

EAC MEMBER STATES REVENUE PERFORMANCE HIGHLIGHTS FY2024/25 AND FUTURE STRATEGIES

What has been achieved?

As the FY 2024/25 closes, East African countries and their leading economies, Rwanda, Tanzania, Kenya and Uganda have all surpassed their domestic revenue collection targets.

In a region that continues to grapple with post-pandemic recovery, climate-related shocks and global financial headwinds, this achievement is admirable and strategic especially for the existing debt in these countries.

However, surpassing targets is only the beginning; the real test lies in translating fiscal success into inclusive economic development and public service transformation.

EAC Revenue Performance FY2024/25:

- Rwanda collected **\$2.13 billion** against a target of **\$2.09 billion**, posting a **101.3%** performance.
- Tanzania brought in **\$12.34 billion** over a target of **\$12.05 billion**, reaching **103%**, the highest in its history.
- Kenya, East Africa's largest economy, posted a **105.9%** performance, collecting **\$19.61 billion** over its **\$19.30 billion** goal.
- Uganda achieved a **100.8%** collection rate, gathering **\$8.89 billion**, exceeding its **\$8.77 billion** target

Together, these numbers represent a meaningful shift in the region's push towards Domestic Resource Mobilization (DRM), a strategy aimed at financing national development with homegrown revenue instead of relying on external aid or debt.

This success, therefore, sparks a deeper regional conversation about how these gains will improve people's lives with fiscal development.

Some of these developments include: better roads, quality healthcare, digital infrastructure, education, and clean energy solutions that are the visible outcomes of increased revenue, or the social bond between citizens and their states will weaken.

What to look out for?

While the above highlights a few of the ongoing tax reforms across the EAC partners, they share a common objective of widening the tax base, by addressing tax administration leakages through digitalization, instill voluntary tax compliance, encourage local production, support business growth & formalization, and promote environmentally sustainable investments such as green technology innovations and clean energy products.

However, several factors will affect the success and sustainability of these strategies. A large informal sector persists across East Africa. For example, **72%** of Ugandan businesses are informal. Thus, bringing more informal businesses into the tax net, without hurting their growth, remains a challenge that requires innovative tax regimes. accessible tax regimes.

Therefore, EAC member states must confront stubborn structural challenges that threaten revenue sustainability:

- Informality remains a key obstacle especially in the operation of informal businesses. Taxing this sector without harming its survival demands simplified regimes, mobile-based platforms, and inclusive policies.
- Low tax morale driven by misuse or misallocation of public funds is high. If taxpayers don't see improvements in services, voluntary compliance erodes. Gov'ts must now show fiscal transparency and accountability or risk civic resistance.

- Digital divide poses a real risk to reforms. As digital tax systems expand, disparities in internet access and digital literacy could leave behind significant portions of the population and small businesses, especially in rural areas.
- Public sentiment around taxation remains fragile. Kenya has recently witnessed significant public opposition to new tax proposals, underscoring how delicate the balancing act is between raising revenue and maintaining social harmony.
- Macroeconomic vulnerabilities, including global inflation, exchange rate volatility, and debt burdens, could further impact tax performance. With robust GDP growth projections of **5.9% to 6%** across the region in 2025–2026, resilience will depend on wise fiscal management and investment in productive sectors.

Conclusively, the commitment of East African nations to domestic resource mobilization is evident in their recent performance and forward-looking strategies. The success of these initiatives will depend on their ability to navigate complex socio-economic challenges, embrace technological innovation, and foster an environment of trust and transparency with their taxpayers.

Source: Data was compiled from EAC Tax Revenue Authorities and the Ministry of Finance Releases of Kenya, Tanzania, Uganda and Rwanda FY2024/25

EABN MEMBERSHIP

CEPP-Rwanda; CBAS- Burundi; TCDD-Tanzania; TCIB- Tanzania; CBPA - South Sudan; UDN- Uganda; IPF- Kenya; ATY- Kenya; NKRED- Uganda; CSBAG- Uganda (HOST); DR Congo (STILL SEARCHING FOR A PARTNER).

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