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PROMOTING DOMESTIC REVENUE MOBILISATION IN THE EAC REGION

Participants posing for a group photo after the Regional Dialogue on Promoting Domestic Revenue Mobilisation in the EAC Region

Annual Tax Chat 2021

WORD FROM THE EDITORIAL TEAM

Dear readers,

We are pleased to present to you our Annual TaxChat focusing on our work on Promoting Domestic Revenue Mobilization (DRM) in the East African Community (EAC) region.

On behalf of SEATINI Uganda and the Tax Justice Alliance Uganda it gives us immense pleasure to wish you a happy New Year (2022)

The turbulent times of 2021 have witnessed the importance and necessity of Domestic Revenue Mobilization. Amidst the ongoing COVID-19 pandemic, we continued to underscore the importance of Domestic Revenue Mobilization to finance our development aspirations in the EAC region. This has been through a project dubbed; Promoting Domestic Revenue Mobilization in the EAC region which is supported by Diakonia.

There is increasing recognition of the tremendous potential of the extractive sector towards contributing to the region's domestic revenue mobilization and strongly confirms that the continent has the means to finance its own development. In this issue, we interviewed experts working in the extractive sector from Natural Resource Governance Institute and Policy Forum Tanzania who share with us their perspective. You will also read about how the role of East African Legislative Assembly in DRM can be enhanced.

Through various engagements for instance policy dialogues and media engagements, CSOs have made headway in increasing awareness among State and Non-State Actors and creating platforms for various stakeholders to engage in influencing fiscal governance processes at all levels.

We attribute the milestones registered in 2021 to the collective efforts of our stakeholders and partners, CSOs under the Tax Justice Alliance Uganda, Diakonia Partners, East African Tax and Governance Network (EATGN) members among others who have made immense contributions shaping equitable and accountable DRM policies at all levels.

We look forward to our continued work with you. Your suggestions, thoughts, and discussions on how we continue to progress are always welcome.

Nice Reading!

Editorial team:
Jane Nalunga, Regina Navuga, Grace Namugambe, Aloysious Kittengo, Peninnah Mbabazi, Kafeero Herbert and Brenda Awori

Word from the Executive Director

Warm greetings to you all, our Comrades and Partners. We are excited to share our newsletter for the year which focuses on the exciting activities that took place from January to December 2021.

As we take stock of all our key engagements, we are immensely thankful to all our stakeholders, donors and partners.

Amidst the ongoing COVID-19 pandemic, the importance of Domestic Revenue Mobilization (DRM) has risen to the agenda in many countries more than ever before. The mobilization and effective use of domestic resources are central to the pursuit of sustainable development. Taxation is a powerful tool to help finance development aspirations across the EAC Partner States.

Recently on 10th December 2021, SEATINI Uganda received the Uganda Revenue Authority Strategic Professional Body Award for FY 2020/21. We wouldn't have accomplished this milestone without the continued
support from all our Partners including Diakonia collaborated efforts by? the various CSOs under the Tax Justice Alliance Uganda (TJAU) and Partners at EAC and global level.

I would like to reaffirm SEATINI Uganda's commitment towards advocating for and fair domestic revenue mobilization in Uganda and the EAC region.

As SEATINI Uganda and the Tax Justice Alliance Uganda, we will keep engaging relevant stakeholders and actors in Uganda and the greater EAC region.

We hope for the best in 2022 and together, we can achieve greater gains in promoting Domestic Revenue Mobilization in the EAC region.

The journey to advancing the Tax Justice Agenda in Uganda and the EAC continues!

Jane Nalunga
Executive Director
SEATINI Uganda

Questions ? Answers ?

EXTRACTIVE SECTOR IN THE EAST AFRICAN COMMUNITY

Mr. Moses Kulaba-Natural Resource Governance Institute (NRGI), East Africa Regional Manager

Q: What is your broad perception on the extractives sector in the EAC region in comparison to other regions?

A: The Extractive sector has a tremendous potential of contributing towards the EAC's domestic revenue mobilization and development goals. Collectively EAC has vast reserves of extractive resources such as gold, diamond, copper, cobalt, oil and natural gas. If we add DRC to the block, EAC will become the largest producer of rare minerals such as coltan and lithium. With a diverse and unique set of extractive resources (Minerals, Oil and Gas), East Africa provides a new frontier for extractive resource development and extraction for the future.

From Juba in South Sudan to Mtwara in Tanzania, East Africa as an interlinked extractive geological eco-system which could benefit more by Countries working together to secure better deals rather than competing against each other. Harmonisation of some elements of the legal and policy frameworks governing the extractive sector could be a leaping stone towards EAC's better future. The East Africa Oil Pipeline project is one step. I am quite perturbed that East Africa Community Mining policy has not been passed by the East Africa Legislative Assembly (EALA). The chronic extractive governance deficits in the EAC region need to be addressed.

Q: What has been the role of NRGI towards ensuring that EAC countries harness the potential of the extractive sector?

A: NRGI is a global not for profit organization working with an aim that Countries rich in oil, gas and minerals achieve sustainable, inclusive development, people experience reduced harms and receive lasting benefits from extractives.
What we have provided over the years has been capacity building, creating spaces for discussion, contributing to policy and legislative reforms, research, and generation of new data. Like an interlocutor, we have leveraged our international expertise and contacts to EAC Countries to benefit from. We have been helpful in shaping contract negotiations, fiscal policies and revenue management in the region and are moving forward important discussions on energy transition and the role national oil companies

regarding climate change

We support Civil Society and governments to access the best knowledge and expertise we can afford. We have supported extractive sector actors (Civil Society, Media and Government executives) to acquire the best training from around the world. Many have gone through our fellowship for training at PETRAD in Norway, the Central European University in Budapest and Oxford in the United Kingdom. The former hub in Ghana trained over 150 from executives from Civil society, media, government and parliamentarians.

The Africa Anglophone Extractive Knowledge Hub (AFREIKH) based at Strathmore University in Nairobi, Kenya is a new footprint on the continent, established in May 2021 with a purpose of contributing towards building a world class cadre of current and future extractive professionals on the Continent.

Q: The Extractives Industries Transparence Initiative (EITI) is a global standard which has been embraced by several Countries. How can the EITI contribute to addressing some of challenges within the extractives sector in East African Community?

A: The EITI is a global standard set up with an attempt to cure some of the governance deficits that have bedeviled the extractive sector. The EITI provides a framework for multistakeholder dialogue. This is in fact one of the few opportunities for civil society, governments, and companies to have joint discussions on key issues related to the governance of the extractive sector in a country. It also presents governments with a unique opportunity to not only assess itself, but also to be inspired and learn from how other countries are managing their natural resources. I was privileged to serve on the EITI International Board representing Africa CSOs and the global south. I have seen how Countries such as Senegal have utilized the EITI to strengthen their extractive sector governance. The EITI has expanded a broader spectrum of transparency across the decision chain including on contract, beneficial ownership, social spending by corporates as well as government spending of EI revenues. The annual reconciliation exercises tracking what was paid by the Companies and what was received by the government has helped many countries seal extractive revenue leakages.

In Tanzania, the discrepancy between what was paid by extractive companies and what government received was reduced from 6.3% in 2008/09 to 0.43% in 2018/19. In money terms these were billions of shillings potentially saved. Generally, by signing up to the EITI, Tanzania has increased its level of transparency in extractive payment disclosures. The EITI reports have exposed potential conduits for revenue leakage through misreporting, potentially corruption and tax dodging. In other words, without the EITI government would have never realized how much extractive payments cannot be accounted for. Of course, the EITI is not the ultimate panacea to our problems, but it can be a starting point.

Q: Some countries in the EAC have made limited effort to implement policies or enforce laws aligned to EITI principles or standards at national level. What are the factors which have allowed for or hindered effective implementation of the EITI in the East African region?

A: It all comes down to political will and incentive. Where there is political will, things will move, and rules will be enforced. Lack of trust for what the EITI can provide. One Government official blatantly put it to me that the EITI is an external agency with a hidden agenda. My answer was that if we can't go the EITI way, then let us build our own framework and support it. Unfortunately, our own homegrown initiatives such as the African Mining Vision, African Mining Governance Framework (AMGF) and the APRM (extractive chapter) have not received much support and traction. The political will and incentive is not there.

Underlying interests such as corruption and hidden self-interests have been a hindering factor too. The corrupt and connected elites with vested interests tightly cling onto this extractive space with the fear that they could be exposed by the transparency and level of public and international scrutiny which comes through the EITI. The EITI standards want people to know, participate and ask questions.

Our Resource Governance Index (RGI) findings show growing implementation gaps across many African Countries. The 2021 RGI report shows some significant policy and legislative implementation gaps in Uganda and Tanzania's extractive sector governance. This demonstrates that countries are not lagging implementation of EITI but even the rules that they make themselves.

Q: What are some of the recommendations that stakeholders (CSOs, policy makers) in the EAC can adopt to ensure effective implementation of the EITI in EAC.

A: For EAC Countries such as Kenya and South Sudan, take a leap of courage and signup.
For Civil society, constant demand, and constructive engagement. Sometimes governments can be sometimes timid to public pressure but with constructive engagement, providing viable option, reforms can happen. Never let up. CSO should strengthen their analytical capacity to be able to use EITI data for evidence-based advocacy and accountability.
For policy makers, rules and are passed for a purpose. They should be enforced.

Q: As we conclude, what is that one statement you would want to leave with stakeholders?

A: Good governance of the extractive sector must be a tripartite between government, civil society, and companies. It should be driven by a trinity of mutual engagement. The EAC must come alive to the fact that external financing is dwindling and costly. It is unforeseeable on the long-term. The future lies in making the most of the abundance of our countries' extractive resource and at the same time navigate the increasing demands and needs brought on by the energy transition. The EAC still has a chance to leverage its extractive sector for investment and domestic resource mobilisation. The EAC and EALA needs to act strategically. The future is now.

TAXATION IN THE EXTRACTIVE INDUSTRY, GOVERNANCE AND POVERTY: THE STATE OF TANZANIA DURING COVID-19 PANDEMIC.

Mr. Nicholas Lekule, manager responsible for Policy and Budget analysis, Policy Forum, Tanzania

Policy Forum intended to examine the impact of taxation in the Extractive Industry, Governance and Poverty reduction during the COVID-19 pandemic in Tanzania Mainland and Zanzibar. The main focus was to examine the current state (Institution and taxation structure inclusive) of the extractive sector in the country and its relation to governance and poverty; to examine the linkage between taxation, governance and poverty reduction; to examine the role and setbacks of taxation (progressive) and multilateral organizations in enhancement of income equality; to examine tax reforms that led to expected development outcomes from the extractive sector; to examine the challenges that Governments of the United Republic of Tanzania and Zanzibar are facing in committing to stable taxation policies.

To understand this , a review of a number of literatures relating to extractive industry including policies, guidelines and statutes was done in order to familiarize and build a foundation on key research issues as were identified in the terms of reference. Also, face to face interviews were done with administrative officials especially from TRA, ZRB, as well as other stakeholders from the Ministry of Mineral, Ministry of Finance and Planning for both Tanzania Mainland and Zanzibar, Mining Commission and from Civil Society Organisations.

The study has observed that the extractive sector has significant contribution to governance and poverty reduction as taxation improves the government revenue and hence ability to finance public spending which in turn reduces poverty. Majority of taxes in extractive sector, such as PAYE and production sharing of profit oil or profit gas are progressive; they usually enhance income equality. There is also a need to enhance the economic empowerment transfers to help the poor and other vulnerable groups.

Tax reforms that can lead to expected development outcome from the extractive sector include ring-fencing of operations, exemption on liquefied petroleum and natural gas, review and re-negotiation of unconscionable terms, payment of mineral clearance

fee and royalties, withholding tax on sales of industrial minerals, participation through government free carry interest, local content requirement, removal of WHT and VAT on artisan miners, and withholding regardless of source of payment and permanent establishment.

On the other hand, there are challenges that governments of the United Republic of Tanzania and Zanzibar are facing in committing to stable taxation policies. They are; the need for fair share of tax revenue from extractive industry, failure to balance between revenue generated by the government and competitiveness in the extractive industries, institutional and administrative inefficiency and pressure from the public, civil societies and opposition political parties.

The Tanzanian extractive industry still grieves from the existence of loopholes that exuberate the revenue losses. The loopholes include; Low government Involvement in extractive industry; Tax laws that are favourable to multinational companies (MNCs) characterized by unfavourable tax incentives and exemptions. Also, illicit Financial Flows (IFFs) usually result into low tax revenue from the resource sector.

Adversely COVID -19 has affected the revenue collected. However, lessons learnt from the experience of the extractive industry's operation amid COVID-19 are that; mining sector has not needed targeted relief as there has been no specific relief for mining sector. CAPEX is temporarily down, but M&A is likely to pick up as a result there is an expected change of control of ownership. There is an impetus for tax reforms: the time to rethink fiscal regimes post COVID-19 in the extractive industry is now.

It is recommended that governments of the United Republic of Tanzania and of the Revolutionary Government of Zanzibar should continue fighting and stop aggressive corporate tax avoidance and illicit financial flows practice by enhancing the capacity of the tax Audit and investigation units. Must also work hard to control transactions that erode the tax base and which are designed to shift the profits to low tax rates or to no tax jurisdictions (tax havens).

Likewise, the government must ensure compliance to transfer pricing policy and provide for disclosure of third party sales contracts and the use of quoted prices in related party transactions. Furthermore, TRA and ZRB must improve the institutional capacity especially the mineral audit units to enhance the accountability, transparency, and integrity and provide for exchange of information. Where possible, the mining companies and governments can agree to prepay taxes and royalties. Also, the government should ensure, companies comply with tax laws by paying their fair share of taxes.

RESOUNDING THE ROLE OF EALA IN DRM IN THE EAC REGION

Hon George Odongo: Coordinator, Uganda Chapter, EALA

1. Tax Harmonization has often been thought of as one of the solutions to curbing Illicit Financial Flows in the EAC region. What is the role of EALA in the Tax Harmonization process?

First of all, as East African Legislative Assembly Members, our role is legislation, representation and oversight. We oversee the institutions of the East African Community vested with the powers to implement decisions that are taken at the EAC level. With our representation role, we amplify the interests of the EAC citizens on matters like harmonization of taxes. We listen out to the different stakeholders in a bid to address the loopholes in our legal regimes and it is our role to come up with legislations that are responsive to needs of people EAC. As Members of EALA, our cardinal role in this process is to;

- Work towards putting in place an effective legislation that ensures that we achieve tax harmonization of taxes. If we have a broader Policy framework and I am glad that EAC Council of Ministers has come out with a Policy on Tax Harmonization. We will pick up from that Policy to come up with a Law because a Law is there to provide the legal framework for the implementation of that Policy.

- We want to speak to the importance of having such a law in place regarding tax harmonization because it empowers the Partner States to be able to curb illicit financial flows. In the absence of a harmonized law, it means that there is not going to be a regional effort. Once we come up with a regional law that harmonizes our tax regimes, it means that we are now empowering the region to act collectively on matters of illicit financial flows. Acting individually as Partner States may not be a solution to curbing illicit financial flows.

The people who are involved in Illicit Financial Flows are very powerful especially in the Extractives sector where we have very powerful Multinational corporations that require all the Partner States to be working collectively to have a common vision and understanding of the threat of illicit financial flows in the EAC region.
Our role will be to amplify the voices of the East Africans and to come up with a law that is responsive.

2. What steps has EALA taken to ensure that countries in the EAC are working towards achieving tax harmonization?

The EAC council of Ministers initiates that Law and as EALA Members, it is our role to process that law and pass it. We also wait for petitions that come from Civil Society and currently, we haven't yet received any petitions or a Bill that has been initiated by the Council. Going forward, we will need to have these conversations with different stakeholders and we are open to coming up with a legislation that answers the need for harmonization of our laws.

3. What are some of the hindrances that limit the role of EALA in the tax harmonization process?

It is the elaborate legislative process. Before EALA comes up with a law, there are different stages that are unfortunately managed at the Partner State level where we do not have control. Our sense of urgency is not matched by the actions of the Partner States. We at variance in terms of the speed at which we have to process these laws. While Arusha is moving faster, the Partner States act according to their processes and that really takes actually takes an elaborate process and it is slowing down on our role to legislate for the people.

According to our mandate, we cannot just pass a law because that ratification process is shared with partners states acting independently of EALA. Even if EALA passes a legislation, it has to be passed through consensus and yet this consensus is a condition for any law to pass. All the Partner States have to agree for any law to be passed and this shared legislative role is the one that slows down our work as Members of EALA.

4. Beyond tax harmonization, what are some of the challenges that need to be addressed in order to curb illicit financial flows in the EAC?

We need an independent law on Illicit Financial Flows. As Partner States, we do not have independent laws, but at least even if we do not have a regional law, let Partner States come up with legislations. Even the Partner States have not put in place laws which speaks volumes about capacity issues. Illicit Financial Flows is a very technical area that requires capacity both at the level of legislation and at the technical level for the people who are going to generate these legislations.

This is a major impediment to the work of dealing with Illicit Financial Flows. We wish that there is investment from Civil Society and other stakeholders in developing capacities to understand the depth of IFFs and how we can deal with it both at legislative level and at the level of implementation towards ensuring compliance at the national levels.

LOOKING BACK: KEY ACTIVITIES CONDUCTED

TAX

Promoting tax harmonisation in the EAC region to curb illicit financial flows

CSO report Pins EAC Gov'ts for regions' failed tax harmonization July 11, 2021

Kampala

Individualism and fears for revenue loss by East African community (EAC) partner states, are some of the major roadblocks hindering tax harmonization in the region.

This is according to the latest report on the review of tax measures for 2018/19-2020/21 in the EAC and on whether the region is moving towards a harmonized tax system.

The analysis which was released in June, was conducted by members of the civil society movement, under the leadership of Southern and Eastern Africa Tarde Information and Negotiations Institute (SEATINI) Uganda. According to the report, most of the partner states are concerned more about their domestic matters especially in regards to revenue mobilization, than matters concerning the community.

The report points out lack of guiding principles on tax harmonization, and the failure to adopt the code of conduct despite it being developed 10 years ago.
The report further pins EAC states for amending tax laws in isolation, which defeats the purpose of EAC harmonization of tax laws.

"There is lack of political support and intra community, for example in the European Union (EU) though not legally binding, the EU code of conduct received a high level of political support that strongly contributed to its success," Jane Nalunga, the executive director SEATINI –Uganda said.

Presenting the CSOs' findings, Nalunga noted that as already recognized by EAC, regional integration cannot be achieved without tax integration.
In their report, the CSOs pointed out that tax harmonization plays an important role on mitigating tax competition which they said has significant implications on engaging in a race to the bottom trying to attract investors.

They called for the study of welfare implications across the block (region) saying in Uganda and Rwanda, PIT rates are greatly affecting the low income earners.

According to the CSOs' this also rises the appetite to smuggle especially if a particular country has unfavorable tax regimes.

The report indicated that a review of the tax measures for 2018/19-2020/21, showed that there is limited deliberate efforts to harmonize tax laws at EAC level.

This according to the CSOs mainly happens because bench marking is an inevitable methodology when policy makers are amending their laws.

> ***"Unlike CET, where amendments have to be approved at the EAC***

level, DT tax amendments are done in isolation," Nalunga said.

The reports indicated that there are only a few cases when domestic tax laws are discussed at the EAC level such as in 2018, when partner states agreed not to levy VAT on some essential goods and services that are consumed domestically such as medical supplies.

Domestic tax harmonization is provided for under the EAC treaty, the treaty contains provisions that specifically promote tax harmonization in the region.
Article 83 (2) (e) provides for the harmonization of domestic tax policies with a view to removing tax distortions in order to bring about more efficient allocation of resources within the community.
The treaty under Article 80 (1) (f) further seeks to harmonize and rationalize investment incentives in order to promote the community as a single investment area.
In its findings, the report indicated that all countries have incentives that amount to tax exemption for investors. However significant differences exist in regards to how the tax incentives are applied.

Kenya and Uganda, according to the report, have an automatic tax exemption regime where the tax payer meets the set criteria.

Unlike Kenya and Uganda, Tanzania requires the minister to exercise discretion to grant the exemption. Uganda and Kenya have time bound exemptions for ten years while the Tanzania exemption regime is not limited by time.

The report also points out the uncoordinated incentives to investors, where only Uganda and Kenya have the ten-year exemption, with Uganda trying to favor local industries and EAC citizens.

Way forward

As a way forward, the CSOs advised that the code of conduct against harmful tax competitions should be adopted and implemented for progressive tax regimes.
The report further recommends the need to check if tax regimes are comprehensive enough to cater for the changing environment since it was drafted over ten years ago.

The CSOs recommended that a committee is set up to monitor and report progress on tax harmonization in the EAC.

It also recommended the need to put up a requirement that at least tax amendments are passed through the committee for discussions before they are passed by a particular country.

"For now, at least tax incentives for investors need to be agreed upon at EAC level, there is need to estimate the cost and benefits of tax harmonization," Nalunga said.

The CSOs also called for the development of an online platform that tracks tax amendments across the region to avoid legislation in isolation.

> ***"This will greatly support easy comparisons and subsequently early interventions against harmful tax measures". Nalunga said;***

According to the CSOs, tax harmonization goes beyond harmonization of tax laws which may be the same in nature.

To them, tax harmonization aims at preventing any national tax measures that could have a negative effect on the free movement of goods, services and capital within the block and that could distort competition.

The CSOs noted that it is a process of adjusting the tax systems of different jurisdictions so as to achieve some common fiscal policy objectives.
Tax harmonization, seeks to avoid potential risk associated with engaging in tax competition especially regarding corporation tax rates. It also seeks to avoid a race to the bottom to attract investments, through very generous incentives.

From Right to Left, SEATINI Uganda Executive Director, Ms. Jane Nalunga, URA's Commissioner Customs, Mr. Abel Kagumire, Ministry of Finance, Ag. Director, Economic Affairs, Mr. Moses Kaggwa and the Moderator, Mr. Gabriel Iguma during the first panel discussion.

Transparency, accountability key for successful taxation policies, incentives-CSOs August 18, 2021

Kampala

Transparency, accountability and good governance have been highlighted as fundamental in the making and success of taxation policies and incentives in the East African region.

According to taxation experts and civil society organizations, taxation policies and incentives can be redundant and fail to yield the anticipated benefits, fuel the race to the bottom, facilitate financial flows and promote corruption if not well managed.

> ***"Tax incentives end up being used as instruments for tax competition instead of achieving the desired outcomes of attracting investments, fiscal costs are huge, largely opaque and go under the public radar when the public radar when it comes to scrutiny, Mukasiri Sibanda, a tax consultant with Tax Justice Network Africa, and member of Stop the breeding campaign" (STBC) said.***

He made the remarks during a recent dialogue on domestic revenue mobilization and tax incentives the in east African Community, organized by SEATINI and Partners.

The dialogue was running under the theme enhancing domestic revenue through curbing harmful tax incentives in the East African Community, (EAC).
SEATINI Uganda and the Stop the Bleeding (STB) Campaign, organized a multi-stakeholder online dialogue.

All the six EAC partners states (Burundi, Kenya, Tanzania, Rwanda, South Sudan, and Uganda) are providing various preferential tax treatments such as tax exemptions, tax holidays, credits, investment allowances, preferential tax rates and import tariffs (or customs duties), and deferral of tax liability.

A 2016 report by TJNA and Action Aid International revealed that collectively, four East African countries (Kenya, Uganda, Tanzania and Rwanda) could still be losing around 1.5 billion USD to 2 billion USD a year to tax incentives.

Mukasiri, the coordinator STBC, in East Africa, said citizens face a blackout when it comes to the ability to scrutinize the government on taxation.

He noted that the environmental harm brought by tax incentives is barely accounted for, adding that fossil fuels that accelerate climate change, are as a result of incentivized spending.

According to SEATINI Uganda, although policy intentions for granting tax incentives may be well-intentioned, often, their effectiveness is questionable.

SEATINI notes that tax incentives can be redundant, fail to yield the anticipated benefits, fuel the race to the bottom, facilitate illicit financial flows, promote corruption and distort market forces, if not well managed.
In its statement, SEATINI said as a result, governments' collective domestic resource mobilization (DRM) capabilities can be easily harmed.

It further noted that the COVID-19 pandemic had elevated the significance of DRM by additionally stretching the fiscal capabilities of the global south, especially in Africa, to respond to the health crisis that has spilled into a socio-economic challenge.

To cover the pitfalls, SEATINI organised a regional dialogue to chat ways of closing the loopholes that allow for siphoning out government revenue due to governance of tax incentives.

Speaking about the regional context of tax incentives in the EAC; with a focus on the current landscape of Tax incentives in the EAC; Impact on DRM and steps taken by the EAC to curb harmful tax incentives in the EAC, Kenneth Bagamuhunda, the EAC Director General (Customs & Trade) - EAC Secretariat, said characteristics of the tax incentives in the region are known and easily identifiable.

Bagamuhunda also explained that tax harmonization in EAST Africa had a long history; adding that an agreement on avoidance of doubt taxation was formulated and it had been finalized to date.

He said taxation is a major factor that determines the integration of the East African Community especially the stage of economic integration whether national or regional taxation.

During the discussion, the tax activists indicated that poorly designed tax incentives yield windfall tax profits to investors, at the expense of tax revenue.

In East Africa, tax incentives are rife in the tourism sector. They promote foreign business at the expense of locals.
For instance the CSOs cited instances where foreign hotels dominate local hotels, whose access to incentives is limited.

They noted that tax incentives substantially drain resources to finance sustainable development in Africa, adding that in most cases, they are overly generous, poorly designed and politically motivated.

Objectives

According to SEATINI, the main focus for the dialogue was to understand the landscape and impact of Tax incentives on DRM in the East

African region and to discuss the implication of ongoing global tax reform discussion on the governance of tax incentives.

The dialogue was also aimed at building a consensus between Civil Society Organizations (CSOs), Private Sector, International Financial Institutions, and EAC governments on strategies for accelerating tax incentives governance reforms.

It was also organized, to agree on recommendations and strategies that governments can adopt in the EAC for improved governance of tax incentives and exemptions in the EAC, and also to foster sustainable multi-stakeholder engagement in the governance of tax incentives. Ends.

SEATINI and Other Stakeholders Assess the Impact of Regional Integration on Inclusive Development in the EAC September 1, 2021

A Cross- Section of participants during the dialogue

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Kampala

SEATINI Uganda with support from Diakonia organized a strategic meeting to understand the role of EALA in the regional integration process in relation to trade, tax and investment related issues and to develop a roadmap on how trade, tax and investment proposals can be adopted across the region.

The meeting brought together representatives of Civil Society Organizations (CSOs), National Members of Parliament from relevant Committees and Members of Parliament from the East African Legislative Assembly (EALA) – Uganda Chapter.

In her welcome remarks, Jane Nalunga, the Executive Director at SEATINI Uganda reiterated that the COVID-19 pandemic has given us a chance to rethink our economy and more importantly the development ideology governing our economy. She added that globally there is a discussion on a possible transition post COVID-19 focusing on building back better and greener.

Jane Nalunga stressed that the issue of Domestic Resource Mobilization is critical especially in the post COVID-19 economic recovery. She also observed that Uganda is borrowing to service the debt and advised that government needs to urgently devise ways of getting out of the debt trap. She observed that although Official Development Assistance (ODA) has not reduced, the conditionalities around ODA are bit hard for low-income countries like

Uganda. She added that Uganda has little control over ODA and aid in general thus the need to rethink how to mobilize resources in these hard times to finance various development programs.

Ambassador Nathan Irumba, a retired diplomat and former Chief Executive Director of SEATINI Regional Office called on EALA members to look beyond the national interests but rather focus on what brings EAC Partner States together and work towards building an inclusive East African Community.

Leo Kizito Ojara, the Commissioner, Economic Affairs at the Ministry of East African Community Affairs (MEACA) noted that the prevalence of Non-Tariff Barriers (NTBs) has been

frustrating trade within the East African Community and continues to be a major concern to all Partner States. He also observed that Uganda is currently grappling with trading with the rest of the world because of not being able to adequately meet requisite standards of exportation to other countries. "The Democratic Republic of Congo (DRC) has applied to become a member of the EAC. This is a big opportunity for EAC to benefit from an additional 89.5 million people in terms of expanding the Community's trade potential," Ojara said.

Hon. Odongo George Stephen, Member of EALA stressed the need to have a deeper conversation around extractives industry and explore how to close the loopholes that facilitate Illicit Financial Flows (IFFs). We need a strict law that can safeguard us from IFFs.
James Malinzi from Uganda Revenue Authority (URA) noted that EAC Partner States put in place the Single Customs Territory which is aimed at reducing some of the hurdles and thus solved the issue of multiple declaration in different countries and eased compliance.
Africa Kiiza, a Trade Policy Analyst at SEATINI Uganda noted that the calls for reforms in the EAC Treaty have gained momentum. He added that there are specific reforms that need to be made to address Dispute Settlement Mechanism; NTBs resolution (dedicated body for addressing NTBs and trade disputes, beyond East African Court of Justice (EACJ).

Regina Navuga, a programme coordinator at SEATINI Uganda noted that all countries in the EAC region have incentives that amount to tax exemptions for investors. However, significant differences exist in regards to how the tax incentives are applied. Participants emphasized that the review of the EAC Treaty should go alongside the review of progress of EAC integration.

During his closing remarks, Hon. Otiam Emmanuel Otaala, the Chairperson of the Natural Resources Committee, Parliament of Uganda stressed the need for EAC Partner States to recognize existing commonalities and capitalize on them and downplay the differences if they are to move forward as a bloc. The COVID-19 pandemic has affected trade across the board. He later re-echoed the need to review the EAC Treaty to reflect the current regional situation.

DEBT

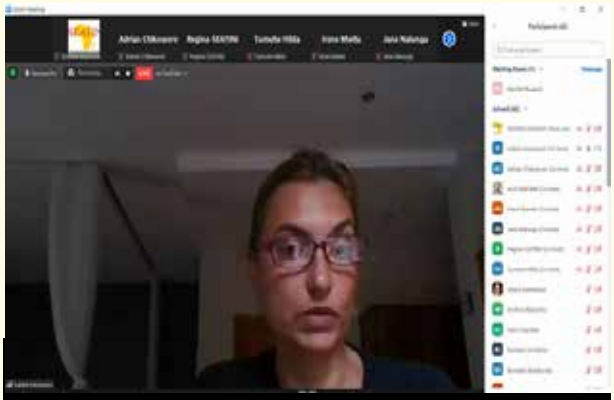
Advocating for prudent debt management in the EAC region

SEATINI – UG in Partnership with AFRODAD, UDN, TCDD, and TI – Kenya Hold a Regional Policy Dialogue on the Surge in Market Financing Instruments and Fiscal Implications for the EAC September 14th,2021

Kampala

SEATINI Uganda in partnership with AFRODAD, UDN, TCDD, and TI – Kenya held an online policy dialogue on the surge in market financing instruments and fiscal implications for the EAC region. The meeting was also attended by development partners from the region, media and the IMF Resident Representative for Uganda, Ms. Izabela Kasprowicz.

The policy dialogue was informed by the fact that over the years, the region has witnessed an increased reliance on Public Private Partnerships (PPPs); international Eurobonds; and domestic loans in the form of treasury bills and bonds as instruments for financing several development projects. The dialogue therefore was aimed at generating a deeper understanding of these instruments; unpacking the drivers behind their adoption; understanding their fiscal implications; and charting and agreeing on a way forward between policy makers and development practitioners across the EAC region and continent atlarge



Ms. Izabela Kasprowicz., the IMF Resident Representative-Uganda during the meeting

ADVOCACY ON SPECIAL DRAWING RIGHTS

Uganda as an International Monetary Fund (IMF) member country, received about $490 million equivalent of 1.7 trillion Ugandan shillings. SEATINI organized advocacy activities on the Special drawing rights. As SEATINI carried out press conferences, dialogues with key stakeholders such as Members of Parliament, Bank of Uganda in collaboration with different CSOs both at national regional and global levels. The media used to channel information to the general public through press releases, articles, etc.

The purpose of these dialogues was to; i) understand the policy implications created by the Special Drawing Rights (SDRs) allocations; ii) identify key opportunities and recommendations on how key policy makers such as Members of Parliament can carry out their oversight role in monitoring and utilizing Special Drawing Rights.

Press Conference on Special Drawing Rights September 12, 2021

Regina Navuga (R), Jane Nalunga (C), Ausi Kibowa presenting before media on Special Drawing Rights https://www.youtube.com/watch?v=bHfWc4A07IU

Breakfast Dialogue with Members of Parliament on Special Drawings Rights September 5, 2021

Kampala

SEATINI organized a breakfast dialogue on special drawing rights with Members of Parliament from the Finance, planning and economic development committee and national economy committee as well as MDAs such as MoFPED, Civil Society Organizations, Media, etc.

(L)Breakfast dialogue, Executive Director, Jane Nalunga before Members of Parliament (R) Peninnah Mbabazi presenting before Members of Parliament during the Breakfast dialogue on Special Drawing Rights https://www.youtube.com/watch?v=XzklRHtJcUQ

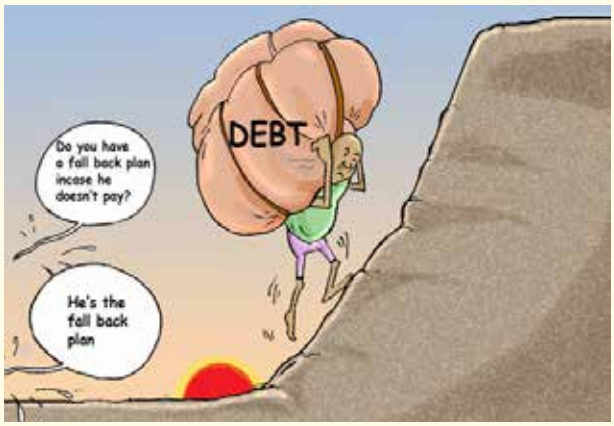
The dialogues and engagements have made headway in increasing awareness among the Members of Parliament, Civil Society Organisations, Media on how they can engage in influencing fiscal governance processes at the national through their oversight role in monitoring and utilising Special Drawing Rights generated to ensure to promote transparency, equitable and accountable use of Special Drawing Rights.

(Our CS statement on The New 1.7 Trillion (490 Million USD) IMF Allocation of Special Drawing Rights to Ugandahttps://seatiniuganda.org/download/cso-statement-on-the-new-1-7-trillion-490-million-usd-imf-allocation-of-special-drawing-rights-to-uganda/)

SEATINI has joined other advocacy campaigns at the regional and global level on such as AFRODAD, EURODAD, LATINDAD and other Civil Society Organizations in a joint African Caucus - CSO Statement on SDRs ahead of the AU's Ministry of Finance Meeting

Extraordinary STC in December 2021
https://docs.google.com/document/d/1UuIe56rXRYSfqc8QqvNXUGgcvr6EzBwXPpPkpil9TFQ/edit

SEATINI further collaborated with the International Budget Partnership (IBP), the African Forum for Debt and Development (AFRODAD), the Center for Global Development (CGD) and the Bill & Melinda Gates Foundation to share our CSO position and advocacy campaign on transparent and accountable use of SDRs in Uganda.



Other Meetings and Engagements;

Policy dialogue on the surge in market financing instruments and fiscal implications for the EAC
https://www.youtube.com/watch?v=IBS2eLkGa7Q

Pan African Conference on Debt and Development: Raising Media champion for Prudent Debt Management
https://www.youtube.com/watch?v=qPpKsGfcf0E

Understanding Financial Technology in Africa
https://www.youtube.com/watch?v=QZrLWZbXwmo

ACFIM Talks: Of Chinese Loans and National Assets. "Africa's sweet-sour experience"
https://www.youtube.com/watch?v=cszLsZLfHlw

EXTRACTIVES

Promoting Domestication of the Africa Mining Vision and the Extractives Industries Transparency Initiative in the EAC region

SEATINI Uganda, CSCO Uganda, ACODE and Other Partners Engage Members of Parliament on the East African Crude Oil Pipeline Bill and PFMA (Amendment Bill, 2021) November 29, 2021,

Kampala

SEATINI Uganda in collaboration with the Civil Society Coalition on Oil and Gas (CSCO) Uganda with support from Diakonia Africa organized a half-day meeting with Members of Parliament to discuss the East African Crude Oil Pipeline (EACOP) Bill 2021 and the Public Finance Management Act (Amendment) Bill, 2021. This meeting was organized to create a platform for CSOs and other non-state actors to share information on implications of some of the critical provisions of the Bills and to discuss any recommendations to make the Bills better.

The meeting brought together Members of Parliament from the Parliamentary Forum on Oil and Gas (PFOG), Parliamentary Forum on Illicit Financial Flows and Tax Justice (PFIFF&TJ) and other relevant Parliamentary Committees, representatives from Civil Society Organizations and the media.

During the meeting, CSOs highlighted gaps in the Bills pointing out the different Clauses that undermine the role of Parliament in monitoring public expenditure and the lack of transparency and contract disclosure that limits meaningful debate on the respective Bills. In addition, CSOs re-emphasised the need to fast-track the re-negotiation of the Uganda Netherlands DTA and the need to question some of the tax exemptions that government is generously offering to the EACOP project as well as the contractors disclosing oil agreements to enhance transparency and effective public participation, among others.

The Members of Parliament that participated in the meeting extended gratitude to the CSO fraternity for organizing such a timely engagement and providing expert insights and information on the two Bills.

"We are so grateful to the CSCO fraternity for providing timely information to Parliament to facilitate the debate on the two bills" said Hon. Henry Kibalya, Member of Parliament, Bugabula South.

The Members of Parliament pledged their commitment to take on of the issues discussed and making sure that the Bills are representative of the CSO views and concerns.

Furthermore, Members of Parliament particularly expressed their concern about the retrospective nature of the proposed EACOP Bill noting that it could breed dire and far reaching implications for the country. More specifically, the provisions that allow Uganda National Oil Company Limited

to spend Petroleum revenue with no Parliamentary over sight were highly contested by Members of Parliament. Members of Parliament also offered to continue engaging CSOs to provide expert analyses of the Bills before they are passed in Parliament.

CSOs reiterated the need for the EACOP Bill, 2021 to support Domestic Revenue Mobilization efforts despite the need to incentivize the investment into EACOP project.

Mr. Muhindo, coordinator, Civil Society Coalition on Oil and Gas making a presentation on behalf of CSOs during the meeting.

A cross section of participants during the meeting

Enhancing Domestic Resource Mobilisation and Prudent Debt Management in the EAC Region
December 7-9, 2021

Kampala

On 7th-9th December 2021, SEATINI Uganda, Transparency International Kenya and other Diakonia Partners convened a regional meeting in Uganda which brought various CSOs working on DRM in the East African Region to analyse the challenges hindering effective Domestic Resource Mobilisation in the EAC region under the broad three categories of tax, prudent debt and extractives sector. The CSOs included SEATINI Uganda, Transparency International Kenya, Tax Justice Network Africa, Youth for Tax Justice Network (YTJN) and the East African Tax and Governance Network, Tanzania Debt Coalition and Development, African Forum and Network on Debt and Development, Friedrich-Ebert-Stiftung Tanzania, Dukingire isiyacu-Burundi, Governance for Africa-Rwanda, Center for Economic and Policy Priorities (CEPP)-Rwanda, among others. At the end of the meeting, a matrix of issues was developed highlighting the challenges and the proposed solutions to achieving the objectives of regional integration and DRM in the EAC region. Participants also agreed on strategies on how to work together/collaborate on various initiatives in the EAC region in 2022.

What they had to say after the meeting

"As regards EAC policy Harmonisation, I call for EAC harmonization to Track and Trace and adoption of digital stamps across partners states so that there is no room left for illicit tobacco products being on the market for which the government never gets both Tax and Non-Tax Revenues. In implementing this government wins, standards are met and consumers are protected from substandard products.

This engagement is good because it helps build the capacity of CSOs especially the national ones for they tap into the resourcefulness of the EAC CSOs and the EAC secretariat."

Tali bita Moses | legal officer |Uganda National Health Consumers' Organisation | Uganda

"We would like to thank the organizers & SEATINI in particular for convening such great platform. As participants from Rwanda, we would like to carry the knowledge learnt from these dialogues and engage other CSOs to work together towards strengthen their capacity to influence EAC countries towards an equitable DRM within the EAC. "

Butera David | Programs Officer | Governance for Africa | Rwanda

"There are critical linkages between domestic resource mobilisation, debt management and tax justice; in that sustainable DRM is influenced by prudent debt management policies and practices; which in return plays a role in promoting tax justice. A regional approach to addressing the existing issues is necessary. However, there are some obstacles in the harmonization agenda, particularly in the policy and legislation front which need to be addressed. Additionally, political goodwill and commitment to the regional integration aspiration is critical and CSOs have a role to play in advocacy, by engaging, influencing and pushing respective national government agencies and duty bearers to act on these commitments and accelerate gains anticipated in these areas."

Celine Awuor | Chief Executive Officer | International Institute for Legislative Affairs | Kenya

"This regional meeting came out of a bravery decision by SEATINI in the midst of Covid-19 pandemic challenges. The relationship between Domestic Resource Mobilization, Tax Harmonization and Prudent Debt Management was well thought and provided a platform for the participants to discuss issues of importance and dear to all East African Countries economies. It was a meeting worth attending I have learnt a lot from others and shared as well the Tanzanian experience."

Hebron Timothy Mwakagenda

| Executive Director |Tanzania Coalition on Debt and Development (TCDD) |Dar es Salaam, Tanzania

One of the critical reflections has been the need for CSOs to work in synergy with each other as coalitions, networks to advocate for tax harmonisation and prudent debt management through;

- Generating evidence- based research that will inform advocacy initiatives that hold duty bearers accountable at national and regional level on tax harmonisation and debt management.

- The importance of Capacity building of different key stakeholders; CSOs, Media and Citizenry on aspects of tax harmonisation and debt management
- The importance of synergy and collaborations with different CSOs in enhancing DRM through Tax harmonisation and Prudent Debt Management.

James Samuel Ameda | Fundraising Coordinator | Action Aid International Uganda

"The direct engagement of CSOs on debt and budget management issues at parliament level should be considered a very important key point both on partner states levels separately as well as on the EAC region level. This will indirectly involve citizens' concerns about policy making and implementation through findings and evidence-based researches conducted by CSOs"

Immaculee Nyirabahire | Programme Officer | Center for Economic and Policy Priorities (CEPP) | Rwanda

The COVID-19 crisis has impacted negatively the EAC countries and decreased the regional economy growth. One of the solutions and strategies to achieve the sustainable development of EAC is the Harmonisation of Tax System and effective implementation of the existing related signed MoUs. However, the DRM and Digitalisation at national and regional level should go straight together for matter of transparency and curbing Illicit Financial Flows.

Prime Nkezumukama | Executive Director| DUKINGIRE ISI YACU | Burundi

Public debt forms part of a country's resource as well as liability and one in which there is limited oversight on. Despite having national and regional guiding legislation and financial protocol, most EAC countries face the same challenges in management of public debt. Some of the debt management challenges that came out strongly in the Regional Dialogue include, lack of transparency and accountability in the borrowing and use of public debt, challenges of access to information on debt, most EAC countries seem to be inclined towards commercial loans which are more expensive, the high cost of debt servicing as well as harsh conditions attached to some of the loans. We therefore call on EAC

partner states to effectively implement legislations, both national and regional, on prudent public debt management, to reduce the rising public debt burden heavily falling on the citizens.

Mwita Irene | Deputy Programme Officer-Social Justice & Economic Accountability | Transparency International Kenya

Borrowing from EATGN's publication on title Revenue Obligations and Civics in East Africa: A Human Rights Based Approach to Tax Justice, "...every citizen has the power to question their government because they pay taxes. This is because these monies are surrendered to authorities for citizens to acquire certain basic services." In that way issues of domestic revenue mobilization (DRM) within the public finance management (PFM) cycle will allow for processes that are more participatory, accountable, non-discriminatory, empowering and founded on the rule of law.

Leonard Wanyama | Coordinator | The East African Tax and Governance Network (EATGN)

It was a great pleasure to meet other stakeholders from EAC and discuss the issues on taxation, DRM, and debt. With the discussion we had around the areas, our EAC countries are facing closely similar challenges that might be easily be solved if the countries work in collaboration. For example, if the member states will harmonize tax this will facilitate sound trade among them and also close the corporate tax loophole that has been used by MNCs to evade taxes in the mining sector in the EAC member states. We have a significant role to play as CSOs in the EAC and I appreciate that SEATINI convened us to reflect on the issues and come up with a position that will facilitate our advocacy engagements with our governments as days comes. Building alliance with other stakeholders has proved to be a very fruitful move in dealing with DRM and tax issues; for instance: FES Tanzania in collaboration with Public Services International (Global trade union) affiliates in Tanzania and Tanzania Tax Justice Working Group has held various engagements with policymakers on issues of Taxation in the Mining Sector in Tanzania. This is because we had done a study that showed that we have lost a lot of revenues via tax evasion, illicit financial flows, and tax incentives are given to MNCs of which the lost revenues would have been used to improve public service delivery. With our engagements, some policy reforms were made and we are still planning to engage them more going forward. Therefore, for us to achieve our goal in the areas, we must commit not to leave anyone behind, lets join efforts and engage our governments for healthy EAC.

Anna Mbise | Project Officer | Friedrich Ebert Stiftung, Tanzania

The monitoring of the implementation of the Trade Policies already put in place in the EAC region. The harmonization of the already existing National Trade and investment policies to enable a smooth market driven community. Hence the workshop cleared brought out the emerging challenges and sharing of information between the Government officials and civil society organization and probable solutions on future solutions to enable the Trade environment in the EAC region

Lilian Alex- Programmes Coordinator- East Africa Civil Society

L-R, SEATINI Uganda, Navuga Regina, Tax Justice champion, Hon. James Kakooza, Hon. Odongo George Stephen both EALA Members of Parliament & SEATINI Trade Policy Analyst sharing a light moment during a Dialogue with EALA Members of Parliament.

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Diakonia

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