Tax Revenue Mobilisation in the EAC

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Background: Fiscal context

- Widening gap between aid receipts and expenditure
- Tax revenues: moderate upward trend, mixed experiences
Background: Levels & structure

- Revenues generally below SSA average. Differing structures.
- Highlight scope for improvements? How justified are differences?
Research plan: overview

• 3 parts:
  a. Cross-country tax capacity and tax ‘effort’ estimation
  b. EAC-focused policy paper
  c. Longer-term programme of IGC EAC research
Tax capacity and tax ‘effort’

- To what extent could countries raise additional revenue?
- Fenochietto and Pessino (2013):

<table>
<thead>
<tr>
<th>For year 2011</th>
<th>Actual tax revenue (% GDP)</th>
<th>Estimated tax capacity (% GDP)</th>
<th>Estimated tax effort</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>20.7</td>
<td>27.4</td>
<td>76%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>15.3</td>
<td>27.0</td>
<td>57%</td>
</tr>
<tr>
<td>Uganda</td>
<td>12.4</td>
<td>19.5</td>
<td>64%</td>
</tr>
</tbody>
</table>

- Update and expand estimation: new data; wider country coverage; broader set of determinants; and estimation for different tax categories.
EAC policy paper

• Questions:
  • What level of tax revenue is feasible? And desirable?
  • What tax structure is desirable?
  • How can these be reached (policy, administration, …)?

• Theory and evidence – in EAC context

• Preliminary analysis of levels and composition

• Priorities for further research
Thank you

- Questions, comments, suggestions?