



## A Peek Into The East African ICT Budget Allocations and Priorities for 2012/2013

Collaboration on International ICT Policy For East and Southern Africa (CIPESA)  
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On June 14, 2012, Kenya, Rwanda, Tanzania and Uganda who are members of the East African Community (EAC) announced their budgets for 2012/13. Burundi, also a member of the regional grouping, read its budget back in December. In this brief, we look at the allocations made by the different EAC member states to the ICT sector. We also take a view at specific mentions finance ministers made to the sector. East Africa is a leader in adoption of mobiles, and, led by Kenya, in adoption of mobile money and a string of technological innovations. The figures allocated by the different states, and the (non)-mentions of the ICT sectors in the spending blueprints for the coming year, seem to indicate that most EAC governments have largely surrendered the role of developing the ICT sector to private players – if they ever quite had the baton.

### Mobile penetration in the EAC

The region enjoys a high mobile penetration, which is fuelling the adoption of mobile money, among numerous other uses. Kenya's tele-density is a high of 71%, while both Tanzania and Uganda have passed the 50% mark. Millions across the region routinely use their mobile to make financial transactions, which in Kenya, Tanzania, and Uganda total up to no less than US\$1.4 billion per month.

**Table 1: Regional mobile phone sector statistics**

|                 | Tele-density (%) | No. of Mobile operators | Network | Value of Mobile Money Transactions/month (USD) |
|-----------------|------------------|-------------------------|---------|--|
| <b>Burundi</b>  | 20               | 5                       |         | -  |
| <b>Kenya</b>    | 71.3             | 4                       |         | 687 million                                    |
| <b>Rwanda</b>   | 42               | 3                       |         | -  |
| <b>Tanzania</b> | 50               | 7                       |         | 547 million                                    |
| <b>Uganda</b>   | 50               | 5                       |         | 245 million                                    |

*Sources: Communications Commission of Kenya (CCK), Uganda Communications Commission (UCC), Tanzania Communications Regulatory Authority (TCRA), Rwanda Utilities Regulatory Authority (RURA), UNCTAD, and CIPESA computations*

### Budgetary allocations to ICT for 2012/13

In their budget statements, some ministers such as Rwanda's did not mention figures allocated to ICT. But some did. As such, it is impossible to make conclusive comparisons of which country allocated a higher percentage to the sector. The ICT sector policy statements, which are yet to be published, would give a fuller account. Also worth noting is that there may be allocations made under sectors such as education but which would go directly towards promoting ICT access and use.

**Table 2: Percentage of Budget Allocated to the ICT Sector**

|                 | Total Budget (USD)       | ICT Allocation (USD) | % of total budget to ICT |
|-----------------|--------------------------|----------------------|--------------------------|
| <b>Kenya</b>    | 17.5 billion             | 85.7 million         | 0.5                      |
| <b>Rwanda</b>   | 2.32 billion             | -                    | -                        |
| <b>Tanzania</b> | 9.7 billion <sup>1</sup> | 2.53 million         | 0.03                     |
| <b>Uganda</b>   | 4.9 billion <sup>2</sup> | 6.4 million          | 0.13                     |

## RWANDA

Rwanda has a section in the budget speech exclusively on the ICT sector's performance during 2011/12. Finance Minister John Rwangombwa reported:

The Fibre Optic cable was completed and currently 324 institutions have access to broadband connectivity. In addition, Wireless Broadband (WiBro) Technology has been deployed covering 80% of Kigali city. Plans are underway to cover all Kigali and deploy in districts.

- **National Data Centre** completed, provides a secure, reliable and highly available physical infrastructure for effective data processing. Currently, it provides 152 email and web hosting services, 7 virtual services and 8 collocation services. In addition, cloud-computing solution has been deployed in the centre to increase the capacity of hosting services.
- **Embassy Intranet**, a private secure communications network to improve communication and collaboration between Rwanda's foreign ministry, the country's embassies and other stakeholders, was installed. So far all Rwandan embassies in Africa have been connected to the network and plans are underway to connect embassies in Asia, Europe and USA.
- The Carnegie Mellon University in Rwanda campus was launched and started offering professional courses in January 2011. It plans to start Masters in ICT engineering in August 2012 to boost the ICT skills for private sector development.
- **60 service access points** were established in all districts, two for each district, to provide for ICT needs of citizens in underserved rural areas.

Among its priorities for 2012/2013, Rwanda will enhance operations of Carnegie Mellon University and Kigali Techno pole to boost ICT for private sector development. Furthermore, the government aims to promote science and technology by putting up more science laboratories in schools, integration of ICT in primary education through the provision of One Laptop Per child.

## UGANDA

**Mobile Money legislation:** Finance minister Maria Kiwanuka stated that new technology was driving Uganda's efforts to improve financial inclusion, especially in the area of electronic money transfer and agency banking. In 2012/13, necessary amendments will be made to financial sector legislation to accommodate alternative banking approaches such as mobile banking.

The Government of Uganda is to establish a One Stop Centre to provide **online registration services** for the various licenses required to start a business.

**Comment on Uganda's budget allocation:** Uganda's ICT sector allocations over the last three years constituted about 0.1% of the national budget. This year's allocation is highest, having grown Uganda by \$2.4 m relative to the previous financial year. Communications regulatory authority head Godfrey Mutabazi remarked: "It is contradictory that ICT is the main driver of growth and yet

<sup>1</sup> Parliament of Tanzania: <http://www.parliament.go.tz/docs/4d634-BUDGET-SPEECH-JUNE-2012-----FINAL.pdf>

<sup>2</sup> Government of Uganda budget for financial year 2012/13

all the revenues it generates are taken away. How do you expect the industry to grow when you are not investing back?”<sup>3</sup>

## KENYA

Little in the budget speech was dedicated to ICT. Nonetheless, Robinson Njeru Githae, the Minister for Finance, mentioned that:

- Of the Kshs 233.1 billion (\$2.7 Billion) allocated to education, Kshs 480 million (\$5.6 Million) is for the purchase of **computers for schools**
- Import Duty also removed from **computer software**<sup>4</sup>

## TANZANIA

Finance minister Dr. William Augustao Mgemwa announced a TShs 4 billion (\$2.5 m) allocation to strengthen communications through ICT “so as to improve access to various services including information, access to domestic and external market, revenue collection, health services, education, financial services, etc.”

Further, an **increase Excise Duty on Airtime from 10 percent to 12 percent** was announced.

Comment on **increase on airtime duty in Tanzania**: PriceWaterhouseCoopers Tanzania said Tanzania had joined Uganda as one of the top East African Community states with highest taxes on mobile phone airtime. “The increase in excise duty rates on mobile telephones air time to 12% from 10% will make calls more expensive and the business less profitable, thus, affecting both users and operators,” stated PWC. The tax rise would likely also mean a need for higher tariffs that would add to an already significant tax burden. Other levies on airtime include 18% value added tax (VAT), 0.3% local taxes and 1.1% regulatory contributions, according to PWC. It noted that the total indirect tax imposed on mobile phone services in Tanzania would now increase to 32% in total on every voucher scratched states PWC, and “such a tax level does not appear consistent with the country’s need for modern communications technology bearing in mind the high taxes already existing in respect of purchasing the mobile phone devices.”<sup>5</sup>

## EAC finance ministers’ decisions

On the decision by EAC ministers to make amendments on the East African Community Customs Management Act, 2004 that importations of **telecommunication equipments** would attract 0% Common External Tariff (CET) for a period of one year,

- Tanzania and Kenya removed taxes on software importation
- To facilitate the transition from analogue to digital transmission in Uganda, Kenya, Rwanda and Tanzania by December 2015, import duty on **set top boxes reduced** from 25% to 0%. Some partner states are [worrying behind the migration schedule](#).

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<sup>3</sup> Nicholas Kalungi, *Allocation to ICT sector stays low*, Daily Monitor, June 15, 2012.

<sup>4</sup> Budget Statement, Fiscal Year 2012/2013 by Robinson Njeru Githae, Minister for Finance, 14th June 2012

<sup>5</sup> Priority projects need more budget; <http://in2eastfrica.net/priority-projects-need-more-budget/>