



KCDF Review & Synthesis of Existing Legislations Affecting CSAs Operation in East Africa

KENYA, TANZANIA & UGANDA

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1 Introduction

1.1 Background

Legal environment and financial viability are core dimensions of the sustainability of civil society actors (CSAs).¹ In Kenya, the CSOs regulatory framework remains largely unchanged. The government has made less effort to implement the Public Benefits Organizations (PBO) Act of 2013 despite the two court orders. On 4 November 2016, the High Court ordered the commencement of the PBO Act without further delays² and on 13 May 2017, the High Court ordered the Interior Cabinet Secretary to publish in the Gazette within the next 30 days, the commencement date of the PBO Act 2013.³

In Tanzania, the legal environment guiding the operations of CSOs has been deteriorating.⁴ Recently, the government implemented draconian laws governing CSOs operations. Before 2019, CSOs were allowed to operate as societies, trusts, companies limited by guarantee, or NGOs under the Societies Act, Trusteeship Act and Companies Act. However, this changed following the enactment of the Written Laws (Miscellaneous Amendments) (No.3) Act 2019, requiring CSOs to register under the NGO Act. Consequently, to operate, the government directed CSOs to reregister as NGOs. CSOs are now required to show evidence of donor contracts, annual reports, and audited accounts. Similarly, in Uganda, the legal environment guiding operations of CSOs has regressed.⁵ The government selectively applies laws and threatens deregistration to constrain civic space.

As concerns financial viability, following the outbreak of Covid-19, many CSOs were required to revise or slow down their activities because of the funding shortfalls occasioned by cuts from the donor community. The Africa Policy Research Institute

(APRI) in Kenya, for example, was not able to roll out all of its planned activities because of a loss of funding. At the same time, Muslims for Human Rights (MUHURI) did not obtain new funding. Instead, it received a no-cost extension from its donors, allowing it to complete existing projects. Other CSOs like Open Institute did away with physical offices in favour of a complete virtual working framework. Some organizations received some support from the private sector. For example, the Kenya Community Development Foundation (KCDF) partnered with Isuzu East Africa to conduct a capacity-building program to improve women's business skills. Other organizations managed to raise funds innovatively even with uncertainties caused by the pandemic. For example, the Yetu Initiative, a project funded jointly by the United States Agency for International Development (USAID) and the Aga Khan Foundation East Africa (AKF-EA), conducted a virtual boot camp in local resource mobilization. This boot camp helped CSOs raise KES 1 million (approximately USD9,400) in cash and in-kind support from local communities.

In Tanzania, CSOs' financial viability declined moderately in 2020 as their ability to access funding, including for pandemic relief, was complicated by the government's public denial of the Corona Virus Disease 2019 (COVID-19). In addition, CSOs experienced the full impact of the Finance Act of 2019, which constricts the ability of CSOs to fundraise locally from Corporate Social Responsibility (CSR) programs and foundations. Thus, funding from business and philanthropic entities have become difficult to access because the funds flow through local authorities, who then control their distribution.

In Uganda, access to multiple and diverse funding sources remains challenging. Domestic funding sources are still scarce, although evidence suggests

¹ In broader context we use the term civil society organizations (CSOs).

² Kenya: High Court orders the commencement of the PBO Act without further delays, 100 days after its signing into law, [CLICK HERE](#) (access 2nd March 2023).

³ Kenya. Last warning from the court to implement the PBO Act 2013, within 30 days, [CLICK HERE](#) (access 2nd March 2023).

⁴ Interview, Mr. Leopold Masha, Advocate of the High Court and Independent Consultant, 24 January 2023.

⁵ Interview, Mr. Antony Masake, Chapter Four, 26 January 2023.

that the private sector should become a more viable source of CSOs funding in the future. For example, in 2020, the private sector donated USD 7.5 million to the National Covid-19 Relief Fund (CivSource Africa, 2020). However, even when corporations dedicate a portion of their budgets to CSR programs, there is a gap in the legal framework as it does not regulate how much, how often, and to whom corporations must give. Some effort has been made to create local funds for CSOs. CivSource Africa has emerged as a local grantmaking organization and is spearheading an effort to document local giving regularly. This effort helps encourage Ugandans to give through formal structures, such as organized funds and grantmaking institutions, and allows CSOs to identify potential private-sector partners. In 2020, a group of CSOs worked together to create the Ujasiri Fund, which collects periodic contributions from members which are re-granted to organizations and initiatives requiring critical support. At the national level, the Uganda Women's Network (UWONET) led a fundraising drive soliciting contributions to the National Covid-19 Relief Fund in 2020 and collected about USD 2,800. Although CSOs may legally sell goods and services to finance their operations, such activities have yet to serve as a viable source of revenue. The public believes that CSOs' services ought to be free, and most CSOs' beneficiaries have limited capacity to pay for the actual costs of the products and services that they receive. Some CSOs offering services such as sanitary pads for poor teenage girls and youth skills training and employment are starting to generate income through business activities and social enterprises in tourism, transport, trade, and agriculture.

Cognizant of the gaps in the legal framework and inadequate skills by CSOs to fundraise, establish social enterprises, and endowment funds and create asset building and ownership or create sustainable funding sources in Kenya, Tanzania and Uganda, Kenya Community Development Foundation (KCDF) under the auspices of a Financial Resilience Regional Hub Project seeks to undertake a synthesis of existing legislations and policies that affect Civil Society Actors (CSAs) operations in these countries, identify gaps and make recommendations on creation of an enabling environment for CSAs to thrive by opening up the space within which CSAs can diversify their sources of income to avoid over reliance on donor funds.

1.2 Rationale

There is significant variation in the legal environment guiding the operations of CSOs in Kenya, Tanzania, and Uganda. Understanding this environment is important for smooth operation of the CSAs and key for coordination among CSOs and donor partners. It is important to understand the legal environment given that KCDF is co-implementing a Financial Resilience Regional Hub project aimed at supporting CSAs in Kenya, Tanzania and Uganda to reduce dependency on foreign funding. Additionally, the project aims at exploring options for flexible funding, and locally rooted business models that are building towards strengthening and dignifying sustainable finance models for CSAs.

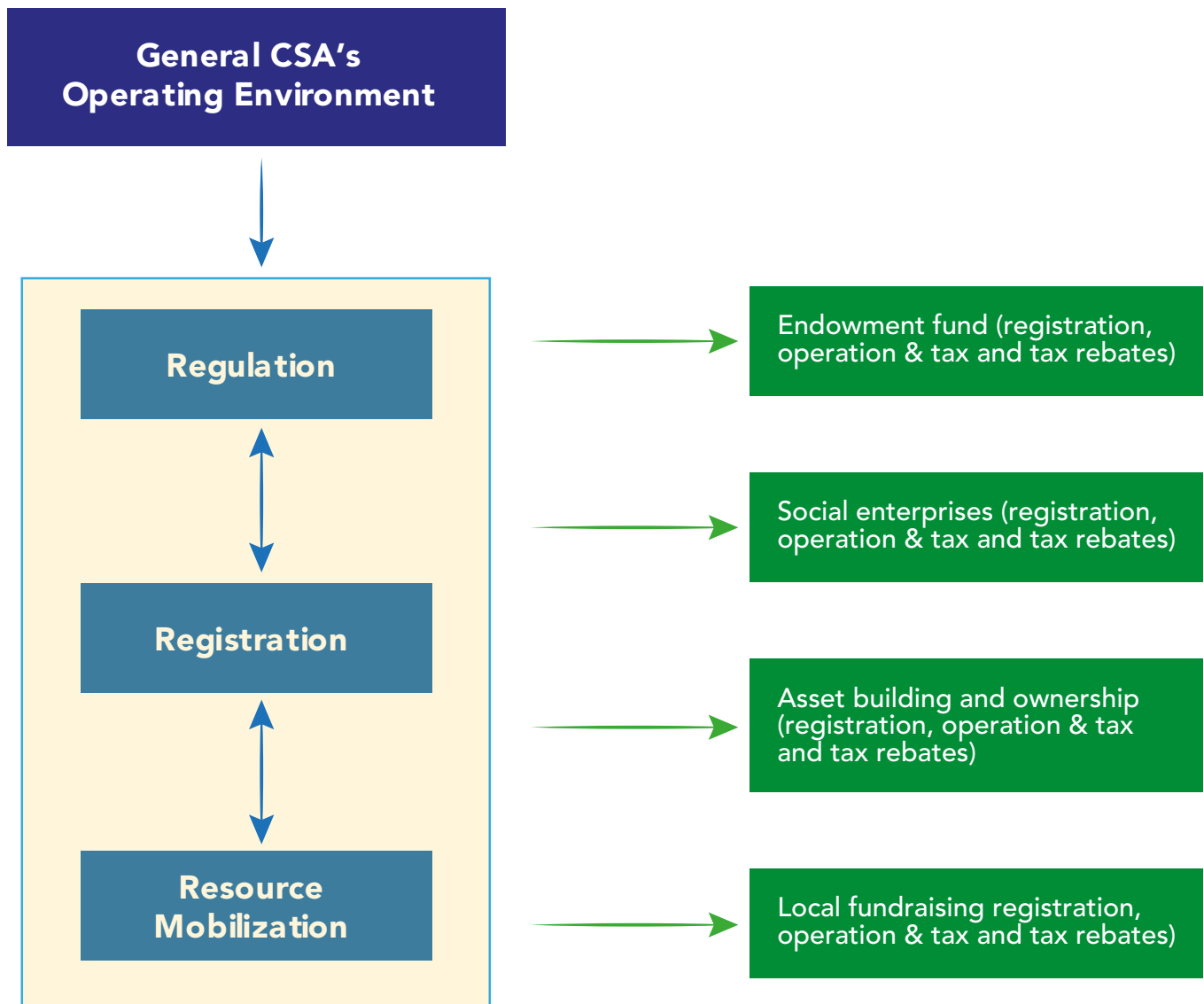
It is useful to undertake a synthesis of existing legislations and policies that affect CSAs' operations in Kenya, Tanzania, and Uganda. This synthesis identifies gaps and makes recommendations on creation of an enabling environment for CSAs to thrive by opening up the space within which CSAs can diversify their sources of income to avoid over reliance on donor funds.

From a more practical perspective, the review aims to showcase international best standards and practices in the CSAs' operating ecosystem. This is to identify how legislations in Kenya, Tanzania, and Uganda can be strengthened to comply with international best standards and practices about endowment fund building and growing, social enterprises, asset building and ownership, local fundraising, tax, and tax rebates and other related issues that can enhance CSAs operations with regards to financial sustainability and incentivizing both corporate and individual givers. Through the East African Civil Society Organization Forum (EACSOF) [One of the reputable CSO engagement platforms within East Africa Community] and its members, it is expected that some level of advocacy will be carried out, both at regional and country levels towards realizing the international best practices.

1.3 KCDF's Conceptual Framework

This study is informed by the conceptual framework shown in *figure 1*.

Fig. 1: Study's Conceptual Framework



1.4 Methodology

The study relied primarily on qualitative methods. The key approach entailed reviewing existing policies, laws and regulations in Kenya, Tanzania, and Uganda that affect CSAs' operations and any CSAs related incentives to identify the gaps and inconsistencies affecting CSAs' operations.

Relevant internet sources (such as: <https://cof.org/content/nonprofit-law-kenya/><https://www.naongo.or.tz/resources/category/actsandregulations/>[\[files/Uganda/Uganda-Nonprofit-law-Oct2020.pdf\]\(https://cof.org/sites/default/files/documents/files/Uganda/Uganda-Nonprofit-law-Oct2020.pdf\)\) were used to collect evidence of positive and negative developments involving CSAs legislation and government actions impacting on CSAs. Key informant interviews were conducted virtually with CSAs from Kenya, Tanzania, and Uganda guided by the following themes: general CSAs operating environment, endowment fund building, social enterprises, asset building and ownership, local fundraising, tax, and tax rebates and any other key issue. Notes from all the interviews were prepared for analysis. Table 1 indicates the sampled organizations.](https://cof.org/sites/default/files/documents/</p>
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Table 1: Sampled CSAs in Kenya, Tanzania, and Uganda

Country	No. of Key Informants	Organizations/Independent Consultants
Uganda	1	- Chapter Four
Tanzania	2	- Legal practitioner - Konrad Adenauer Stiftung - Tanzania
Kenya	2	- Independent Consultants

The key informant interviews were important in clarifying the various issues arising from the review of documents. In addition, comparisons were made based on different country perspectives, thus enriching the understanding of civic space and its dynamics in the region.

environment and its role on the following themes:

- Endowment fund building;
- Social enterprises;
- Asset building and ownership;
- Local fundraising;

1.5 Data Analysis

Collected data was analyzed to bring out the legal and regulatory framework governing CSAs operating



2 Endowment Fund Building

2.1 What is an Endowment Fund?

An endowment fund, quite simply, is money set aside (invested) to earn revenue to fund some type of charitable activity. Endowment funds exist in various ways. As a fund that retains its capital and uses the investment income earned to support a variety of activities in keeping with the mission of an institution. As an investment fund, typically held by a non-profit organization, the funds are typically funded entirely by donations that are deductible for the donors. It can also be an investment made by or on the behalf of a foundation that uses the earnings from the investment to fund its operations.

2.2 Types of Endowment Funds

There are four common types of endowment funds:

- Term endowments usually stipulate that only after a period of time or a certain event can the principal be expended;
- Unrestricted endowments are assets that can be spent, saved, invested, and distributed at the discretion of the institution receiving the gift;
- A quasi-endowment is a donation by an individual or institution, given with the intent of having that fund serve a specific purpose. The principal is typically retained while the earnings are expended or distributed per specifications of the donor. These endowments are usually started by the institutions that benefit from them via internal transfers or by using unrestricted endowments already given to the institution;
- Restricted endowments have their principal held in perpetuity, while the earnings from the invested assets are expended per the donor's specification;

2.3 Setting Up an Endowment Fund

Five steps are involved in setting up an endowment fund

- Formulating an organizational plan based on responsible financial planning and management;
- Setting aside funds for both the cash reserve and an endowment fund;

- Getting investment managers who offer suitable strategies (in terms of historical return and risk) for the endowment and perhaps even the cash-reserve fund;
- Look for investment managers who offer suitable strategies (in terms of historical return and risk) for the endowment and perhaps even the cash-reserve fund;
- Incorporate cash-reserve and endowment components into capital campaigns and regular fundraising efforts; tout those accounts to grant makers;

2.4 Benefits of Endowment Funds

- Reinforces the organization's commitment to serving the community in perpetuity;
- Helps offer the organization a steady revenue source, thereby helping the organization weather the ups and downs of other funding sources;
- Raises the organization's credibility by conveying stability, fiscal responsibility, and prudent planning. This can attract donors seeking a legacy;
- Endowment funds impress donors, especially generous donors. They know that your nonprofit manages its resources well, plans efficiently, and will likely survive any crisis. Donors also love the option of giving a gift that keeps on giving well into the future, and the opportunity to support the needs of the moment such as operating and program funding;
- Creates an ongoing source of income - An endowment is a fund that holds its principal in perpetuity and only pays out a small portion, about 4 to 5 percent per year, that goes to operations;
- Enhances stability and prestige. A well-managed endowment sends a message of planned long-term stability, fiscal responsibility, and financial viability. It enhances the organization's prestige and credibility;
- Provides independence. Endowment contributions designated for specific purposes can provide a measure of independence from economic, governmental, and political forces;
- An endowment helps diversify your organization's income and reduces your vulnerability to every economic crisis;

- Ensure the long-term growth of the financial asset, which in turn helps to expand on the achievement of the non-profit organization's overall mission;
- When nonprofits set up an endowment, it not only opens multiple channels of income, but it can help your organization withstand economic crisis by managing resources well;

In Kenya, Tanzania and Uganda endowment funds are established as trusts. Meaning the applicable laws are the same ones that regulate trust funds. These laws generally establish the regulatory framework to guide registration, taxation and operation processes as follows:

Table 2: Registration, operation, and taxation of endowment funds in Kenya

Country and Applicable Laws	Processes	Requirements
Kenya		
Frequently Asked Questions:		
<ul style="list-style-type: none"> • How do I establish an endowment fund in Kenya? • How much do I need to start an endowment fund? • How long (on average) does it take to establish an endowment fund? • What are the potential sources for an endowment fund? • How do I file for annual returns? • Are donations tax-deductible? 		
Applicable Laws	Registration	Requirements needed when registering a trust
<ul style="list-style-type: none"> • Trustees (Perpetual Succession) Act, Cap 164; • Trustee Act, Cap 167, • Registry of Documents Act, Cap 285; • Income Tax Act, Cap 472 (as amended by relevant Finance Acts) 	<p>NB: To Establish an endowment fund follow registration process of a trust in Kenya</p>	<ul style="list-style-type: none"> • Approved name of the Trust; • Main objective of the Trust- Education, Medical, Beneficial, etc; • Name of the settler/ donor- full name, copy of ID card/passport; • If it is a company, copy of the certificate of registration; • Proposed physical address of the trust or foundation; • Domicile and residence of the trust or foundation; • A trust deed⁷ • Description of beneficiaries and their necessary allotments if any; • Description of the trust fund; • Description and details of the trustees; • Administration details of the Trust. <p>NB: It costs approximately Ksh 500,000 to register a trust taking into account the location, assets and so on.</p> <p>Procedures for registration of a trust in Kenya</p> <p>Preparation of trust deed</p> <ul style="list-style-type: none"> • Payment of stamp duty • The registration may involve two stages namely; • Registration under the Registry of Documents Act (RDA): This process may take 1 to 3 weeks. • Registration under the RDA does not make a trust into a body corporate; however, the trust can commence implementing the objects of the trust as a simple trust. • Incorporation under the Perpetual Successions Act. The process takes an average of 3 to 6 months to the issuance of a certificate of incorporation • A Certified copy of the trust deed and a petition for incorporation prepared in the prescribed form

⁷ Contains the name of the trust, the objectives of the trust, the names in full and addresses of the trustees including powers of the trustees to change and appoint other trustees.

Table 2: Cont'd

Country and Applicable Laws	Processes	Requirements
Kenya		
Frequently Asked Questions:		
<ul style="list-style-type: none"> • How do I establish an endowment fund in Kenya? • How much do I need to start an endowment fund? • How long (on average) does it take to establish an endowment fund? • What are the potential sources for an endowment fund? • How do I file for annual returns? • Are donations tax-deductible? 		
Applicable Laws	Registration	Requirements needed when registering a trust
<ul style="list-style-type: none"> • Trustees (Perpetual Succession) Act, Cap 164; • Trustee Act, Cap 167, • Registry of Documents Act, Cap 285; • Income Tax Act, Cap 472 (as amended by relevant Finance Acts) 	<p>NB: To Establish an endowment fund follow registration process of a trust in Kenya</p>	<p>is then lodged with the Minister for Lands for incorporation of the trust.</p> <ul style="list-style-type: none"> • Upon registration, the trust shall have common corporate seal. <p>Proof of registration</p> <ul style="list-style-type: none"> • The certificate of registration shall be conclusive evidence of authority to operate in Kenya. • The Trust shall continue to exist beyond death of member(s). • The trust can file a case against some other person or some other company/trust and also a case can be filed by some other person against the company. • A trustee may invest Trust funds in the securities, shares, any movable and immovable property as may be considered appropriate under the conditions and directions of the Trust.
	Operations	How I file for annual returns
		<ul style="list-style-type: none"> • All incorporated trusts shall be required to file returns with the Ministry of Land. The information required to be filed include: <ul style="list-style-type: none"> ▶ the name and postal address of the current trustees; ▶ the physical address of the corporate body; ▶ the current activities being undertaken by the trust; ▶ financial statement including the source of funding ▶ particular of any land vested in the trust; and ▶ statement that the trust is not being used for personal gain of the trustees <p>Potential sources of fund</p> <ul style="list-style-type: none"> • Foreign and local donations • Fundraising
Tax and tax rebate		<ul style="list-style-type: none"> • The income of a registered trust is exempted from taxation. • Charitable trusts are exempted from paying land rates payable on its immovable properties; • Exempted on stamp duty when buying land and property. • Visit the Kenya Revenue Authority's iTax portal to file tax returns for the trusts.

Table 3: **Registration, operation, and taxation of endowments Tanzania**

Country and Applicable Laws Tanzania	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • How do I establish an endowment fund in Tanzania? • How much do I need to start an endowment fund? • How long (on average) does it take to establish an endowment fund? • What are the potential sources for an endowment fund? • How do I file for annual returns? • Are donations tax-deductible? 		
Applicable Laws	Registration	How to register a trust?
<ul style="list-style-type: none"> • Trustees' Incorporation Act, Cap 318; • Trustees' Incorporation Rules, 1956; • Income Tax Act, 2004. 	<p>NB: To Establish an endowment fund follow registration process of a trust in Tanzania.</p>	<ul style="list-style-type: none"> • Submit application Form T1 and Annexure "A" accompanied by Trust Deed constitution of the bodies incorporation. • Passport size photo of proposed trustees. • Recommendation letter from District Commissioner Office of the District in which the intended body corporate has its headquarters. • Recommendation letter from the relevant sectoral government institutions if applicable. • Recommendation letter from relevant supreme religious institutions if the applicant is a religious organization/body. • Pay appropriate fee (current fee rate Tshs 200,000/=). • A formal application is made to the Administrator-General for incorporation as a body corporate. • The Administrator General of Trustees is not obliged to incorporate upon fulfillment of the above requirements. • All copies submitted should be in duplicate except Letter of Recommendation. <p>Proof of registration</p> <ul style="list-style-type: none"> • Once incorporated the body corporate has the following obligations: • Not allowed to acquire interest in land without first obtaining consent in writing from the Administrator General of Trustees. • To notify the Administrator General of any change, change of trustees, name of the body corporate, postal address, constitution within one month. • Upon registration, the trust shall continue to exist beyond death of member(s). • The trust can file a case against some other person or some other company/trust and also a case can be filed by some other person against the company. • The trust property is transferred to the trustee in order to manage the trust fund. • The trustee or trustees become a body corporate bearing the name shown in the certificate.
	Operations	How I file for annual returns
		<ul style="list-style-type: none"> • Annual return must also be filed setting out the monies received and how they are utilized, and their expenditures. • Fill and submit Form T1 5. • Pay appropriate fee (current fee Tshs 50,000)

Table 3: Cont'd

Country and Applicable Laws Tanzania	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • How do I establish an endowment fund in Tanzania? • How much do I need to start an endowment fund? • How long (on average) does it take to establish an endowment fund? • What are the potential sources for an endowment fund? • How do I file for annual returns? • Are donations tax-deductible? 		
Applicable Laws	Registration	How to register a trust?
	Operations	How I file for annual returns
		Potential sources of funds <ul style="list-style-type: none"> • Foreign and local donations • Fundraising
	Tax and tax rebates	
		<ul style="list-style-type: none"> • A trust or unit trust is liable for tax. • Unless specifically exempted, trusts are subject to tax separately from their beneficiaries. • Assets and liabilities owed by a trust or a trustee in the capacity of trustee shall be treated as owned or owed by the trust and not any other person. • Amounts derived and expenditures incurred by a trust or a trustee in the capacity of trustee (other than as a bare agent), are treated as derived or incurred by the trust and not any other person. • A trust is taxed at the rate of 30% of the total income. • To file tax returns visit the Tanzania Revenue Authority for guidance.

Table 4: Registration, operation and taxation of endowments in Uganda

Country and Applicable Laws Tanzania	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • How do I establish an endowment fund in Uganda? • How much do I need to start an endowment fund? • How long (on average) does it take to establish an endowment fund? • What are the potential sources for an endowment fund? • How do I file for annual returns? • Are donations tax-deductible? 		
Applicable Laws	Registration	How to register a trust?
		<ul style="list-style-type: none"> • An application letter is sent to Registrar of Societies; • Resolution of the general meeting of trustees; • Minutes of the General meeting forming the Trust; • Trust deed/ constitution in three copies. • Particulars of the new trustees; • Passport photos and specimen signatures of the trust members; • Payment of fees – UGX 65,000,000.
<ul style="list-style-type: none"> • Trustees Act, Cap 164 • Trustees Incorporation Act, cap165. • Income Tax Act, Cap 34 		

Table 4: Cont'd

Country and Applicable Laws Tanzania	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • How do I establish an endowment fund in Uganda? • How much do I need to start an endowment fund? • How long (on average) does it take to establish an endowment fund? • What are the potential sources for an endowment fund? • How do I file for annual returns? • Are donations tax-deductible? 		
Applicable Laws		<p>Proof of registration</p> <ul style="list-style-type: none"> • Upon registration and incorporation, the trustees become a body corporate known or described by the name appearing in the certificate of incorporation. • The trust shall have common corporate seal. • The Trust shall continue to exist beyond the death of member(s). • The trust can file a case against some other person or some other company/trust and also a case can be filed by some other person against the company • Trustees as a body corporate have the authority to invest the trust funds in the securities, shares, any movable and immovable property as may be considered appropriate under the conditions and directions of the trust. <p>Operations</p> <ul style="list-style-type: none"> • How do I file for annual returns? <ul style="list-style-type: none"> ▶ Final annual returns by individuals, companies, partnerships and trusts are filed within 6 months after the year end; ▶ Provisional returns must be submitted between 1st July – 30th December of the financial year while final returns must be submitted before 30th of June every financial year. ▶ There’s an option to amend the return before the year end. ▶ To file tax returns visit the website of the Uganda’s Revenue Authority for guidance. <p>Tax and tax rebate</p> <ul style="list-style-type: none"> • Uganda’s Income Tax Act, 340 establishes a category of exempt organizations, including those of a religious, charitable, educational, or public character. • Qualifying organizations are exempt from tax on almost all categories of income. • Individuals and legal entities are eligible for tax deductions for charitable contributions. • The Ugandan law subject certain sales of goods and services to VAT, with a fairly broad range of exempt activities. • Foreign grants are exempt from VAT. • To file tax returns visit the website of the Uganda’s Revenue Authority for guidance.

3 Social Enterprises

3.1 What is a Social Enterprise?

A social enterprise or social business is a business with specific social objectives that serve its primary purpose. Social enterprises seek to maximize profits while maximizing benefits to society and the environment, and the profits are principally used to fund social programs. A social enterprise is an alternative against poverty and its objective is to make the poor participate in the process that helps them get out of that situation of slavery- poverty- by causing them to become micro entrepreneurs who increase their income in order to become independent people. The process will eventually change their living conditions and living standards. Social Enterprises are privately owned organizations- either for-profit, non-profit, or a hybrid of the two- that use business methods to advance their social objectives. Due to their strong presence and understanding of local communities, social enterprises are often able to reach underserved populations through flexible and innovative business models.

3.2 Types of Social Enterprises

There are two kinds of social businesses. The first category is one that is a non-loss, non-dividend company whose main purpose is basically a social goal. The second category is a profit making company possessed by poor people devoted to a well-defined social cause. Further, social enterprise ventures also take the following forms: Community-based organisations with commercial arms; non-governmental organisations with commercial arms; cooperatives and social credit unions or microfinance.

3.3 Benefits of a Social Enterprise

- Social entrepreneurs find it easier to raise capital. Since the investment industry in Social Enterprise sector is ethical, it is easier to raise capital at below market rates;
- Marketing and promotion for these organisations is also very easy. Since a social problem is being tackled with a solution, it is easier to attract attention of the people and media.

- It is easier to garner support from likeminded individuals since there is a social side to the enterprise.
- It is also easier to get people onboard at lower salaries than compared to other industry
- Services in whichever section they may be offered are customized better to suit the needs of the individual or the problem.
- Cost effectiveness. The solutions offered by these organisations in the form of either products or services are reasonable than compared to the same service provided by a profit-making organisation;

3.4 Setting up a Social Enterprise

The following are useful guides when considering setting up a social enterprise

- Research your issue: Get some advice from players within the social enterprise space.
- Get a local view point even if your cause is a local one, look beyond.
- Have a clear social mission. It's what makes you stand out. Funders/investors will want to be sure about the social change they invest in, and customers will check whether you are different from less ethical alternatives.
- Investigate the funding options/figure out the financials.
- Figure out legal structures/legalize it. Find out about various registration regimes and opt for one that complies with the statutory provisions as well as the mission and objective of your social enterprise model; the legal structure of your venture will impact its structure, governance, taxation, regulations, and ability to attract investments and partners.
- Start showing off. It's of paramountcy to position yourself, ask yourself the following questions; how are potential customers going to find you? And with your marketing, how do you want people to feel about your product?
- Establish a solid business plan/write your business plan. Clearly define your product or service, the social objective, your plan for meeting the

blended social and business goals, your plan for measuring impact, both social and business, who your customers are and how you intend to reach them, marketing channels you plan to use to reach them, your plan for product development or service delivery, your operations plan, your financial plan.

- Prove you are making a difference. Impact information can help to determine if your venture is effective, and may inform changes you need to make. If you've measured and you're getting positive results, that's great for both attracting investors/funders and for marketing, it also implies that your idea works.
- Seek on-going support from a mentor/consider being part of social enterprise networks; for learning and exploring various opportunities for either scaling up or diversifying.

- Build a company culture. A social venture needs to create its own culture, upon which the venture will utilize while communicating to everyone involved.

In Kenya, Tanzania, and Uganda due to different policy and legal contexts, many organizations also face the dilemma of venturing purely as social enterprises or incorporating social enterprise as part of the sustainability initiatives while exploring establishing a branch/outfit or a separate entity as a social enterprise wing as an appendage of the main organization for revenue raising and sustainability purposes. All the options are ultimately shaped by the nature of the registration, and operating context as follows.

Table 5: Registration, operation and taxation of social enterprises in Kenya

Country and Applicable Laws	Processes	Requirements
Kenya		
Frequently Asked Questions:		
<ul style="list-style-type: none"> • What are the key legislations that one needs to be familiar with in registering a social enterprise? • Are there benefits associated with a specific legal registration for operations of social enterprise? • What are the tax obligations of a social enterprise? • How much would I need to register a social enterprise? 		
Applicable Laws	Registration	Requirements for registration as company limited by guarantee include:
<ul style="list-style-type: none"> • NGO Act No. 19 (1990), Companies Act (2017), Societies Act (2012), • Tax Act 1990 • The VAT Act 2013 • Public Benefits Organizations Act (PBO) (waiting implementation) 	<ul style="list-style-type: none"> • Desirable legal form for registration of the social enterprises seems to be Limited Liability Company.⁸ 	<ul style="list-style-type: none"> • Proposed names for name search and reservation (3 names submitted to register of companies) • Objectives of the Company • Address of the proposed company physical location including LR Number • Photocopy of ID card/passports for the directors/ members • Recent colored passport-sized photographs of directors • Particulars of directors, personal information, occupation. Postal and physical address and contacts • Pin certificate of directors <ul style="list-style-type: none"> ▶ To register as company limited by guarantee, one can seek legal assistance from a law firm. The amounts can range but averagely Ksh 50,000-60,000/= ▶ Estimated timeframe being within 2-3 months. ▶ CSOs registering as societies must file applications with the Registrar of Societies within 28 days of their formation. ▶ To register as trusts, organizations prepare trust deeds, submit them for stamp duties, and then file them with the Ministry of Lands and Physical Planning.

⁸ According to research done by the British Council in 2016 "Status of Social enterprises in Kenya". According to the survey; Social enterprises in Kenya most frequently register as a Limited Liability Company (LLC) (23 percent), in spite of the known administrative and procedural complexities associated with this type of registration, not to mention the cost implications

Table 5: Cont'd

Country and Applicable Laws	Processes	Requirements
Kenya		
Frequently Asked Questions:		
<ul style="list-style-type: none"> • What are the key legislations that one needs to be familiar with in registering a social enterprise? • Are there benefits associated with a specific legal registration for operations of social enterprise? • What are the tax obligations of a social enterprise? • How much would I need to register a social enterprise? 		
Applicable Laws	Registration	Requirements for registration as company limited by guarantee include:
		<ul style="list-style-type: none"> ▶ Organizations registering as NGOs, file applications and supporting documents with the NGO Coordination Board, which has one month to process the applications. ▶ CBOs register with the Department of Gender and Social Services in the locations in which they will operate.
	Operations	How I file for annual returns
		<ul style="list-style-type: none"> • Social enterprises, are required to file returns and pay taxes like all other registered for-profit entities. • All NPOs are required to apply for Personal Identification Numbers for purposes of filing and remitting applicable tax returns.
	Tax and tax rebate	
		<ul style="list-style-type: none"> • On the basis of their objectives in society NPOs are eligible for certain tax benefits and reliefs. • Donations to NPOs in Kenya do not qualify as taxable income in Kenya. • In the event an NPO engages in activities that are income generating then such income is subject to taxation at 30% unless the institution applies to Kenya Revenue Authority (KRA) for exemption as stipulated in section 10 of the first schedule of the Income Tax Act (1990). The certificate typically exempts NPOs from paying tax on any income which is catered for by the exemption during the validity period stated on the exemption certificate. • NPOs whose tax exemptions are as a result of bilateral treaties will require gazettelement. <p>NB: It's important to understand the following taxes in relations to social enterprises in Kenya;</p> <ul style="list-style-type: none"> • Value added Tax: The VAT Act 2013 (Sec 7 of the Third schedule) provides for VAT exemption on the supply of social welfare services provided by charitable organizations. • Under the Fifth schedule of the VAT Act, goods and services imported or supplied to donor agencies, international and regional organizations with diplomatic accreditation or bilateral or multilateral agreements with Kenya for their official use are zero rated. • Sec 7 of the fifth schedule provides for zero rating on the supply of taxable goods or taxable services under a contract to an official aid-funded project

Table 5: Cont'd

Country and Applicable Laws Kenya	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • What are the key legislations that one needs to be familiar with in registering a social enterprise? • Are there benefits associated with a specific legal registration for operations of social enterprise? • What are the tax obligations of a social enterprise? • How much would I need to register a social enterprise? 		
Applicable Laws	Registration	Requirements for registration as company limited by guarantee include:
	Tax and tax rebate	<p>where the agreement specifically provides for the remission of tax.</p> <ul style="list-style-type: none"> • Taxable supplies to Aid Agencies for their official use (Sec 13 of the fifth schedule) and the supply of goods or taxable services to designated foreign aid-funded capital investment projects where the agreement specifically provides for tax exemption, provided that the supplies are acquired prior to payment of taxes (Sec 2 of the fifth schedule) • Withholding Tax: There are no exemptions associated with Withholding tax. • NPOs are required to deduct withholding tax (WHT) when making certain payments to resident and non-resident persons as per the provisions of Section 35(3)(f) and Section 35(1)(a) of the ITA respectively. • Pay As You Earn: Salaries and other employment taxable benefits of employees of NPOs are not exempt from taxation. However, foreigners working for NPOs in Kenya may be exempt from PAYE on a case to case basis.

Table 6: Registration, operation, and taxation of social enterprises in Tanzania

Country and Applicable Laws Tanzania	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • What are the key legislations that one needs to be familiar with in registering a social enterprise in Tanzania and Zanzibar? • Are there benefits associated with a specific legal registration for operations of Social enterprise? • What are the tax obligations of a social enterprise? 		
Applicable Laws	Registration	Registration in Tanzania
<ul style="list-style-type: none"> • Trusteeship Incorporation Act CAP 317 of 2002 • Societies Act CAP 335 of 2002 • NGO Act of 2002 • The Written Laws (Miscellaneous Amendments) (No.3) Act 2019 • Companies Act • Tax Administration Act, 2015. • Finance (Public Revenue Management) Act, • Income Tax Act Cap 332 • Section. 29 of VAT Act Cap 148 RE 2019). • Vocational Education and Training Act Cap 82. • East African Community Customs Management (EACCM) Act • Section 5 of the Diaspora Act No.4 of 2020) 		<ul style="list-style-type: none"> • CSOs in Tanzania mainland register under the Trusteeship Incorporation Act CAP 317 of 2002, Societies Act CAP 335 of 2002, or NGO Act of 2002. • According to the Written Laws (Miscellaneous Amendments) (No. 3) Act of 2019, organizations registered as companies, trusteeships, or • Societies and operating as NGOs had to re-register under the NGO Act by August 31, 2021. -The Ministry of Health, Community Development, Gender, Elderly, and Children website stated in 2021 that a total of 158 organizations operating as NGOs had failed to re-register and were recommended for removal from the NGO register. • CSOs pay registration fees, which vary according to the type of organization but are generally considered fair. <p>Registration in Zanzibar</p> <ul style="list-style-type: none"> • CSOs in Zanzibar register with the Business Property Registration Agency in the Ministry of Trade and Investment under the Societies Act No. 6 1995. They are overseen by the Special Department in the President's Office of Regional Administration and Local Government (PO-RALG). • CSOs must reapply for registration every ten years. <p>Requirement for registration in Tanzania</p> <ul style="list-style-type: none"> • The following are the key needed registration requirements; <ul style="list-style-type: none"> ▶ Copy of Constitution of the Non-Governmental Organization (3 bound Copies). ▶ Minutes containing full names and signatures of founder members. ▶ Personal particulars of office bearers (Chairperson, Secretary, and Treasurer with 2 photographs). NOTE: For International NGOs, 2 curriculum vitae must be of citizens of Tanzania ▶ A filled NGO A Form No.1 attached with 3 Stamp Duty worth 1500 Tanzania shillings for Local NGOs and Stamp Duty worth 2 USD for International NGOs. ▶ Recommendation letter from District/Regional Assistant Registrars. ▶ Any other particulars as may be required by the Registrar.

Table 6: Cont'd

Country and Applicable Laws Tanzania	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • What are the key legislations that one needs to be familiar with in registering a social enterprise in Tanzania and Zanzibar? • Are there benefits associated with a specific legal registration for operations of Social enterprise? • What are the tax obligations of a social enterprise? 		
Applicable Laws	Registration	Registration in Tanzania
		<ul style="list-style-type: none"> • Applicable fees (It's important to note that the fees are subject to reviews) <ul style="list-style-type: none"> ▶ Registration at District Level shall be Tshs 80,000 equivalent to 40 USD ▶ Registration at Regional Level shall be Tshs 100,000 equivalent to 50 USD ▶ National Level shall be Tshs 115,000 equivalent to 60 USD ▶ International Level shall be 350 USD equivalent to 700,000 TZS
	Operations	How to file annual returns and evidence
		<ul style="list-style-type: none"> • The taxation legal regimes also seem to be unfriendly to many not for profit actors including social enterprises. • Registration procedures have been straightforward and easy since the government introduced an online registration portal in 2020. • Registration fees are generally considered fair. • CSOs are required to submit quarterly reports, annual activity reports, and annual audited financial reports. • Publish their sources of funding biannually; and submit funding contracts and declare the receipt of funds exceeding TZS 20 million (approximately \$8,600) to the NGO Registrar.
	Tax and tax rebate	
		<ul style="list-style-type: none"> • There is no distinction between the taxation of CSOs and private-sector entities. • The nonprofit sector is required to pay many different taxes and levies, including a 30 percent corporate tax, a 10 percent withholding tax on rent, a skills development levy, resident, and non-resident withholding taxes on services, a stamp duty, value-added tax, and customs duties. • The law provides tax exemptions to religious and charitable organizations, but CSOs are rarely able to obtain these exemptions because of a lack of instructions to regional tax managers and CSOs' own lack of understanding of the application process, which is cumbersome and bureaucratic. • In Zanzibar, under the Finance (Public Revenue Management) Act, CSOs are eligible for tax exemptions on assistance projects funded by foreign governments and multilateral agencies, but red tape and the lack of consistent procedures deny CSOs such exemptions in practice.

Table 6: Cont'd

Country and Applicable Laws Tanzania	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • What are the key legislations that one needs to be familiar with in registering a social enterprise in Tanzania and Zanzibar? • Are there benefits associated with a specific legal registration for operations of Social enterprise? • What are the tax obligations of a social enterprise? 		
Applicable Laws	Registration	Registration in Tanzania
	Tax and tax rebate	
		<ul style="list-style-type: none"> • Also, in Zanzibar, Section 5 of the Diaspora Act No.4 of 2020 outlines areas of investment for the diaspora and the channeling of diaspora philanthropy and services. • Non-profit organizations are required to acquire a Taxpayer Identification Number (TIN) after their formation under their respective laws and commencement of business. Sec. 22 (1) of Tax Administration Act, 2015. • Income Tax: In Tanzania NPOs are expected to pay corporate tax like other taxpayers. • Income for corporate tax purposes constitutes all collections from economic activities, members' subscription fees, donations, and grants. • In accordance with Section 64(2) (b(ii) of the Income Tax Act Cap 332 Income derived from investments including gains from realization of an investment asset of a Charitable organization or religious organization is not taxable Exemptions of VAT are granted to non-profit organizations in accordance with item 6, 7, and 8 of Part II of the schedule of the VAT Act, 2014.

Table 7: Registration, operation, and taxation of social enterprises in Uganda

Country and Applicable Laws Uganda	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • What are the key legislations that one needs to be familiar with in registering a social enterprise? • Are there benefits associated with a specific legal registration for operations of Social enterprise? • What are the tax obligations of a social enterprise? 		
Applicable Laws	Registration	How to register a social enterprise in Uganda?
<ul style="list-style-type: none"> • Non-Governmental Organizations Act of 2016 • Trustees Act and the Trustees Incorporation Act. • The Income Tax Act (1997) 	<p>NB: Social enterprises in Uganda are registered under NGO Act 2016.</p>	<ul style="list-style-type: none"> • Under the NGO Act 2016 (the most current legal framework), CSOs must first incorporate with the Uganda Registration Services Bureau as companies limited by guarantee before applying for registration and operating permits from the NGO Bureau. • To register with the bureau, CSOs must obtain letters of recommendation from their line ministries and the districts in which they are headquartered and subsequently enter memoranda of understanding with the local government of every district or municipality in which they will operate.

Table 7: Cont'd

Country and Applicable Laws Uganda	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • What are the key legislations that one needs to be familiar with in registering a social enterprise? • Are there benefits associated with a specific legal registration for operations of Social enterprise? • What are the tax obligations of a social enterprise? 		
Applicable Laws	Registration	How to register a social enterprise in Uganda?
		<ul style="list-style-type: none"> • CSOs must also register with the Financial Intelligence Authority. • Operating permits are normally renewed annually, and the NGO Bureau may revoke them at its discretion. • Community-based organizations (CBOs) register with district authorities through the district NGO monitoring committees. • Charges are sometimes imposed by district officials at every step of the registration process and are often determined arbitrarily despite the provision of a fee schedule in the law. • Registered organizations must file annual returns with the NGO Bureau, Financial Intelligence Authority, and Uganda Registration Services Bureau.
	Operations	How do I file annual returns?
		<ul style="list-style-type: none"> • All Non-Governmental Organizations (NGOs) are required to file returns with the NGO Bureau. An Organisation shall submit to the NGO Bureau. <p>Annual Returns at least once every year. Below are the requirements for filling out annual returns:</p> <ul style="list-style-type: none"> ▶ A cover letter addressed to the Executive Director, NGO Bureau. ▶ Dully filled out Form R ▶ Photocopy of the Permit of Operation ▶ Proof of payment of the prescribed fees ▶ A copy of the audited books of accounts from a Certified Auditor(s). ▶ A copy of the Annual Report(s) ▶ Minutes of the General Assembly or governing body meeting which considered and approved the Audited Accounts & Annual Report and a signed attendance list. ▶ Fees for filing Annual Returns of an organization other than a Community Based Organization is UGS. 50,000 per year. <ul style="list-style-type: none"> • Submission of annual returns should be made to the NGO Bureau in hardcopy in a well labelled spring file. • For ease of crosschecking and verification, documents in the spring file should be arranged in order listed above.
	Tax and tax rebate	
		<ul style="list-style-type: none"> • Generally, in Uganda CSOs and non-state actors must pay value-added tax on imported goods and purchases as well as pay-as-you-earn tax on staff salaries.

Table 7: Cont'd

Country and Applicable Laws Uganda	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • What are the key legislations that one needs to be familiar with in registering a social enterprise? • Are there benefits associated with a specific legal registration for operations of Social enterprise? • What are the tax obligations of a social enterprise? 		
Applicable Laws	Registration	How to register a social enterprise in Uganda?
	Tax and tax rebate	
		<ul style="list-style-type: none"> • A CSO may apply for a tax exemption by obtaining a recommendation from the NGO Bureau, a tax assessment from Uganda Revenue Authority, and a recommendation letter from its line ministry showing that any tax revenue lost because of the exemption will be recovered in-kind through services provided by the applicant organization. • Income Tax: Under the Income Tax Act (1997) organizations are exempt from paying income tax if they are within the definition of "exempt Organizations" as defined in Sec 2 bb of the Income Tax Act. As per this section • All income of an exempt organization including rental income of immovable property leased exclusively for activities of the organization is exempt from taxation. • However, income received by exempt organizations that are not related to their scope and function of activities is subject to taxation (sec 21 F (ii) of the Income Tax Act). • It's important to note that NGOs are required to apply for a ruling for an exemption status from the Commissioner General Uganda Revenue Authority indicating that they are an organization exempt from Taxation. • Value Added Tax: under the Second Schedule of the VAT Act social welfare services are exempt from VAT. • Not-for-profit, charities, and Non-Governmental Organizations are required to deduct and remit tax on the salaries of their employees.

4 Asset Building and Ownership

4.1 What is an asset building and ownership?

Asset building refers to the efforts to enable an organization with limited financial resources to accumulate and preserve long-term, productive assets to address its financial commitments, and to plan for long-term success. Asset building also refers to accumulated resources that are invested for social and economic development. These investments can be in human, social, or tangible assets. Assets—or resources—range from savings accounts and business ownership to education and health. It is the “process of gradual purchase of assets, with the purpose of its accumulation”. Asset building contributes positively to an organization’s well-being and enhances organizational stability by availing assets critical to the organization’s work. For example, KCDF, Pangani House; Land; Investments (holding company).

4.2 How an Organization Can Build Asset?

- First, the organisation has to make investments; Investments are the process of buying assets. These assets generate returns over time.

- Second, the organisation should focus on accumulating assets made above; organisations have to acquire assets over time and hold them for the long term. This is when assets accumulate. This is a time frame of five years or more, to generate wealth. This protects the organisation from short term volatility, and one may get tax efficient returns.
- Third, asset building, this is the gradual collection of assets with the purpose of accumulation. Without accumulation, asset acquisition becomes meaningless. '

In Kenya, registration, operation asset ownership, and building follow the establishment of trusts discussed in chapter two. Tanzania, in addition to the context around registration and legal frameworks regarding operations of NGOs (discussed in the previous chapter), it is important to note that in the case of Tanzania for the case of land ownership, the key laws governing land and use include Tanzania National Land Policy of 1995, Land Act No 4, and Village Land Act of 1999. In Uganda, asset ownership and building are guided by the Constitution of Uganda, 1995, and the Land Act, 1998.



Table 8: Registration, operation and taxation of asset building and ownership in Tanzania

Country and Applicable Laws Tanzania	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • Which laws should one be familiar with around asset building and ownership in Tanzania? • Is there a form of registration that favors asset building and ownership? • What is the operational context for asset building and ownership? 		
Applicable Laws	Registration and operations	What does the law say about land ownership?
<ul style="list-style-type: none"> • Tanzania national land policy of 1995, • Land act No 4 • Village land act No5 of 1999 		<ul style="list-style-type: none"> • The laws stipulate that the Tanzanian Government technically owns all the land in the country. However, Tanzanian citizens can purchase the rights to use the land. • The case also goes to the aspects of corporates and the NGOs being in a position to also own land rights. • The applicable laws then follow in terms of utilization of the legal rights. • Additionally, transactional legal framework also applies in the process of acquisition of such properties.

Table 9: Registration, operation and taxation of asset building and ownership in Uganda

Country and Applicable Laws Uganda	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • Which laws should one be familiar with around asset building and ownership in Uganda? • Is there a form of registration that favors asset building and ownership? • What is the operational context for asset building and ownership? 		
Applicable Laws	Registration and operations	What does the law say about land ownership?
<ul style="list-style-type: none"> • The Constitution of Uganda, 1995 • The Land Act, 1998 		<ul style="list-style-type: none"> • According to Article 237(1) of the Constitution (relating to Land ownership), Land in Uganda belongs to the citizens of Uganda and can be owned under customary, mailo, freehold, or leasehold tenure. • These aspects are critical in paying attention to cases venturing into the acquisition of land for purposes of building office spaces and property, an aspect that has been explored by several institutions in Uganda.

5 Local Fundraising

5.1 Overview of the Chapter

The bulk of funding for Civil Society Actors (CSA's) in Africa and by extension East Africa comes from international donors. Fundraising techniques vary and continue to grow in scale and diversity. Local fundraising by not-for-profit organizations, i.e., NPOs

can be done through the following organizations: Non-Governmental Organizations, Societies, Trusts, and Companies Limited by Guarantees. Accordingly, in understanding the law on fundraising one has to look at the specific law governing the operations of the organization that is seeking to fundraise.

Table 10: Registration, operation and taxation of Local Funding in Kenya

Country and Applicable Laws Kenya	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • How to register a Kenyan/Local and a Foreign NGO? • What are the additional requirements for registering a Foreign NGO? • How much do I need to register an NGO? • Proof of registration? • How do I file annual returns? • What platform should CSA' use for local fundraising? • Are donations tax-deductible? • Where do you pay taxes/ how? • If PBO Act comes into effect, will court fees will also be exempted? 		
Applicable Laws	Registration	How to register a Local/ Kenyan or Foreign NGO?
<ul style="list-style-type: none"> • Non-Governmental Organizations Coordination Act, 1990; • Income Tax Act, Cap 472 (as amended by relevant Finance Acts) 		<ul style="list-style-type: none"> • Submit the name search of the NGO in a prescribed Form 2 for approval from the Director of the Non-Governmental Organizations Board. • A letter addressed to the Executive Director requesting registration. • Duly completed NGO Form 1 (one copy stating the organization's contact person). • Duly completed NGO Form 3 (three copies) in original Forms. • Two recent colored passport-size photographs of three proposed officials and two other board members with the names of the three proposed officials and the two board members and organization written at the back. • Copy of Name Reservation Form (NGO Form 2) duly approved and paid for. • The Constitution of the proposed NGO/INGO (filed out in three copies) and signed by both the proposed 3 officials and listing at least two (2) other board members (all the 3 constitutions must be signed by all the proposed board members on the execution page and by at least one of the proposed officials on each and every page.

Table 10: Cont'd

Country and Applicable Laws Kenya	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • How to register a Kenyan/Local and a Foreign NGO? • What are the additional requirements for registering a Foreign NGO? • How much do I need to register an NGO? • Proof of registration? • How do I file annual returns? • What platform should CSA' use for local fundraising? • Are donations tax-deductible? • Where do you pay taxes/ how? • If PBO Act comes into effect, will court fees will also be exempted? 		
Applicable Laws	Registration	How to register a Local/ Kenyan or Foreign NGO?
		<ul style="list-style-type: none"> • Minutes authorizing the filing of the application with a specific agenda and resolution to register the organization as an NGO with the NGOS Registration board. • A notification of location of the office and the postal address of the proposed organization (NGO Form1). <p>Additional requirements for registering a foreign NGO</p> <ul style="list-style-type: none"> • The organization has to furnish the constitutions of its other branches around the world. • One out of the three officials of the Kenya branch must be a Kenyan citizen. • The officials must be of outstanding and unquestionable character and conform to NGO laws in Kenya • NB: It cost Ksh 16,000 for local and Ksh 30,000 for international NGOs. <p>Proof of Registration</p> <ul style="list-style-type: none"> • A certificate of registration is issued by the NGO Board once it is satisfied with the application and the organization is free to begin operating as an NGO. • The certificate of registration shall be conclusive evidence of authority to operate in Kenya as specified therein. • The NGO becomes a body corporate with perpetual succession capable of suing and being sued, holding property, entering contracts et cetera.
	Operations	How do I file annual returns?
		<ul style="list-style-type: none"> • Letter addressed to the Executive Director submitting the returns • Duly filled Form 4 • Audited accounts for organizations with a budget of over Ksh 1 million • Payment of annual returns submission fee of KES. 2000 <p>What platform should CSA' use for local fundraising?</p> <ul style="list-style-type: none"> • Government funding

Table 10: Cont'd

Country and Applicable Laws Kenya	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • How to register a Kenyan/Local and a Foreign NGO? • What are the additional requirements for registering a Foreign NGO? • How much do I need to register an NGO? • Proof of registration? • How do I file annual returns? • What platform should CSA' use for local fundraising? • Are donations tax-deductible? • Where do you pay taxes/ how? • If PBO Act comes into effect, will court fees will also be exempted? 		
Applicable Laws	Registration	How to register a Local/ Kenyan or Foreign NGO?
	Operations	How do I file annual returns?
		<ul style="list-style-type: none"> • Holding fundraising events and activities such as runs and marathons, dinners and gala nights • Holding harambees (public gatherings to raise funds); • Mobile donations and private sector led initiatives such as 'M-changa', a mobile platform that allows for mobile money-based contributions
	Taxation	<p>The Income Tax Act, Cap 470 at First Schedule, Para. 10 grant NGOs several tax exemptions.</p> <p>Tax exemptions and how to benefit/access the same:</p> <ul style="list-style-type: none"> • Income tax on income received from membership subscriptions and any donations or grants • Income tax on income acquired from the active conduct of income-producing activities if the income is wholly used to support the public benefit purposes for which the organization was established. • Tax on interest and dividends on investments and gains earned on assets or the sale of assets and stamp duty. <p>Where do you pay taxes/ how?</p> <ul style="list-style-type: none"> • Visit the Kenya Revenue Authority's iTax portal to file tax returns for the NGOs. • Some applicable taxes include Pay As You Earn (PAYE), Withholding tax <p>If the Public Benefit Organisation Act of 2013 comes into effect, the following aspects to keep in mind:</p> <ul style="list-style-type: none"> • Court fees will also be exempted. • Visit the Kenya Revenue Authority's itax portal to file tax returns for the NGOs.

Table 11: Registration, operation, and taxation of local funding in Tanzania

Country and Applicable Laws Tanzania	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • How to register an NGO? • How much do I need to register an NGO? • How do I file annual returns? • What platform should CSA' use for local fundraising? • Are donations tax-deductible? 		
Applicable Laws	Registration	How to register a Local/Tanzania or Foreign NGO?
<ul style="list-style-type: none"> • Non-Governmental Organizations Act, No. 24 of 2002; • Income Tax Act, 2004. 		<p>Section 11 of the NGO Act requires the following to be submitted to the Registrar for registration:</p> <ul style="list-style-type: none"> • Copy of the Constitution of the NGO; • Minutes containing full names and signatures of founder members. • Personal particulars of office bearers; • Address and Physical location of the head office of the NGO; • Application fee; • Any other particulars as may be required by the Registrar. • NB: It costs Tshs 50,000 to register an NGO in Tanzania. <p>Proof of registration</p> <ul style="list-style-type: none"> • The Registrar issues a certificate of registration to the NGO once satisfied with the application process; • The certificate of registration once issued is conclusive proof authorizing the registered NGO to operate as outlined in its constitution and in conformity with the conditions in the certificate.
	Operations	How do I file annual returns?
		<ul style="list-style-type: none"> • Prepare a report of its activities which shall be made available to the Public, the Council, the Board, and other stake holders; • Prepare an annual audited report and submit copies thereof to the Council and the Board and shall be made available to the public." • The deadline to submit the said Annual Reports is usually released by the office of the Registrar of NGOs. • All Annual Reports must be submitted at the Office of the Registrar of NGOs in Dodoma from 0800 hours to 1530 hours. • These Reports shall be submitted through NGO A Form No. 10, which is the Annual Report Form, and shall attach the following documents: <ul style="list-style-type: none"> ▶ A copy of the Audited Financial Statement of the NGO. ▶ A copy of the detailed Activity Report. • A copy of the resolution by the Annual General Assembly Approving the Report and Financial Statement. • A copy of the Registration or Compliance Certificate.

Table 11: Cont'd

Country and Applicable Laws Tanzania	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • How to register an NGO? • How much do I need to register an NGO? • How do I file annual returns? • What platform should CSA' use for local fundraising? • Are donations tax-deductible? 		
Applicable Laws	Registration	How to register a Local/Tanzania or Foreign NGO?
	Operations	How do I file annual returns?
		What platform should CSA' use for local fundraising? <ul style="list-style-type: none"> • Government funding • Holding fundraising events and activities such as runs and marathons, dinners, and gala nights
	Taxation	
		<ul style="list-style-type: none"> • NGOs in Tanzania are taxed like all other organizations. • An NGO may however be relieved from paying income (corporate) tax and other taxes upon being exempted from paying such taxes in accordance with the law. • An NGO is taxed at the rate of 30% of the total income. • To file tax returns visit the Tanzania Revenue Authority for guidance.

Table 12: Registration, operation, and taxation of local funding in Uganda

Country and Applicable Laws Uganda	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • How do register an NGO? • How much do I need to register an NGO? • How do I file annual returns? • What platform should CSA's use for local fundraising? • Are donations tax-deductible? 		
Applicable Laws	Registration	To register an NGO, the regulations require the following:
	<ul style="list-style-type: none"> • Non-Governmental Organizations Act 2016. • Income Tax Act, Cap 340 	<ul style="list-style-type: none"> • Application for registration by completing Form A as prescribed in the Schedule; • A certified copy of the certificate of incorporation; • A copy of the organization's constitution or governing documents; • A chart showing the governance structure of the organization; • Proof of payment of the prescribed fee (in Uganda shillings, 100,000/= for indigenous or regional organizations; 520,000/= for foreign organizations; 260,000/= for continental organizations; and 800,000/= for an international organization);

Table 12: Cont'd

Country and Applicable Laws Uganda	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • How do register an NGO? • How much do I need to register an NGO? • How do I file annual returns? • What platform should CSA's use for local fundraising? • Are donations tax-deductible? 		
Applicable Laws	Registration	To register an NGO, the regulations require the following:
		<ul style="list-style-type: none"> • Proof of source of funding for the activities of the organization; • A copy of a valid identification document for at least two founder members; • Minutes of a meeting of members or the governing body authoring the organization to register with the Bureau; • A resolution of members (or governing body) authorizing the organization to register with the Bureau; • Any statements that the minister may require through a regulation. <p>Proof of registration</p> <ul style="list-style-type: none"> • A registered NGO is issued with a certificate of registration, which makes the incorporation complete. • The NGO becomes a legal person, it can sue, be sued, own property, employ people, etc. • The NGO must operate based on the terms and conditions of the registration.
	Operations	How do I file annual returns?
		<ul style="list-style-type: none"> • All Non-Governmental Organizations (NGOs) are required to file returns with the NGO Bureau. An Organisation shall submit to the NGO Bureau <p>Annual Returns at least once every year. Below are the requirements for filling out annual returns:</p> <ul style="list-style-type: none"> ▶ A cover letter addressed to the Executive Director, NGO Bureau. ▶ Dully filled out Form R ▶ Photocopy of the Permit of Operation ▶ Proof of payment of the prescribed fees ▶ A copy of the audited books of accounts from a Certified Auditor(s). ▶ A copy of the Annual Report(s) ▶ Minutes of the General Assembly or governing body meeting which considered and approved the Audited Accounts & Annual Report and a signed attendance list ▶ Fees for filing Annual Returns of an organization other than a Community Based Organization is UGS. 50,000 per year. <ul style="list-style-type: none"> • Submission of annual returns should be made to the NGO Bureau in hardcopy in a well labelled spring file;

Table 12: Cont'd

Country and Applicable Laws Uganda	Processes	Requirements
Frequently Asked Questions:		
<ul style="list-style-type: none"> • How do register an NGO? • How much do I need to register an NGO? • How do I file annual returns? • What platform should CSA's use for local fundraising? • Are donations tax-deductible? 		
Applicable Laws	Registration	To register an NGO, the regulations require the following:
	Operations	How do I file annual returns?
		<ul style="list-style-type: none"> • For ease of crosschecking and verification, documents in the spring file should be arranged in the order listed above. <p>What platform should CSAs use for local fundraising?</p> <ul style="list-style-type: none"> • Government funding • Holding fundraising events and activities such as runs and marathons, dinners, and gala nights
	Taxation	
		<ul style="list-style-type: none"> • Uganda's Income Tax Act, 340 establishes a category of exempt organizations, including those of a religious, charitable, educational, or public character. • Qualifying organizations are exempt from tax on almost all categories of income. • Individuals and legal entities are eligible for tax deductions for charitable contributions. • The Ugandan law subject certain sales of goods and services to VAT, with a fairly broad range of exempt activities. • Foreign grants are exempt from VAT. • To file tax returns visit the website of the Uganda's Revenue Authority for guidance.

6 Best International Standards and Practices

6.1 Introduction

The findings indicate that laws and regulations guiding the operations of CSOs operations and philanthropy support incentives in Kenya, Tanzania, and Uganda are scattered and inconsistent. There is a lack of a clear legal framework to guide endowment, social enterprises, asset ownership, and building and local fundraising. Based on the international experience of laws and regulations affecting CSOs, several norms, and good practices have been identified that enable CSOs to fulfill their roles as development actors effectively. Those considering drafting new or revised laws and regulations for CSOs should consider the following international-recognized norms against which national legislation should be assessed. They include:

- The right of CSOs to entry (that is, the right of individuals to form and join CSOs);
- The right of CSOs to operate to fulfill their legal purposes without state interference;
- The right to free expression;
- The right of CSOs to communication with domestic and international partners;
- The right to freedom of peaceful assembly;
- The right to seek and secure resources, including the cross-border transfer of funds; and
- The state's positive obligation to protect CSO's rights.

6.2 Good Practices in National Legislations

Based on these norms a number of good practices can be identified

- In South Africa, Nonprofit Organizations (NPO) Act aims to provide a regulatory and supportive function for smaller voluntary associations that were established under common law and had no registration or reporting capacity. The South African government serves as a regulator and a key donor to NPOs.
- In South Africa and Ghana, laws, regulations, and policies facilitate civic organizations to engage in any legitimate fundraising activity, with voluntary self-regulatory mechanisms for accountability, but with public disclosure of how funds are raised and

used, including fundraising expenses.

- Republic of India's legal framework is considered relatively supportive of civil society, and particularly supportive of philanthropic giving. Laws, regulations, and policies create an enabling tax regime that stimulates civic participation through tax incentives for donations from individuals and the private sector. In addition, properly established CSOs can receive cash or in-kind contributions, transfers, or loans from outside the country so long as all generally applicable foreign exchange and customs laws are complied with.
- In Ethiopia, a social enterprise must open a separate bank account and keep separate books of account for its business in accordance with the relevant commercial and tax laws. The organization must abide by all relevant tax, commercial registration and business licensing, and investment laws when engaging in income-generating activities.

6.3 Recommendations

- Promote movement building among CSAs for concerted lobbying and advocacy for harmonizing legislation supportive of CSA's operations and sustainability.
- Engage EALA and EAC states in harmonizing laws and regulations on CSA operations and philanthropy.
- Support bilateral engagement between the EAC states and non-state actors to identify critical aspects to be factored in the harmonized legislation, including a balance between CSAs regulation and the flexibility to explore avenues of local resource mobilization.
- Engage EAC and individual country-level legislators to formulate clear guidelines on local philanthropy.
- Facilitate multi-stakeholder engagement (i.e., state, private sector, and non-state actors) to inform the review of regulations on taxation (i.e. tax rebates and tax exemption. This, therefore, promotes social enterprises, incentivizes the private sector to engage in philanthropy, and supports endowment fund building.



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