] https://www.globalpartnership.org/blog/realizing-right-education-during-global-health-crisis accessed on 1st July 2021.

school students, examinations fee waiver for all class eight and form four candidates and the School Feeding Programme. Ksh 15.0 billion was set aside for the Sports, Arts and Social Development Fund.

Uganda

An amendment of the definition of an exempt organization was made to the Income Tax Act. An exempt organization which was defined as a religious, charitable or educational institution "of a public character" has been redefined as "a religious, charitable or educational institution whose object is not for profit". This means that any institution of a religious, charitable or educational nature is an exempt organization only if its objective is not to make a profit. This is expected to provide a tax relief to education institutions which are not for profit and will most likely reduce the school dues required to be paid by the learners.

The government committed to:- recruit 4,200 primary school teachers, 1,055 secondary school and 440 inspectors across all local governments; roll out the Integrated Inspection System (an electronic system) to help with learner, teacher, and school management absenteeism; rehabilitate 74 primary and 13 traditional secondary schools e.g. Nabisunsa Girls; complete construction of 36 schools that are now partially completed e.g. Morungatunyi secondary school; and construct 7 skills development institutions e.g. the Arua School of Nursing.

Tanzania

In order to stimulate human development, the government committed to implement projects that will improve people's lives by strengthening access to social services including education and general training through the Tanzania Conditional Cash Transfer (TASAF). The government also committed to invest more funds towards the improvement of infrastructure of learning institutions.

The Government allocated funds to programs that aim at developing human resource knowledge at all levels of education including creating an enabling environment for young people to become self-employed. In this vein, it allocated Tshs 312.1 billion for free primary education. In addition, the Government set aside funds to continue improving the delivery standards of vocational education and vocational training skills as well as scarce skills with a view to increase the productivity and competitiveness of citizens in the use of resources available in the country to stimulate economic and social development.

The government amended the Higher Education Students' Loans Board Act, Cap 178 by abolishing the 6 per cent value retention fee on higher education loans. It allocated Tshs 500 billion for student loans in institutions of higher learning.

This is expected to bring a relief to employees servicing student loans by reducing the loan tenure and accrued interest.

MISSES

In Eastern Africa, the United Nations Educational Scientific and Cultural Organization (UNESCO) (2020) estimated that closures of educational institutions impacted over 96 million learners. While it was necessary to protect students and their families from COVID-19, these disruptions had the potential to significantly slow progress to SDG 4 (Inclusive and Equitable Education for All). Researchers have predicted that the long-term social and economic impacts of school closures in sub-Saharan Africa include a reduction in expected years of schooling from 4.9 to possibly 4.5 years, and significant lifetime earning losses of USD4,593 (or around 3 years of earnings) per child (World Bank, 2020).

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).

Kenya

As of 2016, 50% of Kenyans did not have access to the internet (United Nations Economic and Social Council, 2016). While children often don't have access to internet, laptops or the internet-enabled smartphones in order to carry out their work (Human Rights Watch 2020). This lack of access combined with the cost of internet data is exacerbated in more rural areas creating a digital divide which is separating the large majority of Kenyan youth from education. (Ngwacho 2020). Even where children have internet access, remote learning programs lack reliable infrastructure as teachers have limited knowledge of online teaching and the country has had little time to prepare for its realities. (Jelimo 2020). Students with access to the internet have further revealed that the cost of internet access forces them to prioritize which material to download, limiting the impact of available resources (Human Rights Watch, 2020).

According to the Auditor General's report for the FY 2019/2020[48], the Ministry of Education disbursed cash subsidies to ghost schools and non-existent students amounting to Kshs 1.8 billion. The Auditor General explained that the overpayment was made to 2,610 public secondary schools in various counties and was quoted stating "*…the overpayment arose from erroneous computations of July and September 2019, disbursements, inflation of enrolment numbers in January 2020 and double payment to some schools*". There was also a question of an expenditure of Kshs 26.5million which was paid to five schools whose existence was in doubt since registration certificates and other approval documents required under the state department of basic learning disbursement guidelines of free day secondary education funds were not provided.

Uganda

The fact that 80% of Uganda's school-age children and youth live in rural areas characterized with lack of basic living resources and underdeveloped educational and supporting infrastructure makes it difficult to access learning technologies and widens the digital divide between privileged and deprived groups.

In the budget for FY 2020/21, the Uganda government committed to develop the provision of lessons through digital platforms such as Televisions, Radios and the Internet to ensure continuous learning.

In that vein, the President of Uganda said the government would distribute free radios and printed education materials to aid learning at home amid the Covid-19 outbreak[49]. However the Parliament of Uganda declined approval of Ugshs 336.8 billion supplementary expenditure request for purchase of nine million radios to facilitate the long distance learning programme citing loopholes in the radio based learning.[50] It was estimated that over 137,000 television sets were to be purchased by the government of Uganda if they were to facilitate distance learning as proposed by the President.[51] The President suggested that two television sets be distributed to each village. However, these television sets have never been purchased.

The television access in Uganda is still very low to aid this as a form of distance learning. The National Information Technology survey 2017/2018 found that only 21.8% Ugandans owned a Television set. The Uganda National Household Survey 2016/17 found great variations in television ownership across regions: 42% of

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[48] Accessed on 29th July 2021 via https://allafrica.com/stories/202107020140.html
[49] http://www.xinhuanet.com/english/2020-06/23/c_139160405.htm Accessed on 1st July 2021.
[50] https://www.parliament.go.ug/news/4872/education-ministrys-request-radio-money-rejected Accessed on 1st July 2021.
[51] https://allafrica.com/stories/202006020498.html Accessed on 1st July 2021.

households in Kampala were reported to own a television; 3% of households owned a television in Kigezi; 2% of households owned a television in Teso, Bukedi and Acholi, and 1% in West Nile.

The imposition of a 2% tax on over the top services made it problematic for learners to use these platforms for education purposes from the time it was imposed in 2018. The replacement of this tax with a 12% tax on the internet is also going to curtail the learners' right to education because access to the internet is expected to decline due to increased prices of internet data.

The second wave of Covid-19 has closed down on Uganda which has led to the shut-down of education institutions again. Distance learning for students seems uncertain with the only successful method so far being the distribution of learning materials which is not interactive for the learners.

Tanzania

Many students were not able to access lessons during school closures due to not owning televisions, radios or digital devices, lack of internet connectivity and data and the absence of parental support for remote learning. In some cases, teachers' contracts were terminated as schools could not afford to retain them, and in other cases teachers were put on unpaid leave (The Citizen 2020b; Carvalho and Hares 2020; Kilimwiko 2020). Due to loss of income, some teachers left their respective schools for other income-generating opportunities.

During school closures, some girls were subjected to forms of harassment and domestic violence. (UNOCHA 2020; Robi 2020; Makoye 2020). School closures not only impacted learning, but also presented challenges in relation to school dropouts, early pregnancies, early marriages and delayed return of some private school students due to inability to pay school fees. Research by Human Rights Watch (Odhiambo and Martinez 2018) indicates that early marriages, pregnancies and parenthood are some of the factors driving girls out of school. Some schools discourage or ban married, pregnant and parenting girls from attending school.

Recommendation

In line with the United Nations Committee on Economic, Social and Cultural Rights, General Comment 13 on the Right to Education, 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

According to the High Level Panel Report on Illicit Financial Flows (IFFs) from Africa[52], IFFs are defined as money that is illegally earned, transferred or utilized. These funds typically originate from three sources namely:- commercial tax evasion, trade mis-invoicing and abusive transfer pricing; criminal activities, including the drug trade, human trafficking, illegal arms dealing, and smuggling of contraband; and bribery and theft by corrupt government officials.

On the other hand, according to the United States Agency for International Development (USAID)[53], Domestic resource mobilization (DRM) is the process through which countries raise and spend their own funds to provide for their people. It not only provides governments with the funds needed to alleviate poverty and deliver public services but is also a critical step on the path out of aid dependence. Domestic resource mobilization (DRM) doesn't necessarily mean new taxes or higher tax rates. Governments often see their revenues rise through improved audits or simplified filing processes. Successful Domestic resource mobilization (DRM) programs are highly cost effective and they return many times what is invested in them.

Curbing Illicit Financial Flows (IFFs) lies at the heart of Sustainable Development Goal 17.1 which calls for greater domestic resource mobilization to finance sustainable development.

The East Africa Vision 2050 emphasizes the importance of domestic resource mobilization especially domestic revenues from taxation and natural resource funds as the primary source of financing development in the EAC region because it will be instrumental in reducing dependence on external resources and promoting self-reliance. The Vision further highlights the dangers posed by illicit financing, illicit drugs and money laundering and categorically states that they must be systematically and jointly addressed during the period of Vision 2050. It underscores the need for the region to develop joint mechanisms for the investigation of businesses or persons prior to signing any large contracts which negatively affect the Partner States with a view to prosecution in regional and international courts.

According to the latest Corporate Tax Haven Index (CTHI 2021)[54], Kenya and Tanzania are among the world's top 70 countries notorious in helping multi-national corporations

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[52] Accessed on 22nd/07/2021 via https://www.unodc.org

[53] Accessed on 22nd/07/2021 via https://www.usaid.gov/what-we-do/economic-growth-and-trade/domestic-resource-mobilization

[54] https://www.theeastafrican.co.ke/tea/business/kenya-tanzania-enable-multinationals-evade-taxes-3323250 Accessed on 8th July 2021.

to underpay corporate income tax leading to lower revenue collections and persistent budget deficits. The study shows that Kenya is responsible for 0.1% of the world's corporate tax abuse with CTHI of 0.14%, haven score of 50% and global scale weight of 0.013% while Tanzania is also responsible for 0.1% of the world's corporate abuse with a CTHI, haven score and global scale weight of 0.11%, 48% and 0.01% respectively.

The increased loss of substantial revenues through IFFs from the three countries has led them to resort to debt to fill the financial gap. Uganda's debt has surpassed the East African Community agreed threshold of 50%. Hon Bahati the former State Minister of Finance said that the threshold now stands at 51.9%. Uganda's debt now stands at $17.98b (Ushs 64 trillion) with external debt accounting for $11.69bn (Ushs42 trillion) and domestic debt at $6.29b (Ushs22 trillion).[55] It has been further reported that the accrued debt has been used to finance infrastructural development projects and that each Ugandan now owes lenders Ushs1.5million.[56]

According to Dr. Mwigulu Nchemba, the Minister of Finance and Planning, Tanzania's national debt has reached Tshs60.9 trillion as of April 2021. Out of this, the external debt stood at Tshs43.7 trillion and the domestic debt was at Tshs 17.3 trillion which was mainly due to the receipt of loan funds to finance development projects.[57]

Kenya's public debt has risen significantly from KES 3.619 Trillion as at 30 June 2016 to KES 7.340 Trillion as at 31 March 2021. This is largely as a result of the Government of Kenya's reliance on debt financing options purposed at financing ongoing infrastructure development.

HITS

Uganda

The Income Tax Act has been amended to provide for the obligation of the Commissioner General to facilitate the automatic exchange of information where an International Agreement provides for automatic exchange of information for tax purposes. The Minister of Finance, Planning and Economic Development is expected to issue regulations providing for this automatic exchange. This is a huge step towards the fight against tax evasion as required by the Organization for Economic Cooperation and Development (OECD).

[55] Accessed on 9th/July 2021 via https://bankersjournalug.com/uganda-gets-sh3-6-trillion-loan-from-imf/
[56] Accessed on 9th/July 2021 via https://www.monitor.co.ug/uganda/news/national/each-ugandan-now-owes-shs1-5m-as-national-debt-hits-shs65t-3376968
[57] Accessed on 9th July 2021 via https://www.thecitizen.co.tz/tanzania/news/tanzania-s-national-debt-reaches-sh60-9-trillion-3432372

The definition of a beneficial owner in the Income Tax Act has been amended as: a natural person who has final ownership or control of another person or a natural person on whose behalf a transaction is conducted and includes a natural person who exercises absolute control over a legal person. It further provides that in relation to trusts, a beneficial person includes— the settlor; the trustee; the protector; the beneficiaries; and any other natural person exercising absolute control of the trust; In relation to other legal person similar to trusts, a natural person holding a position equivalent to any of the positions referred to in subparagraph above on trusts.

In the old Income Tax Act, a beneficial owner meant a natural person who owned or had a controlling interest over a legal person other than an individual and who exercised control over the management and policies of a legal person or legal arrangements, directly or indirectly whether through ownership or voting securities, by contract or otherwise.

The new definition of a beneficial owner is encompassing and in line with the Organization for Economic Cooperation and Development (OECD)[58] definition.

Further still, all local regulatory bodies will not issue a license to operate a business in Uganda to anyone who does not have a Taxpayer Identification Number (TIN) including a TIN issued by a foreign authority with whom Uganda has a Tax Treaty or Agreement for the exchange of information. This is expected to not only eliminate the informal sector but also widen the tax base and ensure that everyone pays their fair share of taxes.

The Income Tax Act has exempted income derived by an operator in an industrial park or free zone or any other person who manufactures chemicals for agricultural use, industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and for diapers. However, this exemption can only be benefitted from by that person on fulfilling the following conditions:-

- The person's investment capital over a period of 10 years from the date of commencement is at least USD 10 million in the case of a foreigner or USD 300,000 in the case of a Citizen or USD 150,000 for a citizen whose investment is placed up country;
- In case of an existing operator or investor, from the date the person makes an additional investment equivalent to at least USD 10 million in the case

[58] "Behind the Corporate Veil: Using Corporate Entities for Illicit Purposes" OECD, Paris, 2001.

of a foreigner or USD 300,000 in the case of a citizen or USD 150,000 for a citizen whose investment is placed up country;

- Uses at least 70% of locally sourced raw materials subject to availability;
- Employs at least 70% of its employees being citizens earning an aggregate wage of at least 70% of the total wage.

Kenya

The Minister sought to align, the Income Tax Act with international best practice, through introduction of provisions to prevent tax base erosion and profit shifting as well as restrict treaty benefits to curb tax evasion and avoidance. In this respect, an amendment was made to the Income Tax Act to expand the definition of the term "*Permanent Establishment*" so as to align the Income Tax Act with the international best practice. The expansion of the definition is intended to align it with Article 5 of the UN and OECD Model Tax Conventions, which are widely used as the basis for negotiating tax treaties. However, there is a bit of divergence with the UN and OECD Model Tax Conventions on the time thresholds for creating a PE. The Model Tax Conventions normally use a threshold of 12 months (OECD) or 6 months within any twelve months period (UN). However, the proposed law has lower time thresholds of 91 days for services and exploration activities.

Kenya ratified and deposited the Multilateral Convention for Mutual Administrative Assistance in Tax Matters (MAC) with the Global Forum on Transparency and Exchange of Information on Tax Matters in July 2020. This Convention is meant to facilitate automatic exchange of tax information between the Kenya Revenue Authority and other jurisdictions. In this regard, the minister proposed amendments to the Tax Procedures Act 2015 to facilitate the implementation of the Convention. The convention is also expected to enhance tax compliance by foreign taxpayers and act as deterrence to tax evasion and illicit financial flows.

The Income Tax Act was amended to align the rate of withholding tax on service fees in the extractive industry with that withheld in respect of management and professional services under the same sector. This is expected to remove ambiguity and manipulation that result in leakage of tax revenue through re-characterization of income. This is also aimed at increasing tax collection from the extractive sector therefore reducing the tax burden on the youth.

It was also noted that the current provisions on deductibility of interest allow some taxpayers to manipulate their balance sheets to reduce their tax liabilities. The old thin capitalization rule that was based on debt-to-equity ratio was replaced with interest restrictions based on a ratio of earnings before interest, taxes, depreciation and amortization. This amendment seeks to limit the amount of interest expense allowed as a deduction to 30% of a company's earnings before interest, taxes, depreciation and amortization. This measure has been found to be a better indicator of the economic performance of businesses hence appropriate for determining the deductibility of interest on loans. This will guard against tax planning by big corporations. This rule however doesn't apply to Micro, Small and medium enterprises (MSMEs) and is expected to allow MSMEs access to the credit guarantee scheme.

The Tax Procedures Act was amended to empower the Kenya Revenue Authority to seek intervention of other Agencies to facilitate compliance with the provisions of the digital service tax. The Kenya Revenue Authority Act was also amended to increase the maximum reward to a person who provides information leading to the identification of unassessed taxes from Ksh 100,000 to Ksh 500,000. The reward to a person who provides information leading to recovery of revenue was increased from maximum of Ksh 2.0 million to Ksh 5.0 million. This is expected to encourage receipt of voluntary information to Kenya Revenue Authority thereby bolstering tax compliance and revenue collection.

Tanzania

The government introduced the following tax measures to individuals engaged in small scale mining whose turnover does not exceed TZS 100 Million per year:

- Special income tax at a rate of 3% on the total value of the minerals sold;
- Time of payment of special income tax to be the time when minerals are sold. This is an improvement to the current system which requires payment of tax to be made in installments irrespective of cash flow;
- Creation of an obligation for individual employers engaged in small scale mining operations to withhold tax from employees at a rate of 0.6% of the value of mineral sales, and the same to be paid at the time when minerals have been extracted and sold.

These measures intend to widen the tax base by ensuring that artisanal miners pay their fair share of taxes, streamline tax collection and provide cash flow relief to small-scale mine owners.

Interest income derived from government bonds was exempted from income tax. Previously, the exemption only applied to holders of bonds listed in the Dar Es Salaam Stock Exchange (DSE) issued by East Africa Development Bank, hence the extension of the exemption will be good news for holders of Treasury bonds. This amendment is intended to increase the appetite among the youth for investment in treasury bonds in the market which will in turn secure government more domestic funding.

There was an increase in the gaming tax rate on the Gross Gaming Revenue from 25% to 30%. The additional 5% is expected to increase domestic revenue which will be invested in the sports development fund of the country.

The Minister has also proposed to introduce Gaming tax on Gross Gaming Revenue on Virtual Games at the rate of 10% and Gaming products licensed under pilot study at the rate of 10% to increase domestic revenue.

The Minister has proposed to amend the fuel levy from TZS 150 to TZS 250. The objective to this measure is to reduce adulterations of fuels due to the increase of Road and Fuel tolls on Petrol and Diesel and increase domestic revenue.

MISSES

Tanzania

Amended Government Notice No.15 (Transfer Pricing Regulation) by repealing a provision that imposes a 100% penalty for failure by a person to comply to the Transfer Pricing Regulations. The aim of this measure is to relieve taxpayers on this penalty in order to improve the business environment and attract investment in the country. According to the OECD[59], penalties are designed to make non-compliance more costly than compliance. The committee on fiscal to affairs has recognized that promoting compliance should be the primary objective of civil tax penalties. Apparently, this amendment seeks to allow transfer pricing which will lead to loss of domestic revenue.

The 2019/2020 Controller and Auditor General Report[60] exposed massive rot in the central government and public entities, draining billions of shillings from state coffers. The report found that:- there was poor supervision of the Tourism Development levy which occasioned loss to the government amounting to Tzshs 34.985bn/-, there was weakness on the establishment and operationalization of the famous Urithi Festival which occasioned loss of about Tzshs 2.1bn/-; there was lack of accountability for about Tzshs 261.4m which was channeled through an account for retirement of the fire and rescue force; there was poor supervision of the projects for national IDs which caused a whopping Tzshs 3.4bn/- loss to the government; there was loss of about Tzshs 2.6bn/- because of a poor system in electronic tickets; there was loss of about Tzshs 1.1bn to the

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[59] OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. July 2017.
[60] Accessed on 29th July 2021 via https://allafrica.com/stories/202104090157.html

Ministry of Energy due to mounting of poor electricity poles in Lindi region; there was 13.1bn that was disbursed by different ministries without supporting documents contrary to Public Funds regulations; Tzshs 29.7bn was spent by different public entities outside the allocated budget and Tzshs 15.1bn was spent to procure several items within the public entities contrary to procurement laws.

Uganda.

There is no clear policy guideline for the issuance, management and monitoring of the different tax benefits and incentives issued by the Government to different beneficiaries. The absence of a clear mechanism and framework exposes the scheme to mismanagement and abuse which culminates into loss of revenue.

For example according to the Auditor General, there were inconsistencies in the grant of tax benefits to the various beneficiaries, and some were in conflict of earlier policy decisions that were made by Government. Whereas on one hand Government offered a 10-year tax holiday to some companies in the steel sector to promote growth of the sector, on the other hand the same Government offered waivers for import duty on steel products to other companies.[61]

The Auditor General also highlighted a contract where the government is losing money. He noted that the Government through the Ministry of Finance, Planning and Economic Development (MoFPED), entered an agreement on 4th April, 2003 with a Palm Oil Refineries company for the development of oil palm industry in Uganda. Under Article 5(7) of the Agreement, government was required to pay Value Added Tax (VAT) on the products purchased under the project for a period of 11 years provided Government hands over 26,500 hectares of land. It was agreed that the company would then refund (subject to clause 3 of article 4) the VAT paid by the Government with interest over a period of eight (8) years in eight equal installments, including accrued interest starting in the twelfth (12th) year.

However, Government has breached the contract by failing to provide all the 26,500 hectares. Currently, there is a balance of the 10,000 hectares not handed over. There is no documentation to show that the Ministry has made any follow-up on this matter.

Due to Government's failure to provide the balance of the required land, the Ministry of Finance, Planning and Economic Development (MoFPED) has continued to settle all tax obligations on behalf of the company. In the year under review, the Minister wrote off a

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[61] Auditor General's Report for the year ended December 2020. Accessed via https://www.oag.ug.og on 30th/06/2021.

total of UGX.194,321,358,561 in line with the Tax Procedures Code Act (2019), being arrears as at 30th June 2019 and also a total of UGX.34,172,465,908 has been accumulated in the year under audit.

Under the circumstances, it is apparent that instead of paying for 11 years, Government has so far paid for 17 years and is still continuing while the chances of recovery appear to be slim given the default. The continued failure to provide land continues to affect the Uganda Revenue Authority in its revenue collection efforts and also affects Government of Uganda revenue performance.

The government launched its domestic revenue mobilization strategy in the year 2020. The strategy provides means of increasing domestic revenue such as improving service delivery (showing the citizens value for the taxes they pay), reducing corruption in public expenditure, improving accountability and transparency in public expenditure, granting tax incentives on an equity basis among others. However there is still a lack of political will to implement this strategy to the dot.

Kenya

The World Bank provided $50 million in immediate funding to support Kenya's Covid-19 Emergency Response Project.[62] Arguably, these loans were used to pay for government debts and fund government expenditure. Due to lack of transparency of how funds were spent, there were calls in 2021 to decline additional International Monetary Fund (IMF) loans since most Kenyans have not benefitted from these loans[63].

Recommendations

In order to make the new law on providing the obligation of the Commissioner General to facilitate the automatic exchange of information where an International Agreement provides for automatic exchange of information for tax purposes, effective in the regulations, it should be added that Uganda adopts 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 to different beneficiaries. The issuance should in particular adopt a cost benefit analysis.

[62] https://www.worldbank.org/en/news/press-release/2020/04/02/kenya-receives-50-million-world-bank-group-support-to-address-covid-19-pandemic

[63] https://globalvoices.org/2021/04/09/kenyan-activists-intimidated-as-irked-citizens-stage-online-protest-against-imf-loans/

Tanzania and Kenya should develop a policy document to guide with the domestic mobilization of resources in order to be able to maximize their potential.

TAXATION OF THE DIGITAL ECONOMY

Digital technologies and the digital economy are now central to the way we work, conduct business, perform international trade and engage our world as individuals and communities in the 21st century. The health crisis has confirmed that this trend will but intensify the role of digitization in economic growth and sustainable development.[64]

According to the World Bank[65] 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

A tax refund of 5% has been granted to a non-taxable person, who purchases goods or services from a taxable person and is issued with either a single or several electronic receipt(s) or invoice(s) worth five million shillings within a period of thirty (30) consecutive days.

This amendment is meant to encourage non-taxable persons who aren't VAT registered to transact with VAT registered persons who are compliant with the Electronic Fiscal Receipting and Invoice System (EFRIS). This is expected to not only encourage VAT registered persons to comply with the Electronic Fiscal Receipting and Invoice System (EFRIS) but also to increase on the disposable income of the youth in SMEs. It however

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[64] The digital economy is a cornerstone of sustainable development. Accessed via https://unctad.org/news/digital-economy-cornerstone-sustainable-development on 13th/07/2021.

[65] Tax theory applied to the Digital economy: A proposal for a digital data tax and a global internet tax agency by Cristian Oliver Lucas-Mas and Raul Felix Junquera-Varela accessed via https://openknowledge.worldbank.org/bitstream/handle/10986/35200/9781464816543.pdf?sequence=1&isAllowed=y on 13th/07/2021.

remains to be seen how the 5% refund will be effectively and efficiently paid to the non-taxable persons who aren't VAT registered.

The 2% tax on Over the Top Services (OTT) commonly known as the social media tax was repealed. The Uganda Communications Commission (UCC)[66] research in 2018 stated that the impact of OTT reduced Internet users by five million in three months after the introduction in July, 2018 yet internet penetration rate stood at 47.4% before the introduction of the tax. Collection of the tax also hit a shortfall of UShs 234 billion (63,716,328 USD) according to the 2018/2019 financial year report.

Kenya

An exemption has been granted 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. The term digital market has also been amended to become "*an online platform which enables users to sell or provide services, goods or other property to other users*".

This amendment is intended to widen the tax base and include multi-national corporations which have no physical presence in Kenya but are sourcing income from Kenya. In case it is well implemented, the amendment will also reduce on the tax burden imposed on the youth. However it still remains to be seen how these companies will be compelled to pay the taxes.

To support the growth of service industry particularly e-commerce, the Kenyan government amended the Excise Duty Act so as to provide a rebate on the excise duty paid on internet data by a person who purchases the data in bulk for resale. This move will provide relief to internet data service providers and may subsequently reduce the cost of internet to the final consumers.

Tanzania

It exempted Value Added Tax (VAT) on smart phones, tablets and modems with HS Code 8517.12.00, HS Code 8471.30.00 or HS Code 8517.12.00 and HS Code 8517.62.00 or HS Code 8517.69.00 respectively with an intention to promote usage of data services in the country in order to attain the target of 80% of users of internet services by 2025 as opposed to the current 46% of users.

It 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)

[66] Accessed via https://www.betterplace-lab.org/the-consequences-of-social-media-taxes-on-the-digital-divide on 13th/07/2021

Machines and Point of Sale (POS) machines recognized in HS Code 8470.50.00 and 8470.90.00. The purpose of this step is to encourage the use of these tools in accounting for Government revenue.

MISSES

Uganda

The repealed social media tax was replaced by a 12% tax on internet data except data for provision of medical and educational services. This is most likely going to increase the cost of access to the internet which will have significant adverse impacts on youth who use the internet especially social media to advertise and market their goods and services, to access e-banking facilities, to work remotely and access online classes all of which rely on reasonable priced data which even at the cost before implementation of the tax amendment is expensive for the average Ugandan. Uganda has also carried on the taxation of mobile money services at a rate of 0.5% of the amount of money sent.

Tanzania

It imposed a levy from TZS10 to TZS10,000 in withdrawing and sending on mobile money transactions and imposed a levy from TZS 10 to TZS 200 per day per SIM card on recharge balance.

Whereas these taxes on the internet are intended to increase government revenue, they are most likely going to further derail the efforts of digital financial inclusion. According to the World Bank[67], Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs. Financial inclusion has been identified as an enabler for 7 of the 17 SDGs. Financial access facilitates day to day living and helps families and businesses plan for everything from long term goals to unexpected emergencies. Nearly one-half (46%) of Ugandans have financial services accounts, with mobile money leading the way to financial inclusion, as more than four in ten adults (43%) have mobile money accounts.[68] According to the Kenya Economic Report 2020[69], the national access to financial inclusion in Kenya has hit 82.9%. Almost six in 10 adults (56%) in Tanzania are financially included, almost all through mobile money accounts (55%).[70]

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[67] Accessed on 9th July 2021 via https://www.worldbank.org/en/topic/financialinclusion/overview
[68] Accessed on 13th July 2021 via https://finclusion.org/country/africa/uganda.html
[69] Produced by Kenya Institute for Public Policy Research and Analysis (Kippra). Accessed via https://newsaf.cgtn.com/news/2020-08-26/Kenya-s-financial-inclusion-close-to-83-pct-report-TfNoXhhEE8/index.html on 13th July 2021.
[70] Accessed on 13th July 2021 via https://finclusion.org/country/africa/tanzania.html

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. Tax reliefs should be granted to budding Micro, Small and Medium Enterprises (MSMEs) up to the point when they can afford to pay these taxes without necessarily being pushed out of business.

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.

In Uganda, according to the Economic Policy Research Centre[71], Micro and small businesses reported experiencing a large decline in business activity compared to medium and large firms. This is not surprising since most of the micro and small businesses halted operation due to inability to implement Standard Operating Procedures (SOPs) such as the provision of on-site accommodation for employees. COVID-19 pandemic has severely affected access to inputs used by micro and small businesses particularly in manufacturing and service sectors. Whereas majority of the small, medium, and large businesses reported moderate reduction in access to inputs, the highest percentage of micro business (38%) reported no access to inputs at all, while 36% reported severe decline.

In Kenya, according to the results of an online survey conducted on MSMEs in the food system,[72] 98% reported being adversely impacted by the pandemic mainly via decreased sales (83%), difficulty accessing financing (72%) and limited financial reserves (63%). MSMEs were also reported to have struggled with payment of utilities (58%), costs of transport (48%) and supplies (53%). 52% of the enterprises in the survey had defaulted on some of the loan repayments.[73]

In Tanzania, the World Bank[74] recommended that in order to help MSMEs fend off the adverse impacts of Covid-19, the government encourages renegotiation of loan repayments; implement a program of government guaranteed loans and expedite payments of VAT refunds.

As a result, the countries have adopted large-scale fiscal packages in response to the crisis to support incomes and businesses.

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[71] How has the COVID-19 pandemic impacted Ugandan businesses? Results from a business climate survey. Special Issue No. 01 May, 2020. By Corti Paul Lakuma, Nathan Sunday, Brian Sserunjogi, Rehema Kahunde and Ezra Munyambonera

[72] Impacts of Covid-19 on Small and Medium sized enterprises in the Kenyan food system: Results of an online Survey March 2021. Accessed on 22nd/07/2021 via https://www.gainhealth.org

[73] Impact of the Covid-19 pandemic on micro, small and medium enterprises. Accessed on 22nd/07/2021 via https://www.microsave.net

[74] Tanzania Economic Update: Addressing the Impact of Covid-19. Accessed on 22nd/07/2021 via https://documents.worldbank.org

HITS

Kenya

It allocated Ksh 2.6 billion towards enhancing liquidity to businesses. It also increased the seed capital to de-risk lending to MSMEs and promote access to affordable credit by Micro, Small and Medium Enterprises from Kshs 3.0 billion to Kshs 5 billion with the aim of raising the capital in the scheme to Kshs 10 billion.

To further promote local industries, Kenya allocated Ksh 20.5 billion under various implementing Ministries, Departments and Agencies. Out of this, Ksh 2.0 billion will go to the Credit Guarantee Scheme to enhance access to affordable credit by Micro, Small and Medium Enterprises in the manufacturing sector; Ksh 500 million will support development of various Micro, Small and Medium Enterprises in Kenya; and Ksh 600 million for provision of finances to Micro, Small and Medium Enterprises through the Kenya Industrial Estate.

The government allocated Ksh 10.0 billion for the National Youth Service; Ksh 4.2 billion for the Kenya Youth Empowerment and Opportunities Project; Ksh 454.1 million for the Youth Enterprise Development Fund; Ksh 120.0 million for the Women Enterprise Fund; Ksh 62.0 million for the Youth Employment and Enterprise Fund Ksh 3.0 billion is for the Kazi Mtaani Programme to boost employment creation for the youth and women.

To equip youth with essential training and internship opportunities the Minister allocated Ksh 1.4 billion for the Kenya Industry and Entrepreneurship Project and Ksh 800 million for the Kenya Youth Employment and Opportunities Project.

In the FY 2020/21, the government launched the Kazi Mtaani Programmee as a form of social protection initiative to cushion the youth and vulnerable citizens in informal settlements from the effects of the coronavirus pandemic. As a result, it was reported to have created 100,000 job opportunities for the youth and 5,500 community scouts in wildlife conservation areas across the 47 counties. The youth get a daily wage of Shs 455 with their supervisors getting Shs 500 that is channeled through their M-pesa accounts.

Ms Truvena Kemuto, one of the beneficiaries of the programme revealed that before the programme, her three children could sleep hungry as she had no source of income but since she was enrolled in the programme, this has never happened.

"I lived a very desperate life. My children were walking and begging on the streets like the street children. I could not afford to dress well. Now I feel a 'person enough' even to interact with different people in the society," she said.[75]

Tanzania

The Pay As You Earn (PAYE) rate was lowered from 9% to 8% to increase on the disposable income of the employees which will help them fend off the effects of Covid-19.

Relief was granted 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. This amendment will benefit MSMEs since most of them have less than 10 employees.

The Workers Compensation Fund Act, Cap 263 was amended 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. The objective being to provide relief to the Private Sector Employers by reducing the burden of their contributions to the Fund thereby increasing their disposable income and attract more investors in the private sector.

It has introduced a one electronic single window which will provide access to investors to process all the permits and licenses for the businesses electronically. This will relieve Investors from lengthy licensing procedures, cost of doing business and improve the business environment.

The Government committed to continue improving the business and investment environment by continuing to implement the Business Improvement Plan and Investment (Blueprint).

The government imposed a Value Added Tax at a zero percentage rate on shipping related services and transportation of crude oil through a pipeline built for joint venture between the Government of Tanzania and Uganda (EACOP). The purpose of this is to facilitate and ease the carrying out of trade between the two countries.

Uganda

The Uganda Development Bank has further been capitalized with an additional Shs. 103 billion in financial year 2021/22 for lending to Small and Medium Enterprises affected by the COVID19 pandemic, among others. The Agricultural Credit Facility (ACF) at the

[75] Accessed on 14th July 2021 via https://www.kenyanews.go.ke/youth-plead-with-government-to-extend-kazi-mtaani-programme/

Bank of Uganda, the Emyooga programme through the Micro Finance Support Centre (MSC) and the Uganda Women Entrepreneurship and Youth Funds were allocated targeted funding for agriculture, women and youth group projects respectively.

The Income Tax Act has been amended to prescribe for allowable deductions for rental income earners up to 75% of the rental income as expenditure and losses incurred by a person in the production of such rental income. The tax rate for individuals has also been increased from 20% to 30% to make it similar to that of companies. In the old Income Tax Act, the total deductions for an individual earning rental income was 20% of the rental income plus the interest expense on a mortgage from a financial institution while companies were allowed to deduct all the expenditure and losses incurred in deriving rental income.

This will benefit individual youth earning rental income as it will allow them more deductions and therefore increase on their disposable income. It will also encourage youth to invest in this sector.

However, for companies whose expenses and losses incurred in deriving rental income may exceed the 75% of the rental income may end up paying more tax on the rental income than it would have under the current regime. This will increase on the domestic revenue from these companies and in turn lower the tax burden on the youth.

The Tax Procedure Code Act has been amended to provide for the option of alternative dispute resolution in case a tax payer is dissatisfied with the decision of the Commissioner General. The regulations in respect to this process are yet to be put in place.

It is expected that this amendment will reduce on the cost of the current dispute resolution method where a tax payer who is dissatisfied with the decision of the Commissioner is supposed to apply to the Tax Appeals Tribunal (TAT) within 30 days after the decision and pay at least 30% of the tax in dispute is part of the application process and before one's case is heard. This process is very costly for most taxpayers and is seldom taken even where a taxpayer is not in agreement with a tax assessment or decision. This ADR method is also expected to reduce on the case backlog in the court system and fasten tax dispute resolution.

It introduced the Parish Development Model to organize and deliver public and private sector interventions for wealth creation including investment planning, budgeting and service delivery at the parish level as the lowest planning unit. This approach seeks to create income generating opportunities.

In order to empower youth and women to increase self-employment and incomes, Uganda reported to have financed 247,700 youth with Shs. 165 billion to implement 21,000 projects under the Youth Livelihoods programme and 166,300 women in 13,800 groups have received funding for projects under the Uganda Women Entrepreneurship Program. The Minister reported that the externalization of labor has enabled 16,750 persons get employment in the Middle East over the last year, and remit approximately US$ 9 million per month into the country. He further reported that a total of 6,394 Emyooga SACCOs in 349 constituencies have received Shs. 200 billion.

MISSES

Kenya

The Financial Transparency Coalition report[76] 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. These measures made Kenya's corporate tax rate the lowest in East Africa, fuelling tax competition. It further reported that only 2% of the funds went to support workers in the informal sector even though they make most of the workforce in the country.

The report further found that in Kenya the World Bank provided $50 million in immediate funding to support the country's emergence response but it is now unaccounted for.

Kenya operationalized the Nairobi International Financial Center Authority which is expected to play an important role in attracting investments and innovative financial services into the economy. The Authority is expected to publish before the end of December 2021 a framework for attracting investments and innovative financial services into Kenya. Whereas the finance center is expected to generate more employment opportunities for the youth, concerns have been raised about the secrecy regarding the admission of firms in the financial center which may fuel illicit financial flows.[77]

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

[76] Towards a People's Recovery: Tracking Fiscal and Social Protection Responses to Covid-19 in the Global South. April 2021.

[77] Robert Mwanyumba, Jared Maranga and Matthew Magare, "Nairobi International Financial Centre or Nairobi Tax Haven? A review of the Nairobi International Financial Centre Bill". https://www.globaltaxjustice.org

businesses, 72% of the small businesses and 88% of the medium businesses faced difficulties in repaying loans.[78] This has partly been attributed to the high interest rates. Whereas this financial year the government of Uganda has continued capitalizing Uganda Development Bank to lend Small and Medium Enterprises affected by the COVID19 pandemic, nothing has been done to reduce the high interest rates which stands at 12%.[79] In their alternative tax proposals for FY 2021/22, the Tax Justice Alliance recommended that S.117 of the Income Tax Act is amended to lower the withholding tax rate of a resident who pays interest to another resident from 15% to 10% in a bid to have the banks lower their interest rates. However, this recommendation fell on deaf ears.

The Auditor General of Uganda[80] noted with concern that since inception of the Youth Livelihood Program, a total of UGX.102.74bn was disbursed, inclusive of UGX.9.45bn that was revolved, resulting into actual disbursement over the period of UGX.93.3bn. Out of the amount disbursed, only UGX.37.04bn (40%) was recovered leaving a balance of UGX.56.26bn outstanding. Of the recovered amount, only UGX.9.4bn (25.4%) was revolved to other youth groups, and UGX.2.12bn was not remitted to the National Recovery Account with Bank of Uganda.

Similarly, in the Uganda Women Entrepreneurship Program, there are still inadequacies in the rate of revolving and recovering the funds. Out of UGX.16.95bn recovered by June, 2020, only UGX.0.92bn had been revolved to other groups leaving a sum of UGX.16.0bn remaining un-revolved. In addition, UGX.5.4bn, constituting fully recoverable funds as at 30th June, 2020, remained outstanding. Furthermore, recoveries by districts amounting to UGX.1.8bn were not remitted to the National Recovery Account with Bank of Uganda (BOU), and recoveries amounting to UGX.0.61bn couldn't be tagged to any District Local Governments or individual women groups due to lack of reconciliations.

In this financial year, the government hasn't laid out a clear strategy to deal with these challenges and yet it has gone on to allocate more funds for these programs.

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[78] How has the COVID-19 pandemic impacted Ugandan businesses? Results from a business climate survey. Special Issue No. 01 May, 2020. By Corti Paul Lakuma, Nathan Sunday, Brian Sserunjogi, Rehema Kahunde and Ezra Munyambonera.

[79] Accessed on 14th July 2021 via the New Vision Newspaper of Tuesday, January 18, 2021 https://www.udbl.co.ug/wp-content/uploads/2021/02/UDB-SPREAD.pdf

[80] Auditor General's Report for FY ended 30th June 2021. Accessed via https://www.oag.ug.og on 14th July 2021.

According to the results from a business climate survey[81], approximately three-quarters of the surveyed businesses reported a reduction in the number of employees. Overall, 76% of the businesses reported to have reduced the size of the workforce due to the risk presented by COVID-19 and subsequent lockdown measures. Of these, 29% reduced their employees by more than 50%, and 27% of surveyed businesses reduced their employees by a range of 26 to 50%.

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.[82]

Despite the measures put up in FY 2020/21 to deal with the spiraling levels of unemployment, this vice still persists and the government doesn't seem to have come up with a solution.

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[81] How has the COVID-19 pandemic impacted Ugandan businesses? Results from a business climate survey. Special Issue No. 01 May, 2020. By Corti Paul Lakuma, Nathan Sunday, Brian Sserunjogi, Rehema Kahunde and Ezra Munyambonera.

[82] Background to The Budget: Fiscal Year 2021/2022. Accessed via https://www.finance.go.ug/publication/background-budget-fiscal-year-202122 on 30th/06/2021

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. Contrary to the traditional budgeting in which past trends are expected to continue, zero-based budgeting assumes that there are no balances to be carried forward or there are no expenses that are pre-committed. The method explains the revenue that every cost to a particular sector will generate. 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. I would also recommend that the strategic plan is closely linked with the budget.

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[83] 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

[83] Managing Covid funds: The accountability gap. May 2021. Accessed via https://internationalbudget.org/covid/ on 29th/06/2021.

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 2019[84]: 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%. This has limited meaningful youth participation in the budget making process.

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**"*.[85] 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.

[84] Accessed via https://www.internationalbudget.org/open-budget-survey/open-budget-survey-2019 on 29th /06/2021.

[85] Accessed via https://www.u4.no/publications/unpacking-the-concept-of-political-will-to-confront-corruption.pdf

CONCLUSION

The three countries have made some commendable effort in meeting the priorities of the youth especially in the face of the Covid-19 pandemic. However unnecessary loss and misuse of public resources is still prevalent and therefore young people must take it upon themselves to speak out against such injustices because they stand to lose most for as long as they continue.

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