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Domestic Revenue Mobilization for Development ANNUAL REPORT

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ACTIVITY OVERVIEW/SUMMARY

Activity Name:	Domestic Revenue Mobilization for Development
Activity Start Date and End Date:	January 21, 2020 – January 20, 2025
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Contract Number:	Contract No. 720OAA18D00014 Task Order No. 72061720F00002
Name of Sub-awardees:	Cardno Emerging Markets USA, Ltd.
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ACRONYMS AND ABBREVIATIONS

AAU	Action Aid Uganda
ACODE	Advocates Coalition for Development and Environment
AMELP	Activity Monitoring, Evaluation, and Learning Plan
BEPS	Base Erosion and Profit Shifting
CG	Commissioner General
CGV	Chief Government Valuer
CoBAMS	Makerere University College of Business and Management Sciences
CSBAG	Civil Society Budget Advocacy Group
CSCO	Civil Society Coalition on Oil and Gas
CSOs	Civil Society Organizations
DFID	U.K. Department for International Development
DRIPs	Domestic Revenue Improvement Plans
DRM	Domestic Revenue Mobilization
DRM4D	Domestic Revenue Mobilization for Development
DRMS	Domestic Resource Mobilization Strategy
DRUM	Domestic Revenue Mobilization, Public Investment Management and Transparency
DTAs	Double Taxation Agreements
EITI	Extractive Industries Transparency Initiative
GIS	Geographic Information Systems
GoU	Government of Uganda
HMRC	Her Majesty's Revenue & Customs
HR	Human Resources
IBFD	International Bureau of Fiscal Documentation
IMF	International Monetary Fund
ICPAU	Institute of Certified Public Accountants of Uganda
KACITA	Kampala Traders Association
KCCA	Kampala Capital City Authority
LG	Local Government
LGFC	Local Government Finance Commission

LGRA	Local Government Rating Act
LOE	Level of effort
MEC	Management Executive Committee of URA
MEL	Monitoring, Evaluation, and learning
MoFPED	Ministry of Finance, Planning, and Economic Development
MoLG	Ministry of Local Government
NSAs	Non-state Actors
NCCI	National Chamber of Commerce and Industries
PFM	Public Financial Management
PIRS	Performance Indicator Reference Sheet
PSFU	Private Sector Foundation Uganda
QASP	Quality Assurance Surveillance Plan
SEATINI	Southern and Eastern Africa Trade, Information and Negotiations Institute
SOPS	Standard Operating Procedures
STTA	Short Term Technical Assistance
TIN	Taxpayer Identification Number
TOR	Terms of Reference
UAAU	Urban Authorities Association of Uganda
UIA	Uganda Investment Authority
ULS	Uganda Law Society
UMA	Uganda Manufacturers Association
URA	Uganda Revenue Authority
USAID	United States Agency for International Development
USMID	Uganda Support for Municipality Infrastructure Development
USSIA	Uganda Small Scale Industries Association
VAT	Value Added Tax

INTRODUCTION

Every country needs sufficient resources to run its economy and to finance public expenditure. Uganda has made solid efforts over the years to generate revenues, but the efforts are still not sufficient to enable the country to meet its budgetary requirements. Uganda's tax to GDP ratio¹ is at 12.9%, which is still well below the Sub-Saharan average of 16%.

In recognition of the need for more revenue generation, the Government of Uganda (GoU) prepared a Domestic Revenue Mobilization Strategy (DRMS), a five-year program that ends in January 2025, that is intended to strengthen Uganda's capacity to generate sufficient revenues to finance its expenditures and hence reduce dependency on donor aid – a key factor in supporting Uganda's journey to self-reliance. Several development partners are providing support in various ways within the Domestic Revenue Mobilization (DRM) space.

ACTIVITY DESCRIPTION

USAID initiated the Uganda Domestic Resource Mobilization for Development (DRM4D) activity to support the Government of Uganda fast track its journey to self-reliance and increase domestic spending on health, education, agriculture, and other public services. The project commenced on January 21, 2020 and runs through January 20, 2025. It is being implemented by Nathan Associates Inc. in partnership with its subcontractor Cardno Emerging Markets.

The activity is comprised of three components, namely, Strengthening Tax Policy, Improving National and Sub-national Revenue Administration, and Enhancing Public-Private Dialogue. The support is being delivered to GoU through technical assistance, capacity building, and, as USAID deems appropriate, commodity support:

(I) COMPONENT I: TAX POLICY STRENGTHENED:

This component is designed to equip the Ministry of Finance, Planning, and Economic Development (MoFPED), the Uganda Revenue Authority (URA), and other policymakers with the tools and skills to conduct policy analysis, evaluate, and communicate the impact of tax and non-tax revenue reforms, and take steps to operationalize the key policy tenets of the DRMS.

¹ URA annual revenue report 2019/2020, National Budget Framework Paper 2020/21, National Development plan 2020/21 – 2024/25 (NDP III).

(II) COMPONENT 2: TAX AND NON-TAX REVENUE ADMINISTRATION AND COMPLIANCE IMPROVED:

The component is focused on enhancing voluntary taxpayer compliance by strengthening taxpayer education, registration, data analysis and arrears management. The other areas of focus include expanding support to new areas to address emerging compliance risks and operationalize the key administrative tenets of the DRMS. At the sub-national level, the focus is on identification of options for tax and nontax revenue mobilization for a selected number of local governments.

(iii) COMPONENT 3: PUBLIC-PRIVATE DIALOGUE ENHANCED:

The component is designed to build capacity within the private sector and civil society to participate in and influence tax policy reforms and contribute to an informed dialogue on taxation. DRM4D will ensure that public input informs decision making on DRM-related reforms, in particular advocacy for increased investment in service delivery and, of course, for increased utilization of government revenues in social expenditure.

The activity strategically combines grants and technical assistance to achieve activity objectives.

ACTIVITY IMPLEMENTATION PROGRESS

The first year of the Activity was abridged, having started in late January, and ending on September 30th. The COVID-19 lockdown from March to May 2020 negatively impacted the speed and level of engagement with stakeholders. The initial focus of the Activity was to establish a firm start by building inroads into the Uganda DRM space and securing good traction with key stakeholders on the ground. The entire range of activities carried out during the year can be summarized into six broad areas:

- 1. Communicating and popularizing the project** to a cross section of stakeholders including the main counterparts (MoFPED, URA, MoLG), private sector associations, civil society, and other development partners in the DRM space. This was intended to secure buy-in from counterparts, secure alignment, and leverage from the other development partners and bring on board all relevant players, including civil society and their expected participation, going forward.
- 2. Situation analysis:** This involved investing time to understand and appreciate the challenges on the ground and defining the precise needs. This was done comprehensively across URA and for local governments, including 8 of the 10 new cities recently created in Uganda.
- 3. Scoping of the proposed interventions:** This involved a selection of the areas of need where DRM4D can create maximum impact, then designing interventions that would best help to address the identified needs both in the short-term and in the long-term. It involved detailed

meetings and discussions with stakeholders, as well as background studies of previous interventions and advice given.

- 4. Preparing detailed scopes of work (SOWs), discussing them with counterparts, and securing their approval and signoff:** This was completed for the work on rewriting the main tax laws, the URA structural review, arrears and debt management, complex audits, VAT audits, communications, and an IT systems audit.
- 5. Identifying and securing technical assistance:** This was completed for the rewrite of the primary tax laws, the training of tax policy officials and the HR intervention at URA. It is ongoing for the other areas of work and involves identifying the best possible consultants, agreeing the work program with them, and securing necessary approvals for their engagements.
- 6. Implementation of the interventions:** This involved engaging with counterparts through consultants, and then managing and monitoring the work output. The interventions commenced are the overall structural review for URA, and on the tax policy side, the diagnostic review of the main tax laws, which will be followed by their re-write. More detail is included in the Progress Narrative section below.

In summary, DRM4D broadly set out to achieve the following during this period:

- a. **Under Component 1**, a complete review and rewrite of the primary tax laws and a comprehensive training of Tax Policy Department staff at MoFPED.
- b. **Under Component 2**, a comprehensive structural review of URA, as well as interventions to produce revenue gains through debt management, VAT audit, complex audit and improved communications at national level, and diagnostic assessments of revenue performance at sub-national level.
- c. **Under Component 3**, capacity building of non-state actors in tax policy and in advocacy for a more equitable tax system and increased spending in social sectors.

Table I below provides a brief on activities implemented and resultant achievements followed by the next step actions. Further details on each implemented activity are provided in the Progress Narrative following the table.

Table I: Status of Activity Implementation

Ref	Intervention	Status to end of year I	Next steps	Sub IRs
1.0	Tax Policy enhanced			
1.1	Consult stakeholders involved in tax policy development	Several engagements were held with MoFPED and URA; private sector organizations (ULS, UMA, ICPAU and PSFU); and Civil Society Organizations (CSOs) (SEATINI, CSBAG, and others)	Submissions are being received in respect of the ongoing diagnostic review of the main tax laws	Sub IR.1.2
1.2	Prepare a tax policy reform strategy and a diagnostic review of the main tax laws	Concept for diagnostic review of the main tax laws was presented, discussed with MoFPED and duly approved. Consultant was hired for the diagnostic review and the re-draft of the laws	Diagnostic review report will be ready by end November 2020	Sub IR.1.1, Sub IR.1.3
1.3	Support GoU to draft legislation	Consultant was hired	Planned to be started in December 2020, after the diagnostic review report is studied by counterparts, and contributions received from stake holders	Sub IR.1.1, Sub IR.1.3
1.4	Provide tax policy analysis training	Training program designed, training provider identified, now working on logistics for the implementation and procurement of providers	Planned to be implemented with effect from first week of December 2020 and running through early 2021	Sub IR.1.1
2.0	Tax and Non-tax revenue administration strengthened			
2.1	National Revenue Administration			
2.1.1	Support URA to review its organizational structure and modernize its HR policies	STTA hired to review structure; approval requests for hiring consultants for organizational culture and integrity are in development	Structural review report and recommendations will be ready end of next quarter	Impact Level Outcomes
2.1.2	Support URA to strengthen rental tax compliance monitoring	Preliminary strategic and scoping engagements held with URA senior management and the rental tax unit. Other engagements were also held with RippleNami	In year two, we hope to collaborate with RippleNami in supporting URA rental unit	Sub IR2.3, Sub IR2.1
2.1.3	Support URA to prepare for its new e-tax system	Consultant hired to do a full audit of the current URA IT systems and make recommendations	Evaluate the results of the IT systems audit and then prepare supply level strategies.	Sub IR2.1, Sub IR2.3

Ref	Intervention	Status to end of year 1	Next steps	Sub IRs
2.1.4	Support URA to design and implement the second program of Financial literacy training (FINLIT 2)	This activity was deferred to the 3rd year. Engagements showed that URA would rather first work on improving its communications. This will better equip URA to do better tax education. DRM4D is replacing this activity with a communications activity in the year 2 workplan	TORS for Communications specialist are agreed with URA and the specialist is planned for hire in Q1 of 2020/21	Sub IR2.1, Sub IR2.3
2.1.5	Improve the effectiveness of tax audits	TORS for VAT audits and complex audits, prepared and discussed with URA, approval requests are in development to hire STTA for these two areas	Hands-on support to be given to URA in VAT audits, and complex audits starting February 2021	Sub IR2.1, Sub IR2.2, Sub IR2.3
2.1.6	Strengthen debt management	TORs for debt management discussed with URA, and process for hiring STTA is underway	Hands on support to be given to URA in debt management is planned to start in February 2021	Sub IR2.2, Sub IR2.3
2.1.7	Improve information sharing between URA and third parties	Rental Unit has already leveraged the use of data from KCCA, NWSC, and the energy companies in its efforts to identify new landlords	More engagements to utilize these channels will be continued	Sub IR2.1, Sub IR2.3
2.1.8	Strengthen URA's service delivery	Engagements held with URA Contact Center to discuss how DRM4D can support the dissemination of information and responses to issues raised by the general public through call in centers	Will support strengthening of the Contact Center, and URA compliance/service centers and mobile tax offices in Y2	Sub IR2.1, Sub IR2.3
2.1.9	Support URA to train its staff	Engagements held with the URA HR development team during which required interventions were scoped, there after the potential training institutions were identified, discussions are on- going with them on to ensure the best training interventions are designed	Will support establishing of URA academy by helping to design online training as a start, training of trainers in Y2	Sub IR1.1,
2.2	Sub National Revenue Administration Strengthened			
2.2.1	Consult key stakeholders	Engaged MoLG, LGFC, Chief Government valuer, USMID for support in property valuation processes. DRM4D was able to receive buy-in for proposed intervention in improving revenue from property tax. The MoLG will support proposals for review in the LGRA while the CGV pledged to support training LG staff if called upon. The MoLG and LGFC guided DRM4D on policy direction and GoU expectations in terms of fair taxation and support for 10 cities. The MoLG requested that all cities be considered for harmonized development.	Continue engagements to develop fiscal-social compacts and enhance better taxpayer relationships. Continued social dialogue will increase commitment, reduce resistance and influence of vested interests. Consequently, implementation of any reforms will be easy and sustainable.	Sub IR2.2, Sub IR2.3

Ref	Intervention	Status to end of year I	Next steps	Sub IRs
2.2.2	Increase property tax coverage and collection of other non-tax revenues	Carried out a diagnostic assessment on the state of DRM Cities to establish baseline indicators and to identify support needed by the cities. Out of the 10 target cities, 7 were covered where 5 are part of the originally selected 8. to identify strategy for possible, roll out, benchmarking was done at KCCA and Kira Municipality considering that these two LGs have experienced faster revenue growth. The findings will guide formulation of future support strategy and provided knowledge on the operational challenges within the LG Rating Act (LGRA) which will be brought to attention of the MoLG by DRM4D.	Will support processes leading to better property valuation and tax collection strategies. Develop Domestic Revenue Improvement Plans (DRIPS) at City level. Strategy to improve revenues will be developed around: improvement of registers, support for property valuation, increased social dialog, and other quick win interventions	Sub IR2.2, Sub IR2.3
2.2.3	Support municipalities to create digital records of the local taxpayer base	Engaged with LG finance commission to assess the status of digitization, engaged with LGs to determine what needs to be done to improve revenue registers, worked out a commodity support budget. The LGFC will support efforts of DRM4D to roll out systems that will be approved by the MoLG and continue to share any new information on systems development.	Support activities for data collection and improvement of revenue registers and data base systems. Will hire STTA in Y2 to support taxpayer data collection, input, training and supply of equipment and gadgets to support the goal of comprehensive digitization.	Sub IR2.1, Sub IR2.2 and Sub IR2.3
3.0	Public-Private Dialogue Enhanced			
3.1	Promote written MoUs and structured dialogue between parties	Deferred. Consultations at the inception phase revealed that there were a number of forums that could be used for interface between state agencies and Non-state Actors NSAs	DRM4D is closely working with stakeholders to identify existing forums where they exist and how they can be strengthened to be able to serve the purpose. Where they do not exist, especially in the New Cities, support will be provided to create and nurture them.	Sub IR 3.1
3.2	Involve the private sector organizations in the operations of tax compliance centers	Deferred. The Team could not visit the two service centers targeted that are located in Mbarara and Kabale due to COVID-19 restrictions	The Team is still reflecting and engaging URA to determine whether to carry forward with this activity	Sub IR3.2
3.3	Review taxpayer education and compliance materials in	Pending the arrival of the communications specialist who is expected to be deployed in Q1, Y2.	When materials are in place NSA will be mobilized to get access and review the IECs	Sub IR3.3, Sub IR3.2

Ref	Intervention	Status to end of year I	Next steps	Sub IRs
	collaboration with DRUM			
3.4	Develop a communications strategy for URA	TORs for communication specialist were produced, discussed with URA. Approval was sought and secured for the consultant to begin work in Y2.	Specialist will be hired in Y2 to give hands on support to URA and to support development of an improved communications strategy	Sub IR2.1
3.5	Facilitate sector meetings to help URA improve its relations with its clients	Preliminary consultations were held with URA and NSAs to map out issues of interest for each sector that may form basis for engagement	Engagements will start taking place in Y2	Sub IR3.2, Sub IR 1.3
3.6	Create dialogue forums and MOUs at the municipal level	This was deferred as the timing was not right, given the abridged period due to COVID. Initial attention was placed on the diagnostic review of the cities. The dialogue forums will then be more meaningfully created after this.	To be done in Y2	Sub IR2.1, Sub IR2.2, Sub IR3.3
3.7	Engage the private sector in the design of the URA's new E-Tax system	This was deferred as URA was getting itself together following the changes in top management and the fact that the COVID restrictions limited physical meetings.	The participation of NSAs will be supported in Y2	Sub IR1.2, Sub IR 3.2
3.8	Support CSO advocacy	Preliminary engagements held with CSOs	The initiative will start in Y2	Sub IR3.1
3.9	Support CSOs to carry out budget tracking.	Preliminary engagements held with CSOs	NSAs will be supported to carry out budget tracking in the poverty reducing sectors, as well as oil and gas sector	Sub IR 3.2, Sub IR3.3
4.0	Cross-Cutting Activities			
4.1	Political economy analysis	Have prepared TORs for analysts and in process of securing approval	Consultants are expected to complete the political economy analysis in December 2020	IR1, IR2, IR3
4.2	Gender and Social Inclusion Analysis	GYSI analysts drafted literature review, conducted field research, and began drafting analysis	GYSI report will be submitted to USAID in Q1, its recommendations will be incorporated in the implementation of planned activities	IR1, IR2, IR3

PROGRESS NARRATIVE

From the outset, the DRM4D team realized it would be necessary to take a two-pronged approach of developing quick revenue wins, while also proposing longer-term interventions that would have a major impact on organizational structures and capacity development at both MoFPED and URA. These would set the scene for a significant increase in the tax to GDP ratio over the life of the Activity. The Government of Uganda had produced and published a comprehensive and detailed Domestic Revenue Mobilization Strategy (DRMS) just before the DRM4D Activity commenced in early 2020. It was clear that the DRMS would need to be brought to life in the form of enabling legislation, and the Activity observed that there was strong support for this within MoFPED. It was also clear that considerable capacity building work would be required to ensure that MoFPED tax policy personnel were brought up to a high level of understanding on tax policy issues, and it was felt that these two interventions could proceed side by side in a mutually supportive manner.

In discussions with the Uganda Revenue Authority (URA), DRM4D agreed to focus on certain areas that would likely produce quick revenue wins. These were, broadly speaking, in the tax audit and debt collection areas, as well as in taxpayer communications. The longer-term intervention involved a comprehensive review of the URA's human resources policies and procedures, its organizational structure, and its organizational culture, including its integrity standing.

Throughout the reporting period, DRM4D remained resolutely focused on this two-pronged approach of seeking the support of URA and MoFPED to strengthen and boost short-term revenue collections and to advance as much as possible the longer-term tax policy and revenue administration objectives that are prerequisites for increasing the tax-to-GDP ratio within the period of performance of the DRM4D Activity.

In recent years, some implementing partner projects had found it difficult to gain traction with URA management and counterparts. However, DRM4D did not have this experience, mainly because its adviser personnel are, with the exception of the CoP, entirely Ugandan nationals, and some of these are ex-URA staff. Also, DRM4D was able to build on the good working relationship between USAID and the URA following the success of the pilot activity in 2017 and 2018. DRM4D was also able to leverage the team's long experience in tax administration in neighboring countries and internationally, as well as the good personal relationships with former URA Commissioners General and senior personnel over many years. This team profile greatly benefitted DRM4D and ensured that meetings with senior personnel took place at an early stage upon commencement of the Activity.

Early meetings with the Commissioner General and senior personnel produced valuable insights that laid the basis for the preparation of the Year I Work Plan. However, the onset of the COVID-19 pandemic greatly distracted counterparts' availability, as they had to work from home but still needed to engage in daily firefighting activities to protect revenue while simultaneously trying to save businesses from financial ruin from the resultant lockdown shock.

The subsequent easing of the lockdown saw a further boost with the appointment of a new Commissioner General who came with a strong mandate from the Head of State to improve URA's integrity standing with the general public. The appointment of the new CG at URA was quickly followed by further changes of senior personnel at URA. DRM4D proposed an extensive intervention aimed at supporting the CG's integrity drive, and this was developed to include a review of the URA's organizational structure, its organizational culture and its entire suite of human resources policies and procedures, including URA's rewards structure. A team of dedicated professionals was recruited, and the work commenced in Q4 with the review of the URA's entire organizational structure that will make recommendations for its reform and modernization.

During Q3, URA held a Development Partner Conference during which DRM4D advocated for a more direct approach on engagement with donors and a direct line of contact between the CG's office and the development partners. The conference was seen by URA as a success, as there was widespread participation by donors, and more streamlined procedures were introduced to allow development partners to interact directly with the CG's Office following the meeting. URA undertook to hold such a conference every six months and to provide regular updates to donors in the meantime.

As part of the direct engagement approach, during Q3, the URA provided DRM4D with office accommodation. This facilitated DRM4D's interactions with the CG and other URA personnel and greatly assisted in building trustful relationships with URA counterparts.

Q4 saw the parallel commencement of the high-level tax policy and tax administration interventions. The diagnostic review of the primary tax laws commenced at MoFPED and the organization structural review commenced at URA.

MoFPED sought tax policy training and DRM4D proposed to have this delivered for all MoFPED tax policy personnel by an international professional tax training institute. In collaboration with the proposed training institute, DRM4D worked to produce a detailed training schedule at Foundation, Intermediate, and Advanced levels that would be spread over several months of training and would bring all tax policy staff up to a common standard.

The remaining high-level strategic consideration was addressing URA's E-tax system. DRM4D supported URA in seeking financial support from REAP funds to develop the existing system, while charting an approach for acquiring a replacement E-Tax system. This strategy was discussed extensively with senior management within URA, and a draft letter to REAP was prepared for the CG to send.

DRM4D proposed interventions in VAT field audit, complex audit, debt recovery, and communications as a means of stimulating quick revenue wins. These interventions were designed to build on the success of similar interventions undertaken during the pilot activity and were discussed with senior URA personnel. Draft Scopes of Work were prepared and submitted to URA's Management Executive Committee (MEC) in September 2020. The interventions were designed to empower URA to reduce the level of overall tax debts by collection of arrears or by encouraging write-offs of uncollectible debt, to conduct more complex audits such as those of telecom companies, banks, extractive companies, and branches or subsidiaries of foreign investors, and to conduct field audits of Value Added Tax remitters. These interventions, which build on similar interventions during the pilot activity, are likely to proceed during Q1 of the 2020/2021 year.

At the local government level, DRM4D had originally planned to work with 5 cities, but this was increased to 8 cities through discussion with USAID. We worked to identify potential opportunities for improvements in revenue, with a view to developing strategies that would lead to sustained revenue improvements. The key areas of focus are property tax, business licenses, and market fees, which roughly amount to 55% of local government revenues on average. During Q3 and Q4, DRM4D worked to complete a diagnostic assessment of the municipalities' revenue mobilization, while at the same time circularizing and providing guidance on immediate strategies for improving revenue in the short run.

Five of the eight municipalities have been evaluated in addition to two other municipalities (Lira and Soroti) for benchmarking. Moreover, the MoLG requested that all cities be considered under this Activity so that there is harmonization in developing strategies for improving revenues and service delivery. DRM4D was involved in high-level engagements with the MoLG and LGFC, as well as in forums for other development partners as a means of harmonizing policy direction and obtaining insight into what GoU desires to achieve through the Activity. High level engagement with the Permanent Secretary of MoLG provided an opportunity to obtain the valued commitment and buy-in required to ensure sustainable implementation of reforms. DRM4D is committed to continuous sharing of information and working together with state agencies and partnering with other development partners for effective implementation of strategy.

We engaged with the Chief Government Valuer (CGV) to seek guidance for development of a fast and cost-effective strategy for property valuation, considering that it is costly and requires the use of scarce professional valuers that are critical to improvement of municipal revenues. The CGV has pledged support in property valuation to include guidance in formulation of easy-to-use methods and training of municipality staff to conduct supplementary valuations.

Throughout Q3 and Q4, DRM4D held thirty meetings with both civil society and private sector organizations in Kampala to explore their appetite for tax reform, to understand their capacity building needs, and to test their willingness to advocate for increased expenditure in the social sector. DRM4D was greatly impressed by the level and range of the interest in taxation in the non-governmental sector and by their support for the diagnostic review of the tax laws. During Q4, we encouraged many of them to make formal submissions to MoFPED for reform, and we continue to monitor this work as it progresses.

COMPONENT I – TAX POLICY STRENGTHENED

During Q2, DRM4D met with MoFPED and URA to discuss priorities for reform, including extractives policy, e-commerce, exchange of information, tax appeals, and expansion of withholding taxes. Based on these discussions, MoFPED agreed to carry out a review of the Income Tax Law and the Value Added Tax law (primary tax laws) that is ongoing and will be completed by the end of Q1 of 2020/2021. The review will focus on the consolidation and modernization of the laws, while also taking account of the ongoing discussions on the OECD's Base Erosion and Profit Shifting (BEPS) proposals and the recommendations for the taxation of the digital economy. The review will lead to the preparation of new primary tax laws that are planned for enactment in 2021.

The review process began during Q3, when DRM4D prepared a Concept Note for a Diagnostic Review of the Income Tax and Value Added Tax laws. The review is analyzing ways to consolidate, modernize, and simplify the primary tax laws, enact many of the proposals from the DRMS and incorporate best international practices from the OECD BEPS program. The Diagnostic Reviews would then lead naturally to the preparation of the new tax laws. MoFPED was highly receptive to this proposal and several meetings were held within MoFPED to refine the Concept Note.

During Q4, the Concept Note was approved by MoFPED, and DRM4D moved quickly to recruit the services of a highly respected legal drafter, who was contracted and began work within the quarter. The diagnostic reviews will be completed during the first quarter of the 2020/2021 year, and early drafts of the new primary tax laws will be produced shortly thereafter.

Simultaneously, DRM4D embarked on putting together a capacity building program for tax policy officials at MoFPED. Initial discussions had revealed a capacity gap where most staff, especially at the lower levels, lacked a basic understanding of tax policy. DRM4D then moved to identify potential providers of the tax policy training. MOFPED were most interested in having the International Bureau of Fiscal Documentation (IBFD)², who have worked with both URA and MoFPED in the past, rather than the other proposed training provider, given their wide experience and practical approach. IBFD has since proposed a training curriculum, which has been discussed in detail with MOFPED. Plans are under way to implement the training in the first quarter of year 2 and will be concluded in quarter 2 of year 2.

COMPONENT 2 – TAX AND NON-TAX REVENUE ADMINISTRATION AND COMPLIANCE IMPROVED

The Uganda Revenue Authority is the oldest revenue authority in Africa and has achieved good revenue performance in the past. However, the realized tax-to-GDP ratio has stagnated below 13% for several years. Both the Domestic Revenue Mobilization Strategy and the URA's Corporate Plan identify several critical issues that need to be addressed to strengthen revenue collection. These include:

1. Limitations in technical capacity,
2. Poor integrity and weak service delivery in tax administration,
3. Weak ICT infrastructure, which needs to be upgraded, and
4. A large informal sector that pays little tax revenue.

DRM4D held engagements to identify the required interventions, bearing in mind the need for quick revenue wins and the need for strategic interventions that would ensure sustainable revenue performance in the longer term, referred to as the two-pronged approach.

DRM4D identified the following short-term interventions that would yield quick revenue wins: a) strengthening debt collection and arrears management, b) improving efficiencies in audits, particularly

²The International Bureau of Fiscal Documentation (IBFD), established in 1938, is one of the leading knowledge centers on international taxation in the world. With an international staff of 75 tax researchers from around 40 countries, it fulfills the knowledge and information needs of public and international organizations, ministries of finance, tax administrations, universities, tax advisory firms, multinational enterprises, and other tax practitioners in over 150 countries. Their experience with Anglo African tax systems includes capacity building work they have within the East and central African region in countries like Kenya, Tanzania, Zambia, and Ethiopia. They also worked with Uganda, especially in providing international tax training to selected staff in the Large Taxpayers office.

with regard to VAT and complex audits, c) improving information sharing, d) increasing recovery of tax on rental income, and e) improving tax compliance.

The strategic interventions identified included supporting URA prepare for the new eTax system, supporting URA to enhance its communications both within and outside the organization, supporting URA's HR development efforts and an overall review and enhancement of its organizational structure, integrity and culture.

During Q2, several meetings were held with the Commissioner General and senior management, and URA's Research and Planning Department (Donor Coordination Unit), focusing on the URA's Corporate Plan. The critical areas identified from these engagements were incorporated in the Year I Work Plan, and included debt and arrears management, audit support, especially in respect of e-commerce and international transactions, compliance centers, and improvement in data and information use.

The start of the Q3 reporting period saw the appointment of a new Commissioner General who came with a mandate from His Excellency, the President of the Republic, to conduct wholesale organizational reforms at URA. Within a brief period of his appointment, the CG moved to dismiss several high- and mid-level officials who were suspected of being engaged in corruption.

DRM4D seized upon this opportunity and quickly proposed a detailed Integrity and Human Resources improvement strategy to the new CG. This proposal stressed the importance of reviewing the organizational structure, improving the organizational culture, and ensuring that URA staff have the opportunity to develop a personal stake in the organization. Draft documentation on how to advance the integrity agenda was prepared and given to the URA for discussion and review.

During Q4, URA approved the strategy presented by DRM4D and we moved to find and mobilize a team of organizational development, HR, rewards, and IT professionals who could work with the URA teams to implement the strategy. A high-level team was identified and a detailed work plan for their inputs was produced. A highly respected expert in revenue authority organizational development strategies was quickly appointed. It is expected that the rest of the team will begin work early in Q1 of the 2020/2021 year.

Hand in hand with the organizational development interventions above, DRM4D sought to support URA in HR development, particularly in ensuring that there is robust capacity building as it is essential in achieving the anticipated quick wins. URA has a fairly well-organized training function, and three basic technical training programs covering technical content for the domestic tax, customs and Tax Investigation departments.

The URA HRD team requested DRM4D to provide support in quality assuring the curriculum and content of their basic training programs, translating the material into interactive online content, as well as supporting them in training the trainers and getting them on an accreditation program. This intervention will be progressed in Quarter I of the 2020/2021 year.

Consistent with the two-pronged approach outlined above, DRM4D prepared draft Scopes of Work for interventions in the areas of VAT field audit, Complex Audit, Debt Management and Recovery, and Communications support. Separately, URA had signed a contract with a US blockchain company to help it with identifying let properties. DRM4D established good working relations with the company, while also working closely with URA's rental income tax unit within the Department of Domestic Taxes. URA identified about 7,000 new rental income taxpayers during this period.

SUB-NATIONAL REVENUE ADMINISTRATION

At the onset, DRM4D selected eight municipalities to support, which included Arua, Gulu, Mbarara, Jinja, Hoima, Mbale, Mbarara, and Fort Portal. These were selected based on considerations of population size, level of economic activity, and regional balance. During the year, however, the Government of Uganda elevated ten municipalities to City status. These included Lira and Soroti, as well as the eight with which we were working.

In discussions with the permanent secretary of the Ministry of Local Government (MoLG), it was requested that DRM4D should add the additional two cities of Lira and Soroti to the list of eight cities that are being supported so that there would be uniform improvement in all ten new cities. In consideration of this request, we plan to include the additional two cities in our Year Two workplan. There was significant high-level engagement with key state and non-state stakeholders, as well as the MoLG and LGFC, and participation in forums with development partners as a means of harmonizing policy direction and obtaining insight into GoU objectives. We engaged with the Chief Government Valuer (CGV) to seek guidance for development of a fast and cost-effective strategy for property valuation considering that it is costly, requires the use of scarce professional valuers and yet is critical to improvement of revenues for municipalities. The CGV has pledged support in the property valuation for municipalities, which will include providing guidance in formulation of easy-to-use methods and training of municipality staff to conduct supplementary valuations. Engagements and social dialogue provide an opportunity to develop mutual commitments and harmonized implementation of strategy and interpretation of policy.

In addition, the team completed the first draft of the "Municipality Property Rates FAQs and Responses," which will thereafter be designed as a brochure to support taxpayer education and

communication. This will be used as a tool to support community awareness of property tax and information about rights and the obligations of taxpayers. Improved communications will improve taxpayer relations and awareness about the property tax processes, which may significantly increase compliance and reduce costs of collection.

At the sub-national level, DRM4D will focus on three key revenue areas: property tax, business licenses, and market fees, which on average represent 55% of local government revenues, with property rates contributing, on average, 28% of total revenues for the municipalities. Other non-tax revenues will also be supported, albeit marginally.

During Q3 and Q4, DRM4D worked to complete a diagnostic assessment of the municipalities' revenue mobilization while at the same time circularizing and providing guidance on immediate strategies for improving revenue in the short run. Five of the eight municipalities (Jinja, Masaka, Fort-Portal, Gulu, and Mbale) have been assessed in addition to two other municipalities (Soroti, Lira) not only for benchmarking purposes, but also in preparation for additional support in the future. The purpose of the diagnostic assessment was to identify the opportunities and potential for revenue growth and the related challenges and constraints in the overall revenue mobilization process. Assessing what is working well and what will need improvement to facilitate effective development of support initiatives is essential for future strategy development.

Additionally, the diagnostic assessment enabled DRM4D to identify and rank the support needs for each of the sites visited.

COMPONENT 3 – PRIVATE PUBLIC DIALOGUE ENHANCED

The public-private dialogue component involves strengthening engagements between public agencies and non-state actors (NSAs), Business Associations, and Civil Society Organizations (CSOs). Such engagements are important for creating an enabling environment for improving voluntary tax compliance and subsequently increased domestic revenue collection. The initiative builds on existing engagement forums, platforms, and the favorable legal and policy frameworks that promote and provide for stakeholders' engagement.

During the period under review, several meetings and consultations were held with stakeholders to deepen our understanding of what they do and to identify synergies and opportunities for collaboration. The stakeholders engaged included business associations, academic institutions, and CSOs, such as the Kampala Traders Association (KACITA), the Civil Society Budget Advocacy Group (CSBAG), the Southern and Eastern Africa Trade, Information and Negotiations Institute (SEATINI), the Private Sector

Foundation of Uganda (PSFU), the Uganda Manufacturers Association (UMA) Civil Society Coalition on Oil and Gas (CSCO), Action Aid Uganda (UUA), Oxfam, Uganda National Chamber of Commerce and Industries (UNCCI), Advocates Coalition For Development & Environment (ACODE), Uganda Small Scale Industries Association (USSIA), Uganda Chamber of Mines & Petroleum, Accountants of Uganda (ICPAU), and Makerere University College of Business and Management Sciences (CoBAMS). We also engaged Uganda Investment Authority (UIA) as the key government institution regulating and facilitating investment in the country. The list of advocacy issues raised were as follows:

Table 2: List of DRM4D Advocacy Issues

TABLE OF ILLUSTRATIVE (MAIN) ADVOCACY ISSUES RAISED BY STAKEHOLDERS DURING THE YEAR 1 CONSULTATIONS.

Advocacy Issues Raised by Non-State Stakeholders	How they are currently being addressed by Civil Society and the private sector	How they are being addressed in the DRM4D Year 2 Work Plan
Unfair Double Taxation Agreements (DTAs) with a number of countries disadvantaged country including Uganda. Many foreign companies abuse DTAs to reduce their tax bills (known as Treaty Shopping).	Some CSOs are campaigning around the issues of advocating for a re-negotiation or even a unilateral cancellation of certain DTAs.	DRM4D to support MoFPED to develop a Double Taxation Agreement negotiation policy as part of the Diagnostic Reviews of the Primary Tax Laws. Providing advice on treaty re-negotiations.
Harmful Tax Incentives: How they are given based on discretion and without clear guidelines or an approval process. Weak monitoring system to record benefits and tax losses over time.	CSOs have been running a campaign around the issue. Findings from the World Bank's recent study on tax expenditures to be discussed with MoFPED when made public.	Recommendations to be made to MoFPED as part of the re-drafting of the new primary tax laws. Support NSAs to raise this issue with MoFPED in Q1 and Q2 of 2020/21.
The need to widening the tax base to include the informal sector which is currently not well captured into the tax net.	Stakeholders continue engaging MoFPED with proposals to widen the tax base	Incentives to encourage formalization of business transactions currently not well captured into the tax net being discussed with the Tax Legal Drafter and MoFPED in Q1. DRM4D supporting selected Urban Authorities to register new taxpayers within their jurisdictions

Advocacy Issues Raised by Non-State Stakeholders	How they are currently being addressed by Civil Society and the private sector	How they are being addressed in the DRM4D Year 2 Work Plan
<p>Improving the contribution from the mining sector to the tax revenue. Despite generating substantial revenues, the sector is minimally contributing towards national revenue due to being poorly regulated and its informality.</p> <p>The Oil and Gas sector has a very high potential to contribute more to tax revenue but that potential may not be realized due to leakages, weak oversight and detection capacity of the responsible public agencies.</p>	<p>CSOs have worked with MoFPED to update the Mining Act.</p> <p>CSCO has done work on tracking and building capacity for its membership at national and subnational levels and advocated for EITI membership for Uganda, which Uganda now has.</p>	<p>Mining and Oil and Gas provisions to be extensively reviewed as part of the tax Primary tax laws rewrite program for Q2 of 2020/21.</p> <p>Uganda is now a member of EITI. DRM4D will support activities around implementation of the initiative</p>
Poor service delivery and communications at URA. The communications and public relations between URA and its clients were not seen as conducive for meaningful engagement.	CSOs and private sector continue to advocate for better communications and clarity in taxpayer obligations.	DRM4D is currently engaging technical support to URA to improve its communications and taxpayer education functions.
Poor implementation of the Tax Procedures Code and disputes resolution, in particular the requirement for tax appellants to first deposit 30% of the assessed tax for appeals to be heard.	Continuous complaints to URA and MoFPED.	This matter is being addressed as part of the tax laws rewrite planned for Q2 in 2020/21, including consequential amendments to the Tax Procedures Code.
Revenue collected from local government gets remitted to central government but the process of getting it back to the local government is cumbersome. That cripple the operations of the local governments.	CSOs have highlighted this among issues they need to engage with the responsible public agencies especially MOFPED.	Discussions to be held with MoFPED and URA regarding possibility of collections by URA at local level to be done on an agency basis for local authorities.
Quite substantive revenues get lost at national and subnational levels through leakages due to corruption within the public agencies charged with revenue collection	This a matter that has been regularly mentioned to the responsible public agencies such as URA, MoFPED and MoLG	DRM4D to support URA improve integrity among its staff to curb revenue leakages as well as initiatives aimed at curbing revenue leakages

Advocacy Issues Raised by Non-State Stakeholders	How they are currently being addressed by Civil Society and the private sector	How they are being addressed in the DRM4D Year 2 Work Plan
Substantial amounts of funds allocated to LGs from the national budget don't get remitted to LGs through the budget process subsequently get retained by ministries and other Government agencies. The funds get managed at the Centre instead of LGs in line with the LG Act	ACODE funded by USAID carried out a study that revealed colossal sums of funds being retained at the Centre instead being remitted to LGs. There are already some ongoing engagements between ACODE, MoLG and MoFPED to have this matter addressed. However ACODE led initiative needed more support to have the matter effectively resolved	DRM4D to provide support towards advocacy to have this issue addressed and completely resolved
Revenue (royalties) sharing protocols between the center and oil producing districts though provided for under Section 75 of the Public Finance Management Act (2015) many intended recipients don't know how the sharing provisions work and are often not prepared to prudently use the revenue when it does finally start flowing.	CSOs under CSCO have on a small scale sensitized local governments in the oil and gas hosting/affected district but expressed interest in scaling up the sensitization and awareness campaign about the revenue sharing frameworks as provided by the Act. They also suggested to get involved building capacity of local governments in the Albertine region to be able to prudently manage extra resources they will be getting from oil and gas.	DRM4D to support advocacy aimed at promoting, revenue tracking, transparency and accountability in oil and gas sector.

Through these engagements, we were able to deepen our understanding of the context and identify NSAs whose interventions focus on revenue mobilization and advocacy for fairness in taxation and in increased spending towards the social sector for improved service delivery.

The primary observation from these consultations was that there is a general consensus among stakeholders on the need for reviewing the tax laws, and there was considerable interest and enthusiasm of the stakeholders to get involved in the tax reform initiative proposed by DRM4D. They cited ambiguities in some sections of the law and identified provisions that were unfair to taxpayers. The

consultations revealed strong support for the engagement with GoU on tax policy and tax administration issues. There was an oft-stated need for the DRM4D to support URA to improve its communications with taxpayers and other stakeholders.

There was strong appreciation of the need for capacity building of CSOs and business associations to improve engagement with GoU on tax policy. The areas of interest identified were policy analysis, advocacy, and research. Our engagements also revealed a willingness for CSOs to participate in advocacy for increasing the national budget allocation towards the poverty reducing sectors (i.e., education, health, and agriculture).

All stakeholders appreciated the need for trustful engagement between public agencies and nonstate actors as a way of creating channels for exchanging views and providing feedback. Stakeholders were involved in initiatives of interest for DRM4D, which included issues such as double taxation agreements (DTAs), harmful tax incentives, revenue tracking, research and analysis, and providing support to local governments to improve tax revenue collection.

During the COVID-19 lockdown, DRM4D continued discussions with stakeholders on proposals that were shared with GoU on what should be done during and after the pandemic to protect the economy from sliding into recession. These discussions and proposals partly informed our Pandemic Contingency Plan that was produced and shared with USAID.

During Q4, we encouraged stakeholders to present briefs about their suggestions for tax reform and for domestic revenue mobilization. We held particularly fruitful discussions with the Uganda Law Society (ULS), the Institute of Certified Public Accountants of Uganda (ICPAU), SEATINI, UMA, and the PSFU, all of which have undertaken to prepare submissions for presentation to MoFPED and onwards to the Legal Drafter. Through these meetings the team managed to secure considerable buy-in and support for the reform activity as well as other opportunities for partnerships and collaboration.

IMPLEMENTING GUIDING PRINCIPLES

INCLUSIVE DEVELOPMENT AND YOUTH ENGAGEMENT

During Q3, DRM4D prepared for the Gender, Youth and Social Inclusion (GYSI) Analysis required by the contract. The purpose of the analysis is to highlight how aspects of gender, youth, and marginalized groups could be considered in the formulation of tax policy reform efforts, to explore ways to promote revenue compliance amongst women, youth, and marginalized groups, and to ensure women, youth, and marginalized groups are meaningfully engaged in public private dialogue on domestic revenue mobilization. DRM4D assembled a team composed of Nathan's in-house Gender and Inclusion Specialist and a Ugandan Lead GYSI Analyst and Analyst.

In Q4, the team commenced the assignment starting with a literature review to capture aspects such as the roles and relative status of women, men, youth, and persons with disabilities (PWDs) in the Ugandan society and their differential access to, and control over, assets, resources, opportunities, and services pertinent to the DRM4D Activity. The literature also examined the policy, structure, and functioning of the URA and its interface with gender and social inclusion. This was followed by fieldwork conducted in three cities – Kampala, Jinja and Fort Portal – and representing three regions – central, western, and eastern. Other than Kampala, the other two cities just recently obtained their city status and exhibit both urban and peri-urban features. The fieldwork undertook Focus Group Meetings and Key Informant Interviews as part of the data collection exercise.

The initial findings revealed that men and women, youth, and PWDs are affected differently by the Ugandan tax system because of the different socio-economic realities of the different groups, such as persisting gaps in tax knowledge, income levels, ownership of property, labor-force participation, consumption, entrepreneurship, access to information, and ICT. Moreover, the URA as the key institution for tax administration is yet to fully strengthen its institutional capacity to adequately respond to the needs of these particular groups. Endeavors such as the expansion of taxpayer registration are yet to meet their objectives. As part of remedying these, the report makes several recommendations, such as support towards taxpayer education and increased public private dialogue. The proposed interventions fit well within and complement DRM4D's planned activities, particularly some key messages from this study are being incorporated in the planned on-going diagnostic review and rewrite of the main tax laws. These for example include ensuring equal and fair treatment for all persons within the laws, creating good tax incentives for persons who employ PWDs, and ensuring that the tax language to be used in the new laws is gender neutral. We expect the GYSI report to be finalized early in Q1 of the 2020/2021 year

COLLABORATING, LEARNING, AND ADAPTING

PARTNERSHIPS

In Year 1, DRM4D engaged with a wide variety of players and influencers in Uganda's tax system. These engagements were with tax policy makers, tax administrators, taxpayers, investment promoters, development agencies, civil society, private sector organizations and professional bodies. These engagements provided DRM4D with a deep insight into the complexity and interconnections of the tax system and underlined the importance of balancing revenue needs with a perceived equitable sharing of the country's tax burden. Our focus of the learning trajectory, informed by our Year 1 experiences, will determine how we continue to use and learn from our monitoring data and evaluations processes to inform and shape our internal programming as we move forward to Year 2 and beyond.

As the implementation of the DRM4D Activity scales up in the coming years, it is expected that the learning agenda set out in the Activity workplan and the Activity Monitoring, Evaluation, and Learning Plan (AMELP) will shape collaboration, learning, and stakeholder engagement with partners working within the same development objectives to collaboratively yield better outcomes than if they worked alone. Since inception, DRM4D has taken an active and highly inclusive approach to working with partners to collaboratively achieve more outcomes with minimal resources.

During Q2 and Q3, we collaborated closely with the DFID DRUM project and shared information freely with them to ensure there were no overlaps or gaps in activities. We also jointly produced a strategy paper to support revenue maintenance during the COVID-19 lockdown and advised on how best to protect businesses that were struggling under lockdown. During Q4, DFID decided to terminate the DRUM project and we then worked with DRUM to take over the work they had planned to take forward.

We collaborated with Her Majesty's Revenue & Customs (HMRC), and we involved them in our strategies to improve the entire human resources environment within URA. Our proposed HR consulting team had several interactions with HMRC during Q4 to discuss how the HMRC program would fit within the overall HR intervention and to be sure there were no overlaps or duplication of effort. HMRC were very pleased with the meetings that were held.

DRM4D assisted the URA with the Development Partners' Conference held in Q3, and actively participated during the conference. DRM4D supported URA in their dealings with donors and advised URA on how to restructure their interactions with donors to achieve trustful interactions with them.

DRM4D also worked closely with the World Bank and the International Monetary Fund (IMF) and kept both fully apprised of our plans and strategies. The World Bank had produced a tax laws compendium, and they were supportive of sharing that work with the DRM4D legal drafter. They had also produced a tax expenditures report, which informed the analysis and development of our tax reform program.

DRM4D shared our planned interventions with the IMF Resident Representative and, as expected, discovered considerable commonality in approaches on engagements and capacity development.

DRM4D also formed an effective working and trustful relationship with RippleNami, the US company engaged to assist URA to track, register, and assess landlords with real let property. This is an ongoing relationship and DRM4D expects to work closely with them over the life of the Activity.

DRM4D engaged with the Resource Enhancement and Accountability Program (REAP), which is GoU's mechanism for implementing and coordinating public financial management reforms. The engagement with them was primarily to seek REAP's assistance in providing supplementary logistical support to our long-term training plans and our support to URA's E-tax system. The Activity also discussed long-term interventions in areas of common interest in PFM reforms.

Throughout the entire period, the Activity interacted closely with counterparts at MoFPED and URA to advance the DRMS implementation and to understand the primary constraints to URA's better tax collection. DRM4D engaged with a variety of stakeholders in both the public and private sectors and learned about the capacity constraints that hold back counterparts in both MoFPED and URA from doing their jobs effectively. On capacity building, DRM4D sought to connect counterpart agencies to international tax libraries and research centers, and this work was further advanced in Q4. The Activity sought to triangulate this interaction to include a role for academic institutions, notably the College of Business and Management Science at Makerere University.

During the reporting period, DRM4D collaboratively engaged with several non-state stakeholders that included government institutions, CSOs, and business associations. The stakeholders engaged included Advocates Coalition for Development and Environment (ACODE), Uganda Manufacturers Association (UMA); Civil Society Budget Advocacy Group (CSBAG), National Chamber of Commerce and Industries (NCCI), Action Aid Uganda (AAU), Civil Society Coalition on Oil and Gas (CSCO), Oxfam, Private Sector Foundation Uganda (PSFU), Small-Scale Manufacturers Association (USSIA). The purpose of this collaborative engagement was to map out ongoing interventions related to domestic revenue mobilization for opportunities on partnerships and collaboration.

CHALLENGES

CONTEXTUAL

Being an Activity that seeks to provide technical assistance, capacity building, and commodity support services to the MoFPED, URA, and selected local governments, DRM4D needs to remain in regular interaction with counterparts. During Q2 and part of Q3, the COVID-19 pandemic negatively impacted our work as we could not readily engage with counterparts due to the restrictions on movements and limitations on physical meetings. The resulting lockdown had an immediate and severe impact on business and the resultant fall in revenue collection negatively impacted on DRM4D operations as our counterparts struggled to deal with this unprecedented situation. International and local travel restrictions also impacted on the Activity as we were unable to bring needed short-term technical assistance to bear on identified potential quick wins. What technical assistance we could utilize had to be by remote means such as via teleconferencing, email and social media, which is less effective than in-person communication.

Maintaining the attention of counterparts was challenging as their focus was on revenue protection measures and general crises management as businesses closed or were on reduced output. Moreover, staff at MoFPED and URA came under strong political pressure to provide tax relief measures to struggling businesses. This, along with the natural reluctance of counterparts to engage confidently on social media platforms such as Zoom, Skype, Teams, etc., severely limited the opportunities for meaningful interactions until the end of the quarter.

Nevertheless, we were able to use the lockdown conditions productively by using the time to produce our Year I Work Plan and drafting discussion documents for review by counterparts. We also worked closely with the DFID-financed DRUM project to produce a combined strategy for how GoU should cope with the COVID-19 emergency, as it impacted on tax collection and support for businesses. The Activity also continued to have extensive Skype conversations within the team, with some counterparts, and with development partners in related interventions, especially the DRUM project and the World Bank, to explore opportunities for cooperation and collaboration. By the end of the fourth quarter, the Activity had managed to build good and trustful relationships with counterparts.

Within Q2, the domestic tax department changed Commissioners twice. DRM4D engagements were negatively impacted as each incoming commissioner needed time to settle in and read themselves in on the issues in the department before we could have meaningful engagements with them.

STRATEGIC/PROGRAMMATIC

There were no strategic or programmatic challenges this year to report beyond those mentioned above.

OPERATIONAL

The lockdown had a significant impact on the Nathan's ability to register a branch and open a bank account in Uganda. The Registrar of Companies was closed for over two months while it held Nathan's documentation, which meant that the Nathan home office was also unable to receive a TIN and formally apply for a bank account, and the Chief of Party was unable to obtain a Work Permit. The Activity did not waste time, however, and spent the period gathering the required documents for the Work Permit and bank account, so that the Activity could submit both as soon as the registration certificate was received. Nathan received the registration certificate in June and was able to open the bank account in July 2020. Nathan was able to formally hire its local staff on July 1 after receiving its registration.

LESSONS

The Activity learned that domestic revenue mobilization issues have not attracted sufficient attention and investment from both the GoU and LGs. There cannot be sustainable revenue generation without commensurate attention to infrastructure systems, human resources, changes in mindset and developing workable fiscal social compacts. DRM4D will work to highlight the need for greater attention to revenue mobilization efforts at both the national and sub-national levels.

DRM4D's engagements with stakeholders revealed immense interest amongst state and non-state stakeholders to engage on domestic revenue mobilization. This became apparent from the wide and varied interactions with CSOs and private sector organizations. This lesson will inform our future interactions with the private sector as MoFPED brings forward tax reform proposals and solicits the participation of non-state actors and the wider civil society.

There are many initiatives by various stakeholders on DRM, hence the need for strong and proactive coordination and synergizing not only to avoid duplication of effort, but also to harness donor goodwill and input into strategic areas. This lesson became even more apparent during Q4 when we floated the idea of collaboration with MoFPED's Resource Enhancement and Accountability Program (REAP) to augment our planned tax policy training at MoFPED. REAP's flexibility in supporting our training program through the provision of a dedicated classroom venue greatly benefited our training program and delivered useful synergies. The proposed collaboration opened up possibilities for a longer-term relationship that will be explored further in Year 2.

DRM4D sought to strengthen avenues for DRM at the sub-national level and identified the need to develop greater linkages between URA and local government. Based on our diagnostic findings at the sub national level, the relationship between URA and LGs is still thin, with minimal linkages in registration of taxpayers, information sharing and enforcement. The entry of RippleNami has already demonstrated that a linkage in data sharing between LGs and URA is a viable and desirable proposition, especially since LGs have significant proximity to information on landlords through the property valuation lists. The symbiotic benefits between data sharing between URA and LGs is significant and cannot be ignored.

Our interactions with MoFPED and URA have demonstrated the need to ensure that investments in training are preserved for future training interventions and thus there is a need to create e-learning platforms whereby training programs may be preserved and repeated at will, ideally through interactive means. Such platforms will support the proposed Tax Academy at URA and will encourage resource sharing between MoFPED and URA in tax training and research.

MANAGEMENT AND ADMINISTRATIVE ISSUES

During the fourth quarter, the project secured comprehensive insurance for project equipment and health insurance for staff. Other administrative activities included setting up financial and administrative policies and procedures to manage the project. In coordination with the Home Office, the project also put in place COVID-19 policies and procedures to ensure adherence to Ministry of Health's Standard Operating Procedures (SOP). The process of installing directional signposts was still ongoing by the end of the period.

PLANNED ACTIVITIES FOR NEXT YEAR INCLUDING UPCOMING EVENTS

See note under “Summary of Implementation Status” regarding indicators.

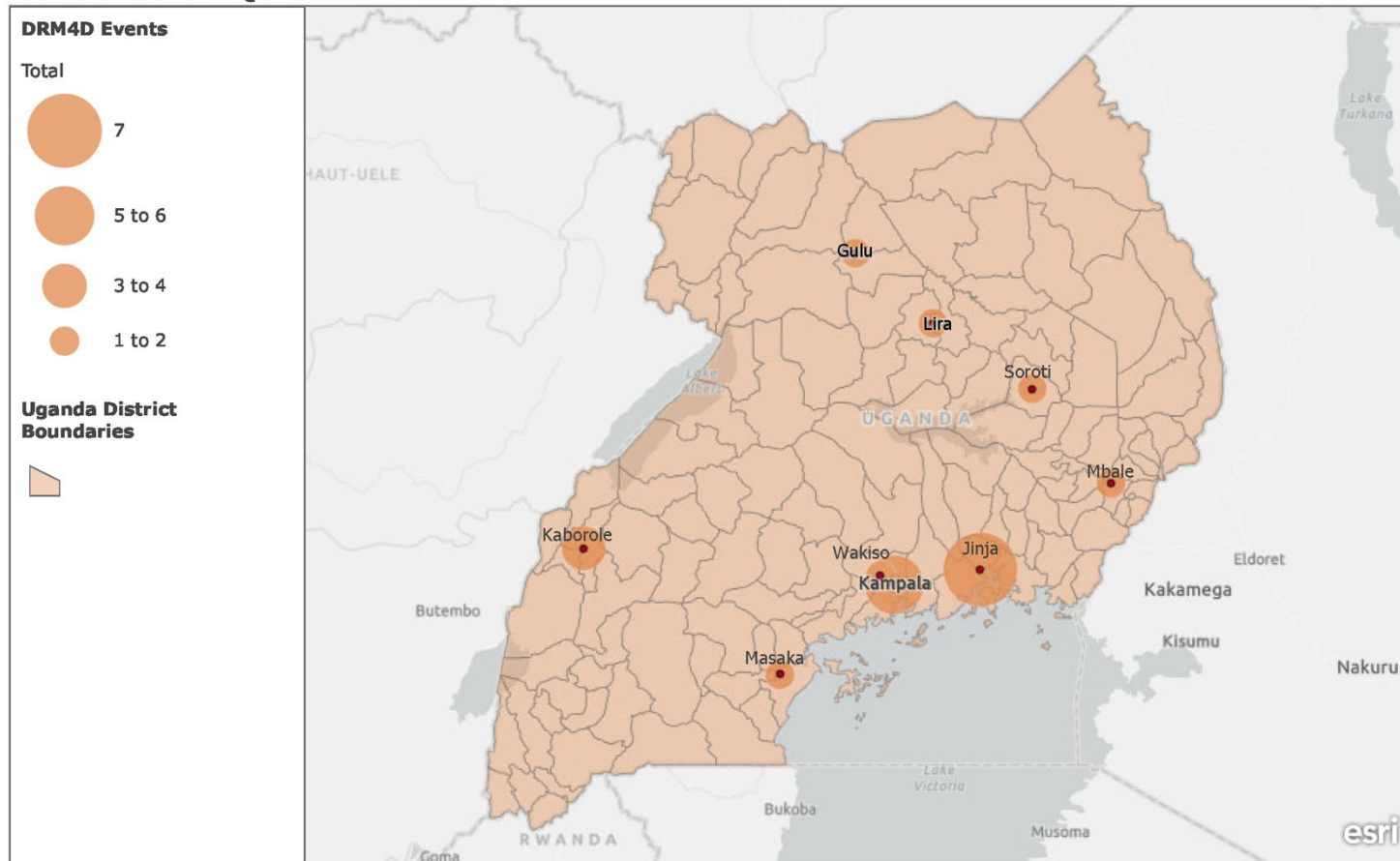
Table 3: Planned Activities for Next Year Including Upcoming Events

Component 1	<ul style="list-style-type: none"> • Study the Diagnostic Reviews of the Income Tax and VAT laws, discuss the reviews with MoFPED, URA and other stakeholders, utilize the reviews to highlight tax policy issues for discussion with MoFPED personnel and in the preparation of new Income Tax and VAT laws, engage with the private sector and CSOs on the draft laws, finalize drafts with MoFPED, incorporate relevant policy issues as practical training topics in formal tax policy training, support MoFPED with securing GoU approval for the laws to be submitted to Parliament, including support with the preparation of cabinet papers, monitor passage of the laws through the parliamentary process, review drafts of Explanatory Memoranda for primary tax laws, review consequential amendments to other laws, discuss and agree training programs on new laws with MoFPED, URA and other stakeholders (IR1), (Sub IR 1.1), (Sub IR 1.3) • Roll out tax policy training to MoFPED and evaluate results of training program with participants and trainers. Review further training needs and develop new training programs. (Sub IR 1.1) • Receive and review the Gender, Youth and Social Inclusion Analysis (GYSI) study and ensure its findings are incorporated into the new draft primary tax laws to the maximum extent. (Sub IR 1.3)
Component 2	<ul style="list-style-type: none"> • Finalize the Organizational Review study at URA and draft reform proposal to the Board of URA, review need for legislative reform to give effect to the recommendations, prepare necessary legislation. Launch the Integrity, Human Resources and Organizational Development intervention. (Impact – Goal), (Sub IR 1.3) • Collaborate with RippleNami and work closely with counterparts at URA to develop sound strategies for the more effective taxation of rental income, including the development of a sound rental property owners’ database and an effective tax assessment strategy. During the coming quarter we will engage with URA’s rental tax unit and review and develop their strategies to register rental taxpayers. (Sub IR 2.1) • Conduct audit of URA’s IT systems. (Sub 2.1) • Launch adviser support program at URA in VAT field audit, Complex Audit, Taxpayer Registration and Debt Recovery, and Communications (Sub IR 2.1) • Finalize presentation of a report on diagnostic assessment findings and recommendations; organize national and regional conferences and workshops involving staff from 8 cities and national stakeholders to formulate a participatory framework for delivering strategies for improving revenues; complete diagnostic assessment of revenue mobilization for Arua, Mbarara, Hoima; follow-up discussion on reforms of the Local Government Rating Act with the MoLG; continue to provide TA and engagement with the MoLG and LGs to ensure commitment to reforms and the implementation of proposed strategy for improving revenue in the short run; and organize capacity building workshops for developing of Domestic Revenue Improvement Plans (DRIPs) for cities. (Sub IR 2.2), Sub IR 2.1)
Component 3	<ul style="list-style-type: none"> • Continue to support the five selected CSOs and business associations (ULS, ICPAU, PSFU, SEATINI and UMA) to organize their members to review VAT and Income Tax Acts, and subsequently prepare and submit their proposals to the MoFPED for consideration

	<p>into the revised tax laws once these are in the public domain. GUCs will be operationalized to build capacity for selected CSOs and business bodies to enhance their advocacy capacities. (IR 3), (Sub IR 3.2)</p> <ul style="list-style-type: none"> • Develop a strategy for public engagement on DRMS and tax reform in general that will guide our engagement with civil society as we advance our work on the diagnostic review of the primary tax laws. (Sub IR 3.2) • Support capacity building initiatives based on the gaps highlighted during the stakeholders' consultations carried during inception phase. (IR 3), (Sub IR 3.2) • Support NSAs' advocacy initiatives in areas of mutual interest such as: increased funding in poverty reduction sectors, fair sharing of revenues from oil and gas between the center and sub-national governments, and fair tax systems. These will be supported at sub-national level as well as at national level. • Support analysis and resource tracking • Support NSAs engagements with state agencies in areas of tax policy development and administration
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ANNEX A: GEOGRAPHIC INFORMATION SYSTEMS (GIS) AND ACTIVITY LOCATION DATA

DRM4D Events - Q4 2020



Esri, HERE, Garmin, FAO, NOAA, USGS | Esri, HERE, Garmin, FAO, NOAA, USGS