BAROMETER
ON EAST AFRICAN TRADE IN SERVICES

EAST AFRICAN BUSINESS COUNCIL

The Voice of the Private Sector
in East Africa

german cooperation
DEUTSCHE ZUSAMMENARBEIT

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EAST AFRICAN BUSINESS COUNCIL

Table of Contents

LIST OF ABBREVIATIONS & ACRONYMS:

AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AIDA	Accelerated Industrial Development of Africa
AU	African Union
BASA	Bilateral Air Service Agreement
CMP	Common Market Protocol
COMESA	Common Market for East and Southern Africa
CPC	Central Product Classification
EABC	East African Business Council
EAC	East African Community
EACIA	East African Community Institutes of Accountants
EALA	East African Legislative Assembly
FDI	Foreign Direct Investment
FSDRP	Financial Sector Deepening and Regionalisation Project
FSDT	Financial Sector Deepening Trust
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GVCs	Global Value Chains
IAIS	International Association of Insurance Supervisors
IATA	International Air Transport Association
ICPAU	Institute of Certified Public Accountants of Uganda
ICPs	Insurance Core Principles
ICT	Information and Communications Technology
ILO	International Labour Organisation
ILOSTAT	International Labour Organisation Statistics
IMF	International Monetary Fund
ITC	International Trade Centre
I-TIP	Integrated Trade Intelligence Portal
MA	Market Access
MFN	Most Favoured Nation
MRAs	Mutual Recognition Agreements
MSMEs	Micro, Small and Medium Enterprises
NFPs	National Focal Points
NT	National Treatment
NTSC	National Trade in Services Committees
ONA	One Network Area
PS	Partner States (EAC)
R&D	Research and Development
RECs	Regional Economic Communities
RTSCs	Regional Trade in Services Committee (RCTS
RVCs	Regional Value Chanins
SADC	Southern African Development Community
SCLJA	Sectoral Council for Legal and Judicial Affairs
SCTIFI	Sectoral Council on Trade, Industry, Finance and Investment
SDGs	Sustainable Development Goals

SMEs	Small and Medium Enterprises
TIC	Tanzania Investment Centre
TNC	Transnational Companies
TRA	Tourism Regulatory Authority
TTLB	Tanzania Tourism Licensing Board
UNCTAD	United Nations Conference on Trade and Development
USD	United States Dollar
WTO	World Trade Organization

EXECUTIVE SUMMARY

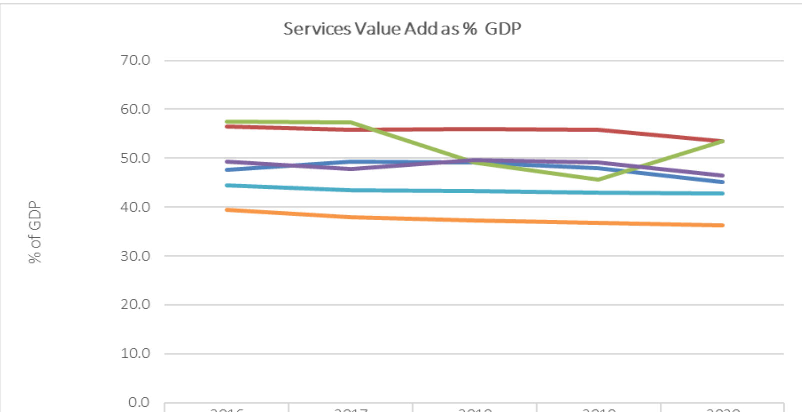
As part of its advocacy agenda, the East African Business Council (EABC) has developed **Barometer on East African Trade in Services, whose overall objective is to support improvements in the framework conditions for growth of services in the EAC**. This first edition of the Barometer on East African Trade in Services focuses on the on overall trends on services performance (GDP, employment and export trade); state of openness with consideration to the revised schedule of progressive liberalisation of trade in services vis a vis commitment in the Common Market Protocol (CMP); the restrictiveness of the services trading environment and the advancements and progress at national and regional level on the EAC trade in services agenda.

The Barometer on the EAC Services Trade shows an overall positive trend, with room for rapid improvement through addressing prevalent restrictions and expeditiously concluding on-going regional initiatives.

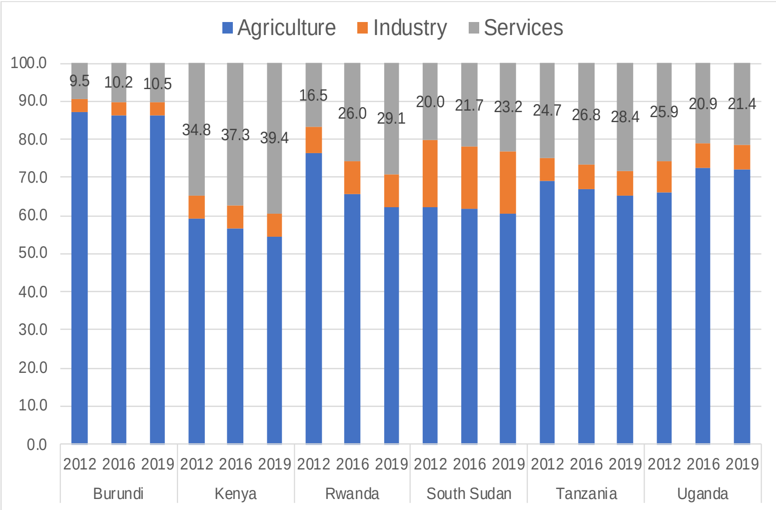
Looking at specific indicators making up the Barometer on the EAC Services Trade, we find that:

a) The Barometer on **services performance indicators show a <u>largely positive trend, with increases noted especially in services contribution to employment and exports</u>.**

On GDP, services continue to be the largest components of the EAC economies and the key sectors driving economic growth are mainly transport, travel (which covers tourism); communications and financial services. Although contribution fell in 2020 due to COVID-19 pandemic, there are signs of recovery based on reported 2021 statistics.

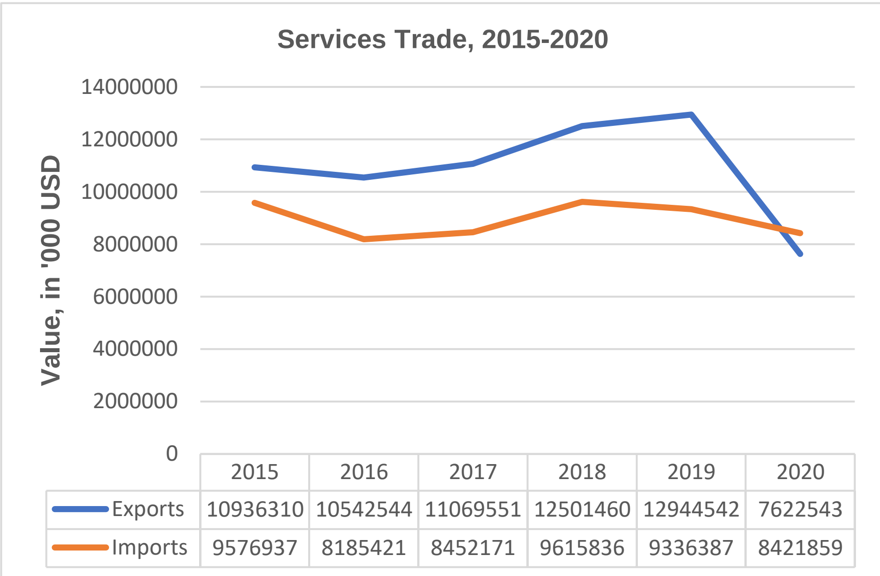


	2016	2017	2018	2019	2020
Burundi	47.7	49.3	49.1	47.9	45.2
Kenya	56.4	55.9	56.0	55.9	53.6
South Sudan	57.5	57.3	49.2	45.7	53.5
Rwanda	49.3	47.9	49.7	49.1	46.4
Uganda	44.4	43.5	43.3	43.0	42.8
Tanzania	39.4	37.9	37.2	36.8	36.3



On employment, for all EAC Partner States, employment in services sector is important **(contributing between 10 - 40% in Kenya)** to total employment in 2019 and showing significant growth over the period 2012-2019. Contribution in the informal sector is significant and likely much larger than in formal employment.

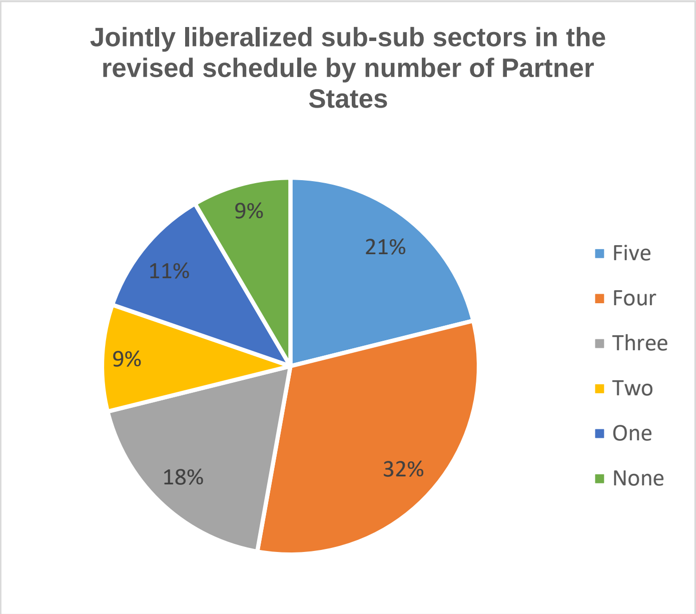
On services trade, the region was a net exporter of services until 2019. Due to the COVID-19 pandemic, services exports declined significantly, particularly driven by the impacts on tourism, transport and travel. Not accounting for COVID impacts, the overall picture is that exports of services has grown since the common market came into force, **growing by 46.6%, from USD 8.8billion in 2011 to USD 12.9 billion in 2019.** Emerging data for 2021 also shows that service trade levels are returning to pre-covid levels.



b) The barometer on state of openness (commitment to liberalise), shows a <u>very positive trend, with 92 new sub-sectors added under the revised schedule of progressive commitments,</u> thereby laying the foundation to build an integrated EAC services market.

The new sectors are in key sectors like business services (37); transport services (36) and financial sector (10), which are all critical as key sectors in their own right and as intermediate inputs in the manufacture of goods and production of other services.

In addition, Partner States have increased the overall level of committed sub-sectors as a percentage of possible sectors under the W/120, **from 57% in the CMP, to now 69%.** In addition, Partner States have increased the number of sectors committed **by all Partner States to 30, from 16 and there are an additional** 9 sub-subsectors that previously had no commitments in the CMP that are now included in the revised schedule.



All partner states have made commitments in 30 (21% of W/120 total for 7 priority sectors) sub-subsectors, 45 (32%) sub-subsectors have been committed to by 4 states; 26 (18%) by 3 states; 13 (9%) by 2 PS, 16 (11%) by 1 PS, and 12 (9%) by none as shown in the chart across.

c) The Barometer on advancements and progress at national and regional level on the EAC trade in services agenda shows <u>an overall positive trend, with evidence of key reforms at both levels aimed at enhancing trade in services.</u>

All EAC Partner States have enacted at least one measure that is supportive of the EAC services agenda, either at a cross-cutting level, for example investment (which supports mode 3 supply), or at specific sector levels. At the national level, over 6 measurers directly removing restrictions in various service sectors are noted, while at the regional level, there are over 7 reforms / initiative meant to create the necessary framework conditions for increased trade in services.

d) The Barometer on the restrictiveness of the services trading environment shows <u>an overall negative trend, with a number of restrictions still being maintained in the focus sectors,</u> despite the transition period to implement all EAC service sector commitments lapsing at the end of December 2015.

As noted in the analysis, only financial services can be deemed to have no overt restrictions, with all the other sectors having a number of restrictions that negatively impact on the ability of services and service providers to move.

Professional services have the most restrictions, with **35 noted for just the three sectors of focus in this Barometer. Furthermore, all Partner States having a restriction in at least one of the sectors.**

Recommendations:

Despite the overall positive trends observed by the Barometer, the potential for services to play a key role as a strategic driver of economic competitiveness, growth and structural transformation of the EAC is not being fulfilled due to the existing restrictions and unfinished agenda at the regional level, both of which continue to fragment the services market, making trading in services sometimes difficult and the cost high. Thus, the Barometer on the East African Services Trade makes the following **Recommendations:**

General Recommendations

a) At the national level, all EAC Partner States should **continue to undertake reforms to align their domestic laws to their commitments under the CMP/revised schedule of commitments for progressive liberalisation of trade in services.**

b) At the regional level, the EAC should expeditiously conclude the following key actions necessary to enhance the framework for an integrated services market in the EAC:

i. Finalisation of process for the **adoption of the revised schedule of commitments and the EAC Regulations for the free movement of services and services suppliers**

ii. Fast-track **finalisation of Annex VII of the EAC Common Market (Mutual Recognition of Academic and Professional Qualifications) Regulations.**

iii. Develop a **regional timebound framework / roadmap for removal or easing of restrictions in order to enhance cross border movement of services.**

iv. To address the challenge of double taxation, **review the EAC Agreement on the Avoidance of Double Taxation (DTA) to align it to Base Erosion and Profiting Shifting (BEPS) Action Points.** Thereafter, **implement it across the EAC region and sensitise key stakeholders on it.**

v. **Agree on a timetable for the negotiation of the 5 service sectors not covered under the CMP, in order to broaden service integration**.

Sector Specific Recommendation:

Professional Services:

a) Complete negotiations for the EAC Cross Border Legal Practice bill and the Mutual Recognition Agreement for Legal Services.

b) Review the MRAs for engineering and accounting services in order to address trade related aspects such as registration of firms and procedures related to the same.

c) Enhance regulatory framework for accounting and engineering sectors by i) establishing an engineering sector regulator in Burundi and ii) in accounting services in South Sudan.

d) Put in place a framework to require mandatory registration for all accounting professionals for efficient service delivery and accountability.

Telecommunication Services:

a) Tanzania and Burundi should join One Network Area (ONA) in order to bring down the cost of voice and data services across the region.

b) All taxes and charges on roaming should be removed as pat of the ONA initiative.

c) All taxes on ICT equipment and related services should be removed in order to enhance their affordabability and access by MSMEs and general population.

Air Transport Services:

a) Implement the open skies policy, inline with the Yamoussoukro Decision and the Single African Air Transport Market (SAATM).

b) Expeditiously finalise the development of the EAC Liberalisation of Air Services Regulations and adoption of the Regulations by all Partner States

c) Harmonise the taxation regimes on air transport services with a view to bringing down the cost of airfares.

d) Review and harmonise charging mechanisms, fees and taxes with the objective to reduce the ticket cost and stimulate demand in air transport. The harmonisation should comply with the ICAO Policy guidelines on airport charges.

e) Promote the development of low- cost carriers by giving incentives that include terminal facilities which support their operations.

Tourism Services:

a) Remove all restrictions to the free movement of tourism practitioners (travel agents, tour operators and guides.

b) Develop / bring the EAC tourist visa under the ambit of the EAC, with a view to bringing all EAC Partner States on board and also streamline / automate the issuance process.

c) Enable mutual recognition of tourism qualifications and collaboration on tourism-related education and training.

d) Put in place measures to support the development of low-cost airlines to enhance / grow intra-EAC tourism business.

Financial Services

a) Expedite the enactment of the EAC Insurance Act and thereafter its implementation in order to support mutual recognition of insurance covers / policies across the region.

b) In commercial banking, adopt and implement the draft EAC regional Payment System roadmap to reduce costs for cross-border transactions.

c) Industry and regulators should put in place measures to address the key drivers of the high cost of credit in the region and the access to affordable credit for MSMEs.

1. INTRODUCTION

Through the EAC Common Market Protocol (CMP), the East African Community (EAC) Partner States have committed to scale up trade and investment in services sectors through guaranteeing free movement of services across the four modes of supply. Under the CMP, Partner States made commitments to liberalise seven priority service sectors, as follows: Business, Communications, Distribution, Education, Financial, Tourism and Travel and Transport services. Service liberalisation under the CMP followed a positive list approach, with Partner States scheduling only those sub-sectors they were willing to open up. Through the CMP, EAC Partner States envisioned an integrated services sector, capable of accelerating economic growth and development of the region, as well as sustained expansion of service-related economic activities by service suppliers, across all modes of supply.

While notable progress has been made in some services sectors such as professional services and aspects of financial services, the potential for services to play a key role as a strategic driver of economic competitiveness, growth and structural transformation of the EAC is not being fulfilled due to domestic regulatory hurdles and restrictions that continue to fragment the services market, making the cost of trading in services high. The EAC's own framework of monitoring the implementation of the EAC CMP, as well as the 2014/2016 / 2020 Scorecards[1] highlighted various challenges that constrain the free movement of services in the region. Among these, is the lack of implementation of EAC commitments, with a number of restrictions still maintaining, more than 10 years after the CMP came into effect. Even where there have been regional initiatives to enhance services liberalisation, these efforts have not borne the targeted results. For example, a 2018 study supported by GIZ, evaluating the status of implementation of the signed MRAs in the EAC, highlighted that some Partner States are not signatories to all the concluded MRAs, even in sectors where they have made commitments. In addition, the level of regulatory compliance and implementation differs across professions; with fairly good progress observed for accountants but relatively limited progress for veterinarians. The study observed the limited movement of professionals, partly due to limited awareness and reluctance to re-establish in another Partner State[2]. Moreover, even at the Community level, various initiatives meant to take forward the services agenda, such as the deepening of the liberalisation commitment and the enactment of regulations to guide the free movement of services and service suppliers, among others, remain unfinished.

Other key issues are that like many developing countries, the EAC is challenged by weak and fragmented evidence base on services production and trade to guide competitiveness-enhancing services interventions. This lack of information it impossible to adequately leverage opportunities and overcome bottlenecks; and often leads to fear and reluctance to liberalise. For firms, especially SMEs, this hampers their ability to identify new potential trading partners and/or related services products where growth potential may exist. From a policy perspective, this complicates not only the process of pursuing services integration, regulatory cooperation and the reduction of services trade barriers, but also challenges efforts to improve regulatory outcomes in their own right.

[1] The EAC Common Market Scorecard is an EAC tool that monitors the implementation of the CMP through review of legal compliance to commitments made by Partner States. It is supported by the World Bank Group and the TradeMark East Africa. The Services Chapter of the Scorecard focuses on professional services (Legal, accounting, engineering and legal), road transport and distribution.

Against the above background, East African Business Council (EABC), the foremost representative body of the private sector in the EAC region, has developed a **Barometer on East African Trade in Services *(herein after referred to as EAC Services Barometer*), whose overall objective is to support improvements in the framework conditions for growth of services in the EAC**.

1.1 The EAC Services Barometer

The EAC Services Barometer will has the following scope:

a) **Focus Sectors:** This first edition of the EAC Services Trade Barometer will focus on five service sectors, as follows:
   - Financial services (commercial banking and insurance),
   - Tourism services
   - Communication services (telecommunications and information and communications technology (ICT),
   - Transport services (air transport services), and,
   - Professional Services (specifically accounting, legal and engineering sub-sectors).

b) **Parameters of the Barometer:** The following measurements define the scope of the Barometer:
   - *Performance of trade in services:* This measure considers indicators such as services trade contribution to GDP as well as the volume of trade in services overall and for the focus sectors. For sectors where data may be lacking (such as professional services), contribution of business services is used as a proxy. The focus period is over the last 10 years during which time the EAC Common Market Protocol has been under implementation.

   - *Level of openness:* This measure analyses the changes in level of liberalisation in the overall seven priority sectors based on analysis and comparison of the existing EAC Partner States' Schedule of the Commitments on Trade in Services and the revised Schedule of the commitments.

   - *Key advancements and progress at national and regional level to support liberalisation commitments:* This will indicate the key advancements, at both national and regional level, in the focus sectors towards supporting the integration of the service sectors.

   - *Number of restrictions in the focus sectors:* This is based on regulatory audits and other reports already undertaken by EABC/GIZ and EAC in these sectors. As partner states have not made similar commitments in the sectors of focus, the number of restrictions is used as a proxy of how restrictive a market is. In addition, where regulatory framework lacks to support liberalisation, this is also highlighted as a restriction, in recognition of the critical role of regulation in liberalising trade in services.

c) Based on the synthesis of the various indicators considered to construct it, the Barometer also includes a matrix of policy recommendations that EAC Partner States should adopt to remove the identified restrictions in the selected sectors, with a view to supporting improvements in the framework conditions for growth of services in the EAC.

d) The Barometer shall also include **Sector Specific Policy Briefs,** targeting the various sector audiences / policy makers / regulators.

1.2 Methodology, data collection and organisation of the report

1.2.1 Methodology for Constructing the EAC Services Barometer

Based on the parameters elaborated above, the indicators of the barometer have been constructed based on the following considerations:

Table 1, Indicators constructing the Barometer.

Indicator	Comments	Measure:
Performance of services	This indicator will three sub indicators: contribution of services to GDP, contribution of services to employment and EAC services exports, based on commercial services trade.	- Decreasing performance of services vis a vis trade, GDP, employment = Negative trend - Increasing or neural performance on the same = Positive trend.
Level of Progressive Liberalisation	Analysis of the number of sub-sectors committed under the CMP vis a vis those in the revised schedule. *(Caveat: important to note that for P/States like Rwanda and Uganda, they had already committed above the 78 sub-sector thresh-hold targeted, so their overall increases may be significantly lower than Kenya and Tanzania that had committed fewer sectors under the CMP.)*	- Overall increase in possible commitments under the Priority Sector – Baseline 57% under CMP = positive trend. - Overall decrease in possible number of commitments = negative trend.
Key advancements and progress at national and regional level to trade in services	This will analyse the reforms made at both national and regional level to further the regional agenda for services. As regional processes take long to conclude, any regional action that has commenced, even though not completed, will be recognised	- 1 positive reform at national or regional level = Positive trend. - No (zero) reforms at national or regional level = negative trend.
Restrictiveness of the services trading environment	As not all partner states committed all sectors being reviewed, a count of the number of NCMs shall be the measure of restrictiveness. Additionally, where applicable, the WTO/BT Services Trade Restrictiveness Index shall be used to complement the number of NCMs.	- If 0 (zero) Number of NCMs = Positive trend - If +1 (1 or more) number of NCMs = Negative trend

1.2.2 Data collection

Research was undertaken through two main channels:

a) Secondary data, which was mainly obtained from reviewing literature from credible sources, including, but not limited to the EABC, EAC and GIZ reports on trade in services, including sector specific ones; publications from leading agencies supporting the services agenda such as the World Bank, UNCTAD, International Trade Centre, African Development Bank, United Nations Commission on Africa (UNECA), among others; and,

b) Primary data, primarily obtained during the validation meetings for the EAC Strategy for Trade in Services,[3] as well as through the Barometer's validation / launch workshop *(to be held).*

1.2.3 Organisation of the Report

The rest of the report is organised as follows: Section 2 provides a more comprehensive background and context to the EAC services barometer, covering the importance of the services sector and the services regime in the EAC, at the AfCFTA and globally. Section 3 undertakes an analysis of the Barometer indicators, in line with the agreed parameters, while Section 4 summarises the findings of this analysis. Section 5 elaborates a number of recommendations that are necessary to address the key restrictions and issues identified in the findings and those necessary to push the EAC services agenda forward.

2. BACKGROUND AND CONTEXT

2.1 The Services Sector and its importance

The services sector comprises a broad swathe of activities. Under the services sectoral classification list (W/120), which is a comprehensive list of services sectors and sub-sectors covered under the World Trade Organisation (WTO) General Agreement on Trade in Services (GATS), which governs trade in services at the global level, **12 service sectors** are identified. The twelve sectors include the following:

- Business services (including professional services, computer and related services, R&D services, and other business services, amongst others);
- Communications services (postal, courier, telecommunication, and audio-visual);
- Construction and related engineering services;
- Distribution services (including commission agents, wholesale, retailing, & franchising);
- Education services;
- Environmental services;
- Financial services (insurance and banking);
- Health related and social services;
- Tourism and travel related services;
- Recreation, cultural and sporting services;

[3] The consultant is also developing the EAC Strategy for Trade in Services, where all the focus sectors are included.

- Transport services (maritime, internal waterways, air, space, rail, road, pipeline, and services auxiliary to all modes of transport); and
- Other services not included elsewhere

Under the 12 sectors, there are about 166 sub-sectors, which are defined as aggregate of the more detailed categories contained in the United Nations provisional Central Product Classification (CPC). The CPC is based on the nature of the services rendered, pointing to a much larger categorisation of services given the different modes and means through which services may be rendered.

The GATS applies in principle to all service sectors, with two exceptions - Article I. (3) excludes 'services supplied in the exercise of governmental authority', which covers services that are supplied neither on a commercial basis nor in competition with other suppliers. In addition, according to the GATS Annex on Air Transport Services, all measures affecting air traffic rights and services directly related to the exercise of such rights are not covered by the GATS.

GATS outlines four 'modes of supply' through which services are traded, as elaborated below:[4]

Table 2: The Four Modes of Supply under the GATS

Mode of supply	Description	Example
Mode 1- Cross-border supply	Covers services flows from the territory of one member into the territory of another member.	Engineering firm in Tanzania sends designs via electronic means to a client in Rwanda.
Mode 2 - Consumption abroad	Service consumer moves into another member's territory to consume a service.	Tourists from Kenya travel to Rwanda to consume tourism services. Students from Rwanda consume education services in Uganda.
Mode 3 - Commercial presence	Service supplier of one member establishes a commercial presence (investment) in another member's territory to provide a service.	Bank from Uganda sets up a subsidiary / branch in Rwanda. Hotel chain from Kenya establishes presence in Tanzania
Mode 4 – Presence of natural persons	Consists of persons of one member entering the territory of another member, on temporary basis, to supply a service.	Consulting company in Rwanda sends their workers temporarily to South Sudan to develop a Strategy

The importance of the services sector cannot be gainsaid, with global consensus that structural transformation is not possible without a thriving services sector and that to achieve sustainable economic and social development, services have to be at the core of any effort. The section below reflects on the critical role played by services and services trade, not only as individual sectors, but also in contribution to productivity and competitiveness of other economic segments such as manufacturing and agriculture; in integrating firms into regional and global

[4] A new indirect mode of supply – 'mode 5' – features in recent literature to capture services that are embodied in goods that are traded (e.g., the design, R&D, and engineering services that feature in an electric vehicle).

value chains; as well as contributing to employment, sustainable development goals and the like.

The service sector is critical to any effort to accelerate economic growth and achieve sustainable development in developing countries:
Previously overlooked and considered non-tradable, the services sector is increasingly becoming *'a transformational force in the global economy, in many ways, the foundation of trade, without which trade would not happen'*.[5] Indeed the WTO asserted in 2019 that the '*the future of trade is trade in services*'[6] and research shows that the service sector is a key contributor to growth, structural transformation and development in any country or region. To illustrate: financial services affect growth by facilitating capital accumulation and fostering innovation, while low-cost and high-quality telecommunications generate economy-wide benefits, as the communications networks are transmission channels for information and other digitized products. Transport services affect the cost of shipping goods and the movement of workers within and between countries. Business services such as accounting, engineering, consulting and legal services reduce transaction costs associated with the operation of financial markets and the enforcement of contracts, are a channel through which business process innovations are transmitted across firms in an industry or across industries.

Furthermore, integrating service markets, through liberalisation, creates the necessary economies of scale that lead to more efficient resource allocation.[7] Removing barriers to trade in services thus leads to lower prices (for example in telecommunications by reducing unit costs); improved quality (arising from enhanced competition from both domestic and foreign suppliers - for example in education and healthcare); and greater variety (through distribution services than enables more goods and services to reach the consumer).

Services are considered potential 'growth escalators' and productivity in services drives productivity and exports in manufacturing:
Services such as transport and related logistics such as cargo handling and clearing and forwarding are now considered potential growth escalators especially as an intermediate input into manufacturing.[8] These services are also very critical in integrating manufactured goods sectors into national, regional and global value chains. Research by Hoekman and Shepherd[9] in 2015 and 2016 indicated that boosting services productivity and competitiveness has positive knock-on effects on both manufacturing productivity and exports. For example, working with services accounting for 22.2% of total input costs in the EAC, this research suggests that a 10% improvement in services productivity is associated with an increase in manufacturing productivity of 0.32% in Burundi, 0.41% in Kenya, 0.34% in Rwanda, 0.67% in Tanzania, and 0.55% in Uganda. The research also found that higher local services productivity tends to increase exports - a 10% increase in services productivity is associated with an increase in manufacturing exports of 0.24% in Burundi, 0.30% in Kenya, 0.25% in Rwanda, 0.50% in Tanzania, and 0.41% in Uganda.

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[5] ICTSD and World Economic Forum, 2016. '*Rethinking Services in a Changing World. Synthesis of Policy Options*'. E15Initiative, Geneva.
[6] WTO, World Trade Report, 2019
[7] Francois, J. and B. Hoekman, "Services Trade and Policy," Journal of Economic Literature 48 (2010): 642–92
[8] Ghani Ejaz and Stephen D. O'Connell (2014) *Can services be a Growth Escalator in Low Income Countries*? Policy Research Working Paper 6971, The World Bank.
[9] Hoekman, Bernard and Ben Shepherd. (2015). *Services Productivity, Trade Policy, and Manufacturing Exports.* RSCAS 2015/07

Efficient provision of services is a prerequisite for integrating economies to value chains:

With regard to integration into regional and global value chains (RVCs and GVCs), research by the African Development Bank (AfDB) et al indicates that the East African region lags behind other African countries, accounting for only 6% of Africa's GVCs participation.[10] Services play an important role in integrating economies into value chains, which are typically coordinated by transnational companies (TNC) with cross-border trade of input and output taking place within their networks of affiliates, contractual partners and arm's-length suppliers[11]. UNCTAD estimates that approximately 80% of global trade in goods and services (in terms of gross exports) are linked to the international production networks of TNCs. GVCs not only create interconnected economies, but they also allow countries to emphasise their strengths and be a part of an international value chain that otherwise would not have been available to them.

Although drivers of success vary across countries and industry value chains, a key enabler for joining a regional or global VC is access by firms to competitive services. These include, but are not limited to, efficient connectivity through transport and ICT links; well-developed distribution channels, business services like accounting and high-quality skills, which is related to the quality of education services.[12] The importance of business services is reinforced by emerging World Bank research into GVCs in Southern Africa, which points to the availability of suitable quality and technical-related services (defined here as: engineering, technical/quality, and agricultural extension services) in attracting the interest of lead firms and more broadly in the lead-secondary firm relationship.[13]

Service sector is important for exporting, but SMEs struggle to successfully tap into export opportunities:

Despite the growth of exports of services on the whole and while data specific to the EAC is not available, evidence from other countries shows that SMEs struggle to export services. Majority of businesses in the EAC are SMEs: for example, they make up nearly 90% of Uganda's economy and are mainly in trade, agriculture processing and services. The formal (registered and operational) MSMEs in the country, contribute 81.5% of the total self-employed labour force of 16.3 million. In Rwanda, the SME sector (including formal and informal businesses) comprises 98% of the businesses and 41% of all private sector employment. Tanzania has about 3 million SMEs contributing to an estimated 23.4% of the total employment and 27% to the GDP.[14]

The single most important factor determining export capability in services relates to skills – not only technical and business/managerial skills, but skills that are specific to knowing how to export. This includes interventions to prepare the firm for exporting; to understand markets and opportunities abroad; to develop markets, contacts and credibility (for which standards can be critical); and lastly to enter the market. Services such as franchising represent an important

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[10] African Development Bank, Organisation for Economic Cooperation and Development and United Nations Development Programme. 2014. *African Economic Outlook 2014.* Paris, OECD Publishing

[11] UNCTAD. (2013). "World Investment Report 2013- Global Value Chains: Investment and Trade for Development". UNCTAD.

[12] Ibid

13 Sáez, Sebastián, Daria Taglioni, Erik van der Marel, Claire H. Hollweg, and Veronika Zavacka. (2014). Valuing Services in Trade: A Toolkit for Competitiveness Diagnostics. Washington, DC: World Bank.

[14] Financial Sector Deepening Trust (FSDT). 2012. MSME National Baseline Survey Report. http://www.fsdt.or.tz/msme-baseline-survey/; FSD Africa, FSD Uganda, Nathan Associates London Ltd. and TNS East Africa. 2015. National Small Business Survey of Uganda http://fsduganda.or.ug/data/pubs/Publications.html; Republic of Rwanda Ministry of Trade and Industry (Rwanda Minicom). 2010. Small and Medium Enterprises (SMEs) Development Policy http://www.minicom.gov.rw/

potential avenue for expediting this process, as franchisors may offer training on processes, methods and other crucial export know-how, and in many cases, are credited for growing the business (another major constraint to MSME services export growth in the region). In addition, other services, such as accessing credit and improving the availability and quality of a range of endowments (such as infrastructure and technological endowments (e.g. roads, electrical grids, and telecommunications infrastructure, including broadband), and natural and cultural endowments (e.g. natural resources, both for exploitation and to drive tourism, alongside the arts and creative sectors, including leveraging links with the diaspora) are critical for the growth of exports by SMEs.

An efficient service sector is key to attracting FDI and presents an important opportunity for FDI, itself a catalyst of industrialisation:
Across the region, services continue to be an important recipient of FDI. The lack of industrial development in Africa has been linked to the challenge of attracting sufficient FDI (World Bank 2013). FDI was identified as the major priority for the acceleration of Africa's industrialization in the Action Plan for the Accelerated Industrial Development of Africa (AIDA, which was adopted by member governments of the African Union in 2008. For multinational enterprises looking at locating or expanding existing manufacturing facilities, availability of well- integrated and efficient services is key to their decision to invest in a particular country.

FDI has also been shown to facilitate the transfer of capability (technology and management know how) and offer access to regional and global value chains.[15] Furthermore, by transferring knowledge and technology from foreign investors to local firms and workers, FDI generates productivity gains not only in the firm itself but in other firms in the same sector (horizontal spill-overs) or along the supply chain (vertical spill-overs). Other studies, such as that by Farole and Winkler, 2014 make clear that it is the increases in productivity generated by FDI spill-over effects that underpin the long-term impact of FDI on growth and development.[16]

Services are crucial to the attainment of Sustainable Development Goals (SDGs):
Provision of key services is also crucial in achieving the sustainable development goals (SDGs)[17] - electricity, health, education, water and sanitation are critical for any household and must be produced efficiently and in an affordable manner for ordinary citizens to benefit from them. Financial inclusion and access to affordable credit, as well as services like transportation, distribution and communication are critical for linking households to markets as their efficient access is often a route out of poverty. Indeed, ordinary households, especially in rural farming areas are only able to respond to opportunities arising from EAC integration processes if they have access to the above services.

2.2 Service Sector Regime in the EAC

Integration of the EAC services market is foreseen under Chapter Eleven of the Treaty Establishing the EAC (1999) under 'co-operation in trade liberalisation and development',

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[15] Chen, Guangzhe, Michael Geiger, and Minghui Fu, *"Manufacturing FDI in Sub-Saharan Africa: Trends, Determinants, and Impacts."* World Bank Group (2015).
[16] Farole, T., and D. Winkler. 2012. *"Foreign Firm Characteristics, Absorptive Capacity and the Institutional Framework: The Role of Mediating Factors for FDI Spillovers in Lowand Middle-Income Countries."* Policy Research Working Paper 6265, World Bank, Washington, DC.
[17] Fiorini, Matteo and Bernard Hoekman. (2018). "Services trade policy and sustainable development." World Development, Elsevier, vol. 112(C), pages 1-12.

specifically Article 76 (Establishment of a Common Market), where the EAC Partner States commit to establish a common market in which 'there shall be free movement of labour, goods**, services,** capital, and the right of establishment'.[18] The establishment of the common market is expected to be progressive.

The Treaty goals have been realised through the Art 16 (1) of the where the EAC Partner States commit to guarantee free movement of services and service suppliers. For the first phase of liberalisation, EAC Partner States negotiated seven priority service sectors, namely business, communications, distribution, education, financial, tourism and travel and transport services. Negotiations followed a positive list approach (Partner States only scheduled those sub-sectors they were willing to open up), with progressive implementation in accordance to the schedule specifications in the Protocol. As a result of this approach, Partner States made different and varying commitments, with an overall **57% of potential commitments in the 7 service sectors being made, of which only 16-sub-sectors were committed by all the Partner States**.[19] Based on Annex V of the CMP on the Schedule of Commitments on the Progressive Liberalisation of Services, Burundi scheduling 73 commitments, Kenya 53, Rwanda 100, Tanzania 46 and Uganda 99. See *Table 2* below. All commitments under Annex V were expected to be fully implemented by **31 December 2015,** which is noted in Annex V as the **final date by which to eliminate any restrictions in the scheduled commitments.** Partner States also undertook, under Art. 16 (5) of the CMP not to introduce any new restrictions on the provision of services.

Table 3 - Number of services sub-sectors committed by EAC Partner States in CMP Annex V

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Business	31	9	31	11	32
Communication	6	15	19	17	19
Distribution	3	3	4	2	4
Education	4	4	4	3	5
Financial	11	10	16	4	12
Tourism and Travel	3	3	3	2	4
Transport	16	9	23	7	23
Total number of sub-sectors committed	**74**	**53**	**100**	**46**	**99**

Source: Author's counting based on the W120 Services Sectoral Classification List

Although Partner States did not make any commitments under the CMP in construction services, environmental services, health related and social services, and recreational, cultural and sporting services; they, in Art. 23 of the CMP, undertook to make additional commitments in these sectors after entry into force of the CMP.

Several **key principles underpin services liberalisation** under the EAC CMP. These include ***National Treatment*** which, in Art. 17 of the CMP, obligates each Partner State not to discriminate against services and service suppliers of any other Partner State and to accord either formally identical or formally different treatment to that it accords to its own like services

[18] EAC, 1999 'The Treaty for the Establishment of the East African Community'. November 1999
[19] EAC Secretariat Technical Paper on Linking and Delinking the Free Movement of Services from the Free Movement of Workers.

and service suppliers and that such treatment shall be considered to be less favourable if it *'modifies the conditions of competition in favour of services or service suppliers of the Partner State compared to like services or service suppliers of the other Partner States (art 17 2 and 3).* Additionally, the CMP provides for ***Most Favoured Nation (MFN) treatment***, which under Art. 18, obligates each Partner State to unconditionally accord to services and service providers of other Partner State, *'treatment no less favourable than it accords to like services and service suppliers of another Partner State or any third party or a customs territory'*. Other key principles are ***Transparency****,* which obligates Partner States under Art. 19 to promptly notify the Council of Ministers of all measures, both domestic and international, affecting the free movement of services. CMP also provides the ***Right to Regulate***, by leaving room under Art 20 for Partner States to regulate their service sectors in accordance with their national policy objectives, *provided that the measures are consistent with the provisions of the CMP and do not constitute barriers to trade in services*. Particularly critical for professional services as well as mode 4 supply of services, Art.11.1 (a) calls for **Recognition,** obligating Partner States to *'mutually recognize the academic and professional qualifications granted, experience obtained, requirements met, licenses or certificates granted in other Partner States'*. Among the way this is achieved is through entering into to Mutual Recognition Agreements (MRAs).

2.3 EAC Service Commitments under other services regimes

Beyond EAC's own integration, it is important to acknowledge other services regimes that have a bearing on EAC's services agenda:

2.3.1 EAC Commitments under WTO GATS:

Under the WTO, EAC Partner States have made relatively few commitments.[20] Only in tourism have all Partner States made commitments (though not all have commitments across all tourism sub-sectors). In business services, only Burundi and Rwanda have made commitments, while in transport and finance, only Kenya has made commitments. More specifically:

- Burundi has made commitments in business services (specifically professional services covering medical, dental, midwifery, nursing and veterinary services and other business services including market research, management consulting, advertising and packaging); construction and related engineering services, distribution services, health-related services, and social services. For these services, Burundi has bound, without limitations on market access or national treatment, all the measures affecting their cross-border supply, their consumption abroad and commercial presence with a view to supplying those services. With the exception of medical specialists, managers and specialized senior management (subject to horizontal commitments), measures affecting the presence of natural persons have not been bound.

- Kenya has made commitments in five sub-sectors: communication (mostly in telecommunications); financial services; tourism and travel-related services; transport services (road and air); and other services (meteorological data information). Kenya has horizontal commitments in commercial presence and movement of natural persons, with

[20] https://www.wto.org/english/tratop_e/serv_e/serv_commitments_e.htm contains details of each country's WTO commitments. This section draws on: WTO. (2019) Trade Policy Review of the EAC.

limitations covering market access for commercial presence (foreign providers are required to incorporate or establish their business locally). Horizontal limitations also cover the entry and temporary stay of natural persons employed in management and expert jobs. The employment of foreign natural persons must be agreed upon by the contracting parties and approved by the Government.

- Rwanda has made commitments on certain professional services (legal, medical, and dental services); adult education services; sanitation and similar services; hotel and restaurant services; and recreational, cultural, and sporting services in centres promoting eco-tourism. For each of these services, Rwanda has undertaken not to maintain any market access or national treatment restrictions for modes 1 to 3. Unbound are measures affecting the presence of natural persons for the supply of medical and dental services, and hotel and restaurant services (specialized personnel and senior executives are the exception). For the other activities mentioned above, Rwanda has undertaken not to maintain any restrictions on the presence of natural persons.

- Tanzania has made commitments only under tourism and travel related services, exclusively for four-star hotels and above. For this commitment, under Mode 3, the country set market access limitations on acquisitions of domestic firms and mergers by foreigners and acquisition of land by foreigners or domestic companies which are deemed foreign because of foreign equity ownership, by making both subject to approval. Under Mode 4, market access is unbound except for measures concerning senior managers that possess skills not available in Tanzania.

- Uganda has made commitments only in tourism services, specifically hotel and restaurant services as well as travel agencies and tour operators and in most sub-sectors of telecommunications services. There are limitations relating to commercial presence, where government approval is required through the Investment Authority and on temporary movement, that is subject to availability of local expertise.

2.3.2 EAC Commitments under the AfCFTA:

There are on-going efforts to create a continental market for services under the African Continental Free Trade Area (AfCFTA). As at 10th July 2022, the Agreement establishing the AfCFTA has been signed by 54 of the 55 AU Member States (including all EAC Partner States) and ratified by 41 (including Burundi, Kenya, Rwanda, Uganda, and Tanzania). The Agreement entered into force on 30 May 2019, with the start of trading (for goods only) under the Agreement as of 1 January 2021.

The AfCFTA Agreement includes a Protocol on Trade in Services, which aims to create a single liberalised market for trade in services across the continent. The first phase of services liberalisation under the AfCFTA is expected to cover five priority sectors: business services, communication services, financial services, tourism and travel-related services, and transport services.[21] A unique objective in the Protocol provides scope for future regulatory cooperation amongst the Parties. Such cooperation, in helping to mitigate the trade-restrictive impacts of

[21] Excluding measurers affecting (a) air traffic rights, however granted; and (b) services directly related to the exercise of air traffic rights

diverse regulations[22] across the continent, will be critical in helping the Protocol achieve the broader aim of boosting intra-African services trade.

At present the AfCFTA's services regime is still being developed and thus, definite information or comparison of EAC's commitments is not possible. EAC Partner States have jointly submitted a joint market access offer, which alongside those of other participating AU Member States, are currently under review.

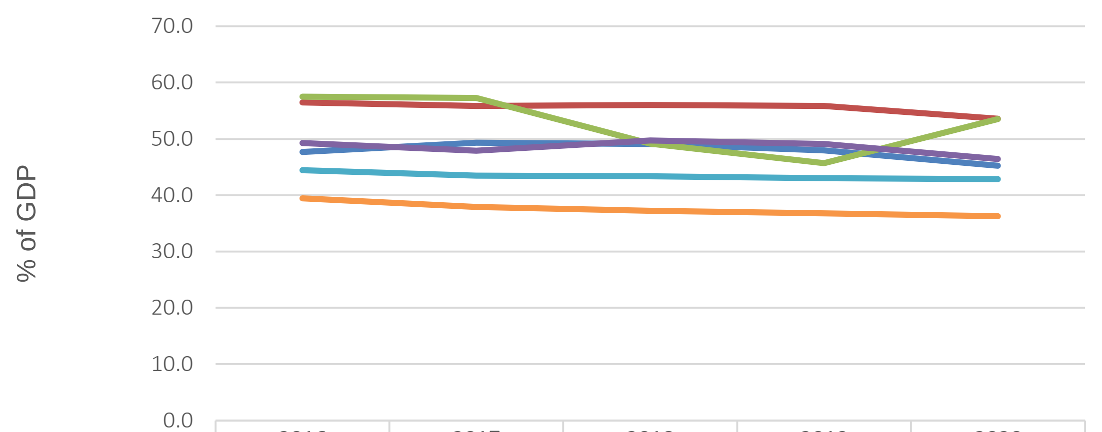
3. EAC SERVICES BAROMETER

3.1 Assessing Performance of Services in the EAC Economies

3.1.1 Services contribution to GDP

Over the last decade and crucially since the EAC CMP came into force, services have become the key drivers of economic growth in all the EAC Partner States. Although because of the COVID-19 pandemic services' value added to Gross Domestic Product (GDP) dropped slightly in 2020 for all Partner States except South Sudan, they still account for slightly below half of the region's GDP at 45.2% in Burundi (against 47.9% in 2019); 53.6% in Kenya (55.9% in 2019); 46.4% in Rwanda (49.1% in 2019); 53.5% in in South Sudan (45.7% in 2019); 42.8% in Uganda (43.0% in 2019) and 36.3% in Tanzania, against 36.8% in 2019. See ***Figure 1 below***.

Figure 1, Services Value Add as % GDP



	2016	2017	2018	2019	2020
Burundi	47.7	49.3	49.1	47.9	45.2
Kenya	56.4	55.9	56.0	55.9	53.6
South Sudan	57.5	57.3	49.2	45.7	53.5
Rwanda	49.3	47.9	49.7	49.1	46.4
Uganda	44.4	43.5	43.3	43.0	42.8
Tanzania	39.4	37.9	37.2	36.8	36.3

Source: World Development Indicators, accessed on 15th April 2022.

Important to note however is that the services contribution has been largely constant over the last five years, which points to unexploited potential for growth given that the average GDP

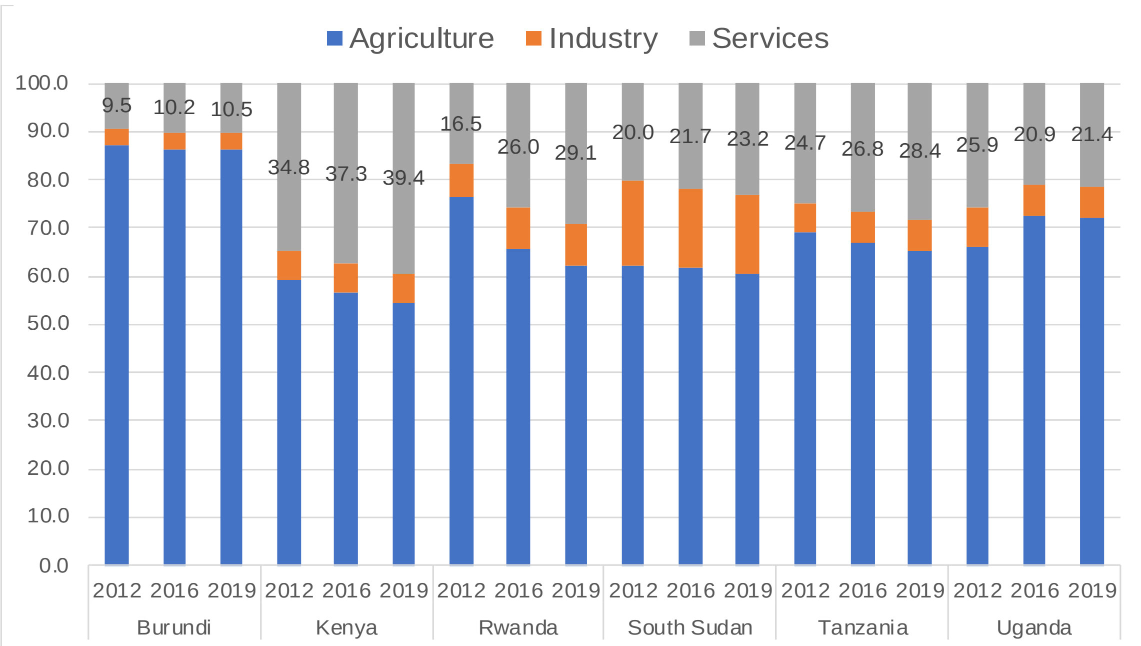
[22] Including prudential and pro-competitive regulations.

growth rate over the period 2006-19 period was 6.3% for the region (based on World Bank indicators).

3.1.2 Services Contribution to Employment

Although agriculture remains the main contributor to employment across the region, the services contribution has been increasing since the CMP came into place, based on International Labour Organisation (ILO) data. Looking at figure 2 below, the highest contribution is seen in Kenya, where the services sector contributes 39.4% of employment in 2019, compared to 34.8% in 2012. For all Partner States except Burundi, contribution to employment has grown to over 20%, with the fastest growth registered in Rwanda, from 16.5% in 2012 to 29.1% in 2019. See figure 2 below. Worth noting also is that ILO data captures formal employment, meaning that the contribution of services is much wider considering that some service sectors, such as distribution, are large informal sector employers.

Figure 2, Estimated Total Employment by Sector (2012-2019)

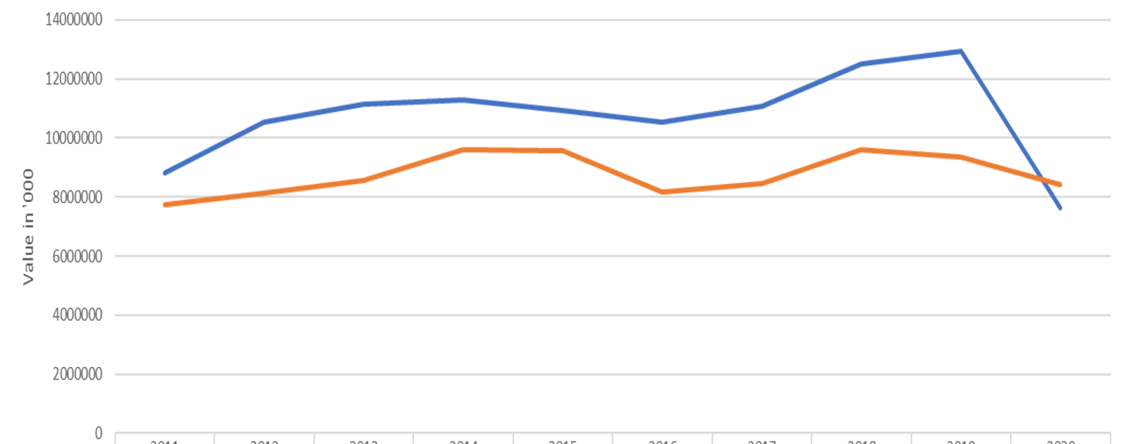


Source: ILOSTAT Modelled Estimates (2021). Accessed 15th May 2021.

3.1.3 Services Trade:

Reviewing overall services trade, the EAC region has been, until 2019, **a net exporter of services**, exporting **services worth USD 12.9billion against 933.6M worth of imports.** In 2020, due to the COVID impacts, this figure dropped **by 41% to USD 762.2M in 2020**, leading the region to become a net importer, with imports worth **USD 842.2M**. See figure 4 below:

Figure 3, Services Trade (2011-2020)

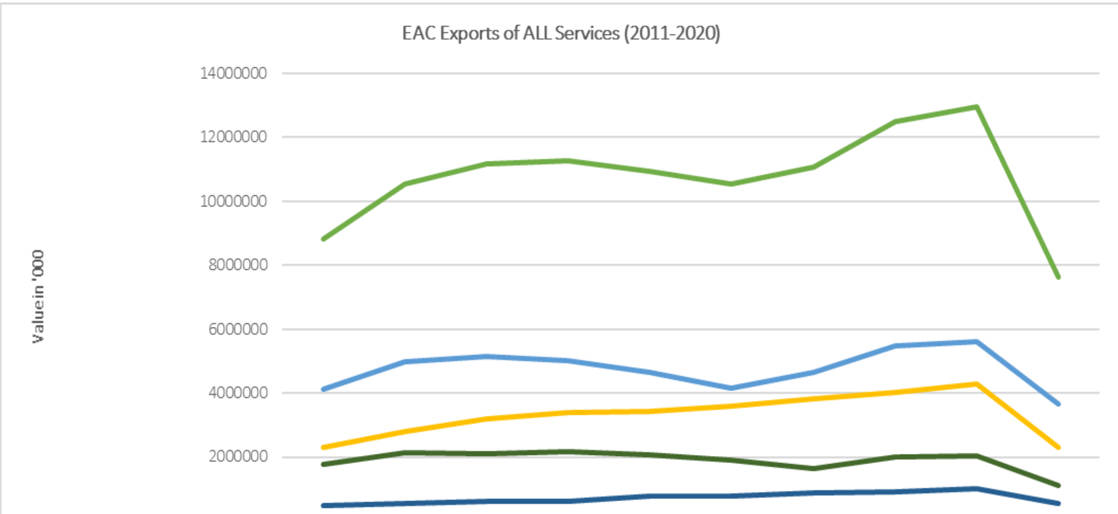


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Exports	8814669	10524014	11159645	11278148	10936310	10542544	11069551	12501460	12944542	7622543
Imports	7732803	8131521	8569346	9603739	9576937	8185421	8452171	9615836	9336387	8421859

Source: ITC TradeMap, accessed July 2022

Looking at exports of each Partner States, Kenya is the leading exporter, accounting for about 48% of total exports at USD 3.6billion in 2020. Tanzania follows with 30% of total exports, worth USD 2.3billion. Uganda, Rwanda and Burundi account for 14.6% (USD1.1 billion); 7.3% (USD560M) and 0.8% (USD 105M – based on 2018 figures). Not accounting for COVID impacts, **the overall picture is that exports of services has grown since the common market came into force, growing by 46.6%, from USD 8.8billion in 2011 to USD 12.9 billion in 2019. See figure 5 below.**

Figure 4, EAC Exports, All services



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
EAC Aggregation	8814669	10524014	11159645	11278148	10936310	10542544	11069551	12501460	12944542	7622543
Kenya	4134241	4993159	5132096	5024216	4638185	4165126	4647510	5477483	5619856	3659227
Tanzania, United Republic of	2300340	2786410	3201655	3395964	3412383	3599299	3811977	4014669	4280590	2289666
Uganda	1779353	2125356	2103061	2180522	2061463	1915232	1648575	1990762	2029123	1113600
Rwanda	489053	529630	595822	605187	766980	790035	863440	913630	1014973	560050
Burundi	111682	89459	127011	72259	57299	72852	98049	104916		

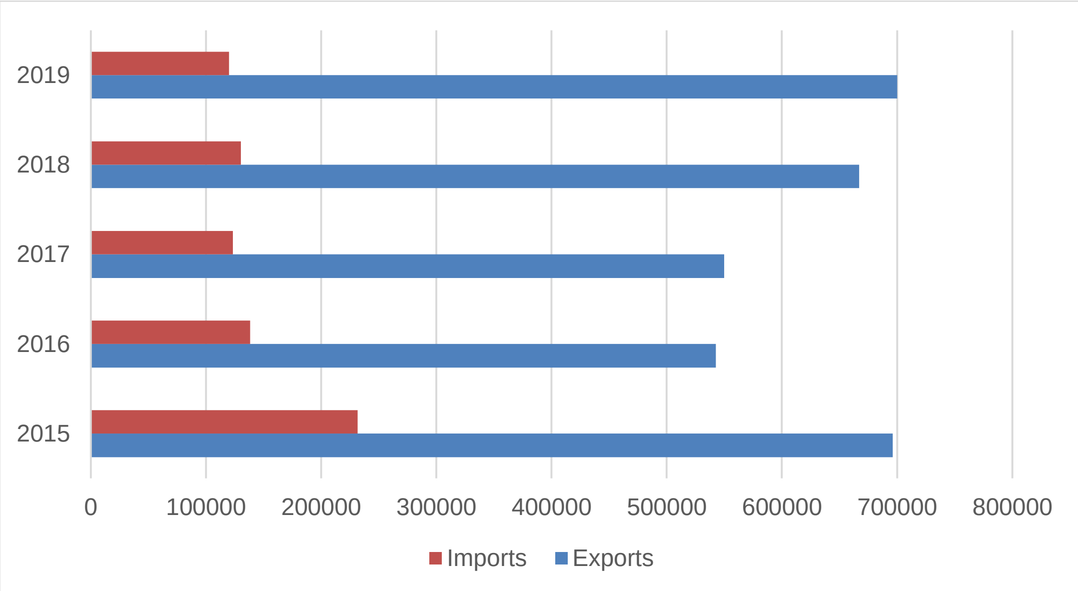
Source: ITC TradeMap, Accessed July 2022

At specific sector levels, we find that statistics for professional services are not available as the data currently collected is not disaggregated by the various sub-sectors. For tourism services, we rely on travel related services data, while for telecommunication, we rely on data that combines telecommunication, computer and information services. Furthermore, we find that available data is available only up to 2018 is available for all Partner States (except South Sudan), while for the latter, data is currently not being collected.

Telecommunications:

In 2018, EAC's trade in telecommunication, computer and information services was worth **USD 797.2M, a decrease from 2015 figure of USD 928M, but an increase from 2016 and 2017 figures**. Of the total trade, Kenya accounts for 78.3% (USD 624M); followed by Uganda at 10.1% (USD 80.3M); Tanzania at 5.9% (USD 57.5M) and Rwanda and Burundi at USD 33.1M and 12.7 million respectively*. See figure 5* below:

Figure 5, Total EAC Trade - Telecommunication, computer and information services



Source: ITC TradeMap, Accessed July 2022

Based on the table below, the region as a whole is a net exporter of telecommunication, computer and information services. In 2018, 83.7% of the total trade (USD 667M) was export services, while the balance (USD 130.2M) was imports. The situation is however different when looking at specific Partner States – Kenya, Uganda and Rwanda are net importers, while Burundi and Tanzania are net importers.

Table 4, EAC Partner States imports and exports (telecommunications, computer and information services)

	2015		2016		2017		2018		2019		2020	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
EAC Aggregation	696303	231727	542578	138454	549922	123435	666952	130239	700090	120055	50341	43078
Burundi	7731	7388	3610	4832	3165	8039	4172	8582				
Kenya	550307	73672	451360	29371	473086	37964	570246	53741	628828	54972		
Rwanda	22229	12440	18585	11835	18595	14511	17892	15215	19740	16452	19642	17010
Tanzania	50677	57182	29082	38507	15963	26216	22249	24925	28744	28803		

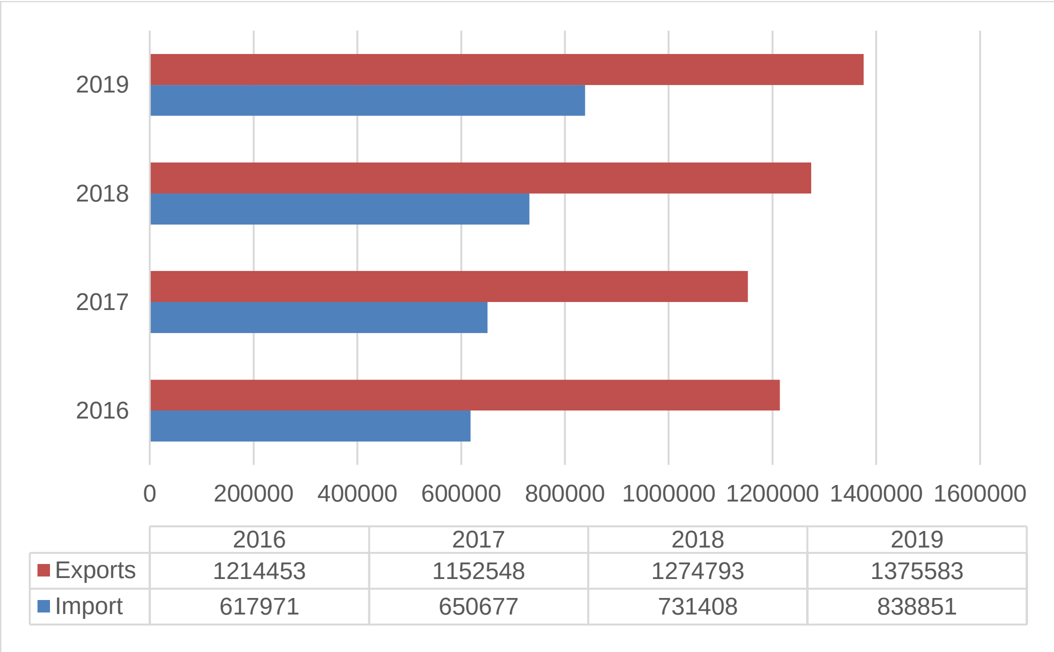
Uganda	65359	81045	39941	53909	39113	36705	52393	27776	22778	19828	30699	26068

Source: ITC TradeMap, Accessed July 2022

Air Transport:

EAC Is a net exporter of air transport services. In 2019, the region exported air transport worth USD 1.4billion, against imports worth USD 838.8M. The actual figure is much higher given Burundi has not yet reported 2019 figures. The situation is different at partner state, with Kenya, Rwanda and Tanzania being net exporters and Burundi and Uganda being net importers. Looking specifically at exports, Kenya dominates exports of air export services, accounting for 69.5% (USD 956M) in 2019. Uganda on the other hand dominates imports, accounting for 52.5% (USD440.1M) in 2019. *See figure 6 and Table 5 below*:

Figure 6, Total EAC Trade, Air transport services



Source: ITC TradeMap, Accessed July 2022

Table 5, EAC Partner States imports and exports (Air transport services)

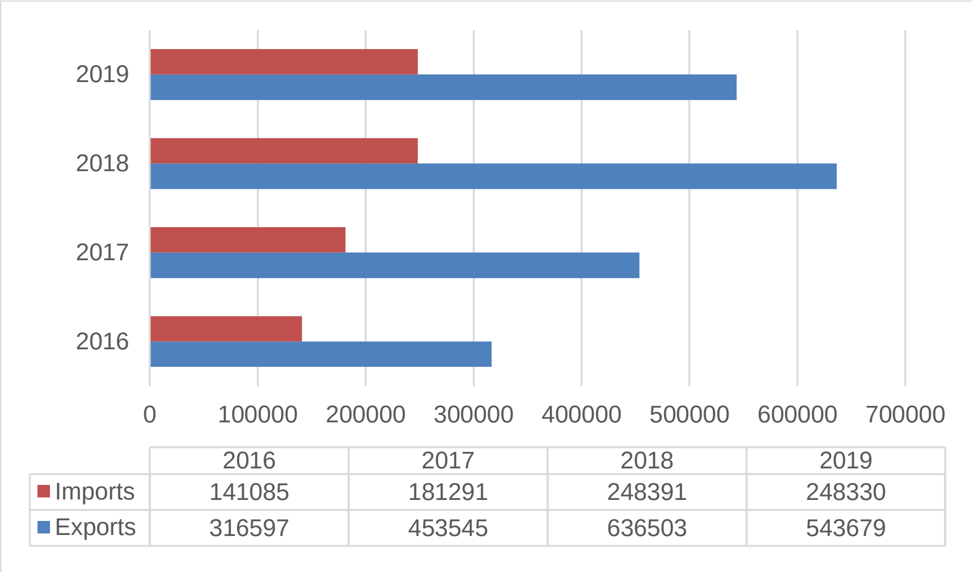
	2016		2017		2018		2019		2020	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
EAC Aggregation	617971	1214453	650677	1152548	731408	1274793	838851	1375583	74096	115610
Rwanda	150456	87313	163466	129686	140584	171580	115693	197800	74096	115610
Burundi	33739	1365	41105	1429	38971	1663				
Kenya	184410	829827	164867	827566	193109	912485	188128	956027		
Uganda	174380	46712	210053	45158	269584	66583	440100	62224		
Tanzania	74986	249236	71186	148709	89160	122482	94930	159532		

Source: ITC TradeMap, Accessed July 2022

Financial Services:

The region is a net exporter of financial services (comprising banking and insurance services). In 2018, the year for which data is available for all Partner States, the region exported financial services worth USD 636.6M, against imports of USD 248.4M. Only Burundi is a net importer of financial services. Kenya dominates both exports and imports of financial services, in line with her dominance of the sector in the EAC. See Figure 7 and Table 6 below.

Figure 7, Trade in Financial Services



Source: ITC TradeMap, Accessed July 2022

Table 6, EAC Partner States imports and exports (Financial Services)

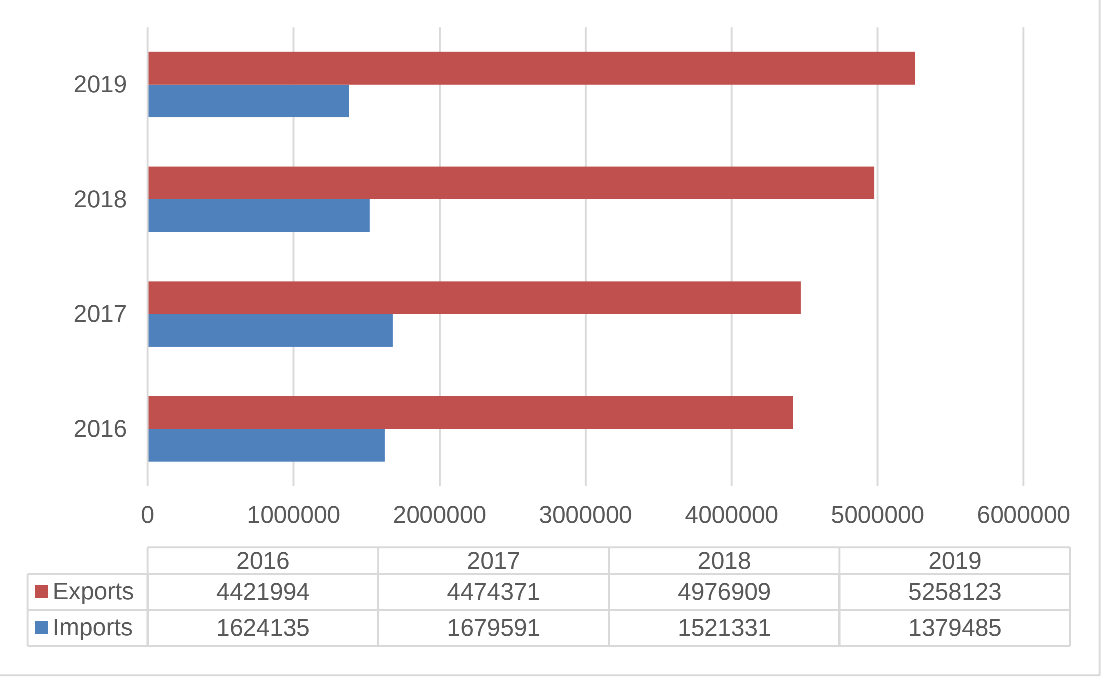
	2016		2017		2018		2019		2020	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
EAC Aggregation	316597	141085	453545	181291	636503	248391	543679	248330	543679	16978
Uganda	29000	9693	30940	9729	21148	4827	27781	8910	27781	11717
Rwanda	9105	6583	11854	5591	12895	4837	14137	4223	14137	5261
Burundi	1183	3714	843	2530	773	2195				
Kenya	256782	115055	383479	149489	589703	214810	478404	217876	478404	
Tanzania	20527	6040	26429	13952	11984	21722	23357	17321	23357	

Source: ITC TradeMap, Accessed July 2022

Tourism Services

The region is a net exporter of travel and travel related services. Based on travel and travel related data (covers personal and business travel, travel accommodation and food service and other tourism related services), the region exported total travel services worth **USD 5.3 billion in 2019, against imports of USD 1.4 billion**. Both figures are likely to be higher given that Burundi has not yet reported its 2019 data. See figure 8 below.

Figure 8, Total EAC Trade, Travel services



Source: ITC TradeMap, Accessed July 2022

Looking at specific Partner States, Tanzania is the leading exporter of tourism services, accounting for almost half of the region's export earning at USD 2.6M in 2019. She is also the leading importer at USD 651.1M in 2019. As can be seen in the table below, tourism was greatly affected by the COVID pandemic, with total exports dropping by 66.7% based on reported figures.

Table 7, EAC Partner States imports and exports (Travel Services)

	2016		2017		2018		2019		2020	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
EAC Aggregation	1624135	4421994	1679591	4474371	1521331	4976909	1379485	5258123	445981	1753436
Tanzania	922333	2131600	808921	2233558	738071	2449365	651109	2604460	177116	761299
Kenya	144498	823749	261966	915815	228625	1072283	196058	1007370	98715	472268
Uganda	208472	1101709	213951	940916	186683	1059342	196204	1188293	61387	397100
Rwanda	321142	363048	370781	381074	345166	392000	336114	458000	108763	122769
Burundi	27690	1888	23972	3008	22786	3919				

Source: ITC TradeMap, Accessed July 2022

3.2 Assessing Level of Openness

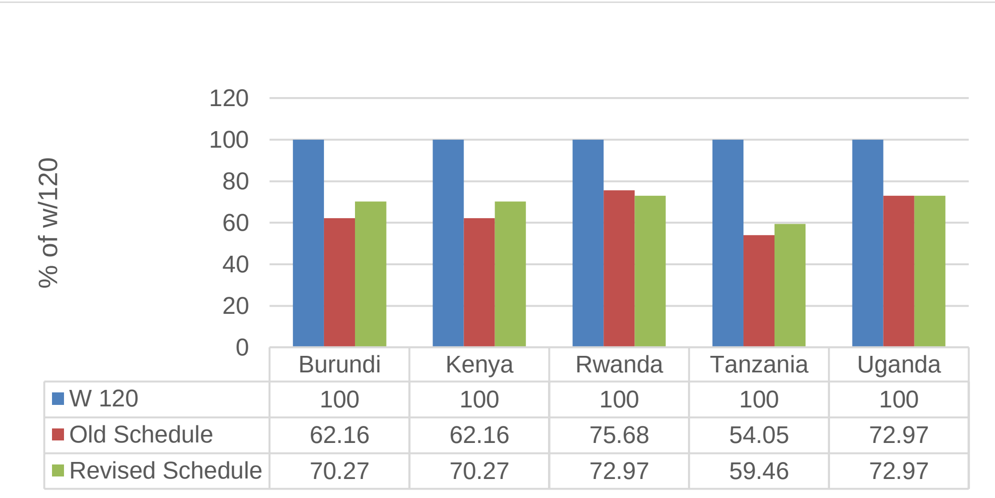
In negotiating services commitments under the CMP, Partner States followed a 'a positive list approach', meaning that they scheduled only those sectors / sub-sectors they were willing to open up. The result is that all Partner States made different and varying commitments, with Tanzania committing 46 subsectors against Rwanda's 100, Uganda's 99, Burundi's 74 and Kenya's 53. Overall, only 57% of potential commitments in the 7 subsectors were made, of which only 16 subsectors were committed by all the Partner States. [23] In a bid to lay the foundation of an integrated services market, as well as to ensure that the focus of liberalisation was commercially meaningful sub-sectors, the SCTIFI in directed that all Partner States ensure that they have committed a minimum of 78 sub-sector, now captured in the 'Revised Schedule of Progressive Liberalisation of Services', which was adopted by the SCTIFI Meeting held on 30th May 2019 (EAC/SR/01/Decision 27).

The analysis of the of the new revised schedule against the schedule in Annex V (old schedule) and based on the W/120 list (which we take to represent 100% of possible commitments) shows the following:

- At the broad sector level, Rwanda had the highest percentage of sub-sectors with commitments in the old schedule at 76% followed by Uganda at 73%, Kenya and Burundi at 62% and lastly Tanzania at 54%. In the new schedule, **Uganda and Rwanda are the leading States, having made commitments in 73% of the potential subsectors; followed by Kenya and Burundi which have tied at 70% and Tanzania at 59%.**

- All partner states, except Rwanda, have increased the number of subsectors they made commitments in. While **Uganda overall percentage increase is neutral (as she has committed 73% in both schedules), Kenya and Burundi have both increased their commitments by at 8%, while Tanzania has made a 5% increase.** While still leading in number of commitments (though now tied with Uganda), Rwanda's commitments have **dropped by 3%,** based on removal of commitments previously scheduled under air transport services.

Figure 9, Old Vs Revised Schedule (as % of w/120 possible number)



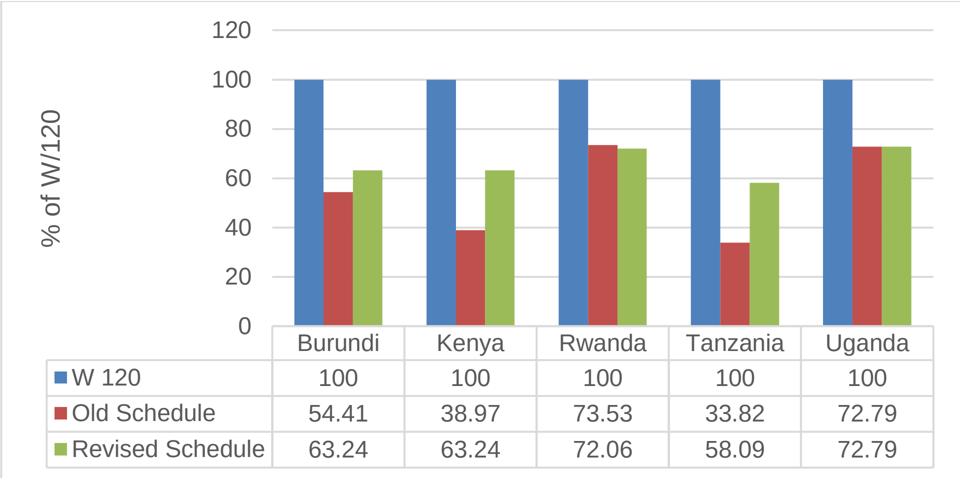
Source: Author's counting based on the W120 Services Sectoral Classification List

- At the sub-sub sector level, Rwanda had the highest number of commitments in the old schedule at 73.5% followed by Uganda at 72.8%, Burundi at 54.4%, Kenya at 39% and Tanzania at 33.8%. All partner states except Rwanda and Uganda registered an increase in the number of commitments in the new schedule. Rwanda registered a decrease of 1.5%

[23] EAC Background paper on linking and delinking

to 72% while Uganda had no change. Kenya and Tanzania increased their commitments by 24% to 63.2% and 58.1% respectively while Burundi increased its commitments by 10.3% to 63.2%.

Figure 10, Old vs Revised Schedule (Sub-Sectors/Sub-subsectors as % of W120)



Source: Author's counting based on the W120 Services Sectoral Classification List

- In terms of the actual number of commitments, Uganda has the highest number of commitments in the revised schedule at 99 followed by Rwanda at 98, Kenya and Burundi at 86 and Tanzania at 79, as shown in the table below. Overall, the region committed to liberalise an additional 92 sub-sectors, with Kenya adding the most at 37, followed by Tanzania at 32. Important to bear in mind though is that the two Partner States had the least number of commitments in the old schedule and it was thus a given that they would add by the highest number to reach the minimum threshold set by SCTIFI.

Table 8, Number of sub-sectors committed in old and new schedule

Country	Old Schedule	Revised Schedule	Number of New Subsectors/Sub-subsectors
Burundi	74	86	12
Kenya	53	86	33
Rwanda	100	98	-2
Tanzania	46	79	33
Uganda	99	99	0

Source: Author's counting based on the W120 Services Sectoral Classification List

Looking at the table below, most of the new commitments are crucially in key sectors like transport and business services. All the seven priority sectors had an increase, with distribution and education services getting the least number of additional commitments.

Table 9, Breakdown of new sectors committed per country and sub-sector

	Business Services	Communication Services	Distribution Services	Education Services	Financial Services	Tourism Services	Transport Services	Total
Kenya	21	1	0	0	2	0	13	**37**
Uganda	0	0	0	0	0	0	1	**1**
Tanzania	9	2	0	1	1	2	17	**32**
Rwanda	0	0	0	0	0	1	3	**4**
Burundi	7	1	1	0	7	0	2	**18**
Total	**37**	**4**	**1**	**1**	**10**	**3**	**36**	**92**

Source: Author's counting based on the W120 Services Sectoral Classification List

- Among the sectors of focus, all 5 partner states have made commitments in the transport sector, Kenya, Tanzania and Burundi have made new commitments in financial and communication services while Kenya and Tanzania have made new commitments in professional services. The table below shows new commitments made in the sectors of focus.

Table 10, List of the new sectors committed for the Barometer focus sectors

Financial Services	
Kenya	Financial leasing
	Money broking
Tanzania	Services auxiliary to insurance (including broking and agency services)
Burundi	Reinsurance and retrocession
	Services auxiliary to insurance (including broking and agency services)
	Trading for own account or for customers, whether on an exchange, in an over the counter market or otherwise
	Money broking
	Settlement and clearing services for financial assets including securities, derivative products, and other negotiable instruments
	Advisory and other auxiliary financial services on all activities listed in Article 1B of MTN/THC/W/50
	Provision and transfer of financial information, and financial data processing and related software by providers of other financial services
Communication Services	
Kenya	Other telecommunication services
Tanzania	Motion picture and video tape production and distribution services
	Radio and television transport services
Burundi	Packet-switched data transmission services
Transport Services	
Kenya	Maritime passenger transportation
	Maritime freight transportation
	Rental of maritime vessels with crew
	Rental and aircraft with crew
	Rail passenger transportation
	Maintenance and repair of rail transport equipment
	Road freight transportation

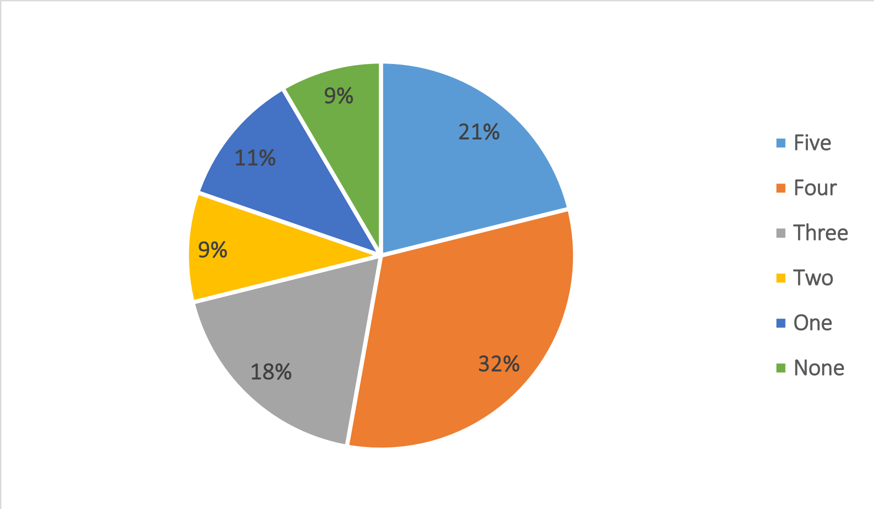
	Rental of commercial vehicles with operators
	Transportation of other goods
	Cargo-handling services
	Storage and warehouse services
	Freight transport agency services
Uganda	Rail pushing and towing services
Tanzania	Rental of maritime vessels with crew
	Maintenance and repair of maritime vessels
	Supporting services for maritime transport
	Internal waterway passenger transportation
	Internal waterway freight transportation
	Rental of internal waterway vessels with crew
	Maintenance and repair of internal waterway vessels
	Internal waterway pushing and towing services
	Rental of aircraft with crew
	Maintenance and repair of aircraft
	Supporting services for air transport
	Rail passenger transportation
	Road freight transportation
	Maintenance and repair of rail transport equipment
	Supporting services for rail transport services
	Storage and warehouse services
	Other services auxiliary to all modes of transport
Rwanda	Supporting services for internal waterway transport
	Rail pushing and towing services
	Supporting services for rail transport services
Burundi	Transportation of fuels
	Transportation of other goods
Professional Services	
Kenya	Taxation services
	Engineering services
	Integrated engineering services
	Urban planning and landscape architectural services
	Medical and dental services
	Veterinary services
	Services provided by midwives, nurses, physiotherapists and paramedics
Tanzania	Architectural services

Source: Author's analysis based on the W120 Services Sectoral Classification List

- In the new schedule, there are commitments in **9 sub-subsectors that previously had no commitments** i.e., other computer, mining and energy, other education, rental of maritime, supporting services for maritime, rail pushing and towing, storage and warehouse, freight transport agency, and other services auxiliary to all modes of transport.

- All partner states have made commitments in **30 sub-sub-sectors, 45 sub-subsectors have been committed to by 4 PS, 26 by 3 PS, 13 by 2 PS, 16 by 1 PS, and 12 by only none as shown in the chart below.**

Figure 11, Jointly liberalized sub-sub sectors in the revised schedule



Source: Author's analysis based on the W120 Services Sectoral Classification List

The total number of sub-subsectors with a commitment from at least one partner state is **124.**

- Among the sub-subsectors committed to by all partner states, **most of the commitments are professional services (9), followed by financial services (7), communication services (4), education and tourism services (3) and distribution, transport and tourism services with 2.**

Table 11, Sub-Sectors committed by all Partner States

Sector	Sub-subsector
Professional Services	Accounting services
	Architectural services
	Engineering services
	Medical services
	Services provided by midwives, nurses, physiotherapists
	Management consulting services
	Services related to man consulting
	Technical testing and analysis services
	Related scientific and technical consulting services
Communication Services	Courier services
	Voice telephone services
	Packet switched transmission data services
	Motion picture and video tape services
Distribution Services	Commission agent services
	Franchising services
Education	Primary education
	Secondary education
	Higher education
Financial Services	Acceptance of deposits and other repayable funds from public
	Lending of all types
	Financial leasing
	All payment and money transmission services

	Guarantees and commitments
	Money broking
	Advisory and other auxiliary financial services
Tourism	Hotel and restaurants
	Travel agencies and tour operator services
Transport Services	Road passenger transport
	Road freight transport

Source: Author's counting based on the W120 Services Sectoral Classification List

3.3 Assessing key advancements and progress at national and regional level to trade in services

Over the last decade since the CMP came into force, the EAC has become one of the continent's most integrated regions.[24] As part of that journey, important advances have been made towards achieving the region's integration goals in the services sector – both at the national and regional levels. The section below highlights the various reforms / actions that have been undertaken at both national and regional level to advance the trade in services agenda:

3.3.1 Key actions at the regional level

a) ***Removal of legal discrepancies, errors and inconsistences that are in the original schedule of commitments***.

A key factor that led to the revision of CMP Annex V - Schedule of Commitments on the Progressive Liberalisation of Services is that it included legal discrepancies, errors and inconsistences, which constrained implementation of the CMP. Key among these errors was the 'linking' of mode IV commitments under the services schedule, to the commitments in the schedule of workers, through the notation that read *"in accordance with the Schedule on the Annex on Free Movement of Workers".* In addition, the CMP does not make a distinction between entry, stay and exit of service suppliers and workers in another EAC Partner State, yet the regulations for both should be distinct. Furthermore, the CMP did not define who a service supplier was, leading to them being lumped with workers, which means that services suppliers are subject to the same entry conditions as long term workers. Lastly, Annex V contains obligations for "market access", although there is no equivalent market access provision in the Protocol itself. All these errors have curtailed the free movement of services. To address these legal discrepancies, errors and inconsistences, the following has been achieved (albeit still awaiting final annexation to the CMP).

- De-linking of mode 4 from free movement of workers chapter, by amending the service schedules to include provision for Temporary Entry and Stay of Natural Persons.
- Classification of these persons has also been defined, in line with the GATS to include: Contractual services supplier, Independent Service Supplier, Business Visitor, 'Intra-Corporate Transferees' and Trainees.
- Errors in coding and classification have been corrected and aligned to WTO 120 classification of service sectors.

[24] AUC, AfDB, UNECA, 2019. Africa Regional Integration Index.

- The EAC Common Market (Free Movement of Services and Service Suppliers) Regulations have been developed.

Despite this advancement, the Revised Schedule of Commitments, as well as the Regulations for the free movement of services and service suppliers are yet to be annexed to the CMP.

b) Development of regional frameworks to enhance mutual recognition of qualifications:

To aid in development of mutual recognition agreements (MRAs) as well as their negotiations in sectors that have not yet concluded them, the following regional frameworks have been put in place, or are in the process of:

- Annex VII (of the Common Market Protocol) on Mutual Recognition of Academic and Professional Qualifications, which has been developed and now awaiting enactment by the East African Legislative Assembly (EALA). The draft Annex also includes a 'Framework for recognition of foreign qualifications in the EAC'.

- Common benchmarks for the recognition of foreign qualifications, which are expected to be developed within one year after the adoption of the Annex on Mutual Recognition of the Academic and Professional Qualifications, as per the Directive of the Council of Ministers. (EAC/CM/22/Directive 64). Given the current status of Annex VII, the common benchmarks will ideally be in place by end of 2023.

c) Development and approval of a Mechanism for the Removal of Restrictions on Trade in Services

With the aim of identifying and monitoring the removal of restrictions in services, the EAC Secretariat has developed the Mechanism for removal of restrictions in trade in services. Modelled along the WTO Integrated Trade Intelligence Portal (I-TIP) Services database, the mechanism is expected to keep track of all measures restricting market access and operations of other Partner States' service suppliers across all sectors, both committed and those not committed, in accordance with Article 23 (1) and (2) of the CMP.

To oversee and facilitate the implementation of the Mechanism, National Focal Points (NFPs) for Trade in Services have been appointed and National Trade in Services Committees (NTSC) established in each Partner State. These NTSCs will facilitate removal of restrictions as well as initiate policies and strategies on the removal of restrictions. They will feed to a Regional Trade in Services Committee (RCTS), whose role includes considering the reports of the NTSCs; those of EAC Secretariat and submitting periodic reports and recommendations to SCTIFI on the removal of restrictions on trade in services.[25]

Thus far the Mechanism has been populated based on studies undertaken selected sectors, but the data remains to be validated. In addition, a roadmap on removal of these restrictions has yet to be drawn / agreed.

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[25] EAC Background Note on the Mechanism for Monitoring Restrictions in Trade in Services (May 2019).

d) Development of the EAC Strategy for Trade in Services

In recognition of the critical role of services in the EAC economies, and acknowledging that the EAC is involved in various trade in services agenda which should ultimately lead to economic growth and development envisaged in the CMP, the EAC Sectoral Council on Trade, Industry, Finance and Investment (SCTIFI), at its meetings held on 16 November 2018, directed the EAC Secretariat to develop an EAC Strategy for Trade in Services (TiS) to guide EAC interventions going forward (EAC/SCTIFI/35/Directive 20). The Strategy, whose development commenced in 2021, has now undergone four rounds of consultations and validations.

e) Sector Specific regional advancements:

(i) Signing of **MRAs to facilitate movement of professional services:**

To facilitate movement of professionals across the region, the following four MRAs have been signed by EAC Partner States:

- Mutual Recognition Agreement between Competent Authorities of Engineering Professions in the East African Community. Signed in September 2012. Current parties to the MRA – Kenya, Rwanda, Tanzania and Uganda.
- East African Community Institutes of Accountants (EACIA) Mutual Recognition Agreement – signed in September 2011. Current parties - Burundi, Kenya, Rwanda, Tanzania and Uganda.
- The EAIA Mutual Recognition Agreement for the Profession of Architecture under the East African Community (EAC), signed in 2011. Current parties include Kenya, Rwanda and Uganda.
- The Mutual Recognition Agreement for Veterinary Services in the EAC, signed in March 2016. Current parties are Kenya, Rwanda and Uganda.

The above MRAs enable the qualifications of services suppliers / professionals in EAC Partner States who are recognised by the competent authorities in their home state to be mutually recognised by other EAC Partner States who are signatories to the MRAs.

While in sectors like accounting services there is evidence that the MRA is mainly being implemented, in engineering services especially, Partner States are yet to align their laws to the MRA on engineering services and continue to maintain a number of restrictions on cross border supply of engineering services as shall be seen in the next section.

(ii) Under **the Financial Sector**, the following have been achieved at the regional level:

- Launch of East African Payment System (EAPS) in 2014, which was meant to bring down the cost of cross border transactions as well as the time taken.
- Development and approval by Council of the EAC Banking Certification Policy and Implementation Strategy
- Development and approval by Council of the EAC Banking Certification Program
- Finalized the study on the promotion of interoperability of card switches in EAC
- Finalized the study on the requirement for implementation of cross border mobile payments
- Development of the draft EAC regional Payment System roadmap

- Development and approval by Council of the EAC Insurance Policy and Implementation Strategy
- Development and approval by Council of the EAC Insurance Certification Program Implementation Strategy (2019-2024)
- Development of a harmonized EAC Insurance Bill and 21 enabling regulations.

(iii) Under the **Tourism Sector:**

- At the regional level, the EAC in 2009 came up with common criteria to classify hotels, lodges and restaurants across the member countries. Most EAC countries have already completed their classification.
- Under the Northern Corridor initiative, Kenya, Rwanda and Uganda established the EAC Single Tourism Visa in February 2014, with the aim of making it easy for marketers to promote the region as a single tourist destination and offer multi-destination packages.
- The East African Community Sectoral Council on Tourism and Wildlife Management has approved the EAC Regional COVID-19 Tourism Recovery Plan that seeks to revive the sector that has been badly hit by the COVID-19 pandemic.
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(iv) Under the **Communication Sector:**

- The One Network Area (ONA) roaming initiative was launched with the aim of promoting regional integration of telecommunication services by bringing down the high cost of mobile roaming. ONA eliminates charges for receiving voice calls while roaming in Kenya, Rwanda, South Sudan and Uganda if the call originates in one of these countries. Tanzania and Burundi are yet to join the ONA initiatives, although processes are on-going at national level to enable this process to proceed.

3.3.2 Key advancements at national level

Across all the Partner States, there is evidence of key reforms and actions meant to advance the EAC services agenda. A number of these amendments are at the sector level, while a number are cross cutting, particular with regard to investment regimes. Below is a listing of these reforms in each Partner State:

Table 12, List of service sector supportive reforms at national level

Partner State	Reforms undertaken
Burundi	▪ **Law N°1/19 of June 17, 2021 Amending Law N° 1/24 of September 10, 2008 on the Burundi Investment Code.** Under this new law, EAC investors are accorded the same treatment as domestic investors**.**
Kenya	▪ **Advocates Act Cap 16** allowed for advocates from other EAC Partner States to practice as advocates in Kenya
Rwanda	▪ **Law N° 06/2015 of 28/03/2015,** removed a horizontal restriction affecting Mode 3 (investment) by providing that a foreign investor is a natural person who is not a citizen of Rwanda or of a member State of the EAC or a business company or a partnership not registered in Rwanda, a member state of the EAC or COMESA**;**

	▪ **Law N°83/2013 of 11/09/2013 establishing the Bar Association,** allowed advocates from other EAC Partner States to practice as advocates in Rwanda
Tanzania	▪ **Accountants and Auditors (Registration) By-Laws, 2017**, which accorded free movement to accountants from other EAC Partner State, in accordance to the MRA for accountants. ▪ S**ection 47 of the Finance Act 2022 amending the Schedule of the Foreign Vehicles Transit Charges Act CAP 84'**. Tthrough this amendment, Tanzania has reduced transit charges for foreign vehicles exceeding three axles from US$16 per 100KM to US$10 per 100KM to align the charges imposed in the country and those imposed in the EAC, SADC and COMESA. In addition, transit charges on the use of foreign vehicles on public roads in Mainland Tanzania to be limited to round trips to a destination within Mainland Tanzania.
Uganda	▪ **Investment Code Act, 2019** introduces preferential treatment of EAC Partner States and her nationals, by defining a foreign investor as a natural or legal person who is not a citizen of an EAC Partner State or a company incorporated under any laws in the EAC Partner States, or a company whose majority shareholders are not from any EAC State; ▪ **Trade Licensing (Amendment) Act 2015** removed the restriction on trading by non-citizens in certain areas and goods, which affected retail service sector; ▪ **Accountants Act 19 of 2013** recognized accounting professionals from the other EAC Partner States, by allowing them to be registered as full members in the Uganda Institute of Accountants; ▪ **Uganda National Roads Authority (Vehicle Dimensions and Load Control) Regulations, 2017** aligned the gross vehicle weight limit and the permissible axle load weight to the EAC Axle Load limits.

3.4 Assessing the Restrictiveness of the services trading environment

3.4.1 Professional Services

In the CMP/Revised Schedule of Commitments, all EAC Partner States have committed to liberalise accounting and engineering services, while for legal services, Tanzania has not committed to liberalise the sector. For accounting services, Uganda has placed limitations under Mode 3 for market access, under which accounting and auditing services branches are not allowed, and where ownership is all foreign, at least one must be resident in Uganda and all partners must be members of ICPAU. For legal services, Uganda has limitations under Mode 3, which requires that foreign/non-Ugandan law firms are to be partnerships in order to have a legal recognition of their own operations.

Based on diagnostic studies undertaken by GIZ,[26] as well as the EAC Scorecard 2020, the three professional services of focus have a number of restrictions in them, as follows:

Table 13, Restrictions in accounting, engineering and legal services

	Legal services	Accounting Auditing and Bookkeeping	Engineering services	Sub-total for sub-sector
Burundi	4	5	0	**9**
Kenya	0	0	7	**7**
Rwanda	0	4	2	**6**
Uganda	4	0	1	**5**
Tanzania	n/a	2	6	**8**

A sample of these restrictions (as extracted from Scorecard 2020) include the following:

Table 14, illustration of restrictions in selected professional services

Legal Source	Non- Conforming Measure / Restrictive Provisions
	Accounting, auditing and bookkeeping
Burundi's Ministerial Order No 540/1033 of 30/07/2004 Implementing Decree No 100/053 of 11/5/2001 on the Establishment of the Institute of Certified Public Accountants,	Article 18: Foreign non-resident may conduct audit missions in Burundi, as long as they form an association with a local firm of certified professionals accountants. The reports issued at the end of these missions must be signed together with the representative the local firm.
	Article 19: If a foreign firm wants to operate in Burundi, it may open an establishment under the following conditions: - establishing a corporation under Burundian law with one or more certified professional accountants (joint venture), natural or legal persons, members of the Institute - reserving at least one third of the shares to national or resident professional accountants. The Board of the Institute may take a civil action against the exercise of the accounting profession in Burundi without regard to the provisions cited above.
	Engineering Services
Kenya's Engineers Act, 2011 (Chapter 43); Revised 2012	Section 18: Subject to provisions of this Act, a person shall be eligible for registration under this Act as a graduate engineer if that person: Is a citizen or permanent resident of Kenya Comment: S.18 contravenes national treatment provisions of the CMP by placing conditions that for one to qualify to be registered as a graduate engineer, the person must be a citizen or permanent resident of Kenya, thereby locking out those that are citizens and permanent residents of other EAC Partner States.
	Section 20(1): Subject to the provisions of this Act, a person may register an engineering consulting firm if-

[26] EAC-GIZ, April 2019. Sector Studies of Priority Services Sectors and their Economic Impact to Trade in Services and Investment in the EAC Region (Unpublished)

	- The firm has a certificate of registration of a business name or a certificate of incorporation; - At least fifty one percent of the shares in the form are held by Kenyan Citizens Comment: S.20 contravenes national treatment provisions of the CMP by placing conditions that an engineering consulting firm must have majority shareholding by Kenyans (at 51%), implying that persons from other EAC Partner States cannot establish in the country unless they have Kenyan nationals with a controlling interest. This specifically affects Mode 3. Furthermore, guidelines on the Engineering Registration Board (https://ebk.or.ke/consulting-firm-registration/) state that that for the shares not held by Kenyans, 'the rest of the engineers, if held by foreign persons, must be registered by respective bodies of their country of origin and also Engineers Board of Kenya as Temporary Engineers'.
	Section 22: A foreign person or firm shall not be registered as a professional engineer or engineering consulting firm unless- - In the case of a natural person- a. That person possesses the necessary qualifications recognized for the practice of engineering as a professional engineer in the county where he normally practices and that immediately before entering Kenya he was practicing as a professional engineer and holds a valid license; and b. He is a resident of Kenya with a valid work permit. Comment: S.22 contravenes national treatment provisions of the CMP by requiring that one must be practicing as an engineer in their respective countries, thereby locking out persons and firms that may wish to establish themselves outside of their countries of training.
	(b) in the case of a firm, the firm is incorporated in Kenya and a minimum of fifty one percent of its shares are held by Kenyan citizens. **Comment:** S.22 (b) contravenes national treatment provisions by placing conditions that engineering consulting firm must have majority shareholding by Kenyans (at 51%). (see comment above). Furthermore, guidelines on the Engineering Registration Board (https://ebk.or.ke/consulting-firm-registration/) state that that for the shares not held by Kenyans, *'the rest of the engineers, if held by foreign persons, must be registered by respective bodies of their country of origin and also Engineers Board of Kenya as Temporary Engineers'*. Furthermore, the fees payable for registration of foreign firms, vary as follows: '*The Applicant shall pay Kshs. 2,000/= as processing fee, Kshs. 30,000/= as registration fee and Kshs. 30,000/= as annual licence fee for local firms. Foreign firms to pay Kshs.500,000/= as application fee and Kshs. 750,000/= as annual licence fee'*.
Legal Services	
Uganda's Advocates Act Chapter 267	13. Temporary admission to right to practice. (1) Notwithstanding the other provisions of this Part, the Chief Justice may, subject to the person obtaining a special practicing certificate, admit to practice as an advocate for the purpose of any one case or matter any legal practitioner (by whatever name called) of any country designated by regulations made under section 8(5)(b) who has come or intends to come to Uganda for the purpose of

	appearing or acting in that case or matter; but any such person shall only be entitled to appear or act— (a) in the case or matter for the purpose of which he or she is admitted; and (b) if he or she is instructed by, and if when appearing in any court in the conduct of the case or matter he or she appears together with, an advocate with a valid practicing certificate or a person mentioned in section 6. (2) On payment of the prescribed fee for such a special practicing certificate, the registrar shall issue a special practicing certificate to any person admitted to practice under subsection (l). Comment: For lawyers eligible for temporary admission, S.13 (1) (b) limits what they can do by requiring that when appearing in any court in the conduct of the case or matter that they do so together with, an advocate with a valid practicing certificate or a person mentioned in section 6. This requirement limits free movement under Mode IV and violates national treatment obligations of the CMP.
The Advocates Act. Statutory Instrument 267—1. The Advocates (Enrollment and Certification) Regulations.	Rule 3, 1)The legal qualifications set out in Part I of the First Schedule to these Regulations are recognized by the Law Council for the purposes of section 8(5)(a) of the Act. First Schedule. regs. 2, 3, 4. Recognised legal qualifications and designated countries. Part I. Recognised legal qualifications. 1. A degree in law from any of the following universities— (a) the University of Nairobi; (b) the University of Dar-es-Salaam; (c) the University of Zambia. 2. A legal qualification which entitles a person to be called to the bar in England and Wales, Scotland, Northern Ireland or the Republic of Ireland. 3. A legal qualification which entitles its holder to be enrolled as a solicitor of the Supreme Court of England and Wales, Scotland, Northern Ireland or the Republic of Ireland. Part II. Designated countries. 1. Kenya 2. Tanzania 3. Zambia 4. Any other country with reciprocal arrangements in force in favour of Uganda Comment: The regulations only recognize the legal qualifications of Kenya and Tanzania and designate only these Partner States, omitting those of Rwanda and Burundi. This violates the MFN obligations of the CMP. This affects supply of legal services under both Mode III and IV for the two Partner States. Although the two countries train under civil law, conditions under which their qualifications may be recognized should be clearly set. This restriction can be seen in practice by the refusal of the Law Council to find one Andrew Bataamwe eligible to apply for a certificate of eligibility for enrollment as an advocate of the High Court of Uganda because he holds a Post Graduate Diploma in Legal Practice obtained from the Institute of Legal Practice and Development in Rwanda, which is not a Common Law Jurisdiction (See MC No. 280 of 2019 Andrew Bataamwe).

The Advocates Act. Statutory Instrument 267—1. The Advocates (Enrolment and Certification) Regulations.

Third Schedule. regs. 12, 14, 16.

Fees.

The Advocates Act.

	Shs
For the issue of a practising certificate	20,000
For the renewal of a practising certificate	20,000
For the issue of a practising certificate— (a) in the case of a person entitled to practise as an advocate from the countries designated in Part II of the First Schedule to these Regulations (b) in the case of any other person	 200,000 400,000

Comment: Despite being recognized in the Regulations, lawyers from Kenya and Tanzania pay ten-times more than those from Uganda to obtain a practicing license, while those from other countries (assuming Burundi and Rwanda) would pay twenty times more for the same. This violates both the national treatment and MFN obligations of the CMP.

The regulations in Part II only designate Kenya and Tanzania; and any other country with reciprocal arrangements with Uganda. Again, this violates the MFN obligations with respect to Rwanda and Burundi.

3.4.2 Telecommunication Services

All EAC Partner States have committed to liberalise telecommunication services under the CMP. While Burundi, Rwanda and Uganda maintain no limitations on market access and national treatment across all modes, Kenya and Tanzania have limitations particularly with regard to Mode 3. Kenya requires under mode 3 that all commercial presence should have 20% Kenyan shareholding within 3 years of receiving a license, while for Tanzania, for Telex, Packet switched & circuit-switched data transmission services, a minimum of 25% local shareholding is required through listing in stock exchange.

In terms of state of liberalization, telecommunications is one of the sectors that has been liberalised across the region, leading to an exponential growth of mobile telephony especially. Despite the liberalisation, several restrictions limit the free movement of telecommunication services and several challenges constraint the growth of the sector. For example, based on International Telecommunications Union (ITU) 2020 data,[27] the region is yet to cover all the population with mobile 3G data, with the highest coverage being at 98% in Rwanda and South Sudan having the lowest coverage at 15%. In terms of individuals using the internet, Kenya has the highest percentage at 30%, while for persons with fixed broad-band, Tanzania leads with 1.9 persons per 100 people. This compares poorly with global average, where 95% have access to 3G and above; 63% of individuals use the internet and 17 out of 100 people have

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[27] Accessed from https://datahub.itu.int/data/

fixed broadband subscriptions (based on ITU data).[28]Table 5 below represents the data for all Partner States.

Table 15, selected telecommunication indicators for EAC Partner States

State	Percentage of population with at least 3G coverage	Individuals using internet	Fixed Broadband Subsrciption per 100 people
Burundi	85%	9.4%	0.036 people
Kenya	94%	30%	1.3 people
Rwanda	98%	27%	0.14 people
South Sudan	15%	6.5%	0.0018 people
Tanzania	85%	22%	1.9 people
Uganda	85%	20%	0.13 people

A contributing factor to low access to telecommunication and ICT services is lack of deployment of communications infrastructure and services in many underserved, rural and remote areas, that may not be deemed to offer good returns to investment. While Partner States have adopted Universal Service Fund (USF) models, the reach is yet to be at par with global averages, with many areas remaining both un-served or under-served.

Besides availability of communication infrastructure, other key factors impacting internet use include high cost of smartphones, relative to average income levels, and limited digital skills among rural and less literate populations.[29] Inadequate access to reliable analogue complements such as electricity that are necessary to support enhanced access and use of ICT. Studies have shown that lack of lack of electricity results in higher costs of internet access, through for example, mobile stations having to be powered using use diesel generator, or users in rural areas having to travel to recharge their devices.[30]

3.4.3 Financial Services

Financial services comprise both insurance and insurance-related services (CPC 812), and banking and other financial services (CPC 811 and 813).

3.4.3.1. Insurance and insurance-related services:

Insurance and insurance-related services are sub-divided into Life accident and health insurance (CPC 8121), Non-life insurance (CPC 8129) Reinsurance and retrocession (CPC 81299*), and Services auxiliary to insurance (CPC 8140).

[28]Accessed from https://datahub.itu.int/data/?e=701
[29] GSMA The Mobile Economy 2020, sub-Saharan Africa.
[30] ITU, 2018. ICTs, LDCs and the SDGs - Achieving universal and affordable Internet in the least developed countries. Accessed from https://www.itu.int/dms_pub/itu-d/opb/ldc/D-LDC-ICTLDC-2018-PDF-E.pdf

Under the CMP/revised schedule, Burundi, Kenya, Rwanda and Tanzania have committed to liberalise all sub-sectors of insurance sector, across all modes. In the revised schedule, for services auxiliary to insurance services, under Mode 3, Tanzania has limitations on market access in that she requires that at least 1/3 of the members of the board must be citizens of Tanzania and for NT, at least 1/3 of the controlling interest, whether in terms of shares or paid-up capital or voting rights be held by citizens of Tanzania. Uganda has made no commitment to liberalise insurance sector.

Based on the above status, only Tanzania is currently maintaining restrictions on insurance services. Under the Insurance Act, 2009, the following provisions contain restrictions for foreign service providers:

- Section 44 .1 (c): The Minister may, by regulations require an insurer or all insurers to invest any percentage of the insurance funds of any insurers or insurer, as the case may be, accruing in respect of their or its insurance business in Tanzania in any Tanzanian securities and any other securities in Tanzania, as may be specified.
    - Section 44.3: Except with the prior consent in writing of the Commissioner, no insurer shall invest or otherwise lend insurance fund moneys outside Tanzania.
    - Section 67 (b): An insurance broker registered to conduct business or seeking registration shall satisfy the Commissioner that at least one third of the controlling interest whether in terms of shares, paid-up capital or voting rights are held by citizens of Tanzania;
    - Section 133.2: Where a class of insurance required to be placed with a Tanzanian insurer is not available to a person seeking insurance, that persons may place that insurance with a non-resident insurer provided that he obtains the prior written approval of the Commissioner.
    - Section 134: Any general insurance business policy effected by a Tanzanian resident or Tanzanian resident company, other than an insurer registered under this Act, with any non-resident insurer shall be effected through the offices of a Tanzanian registered insurance broker.

Worth noting also is that the regional level, in 2013, EAC states began working toward a common insurance market and Partner States have agreed to harmonize their regulations around the 26 Insurance Core Principles (ICPs) issued by the International Association of Insurance Supervisors (IAIS). Such reforms are being advanced through the EAC Insurance Bill 2018, which has been approved by the Council of Ministers, but is yet to be enacted.

3.4.3.2. Banking Services

All EAC Partner States have committed to liberalise banking services and except for the various non-discriminatory prudential measures that the Partner States maintain, the sector is fully liberalised across the region. Furthermore as earlier seen, there are a number of regional initiatives that have been put in place to further enhance integration of the banking sector.

The impact of this liberalisation can be seen in the increased cross border investment of banking services. For example, Kenya has 8 banks that have cross-border subsidiaries, which include KCB Group Holdings Plc, Diamond Trust Bank Group, NCBA Group Plc, Guaranty Trust Bank Kenya Limited, Equity Group Holdings Plc, I&M Holdings Plc, African Banking Corporation Limited and The Cooperative Bank of Kenya Limited. For these banks, subsidiaries in the DRC account for 34.45% of the total asset base, up from 30.58%. Uganda follows at 19.3%, Rwanda at 16.71%, Tanzania and 16.01%, Mauritius at 9.62%, South Sudan at 2.56% and Burundi at 1.34%. Tanzania also has two banks with cross-border activities; CRDB has a subsidiary in Burundi, while Exim Bank has subsidiaries in Djibouti and the Comoros and a representative office in Uganda.[31]

Despite there not being any overt restriction, banking services suffer from a number of constraints that hinder cross border movement of commercial banking services and also the growth of the sector as a whole. Among these is the high cost of cross border payments – sending and receiving payments from one Partner State to the other. Despite the launch of the East African Payment System (EAPS), and noting that data for EAC cross border payments is not available, comparable research shows that the average cost of cross-border payments in Africa is about 12 to 18% of the value of transaction against a global average of 6-7%.[32] A report by AfricaNenda et al note that EAPS has exhibited limited uptake to date in general, processing only a small share of total cross-border bank payments.[33] The report also notes the lack of designated low-cost digital payment solutions for cross border transactions, pointing out that digital payment transactions through banks and forex bureaus are expensive, while mobile money transactions have some transaction limitations and are not seamless due to limited mobile wallet interoperability.[34]

Although there has been notable growth in access to finance, the other key issue relating to the banking sector is the high cost of credit in the region, which affects ability of businesses - especially MSMEs - to borrow to support business expansion. High borrowing costs are driven by various factors, including but not limited to high government borrowing, which sets the floor rates high;[35] as well as various costs associated with taking loans, including bank fees and charges to third party costs, such as legal fees, insurance and government levies.

3.4.4 Tourism Services

As earlier noted, the tourism sector is critically important for EAC Partner States, both in terms of GDP and employment. Tourism comprises four broad sub-sectors, as follows: Hotels and restaurants (including catering), Travel agencies and tour operators' services, Tourist guides services, and a residual "Other" category. Under the CMP, Partner States made varying commitments to liberalise tourism services.

- Burundi, Kenya and Rwanda have committed to liberalise all sub-sectors of tourism sector across all modes, with no limitations on market access and national treatment.
- For Tanzania, all subsectors except tourism guide services have no limitations on market access and national treatment. In addition, Tanzania has also committed to liberalise hunting by tourist and sport fishing under 'other tourism services', with no market access and national treatment limitations across mode 1-3 and Mode 4 is unbound except for business visitors (with limitation of temporary entry and stay of no more than 90 days in a

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[31] Bank's supervisory reports

[32] Based on AfricaNenda, a pan-African organisation that advocates for financial inclusion, as reported on https://www.theeastafrican.co.ke/tea/business/instant-payment-systems-key-for-cross-africa-commerce-3837790

[33] AfricaNenda, CBC & UNECA, July 2022. Use of cross-border digital payments in the COMESA region: Understanding the training needs of MSMEs. Accessed from https://www.africanenda.org/uploads/files/AfricaNenda_MSMEsReport_WEB_July-2022.pdf

[34] Ibid

[35] FSD Uganda, (2020) Determinants of Interest Rate Spreads in the Ugandan Banking System. Accessed from https://fsduganda.or.ug/wp-content/uploads/2021/02/IGC-BoU-Interest-Rate-Spreads.pdf

calendar year); contractual service suppliers (with 2+years' experience) and independent service suppliers (with 5+ years' experience), plus limitation on the latter two to temporary entry and stay of no more than 6 months in any twelve month period, or for duration of contact, whichever is less.

- Uganda has commitments to open all sub-sectors, only Mode 1 has no limitations for market access and national treatment. Under tour agencies and tour operators, Mode 1 and 2 are unbound, but Mode 3 has limitations in that non- Ugandan services / service providers should incorporate or register the business locally and joint venture and local content requirements may apply to non -Ugandan services / service providers. For national treatment, non- Ugandans cannot own land, but can lease it for development purposes, upon approval by the sector ministry. These Mode 3 restrictions also apply for other tourism services. For tourist guide services, mode 3 is unbound for both market access and national treatment.

Based on the above, Partner States maintain a number of restrictions as follows:

Table 16, illustration of restrictions in tourism services

Partner State / Legal Source	Non- Conforming Measure / Restrictive Provisions
Kenya, **Tourism Act, 2011**	Tourism Act provides that a person shall not undertake any of the tourism activities and services unless they are licensed by TRA. While the regulations place no restrictions on the free movement of services under in the various sub-sectors, they provide the following: In case of employment of expatriates (non-Kenyan citizens), TRA has to approve such employment and among the conditions that the employer may need to satisfy the TRA include a) that there is no Kenyan citizen qualified to fill the vacancy; and b)the employer has identified a suitable citizen to undergo training / understudy the non-citizen with a view to taking over the position within a specified time.
Tanzania **Tourism Act No. 11 of 2008** **+** **the Tourism Agents (Registration and Licensing)** **Regulations, 2015.**	*Registration of Tour Operators:* For foreigners (non-citizen owned companies) that want to register for tour operator business, the have to meet the following requirements: i. Have a fleet of not less than 10 new vehicles of the type approved for tour business by the TTLB; ii. All tour vehicles must not be more than 5 years old from the date of the first Registration; iii. Provide evidence that, the business project has been registered by Tanzania Investment Centre (TIC) and must provide copy of Certificate of Registration and Incentive from TIC. *Registration for Travel Agent:* Travel Agent registration is issued to companies which are fully owned by Tanzanians as stipulated in the Tourism Act No. 11 of 2008, section 58 (2). The applicant must have not less than two employees who are Tanzanians; whereas the said employees must have International Air Transport Association (IATA) Certificate/Diploma.

Important to note also is that the EAC has not yet committed to liberalise the important 'recreational, cultural and sporting services' sub-sectors, which are crucial for tourism services. Based on a 2019 mapping of culture and creative industries in the EAC, the sector is under-developed, but with significant potential for social and economic growth. Music was noted as the most significant sub-sector under the creatives industry. The mapping indicated that in 2014 (the year for which data could be established), the EAC earned approximately USD 2 billion in trade for culture goods and services. Recreational and cultural services sector represent significant economic potential, in terms of job creation, GDP and trade and underpin the social fabric on which national and regional identities are defined.

The EAC Development Strategy (2017-2021) recognised explicitly that cultural and creative industries are an asset for the EAC economy and competitiveness. Moreover, as part of the efforts to promote the sector, the EAC adopted in 2015 the EAC Creative and Cultural Industries Bill, which seeks to provide an environment conducive to the enhancement and stimulation of creativity and innovative endeavours among the citizens of the Community. Also noteworthy is the national level mapping of culture and creative industries in all Partner States and the undertaking of first and second editions of the EAC Arts and Culture Festival (Jumuiya ya Afrika Mashariki Utamaduni Festival– JAMAFEST). These initiatives however have had a limited 'trade' component, being seen more as a social sector, pointing to a need to liberalise and develop the sector in order to enhance cross border trade and collaboration as well as strengthening the productive and export capacity of players in the sector.

3.4.5 Air transport services

Air transport services comprise passenger transportation; freight transportation, rental of aircraft with crew; maintenance and repair of aircraft and supporting services for air transport (which include airport operation services and air traffic control services, among others). As noted earlier in previous section, air transport services, particularly with respect to traffic rights, or services directly related to the exercise of traffic rights are usually not under the scope of the WTO GATS.

Under the CMP / Revised Schedule, EAC Partner States have however made commitments covering some of these matters. While Burundi and Uganda have committed to liberalise air passenger and freight transport services, with no limitations on market access and national treatment, Kenya and Rwanda have not committed to liberalise both sub-sectors. Tanzania has committed to liberalise air passenger transport, excluding cabotage and mode 3 is subject to operational Bermuda type bilateral air service agreements (BASA) arrangements. Despite the above, air transport services in the EAC is regulated through BASAs and EAC air service operators, passengers and cargo are not accorded national treatment and market access is restricted through the individual BASAs.

According to an EABC study (2016), the air transport sector is constrained by many factors, among them low cargo and passenger movements, pricing method and structure (especially fuel and insurance surcharges) leading to high fares; and limited physical aerodromes and related facilities. Other factors constraining the sector include uncompetitive domestic and BASAs regulatory regimes, fiscal policies, high insurance premiums, management inefficiencies and perceived security and safety oversight limitations. The study indicates that although most BASAs in EAC provide substantial liberalisation according to the Yamoussoukro Decision (YD), they provide a limited fifth freedom and limit operations of EAC Partner States designated airlines in the respective contracting party state. Different regulations at the national level lead to different passenger services charges, landing, navigation, security and other surcharges such as those related to lighting during landing or taking off at night. Airline related charge components (basic fare and surcharges) account for the largest proportion of fares.[36]

The case for full liberalization of air transport services is strong: globally, there is evidence that liberalisation leads to lower fares and higher frequencies, which in turn stimulate passenger demand. The 2016 East Africa Research Fund / EABC Study on Costs and Benefits of 'Open Skies in the East African Community (EAC) established that that if EAC Partner States fully liberalised air transport services (purely on the basis of domesticating the EAC airspace by having open skies BASAs), there would be 9% reduction of fares on average on restricted routes and an increase of 41% on frequencies on average, (based on 2015 volumes of cargo and passengers and all else being equal).[37] Furthermore, the results showed that that partial liberalisation would not be effective in achieving equivalent impacts, noting that all major restrictions must be removed from the current BASAs for these impacts to be realised. Furthermore, looking at wider impacts of such liberalisation across the 5 Partner States (excluding South Sudan), it noted that more than 30,710 additional jobs would be created and about 0.04% of regional GDP (about) USD 124M would be added to the economy. In recognition of the above, the EAC Partner States are in the process of negotiating EAC liberalisation of Air Service Regulations, a process that has been over four years in development.

In addition to the above, further impacts on the EAC air transport market are possible if the EAC address other key challenges like the taxes on aviation, as well as promotion of other commercial segments like cargo.

4. SUMMARY OF KEY FINDINGS

Based on the foregoing, the following summary of findings is made:

The **overall Barometer on the EAC Services Trade is an overall positive trend, with room for rapid improvement through addressing prevalent restrictions and expeditiously concluding on-going regional initiatives.**

Specifically, looking at the indicators making up the Barometer on the EAC Services Trade:

a) The analysed services performance indicators show **a largely positive trend, with increases noted in services contribution to employment and exports.**

- On GDP, services continue to be the largest components of the EAC economies and the key sectors driving economic growth are mainly transport, travel (which covers tourism); communications and financial services. Although contribution fell in 2020 due to COVID-19 pandemic, there are signs of recovery based on 2021 statistics.
- On employment, for all EAC Partner States, employment in services sector is important (contributing between 10 - 40% in Kenya) to total employment in 2019 and showing

[36] Assessment of the effects of regulatory regime on the cost of air transport in The East African Community (accessed via https://eabc-online.com/download-category/downloads/)

[37] East African Research Fund / EABC: 2016. Costs and Benefits of 'Open Skies in the East African Community (EAC).

significant growth over the period 2012-2019. Contribution in the informal sector is significant and likely much larger than in formal employment.

- On services trade, the region was a net exporter of services until 2019. Due to the COVID-19 pandemic, services exports declined significantly, particularly driven by the impacts on tourism, transport and travel. Based on available data, 2021 points to an improving trend for services exports, although data for all Partner States is not available:

b) In terms of state of openness (commitment to liberalise), **the overall trend is positive, laying the foundation to build an integrated EAC services market.**

- Partner States have added 92 new sub-sectors under the revised schedule of progressive commitments, thereby increasing the number of sectors committed by all Partner States to 36, from 16.

- Except for Rwanda that decreased the number of overall sub-sectors committed, all EAC Partner States have increased the number of sub-sectors they will liberalise, thereby creating a strong foundation for an integrated services market in the EAC.

c) In terms of advancements and progress at national and regional level on the EAC trade in services agenda, **the trend is overall positive, with evidence of key reforms at both levels aimed at enhancing trade in services.**

- All EAC Partner States have enacted at least one measure that is supportive of the EAC services agenda, either at a cross-cutting level, for example investment (which supports mode 3 supply), or at specific sector levels.

- At the regional level, key cross-cutting and sector specific initiatives have resulted in reforms that are, or will, once completed, enhance the framework for services integration.

d) In terms of restrictiveness of the services trading environment, **the overall trend is negative**, **with a number of restrictions still being maintained in the focus sectors**, despite the transition period to implement all EAC service sector commitments lapsing at the end of December 2015.

- As noted in the analysis, only financial services can be deemed to have no overt restrictions, with all the other sectors having a number of restrictions that negatively impact on the ability of services and service providers to move.

- Professional services have the most restrictions, with all 35 noted for the sectors of focus and all Partner States having a restriction in at least one of the sectors.

5. RECOMMENDATIONS

Despite the overall positive trends observed by the Barometer, the potential for services to play a key role as a strategic driver of economic competitiveness, growth and structural transformation of the EAC is not being fulfilled due to the existing restrictions and unfinished agenda at the regional level, both of which continue to fragment the services market, making trading in services sometimes difficult and the cost high.

Thus, the Barometer on the East African Services Trade makes the following recommendations:

General Recommendations

a) At the national level, all EAC Partner States should continue to undertake reforms to align their domestic laws to their commitments under the CMP/revised schedule of commitments for progressive liberalisation of trade in services.

b) At the regional level, the EAC should expeditiously conclude the following key actions necessary to enhance the framework for an integrated services market in the EAC:

   - Finalisation of process for the adoption of the revised schedule of commitments and the EAC Regulations for the free movement of services and services suppliers

   - Fast-track finalisation of Annex VII of the EAC Common Market (Mutual Recognition of Academic and Professional Qualifications) Regulations.

   - Develop a regional timebound framework / roadmap for removal or easing of restrictions in order to enhance cross border movement of services.

   - To address the challenge of double taxation, review the EAC Agreement on the Avoidance of Double Taxation (DTA) to align it to Base Erosion and Profiting Shifting (BEPS) Action Points. Thereafter, implement it across the EAC region and sensitise key stakeholders on it.

   - Agree on a timetable for the negotiation of the 5 service sectors not covered under the CMP, in order to broaden service integration.

Sector Specific Recommendation:

Professional Services:

a) Complete negotiations for the EAC Cross Border Legal Practice bill and the Mutual Recognition Agreement for Legal Services.

b) Review the MRAs for engineering and accounting services in order to address trade related aspects such as registration of firms and procedures related to the same.

c) Enhance regulatory framework for accounting and engineering sectors by i) establishing an engineering sector regulator in Burundi and ii) in accounting services in South Sudan.

d) Put in place a framework to require mandatory registration for all accounting professionals for efficient service delivery and accountability.

Telecommunication Services:

e) Tanzania and Burundi should join One Network Area (ONA) in order to bring down the cost of voice and data services across the region.

f) All taxes and charges on roaming should be removed as part of the ONA initiative.

g) All taxes on ICT equipment and related services should be removed in order to enhance their affordability and access by MSMEs and general population.

Air Transport Services:

h) Implement the open skies policy, inline with the Yamoussoukro Decision and the Single African Air Transport Market (SAATM).

i) Expeditiously finalise the development of the EAC Liberalisation of Air Services Regulations and adoption of the Regulations by all Partner States

j) Harmonise the taxation regimes on air transport services with a view to bringing down the cost of airfares.

k) Review and harmonise charging mechanisms, fees and taxes with the objective to reduce the ticket cost and stimulate demand in air transport. The harmonisation should comply with the ICAO Policy guidelines on airport charges.

l) Promote the development of low- cost carriers by giving incentives that include terminal facilities which support their operations.

Tourism Services:

m) Remove all restrictions to the free movement of tourism practitioners (travel agents, tour operators and guides.

n) Develop / bring the EAC tourist visa under the ambit of the EAC, with a view to bringing all EAC Partner States on board and also streamline / automate the issuance process.

o) Enable mutual recognition of tourism qualifications and collaboration on tourism-related education and training.

p) Put in place measures to support the development of low-cost airlines to enhance / grow intra-EAC tourism business.

Financial Services

q) Expedite the enactment of the EAC Insurance Act and thereafter its implementation in order to support mutual recognition of insurance covers / policies across the region.

r) In commercial banking, adopt and implement the draft EAC regional Payment System roadmap to reduce costs for cross-border transactions.

s) Industry and regulators should put in place measures to address the key drivers of the high cost of credit in the region and the access to affordable credit for MSMEs.

EABC

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