EAC STRATEGY FOR TRADE IN SERVICES: 2023-2033

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EXECUTIVE SUMMARY

Introduction

The original story of regional integration in the East African region is a story of about services. As early as 1961, the three original Partners (Kenya, Uganda and Tanzania) operated the East African Common Services Organisation, whose main goal as to promote services and support the development of key service sectors like transportation, communication, tax collection, scientific research, social services and university education. Building on the emphasis of services at the origins of the EAC integration, under the current integration process, the EAC Treaty (1999) in Chapter Seventeen provides for services liberalisation across the Community (now comprising Burundi; Democratic Republic of Congo, Kenya, Rwanda, South Sudan, Tanzania and Uganda). Under the Treaty, Partner States agreed to conclude a Protocol on the Free Movement of Persons, Labour, Services and Right of Establishment and Residence, which is achieved under the East African Common Market Protocol (CMP).

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) compiled by the WTO in July 1991, 160 sub-sectors are identified. These sub-sectors are defined as aggregate of the more detailed categories contained in the United Nations provisional Central Product Classification (CPC), which is based on the nature of the services rendered, pointing to a much larger categorization of services given the different modes and means through which services may be rendered.

Under the CMP, specifically Part F (Art. 16-23) and Annex V, EAC Partner States have committed to liberalise a total of 136 sub-sectors in 7 priority sectors. Committed services are broken down as follows: Business (46); Communications (24); Distribution (5); Education (5); Financial (17); Tourism and Travel (4); and Transport (35). EAC liberalisation followed the ‘positive list’ approach, meaning that Partner States only made market access and national treatment commitments, both in terms of sectoral coverage and depth of commitments, that they felt aligned with their respective development agendas. As a result, all Partner States made different and varying commitments, with an overall 57% of potential commitments in the 7 priority sectors being made; of which only 16-sub-sectors were committed by all the Partner States.

These sectors are expected to be further enhanced when the Revised Schedules of Commitments on the Progressive Liberalisation of Services that was initialled by Partner States and adopted by the EAC’s Sectoral Council for Trade, Industry, Finance and Investment (SCTIFI) in May 2019 is gazette by the East African Legislative Assembly. In Art. 23, Partner States further agreed to make additional commitments, at a future date, in the following five service sectors that were not covered by the initial commitments: energy services; environmental services; health and social services; construction and related services; and recreation, cultural and sporting services.

Over the last 12 years since the CMP came into force, the EAC has become one of the continent’s most integrated regions. 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. This includes policy reforms to boost regional cross-border investments in services sectors (notably in the financial sector) and advances in regulatory cooperation and convergence. The latter includes aligning national investment regulations with Partner State services commitments under the CMP, as well as efforts to recognize the qualifications of various professional service providers throughout the region via Mutual Recognition Agreements (MRAs). Both collectively and individually, such policy and regulatory reforms have reduced the barriers that would have otherwise been faced by service providers seeking to export their services throughout the region. Undoubtedly, the possibility of increased regional services trade has increased.

To be clear, much remains to be accomplished on this front. As highlighted in various EAC document and external research, Partner States' progress in implementing their services commitments under the CMP remains slow, and in some instances, new restrictions have been introduced. Moreover, efforts to deepen services integration by way of adopting services regulations under the CMP and new commitments to deepen integration have yet to gain traction. As a result, restrictions in laws and regulations, as well as other forms of procedural and business environment obstacles across a range of services sectors continue to impede services and service suppliers from easily operating throughout the region. This maintains too much of the fragmented status-quo, where the costs of trading services in the region remains high, reducing the relative competitiveness of the region's services and service providers. Furthermore, EAC integration must also be seen within the context of the African Continental Free Trade Area (AfCFTA), particularly the ongoing negotiations under the Protocol on Trade in Services, as this portends an even greater role for services to enhance intra-Africa trade.

If the EAC region is to leverage services trade as part of its pursuit of both the vision and mission of the EAC Treaty, alongside the objectives of the CMP, more needs to be done. At its core, this entails not only advancing the integration agenda (i.e. making more services trade possible), but connecting that agenda to a structured and properly-resourced effort to help EAC services firms turn these emerging possibilities into reality. A focus on enhancing both the productive and export capacity of EAC services firm, with a view to exploiting sectoral linkages and participating in regional and global value chains, is essential for making more service trade happen.

It is in recognition of the above that the EAC Sectoral Council on Trade, Industry, Finance and Investment (SCTIFI), at its meetings held on 16th 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).

This first EAC Strategy for Trade in Services has been developed through a wide consultative and participatory process, which comprised two rounds of national consultation and validation meetings; regional sector meetings and a regional consultative and validation meeting. Acknowledging the broad nature of services as well as available resources to support implementation, the Strategy has prioritised 12 priority sectors and 5 cross cutting priorities for initial focus. Selection was based, among others, on the sector's importance in the economy of EAC Partner States; its role as an intermediate input across the economy; the sector's degree of tradability; the extent to which the sector could be a meaningful source of employment; prioritisation of the sector under the AfCFTA; and sectors for which funding to support various activities has been secured.

Situational Analysis

In recent years, EAC Partner States have put a great emphasis on trade in services, including through explicit treatment in their national export strategies or through the development of a specific services trade policy and strategy and through the Trade Policy. The broad approaches, objectives, interventions, and priority sectors articulated in these policy documents are highly aligned with the those found EAC Trade in Services Strategy.

Very little data regarding trade in services is available for the region. Based on reports from national bureaus of statistics and World Bank development indicators, services are the leading contributor to GDP in EAC Partner States, accounting for a larger share than agriculture, industry and manufacturing sectors. In 2021, services accounted for 54.4% of GDP in Kenya, 53.5%% in South Sudan, 47.8% in Rwanda, 44.8% in Burundi, 41.9% in Uganda and 34.3% in Tanzania. As at 2020, services contributed to 53.5% of GDP in South Sudan. The contribution of services to GDP has remained relatively stable through the past decade in the EAC.

While formal employment remains concentrated in the agricultural sector across the region, the importance of the service sector as a source of formal employment is important and growing. This is particularly so in Kenya, where in 2019 the sector accounted for nearly 40% of formal employment. Services account for 20-30% of formal employment in all other PS except Burundi. This aligns with other low-income countries across Sub-Saharan Africa, where in 2019 the sector was estimated to employ just under 26% of formal workers. These statistics do not include informal workers who constitute a significant share of people working in services sectors, especially female workers.

Exports of services have grown by 46.6% since the common market came into force, from USD 8.8billion in 2011 to USD 12.9 billion in 2019. Until 2019, the EAC region had been a net exporter of services, exporting services worth USD 12.9 billion against 933.6M worth of imports but became a net importer in 2020 due to the COVID-19 pandemic. In 2020, exports dropped by 41% to USD 762.2M against imports worth USD 842.2M. Kenya and Tanzania remained net exporters of services, accounting for 48% and 30% of all services exported out of the region.

Despite the developments highlighted in previous sections in terms of integration and growth of services in the EAC, the sector has continued to face a number of challenges, which have prevented the region from fully reaping the benefits of a well-integrated services market. Some of the key challenges affecting trade in services in the EAC include;

The prevalence of trade barriers and diverse regulations restricting cross-border services trade between EAC countries: The level of legal domestication and implementation of the CMP provisions in the Partner States remains low due to regulatory inconsistencies and other restrictions that prevent foreign direct investment and the free movement of service providers. For example, as per the 2020 Common Market Scorecard which reviewed implementation of CMP commitments in legal, accounting, engineering, architecture, telecommunications, distribution and transport services established that all Partner States remain largely non-compliant to their liberalization commitments. Despite a total of 61 restrictions being found in national laws and regulations, the reform process has been slow and a few countries have even introduced new restrictive laws. The CMP's implementation has also been hampered by limited national institutional and financial capabilities. In addition, not all partner states are signatory to concluded MRAs even in sectors where they have made commitments. Among those that are signatories, the level of regulatory compliance differs across professions with fairly good progress being noted for accounting but relatively limited progress for veterinary services.

Weak evidence base on services production and trade: The EAC Partner States, like many developing and least developed countries, are also challenged by weak and fragmented evidence base on services production and trade to guide competitiveness-enhancing services interventions. The lack of data and information about services production and trade makes it impossible to adequately leverage opportunities and overcome bottlenecks; and often leads to fear and reluctance to liberalize. For firms, especially Micro, Small and Medium Enterprises

(MSMEs), 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. Besides building this data, there is need to enhance services sector knowledge and competence in services collection and compilation of TiS statistics, policy making, regulation and development, through capacity building, sensitization and provision of information.

Weak capacity base for promoting services trade: Since liberalized markets are meaningless if you do not have anything to sell in these markets, EAC integration is linked to supporting the production and export capacity of EAC firms. A key challenge facing the region relates to the weak understanding of the tools available for increasing trade in services. At the firm level, this includes know-how for overcoming binding constraints in terms of available human capital, financial capital, as well as improving the availability and quality of a range of endowments. This also includes infrastructure and technological endowments, and natural and cultural endowments.

At the public sector level, the weak capacity base means that hose responsible for making services trade policy within ministries and the EAC do not adequately understand what is needed to boost services competitiveness. The result is a weak foundation for services policy-making and negotiations. Often, even where capacity building has been done, it is mainly focused on understanding the WTO GATS and the technical process of scheduling commitments therein, without adequately building the knowledge base for understanding what role such commitments play in strengthening domestic services sectors.

Inadequate engagement of various key services constituencies: Another challenge is the lack of involvement of the private sector from service sector negotiations and policy making. Except for a few sectors such as financial services, sectors are small and fragmented, rarely with any sector association or group which brings stakeholders together. As a result, the interests of the private sector are represented through national apex bodies whose mandates are broad and resources slim. Furthermore, like many BMOs in developing countries, the majority of the available representative bodies tend to have their own capacity gaps, and in many instances, focus primarily on advocacy and their abilities are heavy reliant on external donor programs. These problems compound to isolate the private sector from policy making, which makes it had for common and structured agenda to be pursued by the private sector.

Strategy Vision, Mission and Objectives

At the overarching level, the EAC Strategy for Trade in Services will ultimately respond to the aspirations of the Community as laid out in the objectives of the CMP, which are to, among others, accelerate economic growth and development of the Partner States through the attainment of the four freedoms and two rights, among them, the free movement of services and service suppliers. The strategy thus aims to help the region increase services trade – within the EAC and beyond – in pursuit of the aims of the EAC Treaty and CMP. Achieving the above calls for a two-pronged approach – one, putting in place enabling framework to address the multitude of different cross-cutting and sector-specific regulatory, procedural and business environment obstacles that make it difficult for EAC services firms to do business across the border in other EAC Partner States and two; by putting in place to support EAC services firms build their productive and export capacity in order to actually make trade in services happen.

Based on this, the Strategy is guided by a Vision of a **globally competitive services sector for equitable and sustainable economic development of the EAC region with a Mission to facilitate an integrated globally competitive, export oriented EAC services sector.** The Strategy's **main objective** is to enhance service sector integration in the EAC region and increase intra-EAC trade in services and exports of services to the continent and the world.

The Strategy identifies 5 specific objectives and 6 key targets, as follows:

Specific Objectives

a) To **broaden service sector integration** in the EAC region through addressing prevalent restrictions and diverse regulations in priority sectors that restrict cross-border services trade between EAC Partner States

b) To **build and strengthen the regulatory and institutional framework** for services in the region and in the priority sectors with a view to fostering an enabling business environment for services trade;

c) To **produce and improve access to, and use of, reliable and user-friendly services-related trade data and intelligence,** to inform policy decisions of EAC governments and business decisions of EAC service firms and suppliers.

d) To **build and strengthen the export readiness and capacities of EAC Partner States' services SMEs** to respond to market opportunities, at regional, continental and global level, including enhancing participation in global and regional value chains

e) Achieve, as a cross-cutting objective, a higher level of sustainable and **inclusive participation of EAC service suppliers** in the regional and international services economy and in shaping relevant policies and legal frameworks.

Key Targets

a) At least **5 cross-cutting restrictions at the regional level affecting trade in services are addressed during the Strategy period.**

b) At least **5 sector-specific restrictions are removed annually during the strategy period**

c) **5 Annual Reports on EAC Trade in Services data and statistics** are produced during the Strategy Period

d) The **share of trade in services value to GDP increases by 5%** in each Partner State by 2030, based on 2020 values.

e) **Conclusion of negotiations for liberalization of the 5 service sectors** not covered in the CMP by 2030

f) Evidence of **strengthened regulatory and institutional frameworks**.

Priority Sectors and Interventions:

To achieve the above objectives and targets, the Strategy has identified a series of interventions for the 12 priority sectors and 5 cross cutting priorities over the period 2021-2030. These are outlined below:

Priority Sector 1: Accounting services

a) Undertake review of the MRA on Accounting, Auditing & Book-keeping to address the various trade related aspects such as licensing and registration requirements for firms, as well as the procedures for the same.
b) Undertake, based on above review, harmonisation of the administrative requirements and thereafter support corresponding reforms to align national laws with the CMP commitments.
c) Support PAOs to strengthen their capability to support the sector including through better regulatory practices and enforcement of adequate accreditation. This should include support to Burundi to join IFAC and to South Sudan to establish the Council of Accountants to regulate the sector.
d) Develop a framework to require mandatory registration for all accounting professionals for efficient service delivery and accountability.
e) Establish a regional database for all EAC registered accountants in order to ease their recognition across the region.
f) Review the syllabus of accounting profession to ensure it remains competitive and keeps to international standards.
g) Undertake capacity building to help practitioners in the adoption of the fast technological advancements in the sector.
h) Implement the proposed EAC manual for collection of statistics in order to obtain reliable data and information on domestic and cross-border activities within the sector.
i) Develop/strengthen/expand interventions to sensitize professionals on the cross-border opportunities created under the CMP and the AfCFTA.
j) Develop export training programs to assist professionals and firms to access other EAC and AfCFTA markets (could include general business or export training, export facilitation services/matching, and supports to build firm to firm linkages).

Priority Sector 2: Architectural services

Government Level Interventions

a) Support the establishment of a regulatory bodies in Burundi
b) Revise the MRA to take into account trade related aspects of architectural services, as well as broaden its scope to cover allied professionals like landscape architects and lower-level experts in the sector.
c) Facilitate the establishment of the Regional MRA Steering Committee.
d) Support Tanzania and South Sudan, and Burundi (once regulator is in place) to join the MRA.
e) Where applicable, develop a regulatory framework for allied professionals related to architecture services, such as landscape architects.
f) Develop an EAC local content framework to enhance skills transfer from foreign professionals / firms.
g) Harmonise CPD requirements and recognition across the region in order to support cross border learning and transfer of knowledge.

h) Establish a regional accessible database of all practitioners, including those that have faced disciplinary measures due to professional misconduct.

BMO Level Interventions

a) Undertake a mapping of opportunities and entry requirements across the African continent. Thereafter, undertake stakeholder awareness and sensitization.
b) Undertake capacity building of firms in the sector with a focus on exporting.

Priority Sector 3: Engineering Services

Government Led interventions:

a) Where applicable, broaden the regulatory framework on engineering services to cover engineers, technologists and technicians. Where different regulatory bodies exist, put in place a coordination framework.
b) Review the EAC MRA on Engineering Services to broaden its scope to cover trade aspects of engineering services such as registration and licensing of firms, as well as allied professionals like engineering technologists and technicians.
c) Support Burundi to establish a regulatory body; and both Burundi and South Sudan to accede to the MRA once revised.
d) Address differences in the levels of accreditation of engineering training programmers and also harmonies registration categories and fees.
e) Support sector regulators to implement the Dublin Accord for Engineering Technician education; the Sydney Accord for Engineering Technologist/Incorporated Engineer education and the Washington Accord for Chartered Engineer education in order to enhance upskilling and recognition of EAC engineering professionals globally.
f) Support the establishment of engineering academies, focused on specialized engineering training, research and development that will support enhanced competitiveness of the sector, enabling the sector to tap into opportunities regionally, under AfCFTA and globally.
g) Undertake diagnostic studies in collaboration with BMOs in various industries and sectors to is identify gaps, needs and opportunities in the sectors for engineering services.
h) Undertake capacity building and skills development among engineers, technologists and technicians, through among others putting in place measures to ensure:
   - Fresh graduates to get internship and mentoring programs leading to employment and registration. The target should be 100% transition into employment and registration.
   - Encourage the exchange of young workers across the region
   - Skilling and upskilling to ensure professionals have the skills necessary to tap into local, regional, continental and global demand.
i) Establish a regional association for engineering regulators in East Africa with a mandate to spearhead harmonization of engineering professional regulatory framework.
j) Working with EAC, regulators and BMOs, implement the proposed Manual for collection of trade in services statistics in order to obtain data and information on domestic and cross-border activities within the sector.
k) Harmonise withholding tax rates across the region in order to address the issues of unfair competition and double taxation.
l) Enhance collaboration and capacity building of EAC engineers through reviewing local content laws / regional thresholds to be EAC-wide and thereafter put in place deliberate measures to enforce these laws and thresholds.

m) Put in place mechanisms that enforce the transfer of technology so as to build capacity at domestic/ national level

Association led interventions:

a) Collaborate with government in undertaking diagnostic studies on various engineering sectors as well as statistical reporting with the regulators.
b) Put in place mechanism for sharing information on registered / qualified engineers across the region. This should also include a list of professionals disqualified for misconduct.
c) Undertake capacity building and member sensitization on the opportunities in the region and AfCFTA.

Priority Sector 4: Legal services

a) Negotiate an MRA for legal services, covering aspects of free movement of legal professionals and firms. The MRA should include clear guidelines on the criteria for recognition of foreign qualifications obtained outside of EAC.
b) Pursue the enactment of the proposed EAC Cross Border Legal Practice Bill
c) Harmonise legal education in the region to facilitate mutual recognition of qualifications
d) Develop a statutory mandate on the East African Law Society to support implementation of the EAC Cross Border Legal Practice Bill, once enacted.
e) Working with EAC, regulators and BMOs in the sector, implement the proposed Manual for collection of statistics in order to collect data and information on domestic and cross-border activities within the sector.

Priority Sector 5: Road freight and logistics transport services

a) Undertake a regional study with a view to proposing harmonized road user rates for EAC, in line with recommendation of the Technical Experts meeting to review the status of the charges. Thereafter, support activities to implement the agreed charges.
b) Implement harmonized axle load limits in line with the EAC Axle Load Act and regulation.
c) Integrate and share information on weigh bridges to easy movement across the corridors. In addition, the region should invest in weigh-in-motion bridges.
d) Implement the EAC Single Customs Document to enhance cross border movement of cargo
e) Implement road transport interventions such as vehicle age restrictions, aimed at implementing the EAC Climate Change Policy
f) Establish a mechanism of collaboration among transport sector regulators to address in a timely manner recurrent transport related impediments.
g) Harmonies insurance charges and premiums for road freight drivers and agree on a mechanism / methodology for compensation in case of accidents abroad.
h) Enhance trade facilitation measures aimed at simplifying border inspections and reducing delays at ports, along corridors and at border crossings. These should include enhanced use of technology to reduce human interactions.
i) Develop EAC legislation on transport of dangerous goods in line with the adopted COMESA-EAC-SADC Transport of Dangerous Goods by Road Model Law and the EAC Standard on transport of dangerous goods (once adopted).

Priority Sector 6: Air transport Services

a) Implement the open skies policy, inline with the Yamoussoukro Decision

b) Expeditiously finalize the development of the EAC Liberalization 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.
f) Finalize and implement the framework for seamless upper airspace operation
g) Develop strategies to increase non aeronautical revenues, by among others promoting commercial revenue segment including cargo.
h) Sustainable expansion of facilities, infrastructure and services
i) Engage in annual clean energy investment to comply with ICAO zero carbon emission by 2050
j) Enhance collaboration of regional airlines for capacity
k) Development of inter-modal transport network to improve on service delivery.

Priority Sector 7: Telecommunication Services

a) Adopt the 'One Network One Country Model' for the region to reduce the cost of calling across EAC borders. Burundi, Tanzania and South Sudan should join One Network Area (ONA).
b) Review and remove charges and taxes on roaming,

c) Review taxes on ICT services and equipment, with a view to making them affordable as well as bringing down the cost of telecommunication services
d) Harmonies VAT and Excise taxes on telecommunication services and review them with a view to bringing down the cost of telecommunication services.
e) Review and harmonize licensing regulation including spectrum allocation and pricing approaches and set up incentives and or obligations for infrastructure sharing.
f) Progressively harmonize costs of Spectrum, License fees, Universal Access fund, Numbering Fees and cost of Bandwidth within EAC.
g) Review USF models and approaches, including exploring new community network access models and public community access points (Wi-Fi hubs) for underserved and rural communities.
h) Strengthen competition along the entire ICT value chain, especially for last-mile connectivity.
i) Operationalize regional Internet exchange points (RIXPs) and invest in network-based content delivery platforms to drive down costs and ensure that Internet traffic stays national and, at most, regional.
j) Invest in regional and national data centers.
k) Support local digital innovation and enable new emerging technologies (IoT, platforms, AI, cloud computing) and satellite solution for wide scale rural connectivity.
l) Build capacity on ICT skills among the wider populations.

Priority Sector 8: Distribution Services

Government Led Interventions

a) Undertake a baseline survey of the distribution sector in the EAC to establish, among others, the actual size of the sector, number of people it employs, contribution to GDP and growth (specifically which segments of the distribution sector drive what growth), informal trade flows, as well as the challenges facing the sector.

b) Agree on a common categorization of supermarkets across the region.

c) Develop regional regulations to create a competitive and fair practice environment in the distribution sector, particularly addressing issues related to supermarket-suppliers engagement modalities.

d) Undertake a mapping of the various administrative practices, both discriminatory and non-discriminatory that affect the distribution sector and then support partner states to rationalize them. This could be undertaken as part of the baseline study above, or separately.

e) Provide targeted support to build the capacity of middle level SMEs, to grow them to achieve consistency in quality and quantity that would enable them to upgrade from supplying informal outlets to developing long term formal linkages with supermarkets. This can be achieved through targeted supplier development programmes.

f) Implement the recommendations of the 2021 'Assessment of the Cross- Border E-Commerce Ecosystem in the EAC' Report in order to support growth of online distribution services.

g) Support the enhancement of professionalism in the retail industry, through among others, accreditation of curriculum for the sector.

Association Led Interventions:

a) Establish, where needed, national level BMOs as well as an EAC-level regional Retailing/Wholesaling Sector Association. The latter may be established as part of the EABC Services Desk. This should be complemented by measures to enhance the capacity of these BMOs in order to engage effectively with government.

b) Enhance the professionalism in the retail industry through, among others, developing a curriculum for the sector and thereafter training practitioners on issues such as merchandising, floor layout, cash flow issues and stock management. South Africa presents a good example of such training.

c) To grow the sector, support formalization of the sector, by among others, supporting informal retail stores to register their businesses as well as meet other statutory compliance requirements.

Franchising services

Government Led Interventions

a) Undertake a baseline survey on the state and potential of franchising in East Africa.

b) Enhance basic understanding of the franchising concept and its potential amongst key private and public sector stakeholders.

c) To support cross border investment by both domestic and international franchisable companies, put in place a regional model code on franchising.

d) Support establishment / strengthening of the franchise associations in each EAC Partner State

e) Explore the merits of enacting an Institute of Certified Franchise Executives Act at the EAC level, as a means of elevating franchising into a regulated profession.
f) Establish a regional intellectual property office that will allow protection of intellectual property rights (IPRs) in all PS through a single online filing. In addition, enhance collaboration on matters relating to IPR.
g) Put in place measures and actions to attract international franchises into the EAC to fasten skills transfer in franchising.
h) In the longer term: hand-hold franchisable SMEs to convert into franchises; set up an East African Franchise Fund, through which businesses growing on the franchise model would access cheap growth funds; strengthen existing franchise associations in each EAC country, which would take over as the industry self-regulators and set up the East African Franchise Federation as the regional apex body of franchise associations in the EAC.

Priority Sector 9: Insurance services

a) Expedite the enactment of the EAC Insurance Act and thereafter its implementation. This will among others enable the mutual recognition of insurance covers / policies across the region.
b) Fast track implementation of the EAC Insurance Certification Programme adopted by Council in May 2019.
c) Support the establishment of The South Sudan Insurance Commission / Corporation to regulate the sector in South Sudan.
d) Develop a mechanism for collaboration between insurers and regulators in East Africa through data sharing, exchange of professionals, training etc.
e) Fasttrack the Development of a Mutual Recognition Agreement among insurance players to facilitate the recognition of qualifications for insurance professionals and insurance policies issued in all EAC Partner States.
f) Put in place measure to fully implement the ICPs 26 in order to enhance regulatory practice across the region.
g) Put in place joint measures between the regulators and the insurance companies to deal with the high incidences of fraud in the sector.

Priority Sector 10: Commercial banking

a) Adopt and implement the draft EAC regional Payment System roadmap to reduce costs for cross-border transactions.
b) Industry and regulators to adopt alternative financing models and to put in place measures to address the key drivers of the high cost of credit and the access to affordable credit for MSMEs in the region.
c) EAC region to harmonise financial data sharing and data protection laws in the region
d) The region to develop mandatory cyber security legislation aimed at addressing cyber security threats in the banking sector, in line with international best practices such as ISO/IEC 27001
e) The EAC to develop a regional framework for the development of alternative financing models, such as green bonds, social bonds and infrastructure bonds
f) To enhance financial inclusion, EAC to put in place regional initiatives to accelerate the growth of fintech as well as support to various financial inclusion stakeholders.

g) Using materials developed under the Financial Sector Development & Regionalisation Project (FSDRP) for financial education, the EAC to undertake targeted dissemination to targeted stakeholders.

Priority Sector 11: Tourism services

a) Undertake development and strengthening of tourism standards, hotel and restaurant classification and grading systems.
b) Enhance free movement of tourism professionals (tour operators and guides) and undertake harmonisation of procedures and documentation, including removal of current restrictions.
c) Improve and collaborate on travel and tourism statistics and tourism data management systems
d) Undertake international tourism destination promotion and joint marketing of the EAC as a regional destination
e) 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.
f) Undertake tourism product development, including, cultural and heritage products, and development of other niche products like medical and wellness tourism
g) Undertake tourism infrastructure development, including ensuring low concessions on connectivity at tourism sites, governance, cultural and other physical infrastructure.
h) Develop measures to enhance local and regional sourcing and development of tourism value chain
i) Enable mutual recognition of tourism qualifications and collaboration on tourism-related education and training.
j) Undertake transboundary trans-frontier protection, addressing social, environmental, wildlife, parks, oceans and climate factors.
k) Pursue collaboration with the Global Tourism Crisis Resilience Management Centre in Kenya for data and research
l) Develop low-cost airlines to support movement of people across the region
m) Liberalise the EAC airspace as a means to support affordable tourism travels across the region.
n) Pursue regional action to safeguard the region and its wildlife from commercial exploitation and abuse.
o) Establish a regional fund to support post COVID-19 recovery of the sector, impact of Russia / Ukraine conflict and other future crisis.
p) Improve physical access to tourism sites through regional collaboration for sites that cut across borders and also enhance collaboration on security matters on them.

Priority Sector 12: Higher education services

a) Develop a regional TVET Skills development council in order to harmonise standards in the region
b) Put in place a regional framework to allow for seamless transition from TVET education to university education.
c) Undertake ICT assessment, with a view to enhancing technology use in education
d) Streamline educational qualifications verification/accreditation and quality assurance
e) Enhance mobility for TVET educators through addressing barriers to entry.
f) Close gap between in-service teacher qualification/requirements and promote training and capacity building of lecturers and TVET trainers across the borders

g) Undertake harmonisation of training and examination procedures in TVET to support the mobility and recognition of TVET graduates.
h) At the professional body level, set minimum period for field attachment / internships to ensure graduates acquire relevant job skills before they join to the labour market.
i) Establish common ethical guidelines for research and policies on commercialisation of technologies, promotion and protection of intellectual rights.
j) Enhance regional exchange of scientific information, personnel and promotion of publication of research and scientific findings.
k) To support mode 2 trade in education services, Partner States to financially support their students studying abroad, as host government citizens usually enjoy support through capitation. In addition, all Partner States should increase the number of scholarships awarded to students studying in other EAC Partner States.

Cross Cutting Priority Interventions

The strategy has also identified 5 cross-cutting priority areas, which are necessary to strengthen the foundation of the EAC services agenda and which support the sector specific priorities. These include:

Cross Cutting Intervention 1: Reinforce the (public & private) institutional framework for service sector development

a) Enhance role and expand membership of the National Trade in Services Committees
b) Enhance role and expand membership of the Regional Trade in Services Committee
c) Identify National Sector Champions
d) Mobilise and coordinate private sector constituencies in the services sector, through:
    - Establishing a regional Coalition of Service Industries
    - Establishing a structured trade in services focused Public Private Dialogue (PPD) Platform

Cross Cutting Intervention 2: Generate information to drive services policies and business strategies

a) Boosting the availability and reliability of services trade and production statistics
    - Design and implement a capacity building programme to strengthen EAC statistical systems for services trade and investment
    - Prepare a Pilot Report on Services Trade & Investment in the EAC
    - Prepare an Annual EAC Services Trade & Investment Report

b) Generating information to support EAC services firm competitiveness and export growth
    - Studies to identify binding constraints to EAC services firm competitiveness
    - Catalyse innovative interventions to help unlock service sector potential

Cross Cutting Intervention 3: Build Capacity of service sector firms to enhance export capability and competitiveness

a) Undertake training and capacity building of service sector firms
b) Enhance access to trade finance

c) Enhance access to information on exporting requirements for service sectors in all Partner States

Cross Cutting Intervention 4: Reinvigorate and broaden services integration and regulatory reform

a) Development of a living database of restrictions with related updating system and complaints notification mechanism:
b) Development of time-bound programme for removal of restrictions in all sectors.
c) Negotiate the additional 5 service sectors as part of broadening service integration

Cross Cutting Intervention 5: Address Horizontal Restrictions

a) On Investment regimes
   - As part of implementing the EAC Investment Policy, remove restrictions to investments from other EAC Partner States.
   - Develop a suitable framework for the establishment of an EAC e-business registry.

b) On Taxation regimes
   - Undertake a study to review the status and impact of Partner States taxation regimes on services exporters in the priority sectors.
   - Implement the Income Tax, VAT and Excise duty policy framework in respect to the Priority Service Sectors.
   - Address the challenge of double taxation on income arising from cross-border transactions

c) On Immigration
   - Conclusion and adoption of the EAC Common Market Regulations on the Free Movement of Services and Service Suppliers.
   - Undertake sensitisation of the regulations once adopted. This should include:
   - Review national immigration and labour laws to align them to the EAC Common Market Regulations on the Free Movement of Services and Service Suppliers.
   - Conclude the on-going work to harmonise work permit classification, forms, fees and procedures

Implementing the strategy

Some of the activities under the Strategy have already commenced implementation, although they are yet to be concluded. Thus, the Strategy foresees such activities, as well as those for which funding has been identified as being first tier activities. Ultimately, the Directorate of Trade will develop annual implementation plans to guide the implementation of the Strategy.

The implementation process which will need a steady flow of finances, will be financed by the contributions from Partner States, development partners and the private sector. Over a 10-year duration, the strategy will require approximately USD 16.4 M. Given the number of sectors and stakeholders involved, communication between them will be undertaken by launching the strategy both at the regional and national level, uploading it onto targeted websites and printing a popular version for quick reference. The progress of implementation will be monitored though progress reports from the Secretariat, an annual trade in services report and an M & E reports every 5 years. The Trade Directorate and EAC Secretariat will be in charge of risk mitigation and will handle key risks using a matrix designed as part of the strategy.

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List of Acronyms

AACB	Civil Aviation Authority of Burundi
AAK	Architectural Association of Kenya
ACCA	Association of Chartered Certified Accountants
ADBM	Analogue-to-Digital Broadcast Migration
AEQSRB	Architects, Engineers and Quantity Surveyors Registration Board
AEC	African Architecture, Engineering and Construction
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AFRAA	African Airlines Association
AIBK	Association of Insurance Brokers of Kenya
AKI	Association of Kenya Insurers
AQRB	Architects and Quantity Surveyors Registration Board
ARB	Architects Registration Board
ARCA	L'Agence de Régulation et de Contrôle des Assurances
ARCT	Agence de Régulation et de Contrôle des Télécommunications
ASFH	Association of Social Franchising for Health
ASSAR	Rwanda Insurers Association
ASSUR	Association of insurers in Burundi
ATAR	Association des Transporteurs Agréés au Rwanda
ATI	Association of Tanzania Insurers
AU	African Union
AUC	African Union Commission
BASA	Bilateral Air Service Agreement
BEPS	Base Erosion and Profiting Shifting
BMOs	Business Membership Organisations
BNR	Banque Nationale du Rwanda
BORAQS	Board of Registration of Architects and Quantity Surveyors
BPO	Business Process Outsourcing
BTVET	Business Technical Vocational Education and Training
CAA	Commonwealth Association of Architects
CAAs	Civil Aviation Authorities
CAK	Communications Authority of Kenya
CASSOA	Civil Aviation Safety and Security Oversight Agency
CAWM	College of African Wildlife Management
CLE	Council for Legal Education
CMP	Common Market Protocol
CMS	Common Market Scorecard
COMESA	Common Market for East and Southern Africa
CORE	Common Objectives in Regional Economic integration
CPA	Certified Public Accountant
CPC	Central Product Classification
CPD	Continuous Professional Development
CSI	Coalition of Service Industries
DBI	Doing Business Index
DRC	Democratic Republic of Congo
DTA	Double Taxation Agreement
EABC	East African Business Council
EAC	East African Community
EACA	East African Competition Authority
EACIA	East African Community Institute of Accountants

EACO	East African Communications Organisation
EACSI	East Africa Coalition of Service Industries
EAIA	East Africa Institute of Architects
EAIS	East African Insurance Supervisory
EALA	East African Legislative Assembly
EBA	Everything But Arms
EBK	Engineers Board of Kenya
EBOPs	Extended Balance of Payments Services
ECOSS	Engineering Council of South Sudan
EDI	Electronic Data Interchange
EPA	Economic Partnership Agreement
EPZ	Export Processing zones
EU	European Union
EVAD	Export Value Added Database
EY	Ernst & Young
FAEO	Federations of African Engineering Organisations
FDI	Foreign Direct Investment
FEAEO	Federation of East Africa Engineering Organisations
FEAFFA	Federation of East African Freight Forwarders Association
FMCGs	Fast Moving Consumer Goods
FRW	Rwandan Franc
FSRDP	Financial Sector Regionalisation and Development Project
GATS	General Agreement on Trade in Services
GCAs	Game Controlled Areas
GDP	Gross Domestic Product
GRs	Game Reserves
GSP	General System of Preferences
GVCs	Global Value Chains
HEC	Higher Education Council
HEIs	Higher Education Institutions
IAIS	International Association of Insurance Supervisors
IATA	International Air Transport Association
IBAU	Insurance Brokers Association of Uganda
ICAO	International Civil Aviation Organisation
ICPAK	Institute of Certified Public Accountants of Kenya
ICPAR	Institute of Certified Public Accountants of Rwanda
ICPAU	Institute of Certified Public Accountants of Uganda
ICPs	Insurance Core Principles
ICT	Information and Communications Technology
ICTAK	Information Communication Technology Association of Kenya
ICTAU	Uganda ICT Association
IEK	The Institution of Engineers of Kenya
IET	Institution of Engineers of Tanzania
IIK	Insurance Institute of Kenya
ILARS	Institute of Loss Adjusters and Risk Surveyor
ILEAP	International Lawyers and Economists Against Poverty
ILO	International Labour Organisation
IMF	International Monetary Fund
IOT	Internet of Things
IPR	Intellectual Property Rights
IRA	Insurance Regulatory Authority
IT	Information Technology

ITC	International Trade Centre
ITSO	International Telecommunications Satellites Organisation
IUCEA	Inter-University Council for East Africa
IWOSS	Industries without Smokestacks’
JKIA	Jomo Kenyatta International Airport
KAAO	Kenya Association of Air Operators
KAHC	Kenya Association of Hotel Keepers and Caterers
KASNEB	Kenya Accountants and Secretaries National Examinations Board
KATA	Kenya Association of Travel Agents
KATO	Kenya Association of Tour Operators
KAWT	Kenya Association of Women in Tourism
KBA	Kenya Bankers Association
KCAA	Kenya Civil Aviation Authority
KeNHA	Kenya National Highways Authority
KETRB	Kenya Engineering Technology Registration Board
KIB	Kenya Institute of Bankers
KICTAnet	Kenya ICT Action Network
KNQA	Kenya National Qualification Authority
KTF	Kenya Tourism Federation
KURA	Kenya Urban Roads Authority
LAPSSET	Lamu Port, South Sudan, Ethiopia Transport Corridor
LATRA	Land Transport Regulatory Authority
LDC	Least Developed Country
M&E	Monitoring and Evaluation
MA	Market Access
MAC	Monetary Affairs Committee
MFN	Most Favoured Nation
MINEDUC	Ministry of Education
MMI	Military Medical Insurance
MOGEI	Ministry of General Education and Instruction
MOHEST	Ministry of Higher Education, Science and Technology
MoUs	Memorandums of Understanding
MRAs	Mutual Recognition Agreement
MSITS	Manual on Statistics of International Trade in Services
MSMEs	Micro, Small and Medium Enterprises
MTRB	Ministry of Transport, Roads and Bridges
MTTIT	Ministry of Trade, Transport, Industry and Tourism
NBAA	National Board of Accountants and Auditors
NCAA	Ngorongoro Conservation Area Authority
NCDC	National Curriculum Development Centre
NEDPs	National Export Development and Promotion Strategy
NES II	Revised National Export Strategy II
NGOs	Non-Governmental Organisations
NITA	National Industrial Training Authority
NRA	National Road Agency
NT	National Treatment
NTSA	National Transport and Safety Authority
NTSCs	National Trade in Services Committees
OECD	Organisation for Economic Co-operation and Development
ONA	One Network Area
OPC	Ordre Des Professionnels Comptables Du Burundi
PAOs	Professional Accountancy Organisations

PPD	Public Private Dialogue
PS	Partner States
PSFU	Private Sector Foundation of Uganda
PTAs	Preferential Trade Agreements
PWC	PricewaterhouseCoopers
R&D	Resesearch and Development
R/GVCS	Regional or Global Value Chains?
RBA	Rwanda Bankers' Association
REB	Rwanda Education Board
RECs	Regional Economic Communities
RECTs	Regional Electronic Cargo Tracking System
RETRAK	Retail Trade Association of Kenya
RISA	Rwanda Information Society Authority
RIXPs	Regional Internet Exchange Points
RSSB	Rwanda Social Security Board
RTB	Rwanda TVET Board
RTSC	Regional Trade in Services Committee
RURA	Rwanda Utilities Regulatory Agency
SADC	Southern African Development Community
SCTIFI	Sectoral Council on Trade, Industry, Finance and Investment
SDGs	Sustainable Development Goals
SEZs	Special Economic Zones
SMEs	Small and Medium Enterprises
SSA	Sub Saharan Africa
SSCAA	South Sudan Civil Aviation Authority
SSEC	South Sudan Engineering Society
SSRA	South Sudan Roads Authority
SWOT	Strengths, Weaknesses, Opportunities, Threats
TACTO	Tanzania Association of Cultural Tourism Organisers
TAHOA	Tanzania Hunting Operators Association
TANAPA	Tanzania National Parks Authority
TAOA	Tanzania Air Operators Association
TASOTA	Tanzania Society of Travel Agents
TATO	Tanzania Association of Tour Operators
TAWIRI	Tanzania Wildlife Research Institute
TBA	Tanzania Bankers Association
TCAA	Tanzania Civil Aviation Authority
TCRA	Tanzania Communications Regulatory Authority
TCT	Tourism Confederation of Tanzania
TCU	Tanzania Commission for Universities
TESPOK	Technology Service Providers of Kenya
TFTA	Tripartite Free Trade Area
TIBA	Tanzania Insurance Brokers Association
TIC	Tanzania Investment Centre
TIE	Tanzania Institute of Education
TIOB	The Tanzania Institute of Bankers
TIRA	Tanzania Insurance Regulatory Authority
TiS	Trade in Services
TMEA	Trademark East Africa
TOSC	Tour Operators Society of Kenya
TPA	Tourism Professional Association
TPHA	Tanzania Professional Hunters Association

TRA	Tanzania Roads Association
TTA	Tanzania Tourism Association
TTCL	Tanzania Telecommunications Company Ltd
TTGA	Tanzania Tours Guides Association
TTLB	Tanzania Tourism Licensing Board
TVET	Technical and Vocational Education and Training
TVET CDACC	Technical and Vocational Education and Training Curriculum Development, Assessment and Certification Council
TVETA	Technical and Vocational Education and Training Authority,
TWG	Technical Working Group
UAA	Uganda Insurance Agents Association
UAE	United Arab Emirates
UAEVLA	Uganda Association of Engineering Valuers & Loss Assessors
UBA	Uganda Bankers Association
UBOS	Uganda Bureau of Statistics
UCAA	Uganda Civil Aviation Authority
UCC	Uganda Communication Commission
UGAPRIVI	Page 132okl
UIA	Uganda Insurers Association
UIBFS	The Uganda Institute of Banking and Financial Services
UIPE	Uganda Institution Professional Engineers
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNEB	Uganda National Examination Board
UNECA	United Nations Economic Commission for Africa
UNRA	Uganda National Roads Authority
UNU/WIDER	World Institute for Development Economics Research at the UN University
URT	United Republic of Tanzania
URWA	Uganda Retail and Wholesalers Association
USD	United States Dollar
USES	Uganda Services Export Scheme
USF	Universal Service Fund
UTB	Uganda Tourist Board
UTL	Uganda Telecom
UWA	Uganda Wildlife Authority
UWECT	Uganda Wildlife Education Centre Trust
UWTI	Uganda Wildlife Training Institute
VAT	Value Added Tax
VC	Value Chains
VC/MSD	Value Chains Market Systems Development
VETA	Vocational Education and Training Authority
WB	World Bank
WFEO	World Federation of Engineering Organisations
WTO	World Trade Organization
WTO I-TIP	WTO Integrated Trade Intelligence Portal
ZATO	Zanzibar Association of Tour Operators
ZATOGA	Zanzibar Association of Tour Guides
ZBA	Zanzibar Board of Accountants

1 BACKGROUND & CONTEXT

1.1 Introduction

To overcome the challenges of small size, fragmented domestic markets, lack of economies of scale, and geography, regional integration has always been a developmental imperative for the states that have partnered to create the East African Community (EAC). Even before gaining independence, Kenya and Uganda operated a Customs Union from 1917 onwards, with the then Tanganyika joining in 1927. The three partners operated the East African Common *Services* Organisation from 1961 to 1967. The main goal of this arrangement was to promote services and support the development of the region, including in the areas of transportation, communication, tax collection, scientific research, social services and university education.[1] **As it were, the origin story of regional integration in East Africa *is* a story about services.**

The East African Common Services Organisation evolved into the original EAC, which operated from 1967 to 1977. As part of the dissolution arrangements of the first iteration of the EAC however, the parties agreed to explore areas of future co-operation. This ultimately led to the signing of the Treaty for the Establishment of the East African Community (EAC Treaty) on 30 November 1999, and the ushering in of a new era of integration in the region. Initially comprising Kenya, Uganda and United Republic of Tanzania (URT), the EAC has grown to include Rwanda and Burundi, who joined on 1 July 2007, South Sudan, who joined on 3 March 2016 and most recently, July 2022, Democratic Republic of Congo (DRC).[2]

The EAC Treaty sets an ambitious vision for the Community – that of becoming a 'prosperous, competitive, secure, stable and politically united East Africa', with a mission to 'widen and deepen economic, political, social and cultural integration, in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investments'.[3] To actualise this vision and mission, protocols have been signed to establish, among others, the EAC Customs Union (2004), the EAC Common Market (2010) and the EAC Monetary Union (2013). As outlined in the Protocol on the Establishment of the East African Community Common Market (CMP), **the objective of the Common Market is the realisation of accelerated economic growth and development through the attainment of the free movement of goods, persons, labour, the rights of establishment and residence, the free movement of services and capital.**

Building on the emphasis of services at the very origins of regional cooperation in East Africa, under the CMP, EAC Partner States committed to the free movement of services supplied by nationals of Partner States, as well as the free movement of service suppliers who are Partner State nationals. Partner States agreed that this was to be pursued through progressive liberalisation of their services markets over time. **Over the last 11 years since the CMP came into force, the EAC has become one of the continent's most integrated regions**.[4] 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. This includes policy

[1] See https://www.eac.int/eac-history and https://en.wikipedia.org/wiki/East_African_Community.

[2] As DRC has just joined the Community, she is not included in this Strategy as it is expected it (strategy) will be implemented during her transition period.

[3] EAC Secretariat. (1999) The Treaty for the Establishment of the East African Community.

[4] AUC, AfDB, and UNECA. (2019) Africa Regional Integration Index: Report 2019.

reforms to boost regional cross-border investments in services sectors (notably in the financial sector) and advances in regulatory cooperation and convergence. The latter includes aligning national investment regulations with Partner State services commitments under the CMP, as well as efforts to recognize the qualifications of various professional service providers throughout the region via Mutual Recognition Agreements (MRAs). Both collectively and individually, such policy and regulatory reforms have reduced the barriers that would otherwise be faced by service providers seeking to export their services throughout the region. **Undoubtedly, as a result of these reform efforts, the *potential* for greater regional services trade has been increased.**

To be clear, much remains to be accomplished on this front. As highlighted in the 2020 EAC Common Market Scorecard (CMS)[5], Partner States' progress in implementing their services commitments under the CMP remain slow, and in some instances, new restrictions have been introduced. Moreover, efforts to deepen services integration by way of adopting services regulations under the CMP and undertaking new commitments remains unfinished business. Restrictions in laws and regulations, as well as other forms of procedural and business environment obstacles across a range of services sectors continue to impede services and service suppliers from easily operating across regional borders. This maintains too much of the fragmented status-quo, where the costs of trading services in the region remain high, reducing the relative competitiveness of the region's services and service providers.

The above takes place in the context of on-going market access negotiations taking place under the auspices of the African Continental Free Trade Area's (AfCFTA) Protocol on Trade in Services, which portends an even larger continental services market and, on paper, an increased potential for services to enhance intra-Africa trade.

In practical terms however, **the potential for greater services trade alone cannot deliver the accelerated economic growth and development sought by the CMP.** For these to materialize, **that potential for greater services trade must be translated into actual increases in regional services trade**. In other words, while advancing the integration agenda to make more regional services trade possible is a core component of that endeavour, so too is connecting that agenda with a structured and properly-resourced effort to **help EAC services firms build their productive and export capacity**. This entails, amongst others, supporting EAC services firms to exploit linkages with existing and new sectors of the economy, and to develop the networks and capabilities needed to both participate in, and upgrade within, regional and global value chains. Focussing on making more services trade possible *and* supporting firms to make more services trade happen is essential if the visions of the CMP and EAC Treaty are to be realized.[6]

It is in recognition of the above that 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).

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[5] World Bank and EAC Secretariat. (2021) EAC Common Market Scorecard 2020. *Forthcoming*

[6] Arguably, the slowed momentum in advancing the integration agenda is due to the absence of widespread increases in actual services trade, which have dampened both public and private sector enthusiasm and engagement.

1.2 Structure of the Strategy

Building on this introductory section, the *EAC Strategy for Trade in Services* is organised as follows. Section 2 provides an overview of the services regime governing services integration in the EAC, globally at the World Trade Organisation (WTO), as proposed continentally under the AfCFTA, in different Regional Economic Communities (RECs), and finally within the EAC. Section 3 provides a situation analysis of services and services trade in the EAC Partner States, highlighting Partner States' own strategies to promote the service sector as well as providing aggregate trends in terms of economic contribution, employment, and trade. The section also discusses the key challenges affecting services integration and trade in services in the EAC while Section 4 discusses the approach to developing the strategy, elaborating the scope of the sectors as well as those that are prioritised in the Strategy. Section 5 covers the Vision, Mission, Objectives and Key targets of the Strategy as well as its key targets; Section 6 elaborates, in summary form the priority sectors and the strategic interventions and Section 7 outlines a series of cross-cutting priority interventions. Section 8 pivots to implementation, outlining a coordination framework and other factors for success, as well as risks.

2 REGIMES GOVERNING SERVICES INTEGRATION IN THE EAC

This section provides an overview of the different regimes governing services integration in the EAC – globally under the WTO, continentally under the AfCFTA, in different RECs, and regionally under the EAC Common Market Protocol.

2.1 WTO – the global regime

At the global level, trade in services is governed by the WTO's General Agreement on Trade in Services (GATS).

Under the services sectoral classification list compiled in July 1991 to prepare for GATS negotiations, approximately 160 services sub-sectors have been categorised into 12 broad service sector categories.[7] The list itself is largely based on the more detailed United Nations (UN) provisional Central Product Classification (herein after indicated as CPC Ver 2), which is a classification scheme to present data based on product detail (for both goods and services). The twelve broad service categories found in W/120 include:

- 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;

[7] This list is commonly referred to by its document number 'W/120'.

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

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.

Table 1 outlines the four 'modes of supply' through which services are traded under the GATS:[8]

Table 1: 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.	Architect firm in Kenya sends designs via electronic means to a client in Tanzania.
Mode 2 - Consumption abroad	Service consumer moves into another member's territory to consume a service.	Tourists from Uganda 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 in another member's territory to provide a service.	Bank from Uganda sets up a subsidiary / branch in Rwanda. Hotel chain from France establishes presence in Kenya
Mode 4 – Presence of natural persons	Consists of persons of one member entering the territory of another member to supply a service (e.g., accountants, doctors or teachers).	Engineering company in Tanzania sends their workers temporarily to Burundi to work on a project to construct a dam.

With regard to the presence of natural persons, the WTO Annex on Movement of Natural Persons specifies that members remain free to operate measures regarding citizenship, residence or access to the employment market on a permanent basis.

Under the WTO, EAC Partner States have made relatively few commitments.[9] 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,

[8] 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).
[9] See https://www.wto.org/english/tratop_e/serv_e/serv_commitments_e.htm for details on each country's WTO commitments. This section draws on: WTO. (2019) Trade Policy Review of the EAC.

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 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.

- URT 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.

A notable and relatively new feature in the GATS is the Least Developed Countries (LDC) services waiver. At the 8th WTO Ministerial Conference in December 2011 WTO members adopted a Most Favoured Nation (MFN) waiver that enables any member to provide preferential treatment to LDC services and service suppliers (i.e. to discriminate in their favour). The aim of the waiver (like with tariff preferences for goods under schemes like the Generalised System of Preferences (GSP) or Everything But Arms (EBA) is to help LDCs increase their participation in global services trade, and in particular to boost their services exports. While LDC services exports remain a very small share of global services exports (0.3%), and as LDCs work to boost their competitiveness to export more services (including through the development of services export strategies like this), the LDC services waiver could take on greater importance in enabling better access to larger, services-importing markets. A 2020 United Nations Conference on Trade Development (UNCTAD) study[10] analysing the preferences thus far offered under the LDC waiver noted that over 2000 preferences had been made by 24 WTO Members (including the EU as one member).[11] Among others, the study established the following regarding the preferences offered:

- Most of the notified preferences are in business services, with the second highest number in transport services, followed by recreational, cultural and sporting. Key sectors such as tourism, construction, health and education, which have high export potential for LDCs are disappointingly few.
- A third of the preferences concern mode 4 (which augurs well for LDCs) and other modes are also well represented. Modes of supply are equally distributed, with Mode 4 being the strongest.
- Most of the preferences offered (over two thirds) correspond to what the respective WTO Members have granted to third parties under recent PTAs; with almost one quarter of the notified preferences providing even better treatment to LDCs' services.

Although data on whether EAC LDC Members have utilised these preferences is available, as a means to look beyond the EAC region, Partner States may wish to emulate Uganda's work to develop specific strategies to utilize LDC preferences provided under the waiver. Furthermore, as established by the UNCTAD study, a successful strategy has been for countries to approach targeted WTO Members with specific requests for waivers on sectors of key interest for them, particularly those that will contribute to longer term development goals, including contributing to diversification and upgrading.

2.2 AfCFTA – the continental regime in the making

The creation of an African services market is foreseen under the African Continental Free Trade Area (AfCFTA), which is being developed as part of the goal to bolster intra-African trade. As of 30th 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 43 members (including Burundi, Kenya, Rwanda, Uganda, and URT as at 1 August 2022. The Agreement entered into force on 30 May 2019, with the start of trading (goods) under the Agreement as of 1 January 2021.

The Agreement includes a Protocol on Trade in Services, which aims to create a single liberalised market for trade in services across the continent. With the market access negotiations still on-going, the first phase of services liberalisation under the AfCFTA is expected to cover

[10] UNCTAD. (2020): Effective Market Access for Least Developed Countries' services exports: An Analysis of the World Trade Organization Services Waiver for Least Developed Countries. United Nations Publications, NY

[11] WTO Members that have notified preferences include Australia; Brazil; Canada; Chile; China; European Union; Iceland; India; Japan; Liechtenstein; Mexico; New Zealand; Norway; Panama; Republic of Korea; Singapore; South Africa; Switzerland; Thailand; Turkey; United States; Uruguay; Hong Kong, China; and Taiwan Province of China

five priority sectors: business services, communication services, financial services, tourism and travel-related services, and transport services.[12]

Article 3 of the Protocol outlines its main objectives, to:

a) enhance competitiveness of services through: economies of scale, reduced business costs, enhanced continental market access, and an improved allocation of resources including the development of trade-related infrastructure;
b) promote sustainable development in accordance with the SDGs;
c) foster domestic and foreign investment;
d) accelerate efforts on industrial development to promote the development of regional value chains;
e) progressively liberalise trade in services across the African continent on the basis of equity, balance and mutual benefit, by eliminating barriers to trade in services;
f) ensure consistency and complementarity between liberalisation of trade in services and the various Annexes in specific services sectors;
g) pursue services trade liberalisation in line with Article V of the GATS by expanding the depth and scope of liberalisation and increasing, improving and developing the export of services, while fully preserving the right to regulate and to introduce new regulations;
h) promote and enhance common understanding and cooperation in trade in services amongst State Parties in order to improve the capacity, efficiency and competitiveness of their services markets; and
i) promote research and technological advancement in the field of services to accelerate economic and social development.

A unique objective in the Protocol (item h) above) provides scope for future regulatory cooperation amongst the Parties. Such cooperation, in helping to mitigate the trade-restrictive impacts of diverse regulations[13] 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 development and the timeline for EAC firms to be trading services under the continental regime remain unclear. EAC are negotiating as a bloc under the AfCFTA and as at 30th July 2022, had submitted a conditional offer, which, alongside those of other participating AU Member States, is currently under review. South Sudan is not yet included in the initial schedule as they have not yet acceded to the WTO.

In that the AfCFTA's services market access negotiations remain unfinished, it is not possible at this time to credibly assess the potential benefits or opportunities for EAC Partner States. Unfortunately, the absence of bilateral services trade flow data between AU Member States (e.g. what services does Uganda trade in Nigeria) further limits the scope for speculation. That being said, an ambitious outcome that gives EAC services and service providers greater access than they currently enjoy to larger services-importing markets should at least make it possible for increased services exports from the EAC to other countries on the continent. Ultimately, the need to support EAC services firms in boosting their productive and export capacity remains the cornerstone of turning such possibilities into reality.

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

[13] Including prudential and pro-competitive regulations.

2.3 Regimes under other RECs EAC Partner States are members in:

Under COMESA:
Since 2009, Burundi, Kenya, Rwanda and Uganda have been negotiating progressive liberalisation under the COMESA free trade area. Seven sectors have been prioritised: under Phase 1: tourism, communication, transport and financial services; and under Phase II: business services, construction and energy-related services. Focusing mainly on market access, the aim of the liberalisation is to lead to deeper integration, promote healthy competition of quality services, enhance COMESA's services sector and its access to other markets outside COMESA.[14]

Under Southern African Development Community (SADC)
Liberalisation of services under SADC is foreseen under the SADC Protocol on Trade in Services which entered into force on 13th January 2022, upon ratification by 11 out of the 16 SADC Member States deposited instruments of ratification. Covering both market access and national treatment provisions, the schedule of commitments covers an initial six priority sectors - communication, financial, tourism, transport, construction and energy-related services. A second round of negotiations was approved by SADC Trade Ministers in 2021, covering business services; distribution; educational, health and social services; environmental services; and recreational, cultural and sporting services. URT, who is a SADC member, has not yet ratified the Protocol.[15]

Under the Tripartite (COMESA, EAC & SADC) Free Trade Area (TFTA):
While liberalisation of services was foreseen as part of Phase II of the TFTA, following the inclusion of services under Phase 1 of the AfCFTA, it was agreed that this would be done under the latter regime.

2.4 EAC – the regional regime

The EAC Treaty (1999) under Chapter Seventeen provides for services liberalisation across the Community. Under Article 104 on Free Movement of Persons, Labour, Services, Right of Establishment and Residence, the EAC Partner States agreed to adopt measures to achieve the free movement of persons, labour, services and to ensure the enjoyment of the right of establishment and residence of their citizens within the Community. In addition, they agreed to conclude a Protocol on the Free Movement of Persons, Labour, Services and Right of Establishment and Residence, which is achieved under the CMP.

Under Part F (Articles 16-23) of the CMP, and Annex V (Schedule of Commitments on the Progressive Liberalisation of Services), EAC Partner States have committed to eventually guaranteeing each other the free movement of services (across all 4 modes of supply). In that regard, Partner States agreed to progressively remove existing restrictions and to not introduce new restrictions on the provision of services across the region. They similarly agreed to liberalise services in seven priority sectors, with commitment in business services (46), communication services (24), distribution (5), education (5), financial services (17), tourism and travel-related services (4), and transport services (35).[16] These commitments came into effect on 31 December

[14] https://www.comesa.int/58927/
[15] https://www.sadc.int/latest-news/sadc-protocol-trade-services-enters-force
[16] The number in brackets indicates the total number of sub-sectors where commitments have been made.

2015, which was the agreed date for the removal of measures inconsistent with the market access and national treatment provisions as set in CMP Annex V. Looking towards the future, Article 23 stipulates that Partner States are to make additional commitments in the sectors not included in Annex V, namely: construction and related engineering services; environmental services; health related and social services; recreation, cultural and sporting services; and energy services.

Like under GATS (and the AfCFTA), services liberalisation in the EAC follows a 'positive list' approach, meaning that countries only undertake those market access and national treatment commitments that they feel align with their development agendas (this holds both in terms of sectoral coverage and depth of commitments). The initial services commitments under the CMP were relatively unambitious, covering only 57% of all possible commitments in the seven priority sectors (and only 16 sub-sectors had commitments from all Partner States).[17] With a view to creating a more robust regional services market, Partner States agreed to deepen their commitments and cover a minimum of 78 sub-sectors per country.

Table 2 below compares the number of sub-sectors covered under the *current* CMP commitments with those *proposed* to be covered under the *Revised Schedules of Commitments on the Progressive Liberalisation of Services*. Of note, while the proposed new commitments were adopted by the Sectoral Council for Trade, Industry, Finance and Investment (SCTIFI) in May 2019, they have yet to enter into force.[18]

Table 2: Number of sub-sectors committed under the CMP – current and proposed

	Burundi		Kenya		Rwanda		URT		Uganda	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
Business	31	38	9	30	31	32	11	19	32	32
Communication	6	5	15	17	19	19	17	8	19	19
Distribution	3	4	3	3	4	4	2	2	4	4
Education	4	4	4	4	4	5	3	4	5	5
Financial	11	13	10	12	16	16	4	16	12	12
Tourism and Travel	3	4	3	3	3	4	2	4	4	4
Transport	16	19	9	17	23	18	7	25	23	23
Total sub-sectors committed	**74**	**86**	**53**	**86**	**100**	**98**	**46**	**78**	**99**	**99**

Source: CMP & SCTIFI Report

In addition to expanding the services commitments, Partner States recognized the need to correct a number of legal discrepancies, errors and inconsistences in both the Protocol itself and in the schedules of Annex V. This included, amongst others, the following:

- De-linking the commitments on mode 4 from those under Annex II on the free movement of workers;

[17] EABC. (2016) EABC Position Paper on Progressive Liberalisation of Services.
[18] See SCTIFI Meeting held on 30 May 2019 (EAC/SR/01/Decision 2)

- In line with the GATS, defining categories of natural persons to include: Business Visitors, Contractual Services Suppliers, Independent Professionals, Intra-Corporate Transferees, and Trainees;
- Providing parameters on the entry, stay, and exit of natural persons;
- Amending errors with respect to the coding and classification of commitments to better align them with the W/120 classification list; and
- Include a provision on market access (which was originally absent from the Protocol)

While these corrections and revisions have been included in the SCTIFI-approved *East African Community Common Market (Free Movement of Services and Service Suppliers) Regulations,* neither the Regulations nor the revised market schedules have completed the full EAC endorsement process that is required for them to be implemented by the individual Partner States. Indeed, it is in part through the Strategy's emphasis on a balanced approach to advancing integration *and* supporting firms to take advantage of that integration, where it is hoped such final hurdles will be overcome.

In considering the broader EAC regime for services integration it is important to recognise the interface with other parts of the CMP.

a) Services in relation to the free movement of goods, capital and persons

The CMP distinguishes the relationship between the free movement of services from the free movement of goods, capital, and persons. Article 16.7 (b) states that that where a service is governed by the provisions related to free movement of goods, capital or persons, that service is excluded from the scope of free movement of services. By implication, once either the free movement of persons, capital or goods apply to a part of a transaction, then the free movement of services will not also apply.

b) Services in relation to the right of establishment

Under the CMP, the right of establishment is provided for under Part E (Article 13) and Annex III, which contains the Right of Establishment Regulations. This right entitles a national of a Partner State to take up and pursue economic activities as a self-employed person, and to set up and manage economic undertakings (e.g. a company) in any other Partner State. It calls for Partner States to accord the person/company national treatment and to mutually recognize the relevant experience obtained, requirements met, licenses and certificates granted to a company or firm in the other Partner States.

In this way, these provisions overlap with the concept of 'commercial presence' as foreseen under mode 3. The Right of Establishment Regulations however provide some clarification, by specifying in Regulation 10 that the "removal of the restrictions under the right of establishment relating to services shall be in accordance with the Services Schedule… as specified in Annex V". It is worth noting that the overlap has only been removed with respect to the removal of restrictions for services-related establishment, implying that all other provisions arising from the right of establishment accrue to mode 3 as well.

c) Services in relation to the free movement of workers

While the delinking of services mode 4 commitments from commitments on the movement of workers has been achieved, provisions governing the free movement of workers relating to harmonisation and mutual recognition of academic and professional qualifications have important implications for the free movement of services. Under Article 11, Partner States have undertaken to mutually recognise the academic and professional qualifications granted, experience obtained, requirements met, licences or certifications granted in other Partner States. They have also agreed to harmonise their curricula, examinations, standards, certification and accreditation of educational and training institutions.

Mutual Recognition Agreements (MRAs) are crucial enablers of integration, helping exports and exporters navigate different standards between jurisdictions. For services, notably when it comes to the free movement of professionals, they enable the qualifications of services suppliers, recognised by the authorities in their home country, to be mutually recognised by other Partner States who are signatories to the MRAs. As part of taking forward Article 11, MRAs have been developed for accountancy, architectural, engineering and veterinary services. To help provide the framework for operationalising the current MRAs, as well as the negotiation of future MRAs, Annex VII (of the CMP) on Mutual Recognition of Academic and Professional Qualifications was concluded in 2019 and awaits enactment by EALA. Within a year of adopting Annex VII, common benchmarks for the recognition of foreign qualifications are expected to be developed.[19]

d) Services in relation to other areas of cooperation in the CMP

Part H of the CMP elaborates other areas of cooperation that are critical for the free movement of services. Among these are the provisions of Article 29 relating to the protection of cross border investments. The Article contains substantive rights for investors of other Partner States, which include protection and security; non-discrimination, and treatment in cases of expropriation. Additionally, Partner States committed to jointly take measures to secure the protection of cross border investments across the EAC.

Another related area, under Article 33, deals with competition vis-a-vis prohibited business practices and adopts a broad prohibition on 'any practice that adversely affects free trade'. Competition is also treated in more detail under the East African Competition Act (2006), the East African Community Competition Regulations (2010), and the East African Competition Authority (EACA). Other provisions covered under Part H of the CMP relate to public procurement, subsidies and consumer protection (Articles 34-36).

[19] Per the Directive of the Council of Ministers (EAC/CM/22/Directive 64).

3 SITUATIONAL ANALYSIS OF SERVICES IN THE EAC

3.1 Services in EAC Policy Documents

In recent years, EAC Partner States have put a greater emphasis on trade in services, including through explicit treatment in their national export strategies (e.g. Rwanda, Kenya and Tanzania / Zanzibar) or through the development of a specific services trade policy and strategy (e.g. Uganda) and through the Trade Policy (e.g. Burundi and South Sudan). As evidenced below, the broad approaches, objectives, interventions, and priority sectors articulated in these policy documents are highly aligned with the those found EAC Trade in Services Strategy. Importantly, like in this Strategy, these documents all recognise the importance of not only enhancing access to markets (to make more trade possible), but also increasing the actual ability of firms to trade/sell more cross-border services through the strengthening of their productive and export capabilities. With this alignment, the regional and national level efforts envisaged to implement the EAC Trade in Services Strategy should readily build on these existing endeavours and ideally help to promote better and more rapid implementation of needed interventions, and through scale-effects, better help in securing needed resources and capacity.

3.1.1 Uganda's National Policy on Services Trade

Drawing from the main overarching policy framework (Vision 2040) and the National Export Development Strategy (NEDS) 2015/16 - 2019/20, Uganda adopted in 2017, the National Policy on Services Trade (NPST), with an accompanying Implementation Plan. The Policy Objectives of the NPST are:

- To strengthen the regulatory and institutional framework to support the development of investment and trade in the services sector.
- To mainstream services trade in the national planning framework to exploit synergies
- Increase market access opportunities for Uganda's services and services suppliers
- To promote domestic capacity development in services trade and enhance firm level competitiveness.
- To strengthen human and institutional capacities to enhance quality service delivery

In terms of specific policy interventions and actions, the NPST envisages the following:

- Strengthen Regulatory and Institutional Frameworks
- Establish a Services Specific Planning Mechanism
- Improving Export Market Access
- Improving Firm Level Competitiveness
- Promote Development of Human and Institutional Capacity

The prioritised sectors under the NPST include: tourism, business (professional) services, communication services, distribution services, education services, financial services, ICT and IT enabled services, and health services expertise such as in the management of communicable diseases.

In October 2021, Uganda completed the development of the **Uganda Services National Export Strategy (SNES).** The strategy prioritises 5 key service sectors: IT and IT Enabled Services; construction services, tourism services, transport and logistics and education services. The

SNES has two broad strategic goals, with several strategic initiatives for each sector. The broad goals are the following:

- Goal 1: Build and Execute Flagship Export Promotion Program for Services
    - Establishment of the Uganda Services export scheme
    - Establishment of the Export Credit Risk – Export Credit Agency

- Goal 2: Broaden and Improve Market Access for Ugandan Services Suppliers, with two broad initiatives.
    - Services Trade Negotiations
    - Policy advocacy

3.1.2 Kenya's Integrated National Export Development and Promotion Strategy

Trade in Services features in its own chapter in Kenya's 2018 Integrated National Export Development and Promotion Strategy (NEDPS), itself drawing from the main overarching policy framework, Vision 2030. Priority sectors include business services, education services, financial services, tourism, health services, transport services, ICT services, and recreational/cultural/sports services.

For each of the priority services sectors, the NEDPS provides a situational analysis of the sector and identifies potential export opportunities as well as constraints/critical issues facing the sector. For each sector, the NEDPC then elaborates different strategic objectives, alongside resource mobilisation and implementation plans.
Broadly speaking, the strategic objectives target a number of common aims, including:

- Supporting a more enabling business environment
- Improving the institutional and/or regulatory framework (both for public and private sector)
- Enhancing the productive capacity of firms in the sector (including through better access to needed infrastructural input requirements, adoption of standards, etc.)
- Directly promoting exports (including through export opportunity awareness raising, firm networking and events, enhanced branding, etc.)

3.1.3 Rwanda's Revised National Export Strategy[20]

The 2015 Revised National Export Strategy (or NES II) draws from Rwanda's main overarching framework, Vision 2050. It integrates a number of services sectors into the strategy in a cross-cutting manner. Prioritised sectors include tourism, transport, logistics & distribution services, ICT/BPO, and health and education services.

NES II identified four strategic objective areas, including:

- Direct Interventions in selected segments of the export sector with high growth potential (with a focus on export targets and the need for coordination)
- improving access of Rwanda's exports of goods and services to markets (both regionally and internationally, including with in-market support)

[20] Rwanda is currently developing the National Export Strategy III, which was pending adoption.

- Upgrading Firm Capacity to Enter and Grow in Export Markets (including an export capacity building programme, a pool of qualified export advisors, trade promotion and buyer outreach program to promote linkages, and a trade information centre)
- Establishing an Export Growth Facility (with various windows to support different types of funding constraints)

3.1.4 Tanzania National Export Strategy (2021-2026)[21] and the Zanzibar Trade Policy 2022[22]

Drawing from the main overarching policy framework (Vision 2025) and the Tanzania National Trade Policy, the National Export Strategy (2021-2026) has earmarked the services sector for export, specifically tourism, medical services and creative industry. As part of 'improved and enabling infrastructure and facilitating services', capacity of the transport sector is also included for improvement, particularly logistics, roads, maritime, rail and airport infrastructure.

The National Export Strategy seeks to reverse Tanzania's trade deficit by promoting an enabling environment for increased investment, production and trade for the period 2021 - 2026. More specifically, the five-year export strategy is geared towards putting in place:

- Institutional frameworks to support the improvement of export market functions
- Enabling infrastructure and facilitating services, including setting up or improving special economic zones (SEZs), export processing zones (EPZs), park houses, warehouses, cargo handling and storage facilities
- An improved business enabling environment, through reforms of policies and legislations
- Proposed priority sectors that are capable of generating goods and services for export.

Under the Zanzibar Trade Policy 2022, services is given a prominent role, with the general objective of the Trade Policy being developing domestic services sector and providing access to foreign investment in Zanzibar toward sustainable economic development. The Trade Policy notes that besides tourism., all other service sector are yet to be developed. The Policy proposes the following strategies for trade in services:

- Develop and promote domestic and Foreign Direct Investment in existing and new services sectors;
- Enhance capacity and capability of private sector to take advantages of new and existing domestic, regional and international market opportunities in services sector;
- Brand Zanzibar as a Tourism Destination; and
- Develop mechanisms to collect, process and disseminate data on Zanzibar's trade in services.

3.1.5 Burundi National Trade Policy (2015) and its Implementation Strategy (2020)[23]

The March 2015 Burundi National Trade Policy (2015) and its October 2020 Implementation Strategy draw from the overarching policy framework, Vision 2025. Under the National Trade Policy and Implementation Strategy, the critical role of trade in services is recognised and its

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[21] Based on Final Draft Tanzania National Export Strategy (2021-2026), (September 2021)

[22] Based on Final Draft, Zanzibar Trade Policy 2022 (June 2022)

[23] Translated from Mise a Jour de la Politique Commerciale Nationale du Burundi and the Stratégie Nationale de Mise en OEuvre de la Politique Commerciale du Burundi

development and promotion provided for particularly for financial services (banks and other financial institutions, insurance companies), transport services, professional services (doctors and legal services) and communication services (ICT and digital services). As part of the implementation of trade policy, the strategy calls for more efforts towards the (i) promotion of trade in services and support for the establishment of suitable infrastructure and equipment and (ii) development of a platform and adaption of equipment for online payment/e-commerce system. The Implementation Strategy identifies one broad objective and 5 strategic objectives, as follows:

Overall Objective: Promotion of trade in services and support for the implementation of infrastructure and adoption of equipment.

Strategic Objectives:

i. Promote integrated actions for quality infrastructure and equipment for commercial transactions
ii. Contribute to the establishment of an environment? incentive and favourable to the development of e-commerce
iii. Improve service export capabilities
iv. Encourage the use of e-commerce to make the digital sector in general and of the Internet in particular the main medium to leverage good marketing
v. Improve the legal and regulatory framework for e-commerce

3.1.6 South Sudan National Trade Policy

The overarching policy framework is Vision 2040, from which the National Development Strategy (2018-2021) draws. In the latter, transport, education and communication sectors are priority sectors. In 2018, South Sudan developed its Trade Policy Framework, which provides a set of coordinated programmes for strengthening the supply side of the economy to increase food security and produce goods tradable on domestic, EAC and international markets. It also includes measures for improving trade environment and facilitating trade, which cover transport, education and communication.[24]

3.2 Overview of aggregate trends on services and services trade

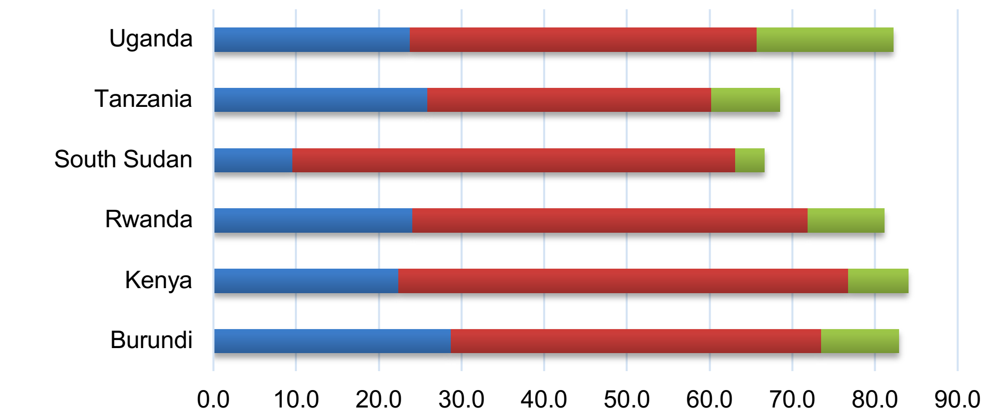
Unlike data for trade in goods, services trade data presents long-standing challenges for analysis, not only in the EAC, but globally. While some data exists, especially in terms of contribution to GDP, employment and trade with the world, few developing countries have robust bilateral services trade data to be able to understand and analyse their services trade with other individual trading partners (especially other developing countries). In addition, the level of sector detail is often lacking, and where available, often only covers a few sectors. Using available data, this section aims to provide a better understanding of the importance of services in terms of sector contribution to GDP and employment (including female employment), as well as highlight the composition of Partner State services trade with the world.

[24] https://www.undp.org/south-sudan/news/south-sudan-ministry-trade-industry-and-eac-affairs-takes-steps-align-east-africa-community-standards

3.2.1 Contribution to GDP

In terms of contribution to GDP, based on the national bureau of statistics reports and supplemented by World Bank's development indicators[25] services are the leading contributor to GDP in EAC Partner States, accounting for a larger share than agriculture, industry and manufacturing sectors. As seen in Figure 1 below, service sector contribution in 2021 was highest in Kenya at 54.4%, followed by South Sudan at 53.5% (in 2020); Rwanda at 47.8%; Burundi at 44.8%; Uganda at 41.9% and Tanzania at 34.3%. For Zanzibar, the contribution of services to GDP is much higher than the value at national level, with 48.7% in 2020[26] and 45.3% in 2021.[27]

Figure 1: Sectoral composition of GDP, 2020/2021(%)



	Burundi	Kenya	Rwanda	South Sudan	Tanzania	Uganda
Agriculture	28.7	22.4	24.1	9.6	25.9	23.8
Services	44.8	54.4	47.8	53.5	34.3	41.9
Manufacturing	9.4	7.2	9.2	3.5	8.3	16.5

Source: National Bureau of Statistics Reports (2019-2021, supplemented by World Development Indicators July 2022)

The contribution of services to GDP has remained relatively stable through the past decade in the EAC. As the largest contributor to GDP, the implication is that improvements in the productivity of services will have a substantial impact on overall GDP growth. Research shows

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[25] The National Bureau of Statistics Reports used in this strategy are the following:

- Institut de Statistiques et D'etudes Economiques du Burundi, January 2021. Note de Synthese de l'activite Economiques Du Burundi (Définitif 2018 et Provisoire 2019). Accessed from https://www.isteebu.bi/wp-content/uploads/2021/08/NOTE-DE-SYNTHESE-DES-CN-DEFINITIFS-DE-2018ET-PROVISOIRE-DE-2019v06052021.pdf
- Kenya National Bureau of Statistics 2022. Economic Survey 2022. Accessed from https://www.knbs.or.ke/wp-content/uploads/2022/05/2022-Economic-Survey1.pdf
- National Institute of Statistics of Rwanda, March 2022. GDP National Accounts, 2021. Accessed from https://www.statistics.gov.rw/publication/1789
- Tanzania National Bureau of Statistics, July 2022. Hali ya Uchumi wa Taifa Katika Mwaka 2021. Accessed from https://www.nbs.go.tz/index.php/sw/machapisho/pato-la-taifa/756-hali-ya-uchumi-wa-taifa-katika-mwaka-2021
- Uganda Bureau of Statistics, March 2022. 2021 Statistical Abstract. Accessed from https://www.ubos.org/publications/statistical/:
- World Bank Indicators: https://databank.worldbank.org/reports.aspx?source=2&series=NV.AGR.TOTL.ZS&country=WLD#

[26] Office of the Chief Government Statistician, June 2021. Zanzibar in Figures 2020.

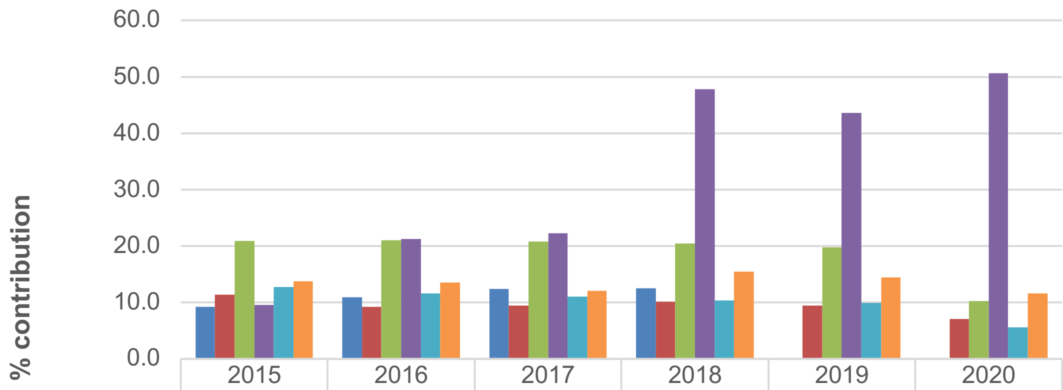
[27] Zanzibar National Trade Policy 2022

that while growth of both services and manufacturing is positively related to GDP growth, the relationship is much stronger and higher for services than for manufacturing.[28]

3.2.2 Trade in services contribution to GDP

Looking at the share of services trade in GDP (see **Error! Reference source not found.**), based on 2019 data, the highest contribution was in South Sudan at 43.6%, followed by Rwanda at 19.8%; Uganda at 14.5%, Burundi at 12.6% (in 2018) and 9.4% and 9.9% for Kenya & Tanzania respectively. The impact of COVID impacts can be seen in the 2020 figures, which show a fall in all the Partner States except South Sudan. Based on 2018 data (*which is available for all Partner States)* as well as 2019 and 2020, all EAC Partner States except Kenya and Tanzania have exceeded the average share of services trade in GDP for Sub-Saharan Africa (SSA) countries.

Figure 2, Trade in Services contribution to GDP



	2015	2016	2017	2018	2019	2020
Burundi	9.2	10.9	12.4	12.6		
Kenya	11.4	9.2	9.4	10.2	9.4	7.1
Rwanda	20.9	21.0	20.7	20.4	19.8	10.2
South Sudan	9.5	21.3	22.2	47.7	43.6	50.6
Tanzania	12.8	11.6	11.0	10.4	9.9	5.6
Uganda	13.7	13.5	12.1	15.4	14.5	11.6

Source: World Development Indicators July 2022

3.2.3 Contribution to employment

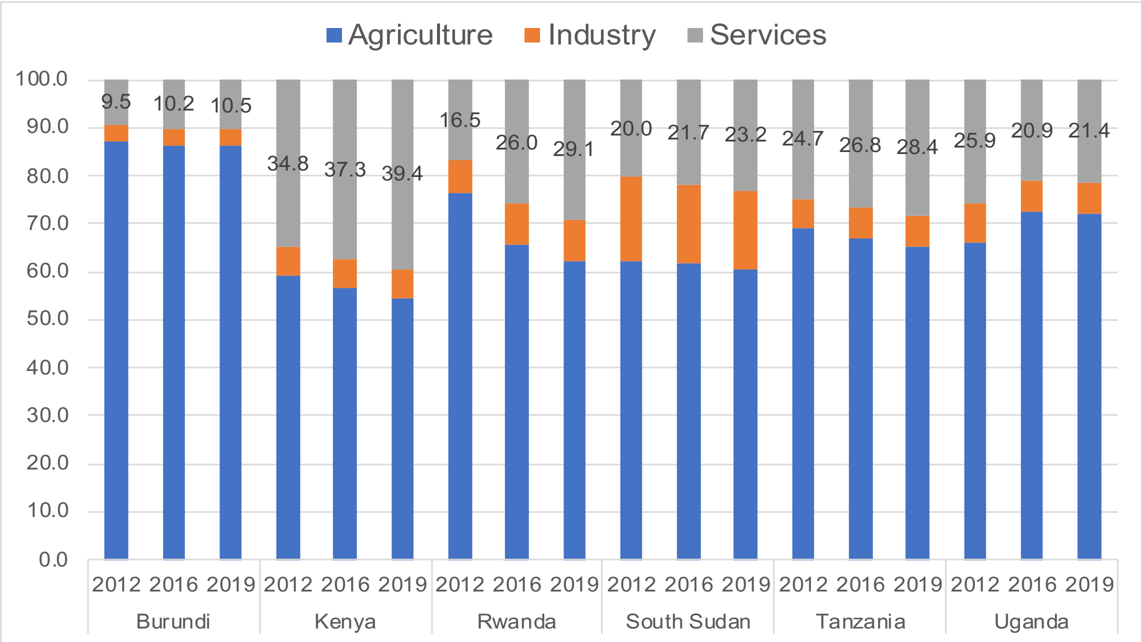
Looking at contribution to employment,[29] Figure 3 below shows that while (estimated) formal employment remains concentrated in the agricultural sector across the region, the importance of the service sector as a source of formal employment is important and growing. This is particularly so in Kenya, where in 2019 the sector accounted for nearly 40% of formal employment. Aside from Burundi, the sector contributes between 20-30% of formal employment in the other Partner States. This aligns with other low-income countries across Sub-Saharan Africa, where in 2019 the sector was estimated to employ just under 26% of formal workers.

[28] Ghani, E and Kharas H. (2010) *The Service Revolution in South Asia: An Overview.* Oxford University Press.

[29] Employment data is available up to 2019 for all countries and up to 2020 for Rwanda only. Thus 2019 is used for comparison purposes.

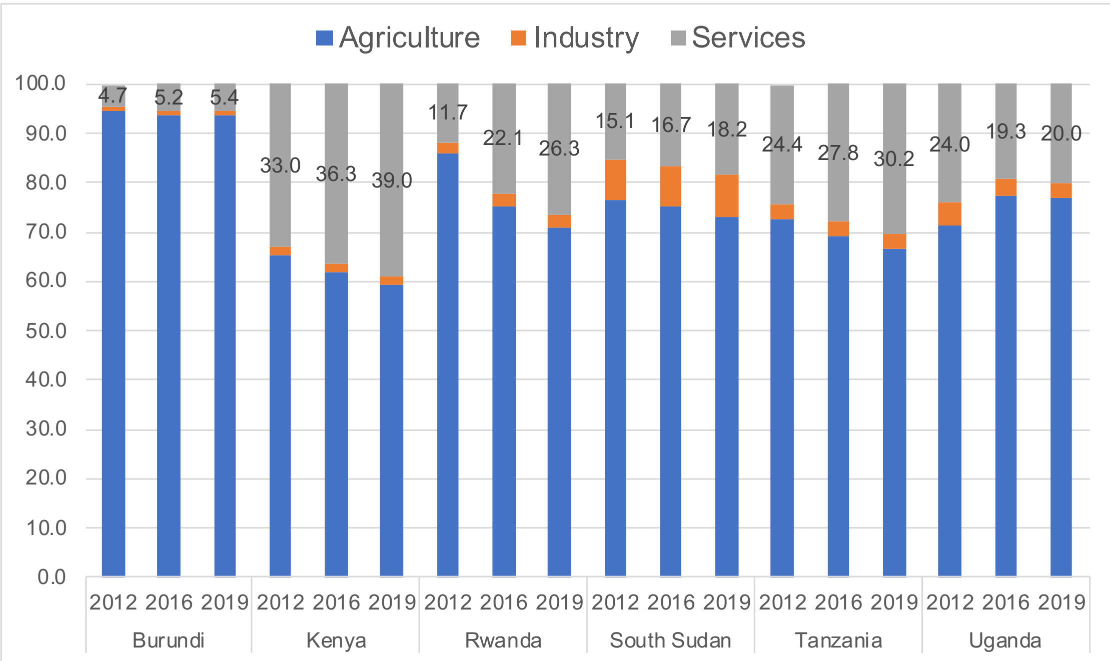
A word of caution is required however when looking at formal employment, as this only captures a portion of the working population. Informal workers constitute a significant share of actual employment, in particular in services sectors, and even more so when it comes to female workers. As such, there is an important gender dimension to consider, both in terms of formal and informal employment. Unfortunately, data availability on the latter is poor.

Figure 3: Estimated total employment by sector (%)



Source: ILOSTAT Modelled Estimates (2021). Accessed 22 July 2022).

Figure 4: Estimated female employment by sector (%; estimated)



Source: ILOSTAT Modelled Estimates (2021). Accessed 22 July 2022).

Figure 4 offers some insights into female employment by sector for the region. Some interesting patterns emerge. For low-income countries generally across SSA, the estimated employment of women in the services sectors increases by 8% (or 2.1 percentage points) as compared to total employment (i.e., both male and female). Unsurprisingly, this appears driven primarily by the relatively higher share of female employment in accommodation and food services[30]; arts, entertainment, and recreational services, personal and professional services, and household services[31]; as well as wholesale and retail trade[32]. In aggregate, this trend only appears to hold for Tanzania, where the share of female employment in the services sector increases by 6% (driven especially by accommodation and food services, though less so by (formal) wholesale and retail trade). Elsewhere in the region, the share generally holds steady in Kenya, falling by 6% in Uganda, 10% in Rwanda, over 20% in South Sudan, and in Burundi, the already marginal total falls by almost half.

Sectorally-speaking, both Kenya and Tanzania differ from the rest of the EAC (and SSA), with greater female employment in the education sector. Tanzania also diverges from the EAC/SSA trend in having almost 20% more female employment in both financial and insurance services[33], and human health and social work services[34], where Rwanda also see a similar albeit smaller increase. In wholesale and retail trade, South Sudan notwithstanding (where female employment drops considerably), the increase in female employment across the EAC is relatively lower than that observed for SSA across the board.

While the caveat remains that these estimates capture only formal employment, aside from real estate, business and administrative services[35] and transport, storage and communication services[36], services sectors in the EAC employ relatively more female workers than male. This observation is likely reinforced by the predominance of female workers in informal service sectors, such as domestic services, beauty services, and retail services, amongst others.

3.2.4 Trade in services

As noted earlier, the availability of services trade data, especially at the bilateral and disaggregated sector level is lacking and remains a significant constraint for in-depth research and policy-making in the sector.[37] For this reason, helping to improve services data collection and reporting in the region is one of the most important initial cross-cutting priorities of this Strategy.

Globally, services sector was amongst the most affected by the COVID pandemic, with notable reduction in exports across all countries. In 2020, the US was the leading exporter of services, with exports worth 705.7 billion (against USD 875.8 billion in 2019). Other leading exporters include the UK at USD 342.4 billion (against USD 416.3 billion in 2019); Germany with USD

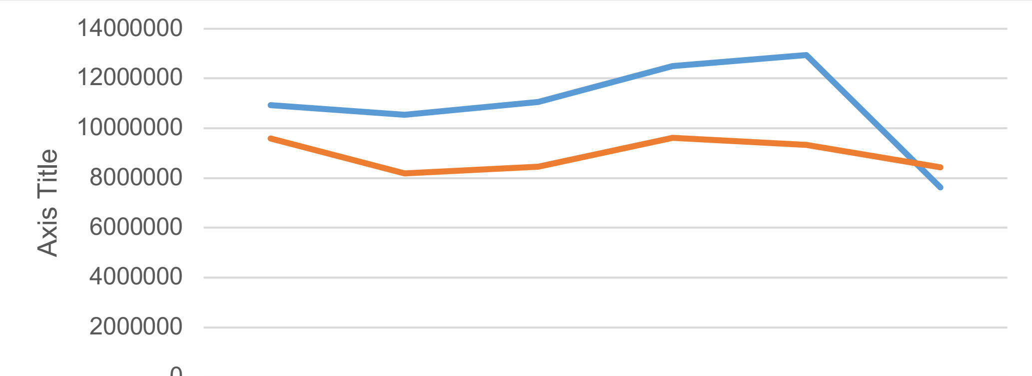
[30] ISIC rev.4 ~ I
[31] ISIC rev. 4 ~ R; S; T; U
[32] ISIC rev.4 ~ G
[33] ISIC rev.4 ~ K
[34] ISIC rev.4 ~ Q
[35] ISIC rev. 4 ~ L; M; N
[36] ISIC rev. 4 ~ H:J
[37] Unless otherwise stated, the data provided in this section is sourced from the ITC, UNCTAD, WTO Trade in Services database.

310.7 billion (against USD 340.7 billion in 2019); and China at USD 280.6 billion (against USD 283.2 billion in 2019).

Closer to home, in aggregate, Africa was a net exporter of services in 2019, with exports totalling USD 154.1 billion and USD 114.1 billion worth of imports. Exports decreased in 2020, to USD 79 billion. Egypt topped the list of African services exporters in 2020, accounting for about 19% of Africa's total exports at USD 15 billion (against USD 25 billion in 2019). Other top exporters included Morocco at 13.8 billion (against USD 19.4 billion in 2019); Ghana at USD 8.1 billion (against USD8.8 billion in 2019) and South Africa at USD 7.5 billion (against USD 15.7 billion in 2019).

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 below:

Figure 5, EAC Services Exports (2015-2020)



	2015	2016	2017	2018	2019	2020
Exports	10936310	10542544	11069551	12501460	12944542	7622543
Imports	9576937	8185421	8452171	9615836	9336387	8421859

Source: ITC TradeMap.[38] *Accessed July 2022*

Looking at exports of each Partner States, the situation changes across the region. Kenya and Tanzania are net exporters, with the remaining Partner States being net importers of commercial services. Kenya is the leading exporter, accounting for about 48% of total exports at USD 3.6 billion in 2020[39] (against USD 5.6billion in 2019). Tanzania follows with 30% of total exports, worth USD 2.3billion[40] (against USD 4.3 billion in 2019); Uganda with 14.6% at USD1.1 billion, (against USD 2 billion in 2019) and Rwanda with 7.3% at USD560M (against USD1.0 billion in 2019). Data for Burundi is available up to 2018; with exports accounting for about 0.8% of regional exports, at USD 105M.

[38] ITC TradeMap data is based on ITC, UNCTAD, WTO trade in services database, itself based on Eurostat, International Monetary Fund, Organisation for Economic Co-operation and Development (OECD) and relevant national statistical authorities' statistics.
[39] Not all sector data for 2020 was reported by Kenya by the date of retrieving the overall statistics
[40] Not all sector data for 2020 was reported by URT by the date of retrieving the overall statistics

Not accounting for COVID impacts and although the figures for 2019 and 2020 exclude Burundi's figures, **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 Table below.

Table 3, EAC Service Exports, breakdown by Partner State.

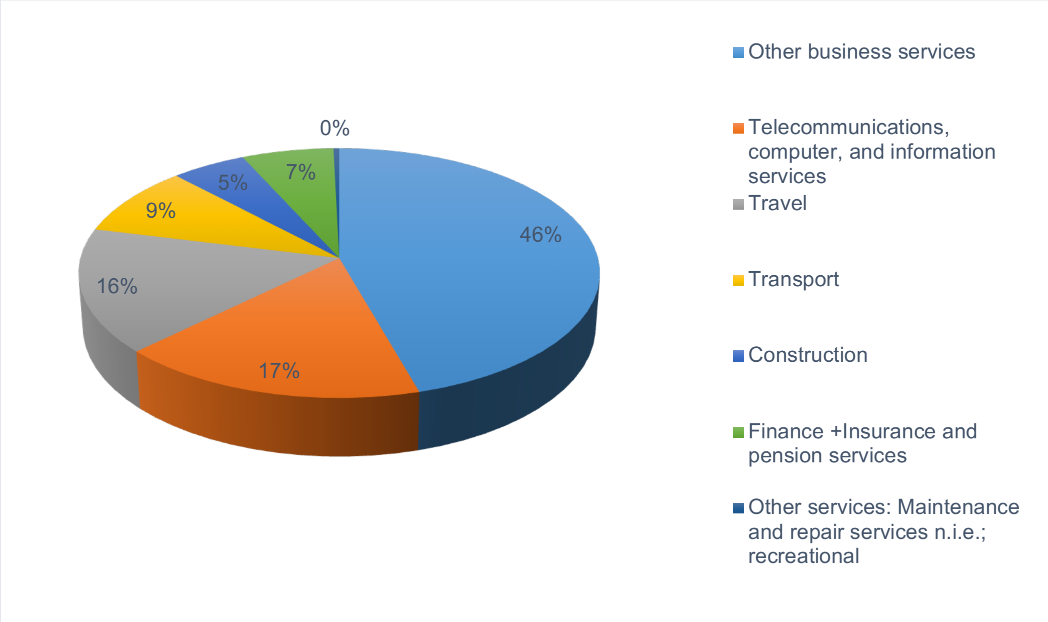
	2015	2016	2017	2018	2019	2020
EAC Aggregation	10936310	10542544	11069551	12501460	12944542	7622543
Kenya	4638185	4165126	4647510	5477483	5619856	3659227
URT	3412383	3599299	3811977	4014669	4280590	2289666
Uganda	2061463	1915232	1648575	1990762	2029123	1113600
Rwanda	766980	790035	863440	913630	1014973	560050
Burundi	57299	72852	98049	104916		

Source: ITC TradeMap. 2019 and 2020 figures are estimates. Accessed July 2022.

An important caveat to reading the trade in services statistics is that they rely on information compiled through the National Accounts System, which does not accurately differentiate services according to modes of supply and also uses highly aggregated classification of services sectors. Most of the available statistics do not provide information about which partners EAC countries are trading with (except globally 'trade with the world') and they rely mainly on Extended Balance of Payments Services (EBOPS), which is based on payments by residents to non-residents. Also, difficulties remain in how to capture modes 4 supply, which is often through remittance transactions that do not usually separate persons employed in services sector from those employed in manufacturing sector and government services. Other challenges include that not all countries capture information on foreign affiliates. Thus, the data is not an exhaustive reflection of the value of trade in services.

Figure 10 illustrate the composition of each Partner States' **commercial services exports** with the world (for either 2018, 2019 or 2020, depending on available data). Commercial services data excludes government services. **For Burundi,** the main exports were other business services, accounting for USD110.1M (45.6%) of total commercial services. Other key services were telecommunications, computer and travel at USD 41.7M (17%); travel at USD 40M (16.1%), insurance and finance at USD 1.5M (6.4%) and construction at USD 1.3M (5.2%). See Figure 6 below:

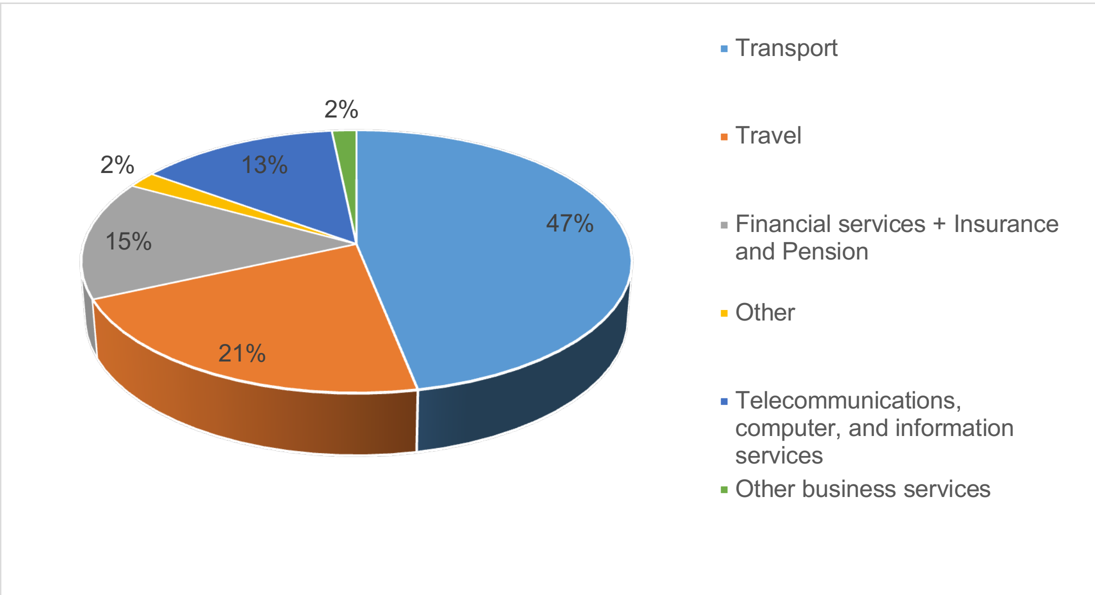
Figure 6: Burundi – Composition of commercial services exports to the world (2018)



Source: ITC, UNCTAD, WTO trade in services database. Accessed 29th July 2022

In Kenya's case, commercial services were worth **USD 3 billion in 2019** (not all services data for 2020 is available). The main service exports were transport at USD 1.3 billion (47.3%) and travel at USD 472.2M (21.7%). Figure 7 below presents the composition of service exports for Kenya in 2019:

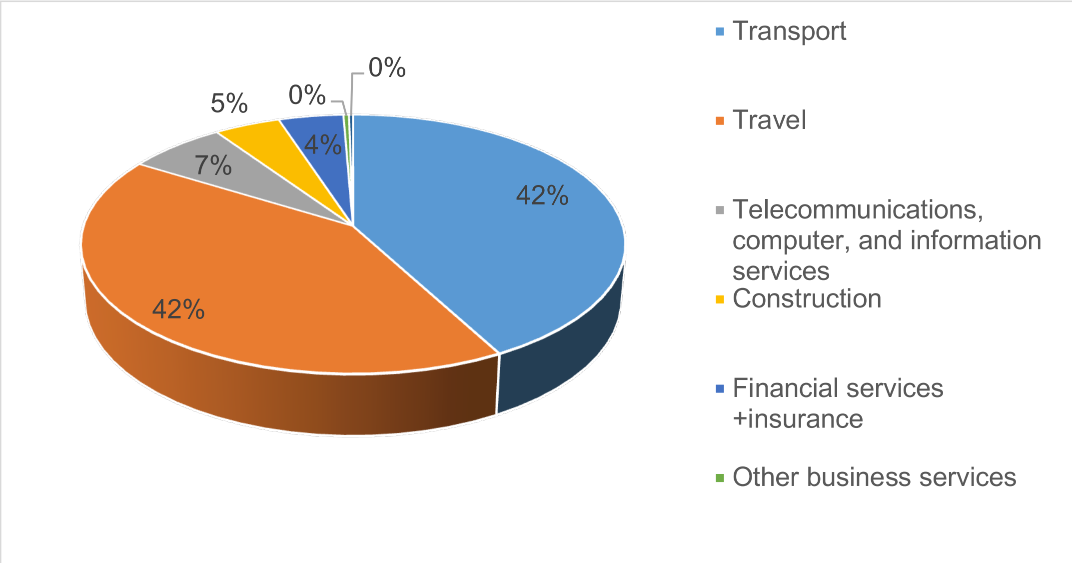
Figure 7: Kenya – Composition of commercial services exports to the world (2019)



Source: ITC, UNCTAD, WTO trade in services database, Accessed 27th July 2022

For Rwanda, commercial services were **worth USD 294 Million in 2020**. The main exports were transport services at USD 124.1M (42%); travel at USD 122.8M (41.6%) and telecommunication services at USD 19.4M (6.7%). Figure 8 below presents the composition of service exports for Rwanda in 2020 in 2019:

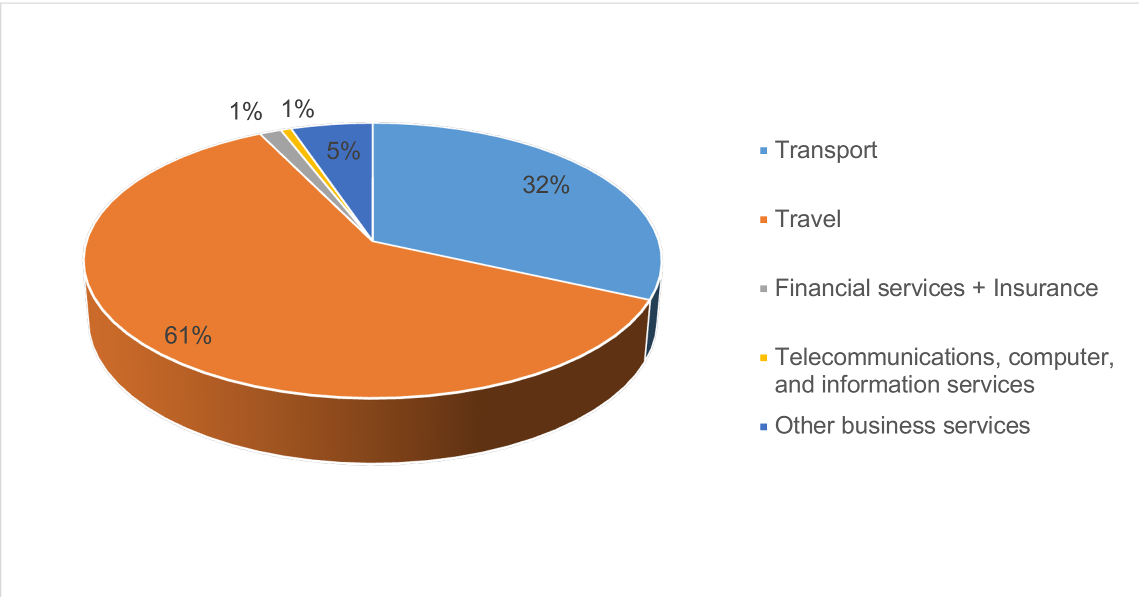
Figure 8: Rwanda – Composition of Commercial services exports to the world (2020)



Source: ITC, UNCTAD, WTO trade in services database. Accessed 29 July 2022

For Tanzania, commercial services were worth USD 4.3billion in 2019. Of this value, transport services accounted for USD 1.31 billion (31.7%), with travel at USD 2.6 billion (60.9%). Other key services were other business services at USD 223.5M and financial services at USD 61.9M (1.4%). Figure 9 below presents the composition of service exports for Tanzania in 2019 (not all sector figures are available for 2020.

Figure 9: Tanzania – Composition of services exports to the world (2019)



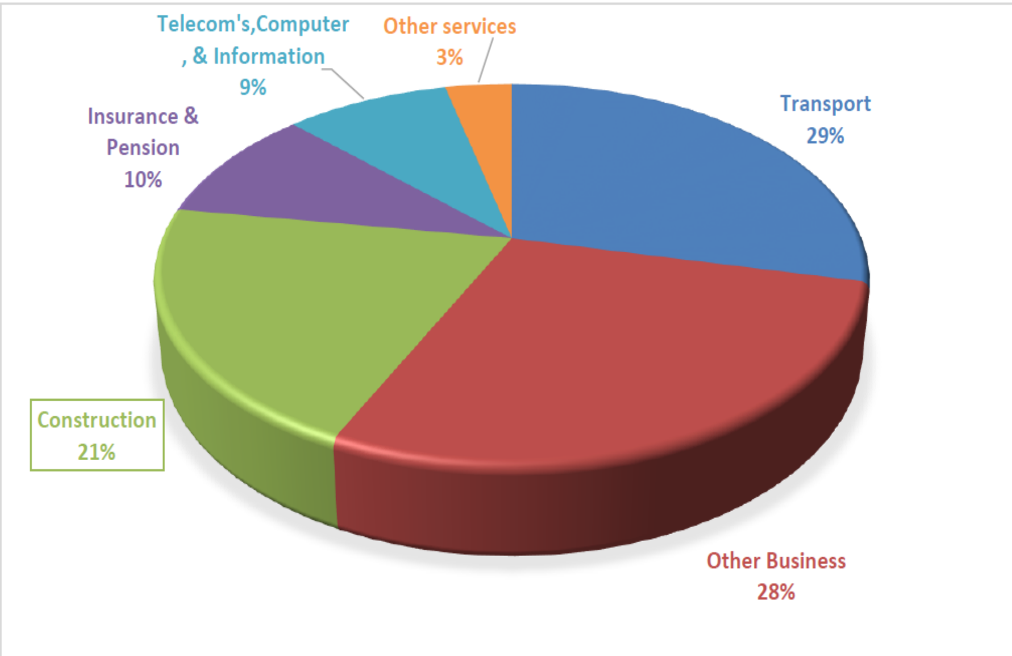
Source: ITC, UNCTAD, WTO trade in services database. Accessed 29th July 2022.

Lastly, for Uganda (

Figure 10), more granular data is available as the Uganda Bureau of Statistics (UBOS) produces an annual 'International Trade in Services Report.[41] Based on the July 2021 Report, exports of services were valued at USD 443.4M in 2020. The most imported services were telecommunications, computer and information services (40.9%), other business services (20.1%) and transport services (17.3%). The main exports were transport services (28.6%), other business services (28.3%) and construction services (20.6%). The most exported services were transportation and storage (28.8%) and professional, scientific and technical activities (28.5%) (which is other business services); construction services (21%), insurance and pension (10%) and telecommunications, computer and information at 9%.

In terms of direction of services trade flow, most of Uganda's services were sold to other African countries not in the EAC (33.6%), 30.6% to the EAC, 20.7% to the European Union, and 15.0% to the rest of the world. In the year 2020, Uganda imported most services from the EAC (30.1%), other African countries (28.8%), Asia (13.2%) and the European Union (11.3%).

Figure 10: Uganda – Service Exports by Category (2020)



Source: Uganda's International Trade in Services 2022.

[41] UBOS, July 2022. Uganda's International Trade in Services 2022.

3.3 Summary of key challenges affecting trade in services in the EAC

Despite the developments highlighted in previous sections in terms of integration and growth of services in the EAC, the sector has continued to face a number of challenges, which have prevented the region from fully reaping the benefits of a well-integrated services market. The section below discusses some of these challenges at a broad level, with a more sector specific focus provided in Section 7.

a) The prevalence of trade barriers and diverse regulations restricting cross-border services trade between EAC countries

Numerous barriers prevent service suppliers from extending their operations beyond their national borders and from taking full advantage of the common market. The level of legal domestication and implementation of CMP provisions in Partner States remains low. Actual free circulation of services is still being hampered by the prevalent regulatory inconsistencies as well as other restrictions and barriers to trade in services and related foreign direct investments, including limitations to free movement of service providers.

As an illustration, the 2020 Common Market Scorecard (CMS),[42] which reviewed implementation of CMP commitments in four professional services (legal, accounting, engineering and architecture); telecommunication, distribution and transport services established that that all the Partner States remain largely non-compliant to their services trade liberalisation commitments with a total of 61 restrictions found in national laws and regulations. The Scorecard noted that not only has the reform process been slow, but also some countries have also introduced new restrictions. In terms of sources of these restrictions, the Scorecard established that 78% of identified restrictions breach the national treatment principle, while the remaining 22% breach the MFN principle. Nearly all restrictions breach multiple commitments on modes of services supply, with the most affecting movement of service providers under Mode 4 and commercial presence at 77%. 68% of all identified restrictions are found in laws, 15% are found in regulations and 17% in administrative guidelines.

A series of EAC National Meetings held in 2019 to evaluate implementation of the signed MRAs 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. In addition, Partner States are yet to undertake reforms in support of the engineers' MRA, while Burundi does not have regulatory bodies except for accountants. The study observed the limited movement of professionals, partly due to limited awareness and reluctance to re-establish in another Partner State.

Thus, despite our ambitious CMP protocol, many of the regional obligations have not been translated on the ground**.** Implementation is hindered by, among others, limited capacity, both

[42] The CMS is a joint initiative of the EAC Secretariat and the World Bank Group, with support from TradeMark East Africa. It monitors implementation of the EAC CMP. The 2020 CMS was adopted by the Sectoral Council for Ministers responsible for EAC Affairs and Planning in November 2021.

financially and institutionally at national level to take forward regional obligations and lack of an enforcement mechanism to compel Partner States to implement their obligations. The effect is that the expected opportunities and benefits of a well-functioning integration process are yet to be fully realised. While data quantifying the cost of maintaining restrictions is not available, a 2016 research by the International Growth Centre[43] has shown that if the EAC fully implemented its CMP commitments, this would result in a 67% increase in intra-regional trade, which means the lost economic opportunity from lack of full implementation of the Common Market is USD 4billion based on the then trade flows.

b) Weak evidence base on services production and trade

The EAC Partner States, like many developing and least developed countries, are also challenged by weak and fragmented evidence base on services production and trade to guide competitiveness-enhancing services interventions. For example, there are no services trade statistics available that provide any information about which partners EAC countries are trading with (except globally 'trade with the world) and nothing except superficial information on the services being traded (at best at the 1 or 2 digit EBOPS level)[44]. The dearth of data and information about services production and trade makes it impossible to adequately leverage opportunities and overcome bottlenecks; and often leads to fear and reluctance to liberalise. For firms, especially Micro, Small and Medium Enterprises (MSMEs), 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. Besides building this data, there is need to enhance services sector knowledge and competence in services collection and compilation of TiS statistics, policy making, regulation and development, through capacity building, sensitisation and provision of information.

At specific services sector levels, there is inadequate understanding of almost all sectors in terms of the underlying commercial activities and firm dynamics – both across strategic service sectors and in other non-services production networks which have a high intensity of services inputs. There is need for in depth diagnostic studies to understand the demand and supply side aspects of each sector, including how these sectors are able (or not) to integrate into and upgrade (economically and socially) within regional and global value chains. This requires not only policy interventions at sector level, but also crucially, tackling the binding constraints preventing services firms from expanding their activities.

c) Weak capacity base for promoting services trade

Having free and open access to markets can be virtually meaningless if you cannot produce anything to sell in those markets. For that reason, the success of the EAC integration agenda is inextricably linked to supporting the productive and export capacity of EAC firms (and for our purposes, firms that produce and export services).

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[43] Thierry Mayer, Mathias Thoenig: April 2016; *'Regional Trade Agreements and the Pacication of Eastern Africa"*, International Growth Centre, UK

[44] The EBOPS (or Extended Balance of Payments Services) classification can be disaggregated to the one, two or three digit level; EBOPS 2010 has 120 categories (excluding supplemental items).

A key challenge facing the region relates to the weak understanding of the tools available for increasing trade in services. At the firm level, this relates to interventions needed to make trade happen. This includes know-how for overcoming binding constraints in terms of available human capital (including both technical and export-related skills, as well as entrepreneurial abilities), financial capital (notably in terms of access to credit), as well as improving the availability and quality of a range of endowments. The latter includes infrastructure and technological endowments (such as roads, electrical grids, and telecommunications infrastructure, including broadband), and natural and cultural endowments (such as natural resources, both for exploitation and to drive tourism, alongside the arts and creative sectors, including leveraging links with the diaspora).

On the public sector level, the weak capacity base relates to interventions needed to make trade possible. In other words, those responsible for services trade policy, i.e. within the Ministries of Trade and EAC, do not adequately understand what is needed to boost services competitiveness. This includes more specifically understanding and explaining to other stakeholders the role of services liberalisation and integration in pursuing such aims. The result is a weak foundation for services policy-making and negotiations. Often, even where capacity building has been done, it is mainly focused on understanding the WTO GATS and the technical process of scheduling commitments therein, without adequately building the knowledge base for understanding what role such commitments play in strengthening domestic services sectors.

In the trade policy community however, approaches to developing services sectors and supporting firms to improve their productive and export capacity are not well-known. How does a firm boost their competitiveness in the services sector? How do they build linkages with production networks and participate in R/GVCs? And once participating, how can they upgrade into higher value-added segments of those value chains?

The literature here is diverse and insights emerge from a variety of fields. Recent work being undertaken by the Africa Growth Initiative at the Brookings Institute, alongside the World Institute for Development Economics Research at the UN University (UNU/WIDER) focuses on what they term ‘industries without smokestacks’ (or IWOSS). While this encompasses more than strictly service sectors, many of the sectors do align with those of the Strategy. Here the research identifies four key drivers of industrial location:[45] the so-called “investment climate”; exports; agglomeration; and firm capabilities.

- The “investment climate” refers to a set of issues that drive firm-level productivity. They include infrastructure (notably electrical power, transport and logistics, and communications), skills (sector-specific but also general business management and export-related), and the regulatory environment (removing barriers to promote competition and reduce trade costs). In implementing the Strategy, each of these elements must be taken into consideration, especially as the sector implementation plans are developed.

- Exporting is important as it permits firms to realize economies of scale and the process of exporting has been shown to raise productivity through learning. Hence the emphasis on embedding an export orientation in all aspects of the Strategy.

[45] Page, J. (2020) Industries without smokestacks – Firm characteristics and constraints to growth. Brookings.

- Agglomeration provides benefits of proximity – pools of available labour, information and knowledge spillovers, and the ability to share overhead expenses and the costs of intermediate services inputs. It can also enable government and donors to more easily target firm-level support. While the use of special economic zones is more established when it comes to manufacturing (e.g. in the Asian Tigers and later in China and elsewhere in SE Asia) there are also examples in the service sector – for example ICT/software parks in India.

- Firm capabilities are the fourth driver and perhaps of greatest relevance when it comes to building productive and export capacity. Firm capabilities are the knowledge and working practices used by firms in the course of production and in developing new products. One dimension of this is productivity (which impacts firm cost structures) and the other is quality (which refers not just to technical excellence but anything that increases product demand). Both productivity and quality – especially in the services sector, hinge on the knowledge possessed by the individuals who make up the firm, and in particular their working practices (including rules, routines, tacit understandings, etc). In this way knowledge is differentiated from technology, which can be codified and purchased.

Building firm capabilities takes place in two phases:

1. A higher level of capability is introduced into the economy – either via the entry of new, more capable firms, or as a result of learning by existing firms. For the latter, learning by exporting and the development of linkages can be essential.

2. The higher level of capability is transmitted to other firms – notably through spill-overs of technological knowledge and better working practices that occur in the context of buyer-seller relationships, or when employees leave a firm to start their own enterprise (notably when moving from a foreign to a domestic firm).

d) Inadequate engagement of various key services constituencies

Another challenge acknowledged by both the public and private sector is the lack of private sector involvement in services sector negotiations and policy making. A key factor contributing to this is that except for a few sectors such as financial services, tourism and transport services, most services sectors are often small, fragmented and rarely organised in sector associations or groups. There is no umbrella body that brings all of them together to enable a more integrated and coordinated voice. As a result, service sector interests are generally represented through the national private sector apex bodies, whose mandate is usually quite broad, and whose resources for work on services are usually thin. The 'services story' is thus more likely to fade into the background. At both regional and national level, structured dialogue between services firms themselves and between them and policy makers is lacking.

Furthermore, like many BMOs in developing countries, the majority of the available representative bodies tend to have their own capacity gaps, and in many instances, focus primarily on advocacy (and often, reactively). More often than not, their ability to support the building of productive and export capacities and/or promote linkages with international firms, hinges on external donor programmes (which can be overly narrow in scope and operate on too-short time horizons).

Given the above context, undertaking structured advocacy for needed service sector reforms becomes difficult, as does supporting firms to build their productive and export capacity and increase their participation in regional and global value chains. Each sector engages separately with policy makers, both nationally and regionally, thereby diluting the private sectors' voice to advocate for coordinated and positively-reinforcing competitiveness-enhancing interventions. Furthermore, the fragmentation also means that there is no common and structured agenda being pursued by the private sector vis a vis service sector integration and development, or exploitation of export market interests. Seen within the context of other challenges highlighted throughout the Strategy, including severe data limitations, the situation creates private sector mistrust and a reluctance to pursue the integration agenda without adequate support for these companies to take advantage of that integration.

4 SECTOR OVERVIEW AND SELECTION OF PRIORITY SUB-SECTORS

As noted under the services regime section, services comprise a broad swathe of activities. The 7 priority sectors that the EAC committed to liberalise contain **136 different sub-sectors and sub-sub-sectors, with the remaining 5 containing about 20 sub-sectors.** As it is impossible to focus on all the 136 sub-sectors and sub-sub-sectors in the Strategy, it becomes necessary to prioritise a number of sectors that this first strategy will focus on. This is also in recognition that financial and technical resources to implement the strategy are limited. It must be underscored that a sub-sector that is not selected for inclusion in this first Strategy does not mean that it is unimportant and effort should be made to include additional sectors / sub-sectors in future strategies for trade in services.

The sectors covered by the Strategy were discussed and jointly agreed with the EAC Secretariat following analysis of all the broad 12 service sectors and reviewed and expanded during the national and regional meetings. Considerations that were made during the selection include a) the sector's importance in the economy of EAC Partner States; b) the role of the sector as an intermediate input across the economy (i.e. its scope to enhance broader firm and economy-wide competitiveness; its contribution to integration into regional and global value chains; contribution to needed skills and skills development); c) the sector's degree of tradability; d) the extent to which the sector could be a meaningful source of employment (including for those with moderate and lower levels of education and training); e) prioritisation of the sector under the AfCFTA; and f) sectors for which funding to support various activities has been secured.

An overview of the 7 priority service sectors and the prioritised sub-sectors is elaborated below:

4.1 Business Services

Under the W/120 classification, business services comprise 6 broad sub-sectors, which include

a) Professional services (which includes Legal Services; Accounting, auditing and book-keeping services; taxation services, architectural services, engineering, medical and dental, veterinary services, among others;
b) Computer and related services, including consultancy services for installation of hardware; software implementation services, data processing services and database services
c) Research and development service, including research and development (R & D) services on natural sciences, social sciences and humanities and interdisciplinary R & D;
d) Real estate services – involving own or leased property
e) Rental and leasing services of equipment without operator, including those related to ships, aircraft, transport equipment or other machinery;
f) Other business services, including but not limited to advertising, market research, management consulting services, photography services, printing and packaging and the like.

Due to their broad nature, business services account for almost a third of the sectors and sub-sectors listed in W/120. Most of them are mainly "business-to-business" (B2B) services and they cover a wide range of heterogeneous activities, with differing characteristics and market structures.

Amongst the business sectors, professional services are the most important and most tradeable. At a global level, of the professional sectors, architectural and engineering services are the largest, representing nearly 20% of global exports. Both sectors are strongly related to the construction sector and other business services. Accountancy is an essential input into other goods and services, particularly regarding implementation and enforcement of financial regulatory measures, while the legal sector underpins international trade contracts and disputes. The accountancy, legal and management consulting sectors together represent a smaller percentage of global exports (18%) than architectural and engineering services.

Professional services are key in enhancing firm level productivity and represent a necessary input in all economic sectors. Professional services play a key role in national economies through their direct and indirect contribution to economic growth by adding new skills and methods of production and thus lowering production cost and creates spill-over benefits to other sectors of the economy. For example, engineering services are needed not only in construction, e.g. buildings, infrastructure and the environment, but also in industry (manufacturing, equipment and process plants) thus providing necessary input for sectors such as mining, manufacturing, fisheries, agriculture, testing, energy distribution, security equipment maintenance, building services; management consulting. Accountancy services enhance good corporate governance, accountability and financial management of firms while legal services contribute to certainty in the business environment, facilitating contract engagement and mitigation of investment risks. Also notable is that professional services are also part of the business services that are a priority sector under the AfCFTA services liberalisation agenda and are seen as being critical in both industrial transformation and linking firms across regional and global value chains.

Professional services encompass a wide range of knowledge-intensive activities that often require a high level of training and where practitioners usually need some type of license, certification or registration to practice. It covers many services that are often provided both to final consumers as well as to businesses as intermediate inputs. As noted earlier, professional (and other business) services play a key role in boosting firm productivity, and thus driving competitiveness and participation in value chains.

Professional services are usually highly tradable, in that they tend not to require proximity between the producer and the consumer (e.g., many such services can be delivered electronically; i.e., via mode 1). Under the WTO's W/120 services classification list, professional services include: legal services; accounting, auditing and bookkeeping services; taxation services; architectural services; engineering services; integrated engineering services; urban planning and landscape services; medical and dental services; veterinary services; services provided by midwives, nurses, physiotherapists and para-medical personnel; and (the residual) 'others'.

Professional services are key in enhancing firm level productivity and represents a necessary input in all economic sectors. These services play a key role in national economies through their direct and indirect contribution to economic growth by adding new skills and methods of production and thus lowering production cost and creates spill-over benefits to other sectors of the economy[46.] Even though the share of business services in the GDP of East African countries is small, the sector is among the most dynamic.

Based on the above, the strategy prioritises professional services, particularly ***Accounting, Engineering, Architectural and Legal services.***

4.2 Transport Services

Transport services fall into different modes and for a business, the particular mode of transport used will primarily be determined by the location of the company, as well as other factors like the value of goods, degree of reliability, urgency of delivery, among others. According to the W/120 list, transport services comprise the following sub-sectors:

Table 4, Scope of Transport services

Transport sector	Sub -sectors
Marine Transport	Comprises: Passenger transportation; freight transportation, rental of vessels with crew; maintenance and repair of vessels, pushing and towing services and supporting services for maritime transport (which include port and waterway operation services; pilotage and berthing services; navigation aid services; vessel salvage and reflating services etc).
Internal Waterways	Comprises: passenger transportation; freight transportation, rental of vessels with crew, maintenance and repair of vessels, pushing and towing services and supporting services for internal waterways.
Air Transport	Comprises: passenger transportation; freight transportation, rental of aircraft with crew; maintenance and repair of aircraft and supporting services for air

[46] Sawere V. (2019) Priority Sectors in the AfCFTA Trade in Services Negotiations – Business Services: Study Report Part I – Professional services AUC

	transport (which include airport operation services and air traffic control services, among others.
Rail Transport	Comprises: passenger transportation; freight transportation, pushing and towing services; maintenance and repair of rail transport equipment; and supporting services for rail transport services.
Road Transport	Comprises: passenger transportation; freight transportation, rental of commercial vehicles with operator; maintenance and repair of road transport equipment; and supporting services for road transport services (which include bus station services; highway, bridge and tunnel operation services; parking lot services and towing services for commercial and private vehicles, among others.
Pipeline Transport	Comprises: transportation of fuels and transportation of other goods
Services auxiliary to all modes of transport,	Comprises: cargo-handling services; storage and warehouse services; freight transport agency services
Space Transport	Space Transport
Other	Residual other transport services

Services such as transport and related logistics such as cargo handling and clearing and forwarding are considered potential growth escalators especially as an intermediate input into manufacturing.[47] These services are also very critical in integrating manufactured goods sectors into national, regional and global value chains. Research indicates that boosting services productivity and competitiveness in these crucial sectors has positive knock-on effects on both manufacturing productivity and exports:[48] 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.

Although maritime transport is the main transport sub-sector in the world, accounting for carriage of approximately 90% of global trade, [49] in the EAC, much like the rest of Africa, the main mode of transport is road transport, supplemented by rapidly developing rail and air transport. Freight transportation by road remains the dominant mode in the sub-region, accounting for between 80-90% of all freight and passenger movements among key economic production areas and international markets.[50] Air transport is the only mode of rapid transportation and is a growing sector in the EAC, with on-going integration initiatives also at the African level. While there are

[47] 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.

[48] Hoekman, Bernard and Ben Shepherd. (2015). *Services Productivity, Trade Policy, and Manufacturing Exports.* RSCAS 2015/07

[49] BIMCO and ICS, July 2021. Seafarers Workforce Report 2021. https://www.ics-shipping.org/publication/seafarer-workforce-report-2021-edition/

[50] Muchira, J. 2017. Mombasa-to-Nairobi rail line set for commissioning. http://www.engineeringnews.co.za/article/kenya-rail-2017-05-02

on-going developments in the sub-sector, rail transport is predominantly under public control, as is pipeline transport. Internal waterway transport services are yet to be well developed and although there is attention currently directed to the sub-sector, it is also still predominantly under public sector. Space transport is non-existent.

Important to note is that while the quality, adequacy and efficiency of the physical infrastructure – i.e. the road, rail, port, airport and pipeline network and hard infrastructure - is a critical component in supporting transport flows, infrastructure development is mainly the mandate of the public sector and is one of the exceptions to the scope of services covered under GATS.

Based on the above, the strategy prioritises ***Road transport - freight and air transport (passenger and cargo) services.***

4.3 Distribution services

The definition of distribution services under the W/120 sectoral services classification includes four major services:

a) commission agents' services;
b) wholesale trade services,
c) retailing services, and
d) franchising services (alongside the residual category 'other').

Commission agents are distinguished from wholesale and retail trade in that they trade on behalf of others (i.e. they do not own the products they are trading). Wholesale trade services consist of selling bulk merchandise to retailers, to industrial, commercial, institutional or other professional business users, or to other wholesalers. Retailers break the bulk to sell goods for personal or household consumption. Franchising describes a type of contractual arrangement through which a distributor is allowed to use specific rights and privileges, for instance, the right to use a particular retail format or a trademark).[51]

All forms of distribution services are an essential part of any modern economy as they constitute the principal link between producers of goods and consumers, both within and across borders. The sector contributes significantly to GDP and employment in the EAC Partner States, is heavily dominated by SMEs and the informal sector, presenting easy entry and has a strong gender dimension, both in terms of participation and employment.

Based on the above, ***all the four distribution services sub-sectors*** *are prioritised* in the Strategy.

4.4 Communication Services

Under the W/120 list, communication services include four sub-sectors:

A. Postal services (CPC 7511)
B. Courier services (CPC 7512)
C. Telecommunication services (CPC 7521-7523 and 7529)

[51] Definitions broadly adopted from the 2010 WTO Distribution Services Background Note by the Secretariat (S/C/W.326).

D. Audio-visual services (CPC 9611-9613 and 7524)

Postal and courier services refer to the pick-up, transport and delivery services of mail, parcels, documents, and other items. The corresponding CPC definitions distinguish postal and courier services based on the nature of the services suppliers (public or private), rather than on the nature of the service.[52] Postal services were traditionally the domain of the public sector, who maintained monopoly over mail services and parcel delivery services. Although globally many countries have fully liberalised and corporatised the sector, in the EAC region, governments maintain monopolies especially with regard to basic mail services, but not parcel delivery and expedited / express mail. In terms of regulation of postal services, all EAC Partner States (except Burundi and South Sudan) have regulators (who fall under the overall communications regulator), who define and are guarantors of postal services. Most of the postal services offered include receiving letters, books, newspapers, parcels, supplementary services such as registered services, insured services and express services; agency services and public utilities and money transfers and money orders. All Partner States maintain monopoly on postal services such as issuance of postage stamps and the provision of private letter-boxes but have liberalised most of the other services.

Courier services on the other hand are mainly under private sector control but are licensed by the communications regulatory authorities. Courier services are a growing sub-sector, especially due to the growth of e-commerce. In recognition of the growth of the sub-sector, the EAC begun in 2015 a process aimed at harmonising courier and postal service operations, specifically electronic transactions and licensing, with a view to easing movement of parcels and cargo around the region. The aim of the processes is to establish a framework under which courier service provider would require one licence to operate across the region, as opposed to the current situation where they have to register in each of the Partner States for the domestic, regional and international categories. In addition, the efforts are also aimed at harmonising the fees payable for obtaining the licenses needed for both domestic, regional and international postal and courier operations.[53] As a separate process from the work being undertaken at the EAC Secretariat, the East African Communications Organisation (EACO) has been supporting work under postal and courier services. The work involves, among others, the development of a regulatory framework on emerging services in postal sector; development of a framework for cross border mail transportation systems; development of guidelines for harmonization of addressing system and post codes as well as issues related to cross-border customs and regulation with a view to easing exporting and importing of merchandise, goods and cargo with the region.[54]

The audio-visual sector comprises services relating to television and radio, motion pictures, and sound recording. The W/120 scope[55] of the sector is as follows:

a) Motion picture and video tape production and distribution services (CPC 9611). This also includes CPC 96111 (promotion or advertising services), CPC 96112 (motion picture or video

[52] https://www.wto.org/english/tratop_e/serv_e/postal_courier_e/postal_courier_e.htm

[53] The EastAfrican, Harmonised courier services to reduce cost of movement of goods, 7th March 2015 https://www.theeastafrican.co.ke/tea/business/harmonised-courier-services-to-reduce-cost-of-movement-of-goods--1333262

[54] http://www.eaco.int/pages/working-groups

[55] WTO, 2010 Audiovisual Services. Background Note by the Secretariat. Accessed from https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=38673,25427,68941,101492,58821,61260,12526,179492&CurrentCatalogueIdIndex=3&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True

tape production services), CPC 96113 (motion picture or video tape distribution services) and CPC 96114 (other services in connection with motion picture and video tape production and distribution)

b) Motion picture projection services (CPC 9612). Also includes CPC 96121 (motion picture projection services) and CPC 96122 (video tape projection services)

c) Radio and television services (CPC 9613) – Also includes CPC 96131 (radio services), CPC 96132 (television services) and CPC 96133 (combined programme making and broadcasting services)

d) Radio and television transmission services (CPC 7524) – also includes containing CPC 75241 (television broadcast transmission services) and CPC 75242 (radio broadcast transmission services).

e) Sound recording (with no responding CPC)

f) Other – residual other

Beyond the above categorisation, the sector is related closely to other services, particularly entertainment services (CPC 9619), rental of videotapes under rental/licensing services without operators (CPC 83202)), as well as distribution services, for example through wholesale of cinematographic films is covered under CPC 62263, and the wholesale and retail of video tapes under CPC 63234. The sector is skill-intensive and technology driven, thus, developments in ICT also affects the audio-visual sector.[56] While not much has been done at the Community level with regard to integrating this sector across the EAC, one project that does stand out relates to the Analogue-to-Digital Broadcast Migration (ADBM), a process that saw the world switch their terrestrial broadcast systems from analog technologies to digital technologies in 2015. ADBM required government interventions on several areas including policy and regulatory regimes, technology standardisation, spectrum plans and business and consumer preparations. To respond to these needs, the EAC Secretariat worked with the International Telecommunications Union (ITU) and the EU to support a programme for harmonising ADBM among EAC Partner States.[57]

Telecommunication is the main sub-sector under communication services. The sub-sector is also dependent on services such as computer related information technology (IT) that fall under business services, an increasing dependency given the development of internet-based services since the W/120 list was first drawn up. Telecommunications and ICT services are especially vital to the survival of any business, as they link the business to its customers and vice versa. The sector is also vital to the region's desire for improved connectivity and integrating to the region, continent and the world through technology. It is also critical for leveraging the digital economy and e-commerce. As a business, some most telecommunication related services present an easy entry to SMEs and also contribute to employment. The sector is also a priority under AfCFTA. Of note, e-commerce does not feature in the Strategy due to a parallel EAC process that has developed the EAC e-commerce Strategy with attendant recommendations to guide further development of e-commerce in the region.

Based on the above, the Strategy focuses on ***telecommunication services and related ICT services.***

[56] Ibid

[57] https://www.eac.int/infrastructure/communications-sector/ongoing-projects

4.5 Financial Services

According to the W/120, financial services comprise the following sub-sectors:

a) Insurance and insurance-related services (CPC 812), which includes life, accident and health insurance services; non-life insurance services; Reinsurance and retrocession; and Services auxiliary to insurance, including broking and agency services;

b) Banking and other financial services (CPC 811 and 813), including acceptance of deposits and other repayable funds from the public; lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transaction; financial leasing; all payment and money transmission services, including credit, charge and debit cards, travellers' cheques and bankers' drafts; guarantees and commitments; among others.

The insurance sector plays a fundamental role in economic development of any country by promoting financial and social stability, mobilizing and channelling savings, mitigating risks for firms, households and individuals. In essence, insurance is a risk transfer mechanism in which one party (the insured) pays a premium to a primary insurance company in exchange for receiving event-contingent payments that reduce the insured's losses when a certain specific loss event(s) occurs.[58] More specifically, insurance sector contributes to economic development through the following three broad ways:[59]

- Insurance sector plays a vital role in increasing a country's GDP. Premiums collected by insurance companies have a positive effect on economic development, as they are reinvested into income/interest generating activities. As institutional investors, insurance contributes to the development of a stable, resilient and diversified financial sector and better financial intermediation for development. Products like life insurance are crucial to long-term finance given that the industry is looking to match long-term liabilities with long-term assets. Thus, insurance acts as a risk transfer mechanism contributing to economic growth of a country by fostering long term investment through capital that is collected from accumulated savings from individuals.

- At the corporate level, insurance supports trade, commerce and entrepreneurial activity. Given the heavy reliance of all economic activities (e.g. manufacturing, shipping, aviation, medical, legal, accounting and banking services) on risk transfer, insurance services play a key supporting role. More broadly, insurance can give investors the financial confidence to make investments, since they know they will be able to recover their investment. Additionally, insurance helps to cover the costs associated with property damage and liability claims. Its absence implies that the business owners may have to pay, from profits/loans etc, for damages and legal claims against the company.

- At the household level, insurance helps to enhance self-reliant and improve quality of life through life insurance, health and retirement schemes. This in turn helps reduce poverty, improves resilience and reduce pressure on public expenditure.

[58] EAC, Diagnostic Study on Distribution, Insurance and Accounting Services. 2020 (unpublished)
[59] Adopted from Das, Davies and Podpiera (2003), Insurance and issues in financial soundness, IMF Working Paper WP/03/138.

Thus, an efficient and stable insurance sector is thus a prerequisite for sustainable growth as insurance entities are significant participants in capital markets and holders of large quantities of government securities. Within a regional integration perspective, the stability and efficiency of the insurance sector is an important pre-requisite for regional growth and development.[60]

Considering the banking sector, a well-functioning banking sector is essential for development and poverty alleviation especially in a developing country situation such as in East Africa. Without efficient and competitive banking services to facilitate investments in businesses as well as support productivity, economies cannot function. Studies have shown that access to financial services such as banking and insurance contributes directly to poverty reduction, allowing individuals to improve their standards of living by setting up micro-businesses and manage their risks better.

In the EAC, the banking sector is a critical sector, contributing significantly to employment, GDP and business growth. Like in many developing countries, access to finance in the region is limited, especially for small and medium-sized businesses and the cost is also prohibitive. Thus, achieving financial integration, by creating economies of scale and competition among financial institutions is fundamental in addressing the constraints in the financial sector. In addition, integration of the financial sector reduces the transaction costs of businesses doing business across the region.

Based on the above, the strategy focuses on the ***insurance and insurance-related services and commercial banking as priority sectors.***

4.6 Tourism Services

Under the W/120 list, Tourism and Travel Related Services are categorised into four sub-sectors:

a) Hotels and restaurants (including catering),
b) Travel agencies and tour operators' services,
c) Tourist guides services, and
d) a residual "Other" category.

The above scope does not take into account other services or activities such as transport, distribution, business services, and recreational services that are linked to tourism services but placed within other W/120 sectoral categories. It also does not cover emerging tourism models like Airbnb. The updated CPC Ver 2 introduces substantial changes in tourism and recreational services that appear to bring significant flexibilities and precision in scheduling commitments in the tourism sector. CPC Ver 2 categorises Tourism and Travel related services into 3 sections:

- CPC 631: Accommodation services for visitors, including new subcategories such as Room or unit accommodation services for visitors, in time-share properties (63113);
- CPC 633: Meal serving services, including new subcategories such as Event catering services (63391) and Contract food services for transportation operators (63392), and
- CPC 855: Travel arrangement, tour operator and related services, including new subcategories such as including Reservation services for transportation (8551) and Tourism promotion.

[60] IMF, 2016. East African Community: Financial Sector Regulatory and Supervisory Architecture

The tourism sector is one of the leading export earners in the region. It is a leading contributor to GDP and one of the most inclusive in terms of employment, attracting the skilled, semi-skilled, and unskilled alike. Some sub-sectors like tours and tour operators present easy entry for SMEs and all sub-sectors are highly tradeable. Potentially more gains could be achieved from addressing the various challenges identified in the strategy.

Based on the above, ***all the sub-sectors under tourism services*** are focused on in this strategy.

4.7 Education Services

As classified under the W/120, education services comprise the following subsectors:

a) primary education services (CPC 921);
b) secondary education services (CPC 922);
c) higher (tertiary) education services (CPC 923);
d) adult education (CPC 924); and
e) other education services not classified elsewhere (CPC 929).

Due to the growth of vocational training as well as new trends of either not proceeding to higher education, or of acquiring degrees much later in life, the CPC Ver 2 has a revised provisional classification that breaks down the sector classification as follows:

Table 5, Education Services – detailed breakdown

Sub-sectors	CPC Provisional		Sector breakdown (4-digit level)
A. Primary education services	**921**	9211	Preschool education services
		9219	Other primary education services
B. Secondary education services	**922**	9221	General secondary education services
		9222	Higher secondary education services
		9223	Technical and vocational secondary education services
		9224	Technical and vocational secondary school-type education services for handicapped students
C. Higher education services	**923**	9231	Post-school technical and vocational education services
		9239	Other higher secondary education services
D. Adult education services	**924**		Adult education services n.e.c
E. Other	**929**		Other education services

Education is recognised as a fundamental right and is key to the development of any country or region. It enables skills development, productivity and creativity of firms, as well as effective participation in the labour market and in entrepreneurship. It is one of the global sustainable development goals (SDGs), specifically SDG 4 which aims to 'ensure inclusive, equitable and quality education and promote lifelong learning opportunities for all.'

While acknowledging that private sector investment across all the sub-sectors of education services exist in all Partner States, in most part, primary and secondary education is provided as a public good, by EAC governments. This is especially aimed at ensuring public access, as private schools tend to be more expensive than public schools. An EAC qualifications and skills gap report noted that three quarters of the people under 25 years of age in the labour market are unemployed and that despite this, employers report that this cannot find the skills they need for available job, due to skills mismatch. Furthermore, by 2050, the report noted that there will be an available workforce of more than 109.3million in the EAC.[61] Considering this demographic trend - of majority youth, who are unemployed - the key role of education becomes not only to provide training opportunities and career advancement avenues for the increased school leavers, but also to provide skilled manpower needed at all levels of the economy, as well as to open up avenues, through skills acquired, to get into self- employment in the absence of employment opportunities.

Additionally, for exporting firms, an 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 and to understand markets and opportunities abroad among others.

Based on the foregoing, the focus of the strategy shall be ***higher education, with a leaning towards the technical and vocational education and training (TVET).***

4.8 Sectors not included in the CMP

As noted in a previous section, under Article 23 of the CMP, Partner States have committed to make additional commitments in the sectors not included in Annex V. These sectors are illustrated in the table below:

Table 6, Sectors not included in the CMP

Sector	Sub -sectors
Recreational, cultural and sporting services	a) Entertainment services (cinemas, theatres, etc.); b) News agency services; c) Museums and other cultural services; d) Sporting and recreational services.
Health related and social services	a) Hospital services b) Other Human Health Services c) Social Services d) Other
Construction and related Engineering Services	a) Building construction; b) Civil engineering construction (roads, bridges, pipelines, water and sewage systems, etc.); c) Installation and assembly work (including plumbing and wiring); d) Completion and finishing work (glazing, painting, plastering, etc.).

[61] EAC Regional Higher Education Qualifications Gaps Situational Report (2019). Accessed from https://www.knqa.go.ke/wp-content/uploads/2019/05/East-African-Qualifications-and-Skill-gaps.pdf

Environmental services	a) Sewage services (CPC 9401) b) Refuse disposal services (CPC 9402) c) Sanitation and similar services (CPC 9403), and d) Other environmental services, which presumably includes the remaining elements of the CPC environmental services category: cleaning of exhaust gases (CPC 9404); noise abatement services (CPC 9405), nature and landscape protection services (9406), and other environmental protection services not included elsewhere (CPC 9409).[62]
Other services not included elsewhere	These are varied and may include crucial sectors like energy services

The case for developing and collaborating at a regional level on the above sectors is strong. For example, the COVID-19 pandemic has underscored the need for the region to work together to expand and integrate health services, not only to respond the current and future pandemics, but also to enhance access to affordable and quality health services for EAC citizens.

A sector like construction is amongst the fastest growing in the region, complemented by engineering and architectural services. In terms of economic importance, it is estimated that globally, construction accounts for about 5% of GDP and 7% of employment. The EAC has on-going large-scale infrastructure projects such as roads, airports and ports and these tend often to have heavy involvement by third parties, pointing for the need for EAC Partner States to integrate and collaborate more on these projects.

While a number of environmental services like sanitation services tend to be less tradable, others like noise abatement services, nature and landscape protection services and other environmental protection services are critical given they cover issues critical to the region such as climate change adaptation and mitigation, natural resource management and biodiversity conservation, disaster risk reduction and management, and pollution control and waste management.

Recreational, cultural and sporting services cover a wide range of sub-sectors, including the music industry, film, television & radio, the book and magazine publishing industry, performance & visual arts, as well as festivals & cultural tourism, the fashion sector, and sporting services. This service sector is thus closely linked to audio-visual services due to entertainment; and to tourism, due to sporting and recreational services on the one hand and tourism services on the other. Some personal services such as spa or other well-being services may be considered as recreational services, supplied in the course of tourism.[63] Beyond media, arts and heritage-based services, one can also include functional creative services, such as design, architecture, advertising and new media content and software development. 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

[62] WTO - Council for Trade in Services - Background Note on Environmental Services - Note by the Secretariat. Accessed from https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:/S/C/W320.pdf&Open=True

[63] International Trade Centre (ITC), Mobilizing Business for Trade in Services, Geneva: ITC, 2013.

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.[64]

As part of 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.[65] Growing this sector will need the region to address challenges constraining the sector, which include lack of concrete data in terms of economic contribution, employment or trade, which is needed to facilitate informed decision making; inadequate private sector confidence to invest in regional culture and sports initiatives; weak or unreliable distribution networks for music and CDs, piracy, and a non-enforceable IPR regime, which leads to significant loss of revenue for both the artists and the national economy. The weak IPR regime also affects the nascent film industry, which is increasingly becoming recognised. All of these issues have emerged in an environment where there has been a rapid growth in the use of mobile phones and ICTs over the past ten years, together with an ongoing expansion of mass media in EAC for newspapers, lifestyle magazines, radio and television.

Based on the above and as a means of taking forward Art. 23 of the CMP as well as broadening service sector integration, ***negotiation of the above additional sectors is foreseen as a cross-cutting intervention under this Strategy.***

5 STRATEGY VISION, MISSION, & OBJECTIVES

At the overarching level, the EAC Strategy for Trade in Services should and will ultimately respond to the aspirations of the Community as laid out in the objectives of the CMP, which are to, among others, **accelerate economic growth and development of the Partner States through** the attainment of the free movement of goods, persons and labour, the rights of establishment and residence and the **free movement of services** and capital. In addition, the CMP aspires to **strengthen, coordinate and regulate the economic and trade relations** among the Partner States in order to promote accelerated, harmonious and balanced development within the Community and to **sustain the expansion and integration of economic activities within the Community.**

Thus, the strategy aims to help the region increase services trade – within the EAC and beyond – in pursuit of the aims of the EAC Treaty and CMP. As noted earlier, achieving the above calls for a two-pronged approach. On the one hand, a multitude of different cross-cutting and sector-specific regulatory, procedural and business environment obstacles make it more difficult for EAC services firms to do business across the border in other EAC Partner States. For government to address these obstacles and minimise the trade costs that firms face when navigating them, an enabling policy framework that promotes integration through progressive liberalisation and regulatory cooperation is essential. On this part of the approach, while much work remains to be done, the EAC has made significant progress.

[64] East African Community, Mapping of Culture and Creative Industries in the East African Community (2019), Arusha

[65] The Bill defines the sector broadly: visual art industry, music and performance art industry, cultural assets application and exhibition and performance facility industry, handicrafts industry, film industry, radio and television broadcast industry, publication industry, advertisement industry, product design industry, visual communication design industry, designer fashion industry, architecture design industry, digital content industry, creativity living industry, popular music and cultural content industry, sports activities

However, an enabling policy framework alone is not enough. Reducing the obstacles that impede greater regional services trade – i.e., making it *possible* for more services trade to occur, is in and of itself insufficient to bring the aims of the EAC Treaty and CMP to fruition. To achieve these goals, the integration agenda must be complemented and connected with a structured and properly-resourced agenda to help EAC services firms build their productive and export capacity. In short, these firms need support to make trade *happen*.

Based on this, the Strategy will be guided by the following Vision, Mission and Objectives.

5.1 Vision

A globally competitive services sector for equitable and sustainable economic development of the EAC region.

5.2 Mission

To facilitate an integrated globally competitive, export oriented EAC services sector.'

5.3 Objectives

Main Objective:

To enhance service sector integration in the EAC region and increase intra-EAC trade in services and exports of services to the continent and the world.

Specific Objectives

f) To **broaden service sector integration** in the EAC region through addressing prevalent restrictions and diverse regulations in priority sectors that restrict cross-border services trade between EAC Partner States

g) To **build and strengthen the regulatory and institutional framework** for services in the region and in the priority sectors with a view to fostering an enabling business environment for services trade;

h) To **produce and improve access to, and use of, reliable and user-friendly services-related trade data and intelligence,** to inform policy decisions of EAC governments and business decisions of EAC service firms and suppliers.

i) To **build and strengthen the export readiness and capacities of EAC Partner States' services SMEs** to respond to market opportunities, at regional, continental and global level, including enhancing participation in global and regional value chains

j) Achieve, as a cross-cutting objective, a higher level of sustainable and **inclusive participation of EAC service suppliers** in the regional and international services economy and in shaping relevant policies and legal frameworks.

5.4 Key Targets

g) At least **5 cross-cutting restrictions at the regional level affecting trade in services are addressed during the Strategy period.**

h) At least **5 sector-specific restrictions are removed annually during the strategy period**

i) **5 Annual Reports on EAC Trade in Services data and statistics** are produced during the Strategy Period

j) The **share of trade in services value to GDP increases by 5%** in each Partner State by 2030, based on 2020 values.

k) **Conclusion of negotiations for liberalization of the 5 service sectors** not covered in the CMP by 2030

l) Evidence of **strengthened regulatory and institutional frameworks**.

6 PRIORITY SECTOR ANALYSIS AND STRATEGIC INTERVENTIONS

This section provides a high-level overview **of the priority sectors and sub-sectors and the strategic interventions for each.** Each overview commences with a brief introductory section defining the scope of the sector/ sub-sector of focus and the state of openness vis a vis the Revised Schedules of Commitments,[66] with regard to market access (MA) and national treatment (NT). This is followed by an overview of the sector in the EAC covering market structure, including, where available, number of players, size of the sector in terms of contribution to GDP and employment and value of imports and exports. The overview also covers the regulatory framework, the public and private institutional framework, key sector considerations and a Strength, Weakness, Opportunity and Threat (SWOT) matrix, before indicating the sector / sub-sector priority interventions.

6.1 Priority Sector 1: Accounting Services

Accounting services are classified as a sub-sector of business services, and more specifically professional services. The sub-sector is further defined as follows:

[66] The Revised Schedule of Commitments is used instead of the CMP, given a) the errors and inconsistencies in Schedule V and CMP, which the revised schedule has correctedand b) the revised schedule has already been adopted by SCTIFI.

a) **Accounting and auditing services (CPC 8621),** which comprises financial auditing services (CPC 86211); accounting review services (CPC 86212); compilation of financial statements services (CPC 86213) and other accounting services (CPC 86219).

b) **Bookkeeping services, except tax returns (CPC 8622),** which covers Bookkeeping services, except tax returns (CPC 86220)

In the revised schedule, Burundi, Kenya and Rwanda have committed to liberalise accounting services across all modes, with no MA or NT limitations. Mode 4 is unbound ***(for all sectors)*****,** except for contractual service suppliers, independent service suppliers, business visitors, intra-corporate transferees and trainees. Tanzania has no limitations on Mode 1, 2 and 3; while mode 4, (***for all sectors)***, is unbound except for business visitors (with limitation of temporary entry and stay of no more than 90 days in a 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. For Uganda, there are no limitations on Mode 1 and 2, while on Mode 3, accounting and auditing services branches are not allowed; and if a firm is foreign, at least 1 partner one must be resident in Uganda and all partners must be members of ICPAU. Mode 4 is unbound (***for all sectors)*** except for contractual service suppliers, independent service suppliers, independent professional service suppliers, business visitors and trainees.

Accounting Services in the EAC

Data for the region on accounting services' contribution to GDP is not available. Moreover, different categories of accounting professionals make it difficult to find data that is comparable across the region. At the global level, a market report by Fortune Business Insights, 2019, valued accounting services at USD 11.1billion in 2018 and was projected to reach USD 20.4 billion by 2026, growing at a CAGR of 8.01%. Growth is largely fuelled by rising demand for computerised accounting. Looking specifically at the EAC, available data on the sector, *although a bit dated* and not covering all the EAC Partner States, provides a good insight into the sector.

From a **market structure** perspective, the following are the salient characteristics of the sector in the EAC:

- In terms of **number of firms**, Kenya has the highest number of accounting firms in the EAC with around 2000 accounting firms, followed by Uganda (247 firms); Tanzania (226); Zanzibar (27); Burundi (46) and Rwanda (58). There is currently no data available on the number of accounting firms in South Sudan.[67] In terms of **number of professionals**, Kenya has the highest density of accounting professionals in the region, with 25,000 registered professionals at the end of 2021. Tanzania had 5,969 registered members; Uganda 2,581 registered members; Rwanda 400 and Burundi 402. While the number may seem low, giving a perception of scarce accounting services resource, in practice, the number of accounting professionals in all Partner States is significantly higher than those of good standing (i.e. registered with the regulator). For example, in Kenya over 500,000 professionals have passed Kenya Accountant and Secretaries Examination Board (KASNEB) exams, and many are practicing without registration.

[67] 2019 for Tanzania and Uganda, 2020 for Burundi, Kenya, Rwanda. Zanzibar as at March 2022.

- In terms of **size**, accounting firms in the EAC are predominantly small firms, with some medium sized firms and the presence of some multinationals. The 'Big Four' – Deloitte, KPMG, PricewaterhouseCoopers and Ernst & Young, dominate the market of corporate clients, followed by a number of firms with affiliations to transnational networks for companies with foreign affiliates, but majority of MSME´s rely on small firms.

- In terms of **ownership**, majority of professional service firms are privately and locally owned. This is because they are traditionally subjected to regulatory restrictions. Entry regulation includes educational and professional qualification requirements, exclusive or shared exclusive rights to provide services, ownership restrictions, and restrictions on the numbers of providers[68]. A review of the EAC Partner States shows that Burundi has the least proportion of foreign owned firms while South Sudan has the highest proportion. In line with foreign ownership proportions, in the EAC PS, South Sudan has the highest proportion of firms with foreign employees, followed by Rwanda. Kenya has the least proportion as show in the figure below. While data on inbound FDI into the accounting sector is difficult to obtain, as noted in the above sections, the major international accounting firms have all established a presence in the regional market.

From a **trade perspective,** there is no available data on the level of trade in accounting services in the EAC. However, a World Bank study established that professional services present a potential avenue for expanding regional trade in services. Based on 2,200 companies surveyed for the study, on average, 6% of firms declared that they exported some services to neighbouring countries. For accounting services, this figure was significantly above average at 17%.[69]

In terms of the **institutional and regulatory framework,** except for South Sudan, all EAC Partner States have a regulatory body for the sector and foreign practice is allowed. The regulators are as follows: Ordre Des Professionnels Comptables Du Burundi (OPC); Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Public Accountants of Rwanda (ICPAR), Tanzania National Board of Accountants and Auditors (NBAA); the Zanzibar Board of Accountants (ZBA) and Institute of Certified Public Accountants of Uganda (ICPAU). Furthermore, at the regional level, the EAC Partner States in September 2011, entered into a Mutual Recognition Agreement (MRA), which establishes the criteria and procedures for mutual recognition of professional accountancy qualifications to facilitate the movement of professional accountants within the EAC. The Regulators also established the East African Community Institutes of Accountants (EACIA) as a framework for developing, regulating and facilitating regional integration of the accountancy profession.

In addition to the MRA, an EAC syllabus framework has been developed under the EACIA and approved by the joint governing council. Partner States are expected to benchmark to this syllabus. For graduate level education, harmonisation is under the ambit of the Inter-University Council of East Africa (IUCEA). In 2013, IUCEA developed the benchmarks for business related studies as part of the framework of the East African Common Higher Education Area. The

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[68] Ibid

[69] Dihel, Goswami (2016) The Unexplored Potential of Trade in Services in Africa. Accessed from https://openknowledge.worldbank.org/handle/10986/24968?locale-attribute=en

benchmarks provide a basis for harmonisation of business and related studies in order provide a baseline for comparability in business and related curriculum within the region.

In terms of regulatory practice, all EAC Partner States allow practice by professionals and firms from across the EAC. In Uganda and Rwanda, holders of accountancy qualifications from EAC Professional Accountancy Organisations (PAOs) receive national treatment and are eligible to provide audit and tax advisory services so long as they are members and have the required practical experience. Foreigners with qualifications from EAC PAOs are also given national treatment in terms of obtaining membership and practising certificates. There are some restrictions however, relating especially to fees payable by foreign practitioners. Burundi has the highest licensing fees for auditors, while Tanzania has the highest licensing fees for firms. The price difference between licensing fees for locals, vis-a-vis foreign professionals is only USD 20 more for foreign professionals in Kenya, compared with around a 10-fold increase in Tanzania. In addition, there are nationality requirements for domestic audits in Kenya and Tanzania.

SWOT Matrix

Strengths	**Weaknesses**
- Well established profession in the region, with relevant regulatory framework in place - Significant work already undertaken under CMP to reduce barriers, including with respect to mutual recognition - Sector in EAC has been subject to extensive research to identify challenges	- Skill shortages - Slow and incomplete implementation of CMP commitments, including MRA - Restrictive labour and immigration laws - Conforming to international standards is cost prohibitive for many EAC firms
Opportunities	**Threats**
- On-going and increasing demand for accounting services by firms, including MSMEs, in the region, continent-wide and globally - Increased digitization creating new opportunities in different segments of the sector - Peer to peer learning for regulators across the region given the varying levels of development	- Increased opening of sector in EAC under AfCFTA will increase import competition - Technology and automation

Strategic Interventions

k) Undertake review of the MRA on Accounting, Auditing & Book-keeping to address the various trade related aspects such as licensing and registration requirements for firms, as well as the procedures for the same.

l) Undertake, based on above review, harmonisation of the administrative requirements and thereafter support corresponding reforms to align national laws with the CMP commitments.

m) Support PAOs to strengthen their capability to support the sector including through better regulatory practices and enforcement of adequate accreditation. This should include support to Burundi to join IFAC and to South Sudan to establish the Council of Accountants to regulate the sector.

n) Develop a framework to require mandatory registration for all accounting professionals for efficient service delivery and accountability.

o) Establish a regional database for all EAC registered accountants in order to ease their recognition across the region.

p) Review the syllabus of accounting profession to ensure it remains competitive and keeps to international standards.

q) Undertake capacity building to help practitioners in the adoption of the fast technological advancements in the sector.

r) Implement the proposed EAC manual for collection of statistics in order to obtain reliable data and information on domestic and cross-border activities within the sector.

s) Develop/strengthen/expand interventions to sensitize professionals on the cross-border opportunities created under the CMP and the AfCFTA.

t) Develop export training programs to assist professionals and firms to access other EAC and AfCFTA markets (could include general business or export training, export facilitation services/matching, and supports to build firm to firm linkages).

6.2 Priority Sector 2: Architectural Services

Under the W/120 classification the scope of architectural services is not elaborated. Under the CPC Ver 2, architectural services comprise the following sub-sectors:

a) Architectural services and advisory services (CPC 8321), which consist of architectural advisory services (CPC 83211), architectural services for residential building projects (CPC 83212), architectural services for non-residential building projects (CPC 83213), and historical restoration architectural services (CPC 83214);

b) Urban and land planning services (CPC 8322), which consist of urban planning services (CPC 83221), rural land planning services (CPC 83222), and project site master planning services (CPC 83223);

c) Landscape architectural services and advisory services (CPC 8323), which consist of landscape architectural advisory services (CPC 83231) and landscape architectural services (CPC 83232).

In the Revised Schedule, Burundi, Kenya and Rwanda have committed to liberalise architectural services across all modes, with no MA or NT limitations. Mode 4 is unbound except for categories indicated earlier. Tanzania has committed to liberalise architectural services in the revised schedule, with no limitations on Mode 1 and 2. Mode 3 is subject to joint venture with foreign equity participation of 49%, while Mode 4 is unbound, except for categories indicated earlier. For Uganda, there are no limitations on Mode 2 and Mode 4 is abound except for categories previously indicated. For Mode 1, there is no limitation on MA, but there is a requirement that construction plans have to submitted by local registered firm, while for Mode 3, there is no MA limitations, but NT is unbound in line with Architects Registration Act Cap 269 and attendant by laws.

Architectural Services in the EAC

Data on the sector's contribution to GDP and employment, or the amount of FDI is currently not collected. The following are the salient features of the sector:

- In terms of **market size,** the EAC region is resource poor in terms of number of architects. As at end of July 2022, Kenya had 873 architects; 189 architectural firms; 543 quantity surveyors and 133 quantity surveyor firms[70]; Rwanda had 148 registered architects and 62 quantity surveyors[71] Uganda has about 300 architects; Tanzania has 1257 registered architects and quantity surveyors; 934 graduate architects and 458 architectural firms,[72] while Zanzibar has 35 graduate architects; 19 graduate quantity surveys; 51 local professional architects and 31 professional quantity surveyors; 7 foreign temporary professional architects and 3 foreign temporary professional quantity surveyors; 15 local consulting architects and 11 consulting quantity surveyors (and no foreign ones); and 48 local consulting architectural firms and 13 consulting quantity surveying firms.[73] The numbers for South Sudan and Burundi were not available.

- From a **trade perspective,** there is evidence of intra-regional trade in architectural services, with reports from stakeholders that Kenyan firms provide architectural consulting services such as master planning, urban planning, land use planning, site planning, but also interior planning, and project management. As earlier noted from the World Bank study, professional services present a potential avenue for expanding regional trade in services. Of the 2,200 companies surveyed for the study, on average, 6% of firms declared that they exported some services to neighbouring countries. For architecture services, this figure was significantly above average at 12%.[74]

[70] https://boraqs.or.ke/about-us/message-from-the-registrar/

[71] https://ria.rw/member-directory/

[72] https://ors.aqrb.go.tz/professionals_list

[73] Data provided by Architects, Engineers and Quantity Surveyors' Registration Board, Zanzibar (August 2022).

[74] Dihel, Goswami (2016) The Unexplored Potential of Trade in Services in Africa

In terms of the **Institutional framework**, all EAC Partner States expect Burundi have a regulatory body that governs the sector. These are the Board of Registration of Architects and Quantity Surveyors (BORAQS) established under Kenya Architects and Quantity Surveyors Act; the Institute of Architects is responsible for regulating the sector, established under Law N° 26/2012 of 29/06/2012; the Architects and Quantity Surveyors Registration Board (AQRB) in Tanzania established under The Architectural and quantity surveyor (Registration) Act 2010, as well as the Zanzibar Architects, Engineers and Quantity Surveyors Registration Board (AEQSRB) established under the Architects, Engineers and Quantity Surveyors Registration Act No. 5 of 2008. In South Sudan, the Engineering Council of South Sudan (ECOSS), established under the 'The Engineering Council Act 2012' includes regulation of architectural services under its mandate, while in Uganda, the Architects Registration Board (ARB) created by the Architects Registration Act of 1996 regulates the sector.

In terms of the **Regulatory framework,** Kenya, Rwanda, Tanzania and Uganda have autonomously liberalised their markets for architectural services; subject to registration with the national professional body as specified in the applicable regulations. In Tanzania registration is conditional on the confirmation of a registration board that the expertise is not available in the country. Burundi has no legislation on architectural practice.[75] Joint venture requirements apply to commercial presence (mode 3) in both Kenya and Tanzania, who require at least 51% of shares to be held by nationals. Kenya, Rwanda and Uganda provide for temporary registration of foreign practitioners. Tanzania provides temporary registration for both non-ordinary residents and non-citizens intending to undertake specific architectural assignments. Tanzania also has a mandatory requirement for all practitioners to undertake professional (indemnity) insurance cover or contribute to a Fidelity Fund that will guarantee compensation for professional negligence.

Various private sector bodies exist to represent the interests of the sector. These include the Association Burundaise des Architectes (ABARCH); the Architectural Association of Kenya (AAK); Uganda Society of Architects (USA) the Rwanda Institute of Architects (RIA - which is semi-autonomous, with the government providing regulatory oversight, but the institute also supports business aspects); the Tanzania Association of Architects (TAA) and the Architectural Association of South Sudan (AASS).

To enhance movement of professionals across the region, Burundi (through ABARCH and Ministry of Culture Burundi); Kenya (through BORAQ and AAK), Rwanda (RIA) and Uganda (ARBU and USA) signed an MRA for architectural services in 2011. The MRA establishes the conditions under which an architect shall have their qualifications recognised as eligible to practice in each of the Partner State. It also focuses on the development of the architectural profession by setting standards for education and practice in the region. As part of the above MRA, the East Africa Institute for Architects (EAIA) was established as the competent authority to coordinate market integration, harmonisation and mutual recognition of the architectural profession in the region. The EAIA regulates recognition of architect's qualifications by Partner States and sets standards for education and practice. It also foresees some regional initiatives

[75] This section draws on Sawere, V (2020). Priority Sectors in the AfCFTA Trade in Services Negotiations – Business Services: Study Report: Part I – Professional services. AUC

inter alia, a Regional Code of Ethics and Professional conduct, and regional training between the Partner States.

SWOT Matrix

Strengths	Weaknesses
- Liberalisation under CMP (URT has included the sector in the revised schedule of commitments) - An MRA signed by 4 EAC Partner States. URT has committed to sign as well. - Well established regulatory practice in 4 EAC Partner States except Burundi and RSS	- Limited implementation of the MRA. The Regional MRA Steering Committee is yet to become active. - The MRA only addresses professional aspects, and not all trade related aspects such as registration and licensing of firms - Tanzania is not party to the MRA - Fees and procedures of registration are yet to be harmonised across the region - There are different accreditation systems.
Opportunities	**Threats**
- Increased demand for architectural services driven by increase in investment in the construction sector and technological innovations in the market e.g., designing and planning - Increased demand for residential architecture designs driven by rapid population growth and urbanisation - Increased digitisation creating new opportunities in different segments of the sector	- Open applied regimes are leading to strong import competition (e.g., Chinese companies)

Strategic Interventions

Government Level Interventions

i) Support the establishment of a regulatory bodies in Burundi

j) Revise the MRA to take into account trade related aspects of architectural services, as well as broaden its scope to cover allied professionals like landscape architects and lower-level experts in the sector.

k) Facilitate the establishment of the Regional MRA Steering Committee.

l) Support Tanzania and South Sudan, and Burundi (once regulator is in place) to join the MRA.

m) Where applicable, develop a regulatory framework for allied professionals related to architecture services, such as landscape architects.

n) Develop an EAC local content framework to enhance skills transfer from foreign professionals / firms.

o) Harmonise CPD requirements and recognition across the region in order to support cross border learning and transfer of knowledge.

p) Establish a regional accessible database of all practitioners, including those that have faced disciplinary measures due to professional misconduct.

BMO Level Interventions

c) Undertake a mapping of opportunities and entry requirements across the African continent. Thereafter, undertake stakeholder awareness and sensitisation.

d) Undertake capacity building of firms in the sector with a focus on exporting.

6.3 Priority Sector 3: Engineering Services

Under the W/120 classification, the scope of engineering services is not elaborated. Under the CPC Ver 2, engineering services comprise the following sub-sectors:

a) Advisory and consultative engineering services (CPC 8672),
b) Engineering design services for the construction of foundations and building structures (CPC 86722),
c) Engineering design services for mechanical and electrical installations for buildings (CPC 86723),
d) Engineering design services for the construction of civil engineering works (CPC 86724),
e) Engineering design services for industrial processes and production (CPC 86725),
f) Engineering design services not elsewhere classified (notably other specialty engineering design services) (CPC 86726),

g) Other engineering services during the construction and installation phase (CPC 86727),
h) Other engineering services (CPC 86729).

In the Revised Schedule, Burundi, Kenya, Rwanda and Tanzania have committed to liberalise engineering services across modes 1, 2 and 3 with no MA or NT limitations. Mode 4 is unbound for the four Partner States except for categories earlier indicated. For Uganda, there are no limitations on Mode 1 and 2, while Mode 4 is unbound except for categories previously indicated. For Mode 3, there is a limitation that non-Ugandan services/service providers incorporate or register the business locally in Uganda and joint venture and local content requirements may apply to non-Ugandan services/service suppliers.

Engineering Sector in the EAC

Data on the sector's contribution to GDP and employment, or the amount of FDI is currently not collected. Determining size is also a challenge as Partner States have different categories of engineers they register, as follows:

- Kenya has 19, 291 graduate engineers; 150 consulting engineering firms; 482 consulting engineers; 2408 professional engineers and 208 temporary professional engineers;76. For technologists and technicians, the registered numbers are as follows: Professional Engineering Technologist (289 for civil engineers; 160 for mechanical engineers and 276 for electrical engineers); Candidate Engineering Technologist (Civil 86; electrical 105 and 42 for mechanical and other); Candidate Engineering Technician (62); Certified Engineering Technician (166) and Registered Consulting Engineering Technologist (12).[77]

- Rwanda has 793 professional engineers; 61 Technologists and 114 firms;[78]

- Tanzania's total registered professionals as at March 2022 is 33,773, comprising Graduate Engineers (21,369); Professional Engineers (7,857); Temporary Professional Engineers (2,700); Temporary Consulting Engineers (152); Consulting Engineers (476); Incorporated Engineers (494); Graduate Incorporated Engineers (725); Foreign Engineering Consulting Firm (123); Local Engineering Consulting Firm (275); Material Testing Laboratory (40) and Engineering Technicians (1,979).[79] For Zanzibar, the number registered by AEQSRB is as follows: graduate engineers (276); local professional engineers (129); foreign temporary professional engineers (64); local consulting engineers (52); foreign temporary consulting engineers (4); local consulting engineering firms (45); foreign temporary consulting engineering firms (4) and technicians (64).[80]

[76] https://ebk.go.ke/ (as at 26 May 2022)
[77] https://ketrb.go.ke/ as at 10 August 2022). List of registered consulting firms was not updated.
[78] https://engineersrwanda.rw/membership (as at 26th May 2022)
[79] https://erb.go.tz/index.php/registered/reg-engineers (as at March 2022)
[80] Based on data provided by Architects, Engineers and Quantity Surveyors' Registration Board, Zanzibar August 2022.

- Uganda has 1516 registered engineers and 156 temporary engineers;[81]

- South Sudan has 50 registered engineers, but their categorisation was not available[82], while the numbers for Burundi were not available.

Value of imports and exports: There is evidence of intra-regional trade in engineering services, albeit not quantified. As earlier noted from the World Bank study, professional services present a potential avenue for expanding regional trade in services. While on average 6% of firms that declared that they exported some services to neighbouring countries, for engineering services this figure was significantly above average at 11%.[83]

In terms of the **institutional framework**, all EAC Partner States except Burundi have regulators in place. These are: the Engineers Board of Kenya (EBK) established by the Engineers Act, 2011 and the Kenya Engineering Technology Registration Board (KETRB) established under the Engineering Technology Act 2016 ; the Institute of Architects and Institute of Engineers Rwanda established by the Law N° 26/2012 of 29/06/2012 establishing the Institute of Architects and Institute of Engineers; the Engineering Council of South Sudan (ECOSS), established under the 'The Engineering Council Act 2012'; the Engineers Registration Board (ERB) of Tanzania established under Engineers Registration [amendment) Act No. 15 of 2007 and Subsidiary Legislation No. 25 of 2010 and AEQSRB in Zanzibar established under the Architects, Engineers and Quantity Surveyors Registration Act No. 5 of 2008; and the Engineers Registration Board (ERB) of Uganda, created under the Engineers Registration Act of 1969, Cap 271. Burundi is currently in the process of establishing a regulator for the sector and draft regulatory frameworks have been developed. In practice, various categories of engineers are recognised, based on experience and foreign practice and establishment is allowed, for the latter based on general investment law that accords investors from EAC national treatment.

At the private sector level, there are various consulting engineering BMOs and Engineering Professional (Learned) Societies. The latter include: Institution of Engineers of Kenya (IEK); Federation of East Africa Engineering Organizations (FEAEO); Federations of African Engineering Organizations (FAEO); Institution of Engineers of Tanzania (IET) and Uganda Institution Professional Engineers (UIPE). Consulting Engineering BMOs include Association of Consulting Engineers Kenya; Association of Consulting Engineers Uganda; Association of Consulting Engineers Tanzania; South Sudan Engineering Society (SSEC) and Civil Engineers South Sudan.

At the Pan African level, the regulators from Kenya, Rwanda, Tanzania, and Uganda are members of the Federation of African Engineers Organisations (FAEO), which comprises 34 national organisations representing its members at the World Federation of Engineering Organisations (WFEO).

In terms of the **regulatory framework,** under the CMP, EAC countries have all made commitments to liberalise the sector. In addition, the EAC MRA for Engineers was signed in 2012 by Kenya, Tanzania, and Uganda and by Rwanda in March 2016, to provide for the

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[81] https://erb.go.tz/index.php/registered/reg-engineers (as at 26th May 2022)

[82] Based on data provided by RSS

[83] Dihel, Goswami (2016) The Unexplored Potential of Trade in Services in Africa

procedures of recognising engineering qualifications obtained in the region. The MRA in its present form has a narrow scope of application only limited to individual professionals without giving coverage to engineering firms, which in practice, engage more in cross border practice than independent/ individual contractual service providers. Despite the MRA, a number of restrictions persist in the sector. The key restrictions include local equity requirements for firms establishing in Kenya and Tanzania; different fees payable by EAC citizens when registering with other partner states; and public procurement requirements that do not recognise EAC professionals / firms when considering domestic quotas. Many of the barriers that existed prior to the CMP coming into force remain, constraining the movement of services within the region.[84]

Given the expanding market under AfCFTA as well as globally, there is need to ensure that the engineering education standards in the EAC are recognised across Africa and globally, which can be achieved through aligning it to international engineering education accords, specifically the Washington Accord for Engineers, the Sydney Accord for Technologists, the Dublin Accord for Technicians.

SWOT Matrix

Strength	Weaknesses
- Mutual recognition agreements (MRAs) - CMP Liberalisation by all Partner States	- Market highly fragmented in terms of organization, size, business culture, and management across African countries - Skills Shortages - Slow implementation of EAC commitments - Restrictive Labour and Immigration Laws - Excessive costs of applying to international standards - Limited capacity of Partner States to employ all graduate engineers into formal employment.
Opportunities	**Threats**
	- Stiff competition from foreign contractors, some who enjoy their own states' support - Local procurement laws are not conducive to intra-regional collaboration

Strategic Interventions

Government Led interventions:

a) Where applicable, broaden the regulatory framework on engineering services to cover engineers, technologists and technicians. Where different regulatory bodies exist, put in place a coordination framework.

b) Review the EAC MRA on Engineering Services to broaden its scope to cover trade aspects of engineering services such as registration and licensing of firms, as well as allied professionals like engineering technologists and technicians.

[84] East African Common Market Scorecard 2014, Pg 20

c) Support Burundi to establish a regulatory body; and both Burundi and South Sudan to accede to the MRA once revised.

d) Address differences in the levels of accreditation of engineering training programmes and also harmonise registration categories and fees.

e) Support sector regulators to implement the Dublin Accord for Engineering Technician education; the Sydney Accord for Engineering Technologist/Incorporated Engineer education and the Washington Accord for Chartered Engineer education in order to enhance upskilling and recognition of EAC engineering professionals globally.

f) Support the establishment of engineering academies, focused on specialised engineering training, research and development that will support enhanced competitiveness of the sector, enabling the sector to tap into opportunities regionally, under AfCFTA and globally.

g) Undertake diagnostic studies in collaboration with BMOs in various industries and sectors to identify gaps, needs and opportunities in the sectors for engineering services.

h) Undertake capacity building and skills development among engineers, technologists and technicians, through among others putting in place measures to ensure:
   - Fresh graduates to get internship and mentoring programs leading to employment and registration. The target should be 100% transition into employment and registration.
   - Encourage the exchange of young workers across the region
   - Skilling and upskilling to ensure professionals have the skills necessary to tap into local, regional, continental and global demand.

i) Establish a regional association for engineering regulators in East Africa with a mandate to spearhead harmonization of engineering professional regulatory framework.

j) Working with EAC, regulators and BMOs, implement the proposed Manual for collection of trade in services statistics in order to obtain data and information on domestic and cross-border activities within the sector.

k) Harmonise withholding tax rates across the region in order to address the issues of unfair competition and double taxation.

l) Enhance collaboration and capacity building of EAC engineers through reviewing local content laws / regional thresholds to be EAC-wide and thereafter put in place deliberate measures to enforce these laws and thresholds.

m) Put in place mechanisms that enforce the transfer of technology so as to build capacity at domestic/ national level.

Association led interventions:

d) Collaborate with government in undertaking diagnostic studies on various engineering sectors as well as statistical reporting with the regulators.

e) Put in place mechanism for sharing information on registered / qualified engineers across the region. This should also include a list of professionals disqualified for misconduct.

f) Undertake capacity building and member sensitisation on the opportunities in the region and AfCFTA.

6.4 Priority Sector 4: Legal Services

The W/120 Services Sectoral Classification List lists legal services as a broad category (CPC 8211) under professional services. CPC Version 2.1 however gives a much more detailed classification, as follows:

a) Legal advisory and representative services concerning criminal law (CPC 8211);
b) Legal advisory and representation services concerning other fields of law such as advice, representation and other related legal services in judicial and quasi-judicial procedures concerning civil law, administrative law, constitutional law, international law, military law and other fields of law, except criminal law (CPC 8212);
c) Legal documentation and certification services (CPC 8213);
d) Other legal services (CPC 8219) under which there are arbitration and conciliation service (CPC 82191)

e) Other legal services n.e.c. (escrow services) (CPC 82199).

In the Revised Schedule, Burundi, Kenya, Rwanda have committed to liberalise legal services across modes 1, 2 and 3 with no MA or NT limitations. Mode 4 is unbound for the three Partner States except for categories earlier indicated. Tanzania has not committed to liberalise legal services. For Uganda, there are no limitations on Mode 1 and 2 and 4 is abound except as previously indicated. Under Mode 3, Uganda maintains a limitation on market access in that foreign/non-Ugandan law firms are to be partnerships in order to have a legal recognition of their own operations since they cannot fall under companies or sole proprietorship. National treatment is also limited as branches are not allowed for legal advice on both host and home country laws and local member of an international network of professional services cannot use the network's brand name.

Legal Services in the EAC

Data on the sector's contribution to GDP and employment, or the amount of FDI is currently available or systematically collected. The following are the salient features of the sector:

- In terms of number of registered legal professionals, Burundi had 623 registered lawyers under the Bujumbura Bar Association and over 400 under the Gitega Bar Association.[85] Kenya has 17,000 practicing advocates and more than 3,000 paralegals.[86] In Rwanda, the bar's current membership exceeds 1,073 advocates after the fusion between the Judicial Defenders Association and the Kigali Bar Association.[87] According to the Tanganyika Law Society, there are 10,436 registered advocates in the country[88], while Zanzibar has 74 legal business entities. Uganda has 5,004 advocates.[89] The number of firms / lawyers in South Sudan is not known.
- Although data on **cross border trade** in legal services is not currently captured in the region, the 2016 World Bank study established that over 50% of the companies surveyed regularly used legal services and over 23% of forms that exported were in legal services, significantly higher than the 6% average of surveyed forms.

There is a strong **institutional and regulatory framework** across all Partner States and cross border practice by EAC professionals is allowed, albeit with some restrictions. A brief overview is detailed below:

The legal system in **Burundi** is based on German and Belgian civil codes and customary law. There are two regulatory authorities: the Bujumbura Bar Association and the Gitega Bar Association. The primary legislation is the Advocates Act (Reform of the Status of Advocates Profession in Burundi, Law No. 1/014 of 29/11/2002. In terms of practice, foreigners may be admitted as advocates in accordance with international agreements or subject to the reciprocity

[85] EAC National Validation meeting for the EAC Strategy for Trade in Services: 27-28 June 2022.
[86] https://lsk.or.ke/about-lsk/
[87] https://www.rwandabar.org.rw/about-rba
[88] https://tls.or.tz/
[89] www.uls.or.ug

clause. Any person who applies for enrolment to the Bar association must submit to the Secretariat of the Bar association an application, to which are attached documents that certify the fulfilment of conditions set out by Articles 7 of the Law of 29 November 2002. These include a nationality certificate issued by the competent authority. Only regularly enrolled advocates have the right to exercise legal profession in Burundi. A foreign advocate may be allowed by the Court/Tribunal before which the case is lodged to assist or defend a party. The request of the foreign Advocate must be notified to the Chairperson of Burundi Bar Association who may provide his opinion as to the response to be given to the request. The foreign lawyer admitted to assist or represent his/her client in Burundi must comply with the professional practices and obligations applicable to advocates of Burundi.

The legal system in **Kenya** is based on the English Legal System. The Advocates Act (No.11 of 2017) initially had provisions allowing citizens of all EAC PS except South Sudan to be admitted into the bar if they were duly qualified as per the professional and academic qualifications prescribed by the Council of Legal Education, and had attended pupillage or were advocates of the high court in other EAC PS. However, following a Court of Appeal ruling in 2019, advocates from Rwanda and Burundi were barred from practising in Kenya on the grounds that the two countries did not offer the same market access to Kenyan lawyers and that the provision to allow them to practice was added to the act without proper public participation.[90] The Advocates (Amendment) Bill of 2021 seeks to allow Rwandan and Burundian lawyers market access again. For Kenyan, Ugandan and Tanzanian advocates, section 15 of the Advocates Act outlines procedure for admission to the bar: - once admitted, you sign the roll of advocates which is kept in the custodian of a Registrar, who is mandated to issue practicing certificates. The issuance of the certificate confers membership of an advocate to the Society.

The Legal Education Act (No.27 of 2012) provides for the establishment of the Council of Legal Education, the establishment of the Legal Education Appeals Tribunal, the regulation and licensing of legal education providers and for connected purposes. The Council for Legal Education is the regulator of legal services and supervisor of legal education in Kenya. The Council is also responsible for establishing the criteria for the recognition and equation of academic qualifications in legal practice and gives advice to the government on the standardisation, recognition and equation of legal education qualifications awarded by foreign institutions.

The Kenya School of Law, established by the Kenya School of Law Act, is the government agency for post university professional legal training. Its mandate includes training lawyers to advocates, ensure CPD for all cadres of legal profession, provide para-legal training and other specialized training; develop curricular, training manuals, conduct exams, confer academic awards. The Law Society Act (No. 21 of 2014) establishes the Law Society of Kenya, to provide for the objects, and conduct of the affairs of the Society; to provide for the establishment of the Advocates Client Compensation Fund and for connected purposes.

Rwanda has a dual legal system based both on civil and common law, but it is gradually becoming a common law based system. The regulatory authority is the Bar Association in Rwanda which is established by Law N°83/2013 Of 11/09/2013 Establishing The Bar Association in Rwanda and Determining Its Organization and Functioning. The main role of the Rwanda Bar

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[90] Law Society of Kenya v Attorney General & 2 others [2019] eKLR, http://kenyalaw.org/caselaw/cases/view/181561/

Association is legal representation and regulation of its members and the administration of justice. The Association also stipulates the terms and conditions of access to and practice of the legal profession. To practice law, one must be a Rwandan national and hold at least a bachelor's degree in Law Legal Practice and Development; have a recognized certificate; pass test conducted by the Bar association, among others. Foreigners can also practice on condition of reciprocity, or in accordance with Treaties / Agreements that Rwanda has signed (this includes EAC Treaty / CMP. Admission into the roll of the bar association is by application to the Council of the Bar Association (established by the Law) after fulfilling the criteria and paying set fees. Advocates registered in foreign bar associations are eligible to practice, but occasionally and upon written permission from president of the Bar.

Tanzania's legal system is based on English Common Law. The Advocates Act (Cap 341) stipulates the provisions for the qualification of persons who may be admitted as advocates, manner of admission and discipline mechanism. These provisions include being a holder of a degree of law and a legal practitioner. Applicants must tender their application to the Chief Justice and provide evidence that they have complied to requirements pertaining to professional experience as specified by Council of Legal Education regulations and has been in continuous practice in Kenya or Uganda for 5 years immediately preceding his/her application. The Advocate's Act Cap 341 also establishes the Council for Legal Education, which is the regulator for the sector, charged with general supervision and control of legal education in Tanzania. Other relevant legislation includes the Law School of Tanzania Act (2007), which establishes the Law School of Tanzania – an institution that offers practical legal training programmes; and the Tanganyika Law Society Act, Cap 307 R.E. 2002, which is the enabling legislation for lawyers practicing in Tanzania. The affairs of the society include assisting and advising members of the legal profession, the government and the public.

The Zanzibar Law Society (ZLS) is established as a non-profit organization registered by the Register of Society as per the Societies Act No 6 of 1995. ZLS provides continuous legal education to members as well as to the public on legal matters.[91]

The legal system **in Uganda** is based on English Common Law. The Advocates Act (Cap 267) Amended 2002 establishes the Uganda Law Council as the regulatory authority. The Act also establishes the Committee on Legal Education and Training. The Uganda Law Society Act 2016 establishes the Uganda Law Society (ULS) as the bar association of the country. The role of the ULS is to maintain and improve standards of conduct and learning in legal profession, among others. Members of the ULS pay annual fees which enables them renew their certificate to practice law. The Law Development Centre Act establishes the Law Development Centre - an educational institution that offers the Bar Course leading to the award of the post-graduate Diploma in Legal Practice. Admittance into the LDC requires one to have a degree in law granted by a university in Uganda whose programme has been accredited by the Law Council or be a Ugandan citizen who holds a foreign degree from a country operating a common law system.

At the regional level, the East Africa Law Society is the apex regional bar Association of East Africa founded in 1995 with the support of the leadership of the national Bar Associations of the member states. Membership stretches over 17,000 lawyers and comprises of all the national bars in the East African Community as follows: The Law Society of Kenya, Tanganyika Law

[91] http://zls.or.tz/

Society, Zanzibar Law Society, Burundi Bar Association, Uganda Law Society, Rwanda Bar Association, South Sudan Bar Association. Consultative meetings have been held between the East Africa Law Society and the East African Law Society (EALA) on the enactment of the proposed EAC Cross Border Legal Practice Bill which was proposed by EALA. It seeks to provide cooperation in legal and judicial affairs; harmonise and promote legal practice across the region.

SWOT Matrix

Strengths	Weaknesses
- Strong regulatory and legislative practice across all the EAC Partner States. -	- Disparate legal education programmes - Inability to complete an MRA for the sector despite many attempts - Disparate legal education systems Limited capacity of domestic law firms to handle the complex legal needs of big companies that are setting up in the region - Fees for legal services in the PS vary widely and are often too expensive for SMEs and individuals seeking legal services - Many individuals and SMEs do not seek legal help because of lack of knowledge
Opportunities	**Threats**
- Enactment of the EAC Cross Border Legal Practice Bill will enhance cooperation in legal and judicial affairs - Conclusion of an MRA for the Sector	- Disparate legal systems across the region make harmonisation / mutual recognition challenging

Strategic Interventions

Government Level Interventions:

f) Negotiate an MRA for legal services, covering aspects of free movement of legal professionals and firms. The MRA should include clear guidelines on the criteria for recognition of foreign qualifications obtained outside of EAC.

g) Pursue the enactment of the proposed EAC Cross Border Legal Practice Bill

h) Harmonise legal education in the region to facilitate mutual recognition of qualifications

i) Develop a statutory mandate on the East African Law Society to support implementation of the EAC Cross Border Legal Practice Bill, once enacted.

j) Working with EAC, regulators and BMOs in the sector, implement the proposed Manual for collection of statistics in order to collect data and information on domestic and cross-border activities within the sector.

6.5 Priority Sector 5: Road Freight and logistics transport services

Under the W/120 classification, road freight transport services comprise the following sub-sectors:

a) Passenger transportation;
b) freight transportation,
c) rental of commercial vehicles with operator;
d) maintenance and repair of road transport equipment; and,
e) supporting services for road transport services, which include bus station services; highway, bridge and tunnel operation services; parking lot services and towing services for commercial and private vehicles, among others.

Logistics services include cargo-handling services, storage and warehouse services and freight transport agency services.

In the revised schedule all Partner States have committed to liberalise road freight transport services, with no limitations across any mode for both NT and MA. Mode 4 is unbound except for categories previously indicated.

For services auxiliary to all modes (logistics), Burundi, Rwanda and Uganda have not committed to liberalise any of the sub-sectors. Kenya and Tanzania have committed to liberalise cargo handling services, storage and warehouse services and freight transport agency services (for Kenya) and 'other cargo stations / depots' (for Tanzania), with no limitations across any mode for both NT and MA and Mode 4 is unbound except for categories previously indicated for each Partner State.

Road freight transport and logistics services in the EAC

Road freight transport, sometimes referred to as trucking, is the backbone of the modern economies as it links supply to demand, bring most products to the final destination. In terms of land freight service at both origin and destination points, road transport represents more than 70% of all cargo transportation, for domestic, transborder and international cargo, outperforming rail, air and water. The key salient features of the sector are as follows:

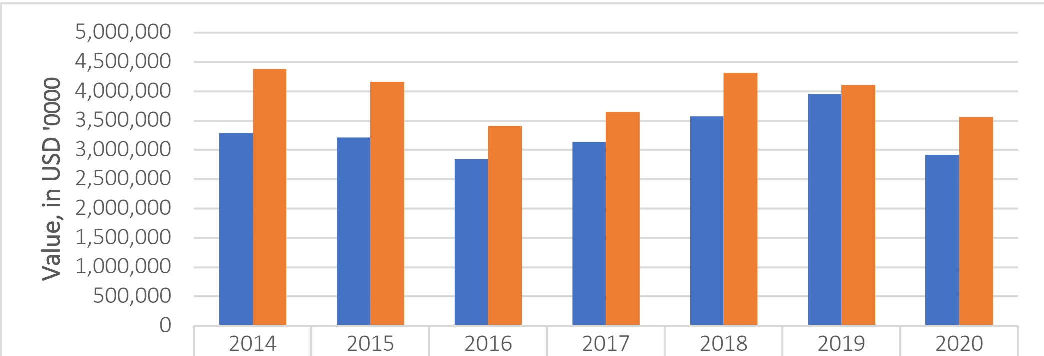
- **Market structure:** As demand for road freight is driven by manufacturing output and consumer spending, the industry comprises carriers that transport commodities for consigners, who are predominantly industries, using a commercial motor vehicle. Although data on precise numbers of operators is not available, across the EAC, majority of the road freight transporters are independent service providers, with ancillary providers and hire and reward operators also being present. Independent road freight providers will usually on a fleet of commercial vehicles, some as large as 100 trucks. Majority of them will have existing / long term relationships with their customers and may even brand their trucks with customer specific logos. For those operating domestically, their routes are usually not restricted, often dependent on the needs of the customer. Majority of the transit road freight (to or from the ports of Dar es Salaam or Mombasa) are independent transport providers, serving both importers and exporters and are usually restricted to specific routes due to cabotage restrictions. Ancillary providers are owned by the cargo owners, with freight transport usually being subsidiary to the main function of the firm. In the region, only large corporates, especially exporting ones like in the horticultural sector have their own road freight transport fleets. In addition, many large domestic suppliers especially of fast-moving consumer goods (FMCGs) also have ancillary providers, usually for own distribution across the country as well as region. Smaller producers of FMCGs will often use independent providers, with their consignments being consolidated with others.

- In terms of the **contribution of the sector to GDP,** transport services are among the leading service sectors, contributing significantly to the region's economy in terms of GDP, employment and exports. In terms of contribution to GDP, in 2021 (2019 for Burundi), transport services accounted for 10.8% in Kenya; 7.1% in Tanzania; 3.2% in Uganda; 6% in Rwanda and 1% in Burundi.[92]

- In terms of **contribution to employment**, data specific to transport is not available on ILOSTAT and is not systematically collected by all Partner States. Available information shows however that combined, transport contributes significantly to employment, though it is not a leader in the service industry. For example, based on data from Kenya on employment statistics by the private sector in 2019, the main service sectors are, by numbers, distribution services (267700); education (228700), construction (212700), information and communication (130400), health services (114600) accommodation and food (81,200), followed by transport services (73900). While transport is a key employer in the informal sector, especially for passenger transport, most sub-sectors like road freight tend to be formal.

- **Value of exports and imports:** The region remains a net importer of transport services, as illustrated in Figure 11 below, accounting for USD 4.3 billion in 2018 (year for which data is available for all EAC Partner States). Exports of transport services accounted for USD 3.6 billion in 2018. The exports show an appreciating trend for the period 2016-2020. Data from 2019 and 2020 does not include figures from Burundi.

Figure 11: EAC aggregate Export & Import values for transport services in USD '000 (2014-2020)



	2014	2015	2016	2017	2018	2019	2020
Exports	3,283,122	3,213,427	2,840,635	3,135,253	3,576,618	3,955,796	2,920,572
Imports	4,379,292	4,158,488	3,404,106	3,644,059	4,311,441	4,106,421	3,560,377

Source: Trade Map, accessed 21 July 2022

Looking at individual EAC countries, the picture changes considerably. Kenya and Tanzania are net exporters of export services, owing to their geographical coastal locations. For the land locked countries, transport services are a major import item, accounting for USD 1.4 billion in Uganda, against exports of USD 167M in 2020. In the same year, Rwanda imported serves worth USD 322M against exports worth USD 124M. While recent data from Burundi is not available, as per data from 2018 the country is also a net importer, having imported services worth USD 161M against imports worth USD 2.2M. The high export figures for Uganda and Rwanda also denotes their transit country nature for goods destined for South Sudan and DRC respectively. Furthermore, looking at Table 9 below, it shows the exports from the region have been increasing over the period ending 2019, (for which data is available for all countries), particularly for Tanzania before dipping in 2020 as a result of the COVID 19 pandemic.

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[92] Based on Statistical Reports from the National Bureau of Statistics.

Table 7: Individual EAC Partner States Export & Import values for transport services in USD '000 (2014-2020)

	Burundi		Kenya		Rwanda		Tanzania		Uganda	
	Imports	**Exports**	**Imports**	**Exports**	**Imports**	**Exports**	**Imports**	**Exports**	**Imports**	**Exports**
2014	161,956	2,629	1516442	2131559	409577	78078	1142574	902639	1148743	168217
2015	139862	2570	1430974	1951651	407072	96826	1047038	1024852	1133542	137528
2016	123621	2204	972160	1550604	399561	91570	893707	1053612	1015057	142645
2017	154907	1873	1031537	1622915	465018	204130	800344	1141047	1192253	165288
2018	160578	2217	1397082	1,972,112	491234	183345	843556	1227533	1,418,991	191411
2019			1,448,689	2,200,020	451,293	212,844	662,133	1,355,505	1,544,306	187,427
2020			1,231,285	1,311,570	322,861	124,111	555,088	1,316,964	1,451,143	167,927

Source: Trade Map, accessed 21 July 2022

In terms of the **institutional framework,** road transport services are coordinated by transport ministries and various other institutions across the EAC. The elaboration below presents the current institutional framework in each Partner State.

- **Burundi:** Two key ministries are involved in the sector: the Ministry of Trade, Transport, Industry and Tourism (MTTIT) oversees the transport sector and is responsible for, among others; i) designing the national policy for the transport sector; (ii) developing strategies for the promotion and development of the transport sector; (iii) designing policies aimed at improving transport in general and urban transport in particular; (iv) and promoting the development and maintenance of the road and future rail network. The Ministry of Infrastructure, Equipment and Social Housing (MIESH) is in charge of the design and execute the national policy in terms of infrastructure, equipment and social housing as well update the maintenance policy for public works and infrastructure. Under the Ministry of Infrastructure, the National Road Agency (NRA) is responsible for the construction, supervision, and maintenance of roads.

- **Kenya:** The State Department for Transport under the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works. The Ministry supported by several parastatals: the **Kenya Roads Board** - oversees Road network and co-ordinate its development, rehabilitation and maintenance; the **National Transport and Safety Authority** (NTSA) - responsible for development, coordination and implementation of road safety rules; and the **Kenya National Highways Authority** (KeNHA) - responsible for the development, rehabilitation, management and maintenance of all National Trunk Roads.

  Other key bodies are **Lamu Port, South Sudan, Ethiopia Transport Corridor** (LAPSSET) Coordination Authority - coordinate and oversee the implementation of the LAPSSET corridor and their respective components; and the **Kenya Urban Roads Authority** (KURA) - management, development, rehabilitation and maintenance of national urban trunk roads.

- **Rwanda:** The Ministry of Infrastructure, Directorate of Transport. Related agencies are - the Rwanda Transport Development Agency - for implementation of policies on roads, railway and cable cars, and their development, management and control and the Rwanda Utilities

Regulatory Agency (RURA) - regulation of public utilities including transportation of goods by all modes of transport.

- **South Sudan:** The Ministry of Transport, Roads and Bridges (MTRB) is responsible for overall transport sector policy and administration of road, air, rail and river transport. The South Sudan Roads Authority (SSRA) has the role of maintenance and management of road development projects has been developed.

- **Tanzania:** The Ministry of Works, Transport and Communications. The Land Transport Regulatory Authority (LATRA) regulates land transport sector, including freight, passengers, railways and cable transport. The Tanzania National Roads Agency supervises the construction and maintenance of major roads.

- **Uganda:** The Ministry of Works and Transport. The Uganda National Roads Authority (UNRA) is responsible for the maintenance, management and development of the national road network.

The industry has strong industry representation arrangements, albeit at national level. However, at the regional level, the industry collaborates under the various initiatives active along the two main Northern and Central corridors. Key representative bodies are as follows: Burundi Transporters Association; The Kenya Transporter's Association and the Trucker's Association of Kenya; the Tanzania Roads Association, Transporters Association of Tanzania and Tanzania Truck Owner's Association; Tanzania Medium and Small Truck Owners Association; Tanzania Association of Drivers and CHAWAMATA; the Association des Transporteurs Agréés au Rwanda (ATAR) and the Uganda National Lorry Drivers and Transporters Association.

In terms of the **regulatory framework**, the main legislation is as follows:

- In Burundi: Loi No.1/26 du 23 Novembre 2012 Portant Code de la Circulation Routiere (Law No.1/26 of November 23, 2012 on the Road Traffic Code); Act No.1/04 of February 2009 (LOI No1/04) for addresses matters related to operator licensing, vehicle registration and driver licensing, traffic regulations and safety enforcement. Decree No. 100/117 of 27 October 2001 and Law No 1/06 of 10/09/2002 provides requirements with regard to weigh bridges.
- In Kenya: The Traffic Act (Cap 403); The National Transport and Safety Authority Act No 33 of 2012; Kenya Roads Board Act, 2000 the Transport Licensing Act – Revised 2012 and the Public Roads Toll Act (Cap 407).
- In Rwanda: Law N°55/2011 of 14/12/2011 Governing roads in Rwanda. Guidelines No. 005/TRANS-RURA/2011 on public transport in Rwanda
- Tanzania: The Foreign Vehicles Transit Charges Act - Cap. 84 of The Revised Edition 2006 and the Transport Licensing (Goods Carrying Vehicles) Regulations 2012 and the Section 47 of the Finance Act 2022 amending the Schedule of the Foreign Vehicles Transit Charges Act CAP 84
- Uganda: The Traffic and Road Safety Act of 1998, (Amended in 2020) and the Traffic and Road Safety (Weighbridges) Regulations, 2010.
- For all, the EAC Axle Load Control Act and its various regulations

Key issues for road freight include high fees and charges for foreign vehicles; market access and national treatment restrictions such as foreign equity limitations and discriminatory licensing.

For instance, across the region, the fees and charges payable by road freight transporters are yet to be harmonised. The varying and high transit charges remains one of the key issues traders complain about while using the two main EAC corridors. A recent EAC meeting[93] reviewing the road user charges in each Partner State established the current status:

Table 8, Status of Road User Charges (RUCs) in EAC Partner States (April 2022)

No	Country	Vehicle category	RUCs in U.S Dollars per 100 km	RUCs between Kenya and URT	Fixed fees in USD
1	Burundi	(i) Up to (03) axles (including buses)			72
		(ii) More than three (03) axles			152
2	Kenya	(i) All Buses	05	08	
		(ii) Rigid chassis with up to 3 axles without a trailer	06	08	
		(iii) Heavy goods vehicles with more than 3 axles and all articulated vehicles	10	16	
3	Rwanda	(i) Simple trucks			76
		(ii) Heavy commercial trucks			152
4	South Sudan	No information was available			
5	Tanzania	(i) Vehicles ≤ 03 axles (including buses)	06		152 An interim arrangement for Rwanda and Burundi only
		(ii) Vehicles > 03 axles	16		
6	Uganda	(i) Buses	05		
		(ii) Trucks with three (03) axles	06		
		(iii) Trucks with more than three (03) axles	10		

Beyond the challenges related to fees and charges, transit trade facilitation is also a key issue of concern. Although freight times across the region have decreased due to various trade facilitation initiatives, freight costs in the region still remain high compared to those in developed countries and elsewhere in Africa. On freight time, a remarkable reduction in transit times for selected borders from ports was noted by the TMEA Independent Evaluation. The report notes that transit times from Mombasa to Malaba reduced from 11.1 days to 4.3 days between 2010 and 2018 while transit times from Mombasa to Busia reduced from 14.7 days to 4.1 days. Time to transport goods from Rwanda to Mombasa port decreased from 21.2 days maximum in 2012, to 5.5 days in 2019.[94] Looking specifically at freight costs, a recent survey on logistics performance in East Africa estimated these to be amongst the highest in the world, estimated at USD1.8 per km per container, compared to the international average and recommended USD 1 dollar per km per container. Furthermore, transport and logistic costs contribute 35-42% of production costs, compared to 8% in Asian countries.[95]

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[93] EAC Meeting of Technical Experts to Review the Status of Road User Charges in the EAC (30th March -1st April 2022) in Arusha, Tanzania.

[94] Independent Evaluation of TradeMark East Africa, Deliverable 3B: Performance Evaluation, Pg. 88 Case Study summary: The Northern Corridor. www.trademarkea.com

[95] See https://allafrica.com/stories/202207180053.html and https://www.monitor.co.ug/uganda/business/markets/kampala-mombasa-most-expensive-route-in-eac-cargo-transportation--3907384

Among the contributing factors to the high freight costs are high fuel costs; delays at border crossings; corruption and police harassment, as well as delays due to roadblocks and weighbridges. Others are excessive documentation requirements, duplication of processes and responsibilities, compounded by limited cooperation between government agencies and insufficient use of ICT systems – for example, even though most EAC Partner States have put in place single windows to allow lodgement of documents, in many cases original hard copy documents are still required. In addition, there is need to apply more technology to transit related processes, especially to embrace concepts such as electronic cargo tracking. The TMEA Review noted that for the 20% of shipments transported under the Regional Electronic Cargo Tracking System (RECTS), 30-60% savings on time were registered, compared to those that were not monitored.[96] Another constraint is the lack of a regional wide law on carriage of dangerous goods by road, which creates risks to drivers and other road users; the public and the environment.

SWOT Matrix

Strengths	**Weakness**
- Transport in the region is still heavily reliant on road transport - Improving physical infrastructure across the region, including one stop border posts that are making crossing borders faster. - Increasing implementation of road-side stations - Port development projects at both regional ports, leading to increased throughput.	- High road use and transit fees and charges - Complicated and expensive transit bond procedures, - Poor trade facilitation, albeit improving - High freight costs compared to developed countries and countries. - Higher cost of transport as a cost to production - Inadequate resources to ensure adequate road network, including regular maintenance. - Unharmonised operation times at some border points, leading to delays - Inadequate parking areas, compounded by high charges for those available
Opportunity	**Threats**
- More adoption of Trade facilitation measures - More adoption of technology e.g., electronic cargo tracking services, which can enhance savings on transit time. - The expanding market due to the AfCFTA, especially given the large number of land-linked countries. - Projected increase by roughly 400% on the Northern Corridor and 800% on the Central Corridor facilitated by capacity and efficiency improvements at both ports. - Opportunity to enhance multimodal transport services, especially with the improving rail system. - Opportunity to be in measures to address climate change issues	- Lack of sustained focus on addressing climate change in road freight transport - Health pandemics, for example the COVID 19 pandemic that has disrupted freight transport through border closures and mandatory COVID tests for drivers - Political instability and disputes between countries have adversely affected road freight transport

96 Independent Evaluation of TradeMark East Africa, ibid

Strategic Interventions

Government led interventions:

j) Undertake a regional study with a view to proposing harmonised road user rates for EAC, in line with recommendation of the Technical Experts meeting to review the status of the charges. Thereafter, support activities to implement the agreed charges.

k) Implement harmonised axle load limits in line with the EAC Axle Load Act and regulation.

l) Integrate and share information on weigh bridges to ease movement across the corridors. In addition, the region should invest in weigh-in-motion bridges.

m) Implement the EAC Single Customs Document to enhance cross border movement of cargo

n) Implement road transport interventions such as vehicle age restrictions, aimed at implementing the EAC Climate Change Policy

o) Establish a mechanism of collaboration among transport sector regulators to address recurrent transport related impediments in a timely manner.

p) Harmonise insurance charges and premiums for road freight drivers and agree on a mechanism / methodology for compensation in case of accidents abroad.

q) Enhance trade facilitation measures aimed at simplifying border inspections and reducing delays at ports, along corridors and at border crossings. These should include enhanced use of technology to reduce human interactions.

r) Develop EAC legislation on transport of dangerous goods in line with the adopted COMESA-EAC-SADC Transport of Dangerous Goods by Road Model Law and the EAC Standard on transport of dangerous goods (once adopted).

6.6 Priority Sector 6: Air Transport services

Under the W/120 classification, air transport services comprise the following sub-sectors:

a) Passenger transportation;
b) Freight transportation;
c) Rental of aircraft with crew;
d) Maintenance and repair of aircraft, and
e) Supporting services for air transport (which include airport operation services and air traffic control services, among others).

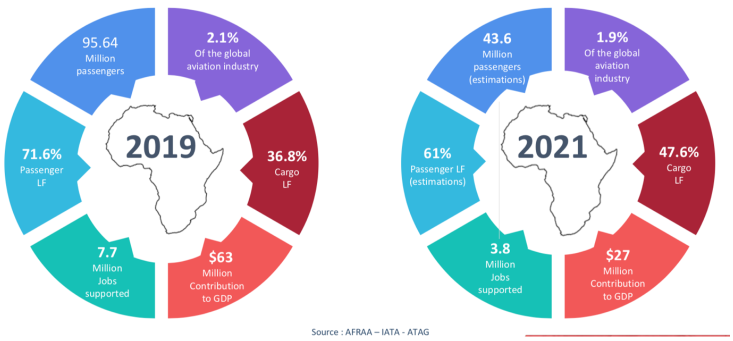
In the strategy, the focus is on passenger and freight transportation.

In the revised schedule, only Burundi and Uganda have committed to liberalise air passenger and freight transport services, with no limitations on MA and NT and Mode 4 is unbound except for the categories indicated earlier. Kenya and Rwanda have not committed to liberalise both passenger and freight air transport. Tanzania has committed to liberalise air passenger transport, excluding cabotage and mode 3 is subject to operational Bermuda type arrangement (BASA), with mode 4 being unbound except for the categories earlier indicated.

Air transport Services in the EAC

Bar for the unprecedented impacts of the COVID 19 pandemic which led to decrease in revenues and job losses in aviation and related industries, the air transport sector was one of the fastest growing sub-sectors globally and in Africa. A 2019 report by the International Civil Aviation Organisation (ICAO) had forecasted that by 2036, the impact of air transport and tourism in Africa will have grown to support 9.8 million jobs (60 per cent more than in 2016) and a USD 159 billion contribution to GDP (an increase of 184 per cent)[97] . The COVID-19 impacts may have affected that trajectory however: based on a recent report by African Airlines Association (AFRAA),[98] in Africa the sector supported 3.8 million jobs and contributed about USD 27M to the GDP in 2021, against 7.7 million jobs and USD 63M contributed to GDP in 2019. See figure below:

Figure 12, Benefits of Aviation in Africa: 2019 Vs 2021



Despite Africa's large size, it accounts for only 2.1% of the global traffic, with Eastern Africa accounting for 20.9% of that share.[99]

In terms of the **EAC market size**, while not factoring in COVID, access to and usage of air transport in the region has been increasing steadily at an average annual growth rate of 5% since 2014 as evidenced by traffic data from five EAC Partner States. Passenger traffic increased from 15.8 million in 2014/15 to 20.2 million in 2018/19 while freight traffic increased from 356,266 tonnes to 466,913 tonnes during the same period. This reflects an increase of 27.8 per cent for passenger traffic and a 31.0 per cent increase for freight traffic. Aircraft movements increased from 570,437 to 618,708 during the same period.[100]

[97] ICAO, Aviation Benefits Report 2019. Accessed from https://www.icao.int/sustainability/Documents/AVIATION-BENEFITS-2019-web.pdf

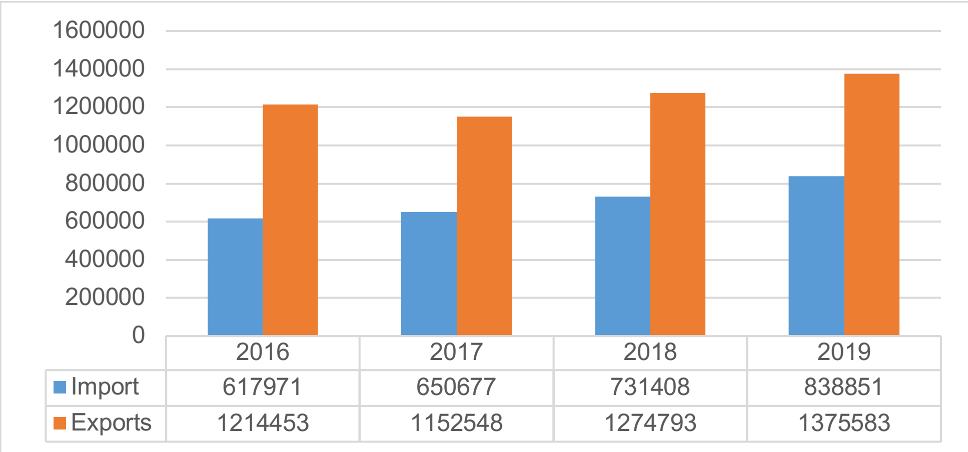
[98] State of the African Airline Industry 2021, as presented during the AFRAA 10TH Aviation Stakeholders Convention held in May 2022. Accessed from https://www.afraa.org/wp-content/uploads/2022/05/Day-1-masterslides.pdf

[99] Ibid

[100] 3RD CASSOA Strategic Plan (2020/2021 – 2024/2025) (FINAL DRAFT), accessed from https://www.cassoa.org/wp-content/uploads/2020/09/EAC%20CASSOA%20Strategic%20Plan.pdf on 23rd April 2021

In **trade terms,** the region 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 level 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 13 and Table 9 below*:

Figure 13, Total EAC Trade, Air transport services



Source: ITC TradeMap, Accessed July 2022

Table 9, 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

Other key characteristics of the EAC air transport capacity are as follows:

- **Burundi:** Information on the number of bilateral air service agreements signed by Burundi was not availed. The Burundi Airport Company manages the operations of the 3 airports in Bujumbura, Gitega and Kirundo. The main airport is Melchior Ndadaye International airport in Bujumbura which has an apron capacity of 4 slots. There are 7 scheduled airlines operating from this airport which has a car parking capacity of 120. Burundi's direct catchment area is Africa and Europe.

- **Kenya:** has signed a total of 125 BASAs, of which 49 are with Africa, 31 under SAATM and 45 under the YD. The key airports in Kenya include JOmo Kenya International Airport (JKIA):

Moi International Airport in Mombasa; Kisumu International Airport, Wilson Airport, Ukunda and Malindi Airstrips. The National Airport Network consists of 446 aerodromes

- JKIA is Kenya's hub and the largest aviation facility with a capacity of 7.5 million passengers and 1.55 million tonnes of cargo. Its annual handling capacity is 10.82 million passengers and 1.955 million tonnes. It's apron capacity is 68 slots while the car parking slots are 2,700. There are 30 scheduled airlines that operate from this busy port.
- The number of registered aircrafts in Kenya is 1600. The national carrier, Kenya Airways has an aircraft capacity of 34 airplanes.
- Kenya's direct catchment areas include Europe, Middle East, Far East, North America, Africa and Indian Ocean Islands as well as Domestic Routes.
- Other service providers include 24 Approved Training Organisations, 7 approved maintenance Organisations, 78 Aircraft Maintenance Organisations, 11,807 Licensed Aviation Personnel, comprising 8,446 pilots, 2,488 cabin crew and 873 Aircraft Maintenance Engineers.

- **Rwanda:** has signed over 100 BASAs,[101] but additional information was not available. The Rwanda Airports Company manages all the airport operations in Rwanda. The 3 key airports include Kigali, Gisenyi and Bugesera. Kigali International Airport is the main airport in Rwanda with a capacity of 1.7 million passengers. The Apron Capacity is 18 slots. There are 7 scheduled airlines that operate from this airport. Rwanda's Direct Catchment Area includes Africa, Europe, Middle East & domestic routes.

- **South Sudan:** There is no information available on the number of BASAs signed by South Sudan. There are 2 airports in South Sudan namely Juba International Airport (JIA) and Rumbek, whose operations are managed by South Sudan Civil Aviation Authority. JIA has a passenger capacity of 0.5 million and has 15 scheduled airlines operating from here. South Sudan's Direct Catchment Area includes Europe, Middle East, Africa and domestic routes.

- **Tanzania:** There was no information available on the number of BASAs signed by Tanzania. The key airports in Tanzania include Julius Nyerere International Airport, Kilimanjaro International Airport, and the Mwanza Intenational Airport. Airports in the Zanzibar Archipelago are under the jurisdiction of the Zanzibar Airports Authority and they include Pemba Airport and Abeid Amani Karume International Airport. Planned developments include the Msalato International Airport, intended to serve the Tanzanian capital city of Dodoma. The National Airport Network is 31.
  - JNIA's annual handling capacity is 6 million passengers. It's apron capacity is 15 slots while the car parking slots are 2094. There are 19 scheduled airlines that operate from JNIA.
  - Over 175 aircrafts are registered with the civil authority. The national carrier is Air Tanzania with a capacity of 12 aircrafts.
  - Tanzania's direct catchment areas include Europe, Middle East, Far East, Africa, Indian Oceans Islands and Domestic Routes.
  - Other registered / approved service providers include 6 approved training organisations; 28 air operator certificate holders and 52 approved maintenance organisations.[102]

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[101] As indicated during the national validation workshop, July 2022
[102] https://www.tcaa.go.tz/

- **Uganda:** has signed 29 BASAs, 6 with EAC and 23 under YD and none under SAATM. The main airport in Uganda is Entebbe International Airport, which has has a capacity of 2.5 million passengers and 100,000 tonnes of cargo. It's apron capacity is 40 slots while the car parking slots are 400. There are 23 scheduled airlines that operate from here.
    - The number of registered aircrafts in Uganda is 74 and the direct catchment areas include Europe, Middle East, Far East, Africa and Indian Ocean Islands and Domestic Routes.
    - Other service providers include 18 approved training organisations and 51 approved maintenance oganisations. Licensed aviation personnel include 109 air traffic controllers, 129 private pilots licenses, 247 commercial pilots licenses, 106 airline transport pilots licenses, 85 flight operations officer licenses, 83 cabin crew and 207 air maintenance engineers.

Institutional and Regulatory Framework:

In terms of the Institutional framework, all EAC Partner States have Civil Aviation Authorities (CAAs), to whom regulatory and oversight responsibility of the aviation industry is vested. These are:

- The Civil Aviation Authority of Burundi (AACB) – whose mandate is to regulate economic, safety and security aspect of aviation industry as well as providing air navigations and Airport services in Burundi.

- Kenya Civil Aviation Authority (KCAA)[103], established on 24th October 2002 by the Civil Aviation (Amendment) Act, 2002 with the primary functions towards Regulation and oversight of Aviation Safety & Security; Economic regulation of Air Services and development of Civil Aviation; Provision of Air Navigation Services, and Training of Aviation personnel KCAA; as guided by the provisions of the convention on international civil aviation, related ICAO SARPs, the Kenya Civil Aviation Act, 2013 and the civil aviation regulations. The Kenya Airports Authority is the body that is responsible for managing all airports and airstrips in the country.

- Tanzania Civil Aviation Authority (TCAA)[104] TCAA started operations as a full regulatory authority in November 2003.The Civil Aviation Act no. 10 of 2003 mandate the Authority to regulate economic, safety and security aspect of aviation industry as well as providing air navigations services in Tanzania. The Tanzania Airports Authority, established in 1999 by an Act of Parliament is responsible for the provision of airport services, ground support, infrastructure and construction of airports in Mainland Tanzania, while the Zanzibar Airports Authority, established under Act no. 8 of 2011 is responsible for operating and managing major airports in Zanzibar

- Uganda Civil Aviation Authority (UCAA):[105] UCAA, established under the Civil Aviation Act of 1991 enacted the Civil Aviation Authority Act. Cap.54 in February 1994, to provide for the establishment of the Civil Aviation Authority. The Act was amended by the Civil Aviation (Amendment) Act, 2017, which changed the name of the Authority to the Uganda Civil Aviation Authority. The mandate of the Authority is to coordinate and oversee Uganda's

[103] https://www.kcaa.or.ke/

[104] https://www.tcaa.go.tz/index.php

[105] https://caa.go.ug/

aviation industry including licensing, regulation, air search and rescue, air traffic control, ownership of aerodromes and Ugandan international aviation air law.

- Rwanda Civil Aviation Authority (RCAA)[106] Civil Aviation Authority (CAA) was created by law no 21/2004 of 10/08/2004 to take on the management, operation and maintenance of airport infrastructure. The Act was later revised in 2006 by law no 44/2006 of 05/10/2006 forming Rwanda Civil Aviation Authority (RCAA). Its headquarters are situated in the city of Kigali, capital of the Republic of Rwanda and is managed in compliance with laws relating to public service. The Rwanda Aviation Company which is a subsidiary of 'The Aviation, Travel and Logistics Holding Limited', is a Holding Group wholly owned by the government of Rwanda, whose mandate is the daily management, operation and provision of air navigation services for all airports in the country.

- South Sudan Civil Aviation Authority (SSCAA)[107] South Sudan Civil Aviation Authority (SSCAA) was established in 2006 after the CPA Agreement during Unity Government as the directorate of Air Transport under Sudan Civil Aviation Authority, later after independent of South Sudan in 2011, SSCAA was officially formed and recognized by ICAO as its 193rd Member and key aviation player in accordance with the requirements and developments in the Aviation sector locally, regionally and globally.

As part of collaboration on safety, security and efficiency matters, EAC Partner States established the Civil Aviation Safety and Security Oversight Agency (CASSOA), an institution of the EAC. CASSOA's responsibilities include air worthiness inspections of aircraft and airport facilities in the East African area. The agency is working with the Civil Aviation Authorities of the six Partner States to harmonise their aviation regulations, such that a licence acquired in one state should be valid in all of the others. The agency also organises training for Partner States.[108]

In terms of coordination at the private sector level, most of the airlines are members of the African Airlines Association (AFRAA), an association responsible for protecting the general interest of member airlines. AFRAA works in close collaboration with the International Air Transport Association (IATA), an association of international airlines whose mission is to represent, lead and serve the global airline industry. The Airlines are also members of Association of Air Operators in each partner States e.g., KAAO[109], TAOA[110] etc., that aims to foster the legal and responsible development of aviation industry by ensuring safety, efficiency, regularity and economic operations.

EAC Partner States are signatories of the Yamoussoukro Decision (YD), a treaty adopted by most members of the African Union which establishes a framework for the liberalisation of air transport services between African countries, as well as fair competition between airlines. YD was signed by 44 African states in 1999 and became binding in 2002. The treaty grants first, second, third, fourth and fifth freedom transit rights between all its signatories, granting airlines based in member states greater freedoms in each others' airspaces. It also seeks to eliminate restrictions on ownership of airlines as well as capacity and frequency limits on routes between

[106]https://caa.gov.rw
[107] https://www.ssdcaa.com
[108] https://www.cassoa.org/background/mandate-objectives/
[109] https://www.aviationkenya.org/
[110] http://taoa.or.tz/

signatory states. The Single African Air Transport Market (SAATM), established by the AU Summit in 2015 is one of the flagship projects which places the implementation of YD within the context of the AU Agenda 2063.[111] Only Kenya and Rwanda have signed the commitment to join SAATM. The EAC has signed a Memorandum of Cooperation with the African Civil Aviation Commission (AFCAC) for the operationalisation of SAATM in the EAC.[112]

Despite the YD, SAATM and the commitments under the CMP, air transport services in the region are 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.[113]

The EAC Air Transport Sub-Committee meeting noted that the high cost of intra-EAC air tickets makes it difficult to stimulate demand, preventing the optimal use of capacities and frequencies as well as freedoms rights agreed under BASAs.[114] An InterVISTAS, EABC and UKaid collaborative study of May 2017 on the costs and benefits associated with liberalisation of Air Transport in East Africa established positive impacts on traffic growth, connectivity and average fares. Frequencies were estimated to expand by 41% and average fares down by 9%. Other benefits were incremental jobs of about 46,320 and annual GDP of USD202.1M arising from support to trade, tourism, inward investments and overall economic development.[115]

In addition, an assessment of the effects of regulatory regime on the cost of air transport in EAC established that although most BASAs in EAC provide substantial liberalisation according to 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.[116] The AFRAA report of 2020 indicates a high aeronautical charge index[117] for the region. Mahe Island Airport in Seychelles is the most competitive in Africa, with an index of 100. Nairobi charges US223 and has an index of 300. Entebbe, Dar and Kigali have respective indices of 400, 500 and 550. The report noted that some of the busiest airports in Africa like Johannesburg, Addis, Algiers are among the least expensive, indicating a positive correlation between lowering the airport charges and airport traffic.

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[111] https://au.int/en/pressreleases/20201114/yamoussoukro-decision-yd-day-2020-celebration, see also https://au.int/sites/default/files/newsevents/workingdocuments/33100-wd-6a-brochure_on_single_african_air_transport_market_english.pdf

[112] EAC Report on the 15th Air Transport Sub-Committee, 13-18 November 2018.

[113] 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/

[114] EAC Report on the 15th Air Transport Sub-Committee, 13-18 November 2018.

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

[116] Ibid 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/)

[117] The aeronautical charge index is based on the landing fee for Boeing 737 being the most common aircraft operated in Eastern Africa. See AFRAA Air Transport Report 2020, released May 2021. Accessed from https://afraa.org/wp-content/uploads/2021/06/AFRAA-AIR-TRANSPORT-REPORT-Q1_-2021.pdf

SWOT Matrix

Strengths	**Weaknesses**
- EAC Partner States are signatories to the YD - Move towards a framework for co-ordinated seamless management of EAC upper airspace operations - Draft regulations on the liberalization of air transport in EAC - Regional expertise to handle most aviation requirements - Regional flights	- Weak intermodal transport network - Relatively high taxes, charges and fees - Unhealthy competition among regional airlines - Over-reliance on aeronautical revenues - Inadequate infrastructure, facilities and services - Existence of non-tariff trade barriers e.g market access-capacity + frequency - Sub-optimized cargo business - Extreme allegiance to sovereignty - Inadequate expertise base - Inadequate consumer protection and facilitation processes - Low use of information technology applications in oversight functions in the Partner States.
Opportunities	**Threats**
- Growing aviation industry in the Region, in Africa and globally - Growing global citizens-middle class - Revival of regional carriers - Low-cost carriers	- COVID 19 impacts likely to continue to disrupt the industry - New and emerging security threats as well as their dynamism. - Climate change impacts - Communicable diseases - Changing skills requirements - Stiff competition from other foreign carriers, combined with high cost of fuel

Strategic Interventions

Government Led Interventions

l) Implement the open skies policy, in line with the Yamoussoukro Decision

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

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

o) 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.

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

q) Finalize and implement the framework for seamless upper airspace operation

r) Develop strategies to increase non aeronautical revenues, by among others promoting commercial revenue segment including cargo.

s) Sustainable expansion of facilities, infrastructure and services

t) Engage in annual clean energy investment to comply with ICAO zero carbon emission by 2050

u) Enhance collaboration of regional airlines for capacity

v) Development of inter-modal transport network to improve on service delivery.

6.7 Priority Sector 7: Telecommunication Services

Under the W/120 classification, telecommunication services comprise the following sub-sectors:

a) Voice telephone services (CPC 7521)
b) Packet-switched data transmission services (CPC 7523)
c) Circuit-switched data transmission services (CPC 7523)
d) Telex services (CPC 7523)
e) Telegraph services (CPC 7522)
f) Facsimile services (CPC 7521, 7529)
g) Private leased circuit services (CPC 7522, 7523)
h) Electronic mail (CPC 7523)
i) Voice mail (CPC 7523)
j) On-line information and data base retrieval (CPC 7523)

k) electronic data interchange (EDI) (CPC 7523)
l) Enhanced/value-added facsimile services, incl. store and forward, store and retrieve (CPC 7523)
m) Code and protocol conversion n.a. (CPC 752)
n) On-line information and/or data processing (incl. transaction processing) (CPC 843)
o) Other

The above list was supplemented and further refined during the WTO negotiations that grouped them into basic services (to include all services, both public and private that involve end-to-end transmission of customer supplier information and value- added services (denoting those that suppliers "add value" to the customer's information by enhancing its form or content or by providing for its storage and retrieval.[118] The above classification, which still stands to date, does not serve any meaningful purposes as most of the sub-sectors are both outdated technology-wise and immaterial from an economic point of view. Furthermore, the WTO recognizes that the above breakdown does not necessarily reflect any particular government's national classification of services, noting further that the entire gamut of telecommunication services is under negotiation. Importantly, they also note that the distinction between telecommunications and sectors like computer services and technologies continue to become blurred.[119]

In the revised schedule of commitment, Burundi, Rwanda and Uganda have committed to liberalise telecommunication services across all modes, with no MA or NT limitations. Mode 4 is unbound for categories as indicated earlier. Kenya has no limitations for Mode 1 and 2, but Mode 3 is unbound for MA, requiring 20% Kenyan shareholding within 3 years of receiving a license. Mode 4 is unbound for categories as indicated earlier. For Tanzania, Mode 1 and 2 has no limitations, while for Mode 3, MA is limited for telex, packet switched and circuit-switched data transmission services sub-sectors, with a minimum of 25% local shareholding required through listing in stock exchange.

Telecommunication Services in the EAC

Market structure and FDI: The telecommunication sector in the EAC is dominated by mobile phones, which expanded exponentially following liberalisation. Landlines in most of the countries are still under state owned monopoly, while mobile telephony is liberalised, albeit with some limitations in some partner states. Key characteristics are as follows:

- In Burundi, there are 4 mobile network operators (MNOs), who include Econet Leo, Viettel Burundi and Lacell Smart. The dominant players are Viettel Burundi and Econet Leo. In terms of penetration rates, mobile subscriptions are 7,798 885 with 65 per 100 habitants having access as at end of March 2022. Other key statistics are as follows: Internet subscriptions (individual internet usually) (20.2%); Mobile Internet Subscriptions: (2,424 199); Fixed Internet Subscriptions (3, 882 households have fixed internet via optical

118 WTO - coverage of basic telecommunications and value-added services (as detailed on the WTO Website. Accessed from https://www.wto.org/english/tratop_e/serv_e/telecom_e/telecom_coverage_e.htm
119 WTO Background Note from the Secretariat. 2010

fiber, wimax or the like. This translates into 0.15% fixed internet penetration based on population of 12,044,164 (2019) and each household count 4.8 persons). In terms of mobile money subscriptions, the total of active subscriptions at the end of March 2022 was 4,990 686. Mobile money market is dominated by Lumicash & Cassava Fintech.[120]

- In Kenya, there are five MNOs, with the dominant player being Safaricom, a public listed company, whose majority shareholder is Vodacom Group Ltd of South Africa. Other players are Airtel Networks Limited; Telkom Kenya Limited, Equitel (Finserve) and Jamii Telecommunications Limited. In terms of market share (based on data as at end of 2021), Kenya had 65,085,720 mobile subscriptions, of which Safaricom accounted for 65.9% (with 42,879,175 subscriptions), followed by Airtel at 25.2% (16,425,399); Telkom Kenya at 6.4% (4,143693); Equitel with 2.2% (1401,1211) and Jamii Telecommunications with 0.4% (236,332). In terms of mobile money subscriptions, Safaricom's MPESA also leads the market with 34,142,583 active subscriptions, against Airtel's Airtel money 701,423; and Telkom's T-Kash 365,031 active subscriptions.[121] ICT has also been fastest growing, with 23% growth per annum over last decade. By 2020, ICT was valued at USD 635M.

- In Rwanda, the market is dominated by two MNOs - MTN Rwanda, Airtel Rwanda (which bought out Tigo). MTN dominates the mobile market (which has only 2 players), while Airtel dominates the fixed line market, which has four players – the others being Liquid Telecoms and BSC Limited.[122] ICT sector is also fast growing, registering 29% growth in 2020, with significant contribution to GDP (increasing from FRW 186 billion in 2019 to FRW 208 billion in 2020).

- In South Sudan, there are three MNOs, with MTN South Sudan being the dominant one with 61.8% of the market share and Zain South Sudan having 38.2%. The other is Digitel, whose subscriptions have begun to grow. ICT is an improving sector, with growth in both penetration and access.

- In Tanzania, there are five MNOs, who include Vodacom, Tigo, Airtel, Halotel and TTCL. In terms of market share (based on data as at March 2022), Tanzania had 55,293,345 active subscriptions, comprising 1% (71,834) fixed telephony and the rest mobile. The three main players by subscriptions are Vodacom Tanzania (16,737,350 users); Tigo (14,898,739 users) and Airtel (14,743,726 users). In terms of mobile money subscription, Tanzania had 35.7million money subscriptions as at March 2022. Of these, Vodacom Tanzania's Mpesa had 40% of the market share, followed by Tigo at 26%; Airtel at 21%, Halotel at 9% and TTCL with its T-Pesa at 4%.[123] In terms of ICT, this grew by 12.3 % in 2021 compared to 9.9% in 2020.

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[120] Input from Agence de Régulation et de Contrôle des Télécommunications during Regional Validation Workshop (1-5 August 2022).

[121] Report from the Communications Authority of Kenya (CA).

[122] https://rura.rw/fileadmin/Documents/ICT/statistics/Report_for_ICT_Telecom_Statistics_report_as_of_December_2020.pdf

[123] https://www.tcra.go.tz/uploads/documents/en-1657520262-THE%20REGULATOR%20JUNE%202022%20ENGLISH%20email.pdf. See also: https://www.thecitizen.co.tz/tanzania/news/national/tanzania-experiencing-increase-in-the-number-of-communication-users-while-building-a-digital-economy-3835514

- In Uganda, the mobile phone market is split among seven operators, with MTN-Uganda being the dominant player in both the voice and money transfer business. Other players are Airtel Uganda Telecom (UTL), Africell, Smile Telecom, K2 Telecom and Vodafone. ICT is significant, growing at over 20% per annum since 2010. Size of market also significant and growing, from UGX 2.87 trillion in 2018/2019FY to 3.57 trillion in 2019/20 FY

Size of Sector: Telecommunication is a key sector in all EAC Partner States, contributing significantly to GDP and employment and also enabling other services especially IT enabled ones. Regarding GDP, telecommunication services (in all instances reported as communications and technology). Regarding GDP, in 2019 (Burundi)/2020 (all others), 'information and communications' contributed as follows in each Partner State: 3% in Burundi;[124], 2.5% in Kenya;[125] 2% in Rwanda;[126] 1.5% in Tanzania;[127] and 1.8% in Uganda;[128].

Value of export and imports:
Available data captures 'telecommunications, computer, and information services' under one category. Globally, the sector was worth about USD 937.5 billion in 2019. The main sub-sector is computer services, with trade worth USD747.7billion. Telecommunication accounted for USD 131.6 billion, while information services accounted for USD 58.2 billion. For the EAC, data segregated by the above sub-categories is not available. In addition, only data for the period ending 2018 is available for all Partner States (except South Sudan). 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 below:

Figure 14: Total EAC Trade - Telecommunication, computer and information services

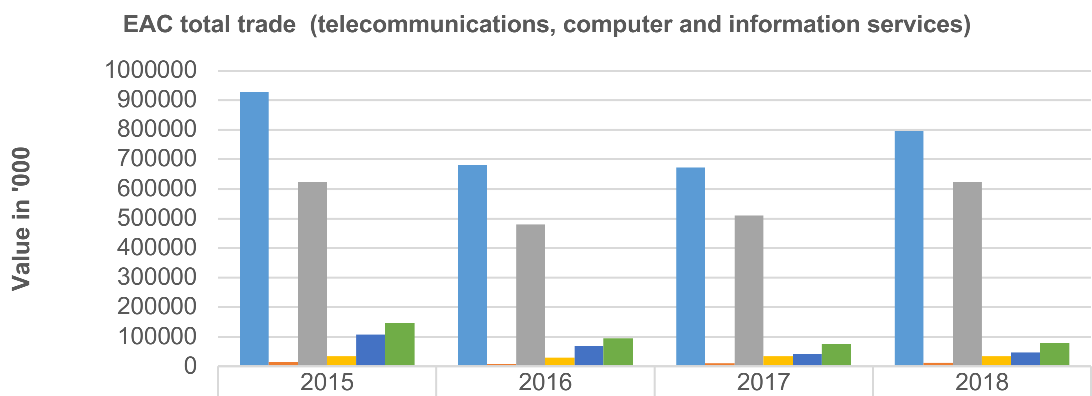
[124] Institut de Statistiques et D'etudes Economiques du Burundi, January 2021. Note de Synthese de l'activite Economique Du Burundi (Définitif 2018 et Provisoire 2019). Accessed from https://www.isteebu.bi/wp-content/uploads/2021/08/NOTE-DE-SYNTHESE-DES-CN-DEFINITIFS-DE-2018ET-PROVISOIRE-DE-2019v06052021.pdf

[125] Kenya National Bureau of Statistics 2021. Economic Survey 2021. Accessed from https://www.knbs.or.ke/wp-content/uploads/2021/09/Economic-Survey-2022.pdf

[126] National Institute of Statistics of Rwanda, March 2022. GDP National Accounts, 2021. Accessed from https://www.statistics.gov.rw/publication/1789

[127] Tanzania National Bureau of Statistics, July 2022. Hali ya Uchumi wa Taifa Katika Mwaka 2021. Accessed from https://www.nbs.go.tz/index.php/sw/machapisho/pato-la-taifa/756-hali-ya-uchumi-wa-taifa-katika-mwaka-2021

[128] Uganda Bureau of Statistics, March 2022. 2021 Statistical Abstract. Accessed from https://www.ubos.org/publications/statistical/



	2015	2016	2017	2018
EAC Aggregate	928030	681032	673357	797191
Burundi	15119	8442	11204	12754
Kenya	623979	480731	511050	623987
Rwanda	34669	30420	33106	33107
Tanzania	107859	67589	42179	47174
Uganda	146404	93850	75818	80169

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 exporters , while Burundi and Tanzania are net importers.

Table 10, EAC Aggregate - imports and exports (telecommunications, computer and information services)

	2015		2016		2017		2018		2019		2020	
Exporters	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

In terms of the **institutional and regulatory framework,** all EAC Partner States have a regulatory authority and a number of laws that regulate the telecommunications sector, as detailed below:

- In Burundi, the regulator is the Agence de Régulation et de Contrôle des Télécommunications (ARCT), while the main laws are the Decree-Law N° 1/011 of 4th September 1997, which sets a framework for the telecommunications sector; the Ministerial Order N° 520/730/540/231 of 9th April 1999, which determines the conditions for operating in the telecommunications sector and the Decree N° 100/97 of 18th April 2014, which determines the conditions for operating in the electronic communications sector. Other key laws are the Decree N°100/182 of 30th September 1997, which establishes ARCT; Decree

N° 100/47 of 15 November 2010, which puts ARCT under the supervision of the President of the Republic of Burundi and Decree N° 100/112 of 5th April 2012, which explains the reorganisation and functioning of ARCT.

- In Kenya, the regulator is the Communications Authority of Kenya, while the primary sector law is the Kenya Information and Communications Act, 1998. The law sets out the general legal framework for information and communications sector in Kenya. It contains licensing, management of country frequency spectrum, managing competition, protecting consumer rights within the communication environment, monitoring the activities of licensees to enforce compliance with licensed terms and condition, managing the Universal Service Fund (USF) to facilitate access to communications services, facilitate the development of e-commerce, facilitating the development and management of a national cyber security framework, and type approval of communication equipment, It also provides for licensing and regulation of postal and courier services. In addition, there are various subsidiary legislation that have been enacted under this Act.

- In Rwanda, the regulator is the Rwanda Utilities Regulatory Authority (RURA), which supervises the regulatory frameworks and implementation of the county's policies and strategies in the telecommunications sector. RURA is a national body with autonomy in its administrative and financial management, although its management and oversight is under government control. Another key institution is the Rwanda Information Society Authority (RISA), which is affiliated to the Ministry of ICT and innovation. RISA plans and coordinates the implementation of national ICT agenda. The primary law is the Law N°24/2016 of 18/06/2016 Governing Information and Communication Technologies in Rwanda. There are various other laws, regulations and orders that regulate various aspects of the sector.

- In URT, the regulator is the Tanzania Communications Regulatory Authority (TCRA), while the main law is the Tanzania Communications Regulatory Authority Act No. 12 of 2003, which established the regulatory authority. TCRA oversees the licensing and regulation of the postal, broadcasting and electronic communications industries. TCRA has issued a number of regulations to administer the sector.

- In Uganda, the regulator is Uganda Communications Commission, while the main law is the Uganda Communications Commission Act of 2013 that establishes the regulatory authority and sets out the general legal framework for telecommunications in Uganda. It contains a detailed institutional framework as well as the functions of UCC, which includes licensing, competition policy, quality service, interconnection, scarce resources management, tariffs regulation, penalties and sanctions. It also covers the postal service. UCC has issued several instruments to regulate various aspects of telecommunication services, including Licensing and standards; spectrum management and tariff regulation, among others.

- In South Sudan, the primary sector law is the National Communications Act of 2012, which establishes the regulator and sets its function, including licensing of telecommunications services.

In July 2012, the six regulatory authorities established the EACO - East African Communications Organization, with a mandate of strengthening and promoting cooperation among the EAC Partner States through the development and provision of telecommunication, postal and broadcasting services in East Africa. EACO, which is headquartered in Rwanda, is established as a regional autonomous organisation, with international legal personality. EACO brings together national ICT regulators, operators, services providers (in the telecommunication, broadcasting and postal sub-sectors), ICT training institutions and other stakeholders in the communication sector within the EAC. It has 74 ICT members and over 12 Memorandums of Understanding (MoUs) with affiliates including, Ericsson, Internet Society (ISOC), International Telecommunications Satellites Organization (ITSO), Commonwealth Telecommunications Organization (CTO), AFRALTI, ARICEA, GSMA.[129]

Besides the EACO, which many telecommunications private sector associations are members, there are various other BMOs at national level that represent the interests of the private sector. These are the Technology Service Providers of Kenya – TESPOK; the Information Communication Technology Association of Kenya – ICTAK and the Kenya ICT Action Network – KICTANet; the Uganda ICT Association – ICTAU; the Computing and Information Association in Tanzania; the ICT Chamber in Rwanda and the South Sudan ICT Association.

In terms of other key supply side considerations, the following are pertinent:

- Availability of affordable and meaningful connectivity across the region. For example, based on International Telecommunications Union (ITU) 2020 data, 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 fixed broadband subscriptions (based on ITU data).[130] The table below presents the data for all Partner States.

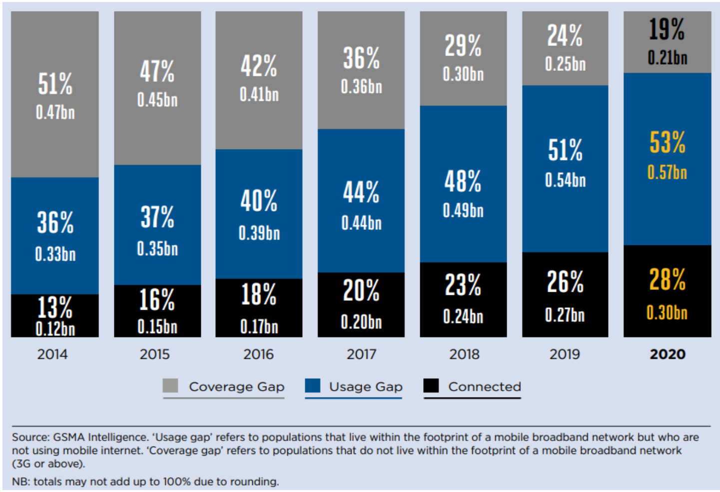
Table 11, selected telecommunication indicators for EAC Partner States

State	Percentage of population with at least 3G coverage	Individuals using internet	Fixed Broadband Subscription 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

Source: ITU, Accessed August 2022

[129] http://www.eaco.int/pages/about
[130] Accessed from https://datahub.itu.int/data/?e=701

- 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. The table across reflects that 53% of users are within connectivity coverage (have a signal) but are not using the internet. Only 28% of the population within coverage ranges are connected to the mobile network and using it, meaning that availing telecommunication infrastructure, while critical, is not sufficient. Addressing key challenges such as the high cost of smartphones, relative to average income levels, and limited digital skills among rural and less literate populations is also important.[131]



Source: GSMA Intelligence. 'Usage gap' refers to populations that live within the footprint of a mobile broadband network but who are not using mobile internet. 'Coverage gap' refers to populations that do not live within the footprint of a mobile broadband network (3G or above).
NB: totals may not add up to 100% due to rounding.

- Inadequate access to reliable analogue complements such as electricity that are necessary to support enhanced access and use of ICT are also an issue. 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.[132]

SWOT Matrix

Strengths	**Weaknesses**
- Sector is largely liberalised, although some restrictions remain - Telecommunication related easy entry of SMEs - Operationalisation of Universal access funds to roll out ICT services to the unserved and underserved areas - ICT policy guidelines and digital economy blueprints in most partner states.	- Large capital outlay required to put in place the necessary digital infrastructure - Supportive infrastructure like electricity connection is poor or lacking - Poor IT skills among the population
Opportunities	**Threats**
- Growing acknowledgement of the place of digital economy - Youth population, with better IT skills - Rapid technology change	- Cyber crime is on the rise in the region / globally. The region has weak cyber protection and enforcement systems - Data protection is still weak in the region - High cost of gadgets

[131] GSMA The Mobile Economy 2020, sub-Saharan Africa.
[132] 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

Strategic Interventions

Government Led Interventions:

a) Adopt the ‘One Network One Country Model’ for the region to reduce the cost of calling across EAC borders. Burundi, Tanzania and South Sudan should join One Network Area (ONA).

b) Review and remove charges and taxes on roaming.

c) Review taxes on ICT services and equipment, with a view to making them affordable as well as bringing down the cost of telecommunication services

d) Harmonise VAT and Excise taxes on telecommunication services and review them with a view to bringing down the cost of telecommunication services.

e) Review and harmonise licensing regulation including spectrum allocation and pricing approaches and set up incentives and or obligations for infrastructure sharing.

f) Progressively harmonise costs of Spectrum, License fees, Universal Access fund, Numbering Fees and cost of Bandwidth within EAC.

g) Review USF models and approaches, including exploring new community network access models and public community access points (Wi-Fi hubs) for underserved and rural communities.

h) Strengthen competition along the entire ICT value chain, especially for last-mile connectivity.

i) Operationalise regional Internet exchange points (RIXPs) and invest in network-based content delivery platforms to drive down costs and ensure that Internet traffic stays national and, at most, regional.

j) Invest in regional and national data centres.

k) Support local digital innovation and enable new emerging technologies (IoT, platforms, AI, cloud computing) and satellite solution for wide scale rural connectivity.

l) Build capacity on ICT skills among the wider populations

6.8 Priority Sector 8: Distribution Services

As earlier noted, distribution services include four major services: commission agents' services; wholesale trade services, retailing services, and franchising services, alongside the residual fifth category - other.

In the CMP, Burundi and Rwanda have committed to liberalise all sub-sectors of distribution sector across all modes, with no MA or NT limitations and Mode 4 unbound for categories as indicated earlier. Kenya has made no commitments in retail services, but the other 3 sub-sectors have no limitation under any mode. Tanzania has made no commitment in retail and wholesale sub-sectors, but the other two sub-sectors are liberalised with no limitations. In Uganda, all sub-sectors are open, with no limitations on Mode 1 and 2, but with limitation under mode 3 against NT for retail and wholesale services, with non-Ugandans not allowed to trade outside the cIty, Municipality or Town designated by the sector minister in goods not declared in his/her trading license.

6.8.1 Wholesale and retail services

Market structure: According to the 2020 Diagnostic Study of the Distribution Sector in the EAC[133], the market structure of the distribution sector is diverse, taking various forms such as fixed local stores, e-commerce, door to door sales and open markets. Most retail distribution in both urban and rural areas is done by independently owned small shops and kiosks that are stocked with similar basic products. The sector, especially retail, is highly informal with many independent, informal small outlets and street vendors targeting low-income consumers in rural and urban areas. With the widespread use of mobile money, the online retail sector in the region is growing, especially in Kenya, but it has yet to disrupt existing distribution channels.

The rising middle class has driven the establishment of medium-sized and large shops like supermarkets and hypermarkets, the majority of which are chains with operations in one area in urban centres. In all countries, the Diagnostic Study established that there are more than two dominant players, with most countries having more than four dominant ones. None of the retail outlets has a clear monopoly: for example, the largest supermarket chain in Kenya – Naivas, controls about 32% of the market, the largest in the region.

Foreign Investments: Although statistics on the value of inflows is not available, the Diagnostic Study established that the region has received a steady flow of foreign investors over the last two decades, particularly in the retail sector. As such, the retail sector appears relatively open for non-domestic players. Some of the foreign investors include Carrefour (France / Dubai), Game (South Africa) and Choppies (Botswana), as well as various food chain like Sub-Ways, KFC, Steers, Cold Stone and clothing stores like Woolworths, LC Waikiki and Mr. Price. In terms of intra-EAC FDI, cross border investment in retail services has not been successful, following the collapse of Nakumatt, Uchumi and Tusky's from Kenya in other markets and Village market from Tanzania in the Kenyan market. In the food retail industry, two EAC-owned brands have operations elsewhere within the region - Kenya's Java House which has outlets in Uganda and Uganda's Café Javas which has several outlets in Kenya.

[133] EAC, Diagnostic Study for EAC Partner States focusing on Distribution, Insurance and Accounting Services Sectors. 2020 (unpublished)

Size of Sector: Distribution services contribute significantly to both GDP and employment, among others. Regarding GDP, distribution services contributed between 3% and almost 10% of GDP in 2019/2021, across the EAC Partner States. The contribution is highest in Rwanda at 9%, followed by Tanzania at 8.7%; Kenya at 8.1%; Uganda at 7.9%%, Burundi, at 3.3.[134] These figures are an underestimate given the fact that a large portion of retail activities are part of the informal sector and therefore not captured in official statistics. The sector's significant contribution to GDP throughout most of the region suggests that boosting the competitiveness of the sector is likely to deliver meaningful welfare enhancements.

Contribution to employment: The distribution sector is also amongst the largest contributors to employment, especially considering its extensive role in the informal sector. Partner State data[135] shows that in 2018/2020, wholesale and retail trade contributed over 12.7% of total formal employment in Tanzania, second only to agriculture, which employed 66.9%. In Kenya, the contribution of the sector to formal employment in the same period stood at 13.4%, second only to agriculture, which employed 15.3% of all formal jobs. In Rwanda, the sector contributed 14.9%, against 39.4% for agriculture. Uganda showed the highest contribution at 22.9% of all formal jobs, second only to agriculture which employs 35.7%.

The sector's contribution to employment in the informal sector provides a better sense of the full magnitude of employment in the sector. For example, in Kenya, available data for 2018 suggests the sector contributed 60% of all informal jobs[136], while in Tanzania, wholesale & retail distribution contributed 47.9% of all informal jobs in 2014.[137] The concentration of female employment and ownership in the informal distribution sector imparts a strong gender dimension, especially in the retail sub-sector.[138] Data from the region bears this out. For example, in Uganda, the sector employs 28.6% of all employed female population, against 18.3% for males.[139]

Value of export and imports: In line with global trends, wholesale and retail trade services (including repairs) are the most traded of all service sectors across the region. This trade takes place mainly through commercial presence abroad (mode 3) and to a lesser extent through the movement of persons (mode 4). Under mode 4, most of the supply is in the form of 'expatriate staff', mainly managers and technical teams, who will often be required in the initial stages of setting up the new business. Unfortunately, due to the inclusion of the value of distribution services in the value of traded goods, traditional trade statistics on the import and export of distributions services are not readily available. One of the notable impacts of FDI in distribution services is the increased exports of both goods and services, arising from investments abroad in foreign affiliates. This was indeed observed in the Kenyan supermarkets established in other EAC Partner States, which stocked a significant number of Kenyan produce; as well as in South African owned outlets that stock products from Southern African region.

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134 National Bureau of Statistics Reports

135 EAC National Bureaus of Statistics and Labour Force Surveys

136 Kenya National Bureau of Statistics. 2019. "Economic Survey 2019"

137 National Bureau of Statistics Tanzania 2014, and. Tanzania Integrated Labour Force Survey 2014

138 WTO (2019).

139 Uganda Bureau of Statistics. 2019. "Uganda Statistical Abstract 2018"

The World Bank's Export Value Added Database (EVAD) enables a closer look at the value-added contribution of domestic production and exports.[140] In terms of the distribution sector,[141] the sector has a high forward orientation,[142] i.e., the value of distribution services features highly in the export value of a number of other sectors, notably metals, machinery, chemicals, transport equipment, and agriculture. Key backward linkages include transport and ICT.

Regulatory framework: The distribution sector in most EAC Partner States is generally open to foreign entrants, notably due to the fact that no Partner State has specific laws governing the sector. Uganda had started the process of developing a law governing the distribution sector but the process was put on hold to assess whether the existing legal framework was adequately regulating the sector. Foreign investment in the sector is regulated under the investment codes of the respective countries. In most cases, existing regulations are specific to the products being offered. For instance, food products are subject to health and safety regulations, while tobacco will have regulations related to display in retail outlets as well as who can purchase them. These requirements, while non-discriminatory, often become administrative barriers that increase the cost of entry and operation in the sector. For example, research by the Retail Trade Association of Kenya (RETRAK) shows that to operate a supermarket, one may require up to 25 different types of licenses and approvals depending on the product offering. Furthermore, Partner States also maintain cross-cutting restrictions in areas like investment and taxation, as earlier noted.

Institutional framework: Unlike many other sectors, the nature of distribution services means that the sector does not have a single regulator. As such, policymaking, regulatory oversight, and sector development tends to fall under the purview of Ministries of Trade/Commerce/Industry. Support to the sector is mostly targeted at the informal sector, where employment is high, and is particularly aimed at putting in place infrastructure for retail markets to facilitate cross-border sales. In addition, the sector is not well organised under BMOs, with most suppliers in the sector being represented through the manufacturers associations. Only Kenya has active sector industry associations, mainly through the RETRACK and to a lesser degree the Association of Kenya Suppliers. In Uganda, the Uganda Retail and Wholesalers Association (URWA) exists but no longer seem active.

Other key Considerations: In terms of other key sector considerations, a key aspect is the weak value chain linkages between SMEs and big corporations in the sector, as well as between domestic producers and foreign investments especially in the retail sector. Another key aspect is the rise of electronic commerce (e-commerce) resulting from the digital revolution, complemented by ever increasing access to mobile phones and internet use by ordinary citizens. A 2021 Report [143] established that although on the whole there is low cross – border e-commerce trade (volume) across the EAC partner states, there is increasing adoption of the concept, especially driven by the COVID-19 pandemic, but also the growth of ICT and mobile telephony

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[140] EVAD highlights the direct value-added contribution of a sector to domestic production as well as exports, as well as the linkages that the sector provides to all other sectors of the economy in terms of value added. This includes both forward linkages (the contribution of a particular sector as an input to others sectors' exports) and backward linkages (the contribution of all other sectors to a particular sector's exports). In the EAC, EVAD covers Kenya, Rwanda, Uganda, and Tanzania.

[141] EVAD references 'distribution and trade', equivalent to ISIC Rev.3 50, 51, 521, 522, 523, 524, 525, 526, 55 (which includes hotels and restaurants), however for ease simply 'distribution' is used here.

[142] Stuart, John. (2015). Trade in Services: Framework Report. tralac.

[143] EAC (2021) 'Assessment of the Cross- Border E-Commerce Ecosystem in the EAC'. Unpublished but validated.

that has increased access to internet. In addition, the report noted that in all partner states, there are initiatives to promote e-commerce, but that key challenges needed to be addressed. These included low internet penetration across the partner states; inadequate national addressing system; weak cyber security and data protection systems; high cost of delivering items purchased online and high cost of cross border payments. The study also noted the weak legal and regulatory frameworks across the EAC with regard to e-commerce and the need for institutional capacity enhancement to support e-commerce.

Amongst the key recommendations of the study include a) the need for EAC to formulate/enact, revise/amend and implement e-commerce policy, legislation and regulation at both national and regional levels; b) strengthen institutions to effectively handle e-commerce issues including through mutual legal assistance and capacity building c) - implement a two-level e-commerce engagement platform at the EAC: strategic level (for matters such as policy, taxation) and operational level (for operational matters); - d) Formulate, enact and enforce online security laws in all EAC partner states and implement international best practice and standards on cyber security as well as ratify the AU Convention on Cyber Security and Personal Data Protection and e) to formulate and implement a comprehensive e-commerce strategy at national and regional level.

SWOT Matrix

Strengths	**Weaknesses**
- Relatively open, including for Partner States that have not made commitments - Leading employer - Interest FDI-wise	- Numerous horizontal restrictions, especially in relation to mode 3 - Numerous administrative practices that make doing cross-border business difficult - Weak linkages across the value chain - Uncompetitive practices - Both international and regional FDI in the sector have thus far not been successful
Opportunities	**Threats**
- Leveraging e-commerce - Linkages with producers (small) - Rising middle class, with more disposable income - Increased population growth, majority of it going to urban areas - Opportunity for vertical integration, especially across the region - Growing online distribution services	- Low levels of disposable incomes among large populations - Weak contract law enforcement, straining potential linkages across the value chains

Strategic Interventions

Government Led Interventions

h) Undertake a baseline survey of the distribution sector in the EAC to establish, among others, the actual size of the sector, number of people it employs, contribution to GDP and growth (specifically which segments of the distribution sector drive what growth), informal trade flows, as well as the challenges facing the sector.

i) Agree on a common categorisation of supermarkets across the region.

j) Develop regional regulations to create a competitive and fair practice environment in the distribution sector, particularly addressing issues related to supermarket-suppliers engagement modalities.

k) Undertake a mapping of the various administrative practices, both discriminatory and non-discriminatory that affect the distribution sector and then support partner states to rationalise them. This could be undertaken as part of the baseline study above, or separately.

l) Provide targeted support to build the capacity of middle level SMEs, to grow them to achieve consistency in quality and quantity that would enable them to upgrade from supplying informal outlets to developing long term formal linkages with supermarkets. This can be achieved through targeted supplier development programmes.

m) Implement the recommendations of the 2021 'Assessment of the Cross- Border E-Commerce Ecosystem in the EAC' Report in order to support growth of online distribution services.

n) Support the enhancement of professionalism in the retail industry, through among others, accreditation of curriculum for the sector.

Association Led Interventions:

o) Establish, where needed, national level BMOs as well as an EAC-level regional Retailing/Wholesaling Sector Association. The latter may be established as part of the EABC Services Desk. This should be complemented by measures to enhance the capacity of these BMOs in order to engage effectively with government.

p) Enhance the professionalism in the retail industry through, among others, developing a curriculum for the sector and thereafter training practitioners on issues such as merchandising, floor layout, cashflow issues and stock management. South Africa presents a good example of such training.

q) To grow the sector, support formalisation of the sector, by among others, supporting informal retail stores to register their businesses as well as meet other statutory compliance requirements.

6.8.2 Franchising Services

Though falling under distribution services in the WTO's sectoral classification, franchising is qualitatively different from the other three sub-sectors of distribution services. A franchise exists when one company, *the franchisor*, grants a second person or company, *the franchisee*, the right to use the franchisor's trademarks, brand(s), reputation, know-how, secrets and ongoing support to operate a business over an agreed period. The franchisee pays the franchisor a fee to join the franchisor's franchise system and use the granted rights and pays on-going royalties over the franchise period for various supports from the franchisor. The franchisor also regularly receives marketing fees from all franchisees in the franchise system to support broader marketing efforts to grow the brand (e.g., nationally or internationally), while the franchisee invests in growing the brand at local level.

There are various types of franchise forms[144] recognised globally. These include trade name franchises; distribution; business format; micro-franchising; and social franchising. Although most franchises across the world tend to be concentrated around 17 industries (led by food, hospitality, retail and entertainment industries) practically speaking, under the right circumstances, almost any business can be franchised.

Franchising Services in the EAC

In the EAC, the franchising market is quite fragmented, with no readily available data on contribution to GDP and employment. The 2020 Diagnostic Study on the Distribution sector established that in terms of market structure, all Partner States have at least one of the world-leading franchise brands operating in their country. These include KFC, Subway, Chicken-Inn, Gallitos, FedEx, DHL, Coca Cola, Total, Shell, Carrefour, Game Stores, Shoprite, Radisson Blu, Marriott, Best Western, Chicken Teriyaki, LC Waikiki, Dominos Pizza, Cold Stone Creamery, Pizza Hut, Burger King, KPMG, Deloitte and PWC among others. Most vehicle brands also operate as franchises. Additionally, there are very few local EAC franchise brands that include Safaricom, MTN, Vodacom, Tigo and Airtel main shops. Honey Care Africa is a small local franchise in the honey business. There are also micro-franchising brands, such as Azam Ice-cream in Tanzania and Farmers Choice sausages in Kenya.

A notable trend is that international franchises targeting the EAC mainly enter through Kenya before setting up in other EAC states. This is largely because most use an entry model called the 'Master Franchise' model, where they select one franchisee to cover either a country or region. Owing to its overall size and larger middle-class, this leads to an initial establishment in the region via Kenya. In contrast, due to the ease of movement of goods within SADC, most South African franchises (such as Shoprite, Game Stores, Mr. Price, etc.) enter/ed the EAC through Tanzania (which is also a member of SADC).

Institutional framework: Given that franchising takes place across a broad range of sectors, there is no single institutional framework that can be identified. Rather, each sector has its own specific institutions that govern policymaking, regulatory oversight, and sector development (e.g., a pharmaceutical franchise would be governed by the relevant country health and drug related institutions). At the same time, in light of the success that franchising has experienced

[144] African Development Bank. (2002) "Study on Franchising Opportunities in Africa." Additional insights from interview with EAC Franchising expert, Wambugu Wa Gichohi (CEO of Worldahead).

as a business model – globally and in the EAC, there may be merit in establishing some centralised mechanism to support the sector/model.

At the private sector level, franchise associations were formed in Kenya, Uganda, Tanzania and Rwanda around 2012 following a franchise development initiative sponsored by the AfDB. In Tanzania, Uganda and Rwanda however, the associations essentially exist only on paper, as they were unable to attract any members after they were constituted. This has been attributed to the fact that there are no domestic franchisors in the Partner States (i.e., those with the established business selling rights to others), as these companies normally form the core of local franchise association. In Kenya, an association was formed in 2006, but it was later dissolved. In 2016, another association was registered by a different group, but this association is currently inactive. One exception is the Association of Social Franchising for Health (ASFH). ASFH was established in 2013 through the consolidation of Kenya's six leading Social Franchisee Networks. The aim of the association was to strengthen the quality and provision of health services in Kenya through the development of a knowledge sharing platform.

SWOT

Strengths	**Weaknesses**
- Sector is open from a regulatory perspective - Interest FDI-wise - Most of the international franchises have been relatively successful - Increasing recognition of franchise as a viable model – a project is set to start in Tanzania with AfDB support	- Limited knowledge about the sub-sector / concept, leading to poor uptake - Few local EAC franchises - Lack of supportive franchise associations which are critical to support growth of franchise business - Poor IPR framework at the regional level
Opportunities	**Threats**
- Franchises are a growth route for many SMEs - Potential for uptake given the number of companies opening chains - Existing international best practices are available, with tools and guidelines that can be leveraged	- Success is subject to laws governing whichever sector the franchise is in - Weak contract law enforcement, straining potential linkages across value chains

Strategic Interventions

Government Led Interventions

i) Undertake a baseline survey on the state and potential of franchising in East Africa.

j) Enhance basic understanding of the franchising concept and its potential amongst key private and public sector stakeholders.

k) To support cross border investment by both domestic and international franchisable companies, put in place a regional model code on franchising.

l) Support establishment / strengthening of the franchise associations in each EAC Partner State

m) Explore the merits of enacting an Institute of Certified Franchise Executives Act at the EAC level, as a means of elevating franchising into a regulated profession.

n) Establish a regional intellectual property office that will allow protection of intellectual property rights (IPRs) in all PS through a single online filing. In addition, enhance collaboration on matters relating to IPR.

o) Put in place measures and actions to attract international franchises into the EAC to fasten skills transfer in franchising.

p) In the longer term: hand-hold franchisable SMEs to convert into franchises; set up an East African Franchise Fund, through which businesses growing on the franchise model would access cheap growth funds; strengthen existing franchise associations in each EAC country, which would take over as the industry self-regulators and set up the East African Franchise Federation as the regional apex body of franchise associations in the EAC.

6.9 Priority Sector 9: Insurance Services

According to the W/120 classification (*MTN.GNS/W/120*) insurance and insurance-related services include the following four sub-sectors:

a) Life accident and health insurance (CPC 8121),
b) Non-life insurance *(CPC 8129)*
c) Reinsurance and retrocession *(CPC 81299*),*
d) *and* Services auxiliary to insurance *(CPC 8140).*

EAC Partner States' respective insurance regulations define insurance as follow:

- **General insurance business** which covers accident, sickness, land vehicles, railway rolling, aircraft, ships, goods in transit, fire and natural forces, damage of property, motor vehicle liability, aircraft liability, liability for ships, general liability, credit, surety ship, miscellaneous, legal expenses, and assistance.
- **Life assurance business** includes life and annuity business, marriage and birth business, linked long term business, and permanent health insurance business

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In the CMP, Burundi, Kenya, Rwanda and Tanzania have committed to liberalise all sub-sectors of insurance sector, across all modes. Except for Tanzania for services auxiliary to insurance services, all Partner States have no MA or NT limitations and Mode 4 is unbound for the categories indicated earlier. For services auxiliary to insurance services, under Mode 3, Tanzania has limitations on MA, 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.

Insurance and insurance related services in the EAC

The insurance industry is a major component of the EAC economy by virtue of the amount of premiums it collects, the scale of its investment and, more fundamentally, the essential social and economic role it plays by covering personal and business risks. In terms of **market size and penetration**, the EAC Partner States are at varying stages of insurance market development. As its development is closely linked to the economic power of consumers, the low level of per capita income in the region is reflected in the key insurance performance indicators, such as penetration rate, gross written premiums, number of insurance providers and brokers, among others. Below is an overview of the key market characteristics for each Partner State:

- Burundi has 6 life insurance companies, 10 non-life insurance companies and Burundi has 6 life insurance companies, 10 non-life insurance companies and 1 composite company; 31 registered insurance brokerage companies and 265 general insurance agents (as at 2022). With regard to shareholding of insurance companies, 6 companies out of the 8 companies practicing non-life insurance are owned by national operators, namely SOCABU, BICOR AG, UCAR AG, EGIC-NV, BIC Non-Vie and SOGEAR; whereas one Company (SOCAR AG) includes shares belonging to a foreign Company and Jubilee Insurance Company of Burundi is a subsidiary of Jubilee Holdings Ltd in Kenya. Looking at market share, Société d'Assurances du Burundi (SOCABU) dominates the insurance market in Burundi for both life (at 63%) and non-life insurance (at 29%). In terms of penetration rate, following a decrease during the 2013 to 2017 period from 0.88 % to 0.75%, from 2018, the penetration rate has shown growth due to increased turnover relative to GDP, rising from 0.75% in 2017 to 0.93% in 2020.

- In 2020, Kenya was ranked 4th in Africa in terms of gross premium income after South Africa, Morocco and Egypt. During the period, the industry net profit decreased significantly by 57.7% from KES 15.12 billion to KES 6.39 billion in 2020 (due to COVID impacts). In terms of players, in 2020 Kenya has 56 insurance companies; 5 reinsurance companies; 204 insurance brokers), 11273 insurance agents; 34 medical providers and 150 insurance investigators, among others. The insurance penetration, declined to 2.17% in 2020 (2019: 2.34%). This is the highest in the region, but pales compared to global average which is 7.4% and Africa's leader who is South Africa at 16.99%. In terms of insurance density, which is the ratio of gross direct insurance premiums to total population, the figure decreased from KES 4,788 in 2019 to KES 4,787 in 2020 indicating slight reduction in spending on insurance.

- In Rwanda, the insurance sector consists of 14 insurance companies, of which 12 are private; comprising 9 non-life and 3 life insurers (2020) Insurance intermediaries consist of 776 agents, 14 brokers and 19 loss adjusters. There are also two public health insurers (the Rwanda Social Security Board (RSSB) and the Military Medical Insurance (MMI)). As there is no local reinsurance company in Rwanda, all insurance market players have collaborations with foreign reinsurance companies to cover their specific insurance policies that are beyond their capacities. The dominant players are Sanlam Life and SAHAM Assurances General.[145] The penetration rate has grown from 1.6% in 2019 to 1.9% in 2021.[146]

- In Tanzania, the number of market players is as follows: 32 insurance companies (including 1 reinsurance company), 17 locally accredited reinsurance companies, 109 insurance brokers, 635 insurance agents and 55 loss assessors & adjusters. In 2020, 14 banks were already licensed to undertake bancassurance agent's services. The insurance market is on a growth trajectory, registering a 1.6% increase between 2019 to 2020. Amount of gross premiums written to TZS 827.9 billion in the period ended 31st December 2020 as compared to TZS 814.5 billion of the similar period prior year. For general insurance, the main product is Motor insurance business at 33 %, followed by Fire at 22.7% and health at 19.6%. Life assurance, was dominated by Group Life class at 79.5%, followed by Individual Life 17.9% and other life classes of business at 2.6%.[147] Total GPW by the private insurance companies as well as state-owned insurance corporations grew by 1.2% to TZS 824.3 billion in 2020 from TZS 814.5 billion in 2019. The slight increase was on account of an increase in Life assurance business with a relative decline in non-Life business. The insurance penetration for the insurance services provided by the insurance companies only for the year 2020 was

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[145] NBR's Annual Report for the financial year 2019-20. Accessed from https://www.bnr.rw/fileadmin/user_upload/BNR_Annual_Report_Web_English.pdf

[146] Calculated from the GWP as percentage of GDP (based on GDP rates from NISR and NBR's Monetary Policy and Financial Stability Statement. National Bank of Rwanda

[147] TIRA - Draft Annual insurance market performance report for the year ended 31st December 2020. Accessed fromhttps://www.tira.go.tz/sites/default/files/January-December%202020%20%20Tanzania%20Insurance%20Market%20Performance%20Report%20.pdf

0.56% (GDP: TZS 148,522.1 billion and GPW: TZS 824.3 billion). The ratio slightly deteriorated in comparison with the penetration ratio for the year 2019 which stood at 0.58% (GDP: TZS 139,641.9 billion and GPW: TZS 814.5 billion) The penetration ratio is expected to improve following the establishment of the bancassurance regulations as well as an increase in awareness of insurance to the public.[148]

- In Uganda, licensed players in the industry as at end of 2020 were as follows: 131 insurance players, comprising 2 Reinsurers, 21 non-life insurers, 9 life insurers, and 2 Micro insurers licensed perpetually. Licensed intermediaries, 42 were Insurance Brokers, 28 Loss Assessors, 2 Reinsurance Brokers, 5 HMOs, and 20 Banc assurance Agents. In terms of market composition, non-life accounted for 62.41% of the aggregate industry written premiums, 1.4% lower than the market share index of 63.80% in 2019. Life business on the other hand accounted for 30.44% of the aggregate industry written premiums compared to 28.38% in 2019. Health Membership Organisations accounted for 7.09% of the market share against 7.74% in 2019. The insurance penetration rate was 0.77% in 2020, slightly down from 0.772% in 2019.[149]

- Available data for South Sudan indicates there are 89 companies registered to offer insurance services and 8 brokers.[150]

Institutional and regulatory framework:

All EAC Partner States have a regulatory authority and a number of laws that regulate the insurance sector, as detailed below:

- In Burundi, the regulator is L'Agence de Régulation et de Contrôle des Assurances (ARCA). ARCA is a member of the East African Insurance Supervisory (EAISA) and IAIS. Two laws govern the insurance sector – Law n° 1/012 of November 29, 2002 regulating the exercise of the insurance business and Law n° 1/013 of November 29, 2002 regulating the insurance contract. Although there is no explicit restrictions to cross border trade in insurance services (mode 1), under Law No. 1/02 of 7 January 2014 establishing the Insurance Code and Regulation No. 001 of 6 January 2017 on co-insurance, access by Burundians to foreign insurance services is subject to ARCA approval and the decision to grant or refuse approval is taken in 3 months of receipt of the applicant's dossier by ARCA. For foreign insurance service providers wishing to establish presence in Burundi, the general requirements for establishment, as provided for under the Investment Code and the Companies Act are applicable.

- In Kenya, the Insurance Regulatory Authority (IRA)[151] acts as the regulator. The College of Insurance, which is owned by the government together with members of the Insurance Association of Kenya, acts as an examination center for insurance sector The Insurance Act (Amendment) 2006, CAP 487 and attendant Regulations are the main laws regulating the insurance industry in Kenya. Section 20 (a) of the Insurance Act provides that no insurer,

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[148] Insurers' Audited Annual Returns; BoT Quarterly Economic Bulletins, 2011-2020; TIRA computations

[149] IRA Annual Insurance Market Report 2020. Accessed from https://ira.go.ug/cp/uploads/N_Web_IRA_Annual%20report%202021%20(1).pdf

[150] Data provided by RSS via email

[151] https://www.ira.go.ke/index.php/about-us/ira-history

broker, agent or other person shall directly or indirectly place any Kenya business other than reinsurance business with an insurer not registered under this Act without the prior approval, whether individually or generally, in writing of the Commissioner. In terms of commercial presence, there are no laws restricting entry of foreign insurance companies and insurance companies from other EAC Partner States in Kenya. Section 23 (4) of the Insurance Act actually recognises citizens of other EAC Partner States and provides that 'out of the amount of the paid-out capital under subsection (1), not less than one third shall be owned by citizens of the East African Community Partner States, by a partnership whose partners are all citizens of such states, wholly owned by citizens of such states or by the Government'.

- The National Bank of Rwanda (Banque Nationale du Rwanda – BNR – which is the Central Bank of Rwanda) supervises and regulates insurance industry in Rwanda. For cross border trade in insurance services (mode 1), the Central Bank may allow placement of insurance with foreign insurers, only if it can be shown that local insurers, either individually or through co-insurance arrangement, do not have the capacity to underwrite the risk and that the insurance product or risk coverage is not available in the local market. With regard to Commercial presence, the general establishment conditions for foreign investors apply for the insurance sector. In addition, the following sector specific laws apply: Regulation N°05/2009 of 29/07/2009 on Licensing Requirements for carrying out Insurance Business in Rwanda; Regulation N° 14/2011 on Mergers and Acquisitions of Insurance companies; Regulation N° 07/2012 of 14/08/2012 setting special procedures on winding up of Insurance companies; Regulation No 2100 /2018–00012 [614] of 12/12/2018 regulating the Micro Insurance Business in Rwanda; Regulation Nº6/2009 of 29/07/2009 on licensing requirements for Insurance Intermediaries; Regulation Nº12/2009 of 13/10/2009 on market conduct requirements for insurers and insurance intermediaries, and Regulation N°001/2010 of 28/01/2010 relating to market capacity facilitation for foreign insurers.

- In South Sudan, the national regulator has not yet been established, although one is foreseen in the Insurance Act 2010, which establishes the Southern Sudan Insurance Commission/Corporation, whose functions shall be administration, supervision, regulation and control of the insurance business in Southern Sudan. At state level, the Central Equatorial State Insurance Regulatory Authority oversees the sector.

- The Tanzania Insurance Regulatory Authority (TIRA) is the main regulatory body for the sector. The Insurance Institute of Tanzania provides trainings to insurance professionals. The general requirements on market entry and investment apply to foreign insurance service providers. In addition, foreign commercial entry is governed by the following sector specific laws: The Insurance Act, 2009; Insurance Regulations, 2009; The Written Laws (Miscellaneous Amendments) Act No. 7 of 2017; Micro-Insurance Regulations, 2013 and the Bancassurance Guidelines for Banks and Financial Institutions, 2019. 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.

- Insurance Regulatory Authority of Uganda (IRA)[152] regulates the industry in Uganda. The Insurance Training College, established in 1964 serves as the training arm of the insurance sector in Uganda. There is no specific law governing commercial presence, meaning it is governed under the general investment and company laws. Other sector specific laws regulating operation include: The Insurance (Bancassurance) Regulations, 2017; The Motor Vehicle Insurance (Third Party Risks) Regulations, 1989; The Motor Vehicle Insurance (Third Party Risks); The Marine Insurance Act, 2002; The Insurance Regulations, 2002; The Insurance (Investment of the Paid-up Capital and Insurance Funds) Regulations, 2008; The Insurance (Amendment of Insurers and Reinsurers Minimum Paid-up Capital) Regulations, 2013. The Insurance (Amendment of the Brokers Minimum Paid-up Capital and Security Deposit) Instrument, 2013. Cross border trade in insurance services is governed by Section 9 (3) of the Insurance Act, 2017, which provides that all local risks and persons, including imports shall be insured by insurance companies licensed to carryout business in Uganda. In addition, Section 9(2) contains restrictions through providing that
    - (2) A person shall not issue any insurance policy, other than a person licensed under this Act, on—
    - (a) persons who at the time of effecting the insurance contract are residents of Uganda;
    - (b) goods or assets situated in Uganda;
    - (c) ships, aircraft or other vehicles registered in Uganda; or
    - (d) goods imported from other countries except personal effects and donations.

All EAC Partner States have organised private sector representation, as follows:

- Association of insurers in Burundi (ASSUR) and two Brokers Associations - Insurance Brokers Association of BURUNDI and ACPBU, Association des Courtiers Professionnels du BURUNDI.
- Association of Kenya Insurers (AKI), Association of Insurance Brokers of Kenya (AIBK), Insurance Institute of Kenya (IIK) and the Institute of Loss Adjusters and Risk Surveyors (ILARS).
- In Rwanda, whereas insurance companies are grouped under Rwanda Insurers Association (ASSAR), insurance agents, brokers, loss assessor and adjusters do not have associations to advocate for their rights.

[152] https://ira.go.ug/about.php

- In Tanzania, the private sector is organised under the Association of Tanzania Insurers (ATI). Other key bodies are the Tanzania Insurance Brokers Association (TIBA); Insurance Agents Association of Tanzania (IAAT) and Association of Tanzania Loss Adjusters and Surveyors (ATLAS).
- In Uganda, the private sector is organised under the Uganda Insurers Association (UIA). Insurance brokers are grouped under the Insurance Brokers Association of Uganda (IBAU). Insurance brokers and loss adjusters fall under the Uganda Insurance Agents Association (UAA) and the Uganda Association of Engineering Valuers & Loss Assessors (UAEVLA) respectively. There is also a Bancassurance Technical Committee under the Uganda Banker's Association.

At the regional level, in 2013, EAC states began working toward a common insurance market and Partner States have agreed to harmonise 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. To enhance the regulatory framework across the EAC, a key consideration is to continue to strengthen the regulatory environment as well as compliance in line with global practices. The main benchmark is the ICPs, which provide a globally accepted framework for the supervision of the insurance sector. A 2016 assessment of the status of implementation of the ICPs[153] showed that on average, EAC Partner States are only fully or largely implementing 9 of the 26 ICPs.

Still on the regulatory front, there is need to build capacity and also raise awareness about the International Accounting Standards Board IFRS 17 Insurance Contracts, whose implementation has now been deferred to 1 January 2023. An assessment by Deloitte notes that insurance companies in the region 'need more granular data and extensive calculations, going beyond the information required for current IFRS compliance' for them to be adequately implement the standard.[154] Key areas for capacity building include the budget needs to implement the standard as well as internal training efforts to ensure that critical team members are aware of the standard and changes it brings to reporting, systems, IT and operations environment.

Another consideration is the use of data and technology in the sector. As big data becomes increasingly important, there is scope to incorporate the same in pricing models, under-writing and risk selection. Research notes that big data can allow for development of company specific customer needs as opposed to one size fits all products – e.g. individual fitness trackers would enable people who lead active lives to get discounts on their life insurance while those who lead sedentary lives would be charged an additional premium. Additionally, products that use technology, such as smart phones can be used to tap into different market segments, as can the use of block chain in enhancing collaboration and information sharing between insurers and regulators.[155] Furthermore, given the prevalence of fraud in the insurance sector, big data can support better claims management as well as fraud prevention. Data shows that fraud remains a key challenge in the sector. It is also estimated that 25% of insurance industry income in Kenya

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[153] IMF, 2016. East African Community: Financial Sector Regulatory and Supervisory Architecture

[154] Deloitte, 2019. Insurance Outlook Report 2019/2020 East Africa. Accessed from https://www2.deloitte.com/content/dam/Deloitte/ke/Documents/financial-services/ea_insurance_outlook_report_2019.pdf in April 2021

[155] Ibid

is fraudulently claimed.[156] It is of key concern that insurers come up with ways of early detection and prevention of fraud in order to prevent the large amounts of losses. The situation is similar across the EAC as noted in the Diagnostic study.

The EAC region also suffers from limited insurance product offering. The product offering is largely driven by compulsion – products facilitated by regulations and government policies, for example motor insurance; property insurance for mortgages and medical insurance for formal sector and civil service etc. Furthermore, the insurance companies have to compete to sell the limited number of traditional products to the same customer segments, mainly businesses and individuals in the formal sector. While innovative products are increasing becoming common, the region is yet to introduce the range of products seen in developed markets like South Africa and the Western world.

A World Bank study on the insurance sector in Rwanda (which is applicable at the regional level) noted some of the key reasons for this as being lack of quality data and research on the demand side; low trust in the insurance sector; and limited investment instruments for insurance asset management, with choices mainly being bank deposits or high-yield government bonds. Related to this is limited skills amongst the insurance companies with regard to financial and investment skills necessary for diversification of investment strategies.[157] Furthermore, there is option to collaborate with various industries to identify sectors ripe for innovative products.

SWOT Matrix

Strengths	**Weaknesses**
- Virtually liberalised sector across the EAC - Efficient regulatory structures, albeit with room for improvement by adopting the ICPs fully - Emerging use of new channels of insurance distribution including mobile insurance technology, albeit not widespread yet - Collaboration through the COMESA Yellow Card scheme that provides third party legal liability cover and compensation for medical expenses resulting from road traffic accidents caused by visiting motorists.	- Low uptake of insurance across the country - Excessive reliance on compulsion - Low per capita income that makes insurance expensive for ordinary citizens - Significant incidences of fraud - Insurance business is capital intensive, which locks SMEs players and hinders cross border investment. - Limited investment instruments for insurance asset management (beyond banks and high-yield government bonds)
Opportunities	**Threats**
- All EAC markets remain largely untapped - Growing middle-class likely to create more demand for insurance products	- Low level of trust in the insurance sector by the general public - A large and growing informal sector

156 Ibid

157 World Bank, 2019. Insurance that works: What drives insurance sector development in the Republic of Rwanda, and what are the opportunities ahead? https://documents1.worldbank.org/curated/en/213521577693532915/pdf/Insurance-that-Works-What-Drives-Insurance-Sector-Development-in-the-Republic-of-Rwanda-and-What-are-the-Opportunities-Ahead.pdf

- Opportunity to develop more innovative customer centric products. - Unexploited potential to use technology to drive product differentiation, and prevent fraud. - Alternative investment vehicles for insurance asset management	- High import bill, for which insurance is underwritten in source markets

Strategic interventions

Government Led Interventions

h) Expedite the enactment of the EAC Insurance Act and thereafter its implementation. This will among others enable the mutual recognition of insurance covers / policies across the region.

i) Fast track implementation of the EAC Insurance Certification Programme adopted by Council in May 2019.

j) Support the establishment of The South Sudan Insurance Commission / Corporation to regulate the sector in South Sudan.

k) Develop a mechanism for collaboration between insurers and regulators in East Africa through data sharing, exchange of professionals, training etc.

l) Fasttrack the Development of a Mutual Recognition Agreement among insurance players to facilitate the recognition of qualifications for insurance professionals and insurance policies issued in all EAC Partner States.

m) Put in place measures to fully implement the ICPs 26 in order to enhance regulatory practice across the region.

n) Put in place joint measures between the regulators and the insurance companies to deal with the high incidences of fraud in the sector.

6.10 Priority Sector 10: Commercial Banking Services

Commercial Banking is a sub-sub sector within banking, itself a sub-sector under financial services. Banking and other financial services (CPC 811 and 813), include acceptance of deposits and other repayable funds from the public; lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transaction; financial leasing; all payment and money transmission services, including credit, charge and debit cards, travellers' cheques and bankers' drafts; guarantees and commitments; among others.

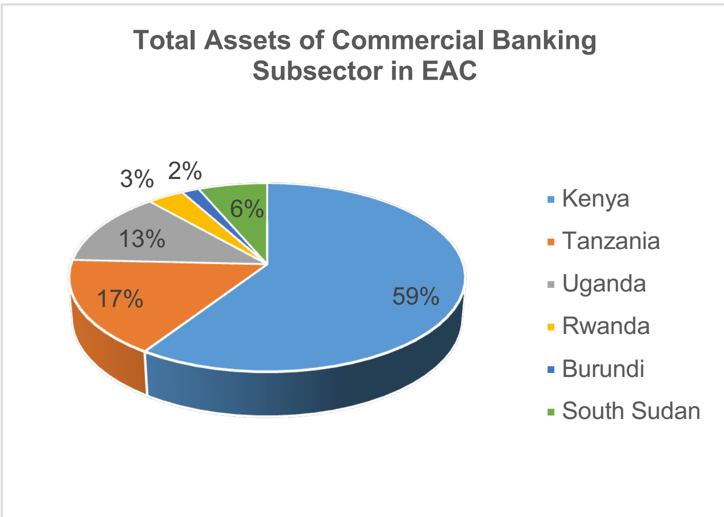
In the revised schedule of commitments, all EAC Partner States have committed to liberalise banking services, with no MA or NT limitations and Mode 4 is unbound except for categories as indicated earlier.

The Commercial Banking Services sector in the EAC:

Within the banking sector, commercial banking is the leading subsector in all partner states. Looking at value of **commercial assets,** as of 2021, the status for each Partner State is as follows:

- Kenyan commercial banking subsector was leading in total assets with assets amounting to USD 54.4 billion as of December 2021. This was an increase from USD 50.3 billion in December 2020.
- The commercial banking sector in Uganda was worth USD 11.7 billion as of December 2021, up from USD 8.98 billion in December 2020. According to the Bank of Uganda (BoU), this growth was a result of an increase in holdings of government securities (32.9%), and gross loans (7%).
- Total assets of the banking sector in Rwanda expanded by 17.5% to FRW 5,064 billion. The growth was mainly driven by deposit mobilization, borrowings from other financial institutions and expansion of capital base.
- South Sudan recorded the highest growth by 126% from USD 2.6 billion in 2020 to USD 5.9 billion in 2021.

Figure 15, Total Assets of Commercial Banking Sector in EAC

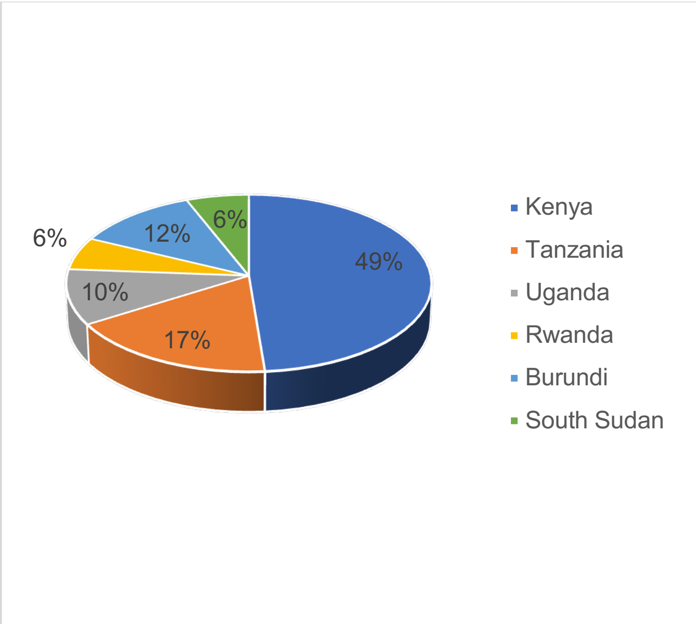


Source: Annual Supervisory Reports for Kenya and Uganda (2021), Annual Supervisory Report for Tanzania (2020), National Bank of Rwanda Annual Report 2021 + the Monetary Policy and Financial Stability Statement (March 2022); Bank of South Sudan Statistical Bulletin January 2021 and the Burundi Monetary Policy Committee Report Fourth Quarter 2020.Total Assets of Commercial Banking Sector in EAC

- In Tanzania, data from 2021 was not available. Tanzania was the second largest commercial banking sector, which grew by 4.16 percent to USD 15.1 billion in 2020 compared to USD14.4 billion recorded in 2019, mainly financed by an increase in deposits, borrowings and retained earnings.
- In Burundi, the total assets grew from USD 1.5 billion to USD 1.8 billion between 2019 and 2020

Looking at the **loan portfolio,** according to the Kenya Bank Supervision Report 2021, bank loans and advances increased from USD 21.5 billion in December 2020 to USD 22.7 billion in December 2021 (8.3%). During the same period, the loans and advances in Uganda increased by 8.8% from USD 4.28 billion to USD 4.7 billion. In Rwanda, bank loans increased from USD 2.5 billion to USD 2.8 billion. As at end December 2021, the outstanding loans in banks increased by 15 percent, lower than the growth of 21.2 percent registered in December 2020, largely accounted for by an increase in the number of loans written off in 2020. In South Sudan, bank loans increased from USD 1.1 billion to USD 2.8 billion between December 2020 and December 2021.

Figure 16, Loan Portfolio in EAC Partner States



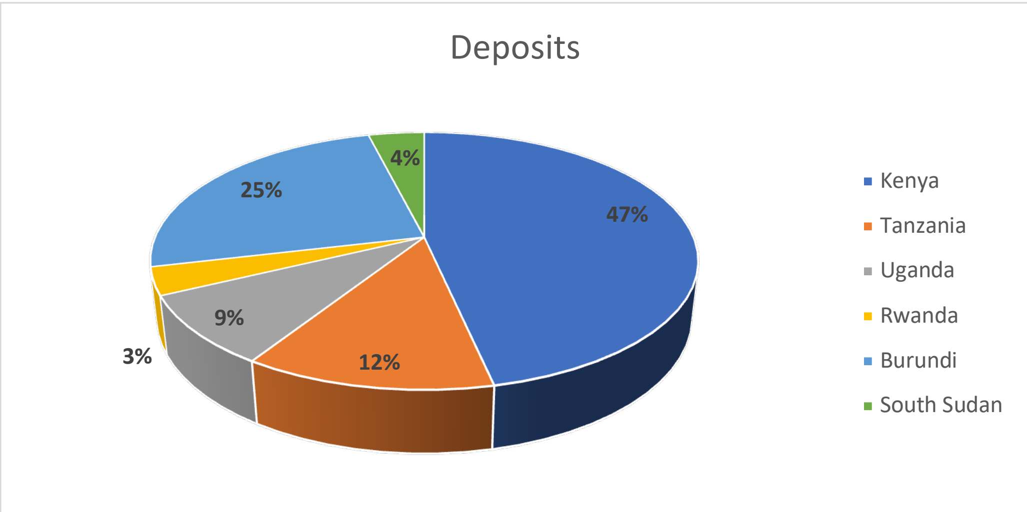
Source: Annual Supervisory Reports for Kenya and Uganda (2021), Annual Supervisory Report for Tanzania (2020), National Bank of Rwanda Annual Report 2021, Bank of South Sudan Statistical Bulletin January 2021 and the Burundi Monetary Policy Committee Report Fourth Quarter 2020.Total Assets of Commercial Banking Sector in EAC

Data from 2021 was not available for Burundi and Tanzania. In Tanzania, loans, advances and overdrafts grew by 4.93 percent to TZS USD 8.1 billion in 2020 compared to USD 7.8 billion reported in the corresponding period in 2019. The growth was attributed to favourable macroeconomic environment, the Bank's accommodative monetary policy and regulatory measures taken to support private sector's credit growth. In Burundi, loans increased from USD 4.6 billion to USD 5.5 billion between 2019 and 2020. Regarding the concentration of loans in Burundi, the share of large banks and small banks decreased by 6.8 and 10.6 points respectively compared to 2018 while medium-sized banks saw their market share increase by 17.3 points to stand at 34.1% at the end of 2019. Figure 16 above shows the distribution of the total amount of loans given by Partner States.

In terms of **deposits,** between December 2020 and December 2021, customer deposits in Kenya increased from USD 37.3 billion to USD 40.3 billion. The growth in deposits was supported by mobilisation of deposits through agency banking and mobile phones platforms. In Uganda, customer deposits increased from USD 7.09 billion to USD 7.59 billion between December 2020 and December 2021. In Rwanda, deposits were one of the main drivers of growth in the commercial banking sector, having increased by 16.6% between December 2020 and December 2021 to USD 3 billion. In South Sudan, deposits grew from USD 1.06 million to USD 3.4 million.

For Tanzania and Burundi, data from 2021 was not available. In Tanzania, local and foreign currency deposits increased by 3.57 percent and 5.03 percent to USD 7.8 billion and USD 3 billion, respectively in 2020. The increase was partly associated with enhanced deposit mobilisation strategies by banks. Deposits accounted for 84.62 percent of total liabilities. In Burundi, customer deposits rose from USD 904.6 million to USD 1.1 billion. The share of large banks in Burundi and that of small banks increased by 0.5 and 0.3 points respectively compared to 2018, to stand at 68.2% and 13.6%. %, while that of medium-sized banks fell by 0.8 point compared to 2018 to stand at 18.2% at the end of 2019. Figure 17 below charts customer deposits by country.

Figure 17: Customer Deposits Based on Latest Figures



Source: Annual Supervisory Reports for Kenya and Uganda (2021), Annual Supervisory Report for Tanzania (2020), National Bank of Rwanda Monetary Policy and Financial Stability Statement March 2022, Bank of South Sudan Statistical Bulletin January 2021 and the Burundi Monetary Policy Committee Report Fourth Quarter 2020.

Number of commercial banks, branches and ATMS

Kenya has the highest number of commercial banks with 39, followed by Tanzania with 35, South Sudan with 30, Uganda with 25, Rwanda with 11 and Burundi with 12. Kenya also has the highest number of bank branches per 100,000 adults (those above 15 years at 4.7 followed by Rwanda, Burundi, Uganda, Tanzania and South Sudan at 4.59, 3.22, 2.58, 2.55 and 2.2 respectively. These figures are below the global average of 14.145 branches per 100,000 people. Between 2020 and 2021, the number of branches in Kenya decreased from 1,502 to 1,459. Branches in Uganda increased from 566 to 614 between 2020 and 2021 while branches in Tanzania increased from 957 in 2019 to 969 in 2020.

The number of ATMs per 100,000 adults (those above 15 years) also fall below global averages. While the global average stands at 51.66 ATMs per 100,000 people, Kenya leads with 7.69 followed by Tanzania, Rwanda, Uganda, Burundi and South Sudan at 6.2, 4.2, 4.0, 1.4 and 0.7 ATMs per 100,000 people respectively. Between 2020 and 2021, the number of ATMS has increased in Uganda (839 to 851) and Rwanda (331 to 338) and reduced in Kenya (2412 to 2366). Between 2019 and 2020, the number of ATMs in Tanzania decreased from (2070 to 2058). The number of ATMs in Burundi were 108 in 2016 and 11 in South Sudan.

Table 12: Commercial Banks, Branches and ATMs in EAC

Countries	No. of Commercial Banks	No. of Branches per 100, 000 people	No. of ATMs per 100,000 people
Burundi	14	3.22	1.4
Kenya	39	4.7	7.69
Rwanda	11	4.59	4.261
South Sudan	30	2.2	0.7
Tanzania	35	2.55	6.219
Uganda	25	2.58	4.045

Source: WTO data, Annual Supervision Reports, Central Bank websites

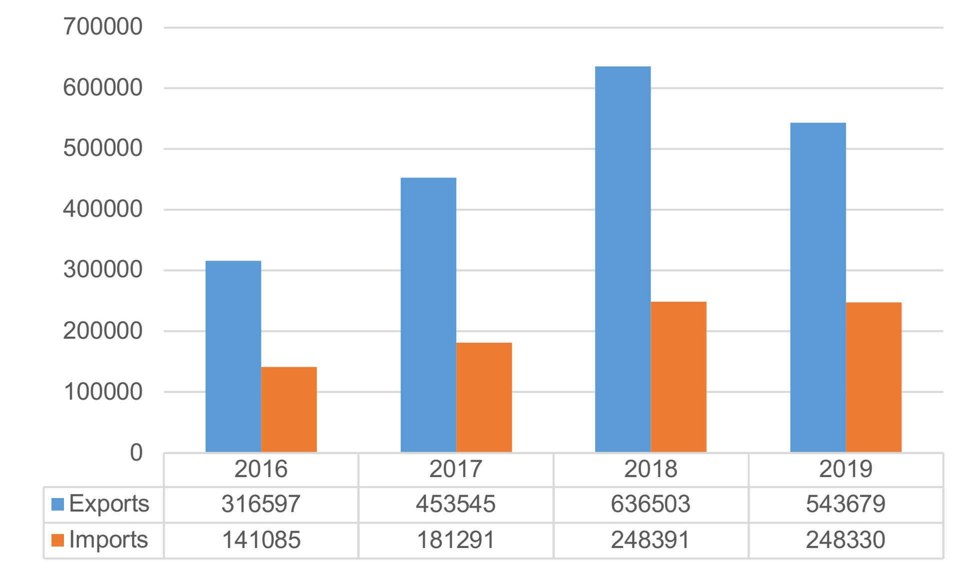
Cross Border Expansion

Among all EAC Partner States, Kenya has the highest number of banks with subsidiaries in other countries, with 8 banks having cross border subsidiaries. These are: 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.

A notable feature of the EAC financial landscape is the growth of use of financial technology, particularly internet banking as well as mobile money, which has had a great impact on the sector. For example, in Kenya, where M-Pesa was pioneered, it is estimated that 60% of Kenya's GDP is moved through mobile money. All EAC Partner States have active mobile money operators, through Airtel Money (Kenya, Uganda, Tanzania and Rwanda); M-Pesa (Kenya and Tanzania); MobiKash (Kenya and Burundi); MTN Mobile Money (Uganda and Rwanda) and M-Cash (MobiCash) (Uganda and Rwanda). They are served by numerous money transfer operators.

Trade in 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 18 and Table 13 below.

Figure 18, Trade in Financial Services



Source: ITC TradeMap, Accessed July 2022

Table 13, 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. Data for 2019/20 is an estimate.

Regulatory and Institutional Framework

All EAC Partner States have a strong regulatory architecture, with a regulator and a number of laws regulating the sector, as detailed below.

- **Burundi:** The regulatory authority is the Banque de la République du Burundi, which was established under the Banque de la République du Burundi Act. The opening of bank representative offices in Burundi or foreign financial institutions must be authorized by the Central bank. Branches of banks or financial institutions whose head office is abroad are required to prove an endowment used at the Burundi Bank, of an amount at least equal to the minimum capital required of banks and financial institutions under Burundian law.
- **Kenya:** The sector is regulated by the Central Bank of Kenya which was established through Central Bank of Kenya CAP 491. Other relevant sector laws include the Banking Act (CAP 488), the Microfinance Act, 2006 and various prudential guidelines and regulations. Under the Banking Act, all financial institutions require licenses to operate. In terms of commercial presence, there are no laws restricting entry of foreign banks from other EAC Partner States as long as they meet the stipulated minimal capital requirements as well as licensing requirements. Representative offices of foreign banks are allowed. **Rwanda:** The regulator

is the National Bank of Rwanda, which is established under the Law N°48/2017 Of 23/09/2017 Governing the National Bank of Rwanda. Other laws and regulations relevant to the sector include; Law Nº 47/2017 of 23/9/2017 governing the organisation of banking, Regulation on the Application of Proportionality Principle to Banks of 2021 and various other laws and regulation setting necessary prudential measures. For commercial presence, foreign banks can only operate as subsidiaries and are subject to the following conditions:

i. Applicant foreign bank is licensed as a bank in its country of origin;
ii. Applicant foreign bank has obtained a non-objection from the supervisor in the country of origin;
iii. The supervisor in the country of origin of applicant bank exercises consolidated supervision;
iv. Applicant foreign bank holds a proof of consent of the supervisor in the country of origin for information sharing and cooperation with the central bank.
v. Must maintain accounts separate from that of the parent bank or parent company.

Foreign banks may also establish a representative office in Rwanda. The Central Bank sets instructions determining permissible activities of a representative office of a foreign bank in Rwanda.

- **South Sudan:** The Bank of South Sudan, which is the regulator is established under the Bank of South Sudan Act 2011. The commercial banking sector is governed more specifically by the Banking Act 2012 which allows the licensing of foreign banks and subsidiaries if the Bank of South Sudan determines that the relevant foreign regulatory authority effectively exercises, supervision on a consolidated basis and concludes an agreement of cooperation with the Bank. There are also various other laws and regulations setting necessary prudential measures such as Requirements for Opening a Bank in the Republic of South Sudan; Supervisory and regulatory guidelines 2017, among others.

- **Tanzania:** The regulator is the Bank of Tanzania established under the Bank of Tanzania Act 1965, revised 2006. Other laws that govern the sector include; Banking and Financial Institutions Act 2006; Banking and Financial Institutions (Prompt Corrective Actions) Regulations, 2014; The Banking and Financial Institutions (Internal Control and Internal Audit) Regulations, 2014; and The Banking and Financial Institutions (Financial Leasing) Regulations, 2011 and various other laws and regulation setting necessary prudential measures. There are no restrictions against cross-border supply. For commercial presence, Section 11 (4) of the Banking and Financial Institutions Act, 2006 provides that branches or subsidiaries of foreign banks may be licensed as long as they are also licensed by the supervisory authority in their home countries. If the license of such a bank is revoked in its home country, it will also be revoked in Tanzania. Foreign banks are also allowed to establish representative offices in the country as long as they do not propose carrying out any banking activities.

- **In Uganda,** the regulator is the Bank of Uganda which was established under the Bank of Uganda Act 1966, revised 2000. Other relevant laws in the sector are the Financial Institutions Act of 2004 and the Financial Institutions (Licensing) Regulations of 2005. As per Section 17 of the Financial Institutions Act, all representative office of a foreign bank in Uganda requires licensing from the Central Bank. The Financial Institutions (Licensing) Regulations of 2005 stipulates that foreign applicants for licenses must have a statement from the supervisory authority of the home country declaring that it has given prior approval or a "No Objection" for the establishment of a subsidiary or any other office in Uganda, and that the applicant's chairperson, directors, managers and substantial shareholders as a whole, are fit and proper persons within the meaning of the Act and that a level of cooperation between the Central Bank and the home country supervisor shall need to be established to permit the conduct of consolidated supervision.

In terms of the **regulatory framework at the EAC level,** partner states work together under the EAC Monetary Affairs Committee (MAC), which comprises governors of the central banks of the EAC partner states. Under MAC, several initiatives have been undertaken, aimed at financial stability, including bank supervision. Among others:

- a convergence agenda has been developed with the aim of greater financial integration of the Partner States by harmonisation of regulatory and supervisory frameworks for banks.
- Some of the regulatory requirements being harmonised include minimum requirements for a large number of prudential practices and indicators such as minimum capital and licensing requirements. The standards for regulation set by MAC are meant to provide the lower threshold for strictness but Partner States can enforce stricter standards if they wish to.
- The agenda also pushes for the compliance with all of the 29 Basel Core Principles for Effective Banking Supervision by all EAC Central Banks.

In terms of **private sector institutional framework,** all EAC Partner States have organised private sector representation. The banker associations in all Partner States engage in common activities such as research, innovation, and advocacy, while the Institute of Bankers undertake training of professionals in the sector. The following are the key bodies:

- Burundi: The Association des Banques et Etablissements Financiers du Burundi (Association of Banks and Financial Institutions of Burundi - ABEF) which has 12 members including 10 commercial banks.
- Kenya: The Kenya Bankers Association (KBA), established in 1962, represents the interests of the banking sector, while The Kenya Institute of Bankers (KIB) takes a lead in provision of professional qualifications and skills for banking sector professionals. KBA and KIB work closely together. The KIB is a member of the Alliance of African Institute of Bankers, which has been instrumental in promoting cross border movement and recognition of banking professionals.
- Rwanda: The Rwanda Bankers' Association (RBA) was established in 2000 but was not formally set up until 2009. All licensed banking institutions are members of the association.
- Tanzania: The Tanzania Bankers Association (TBA) was established as an association in 1995 and legally incorporated in 2012. The Tanzania Institute of Bankers (TIOB) was established in 1993, with the mandate of providing professional banking education and skills development for the banking sector in the country.
- Uganda: The Uganda Bankers Association (UBA), established in 1981 represents 35 financial institutions, including 25 commercial banks. The Uganda Institute of Banking and

Financial Services (UIBFS) is training and certification body for the banking and financial services industry in the country.

- At the Regional Level, the BMOs have established the East African Bankers Association, while the institutes collaborate under the Alliance of African Institute of Bankers.

Other considerations

A notable trend in the sector is the adoption of agency banking, internet and mobile banking, all of which have increased financial inclusion in the region. The latter two are driven by technological advances, particularly the increased accessibility to smart phones. As seen under the communications sector, the EAC is the global leader in both innovation and use of mobile money – that is the use of cell phones for money transfers, payments, credits and savings among other innovative products. According to a recent GSMA, in 2021, the global mobile money industry processed more than USD 1 trillion in transactions, with the number of registered accounts reaching 1.35 billion globally, up 18% in 2020 and 10 times more than there were in 2012 (134 million).[158] In Eastern Africa (including Somalia, DRC, Ethiopia), the volume transacted was USD 24billion, worth USD 403.4 billion. This was a 22% and 31% increase respectively from 2020.[159]

Another issue of note is the unbanked population across the region: to be viewed as persons without access to financial services; or have access but do not use these financial services, as well as the quality of products and services delivery.[160] Although financial inclusion in the region has been improving (with some EAC Partner States like Tanzania and Uganda having direct strategies to enhance inclusion), the region remains largely unbanked. Taking persons over 15 years of age with a bank account as a measure of inclusion, Kenya leads with 82%; followed by Uganda with 59%; Rwanda with 50%, Tanzania with 47%, South Sudan with 9% and Burundi with 7%.[161]

Another key issue is the high cost of borrowing in the region, which affects ability of businesses - especially MSMEs - to borrow; and thus their growth and profitability. High borrowing costs are driven by various factors, including but not limited to high government borrowing, which sets the floor rates high;[162] 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.

SWOT Matrix

Strengths	Weaknesses
- Sector is virtually liberalised across the EAC - Relatively stable macroeconomic and financial environment - Well-developed banking channels such as mobile, internet and agency	- Still a large unbanked population - High cost of access to finance and credit - High incidents of fraud - Small national markets against a large number of players relative to the size of the market - Low-income levels causing low savings

[158] GSM Association, April 2022. State of the Industry Report on Mobile Money. Accessed from https://www.gsma.com/sotir/wp-content/uploads/2022/03/GSMA_State_of_the_Industry_2022_English.pdf

[159] ibid

[160] Based on the dimension included in financial inclusion by The Financial Inclusion Data Working Group of the Alliance for Financial Inclusion (AFI FIDWG)

[161] Bill & Melinda Gates Foundation (2020); EAC Financial Inclusion Stakeholder Mapping: accessed from https://ftsgroup.eu/wp-content/uploads/2020/05/EAC-Financial-Inclusion-Report_Jan2020.pdf

[162] 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

banking, which have also enhanced financial inclusion - Improved competition, leading to improved efficiency	- Weak creditor rights - Poor judicial enforcement mechanisms - Low awareness of sustainable financing initiatives.
Opportunities	**Threats**
- Given the large unbanked masses EAC markets remain largely untapped - Opportunity to develop more innovative customer centric products, especially focusing on MSMEs. - Unexploited potential use of technology to drive product differentiation, and prevent fraud	- Increasing sophisticated technology led fraud and cyber crime

Strategic Interventions

Government Led Interventions

h) Adopt and implement the draft EAC regional Payment System roadmap to reduce costs for cross-border transactions.

i) Industry and regulators to adopt alternative financing models and to put in place measures to address the key drivers of the high cost of credit and the access to affordable credit for MSMEs in the region.

j) EAC region to harmonise financial data sharing and data protection laws in the region.

k) The region to develop mandatory cyber security legislation aimed at addressing cyber security threats in the banking sector, in line with international best practices such as ISO/IEC 27001.

l) The EAC to develop a regional framework for the development of alternative financing models, such as green bonds, social bonds and infrastructure bonds.

m) To enhance financial inclusion, EAC to put in place regional initiatives to accelerate the growth of fintech as well as support to various financial inclusion stakeholders.

n) Using materials developed under the Financial Sector Development & Regionalisation Project (FSDRP) for financial education, the EAC to undertake targeted dissemination to targeted stakeholders.

6.11 Priority Sector 11: Tourism Services:

As noted earlier, under the W/120 list, tourism and travel related services are categorised into four sub-sectors: Hotels and restaurants (including catering), Travel agencies and tour operators' services, Tourist guides services, and a residual "Other" category. The categorisation is wider under the CPC Ver. 2, allowing for more sub-categorisations in line with emerging tourism models, as follows:

a) CPC 631: Accommodation services for visitors, including new subcategories such as Room or unit accommodation services for visitors, in time-share properties (63113);
b) CPC 633: Meal serving services, including new subcategories such as Event catering services (63391) and Contract food services for transportation operators (63392), and
c) CPC 855: Travel arrangement, tour operator and related services, including new subcategories such as including Reservation services for transportation (8551) and Tourism promotion and visitor information services (8556).

In the CMP, Burundi, Kenya and Rwanda have committed to liberalise all sub-sectors of tourism sector across all modes, with no MA or NT limitations and Mode 4 unbound for categories as indicated earlier. For Tanzania, all subsectors except tourism guide services have no limitation on MA and NT. In addition, Tanzania has also committed to liberalise hunting by tourist and sport fishing under 'other tourism services', with no MA or NT limitations across mode 1-3 and Mode 4 is unbound for the categories earlier indicated. Although Uganda has commitments to open all sub-sectors, only Mode 1 has no limitations for MA and NT. 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 NT, 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 MA and NT.

Tourism Services in the EAC

In the EAC, tourism is one of the most significant sectors in all the economies of the region and an area of comparative advantage for all EAC Partner States given the natural endowments. Before COVID pandemic, the sector contributed an average of about 17% to export earnings and on average, 10% of GDP and about 7% to employment. In Zanzibar where the sector is one of the devolved functions, tourism contributes 29% to the GDP of Zanzibar and about 80% of her foreign exchange earnings. Further, tourism is linked to other sectors in the economy such agriculture, manufacturing, insurance, and finance among others. Below is an overview of tourism services contribution to the EAC Partner States

Table 14: Tourism services contribution to GDP and employment in the EAC PS (2021)

	Value of Contribution to GDP (2019) – USD (millions)	% of GDP	Number of Jobs	% Total employment
Burundi	121.6	3.5%	69,300	1.4
Kenya	5,396	4.9	1,420,000	7.9
Rwanda	733.7	6.8%	302,600	4.8

Tanzania	4,033	5.9%	1,380,000	5.3%
Uganda	1,790.6	4.2%	533,3000	3.1

***Source**: Compiled from World Travel and Tourism Council, 2021 Annual Research Key Highlight Country report*

In 2020, the tourism sector was among the most affected by the pandemic. For example, in Kenya, the sector lost nearly USD 1.5 billion in revenue,[163] while in Rwanda and Tanzania, the revenue from tourism dropped by 76% and 72% respectively.[164, 165] In Uganda, the pandemic led to a 69.3% decline in the number of visitors to the country and foreign exchange revenues dropped by threefold. Despite the effects of the pandemic, the sector began recovering in 2021. In 2021, the tourism sectors in Kenya and Rwanda experienced a growth of 65.4% and 25% in 2021 respectively.[166, 167]

All other Partner States also report growth but in general the sector is yet to fully recover from the effects of the pandemic. However, Partner States have developed strategies to help the sector bounce back. These include promoting domestic tourism and increasing funding to the sector. For example, Kenya government set aside USD 4.7 million for the recovery of the sector while the Tanzanian government set aside USD 39 million.[168, 169] In response to the pandemic, the EAC Sectoral Council on Tourism adopted a COVID 19 recovery plan for a collective and coordinated approach towards tourism recovery that entailed interventions that were aimed at reinforcing the measures being developed and implemented at national levels. The Uganda Tourism Association unveiled a new project titled COVID-19 Economic Recovery and Resilience Response Program that aims to help the sector recover from the worst effects of the pandemic. The project was funded by the Mastercard Foundation, supported by the Private Sector Foundation of Uganda for entities in the Tourism Sector.[170]

Market structure:

EAC Partner States have different classifications of tourism entities as highlighted in the table below. Under the hotel and restaurant subsector, the region is home to some international brands like: Radisson Blu, Marriot, Crowne Plaza, Ibis, Best Western, One and only One; Holiday Inn, and Sheraton, among others. There are also strong indigenous brands such as Serena, Kilimanjaro, Fairmont, Sarova and Heritage Hotels. For travel agencies and tour operators, the region has predominantly locally owned small and medium enterprises, but also a number of large firms, including some of the international brands.

The section below elaborates the number of registration categories and registered entities in each Partner State. The details for South Sudan were not available.

Burundi has the following registration categories and number of registered entities:

- National Parks - 3

[163] The East African, Tourism gropes in the dark of losses related to Covid-19, https://www.theeastafrican.co.ke/tea/business/tourism-gropes-in-the-dark-of-losses-related-to-covid-3277044

[164] Rwanda Development Board, Annual Report 2020

[165] World Bank, Tanzania Economic Update: How to Transform Tourism into a More Sustainable, Resilient and Inclusive Sector, https://www.worldbank.org/en/country/tanzania/publication/tanzania-economic-update-how-to-transform-tourism-into-a-more-sustainable-resilient-and-inclusive-sector

[166] Kenya's Tourism Sector Grew By 65.4% in 2021 – Balala, https://allafrica.com/stories/202201190563.html

[167] Rwanda Development Board, Annual Report 2021

[168] CGTN, Tanzania allocates $39.1M for tourism recovery amid COVID-19

[169] Ministry of Tourism, Impact of Covid-19 on Tourism in Kenya: Measures Taken and Recovery Pathways

[170] Uganda Tourism Association, Uganda Tourism Association Kickstarts COVID -19 Recovery For Tourism Sector

- Tour Operators - 19
- Hotels and other accommodation - 52
- Travel agencies - 8
- Guides - 8
- Adventure and sports – 1

Kenya has the following registration categories and registered entities:

- Class A Enterprises: Accommodation facilities – including hotels, villas,serviced apartments etc = Bed capacity at 28,516,500.
- Class B Enterprises: Restaurants: 149
- Class C Enterprises: Tours and Travel (including tour operators, travel agents, local air charters etc) – 1453
- Cladd D Enterprises: game fishing outfitters, camps and camping equipment, natiure reserves, game ranches etc – 23
- Class E Enterprises: boat operators, safari photographers, private zoos - 2582
- Class F Enterprises: Entertainment facilities – 3
- Class G Enterprises: Conference and event services - 1
- Class H Enterprises: Tourism and hospitality training
- Online booking platforms

Rwanda has the following registration categories and number of registered entities:

- Restaurants (Includes bars and night clubs) – 520
- Accommodation facilities – 2,940
- Tours & Travel Agencies – 1,530

Tanzania has the following registration categories and number of registered entities:

- Restaurants - 80
- Accommodation facilities – 10,432 (with122,532 rooms and a bed capacity at 132,676)
- Tour Guides - 5,668
- Tour Operators - 1,397
- Travel Agents - 44
- Mountain Climbing/Trekking Operators – 122
- Hunting Safari Operators – 41

Zanzibar has the following registration categories and number of registered entities:

- Restaurants – 211
- Accommodation facilities – 12,401 rooms, with 20,991 beds
- Tour and travel agencies - 30
- Tour guides – 1,038
- Tour Operators - 256
- Game fishing outfitters - 5
- Local traditional boat operators - 11
- Entertainment facilities - 3
- Conference & Event services - 33
- Tourism & Hospitality training institutions – 4

Uganda has the following registration categories and number of registered entities:

- Restaurants – 467
- Accommodation facilities – Over 3,800, with bed capacity of 1,817.634
- Tours & Travel agencies - 387

Institutional and Regulatory framework:

All Partner States have regulators and various laws governing the tourism sector. An overview is detailed below:

Burundi: Institution responsible for tourism in Burundi is the Ministry of Commerce, Transport, Industry and Tourism. Other supporting organisations include the Lake Tanganyika Authority. There are no restrictions to cross border investment or movement for tourist entities / personnel and EAC investment is accorded national treatment.

Kenya: The Ministry of Tourism and Wildlife is responsible for tourism affairs in Kenya. It derives its mandate from the Executive Order No. 1 of June 2018 on Organisation of the Government of the Republic of Kenya. The said mandate is achieved through the following institutions: The Tourism Regulatory Authority (TRA) (responsible for regulating the sector; and the Kenya Tourism Board responsible for tourism promotion. The primary law is the Tourism Act 2011 and the Tourism Regulatory Authority, Regulations, 2014. Other key bodies and their respective legislation are Kenya Wildlife Service (Wildlife Conservation and Management Act, 2013); Kenya Wildlife Research and Training Institute: Kenya Tourism Finance Corporation (Tourism Act, 2011,): Kenya Utalii College (Tourism Act, 2011): The Kenya Tourism Fund (Tourism Act, 2011): Kenya Tourism Research Institute and Monitoring Mechanism (Tourism Act,2011): Kenya Tourism Protection Service (Tourism Act,2011): Brand Kenya (Brand Kenya Board Order, No. 109 of 2008): Kenyatta International Conventional Centre (Tourism Act,2011): Bomas of Kenya: Kenya Safari Lodges and Hotels and Kenya Cultural Centre (Kenya Cultural Centre, Cap. 218).[171]

In terms of regulatory framework, the 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 the various sub-sectors, they provide the following:

- All foreign tourist vans registered in the EAC are required to produce motor vehicle ownership documents, license to carry business of tourism issued by the competent authority in their partner state, as well as a valid driver's license.
- 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.

Rwanda: Tourism in Rwanda is managed under the Rwanda Development Board within its tourism office. The main policies and laws are the Rwanda Tourism Policy 2009; Rwanda Wildlife Policy 2013 and Rwanda Protected Areas Concessions Management Policy 2013, while the laws are the Tourism Law of 2014 and the Ministerial order on tourism entities licensing and grading (2016). There are no restrictions to cross border investment or movement for tourist entities / personnel and EAC investment is accorded national treatment.

South Sudan [172]: The Ministry of Wildlife Conservation and Tourism is responsible for the management of the tourism sector in South Sudan.

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[171] https://www.tourism.go.ke/vision-mission-mandate

[172] GoSS - Wildlife Conservation and Tourism (archive.is)

Tanzania: The Tourism Division is one of the divisions in the Ministry of Natural Resources and Tourism. It is responsible for the Sectoral Policy, Planning, Research, Manpower, Training, Statistics, Licensing and Quality control of Tourist agents.[173] The key regulatory body is the Tanzania Tourism Licensing Board (TTLB), while the Tanzania Tourist Board (TTB) is a government organisation mandated with promotion and development of all the aspects of tourism industry in Tanzania. There are also other key agencies responsible for managing the wildlife (including Game Reserves (GRs), Game Controlled Areas (GCAs)), wetlands, game-parks and other conservation and protected areas. These include, among others, Tanzania National Parks Authority (TANAPA); Ngorongoro Conservation Area Authority (NCAA): Tanzania Wildlife Research Institute (TAWIRI) and College of African Wildlife Management (CAWM). The key legislation is the Tourism Act of 2008, which provides for the institutional framework, administration, regulation, registration and licensing of tourism facilities and activities. Under the Act, all tourism facilities and activities must be registered for them to operate or be offered in the country. TTLB's function includes consideration and issuance of licenses and monitoring curricula of hotel and tourism training provided by public and private institutions to ensure that it maintains high standards. Other key legislations include Tanzania Tourist Board Act, CAP 364 of 1962 and amended by Act No. 18 of 1992 and the Tourism Agents (Registration and Licensing) Regulations, 2015. In Zanzibar, sector policy oversight is provided by the Ministry of Tourism and Heritage, with Zanzibar Commission for Tourism (ZCT) regulating the sector.

In terms of the regulatory framework, Tanzania has a number of restrictions as follows:

- For the hotel sub-sector, investment is limited in the mainland to three star and above, while in Zanzibar to four star and above.

- In terms of 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.

- For Tour Guides, the Tourism Act provides that no person who is not a Tanzanian citizen (of 21 yrs and above) shall engage himself in a business of (b) mountain climbing or trekking; (c) tour guide; (d) car rental; or any other activity so designated by Minister. The Act however states that the above shall not be *construed as to prohibit any foreign tour leader to accompany or lead any foreign tourist or group of foreign tourists visiting Mainland Tanzania*.

[173] Tourism Division | Ministry of Natural Resources and Tourism (maliasili.go.tz)

Uganda[174]: The mandate of the Ministry of Tourism, Wildlife and Antiquities is derived from Article 189 and Sixth Schedule the Constitution of the Republic of Uganda (1995), Uganda Wildlife Act Cap 200, Uganda Tourism Act, 2008 and the Historical Monuments Act 1967. Other Institutions supporting this mandate include:

- Uganda Tourist Board (UTB): serves to promote and popularise Uganda as a viable holiday destination both locally and internationally.
- Uganda Wildlife Authority (UWA): is responsible for the management of 10 National Parks, 12 Wildlife Reserves and 7 Wildlife Sanctuaries and provides guidance over the management of 5 Community Wildlife Areas.
- Uganda Wildlife Training Institute (UWTI): aimed at training and producing human resource or graduates with positive attitudes to deliver quality services in Wildlife and Allied Natural Resource Management for sustainable socio-economic development.
- Uganda Wildlife Education Centre Trust (UWECT): promote and create an understanding of conserving the biodiversity in Uganda among the public, with specific emphasis on the young generation."

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. Under the EAC Tourist Visa, tourists pay USD 100 for a 90-day multiple-entry visa that allows them to enter all three Partner States, instead of paying USD 150 to enter each state in turn.

Furthermore, at the private sector level, the tourism sector established the East African Tourism Platform in July 2011 (becoming operational in April 2021) as a private sector body that works towards promoting the interest and participation of the private sector in the EAC East African Community (EAC) integration process. In addition, all partner states with the exception of South Sudan, have private sector associations supporting the tourism sector. The associations include:

- In Burundi: Burundi Federal Chamber of Commerce & Industry, under which the Sectoral Chamber of Hotels and Tourism is member.

- In Kenya: Kenya Tourism Federation (KTF)[175], which brings under one umbrella eight private sector bodies representing the associations of Tour Operators, Hotelkeepers and Caterers, Travel Agents, Air Operators, Mombasa & Coast Tourism, The Pubs Entertainment and Restaurants Association of Kenya, Ecotourism Kenya and Kenya Professional Safari Guides Association; Kenya Association of Women in Tourism (KAWT): Tourism Professional Association (TPA): Kenya Association of Tour Operators (KATO): Kenya Association of Travel Agents (KATA): Kenya Association of Hotel Keepers and Caterers (KAHC); Events Management Association of Kenya and Tour Operators Society of Kenya (TOSK).

- In Rwanda: The Rwanda Chamber of Tourism; under which firms in the tourism sector are required to be members.; Rwanda Travel and Tourism Association and Rwanda Convention Bureau, representing the MICE industry.

[174] About us | tourismuganda
[175] Kenya Tourism Federation (ktf.co.ke)

- In Tanzania, the Tourism Confederation of Tanzania (TCT) – this is the umbrella organisation representing the private business sector (Sub-Sector Associations) involved in the travel and tourism industry in Tanzania. Other key associations that are members of TCT include Tanzania Tourism Association (TTA); Hotels Association of Tanzania (HAT); Tanzania Association of Tour Operators (TATO); Tanzania Society of Travel Agents (TASOTA); Tanzania Association of Air Operators (TAOA): Tanzania Hunting Operators Association (TAHOA): Intra-African Travel and Tourism Association (IATTA): Tanzania Professional Hunters Association (TPHA): Tanzania Tours Guides Association (TTGA) : Zanzibar Association of Tourism Investors, Zanzibar Association of Tour Operators (ZATO); Zanzibar Association of Tour Guides (ZATOGA) and Tanzania Association of Cultural Tourism Organizers (TACTO).

- In South Sudan, there is a Tour and Travel Association of South Sudan.

- The Uganda Tourism Association is the umbrella association that brings together all tourism associations in Uganda. The current associations include: Association of Uganda Tour Operators: Uganda Safari Guides Association: Uganda Hotel Owners Association: The Uganda Association of Travel Agents and the Uganda Community Tourism Association.

SWOT Matrix

Strengths	**Weaknesses**
- A variety of tourist attractions - wildlife, drainage features, historical sites, and coastal landforms - Peace and stability across the region - Improved transport network system especially roads, waterways, and air transport - Increased marketing and advertisement activities to countries outside the region through international media channels; - Local communities are hospitable and accommodative to tourists - Improvement in the quality of accommodation facilities and services - Improved level of literacy and exposure especially among local people leading to increased awareness and appreciations for the tourism industries - Adequate capital from local and foreign individuals to invest in the sector e.g., for construction of hotels; - Inclusiveness of the sector, attracting skilled, semi-skilled and unskilled people. - Easy entry for SMEs as some segments do not require large capital outlays. - High multiplier effect on other sectors - Favourable government policies that favour investment in tourism - Access to affordable labour - skilled and unskilled labour force to work in the industry e.g., hotel managers and game rangers.	- Limited promotion of EAC as an single tourist destination - Internal connections are poor and expensive by flight - EAC citizens are often treated as foreign tourists when visiting other partner states - Negative travel advisories from source markets; - Inadequate financial and human resource; - Limited participation in joint international promotion fairs and exhibitions; - Lack of common approach to implementation of international and regional treaties or agreements; - Inadequate Research and Development; - Regular ‘conflicts’ between Partner States leading to border closures – - The lack of a common approach in addressing pandemic and epidemic related restrictions such as COVID and Ebola worsens the impact of the restrictions on tourism services

Opportunities	Threats
- Incredible potential for investors across the tourism value chain - the tourism accommodation sub-sector, attraction sites, tour operations, and travel agents among others. - Diverse investment incentives such as custom duty exemptions for certain items used in the sector. - Domestic tourism to drive future sector growth. - Maritime tourism is not fully exploited - Development of low cost carriers as an enabler for affordable cross border movement - Establishment of the Global Tourism Crisis Resilience Management Centre in Kenya to serve Eastern African region	○ Absence of harmonised policies; ○ High cost of EAC airspace ○ Political stability and governance; ○ Inadequate and inefficient infrastructure; ○ Stiff competition from relatively cheaper destinations; ○ Poaching and wildlife habitat loss; ○ Loss of markets through wildlife commercial activities, eg Safari Zoo in UAE ○ High susceptibility to disasters and pandemics; ○ Threats of attacks by terrorist and general insecurity; ○ Brain drain resulting from COVID pandemic

Strategic Interventions

Government Led Interventions

q) Undertake development and strengthening of tourism standards, hotel and restaurant classification and grading systems.

r) Enhance free movement of tourism professionals (tour operators and guides) and undertake harmonisation of procedures and documentation, including removal of current restrictions.

s) Improve and collaborate on travel and tourism statistics and tourism data management systems

t) Undertake international tourism destination promotion and joint marketing of the EAC as a regional destination

u) 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.

v) Undertake tourism product development, including, cultural and heritage products, and development of other niche products like medical and wellness tourism

w) Undertake tourism infrastructure development, including ensuring low concessions on connectivity at tourism sites, governance, cultural and other physical infrastructure.

x) Develop measures to enhance local and regional sourcing and development of tourism value chain

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

z) Undertake transboundary trans-frontier protection, addressing social, environmental, wildlife, parks, oceans and climate factors.

aa) Pursue collaboration with the Global Tourism Crisis Resilience Management Centre in Kenya for data and research

bb) Develop low-cost airlines to support movement of people across the region

cc) Liberalise the EAC airspace as a means to support affordable tourism travels across the region.

dd) Pursue regional action to safeguard the region and its wildlife from commercial exploitation and abuse.

ee) Establish a regional fund to support post COVID-19 recovery of the sector, impact of Russia / Ukraine conflict and other future crisis.

ff) Improve physical access to tourism sites through regional collaboration for sites that cut across borders and also enhance collaboration on security matters on them.

6.12 Priority Sector 12: Higher Education Services

As noted earlier, under W/120 classification, higher (tertiary) education services are not further elaborated. Due to the growth of technical and vocational education and training (TVET) as well as new trends of either not proceeding to higher education, or of acquiring degrees much later in life, the CPC Ver 2 has a revised provisional classification that breaks down the sub-sector as follows:

Higher Education and TVET educational services

Sub-sectors	CPC Provisional		Sector breakdown (4-digit level)
Secondary education services	**922**	9221	General secondary education services
		9222	Higher secondary education services
		9223	**Technical and vocational secondary education services**
		9224	**Technical and vocational secondary school-type education services for handicapped students**
Higher education services	**923**	9231	**Post-school technical and vocational education services**
		9239	Other higher education services

In the CMP, Burundi and Rwanda have committed to liberalise all sub-sectors of education services (except 'other education services' for Burundi) across all modes, with no MA or NT limitations and Mode 4 is unbound except for categories as indicated earlier. Kenya has also committed to liberalise all sub-sectors except 'other education services' and maintains a limitation on mode 3 for higher education, by requiring joint venture with Kenyan nationals. In Tanzania has committed to liberalise all subsectors except 'adult education' and there are no MA or NT limitations. In Uganda, all sub-sectors are open, with no limitations on Mode 1, 2 and 3 and Mode 4 is unbound except for categories as indicated earlier. Under other education services, mode 3 has limitations on MA and NT 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 NT, non-Ugandans cannot own land, but can lease it for development purposes, upon approval by the sector ministry.

Education Services in the EAC

Education is a key sector in the EAC, contributing significantly to GDP and employment. In terms of GDP, in Burundi, all education services contributed 5.4% in 2019; 3.8% in Kenya in 2020; 3% in Rwanda in 2021; 2.3% in Tanzania in 2021; 3.8% in Uganda (2020/21).[176]

In terms of **contribution to employment**, education services are a key source. Although data for all partner states is not available, what is captured points to the importance of the sector. In Kenya education services accounts for 2.6% in 2019 (up from 1.2 % (2018) in wage employment in the public sector. The private sector saw a 2.1% increase in 2019 in private sector. In Uganda, education sector had the fifth-highest percentage of the working population at 2.6%.

[176] National Statistics Bureau Reports

In terms of **market size and market supply**, the following are the key characteristics for the higher education and TVET sub-sectors:

- For Burundi, the number of universities is 49, 7 of them public and 42 private. In terms of TVET, the numbers are as follows:
    - 87 public TVET centres, with 131 classrooms, 542 trainers and 2388 students.
    - 16 public /SC, comprising 65 classrooms, with 120 trainers and 1204 students
    - 3 private TVET centres, with 21 classes, 27 trainers and 101 students.[177]

- In Kenya, there are 77 universities, comprising 40 public universities of which 32 are fully fledged and 8 are university constituent colleges; There are 36 private ones, 21 being fully fledged, 3 constituent colleges and 12 institutions with an interim letter of authority. There is 1 military defence college. The TVET system comprises 12 National Polytechnics, 1,188 (915 private and 273 public) Technical and Vocational Colleges; 1047 (89 private and 958 public) Vocational Training Centres (VTCs) and 1 Technical Trainer College. These are under the Technical and Vocational Education and Training Authority, TVETA. Under the National Industrial Training Authority (NITA), there are 5 NITA centres. TVETA has registered about 2,307 TVET trainers out of an expected 10,000 trainers. Kenya is in the process of developing TVET centres in every constituency and has currently developed 230, out of a possible 290.

- In Rwanda, there are 31 universities, 2 being public and 29 private. Of these 31 higher learning institutions, 9 are technical polytechnics. Rwanda had 366 TVET schools at basic education level, 8 public polytechnics, 9 private polytechnics at higher education level. As of 2019, the gross tertiary enrolment as a percentage of the population was 6.2% which is a drop from 6.7% in 2018.

- In South Sudan, the focal point for TVET education is the Ministry of Education. There are 5 Public universities and 6 TVET institutions were accredited under the Ministry in April 2022.

- Tanzania has 34 universities, of which 12 are public and 22 private. There are 15 university colleges of which 3 are public and 12 are private.[178] VETA runs 43 vocational centres in different regions, and coordinates more than 608 non-VETA in various regions. The capacity of total VET system in 2015 was 160,000 per year, but actual placement of trainees was over 800,000 per year. That is, the facilities of the VET system and well-trained teachers are far less than the needs. In 2019/2020, the total number of VET institutions had grown to 798[179]

  Zanzibar has 3 universities, of which 1 is public and 2 private. There are 3 branches of University (Open University, Mwalimu Nyerere Memorial University and University of Dar es Salaam). There is 1 university technical college and two teacher training colleges, both of them public. Vocational Training Authority (VTA) runs five vocational centres in five regions in Zanzibar, and coordinates more than 31 non-VTA.

[177] As updated during the Regional Validation meeting
[178] Tanzania Commission for Universities,2019
[179] VETA data

- Uganda is home to 9 public universities and 38 private universities. In terms of TVET, the country has 146 Government TVET Institutions, with the private sector dominating the sector, with over 800 privately owned institutions.[180] Other reports break down these institutions as follows: 6 are Technical Colleges, 73 are Technical Institutes, 29 are Community Polytechnics, and 25 are Technical Farm Schools.[181]

In addition to domestic investment, trade-in education services, both via branch campuses of foreign universities and FDI are relatively open in the EAC. However, given the significant financial investments required to create a branch campus in another country, few African countries are establishing branch campuses in other countries. Nonetheless, several regional tertiary institutions have founded satellite campuses in neighbouring countries in response to the demand for services from African students. Kampala International University, for example, has affiliates in Kenya and Tanzania, Cavendish University Uganda is a Zambian import, and the Jomo Kenyatta University of Agriculture and Technology is based in Rwanda and Tanzania.

Institutional & Regulatory Framework
All EAC Partner States have well established regulators for the sector, as well as supportive laws. Specifically:

- In Burundi, the Ministries of Education and Culture, Higher Education and Scientific Research, Basic and Secondary Education, Trade Education, Vocational Training and Literacy, National Commission for Higher Education.

- In Kenya, the Ministry of Education and line? ministries including labour, water, defence, infrastructure among others are the key bodies. Under the Ministries of Education and Labour the following agencies regulate the sector through legislation:
    - National Industrial Training Authority- established by The Industrial Training Act (2011), provides for the coordination and regulation of industrial training and certifies national skills from level I to Master Craftsman.
    - The TVET Act (2013) provides for regulation and coordination of TVET. Under it falls Technical and Vocational Education and Training Authority as the sector regulator charged with accreditation and quality assurance and the TVET Curriculum Development, Assessment and Certification Council (CDACC), mandated with development of curricula, assessment and certification.
    - The Kenya National Qualification Framework Act (2014), which provides for the establishment of an accreditation system on qualifications. Under this falls Kenya National Qualification Authority (KNQA), whose mandate is to coordinate and harmonise education, training, assessment and quality assurance of all qualifications in the country, with the view to improving quality and international comparability.
    - The Science, Technology and Innovation Act (2013) provides for regulation of the science, technology and innovation sector under NACOSTI.
    - The University Act (2012) provides for regulation and coordination of university education and establishes the Commission for University Education (CUE). This Act is supported by the Universities Regulations of 2014 and the Universities Standards and Guidelines, 2014.

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[180] According to TVET Uganda
[181] UniRank

- The TVET institutions (have formed their own associations like the Kenya Association of Technical Training for public TVETs and Kenya National Association of Private Colleges for private TVETs.

- In Rwanda, the key bodies are the Ministry of Education (MINEDUC), the Rwanda Basic Education Board (REB) and Higher Education Council (HEC). The development of school curricula, administration of examinations in the school system, and setting of standards for teacher training are in the purview of The Rwanda Basic Education Board (REB), which is an agency of the MINEDUC. HEC on the other hand-sets standards and enhances and monitors the quality of higher education and research at HEIs. It also oversees the vetting and recognition of private HEIs and the accreditation of their programs. At the TVET level, the relevant body is the Rwanda TVET Board (RTB), established in 2020 by the presidential order No N° 123/01 of 15/10/2020 published in Official Gazette N° 32 bis of 19/10/2020.

- In South Sudan, the key bodies are the Ministry of General Education and Instruction (MoGEI), which is responsible for early childhood education, primary, secondary, alternative education systems (AES), teacher training, and post-primary TVET and the Ministry of Higher Education, Science and Technology (MoHEST), which oversees higher education institutions. There is also a Directorate of TVET under the Ministry of Labour as well as under the Ministry of Youth and Sports.

- In Tanzania, the key oversight body is Ministry of Education, Science, Technology, and Vocational Training, formerly the Ministry of Education and Vocational Training. Under this Ministry, is the Tanzania Institute of Education (TIE) that is responsible for ensuring the quality of education in Tanzania at the pre-school, primary, secondary, and teacher training levels. There is also the Institute of Adult Education which oversees the running of continuing and non-formal education programmes for adults, especially in rural communities. The Vocational Education and Training Authority (VETA) is responsible for coordinating, regulating, financing, providing, and promoting vocational education and training. Technical education and Training are regulated by The National Council for Technical Education.

  In Zanzibar, the key oversight body is Ministry of Education and Vocational Training. Under this Ministry is the Zanzibar Institute of Education (ZIE) that is responsible for ensuring the quality of education in Zanzibar at the pre-school, primary, secondary, and teacher training levels. There is also the Department of Alternative Learning and Adult Education which oversees the running of continuing and non-formal education programmes for adults. The Vocational Training Authority (VTA) is responsible for coordinating, regulating, providing, and promoting vocational education and training. Technical education and training are regulated by the Ministry of Education and Vocational Training Zanzibar.

  The Tanzania Commission for Universities (TCU) replaced the Higher Education Accreditation Council and is tasked with the recognition, approval, registration, and accreditation of universities operating in Tanzania, and local or foreign university-level programs being offered by non-TCU registered higher education institutions. It also coordinates the proper functioning of all university institutions in Tanzania to foster a harmonised higher education system in the country. The Tanzania Education Authority supports education projects submitted by universities, technical colleges, and full-registered schools.

- In Uganda, the key bodies are the Ministry of Education and Sports, and Uganda National Council for Higher Education. The latter is a semi-autonomous and self-accounting body, whose role is to regulate higher education and to guide the establishment of institutions of higher learning as well as ensure that quality and relevant education is delivered. It is tasked with licensing universities. The Key legislation is the Business Technical Vocational Education and Training (BTVET) Act of 2008, which highlights promotion and coordination of BTVET; the principles governing it; establishment of the institutional framework and the Uganda Vocational Qualifications Framework. Other key laws are the Universities and Other Tertiary Institutions Act (as amended); Uganda National Examination Board (UNEB) Act; National Curriculum Development Centre (NCDC) Act Cap 135 and Education Service Act.

  Uganda is in the process of reorganising its TVET sector and in 2020 adopted the TVET Policy 2019.[182] Providing for both policy and institutional reforms, the Policy foresees a review of the BTVET Act and the Universities and Other Tertiary Institutions Act, 2001; the expansion of the TVET Qualifications Framework scope; establishment of a TVET Council, TVET institutions and providers and operationalisation of the Skills Development Fund.[183]

  At the private sector level, the Uganda Association of Private Vocational Institutions (UGAPRIVI) is the umbrella organization for private vocational training institutions in Uganda, having over 2000 members and representing about 80% of all TVET institutions.

At the regional level, the Inter-University Council for East Africa (IUCEA) plays the role of harmonisation of higher education and training systems; strategic development of higher education and training systems and promotion of internationally comparable standards and systems. EAC Partner States have ongoing collaboration on TVET – for example through the EASTRIP project (facilitated by IUCEA), which is working on Regional Flagship TVET Institutes. It however currently covers Tanzania and Kenya only.

Foreign participation in the education sector is also seen through the recognition of foreign certification and qualifications of TVET courses. For instance, The Kenya National Qualifications Authority (KNQA) accredited the Delegation of German Industry and Commerce for Eastern Africa (AHK Eastern Africa) as a Foreign Qualification Awarding Institution in the Technical and Vocational Education and Training (TVET) sector in Kenya in 2020 – which means that the certification given is now automatically recognized in Kenya and Germany.[184]

Regulatory framework

The EAC has both regulatory hurdles and explicit trade barriers that affect trade in education services. Domestic regulation of education is often geared towards three main things. First, regulation ensures the quality of the education services provided meets the minimum standards required to protect the interests of the consumers and the integrity of the providers. However, the quality assurance and accreditation mechanisms put in place to achieve such objectives may

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[182] Ministry of Education Uganda, May 2020, TVET Policy 2019. https://www.education.go.ug/wp-content/uploads/2020/05/Final-Tvet-Policy_Implementation-Standards_Implementation-Guidelines_19th_May_2020.Pdf

[183] Ibid

[184] https://www.kenia.ahk.de/news/details/ahk-eastern-africa-accredited-as-foreign-qualification-awarding-institution-in-kenya-for-tvet-trainings

also accentuate the potential quality risks in education services. For example, existing national frameworks for quality assurance or accreditation in higher education are often inadequately prepared to address new challenges from trade and private provision of services since they often focus exclusively on services provided by domestic institutions. There are also challenges in developing and implementing quality standards or accreditation and recognition mechanisms that ensure that students remain protected from fraudulent or poor-quality providers and reassure international providers that the standards and accreditation are based on objective criteria and adequate verification procedures. As education-related quality criteria differ across countries, the resulting diversity in quality assurance and accreditation systems across the continent further complicates the matter.[185]

Second, the regulation aims to minimise the brain drain caused by the permanent emigration of the students, which is a significant loss of investment for African sending countries. Governmentsemploy laws and policies that encourage professionals to return to their home countries, which may include restrictive policies such as compulsory national service, to render migration more difficult. Since this is a temporary hindrance to migration, it has not been very effective. Other incentives include the use of policies, such as tax rules on remittances, which foster inward investment and research and development.

Third, the regulation aims to minimise the inequities caused by expensive foreign education services relative to the cheaper domestic education. It does so by offering support to low-income families who are unable to meet the costs of education services.

When it comes to the most common type of education services trade – student consuming education services by studying abroad, there are few explicit barriers preventing such flows within the EAC. All EAC members recognise the qualifications obtained by students via virtual learning (Mode 1) and through studying abroad (Mode 2). However, in Tanzania and Kenya, the certificates need to be approved by the TCU and the CUE respectively. Trade-in education services, both via branch campuses of foreign universities and Foreign Direct Investment (FDI) (Mode 3) are also relatively open in the EAC. Foreign universities are permitted to set up branch campuses with no limits on the legal form of higher education institutions or ownership shares. None of the EAC countries require the management or directors to include locals or residents of the host country. Further, foreign professors and lecturers who are not locally licensed or practicing under a limited license are permitted, but not mandated, to engage in commercial association with fully licensed professors. There are also no restrictions on repatriation of earnings by foreign educational institutions or franchises and twinning arrangements. Finally, within the EAC, there are no limitations on financial assistance for students at foreign educational institutions or on the student population that can be enrolled.

Under Mode 4, however, educators face burdensome immigration requirements especially in Kenya and Uganda where visas and work permits are only issued for a period of 90 days, after which they must be renewed. Work permits cost US$114 in Kenya and US$75 in Uganda. Rwanda and Tanzania have more friendly immigration requirements, with the former issuing a one-year work visa with no additional requirements to obtain a work permit at US$83, and the latter issuing a two-year work visa at US$550.

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[185] Dihel N and Goswami AG. (2016) Internationalizing Sub-Saharan Africa’s Education and Health Services. World Bank.

In terms of licensing laws, the movement of educators across borders is relatively liberal in the region. Most EAC Partner States have no nationality, language, or residency conditions for obtaining an educator's license. Tanzania recognizes academic licenses only unilaterally according to a codified process based on substantive criteria, whereas Kenya, Rwanda, and Uganda provide preferential recognition for licenses obtained by EAC member states.[186] Kenya and Tanzania impose labour market and economic needs tests before hiring educators from abroad.

SWOT Matrix

Strengths	**Weaknesses**
- Education and continuous learning is highly valued in the region - The region has an established reputation as an education hub that can be built on. - Several established tertiary institutions and emerging centres of excellence - Partnerships with international education institutions can be leveraged for sector growth - Region's focus on boosting the ICT sector offers positive demand spill overs for related education services - Low cost, high quality higher education - Liberalisation of the provision of higher education has created an opportunity for private (for profit) providers.	- National frameworks for quality assurance or accreditation in higher education are often inadequately prepared to address new challenges from trade and private provision of services since they often focus exclusively on services provided by domestic institutions. - There is limited to no joint regional effort on TVET related education - High incident of skills mismatch with job requirements
Opportunities	**Threats**
- A high youthful population, in need of skills and jobs - Continued private investment into TVET and higher education - Leveraging of ICT TVET delivery and partnerships - Cross border trade in education services through export of both educators and students	- Arduous immigration regulatory processes, including costly work permits and visa requirements, may discourage investment/mobility.

Priority interventions

Government Led Interventions:

I) Review existing TVET curriculum to shift it from knowledge based to skills / competence based, with a view to aligning it to EAC policies (such as industrialisation; Partner States'

[186] Ibid.

/ regional market needs and global standards, trends and needs e.g. welding, oil drilling which can enhance exportability of EAC skilled personnel.

m) Establish regional sector skills councils that bring together public and private sector in order to enhance alignment of skills to job market needs.

n) Develop a regional TVET Skills development council in order to harmonise standards in the region

o) Put in place a regional framework to allow for seamless transition from TVET education to university education.

p) Undertake ICT assessment, with a view to enhancing technology use in education.

q) Streamline educational qualifications verification/accreditation and quality assurance

r) Enhance mobility for TVET educators through addressing barriers to entry.

s) Close gap between in-service teacher qualification/requirements and promote training and capacity building of lecturers and TVET trainers across the borders

t) Undertake harmonisation of training and examination procedures in TVET to support the mobility and recognition of TVET graduates.

u) At the professional body level, set minimum period for field attachment / internships to ensure graduates acquire relevant job skills before they join the labour market.

v) Establish common ethical guidelines for research and policies on commercialisation of technologies, promotion and protection of intellectual rights.

w) Enhance regional exchange of scientific information, personnel and promotion of publication of research and scientific findings.

x) To support mode 2 trade in education services, Partner States to financially support their students studying abroad, as host government citizens usually enjoy support through capitation. In addition, all Partner States should increase the number of scholarships awarded to students studying in other EAC Partner States.

7 CROSS-CUTTING INTERVENTIONS

There are various issues that are cross-cutting in nature (meaning that they affect almost all service sectors) and which are necessary to strengthen the foundation of the EAC services agenda. Majority of these cross-cutting issues are known and in many cases, the scoping of the intervention is already well-advanced. As such, they are considered high priority and, in many instances, ready to be implemented.

7.1 Cross Cutting Intervention 1: Reinforce the (public & private) institutional framework for service sector development

The development of export-oriented services sectors touches on a diverse set of capabilities and knowledge. This includes, amongst others, policy and program interventions that can help firms build the capacity to produce efficiently, attract domestic and foreign investment, comply with standards and other regulations, and access and successfully market in external markets, etc. Moreover, the service sector itself covers a multitude of different activities. Each individual sector, if not sub-sector, has its own commercial dynamics, regulatory specificities, and assortment of public and private sector stakeholders. Effectively leveraging this myriad of capabilities across a broad spectrum of economic activities to support sector development necessarily requires a harmonious orchestration of various arms of the government, alongside in-depth engagement of the private sector. Thus, coordination, prioritisation, and accountability are key.

7.1.1 National Trade in Services Committees (NTSCs)

To lead this work at the national level, the Strategy will leverage the National Trade in Services Committees (NTSCs) that were established in each Partner State as part of the May 2019 SCTIFI Decision on the Mechanism for the Removal of Restrictions on Trade in Services.[187] To do so, the mandate of the NTSCs would be broadened to be the lead body responsible for supporting the development of the services sector.

As outlined in 19 below, the NTSCs would continue to be led by the Ministry responsible for trade (as Chair), with prominent engagement from the Ministries charged with EAC affairs as well as development/economic planning (both respectively serving as Vice-Chairs). A third Vice-Chair would be drawn from the national apex private sector association/chamber. This team would be complemented by representatives from each of the sector Ministries and regulatory authorities responsible for the prioritised sectors (including, as needed, from standards bodies), alongside private sector representatives from the same prioritised sectors (ideally offering insights of both business producer and business/final consumer perspectives). Non-state actors, such as NGOs representing relevant consumer groups or academia would also sit on the NTSC.

The main role of each Partner States' reinvigorated NTSCs would be to:

- Oversee the execution of the Strategy's implementation in each Partner State (see more below);
- Serve as the national champion for service sector development and services export excellence;

[187] EAC/SCTIFI 36/Decision 11.

- Help communicate the overall direction of the Strategy to relevant national and international stakeholders;
- Promote a sense of cooperation and shared responsibility to deliver on the objectives of the Strategy; and
- Mobilize and prioritize the allocation of domestic and international resources to support the Strategy.

Figure 19: A reinvigorated National Trade in Services Committee

A core element of the work of the NTSC will be to catalyse a 'whole-of-government' approach to developing the services sector. This entails agencies working across portfolio boundaries to achieve a shared goal, focussing on policy development, programme management and service delivery. In this manner, the NTSC will serve as a nexus to review and help prioritize interventions affecting the identified services sectors, be it related to integration and liberalisation[188], private sector/export development, infrastructure development, skills, regulatory reform and standards, domestic/foreign investment, financing and incentives, etc. The NTSC will similarly need to be proactive in promoting linkages with other sectors of the economy, notably agriculture and manufacturing.

Success will depend on various factors, including:

- *A strong spirit of cooperation and innovation*. The extent of the work leaves little room for territorial battles amongst stakeholders. Similarly, the challenges that will be faced call for innovative, out-of-the-box thinking – continuing to approach a problem simply because that's how it has always been approached should be resisted whenever possible.

[188] This would include the originally envisaged work of the NTSC to help facilitate the implementation of the mechanism for the removal of restriction on trade in services.

- *The ability to prioritise and take action.* The body needs a relatively high degree of decision-making authority to help prioritise actions and ensure its recommendations are duly implemented across all relevant bodies.

- *Accountability for results.* To help increase the level of accountability for results, the body should ideally report to a high-level body, such as Cabinet.

7.1.2 Regional Trade in Services Committee (RTSC)

The need for coordination, prioritisation and accountability are amplified at the regional level, adding additional layers of complexity. As such, in parallel with the work in each Partner State, the Strategy also calls for a reinvigorated Regional Trade in Services Committee (RTSC) to help coordinate regional policies and programmes impacting the NTSC work at the national level. Amongst others, this would implicate representatives from each Partner State's NTSC, the EAC Secretariat's Trade Directorate, as well as the Planning and Investment Directorate. It would also include the East African Business Council (EABC) and other regional bodies. Where relevant, the design and implementation of certain cross-cutting interventions may take place under the RTSC, with Partner State NTSC involvement and/or oversight. The RTSC would also receive bi-annual reports from the NTSCs, which may include recommendations to SCTIFI.

7.1.3 National Sector Champions

Whereas the NTSC would provide higher-level, cross-sectoral coordination, prioritisation, and guidance, national Sector Champions would lead the more detailed sector-specific work – notably the preparation and execution of sector development implementation plans.

Two Champions would be selected (by the NTSC) for each prioritised sector, including one highly competent technical expert from the lead sector Ministry (or regulator), alongside a similar expert from a relevant private sector association. In concert, guided by the sectoral priority interventions sketched out in Section 6, they would help orchestrate the interactions between relevant public and private sector actors in determining the annual implementation plans.

In doing so, the Champions would promote a broad emphasis on competitiveness, service excellence, and export orientation. They would work with relevant sector stakeholders, notably firms, to further enumerate the issues constraining sector development and devise appropriate mitigation measures to feature in the sector implementation plan, including as related to the:

- Availability and reliability of enabling infrastructure, including digital and telecommunications, transportation, and energy;
- Alignment of available skills and training with market and firm requirements;
- Prevalence of regulatory, procedural, and business environment obstacles (including taxation regimes);[189]
- Availability of financing and incentives for exporting;
- Addressing firm credibility challenges through exporter recognition programmes;
- Exploration of opportunities to leverage government procurement to support domestic services firms;

[189] The ITC's Classification of Services Trade Measures offers a taxonomy of over 150 measures across these three main categories.

- Deployment of and training for internationally-recognised standards and quality frameworks;
- Access to and adoption of appropriate technology and sector know-how;
- Availability of product and market intelligence to support market entry and the development of effective marketing and advertising strategies and materials; and
- Developing channels for connecting domestic services firms to regional/global supplier networks and building B2B linkages;
- Negotiation of trade agreements

Designed as such, these Champions help ensure the Strategy implementation leverages national sector-specific knowledge and are informed by the real-world experiences of firms active in the sector. Where information and knowledge gaps are identified, including those already identified in the Strategy, the Champions will be responsible for making recommendations to the NTSC for the commissioning of research and studies.

As elaborated below, the Sector Champions may also be implicated alongside the NTSC in select cross-cutting priority interventions.

7.1.4 Mobilise and coordinate private sector constituencies in the services sector

Strengthening the institutional framework of the private sector is critical if service sector development is to be realised. As noted in the situational analysis, the private sector is not adequately involved in service sector policy development as well as in capacity building of service sector firms. This has led to unstructured advocacy on needed service sector reforms, with each sector engaging separately with policy makers, both nationally and regionally, thereby diluting the private sectors' voice to advocate for coordinated and positively-reinforcing competitiveness-enhancing interventions. This fragmentation also means that there is no common and structured agenda being pursued by the private sector vis a vis service sector development and exploitation of export market interests.

At the regional level, efforts to organise the services sector across specific sectors / sub-sectors have been undertaken, with mixed results. This includes, among others, an East African Professional Services Platform (now defunct); an East African Tourism Platform (operational); an East African Health Federation (operational); the East African Law Society (operational) and Federation of Freight Forwarders Associations (Operational). Similar to the situation at national level, there is no regional umbrella body that enables bigger-picture coordination at the EAC level. EABC, as the regional apex body of the private sector, currently represents the interests of different services sectors, and was instrumental in setting up some of the platforms noted above.[190]

Given the above context, undertaking structured advocacy for needed service sector reforms becomes difficult, as does supporting firms to build their productive and export capacity and increase their participation in regional and global value chains. Each sector engages separately with policymakers, both nationally and regionally, thereby diluting the private sectors' voice to

[190] Funding for these Platforms was primarily provided by TradeMark East Africa (TMEA) for the Professional Services Platform and Tourism Platform and the GIZ for the Health Federation. The FEAFFA, though supported by TMEA, is largely self-funding. EALS is also self funding.

advocate for coordinated and positively-reinforcing competitiveness-enhancing interventions. Furthermore, the fragmentation also means that there is no common and structured agenda being pursued by the private sector vis a vis service sector integration and development, or exploitation of export market interests. Seen within the context of other challenges highlighted throughout the Strategy, including severe data limitations, the situation creates private sector mistrust and a reluctance to pursue the integration agenda without adequate support for these companies to take advantage of that integration.

To address such challenges requires targeted mobilisation of service sector constituencies through the following interventions:

A. Establish a regional Coalition of Service Industries[191]

A Coalition of Service Industries (CSI) is defined as '*an organisation of stakeholders related to the service sector who may have diverse interests, but who share common industry-wide objectives of developing the services industry.'* It is equivalent to a private sector apex body but focussed exclusively on services sectors. CSIs have been in existence for many years and have been acknowledged as playing a significant role in the launch of the negotiations on trade in services under the GATT in 1986, as well as continued monitoring of service-related negotiations at the WTO. Typically, members include service sector firms that are not only well established at home but who also have clear export interests, existing or potential. The latter are useful in that they are able to communicate to policy-makers specific information on market access barriers and problems they experience when accessing foreign markets.[192]

However, the CSI should welcome all service constituencies, including individual service firms and national and regional sector specific trade associations. This is in acknowledgement of the fact that even those not exporting are affected by internal legal and regulatory barriers as well as effects of regional, continental or global integration. When well established, CSIs can undertake various functions and roles, including organisation of the services sector, by creating the platform to bring the service constituency together; awareness building of services stakeholders; representation of members/service sector interests to governments ; enhancing the competitiveness of service sectors and service sector firms, as well as the facilitation of services exports, through for example collection and dissemination of export opportunities, services data, international matchmaking and organising trade missions. Through collaboration with other CSIs, opportunities are created to network, build consensus on service trade liberalisation as well as identify commercial prospects and opportunities to develop firm linkages. Globally, CSIs have been seen to have significant beneficial impact on the services industry.

The CSI concept is not new in the EAC. In 2009, faced with the proposed EU-EAC Economic Partnership Agreement (EPA) that envisaged negotiations for trade in services under Phase II, as well as the then soon to be concluded CMP negotiations, EABC attempted to establish an East Africa CSI (EACSI). With support from International Lawyers and Economists Against

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[191] This section draws on: Hustler, M and D Primack. (2012) Harnessing Services Trade for Development: A Background and Guide on Service Coalitions in Africa and the Caribbean. ILEAP Background Brief No. 22. (Available at: https://edc.gov.bz/wp-content/uploads/2016/11/bb22_background-guide-service-coalitions-africa-caribbean_april12.pdf)
[192] ITC. (2015) Sustaining Coalitions of Services Industries.

Poverty (ILEAP),[193] EABC developed a concept paper on the EACSI and brought stakeholders together to discuss various aspects of the coalition. The idea of a regional CSI was widely supported, with stakeholders noting that while national CSIs were important, a regional CSI was not dependent on their existence. The argument then was that fast tracking a regional CSI was needed in order to ensure a regional private sector voice in the on-going services CMP negotiations, as well as the prospective services EPA negotiations. However, due to personnel and funding challenges, the EACSI as envisaged never did come to fruition. At the same time, that work did support the establishment of a number of the platforms noted earlier.

Under this Strategy, the EABC will revive the discussions on establishing an EACSI, as an initial step towards establishing national level CSIs. Given the on-going negotiations under the AfCFTA, as well as the current and expected future negotiations under the CMP, the urgency to establish a regional CSI remains acute. In terms of where to at least initially host the EACSI, the EABC is considered the preferred location (given its already existing structure, which includes a Secretariat in Arusha that has Observer Status in the EAC) and national focal points that are also the national private sector apex bodies. One option would envisage EABC establishing the CSI as a dedicated desk within the organisation, and staffing it based on the expected knowledge and capacity needs envisaged under the work of the Regional Trade in Services Committee (RTSC) (see Section 7.1.2).

The EACSI should have its own governing structure – preferably a steering committee, separate from the EABC Board of Directors. Among the members of this Executive Committee should be a representative from the EAC Secretariat, the Chair of the RTSC and national CSI representatives (or leads on services in national BMOs). The CSI should also put in place various Technical Working Groups (TWGs) to support its work – these TWGs should comprise the sector champions, the chairs of the National Trade in Services Committees and industry representatives, be they BMOs or firms. This arrangement would ensure that engagement with the government is cemented from the outset, and ideally help the ostensible beneficiaries take greater ownership over implementation. It is however expected that the EABC and the EAC will convene a meeting as a first activity to iron out the roles and function of the EACSI; the structure, membership, staffing and funding issues, among others.

Two other activities that the EACSI should undertake – in addition to the typical CSI roles and functions highlighted earlier, are a) to develop a trade in services knowledge platform and b) to build export capacity of MSMEs through targeted training. A key challenge amongst both public and private sector is the limited understanding of service trade related issues, including sector specific regulatory best practices, modes of supply, sector dynamics and even export opportunities. The knowledge platform will be instrumental in bridging this gap, becoming an avenue to enhance awareness across various constituencies on service-related matters. Also as highlighted in previous sections, liberalisation will only work if firms, especially MSMEs, have services to export. Thus, the EACSI will play a key role in one, identifying export opportunities across the region and globally in the selected sectors and two, orienting and training firms as will be necessary to tap into these opportunities. The latter will include development of export

[193] ILEAP was a Canadian-based NGO that sought to reduce poverty by supporting low-income countries and regions to secure pro-development and equitable outcomes from trade and investment negotiations, policy reforms and implementation. Until its closure in late 2017, it was active in the region providing advisory support, capacity building, and knowledge creation and dissemination, primarily in the area of trade in services.

training materials focussed on how to export successfully (i.e. interventions to prepare the firm for exporting; to understand markets and opportunities abroad; to develop markets, contacts and credibility and lastly to enter the market.

To ensure sustainability of the CSI, several key factors have to be integrated in its formation. Among these is a) inclusion and ownership by the private sector – the formation processes should be open, transparent and participatory of a large cross section of potential members, to ensure that all decisions are driven by the sectors and that they own them. b) Gaining recognition by the policy makers, at both regional and national levels will also enhance the CSI's sustainability. To this end, involvement of the EAC secretariat in its formation is paramount. c) Besides mobilising resources from members and development partners, the CSI should develop its own set of product offerings that can support its resource mobilisation efforts – they could be through offering advisory services; training services as well as targeted consultancy services.

B. Establish a structured trade in services focused Public Private Dialogue (PPD) Platform

In order to support and enhance the work of the EACSI, there is need to establish **a structured PPD for trade in services**. It is proposed that an annual Trade in Services Roundtable be organised under a PPD approach. During this meeting, critical and topical issues around services would be discussed; best practices shared and actions to guide implementation of the Strategy agreed. These issues would be based on the priorities of each of the identified sectors, plus the cross-cutting issues. Regular monitoring of the actions agreed at the Roundtable would take place by the EACSI, through the RTSC and NTSCs.

Participants of these roundtable meetings should include representatives from the EACSI, regional and national Trade in Services Committee, sector regulators, relevant ministries, industry BMOs, service firms, EAC and EABC and development partners supporting the services agenda. It may also be expanded to include academia, think tanks and international bodies with an interest in services.

7.2 Cross Cutting Intervention 2: Generate information to drive services policies and business strategies

Developing services sectors and boosting services exports – be it officials crafting supporting policies or programmes, or firms planning to enter new markets or upgrade into new services – requires good data and information to properly understand what is happening in the sector, what constraints are undermining sector development, and what interventions are needed to overcome these constraints and/or succeed in the market. Without these, neither the public nor the private sector have the foundation to build the insights needed to be able to adequately leverage opportunities and overcome bottlenecks.

Interventions under this cross-cutting priority target two distinct information gaps:

1) Boosting the availability and reliability of services trade and production statistics; and
2) Generating information to support EAC services firm competitiveness and export growth

7.2.1 Boosting the availability and reliability of services trade and production statistics

As touched on under the situational analysis, availability and reliability of services trade and production statistics are weak – in the EAC as in many developing countries. If available at all, services trade data is largely only available for each Partner State's trade with the world, and sector-specific information is usually highly-aggregated. This contrasts goods sectors, which often have widely available trade and production data, including at highly disaggregated levels, with detailed partner information, and available in different economic classifications.

Even if just to help support the integration agenda, there is no data available (except for Uganda) on what services each Partner State trades with each other.[194] For their part, firms are similarly hard-pressed to identify new potential trading partners and/or related services products where growth potential may exist. In part, this stems from the intangible nature of many services, which renders measuring services trade flows significantly more difficult than goods (which have virtually all needed tracking information on a single customs document). While some services like hotels or transport can be more easily defined through physical function, most services are more abstract and do not leave the same physical evidence when they cross borders. Consider for example legal services, education services, consulting services, or ICT services, to name a few.

Insights on services trade by mode of supply is even more challenging, though some progress is being made on that front through the combination of available services and investment data, alongside innovative estimation and refinement techniques.[195] A particular challenge relates to how to capture modes 4 supply, which is often through remittance transactions that do not usually separate persons employed in services sectors from those employed in manufacturing.

To help address this challenge, an UN-led interagency task force developed the *Manual on Statistics of International Trade in Services*[196] to meet the need for comparable and comprehensive statistics on trade in services. While the manual has not been operationalised at the EAC level, it does provide a robust framework for the EAC to build from.

Strategic Interventions

Under the Strategy, the EAC will put in place a sequenced process to capture services trade data and boost the capacity of the region's statistical agencies to regularly collect and publish more and better trade in services statistics. The EAC has indeed recognised this need and will be undertaking some of the work outlined below under the planned *EU-EAC CORE (Common Objectives in Regional Economic integration) programme, under Specific Objective (SO) 2 - Promote Free Movement of Services in the EAC.*

A. Design and implement a capacity building programme to strengthen EAC statistical systems for services trade and investment

- In collaboration with appropriate development partners (e.g. UNCTAD, EC, IMF, etc.) this activity will involve undertaking an assessment of the services trade and investment

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[194] Primack (2016).

[195] See the WTO's experimental dataset on international trade in services by mode of supply: https://www.wto.org/english/res_e/statis_e/trade_datasets_e.htm#TISMOS

[196] See https://unstats.un.org/unsd/tradeserv/TFSITS/manual.htm

statistical collection systems in each Partner State and preparing and implementing a technical capacity building programme to strengthen them.

- The assessment will look at the overall systems for services data collection, compilation and reporting, including technical considerations, as well as those related to human capital and financial resources.
- The assessment will also aim to identify potential 'quick wins' for providing a near-term boost to the data currently available, with a view to underpinning an initial one-off report (see below).[197] This may include a series of pilot firm-level surveys in select sectors.
- The training will focus on, amongst others, incorporating MSITS methodologies at the national level.

B. Prepare a Pilot Report on Services Trade & Investment in the EAC

- The EAC will commission the preparation of a *Pilot Report on Services Trade & Investment*.
    - This initial one-off report will provide the policy, research and business communities with a baseline of data for each Partner State, and the region as a whole, to begin the process of better understanding the regional services market and supporting its growth.
    - With support under the CORE programme, the preparation of the report will involve the EAC Statistics Department, Partner States' Bureaus of Statistics and Central Banks, and relevant international organizations (e.g., UNCTAD, WTO, OECD, etc).

Lessons from the preparation of this report will feed the design of an annual version for future publication.

C. Prepare an Annual EAC Services Trade & Investment Report

- Building on the lessons identified in the Pilot Report, and leveraging the enhanced capacities of EAC statistical agencies, the EAC Statistics Department and the Partner States' Bureaus of Statistics will produce an annual EAC Services Trade & Investment Report. This report may be produced as a standalone one, or be incorporated into the EAC Annual Trade Report.

7.2.2 Generating information to support EAC services firm competitiveness and export growth

Another area where there is inadequate information revolves around the underlying commercial activities and firm dynamics – both across strategic service sectors and in other non-services production networks which have a high intensity of services inputs, which would support firms to trade more services. Moreover, as outlined in Section **Error! Reference source not found.**, information is needed on a host of constraints that impede the development of services sectors.

More and better information is needed – both to design policies and programmes to help firms build their productive and export capacity. As such, this information will be essential to support the work of the Sector Champions in further elaborating and refining the sector implementation plans. Highlighting again the importance of in-depth stakeholder, this work will also help to connect different pockets of knowledge in Partner States and across the region.

[197] See also: Holmes P., J. Rollo, & A. Shingal. (2016). *Improving Services Data Collection in Least-Developed and Low-Income Countries: A Toolkit*. Toronto, Geneva and Brighton: ILEAP, CUTS International Geneva and CARIS.

Strategic Interventions

A. Studies to identify binding constraints to EAC services firm competitiveness

This activity involves the conduct of 7 firm-level value chain (VC)/market systems development (MSD) studies in each Partner State to identify binding constraints to EAC services firm competitiveness (where relevant, this can also leverage the emerging IWOSS case study methodology). Differentiated from other VC/MSD efforts, this work will specifically target information on the challenges facing local services firms to integrate into, and economically and socially upgrade within, existing value chains. The precise sectors will need to be determined by respective NTSCs/RTSC but will be guided in part by the Strategy.

B. To help catalyse innovative interventions to help unlock service sector potential

This activity will enrich the evidence base to promote innovative future interventions. In particular, it will identify non-traditional issues and sectors, for example, where the trade dimension is underappreciated and/or inadequately understood.

It is expected that each study will be regional in focus, but likely with individual country-level components. 10 studies are planned, averaging 2 per year over the first 5 years.
Preliminarily identified studies include:

i) a diagnostic assessment of the regional trade in higher education services;
ii) a diagnostic assessment of the potential for developing a regional medical tourism sector; and
iii) a diagnostic on the poverty impacts of reducing barriers to informal distribution services.
iv) studies to guide negotiations for the remaining 5 sectors not included in the CMP

7.3 Cross Cutting Intervention 3: Build Capacity of service sector firms to enhance export capability and competitiveness

7.3.1 Undertake training and capacity building of service sector firms

Export of services differs from that of goods in that for cross-border trade in services, the objective main focus is on facilitation of service suppliers with various skills both onshore and offshore, and attracting commercial presence under Mode 3. Activities that may be undertaken under this are include:

- Business training, including developing business plan, with export-orientation and sector-specific insights on pathways for upgrading
- B2B collaboration and boosting firm linkages, including through enhancing the role for supplier development programs and accessing supplier networks
- Support EAC business involvement in regional/international standard setting bodies
- Expanding services export support to firms through targeted programmes by trade promotion bodies as well as by development partners

7.3.2 Enhance access to trade finance

As earlier noted, access to affordable finance for growth and expansion is one of the key constraints that businesses face. This is particularly acute for exporting companies in sectors like engineering services that usually have to compete with foreign firms that enjoy low cost of credit in their domestic markets and / or their own state support through interest free loans. Thus, as part of supporting exporting businesses in priority sectors, the following will be undertaken:

- Development of services export finance schemes – national governments working with financial institutions should develop schemes / products targeting exporting forms that are tailored to their specific needs (which may include lack of collateral security, or limited cashflow due to various trade terms).

- Establish an Innovation Facility / Challenge Fund: The aim of the facility is to enable services stakeholders to drive the demand for evidence in support of sought-after interventions for promoting services competitiveness. This activity involves the establishment of a facility for diverse stakeholders – notably non-state actors such as the private sector and civil society – to generate evidence needed to support the promotion of services competitiveness. This could include firms engaged in services activities seeking specific information on upgrading strategies, or advocacy groups seeking to enhance understanding on the potential implications of services integration in sensitive sectors (e.g., education, health, environment). The facility would be managed by the RTSC and have fixed allocations for specific priorities, e.g., skills for future industries cybersecurity and Internet of Things; digital trade tools; gender-related issues, poverty-related issues and/or environmental-related issues. Calls for proposals would also be utilized as a catalyst to generate applications.

7.3.3 Enhance access to information on exporting requirements for service sectors in all Partner States

As part of supporting informed business decision making and enhancing transparency on the requirements for accessing each other's markets, EAC Partner States should make available on the EAC national trade portals all the export requirements for various service sectors and sub-sectors, across all modes. Thus, information should include for example, requirements for registration of firms under Mode 3, requirements for temporary movement, including allowed duration of stay, required registration with competent authorities if applicable and the like. Currently the national portals only map the import and export procedures for goods as part of the implementation of the WTO trade facilitation agreement.

7.4 Cross Cutting Intervention 4: Reinvigorate and broaden services integration and regulatory reform

A foundational requirement for developing service sectors and pursuing services integration regionally is the understanding of the regulatory environment for each of the service sectors. This will not only support the identification of service trade barriers, but also their reduction, and efforts to develop any regulatory cooperation frameworks.

In terms of the trade and investment regulatory environment, while pockets of information exist where some diagnostic work has already taken place (e.g., segments of transport and logistics services, tourism, select professional services, and financial services), firms and policy-makers lack systematic information on the regulations governing trade in services in the region (assuming regulations exist, which notably in Burundi and South Sudan is not the case for some sectors). For firms, the absence of readily-available information on the barriers and regulations facing their sector (or related sectors) in markets which they may wish to enter represents an additional costs in terms of needed market research, legal advice, and related bureaucratic transaction costs, rendering them relatively less competitive in growing their services business.

In acknowledgement of the above, the EAC has developed and adopted a *Mechanism for the Removal of Restrictions in Trade in Services*, as a tool to monitor and support removal of restrictions in services. It is expected that the mechanism will serve two main purposes: one, it will provide policy makers with a tool to assess the efficiency and effectiveness of policy actions with a view to improving regulatory outcomes in the implementation of the commitments undertaken under the CMP. Secondly, it will ensure greater regulatory transparency and predictability, especially for business and entrepreneurs in terms of ensuring the removal of restrictions in trade in services.

The monitoring mechanism will rely on information being collected through a variety of channels, mainly fieldwork, questionnaires, and desk review of publicly available documentation. A reporting system shall be established that includes all relevant stakeholders on a rolling-basis notification process and the information is to be updated regularly, on a yearly basis. Thus far, the EU has supported a diagnostic study and regulatory audits focused on the distribution, insurance and accounting services, while the GIZ has supported one focusing on business services, communications and tourism sectors. These two studies will form the initial information going into the mechanism. The on-going regulatory audits being undertaken under the AfCFTA will also provide information on restrictions to feed the mechanism.

As originally envisaged, this work will feature in the work of the NTSCs and RTSC, under the oversight of the EAC Secretariat.

Strategic Interventions

To support the various processes necessary to deepen integration on trade in services, the following strategic interventions are envisaged:

A. **Development of a living database of restrictions with related updating system and complaints notification mechanism:**

This will include:

- Developing an online mechanism for removal of restrictions on trade in services (TiS). Thus far, GIZ has supported the processes related to development and adoption of the mechanism for removal of restrictions on TiS, including an excel data capture template to which information will be fed into initially. However, there is need to develop it into an online system to make the mechanism 'living' - i.e. information can be uploaded by directly and simultaneously by various parties; information can be accessed remotely by all and each user may use it at their own convenience, among others functionalities is required. This will also allow for easier monitoring of the restrictions and their removal or easing.

B. **Development of time-bound programme for removal of restrictions in all sectors.**

This will involve:

- Review the regulatory audits undertaken under the AfCFTA for EAC countries and update the mechanism with restrictions identified.
- Undertake regional sector specific validations to consider the restrictions and set time bound targets for removal or easing of restrictions in each sector.
- Undertaking periodic reviews to update the database, which should include periodic reviews of laws and regulations prevailing in each sector.

C. **Negotiate the additional 5 service sectors as part of broadening service integration**
Under Art. 23 of the CMP, EAC Partner States have committed to undertake to make additional commitments on the elimination of restrictions on the service sectors and sub sectors that are not specified in Annex V of the Protocol. Important sectors like health, construction, recreational and cultural services were some of those not previously committed. Under this strategy, EAC Partner states will commence and conclude negotiations to liberalise these sectors. This will involve:

- Diagnostic and regulatory audits to guide negotiations for the following sectors: Health related and social services; recreational, cultural and sporting services; construction and related engineering services; environmental services; and other services like energy services.
- Undertake negotiations to liberalise the above sectors
- Adopt the new revised schedule of trade in services liberalisation
- Undertake sensitisation of stakeholders on the new liberalised sectors.

7.5 Cross Cutting Intervention 5: Address Horizontal Restrictions

Beyond sector specific restrictions, several areas of horizontal measures also adversely affect trade in services and as such undermine service sector development. These are particularly related to investment laws, taxation regimes, immigration laws as well as procurement laws, to name a few. This section discusses some of the key horizontal measures that constrain trade in services:

7.5.1 Investment regimes

On the whole, all EAC partner states are open to investments from each other. Furthermore, all of them have over the last decade put in place measures to enhance the investment climate, with a view to attracting investments into their countries. This can be seen in the investments in infrastructure sectors like road, rail, energy as well as improvements at the two main points. In addition, in the sphere of business operations, the EAC countries have all registered remarkable improvements in the ease of doing business, as measured under the World Bank Doing Business Index.

At the regional level, there is no investment agreement among members of the EAC. Investment is however provided for as an area of cooperation under Article 79 of the EAC Treaty (where among others, the Partner States aim to *'harmonise and rationalise investment incentives,* *including those relating to taxation of industries….in order to promote the Community as a single investment area'*; the Customs Union Protocol; the CMP and the EAC Model Investment Code 2006. Under the CMP where services fall, investment is provided for in Article 29, where Partner States commit to protect cross border investments and investment returns of investors of other Partner States within their territories. In addition, looking at the linkage to investment under the Right of Establishment, Regulation 11 on the Right of Establishment provides that national registries should cooperate: in order to share information, simplify the processes and procedures involving obtaining relevant licenses, harmonize fees to be paid in obtaining and processing relevant documents and share any other information pertaining to the right of establishment.[198]

Though non-binding, the EAC Model Investment Code (2006) provides broad reference guide for EAC Partner States to follow in designing national investment policies. It provides for national treatment of foreign investors, as well as their non-discrimination. It also provides for the free transfer of assets and protection from uncompensated expropriation. The EAC adopted a Model Investment Treaty in 2016, with the objective of guiding, and serving as a template for, negotiations with third parties. Furthermore, the EAC also has an *East African Community Investment Policy*, which was adopted in February 2021. The Investment policy was developed following a directive of the EAC Summit of Heads of State at their 8th Extra-Ordinary Meeting, which called for the EAC to develop an EAC Industrial and Investment Policy and Strategy, supported with an appropriate institutional framework to promote investment in the EAC region. The Investment Policy was guided by a 2009 study commissioned by the EAC Secretariat, which identified a number of challenges in promoting the region as a single investment destination in the existing investment provisions and called a regional investment policy and legal framework for effective investment promotion and facilitation. These challenges include, among others, the following four:[199]

- Lack of streamlined regulatory and legal frameworks across the region, with regard to incentive packages, national institutional and legal frameworks as well as commitments with other trading partners.
- Lack of investment policy coherence, characterised by a complex set of policies, laws and regulations, and institutions, which make it difficult to follow and for investors to do business. The study noted that the regime is characterised by a range of imperfections which have made it difficult to attract foreign capital and to mobilise adequate and sustained levels of domestic private investment to attain the levels of growth needed for significant job creation and poverty reduction.
- Weak institutional framework for investment promotion in the EAC region, coupled with insufficient financial resources to effectively facilitate growth of investments for growth and employment.
- Low level of awareness on investment information and opportunities, with most investment authorities having broad and general information on investment opportunity, which is not well disseminated across the region.

In the context of trade in services, the importance of investment is underscored given that the principal means of supplying services is through mode 3, which is commercial presence abroad.

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[198] Annex III, CMP

[199] Summarised from the Draft EAC Investment Policy (2018)

A recent report by the World Bank[200] noted that '*of all modes of supply, Mode 3 (commercial presence, or investment) remains by far the most important means of selling services abroad. The WTO estimates that Mode 3 transactions account for over three-fifths of aggregate services trade… and tends to be particularly vulnerable to risks deriving from host country conduct, typically confronts a range of trade-cost inducing measures in host country markets, particularly of a discriminatory nature, and as technological advances induce modal substitution effects favouring the remote (i.e., cross-border) supply of services over digital networks in the long-run*'. Also worth noting is that in terms of FDI, services are the predominant destination, accounting for almost two-thirds of global FDI stock, as compared to 25% in 1970 and less than 50% in 1990.[201]

The investment policy thus directly affects how easily services move under mode 3, which restrictions they encounter during entry, as well as during operation. For the latter, barriers can include restrictions on ownership structures; limitations on hiring of personnel; access to land, whether for lease or acquisition, limits on payments and transfers, and local sourcing obligations, to name a few. Such restrictions not only act as deterrent towards FDI, but also add to the cost of doing business in foreign markets. The reverse holds true – by improving the policy environment, FDI in services is enhanced, not only for EAC investors, but also for those from across the globe who would vie the EAC as one investment area under the common market. Another area of concern is the need for coherence in investment facilitation, which should go beyond mere commercial presence to include the full cycle of investment process, including attraction of FDI, establishments, day to day operations, expansion of activities, governance issues such as transparency and legal remedies, and linkages to regional economies.[202]

Looking at the current investment regimes across the region, the above issues can be seen in the disparate investment policies, requirements and facilitation across the region. Currently, only Burundi, Rwanda and Uganda accord national treatment to investors from other EAC Partner States. Kenya and Tanzania treat EAC investors as foreign investors, with requirement that may be deemed discriminatory. For example, in Kenya and Tanzania, all foreign investors must invest a minimum of USD 100,000.[203] Additionally, foreign investors must have a local representative to be allowed to operate in Kenya. Furthermore, despite the provisions under right of establishment, an EAC Meeting in 2019 noted that national company registries do not provide for cross-border information exchange on EAC companies that are locally registered, including companies that may have branches or subsidiary operations across the EAC. Additionally, there is minimal collaboration among the registries, largely resulting from inadequate EAC wide policy clarity regarding mutual recognition of company incorporation certificates and public access to company information, lack of enabling legal, institutional and administrative frameworks and slow or partial utilisations of ICT to transform and modernise registry procedures and processes. This has made cross border incorporation and post-incorporation processes burdensome.

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[200] Roberto Echandi and Pierre Sauvé (March 2021). Investment Facilitation and Mode 3 Trade in Services: Are Current Discussions Addressing the Key Issues? World Bank, Washington DC

[201] UNCTAD (2016), "World Investment Report 2016. Investor Nationality: Policy Challenges", United Nations Conference on Trade and Development, Geneva.

[202] Tralac (March 2021) The Relationship between Investment and Mode Three of Trade in Services – implications for the AfCFTA negotiations. Accessed via https://www.tralac.org/blog/article/15151-the-relationship-between-investment-and-mode-three-of-trade-in-services-implications-for-the-afcfta-negotiations.html

[203] See Kenya's Investment Promotion Act of 2004 and Tanzania's Investment Promotion Act (1997)

In February 2021, the EAC adopted the EAC Investment Policy to address among others, the non-binding nature of the EAC Investment Code; the disparate investment regulatory regimes across the Partner States and the lack of policy coherence in addressing matters related to investment in the Community. The Policy's main objective is to create an enabling environment for investment in order to promote and market the EAC Partner States equitably.

Strategic Interventions:

In order to enhance FDI through mode 3, the strategy proposes the following strategic interventions:

a) As part of implementing the EAC Investment Policy, **remove restrictions to investments from other EAC Partner States. This should include:**

- Immediately according EAC investors national treatment. Rwanda / UG/ BR offers a benchmark for the region.
- Harmonising/streamlining rules, regulations and policies on investment, including on shareholding requirements
- Harmonising/streamlining the rules and regulations related to licensing and registration

b) Develop a suitable framework for the establishment of an EAC e-business registry. This should include, but need not be limited to:

- Development of a mechanism for recognition and sharing of company information across the region
- Simplification of processes and procedures for obtaining licences
- Harmonisation of fees required for business registration
- Enabling of online transactions and payments during cross-border business registration of a company.

7.5.2 Taxation regimes

Closely related to the investment regimes are the taxation regimes across the EAC. Integration of a common services market is not possible with a measure of harmonisation and rationalisation of taxation regimes. The tax regimes across the EAC are disparate, with some Partner States levying excise tax on ad valorem basis, while others levy on a specific basis (quantity); some offering tax incentives, while others don't and some taxing capital gains, while others exempt it. This lack of a certain level of harmonisation of the national tax systems and tax policies is among the issues that may be impeding implementation of a common services market.

Under the CMP, there are general exceptions made with respect to the obligations on national treatment under free movement of services. Under the CMP, Article 21, 1 (d), allows difference in treatment if it is aimed at equitable or effective imposition or collection of direct taxes in respect of services or service suppliers of other Partner States. Article 21, 2 further clarifies that this would include measures taken by a Partner State under its taxation system which:

a) apply to non-resident service suppliers in recognition of the fact that the tax obligation of non-residents is determined with respect to taxable items sourced or located in the territory of the Partner States;

b) apply to non-residents in order to ensure the imposition or collection of taxes in the territory of the Partner States;

c) *apply to non-residents or residents in order to prevent the avoidance or evasion of taxes, including compliance measures;*
d) *apply to consumers of services supplied in or from the territory of another Partner State in order to ensure the imposition or collection of taxes on such consumers derived from sources in the territory of the Partner States;*
e) *distinguish service suppliers subject to tax on worldwide taxable items from other service suppliers, in recognition of the difference in the nature of the tax base between them; or*
f) *determine, allocate or apportion income, profit, gain, loss, deduction or credit of resident citizens, companies or firms or the branches of the companies or firms, or between related companies or firms or their branches, in order to safeguard the tax base of the Partner State.*

The above provisions must however be looked at through the lens of other provisions in the Treaty and CMP, both of which underscore the fundamental need for tax harmonisation. In addition to Article 79 which calls for such harmonisation as earlier seen, Article 83 (2) of the EAC Treaty (1999) is more explicit and obliges Partner States to *"harmonise their tax policies with a view to removing tax distortions in order to bring about a more efficient allocation of resources within the Community."* Reinforcement is found in Article 32 of the CMP, under which Partner States undertake to '*progressively harmonise their tax policies and laws on domestic taxes with a view to removing tax distortions in order to facilitate the free movement of goods, services, and capital, and the promotion of investments within the Community*'. In addition, Article 8 of the East African Monetary Union Protocol provides for harmonisation and coordination of fiscal policies and avoidance of harmful tax competition.

To take forward these provisions, a Policy on EAC Domestic Tax Harmonisation was developed and endorsed by the finance ministers during the 8th Meeting of the Sectoral Council on Finance and Economic Affairs held in May 2018. Under its objectives, it states that the '*The Income Tax, VAT and Excise duty Policy framework is aimed at:*[204]

i) *Eliminating distortions that could undermine the implementation of the EAC Common Market Protocol and the EAC Monetary Union Protocol;*
ii) *Facilitating cross-border trade and investment to promote sustainable growth and a fair distribution of available resources in the region;*
iii) *Avoiding harmful tax competition that may artificially render one Partner State more attractive than the others and erode the tax bases;*
iv) *Enhancing tax compliance and enforcement; and*
v) *Promoting the region as a single investment destination.'*

Detailed harmonisation proposals for VAT and excise taxes rates have been developed for consideration by the finance ministers but are yet to be concluded. In addition, double taxation remains a major hurdle for cross-border investment flows. Investment income generated from cross-border operations are taxed not only in the country of generation, but also in the country of residence of the taxpayer. An Agreement on the Avoidance of Double Taxation was signed in November 2011, but it has yet to be ratified by all EAC Partner States. As at March 2021, Burundi, Kenya, Rwanda and Uganda have signed and ratified the Agreement. Additionally, the EAC has a Model Double Taxation Agreement with Third Party and the Code of Conduct on Harmful Tax Competition that is yet to be operationalised.

[204]EAC Policy for Harmonisation of Domestic Taxes

Strategic Interventions:

a) **Undertake a study to review the status and impact of Partner States taxation regimes on services exporters in the priority sectors.**

- Expedite assess divergence in excise, income and VAT tax regimes across Partner States and select areas for possible harmonisation/coordination
- Assess revenue and other implications of proposed options on the budgets and economy of the Partner States and propose solutions where such implications are adverse.
- Develop options for a common policy on excise, income and VAT taxation for the priority service sectors.

b) **Implement the Income Tax, VAT and Excise duty policy framework in respect to the Priority Service Sectors.** This should include:

- Put in place directives/regulations to implement the agreed options based on the study above.

c) **Address the challenge of double taxation on income arising from cross-border transactions.** This will include**:**

- Review the EAC Agreement on the Avoidance of Double Taxation (DTA) to align it to Base Erosion and Profiting Shifting (BEPS) Action Points.[205] Thereafter, its adoption by the Council of Ministers
- Signature & ratification of the reviewed Agreement by all Partner States
- Training and capacity building of public and private sector tax practitioners on the Agreement once in place.

7.5.3 Immigration

As elaborated under the section on the EAC services regime, the schedule on services did not initially provide for temporary movement of service suppliers under Mode 4, a situation which, though rectified in theory, is yet to be formally resolved. As such, service suppliers have to rely on immigration and labour laws for both temporary movement as well as employment as workers. Much like other cross cutting laws, the region is yet to harmonise the requirements related to entry and exit of service providers. Labour mobility in the region is still heavily leaning towards immigration control, making it difficult to plug labour supply gaps across the region. Although immigration requirements remain disparate, there are some successes in supporting the free movement of labour in the EAC. Among others, these include the common EAC passport; the International East African e-Passport (launched on 2nd March 2016) and the on-going work to harmonise of work permit classification, forms, fees and procedures and also social security policies to enable portability of benefits.

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[205] According to OECD, BEPS refers to tax planning strategies used by multinational enterprises that exploit gaps and mismatches in tax rules to avoid paying tax. AS they rely on corporate income tax much more, developing countries suffer from BEPS disproportionately, with BEPS practices estimated to cost USD 100-240 billion in lost revenue annually. The OECD/G20 Inclusive Framework on BEPS brings together 141 countries and jurisdictions to collaborate on the implementation of the BEPS Package. The BEPS package provides 15 Actions that equip governments with the domestic and international instruments needed to tackle tax avoidance. See more on https://www.oecd.org/tax/beps/about/

In addition and specific to Mode 4, there are on- going efforts to put in place the ‘EAC Common Market Regulations on the Free Movement of Services and Service Suppliers’. Among others, the Regulations shall provide for the classification of service suppliers in line with GATS provisions, to include Contractual services supplier, Independent Service Supplier, Business Visitor, Intra-Corporate Transferees and Trainees.

Strategic Interventions:

a) **Conclusion and adoption of the EAC Common Market Regulations on the Free Movement of Services and Service Suppliers**.

b) **Undertake sensitisation of the regulations once adopted**. This should include:
- Publishing of the regulation
- Developing a business guide
- Undertaking sensitisation workshops at national level. Participants should be drawn from all the priority sectors and should include relevant sector ministries and regulators; cross cutting ministries like EAC, trade, immigration, finance and labour; private sector associations and actual practitioners.

c) **Review national immigration and labour laws to align them to the EAC Common Market Regulations on the Free Movement of Services and Service Suppliers.**
- This will involve development of bills / amendment of existing laws in the priority sectors as well as support for advocacy work, as may be required.

d) Conclude the on-going work to harmonise work permit classification, forms, fees and procedures

8 IMPLEMENTING THE STRATEGY

The Strategy has taken a holistic perspective, setting out an initial road map of what needs to be addressed, both horizontally and across a core set of sectors, if services trade is to support the attainment of the objectives of the EAC Treaty and the CMP. As such, the Strategy should support an iterative process that is properly embedded into on-going regional and national efforts. This includes activities related to the services priorities that relevant Partner States have articulated in their national strategies /policy documents (e.g. NES/services trade policy).

The above will be particularly important as national and regional stakeholders work to elaborate (and/or update) implementation plans, as well as assess what needs to be done to address other issues and/or sectors which do not feature in the current Strategy. With a view to starting this discussion 'on the ground', this section focusses on key issues of consideration in implementing the Strategy.

8.1 Set Up the Coordination Framework

As elaborated in Section 7.1, a crucial first step will be to **set up (or adapt) the coordination framework responsible for putting the strategy into action.** This will include broadening the NTSC mandate in line with its expanded scope under the Strategy and then convening the NTSC to among others, select the sector champions and thereafter refine the strategy. The national sector champions will be instrumental in bringing the plans of the Strategy to life, notably with their ability to undertake more detailed and iterative consultations with affected stakeholders.

Getting this framework right will be critical for securing the intended results, requiring a harmonious orchestration of various arms of the government, alongside in-depth engagement of the private sector. **Co-operation, prioritisation, and accountability will be key factors for success.**

At the regional level, under an expanded RTSC, **Partner States, alongside the Secretariat and other regional stakeholders, will need to determine which aspects of the strategy will best be served by a regional-first approach.** On that basis, regional level implementation plans will also need to be developed.

Also, crucially, advancing the Strategy and **delivering on implementation will require a dedicated team within the EAC Secretariat** to help coordinate and provide technical backstopping to Partner States. This would ideally come in the form of a Principal Officer in charge of Trade in Services, supported by various TiS Officers.

8.2 Advancing first tier interventions

In line with EAC Secretariat practice of developing annual implementation plans for the Strategy, the following interventions, for which substantial work has already begun and resources are available, are seen as being first tier and can thus guide the first annual implementation plan.

At the cross-cutting level:

- Adoption and enactment of the EAC Common Market Regulations on Free Movement of Services and Services Suppliers, plus annexing the revised schedules of service liberalisation to the CMP.
- Development of a living database of restrictions, together with a time-bound programme for their removal.
    - The Regulatory Audits undertaken as part of the AfCFTA services negotiations would enable this process to commence without delay.
- Advance efforts to boost the availability of services trade data, elements of which are to be funded under the EU's CORE programme.
- Commence discussions on the establishment on the EAC Coalition of Service Industries
- Given the on-going work to harmonise tax regimes at the EAC level following the adoption of the EAC Policy on domestic tax harmonisation, the proposed study to review the status and impact of partner states taxation regime on service exporters in the region in the priority sectors and there after develop common policy proposals on excise, VAT and income tax takes on more urgency.

- Finalise the EAC E-commerce Strategy and integrate necessary aspects into the service strategy / implementation plans.

At the sector level:

- Integrate work in the accounting, distribution and insurance sectors, which are already being funded under the EU's CORE programme.
- Integrate work on engineering and tourism services already being funded by GIZ

8.3 Financing the Strategy

One of the major pre-requisites for successful strategy implementation is reliable, predictable and steady flow of financial resources. However, the key challenge that faces EAC today is limited resources, against a backdrop of an ambitious integration agenda.

The EAC Trade in Services Strategy will be financed by the EAC Secretariat, through contributions from Partner States, development partners and the private sector. A more detailed budgeting is expected to be undertaken during the development of annual implementation plans, in line with EAC practice. However, an estimated budget to implement the Strategy over the **10-year duration is USD 16.4M (in words Sixteen million, four and one thousand only million)** is included to support resource mobilisation efforts**.** A breakdown of this estimated budget is captured below:

Table 15, Estimated Budget

Priority Intervention Areas	Estimated Budget USD
Cross Cutting Strategic Priorities	
Reinforce the public and private institutional framework for service development	650,000.00
Regulatory Reforms for removal of restrictions in trade in services, including horizontal restrictions	1,500,000.00
Generation of information to drive services policies / business strategies	2,000,000.00

Building capacity of service sector firms to enhance export capability and competitiveness	850,000
Sector Strategic Priorities	
Professional Services (Accounting sector, Architecture, Engineering and Legal Services)	2,690,000.00
Transport (Road freight and air transport) services	1,400, 000.00
Communication services (telecommunications & ICT)	1,300,000.00
Distribution services, including Franchising	1,370,000.00
Financial Services (Insurance & Commercial Banking	1,450,000.00
Tourism Services	1,050,000.00
Education Services (TVET)	650,000.00
ACTIVITY SUB-TOTAL	14,910,000.00
10% Management, evaluation and Contingency costs	1,491,000.00
Overall Total	16,401,000.000

8.4 Communicating the Strategy

Given the large number of service sectors focused on in this strategy, a large number of stakeholders are relevant for the strategy. These include the national and regional committees and their members; the sector line ministries and regulators; private sector services firms, sector BMOs and regional BMOs. In addition, different development partners are supporting the services agenda and additional ones are expected as resources become mobilised. Communicating the Strategy across all these stakeholders is thus critical. To this end, the following will be undertaken:

a) **Launch of the Strategy at both regional and national level**, **once it is adopted by the EAC Council of Ministers**. The launch events should aim to effectively communicate to the public about the key objectives of the strategy and the interventions it contains.

b) **Upload the Strategy on the targeted websites,** including, but not limited to EAC website and national websites of the Ministries of EAC, Ministries of Trade and relevant sector Ministries; EABC and other private sector websites.

c) **Print a popular version of the Strategy: a quick reference point for the Strategy is necessary.** The executive summary should serve as the popular version of the strategy, to be shared widely during the launch events.

8.5 Monitoring Implementation of the Strategy

Designing a strategy is only a first step in enhancing service sector integration in the EAC region and increase exports of services regionally, continentally and globally. The more tougher work lies in implementing the Strategy itself. An important step in the implementation is monitoring to ensure the interventions are being carried out as agreed in the Strategy and that results are being achieved in line with the overall objectives of the Strategy. In addition, monitoring helps to evaluate what may be hindering the implementation process as well as what remedial measures should be taken to address these challenges.

The following measures will be used to monitor the Strategy implementation:

a) **A 'Progress Report' on the implementation of the Strategy submitted to the SCTIFI as part of its regular meetings.** As part of this report, the Secretariat, as the key custodian of the Strategy, will provide a brief report of the activities being implemented as well as any key challenges being experienced (such as shortage of inputs like staffing and finances) and any remedial measures to be taken.

b) **An Annual Trade in Services Report,** that will be produced annually (whether separately or as part of the broader EAC Trade Report) should include an elaboration on the implementation of the Strategy

c) **Two Monitoring and Evaluation (M & E) Reports** to be produced: one a mid-term evaluation to be produced after 5 years and another at the end of the Strategy duration. More regular M & E of the Strategy is not foreseen as a number of activities in the Strategy will be implemented as part of donor funded projects, which incorporate periodic M & E Reports. IT is expected the Reports of these donor projects shall complement the M & E activities for the Strategy as well as feed into the Annual Reports and progress Reports.

8.6 Risks and Mitigation Measures

The Trade Directorate specifically and the EAC Secretariat in general will continuously monitor and manage risks pro-actively. The matrix below includes some of the key risks the implementation of the Strategy may face and potential mitigating measures to be taken.

Risk	Risk Level	Mitigating measures
Lack of political commitment by some stakeholders in EAC Partner States to fully implement their trade in services liberalisation commitments, due to asymmetrical ambitions with regard to regional integration.	Medium	There is growing recognition of the importance of various services, not only as a sector on its own, but also in contributing to productivity in manufacturing and also enhancing aspects of trade in goods. The AfCFTA has further enhanced the importance of the services sector. Additionally, the diagnostic studies included as cross cutting priorities will be useful in underscoring the points above, as will the various PPD and multi-sectoral engagements.
Implementation of liberalisation commitments is subject to some other regional actions being concluded, in a timely manner. These include, but are not limited, to conclusion of the Regulations on the Free Movement of Services and Services Suppliers	Medium	The EAC Secretariat, supported by various projects such as the EU Funded CORE programme and the GIZ funded SEAMPEC (both of which have already committed funding) will maintain the momentum thus far demonstrated in moving forward the services agenda.

EAC capacity to implement the Strategy may be lacking	High	There will be need to recruit a EAC staff to act as Principal Officer in charge of Trade in Services and support the role with various TiS Officers. A short-term mitigating measure is that under the EU funded CORE project, a TiS Project Officer will support implementation of activities incorporated under the project.
Implementing the strategy requires sufficient financing that may lack given competing interests from EAC's ambitious integration agenda as well as diminishing financing from developing partners;	High	EAC secretariat will continue mobilising resources from various sources to support Strategy implementation. Beyond the expected contribution from EAC Partner States, a substantial amount of funding is already secured under the EU CORE project; the GIZ SEAMPEC project and further support is already being discussed.
Threat of COVID pandemic and other future pandemics and external threats like terrorism with their effects on EAC economies and especially sectors like tourism	High	EAC Secretariat and Partner States are expected to continue with efforts to have a joint and coordinated approach to current and future pandemics, including putting in place disaster preparedness measures as well as recovery programmes.

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