



MINISTRY OF EAST AFRICAN COMMUNITY AFFAIRS

KEY NOTE ADDRESS

BY

Rt. Hon. Rebecca A. Kadaga

1ST DEPUTY PRIME MINISTER/MINISTER

THE EAC POST TAX AND BUDGET DIALOGUE FOR FY 2022/23

UNDER THE THEME;

**“ACCELERATING ECONOMIC RECOVERY AND ENHANCING
PRODUCTIVE SECTORS FOR IMPROVED LIVELIHOOD IN THE
EAC REGION: DEFINING JOINT STRATEGIES FOR A FASTER
RECOVERY.”**

21ST JUNE 2022

- ❖ HONOURABLE MEMBERS OF PARLIAMENT FROM THE EAST AFRICA LEGISLATIVE ASSEMBLY (EALA),
- ❖ HON. MEMBERS OF PARLIAMENT OF UGANDA,
- ❖ OFFICIALS FROM GOVERNMENT MINISTRIES, DEPARTMENTS AND AGENCIES,
- ❖ OFFICIALS FROM KENYA REVENUE AUTHORITY,
- ❖ EAC SECRETARIAT,
- ❖ DEVELOPMENT PARTNERS,
- ❖ NATIONAL BUDGET MONTH PARTNERS
- ❖ MEMBERS OF THE CIVIL SOCIETY FRATERNITY,
- ❖ THE ACADEMIA,
- ❖ MEMBERS OF THE PRESS,
- ❖ DISTINGUISHED GUESTS,
- ❖ LADIES AND GENTLEMEN, AND FELLOW UGANDANS

Good morning. On behalf of Government of Uganda, Ministry of East African Community Affairs (MEACA) and the people of the Republic of Uganda and on my own behalf, I am delighted to congratulate National Budget Month Partners including Ministry of Finance, Planning and Economic Development, Uganda Revenue Authority, SEATINI Uganda, among other Partners upon organizing this Hybrid (Virtual and Physical) EAC Post Tax and Budget Dialogue for FY 2022/23 under the theme; **“Accelerating Economic Recovery and Enhancing Productive Sectors for Improved Livelihood in the EAC Region: Defining Joint Strategies for a Faster Recovery.”** The EAC Post

Tax and Budget Dialogue for FY 2022/23 is part of a series of coordinated activities that are aimed at creating awareness about Government priorities and strategies for the FY 2022/23 and providing accountability to the citizens.

I would like to specially thank and commend the organizers of this dialogue for particularly choosing a theme that resonates with ongoing efforts across EAC Partner States towards resuscitating and bolstering economies following the advent of the COVID-19 pandemic and attendant negative effects on lives, livelihoods and economies. The COVID-19 pandemic took the entire world aback and Uganda and the EAC region were no exception. However, I would like to categorically state that with the able leadership of the National Resistance Movement and that of the President of Uganda, H.E President Yoweri Kaguta Museveni, Uganda's efforts towards responding to and fighting the deadly COVID-9 pandemic were praiseworthy. The coordinated actions by relevant Government Ministries, Departments and Agencies (MDAs) and the commitment of frontline "Health Workers" at all levels got us out the storm and kept us safe.

I take note of the fact that the Russia-Ukraine war is fueling our cost of living, fuel crisis and inflation. The current fuel crisis has had a ripple effect on the cost for transporting food in and to the region. This notwithstanding, Government of Uganda is undertaking several measures towards making the economy work for everyone including the most vulnerable people.

I would like to emphasize that the Ministry of East African Community Affairs (MEACA) with support from Government of Uganda and the President of Uganda, H.E President Yoweri Kaguta Museveni is steadfast towards contributing to the mission of the EAC towards widening and deepening economic, political, social and cultural integration in order to improve the quality of life of the people.

2022 shall be remembered as a phenomenal year for the EAC following the admission of the Democratic Republic of Congo into the EAC bloc in April. EAC now has seven-member states including Uganda, Tanzania, Kenya, Rwanda, Burundi, South Sudan and DR Congo.

I would like to reiterate that the Budget is an important tool because through the Budget, Uganda and the rest of the EAC governments can influence income distribution, provide services to its citizens, and transform the country through strategic investments.

It is also worth noting that the East African Community (EAC) member states agreed in 2007 to harmonize their budget reading as part of efforts towards harmonizing their taxation regimes. This is particularly important because when the budgets are read on the same day, it reduces the risk of policy leaks and unfair business practices.

Yet again, EAC member states (except Kenya) read their respective national budgets for FY 2022/23 on June 14. For FY 2022/23 Budget, EAC Partner States also agreed on a common theme; “**Accelerating**

economic recovery and enhancing productive sectors for improved livelihood”.

Throughout the FY 2022/23, the EAC member states will continue with the implementation of the economic policies and practices for the realization of inclusive and equitable post COVID-19 economic recovery and EAC regional integration that works for everyone.

In the same vein, consensus was reached by EAC member states to verify key statistics on debt, fiscal deficit, and inflation, among others of each Partner State. Additionally, Partner States are yet to implement the several agreed upon customs and tariffs starting in July 2022 to enhance the business environment in the region, support recovery and facilitate industrialization and structural change.

Noteworthy, on 6th May 2022, the EAC Ministers / Cabinet Secretary in charge of Trade and Finance adopted 35 percent as the 4th Band of the EAC Common External Tariff (CET). The Common External Tariff (CET) of the East African Community (EAC) Customs Union has long been considered the cornerstone of the most successful example of regional integration in Sub-Saharan Africa. CET is one of the key instruments under the Customs Union pillar which justifies regional integration through uniform treatment of goods imported from third parties. The implementation of the reviewed EAC CET shall commence on 1st July, 2022. Additionally, the reviewed CET will address the requests for stays of application, which distort the EAC CET.

As a positive step towards the promotion of industrial sectors and realization of the benefits of the African Continental Free Trade Area (AfCFTA), this move will also spur intra-regional trade by encouraging local manufacturing, value addition and industrialization. Regional Economic Communities (RECs) such as the EAC are building blocs for the AfCFTA. Currently, there is a EAC Regional Strategy on the implementation of the AfCFTA, and AfCFTA phase 2 Negotiations (Investment Protocol; Competition; Intellectual property & E-Commerce; Women & Youth in Trade protocols)

As a Community, we have come from far in relation to making the EAC regional integration fully operational. I would like to express my optimism that if all required and planned efforts are implemented, the East African Monetary Union (EAMU) will be realized and the EAC will attain a single currency by 2024. Currently, Partner States are in the final stages of selecting a country to host the East African Monetary Institute that will later become the East Africa Central Bank The East African Monetary Union (EAMU) is an important stage in the process of East African Community (EAC) Regional Integration and it is the third step in the EAC regional integration that is expected to be capped by Political Federation.

Despite notable recent progress in terms of strengthening the mobilization and effective use of domestic resources, there remain loopholes that continue to limit revenue generation outcomes. Many States in Saharan Africa are still struggling to collect sufficient revenues as well within the EAC region– often failing to reach at least 15% of

GDP in taxes, Debt to GDP ratios are increasing, surpassing the thresholds under the EAMU convergence criteria.

In respect to Debt, there are concerns of rising debt levels, cost of debt servicing not only for Uganda or the EAC countries represented here but also Africa in general. The increasing debt levels have affected Governments ability to stimulate economic growth including exports imposing pressure on foreign reserves and budget resources that leads to a deterioration and the inability to deliver critical services, which is likely that the trend could lead countries to face significant debt service costs in future. EAC member states have been working on full attainment of a Customs Union and a Common Market, amid a number of challenges which include non-tariff barriers, trade blockades and closure of border points.

Although in May 2022, Uganda and Tanzania agreed to eliminate all Non-Tariff Barriers (NTBs) hindering trade between both countries. Non-Tariff Barriers (NTBs) remain a big challenge for businesses within the EAC. NTBs generally include laws, regulations and administrative and technical requirements (other than tariffs) imposed by a Partner State, whose effect is to impede trade. They are a major concern for the business community in the region as they add to their transaction costs and thus contribute to low intra-regional trade volumes, which is one of the key factors contributing to the decline of intra-EAC trade and investment. Most of the NTBs are undermining the free movement of goods and services as enshrined in the EAC Customs Union and Common Market Protocols.

Despite the commendable progress towards creating a vibrant, private sector-led and people-centered EAC, there are challenges that still impede the full realization of the aspirations of the EAC. Notably, the recurrent revenue shortfalls almost among all EAC partners and the continued struggle to collect the much-needed revenue resources to finance their budgets curtails realization of development agendas. The EAC partner states are now struggling to deal with new challenges brought forth by the COVID-19 pandemic and the ongoing Ukrainian- Russian crisis which has disrupted the global commodity markets and trade flows to the region.

It is my hope that this very important dialogue will contribute to yielding solutions and proposals towards addressing the current debt crisis, trade-imbalances, turbulent relations among EAC partner States, NTBs among other pressing challenges within the Region.

I thank National Budget Month Partners including Ministry of Finance, Planning and Economic Development, Uganda Revenue Authority, SEATINI Uganda, Ministry of East African Community Affairs, among other Partners for organizing this dialogue which is intended to provide a platform for different stakeholders across the EAC region to discuss revenue mobilization, utilization and accountability policies and practices. I would like to commend Government of Uganda and specifically Ministry of Finance and Uganda Revenue Authority for creating initiatives like the National Budget Month and bringing on board Civil Society to engage and participate in various initiatives which are aimed at creating awareness about Government priorities

and strategies for the FY 2022/23 and providing accountability to the citizens.

I once again welcome you all to this dialogue and wish you fruitful deliberations.

FOR GOD AND MY COUNTRY