THE REPUBLIC OF UGANDA

Keynote Address

AT THE POST EAST AFRICAN TAX AND BUDGET DIALOGUE FY 2021/2022

EAC COUNCIL OF MINISTERS DECISIONS FOR FY2021/22

By

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Ministry of Finance, Planning & Economic Development

June 2021

All Protocol Observed,

Distinguished Guests,

Ladies and Gentlemen

I would like to take this opportunity to welcome you all to this high level Post East African Community Tax Budget Dialogue for 2021/22. I would also like to thank the organizers – SEATIN, CSBAG, ACODE, ODI, URA and My Ministry for organizing and to all of you who have spared your time to contribute to this dialogue. This is timely as we face the challenges of COVID-19 and progressing the regional integration agenda. It's one of its kind and I welcome many of these engagements to enhance awareness and education about the Council of Ministers' decisions in particular and East African Fiscal Policy in General.

As Government, we embrace opportunities to dialogue with Civil Society and the wider citizenry to increase participation in the process of policy formulation and to better inform policy making. As guided, my keynote address will focus on the highlights of the Council of Ministers' decisions for 2021/22.

Distinguished Participants, as we are all aware, Uganda is a member of the East African Community, and as such we participate in the various processes of the Community and are required to enforce decisions of the Community. A meeting of the EAC Council of Ministers has not been convened thus far, however we had the EAC Pre-budget meeting and the Sectoral Council on Trade, Industry, Finance, and Investment (SCTIFI), whose reports are considered by the Council of Ministers. Through experience, most of the recommendations of the SCTIFI are passed by the Council of Ministers. I therefore have no doubt the decisions of SCTIFI that I am about to highlight will be agreed on by the Council of Ministers.

Distinguished ladies and Gentlemen, the budget proposals for FY 2021/22, are premised on the need for sustainable industrialisation, inclusive growth, employment, wealth creation, import substitution, and recovery from the negative economic impacts of COVID-19 in East African Community. In this regard, the Ministry proposed to maintain protective rates ranging from 25% to 60%, instead of 0%, 10% and 25% on goods manufactured in Uganda, for a period of one year. These are majorly products where Uganda has a competitive advantage, and they include; Meat and edible meat offals, fresh or chilled potatoes, sausages and similar products, chewing gum, other sugar confectionery (sweets), chocolates, biscuits, tomato paste and sauce, honey, ready to drink juices, ginger, jams, processed tea and coffee, among others.

In addition, we proposed to extend duty remission for essential inputs used by manufacturers, under the EAC Duty Remission Scheme. These inputs are taxed at reduced duty rates (0% or 10%) for a period of one year. The normal rates are usually 10% or 25%. This is aimed at reducing the cost of inputs and hence the cost of doing business in Uganda. Some of these inputs include those that are used in the manufacture of textiles, footwear, and assembly of motorcycles, among others.

In this regard, the Sectoral Council on Trade, Industry, Finance, and Investment made the following decisions which will be considered by the Council of Ministers:

(a) Adopted Partner States' budget proposals for the fiscal Year 2021 / 2022. The detailed proposals will be published in the EAC gazette, usually by 30th June.

(b) Decided that equipment used in the manufacture of textiles and footwear which do not qualify for remission of duty under Section 140 of the EACCMA, 2004 be granted a stay of application up to 30th June 2022.

(c) Directed Partner States that submitted lists for remission of duty to remove items that are available in the region in sufficient quantities; and

(d) Directed the Committee on Customs to develop proposals to cater for tools, equipment and spare parts of machines not classified under Chapters 84 & 85 imported by manufacturers of textile & footwear, by November 2021.

Distinguished Participants, the Protocol for the establishment of the EAC Customs Union provides for the Common External Tariff (CET) as one of the pillars of the Customs Union. The CET was designed to provide a stable, transparent and predictable trade regime, in order to enhance domestic production, attract investment and create a uniform trade policy across the region. The current CET was negotiated and agreed in 2004.

The CET is designed as follows:

(a) A minimum rate of 0% duty levied on imports of raw materials and capital goods;

(b) A middle rate of 10% duty charged on imports of intermediate goods;

(c) A maximum rate of 25% levied on imports of finished goods; and

(d) Rates of duty ranging from 35-100% for sensitive products.

Over the last decade, there have been a number of challenges encountered in the implementation of the CET. These include, but are not limited to:

(a) Inadequate protection for domestic industries.

(b) The lack of a comprehensive and cohesive trade and industrial policy in the region.

(c) Partner States maintaining a degree of fiscal and policy space to make policies and decisions which have an adverse impact on the CET.

(d) Persistence of non-tariff measures and barriers.

(e) Multiple memberships of the Partner States in different blocs.

(f) Inadequate institutional and regulatory frameworks at regional level to support the implementation of the CET.

(g) External factors – Globalisation and increased trade protectionism around the world.

As a result of these challenges, the Community agreed to undertake a comprehensive review of the CET. The Council of Ministers directed the EAC Secretariat to begin the process of CET review in 2016. Negotiations among Partner States are on-going.

Thus far, the Partner States have agreed to a revised four band structure, rather than the current three band structure, consisting of 0% for raw materials and other inputs, 10% for intermediate inputs, 25% for finished goods not readily available in the region and a higher band above 25% for finished goods readily available in the region. However, there is no consensus on the rate above 25 % (the proposed rates are 30% or 35%). These rates of duty align with the overarching policy goals of industrialisation, employment, wealth creation and inclusive growth.

Distinguished Participants, as you may be aware, the EAC Customs Management Act was passed in 2004, which is 17 years ago. There have been some challenges in implementing the Act. In this regard, the Council noted the need to review and update it to suit the current times. As such, the Customs Management Act is being reviewed to take into account the developments in trade and the regional development goals and objectives.

Distinguished Participants, one of the major impediments to regional trade in the EAC, is the issue of non-tariff barriers. Whereas trade among the Partner States does not attract tariffs, non-tariff measures have increasingly been adopted, which have the effect of reducing intra-regional trade. We are all aware of the recent barriers that Ugandan goods have faced in accessing some countries. In order to mitigate this menace, the Sectoral Council;

(i) urged the EAC Regional Coordination Committee (RCC) on Covid-19 to review and harmonise the Covid-19 testing charges, validity, and mutual recognition of the certificates with a view to ensure safe and smooth movement of goods and persons in the Region,

(ii) directed the Republic of South Sudan and the Republic of Uganda to operationalise the Nimule / Elegu One Stop Border Post (OSBP) by having all relevant officials operating from the OSBP,

(iii) directed Partner States to use regional structures such as the EAC Standards Committee to resolve matters amongst themselves other than taking Unilateral Interventions,

(iv) directed the Republics of South Sudan, Uganda, and Kenya to expedite the removal of visa fees among themselves, and

(v) directed the EAC Partner States to remove all discriminatory fees, levies, and charges of equivalent effect inter alia.

Distinguished Participants, the Single Customs Territory was developed to reduce restrictive regulations and/or to minimise internal border controls on goods moving among Partner States with the ultimate objective of free circulation of goods. The objective is to reduce the cost of doing business, reduce administrative costs related to enforcement among other benefits. The SCT is being implemented, although there are some challenges, the business community has greatly benefited.

Distinguished Participants, to reduce smuggling and for easier tracking of cargo in the region, a regional electronic cargo tracking system (RECTS) was developed and deployed. To fully implement the program, the Council directed the Uganda Revenue Authority, Tanzania Revenue Authority and Rwanda Revenue Authority to dedicate the personnel and other resources to facilitate the implementation of the interface. In addition, the Council directed the EAC Secretariat to convene a physical meeting between URA, TRA and RRA technical teams to commence the implementation of the interface of the RECTS. In addition, the Council directed Partner States to secure sustainable financing of RECTS.

In order to develop the private sector in the EAC, the Community developed a harmonised Private Sector Development Strategy. In this regard, the Council directed the Secretariat to develop the roadmap including the preparation of a concept paper and Terms of Reference for a Technical Working Group (TWG) to spearhead implementation of the EAC Private Sector Development Strategy; and fast-track the development of the EAC local content policy. This is intended to enhance the Private Sector Participation in the Regional Integration agenda.

Once again, I would like to thank the organisers for organising the dialogue. To the Distinguished Participants, thank you for sparing your valuable time to come and attend the dialogue. I hope the information shared will assist us understand the EAC fiscal regime and regional development agenda.

For God and my Country.