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# MINISTRY OF EAST AFRICAN COMMUNITY AFFAIRS (MEACA)



## **Brief on trade in services under the East African Community Common Market**



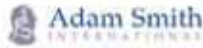




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# Brief on trade in services under the East African Community Common Market

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# 1.0. Introduction

## 1.1. What is a service?

Services, though hard to define, are present in every part of our lives. Services contrast with the goods we buy, which are physical, tangible items, such as a piece of fruit, a table, a car or the petrol to put inside it. A service on the other hand, we also pay for, and can include among other things:

- a haircut;
- a ride in a taxi;
- a night in a hotel;
- a class at school or university;
- an operation in hospital;
- a loan from a bank;
- airtime minutes on a mobile phone; or
- representation by a lawyer in court.

All of these things are purchased by a customer with money, or are provided by Government and paid for through taxation. They contrast with goods in that they do not leave the customer with an object in their hands afterwards – they are *intangible*.

Services are often intrinsically tied to goods. For example the food we buy in the market consists of goods, but the transportation of the food to the market is a service, and the retailer selling us the good is also providing a service. As



a result, services in our economy are of great value, constituting the same proportion of total output or gross domestic product (GDP) as goods. Around a half of Ugandan GDP is from services, compared to around a quarter from agricultural goods, and a quarter from industrial goods.

## 1.2. How is trade in services defined?

Trade in services refers to a situation where the provider and consumer of the service are from different countries. This trade is different from trade in goods, mainly because the service provider usually needs to be in the same place as the customer – for example both the hairdresser and a woman having her haircut must be in the same room, haircuts do not pass across borders in the way that traded maize or televisions do. However, the hairdresser may be a Kenyan working in Kampala, or the Ugandan woman having the haircut could go Nairobi to have it done. In such cases, trade in services is taking place.

Since services are so diverse, trade in services can be a difficult concept to define. Therefore, rather than defining services or trade in services we can define the means/modes of provision of services. According to the World Trade Organisation (WTO), there are four modes for provision of services. These are as follows:

**1. Cross-border supply:**

this mode of provision of service is most similar to trade in goods, in that the service crosses over national boundaries. This could include a Ugandan television station purchasing a Tanzanian TV programme to play on the national channel; the programme constitutes a service import for Uganda and an export for Tanzania. It could also include a Ugandan taking a flight from Kampala to Mombasa on a Kenya Airways plane; the payment to the airline is a service export from Kenya to Uganda.

**2. Consumption abroad:**

under this mode nationals of one country travel to another country to receive the service. This could be a tourist coming to Uganda, staying in hotels, visiting National Parks and taking transport around the country – in this case the tourist is importing



services from Uganda. It could also include a Ugandan student going to a university in Burundi, and thus importing educational services from that country. It could also include a Rwandan coming to Uganda to have an operation in hospital; in such a case Uganda would be exporting health services to Rwanda.

3. **Commercial presence:** this mode involves the presence of the supplier within the importing country. This is where a service provider, a business, moves to another country to set up and export its services. This could include a branch of Kenya Commercial Bank (KCB) in Uganda, in which Kenya would be exporting financial services to Uganda. It could include a Ugandan construction firm going to Tanzania to build a road, in which case Uganda would be exporting construction services to Tanzania.
4. **Presence of natural persons:** this mode involves the temporary presence of people who are themselves service suppliers, or are employees of businesses that are service suppliers. This could include a Ugandan information technology (IT) expert who travels to Rwanda to provide his services for a client based there, in which case Uganda would be exporting IT services to Rwanda. It should be noted that this mode refers to temporary movement and not permanent immigration.

### 1.3. What is the classification of services?

Services can also be classified into 12 key sectors, which are subsequently divided into further sub-sectors. These sectors show the variety of services that are provided. The 12 sectors are:

1. Business services
2. Communication services
3. Construction and engineering services
4. Distribution services
5. Educational services
6. Environmental services
7. Financial services
8. Health related and social services
9. Tourism and travel-related services
10. Recreational, cultural and sporting services
11. Transport services
12. Other services not included elsewhere

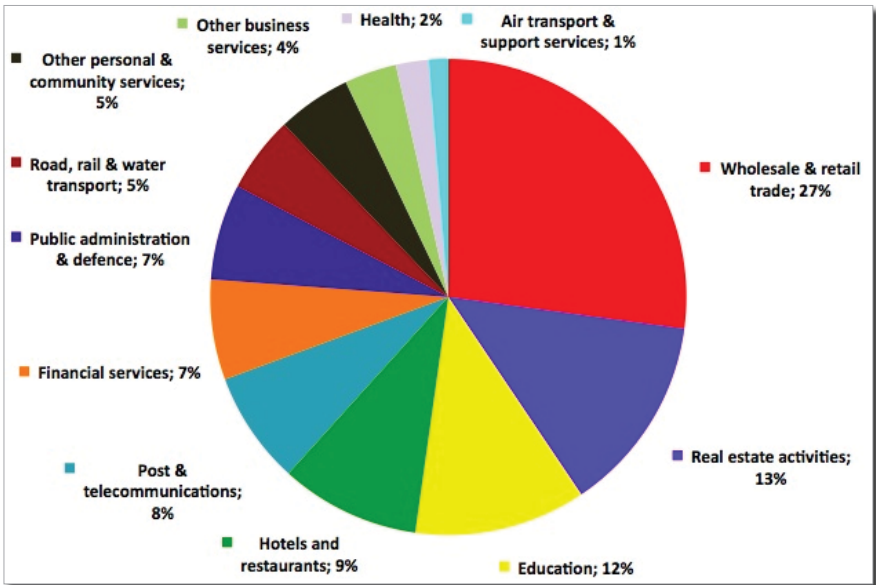




## 2.0. Why is trade in services part of the EAC Common Market?

Services play an important role in terms of production, investment, employment and trade within our economies. This includes for the EAC Partner States of Uganda, Kenya, Tanzania, Rwanda and Burundi. In Uganda, services makes up half of the economy. Uganda currently spends approximately Shs. 16 trillion on trade in services. Figure 1 shows how these resources in our economy are spread between sectors. Three service sectors make up over half the total; these are wholesale and retail trade, real estate, and education.

**Figure 1: Services in the Ugandan economy, a breakdown (2009/10, % shares)**



EAC Partner States, recognising the importance of services to their respective economies and the benefits to be gained from increased competition, efficiency, and economies of scale, have undertaken to liberalise trade in services. Greater trade in services could result in increased overall growth. A Common Market for trade in services allows the EAC to develop into a single market by leading to harmonisation of rules and regulations and thus increasing the size of the market, making it more attractive for domestic and foreign investors.





## 3.0. What does the EAC Common Market Protocol include about trade in services?

### 3.1 General

The EAC Common Market Protocol lays down the rulebook for the economic integration of EAC Partner States. Part F of the Protocol contains the obligations with respect to trade in services. The Protocol guarantees that Partner States will progressively remove all barriers to trade in services and shall not introduce any new restrictions.

The Protocol provides for a guarantee of National Treatment where by each Partner State shall give service providers from other Partner States the same treatment as service providers from their own country. This effectively will mean free competition for service providers across the EAC.

The Protocol commits Partner States to guarantee the free movement of services supplied by nationals of Partner States, and the free movement of service



suppliers who are nationals of the Partner States within the Community – this is a broad commitment to free movement of all service suppliers in all sectors in all Partner States.

### **3.2 Domestic Regulation**

The liberalisation of a service sector does not mean that the sector will not be regulated. The Protocol allows for regulation of service sectors in accordance with national policy as long as they are consistent with the Protocol and do not constitute barriers to trade in services. Regulation will therefore still apply to many service sectors, for example, regulation of education services to ensure that the quality of education is maintained.

### **3.3 Schedules relating to Trade in Services**

Each EAC Partner State has its own set of commitments with respect to trade in services, which are contained within Annex V to the Protocol. The schedules contain the sub-sectors, modes of supply and deadlines for liberalisation for all the sectors that Partner States have agreed to liberalise.

The Common Market is a work in progress and hence the EAC Partner States have committed to progressive liberalisation of trade in services. This means that not all sectors are to liberalise at the launch of the Common Market in 2010, but that certain sectors are to be liberalised at certain times up to 2015.

The initial round of service liberalisation has focussed on some core service sectors. Each Partner State has agreed to liberalise sub-sectors within seven initial sectors:

1. Business services
2. Communication services
3. Distribution services
4. Educational services
5. Financial services
6. Tourism and travel-related services
7. Transport services



## 4.0 What does this mean for service providers and consumers in Uganda?

### 4.1 Increased opportunity and increased efficiency through competition

For Ugandan service providers, the main benefit of liberalisation is that they can now compete in the service sectors of other EAC Countries. To take advantage of the liberalisation of services and the Right of Establishment, businesses will need to take some steps to ensure they are eligible to supply services in other Partner States. These include:

1. To establish a business in another Partner State firms must first register their business and obtain the relevant travel documents.
2. Explore whether the Protocol provides opportunities for your particular business in the target country. Refer to the Protocol, or visit the MEACA website([www.meaca.go.ug](http://www.meaca.go.ug))to find out if your business or occupation



is covered. A summary of the sectors covered in each Partner State is also contained at the back of this booklet.

The main concern of many service providers in Uganda is that there will be a flood of competition from Partner States as the Common Market moves forward. However, for many businesses there will be little change as in Uganda many sectors have been open for some time (for example, telecommunications and banking). In some other sectors businesses will have to prepare for increased competition as firms from other Partner States enter the Ugandan market. In such cases, **businesses should focus on increasing efficiency while improving the quality of the services they offer, and therefore their competitiveness.**

## 4.2 More options for Ugandan consumers

A common market for trade in services will allow service providers from other Partner States to access the Ugandan market. This will result in more competition and better services for consumers. Consumers will have more options and competition should help to bring down prices for services. Competition should also help improve customer service and provide access to EAC best practice in service provision. This in turn will help develop Uganda's productivity and boost the economy.





## 5.0 Service sectors liberalised by EAC Partner States

The following tables provide a list of all the service sectors liberalised by each Partner State and the date by which they should be liberalised . For further detail of which services are covered by each sector/sub-sector please refer to Annex V to the Protocol or contact MEACA at [meaca@meaca.go.ug](mailto:meaca@meaca.go.ug)

### Kenya

Sector/sub-sector	Date of liberalisation
Acceptance of deposits and other repayable funds from the public	2010
Accounting and auditing services (with limitations)	2010
Adult education services	2010
Advisory and consultative engineering services	2010
Advisory and other auxiliary financial services including credit reference and analysis, investment and portfolio research and advice on acquisitions and corporate restructuring and strategy	2010
Aircraft repair and maintenance	2015
All payment and money transmission services	2010
Architectural services	2010
Asset management such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial depository and trust services	2010
Auxiliary services, assessors, intermediaries and loss adjusters	2010
Commission agents' services	2010
Computer reservation system services	2010
Consultancy services related to the installation of computer hardware	2010
Courier services	2015

Sector/sub-sector	Date of liberalisation
Franchising	2010
Freight transportation	2015
Guarantees and commitments	2010
Higher education services	2015
Hotels and restaurants (including catering)	2010
Installation and maintenance of telecommunications terminal equipment	2010
Insurance agency services	2015
Insurance brokering services	2015
Leasing or rental services concerning agricultural machinery and equipment	2015
Leasing or rental services concerning agricultural machinery and equipment without operator	2015
Leasing or rental services concerning aircraft	2015
Leasing or rental services concerning construction machinery and equipment without operator	2015
Leasing or rental services concerning office machinery and equipment (including computers) without operator	2010
Leasing or rental services concerning other land transport equipment	2015
Leasing or rental services concerning other machinery and equipment without operator	2015
Legal advisory and representation services in judicial procedures concerning other fields of law	2010
Lending of all types including <i>inter alia</i> consumer credit, factoring and financing	2010
Life insurance services	2015
Maintenance and repair of road transport equipment	2010
Maintenance and repair of vessels	2010
Metrological data information services	2010
Motion picture and video tape production services (excluding distribution services)	2010
Motion picture project services	2010
Non-life insurance (except aviation, marine and engineering)	2015
Passenger transportation	2010



Sector/sub-sector	Date of liberalisation
Primary education services	2015
Reinsurance and retrocession	2010
Rental of aircraft with crew	2015
Rental of commercial vehicles with operator	2015
Research and development services on natural sciences	2010
Secondary education services	2015
Selling and marketing of air transport services	2010
Supporting services for air transport	2010
Supporting services for road transport services	2010
Telecommunication services	2015
Tourist guide services	2010
Travel agencies and tour operator services	2010
Vending of telecommunications terminal equipment	2010
Wholesale trade services	2010

## Rwanda

Sector/sub-sector	Date of liberalisation
Accounting, auditing and bookkeeping services	2010
Adult education services	2010
Advertising services	2010
Air transport services	2010
All banking and other financial services excluding insurance	2015
Architectural services	2010
Audio-visual services	2010
Building-cleaning services	2010
Commission agents	2013
Consultancy services related to the installation of computer hardware	2010
Courier services	2010
Data bases services	2010
Data processing services	2010
Engineering services	2010

Sector/sub-sector	Date of liberalisation
Franchising	2013
Higher education services	2010
Hotels and restaurants (including catering)	2010
Integrated engineering services	2010
Interdisciplinary research and development services	2010
Internal waterways transport services	2010
Legal services	2010
Life, accident and health insurance services	2015
Maintenance and repair of equipment	2010
Management consulting services	2010
Market research and public opinion polling services	2010
Medical and dental services	2010
Non-life insurance services	2015
Other business services	2010
Other education services	2010
Other tourist services	2010
Packaging services	2010
Photographic services	2010
Pipeline transport services	2013
Postal services	Public domain
Primary education services	2010
Printing, publishing services	2010
Rail transport services	2013
Real estate services involving own or leased property	2010
Real estate services on a fee or contractual basis	2010
Re-insurance and retrogression	2015
Related scientific and technical consulting services	2010
Research and development services for social sciences and humanities	2010
Research and development services on natural sciences	2010
Retail trade services	2013
Road transport services	2010
Secondary education services	2010
Services auxiliary to insurance	2015
Services incidental to manufacturing	2010
Services provided by midwives, nurses, physiotherapists and para-medical personnel	2010

Sector/sub-sector	Date of liberalisation
Services related to manufacturing consulting	2010
Software implementation services	2010
Taxation services	2010
Technical testing and analysis services	2010
Telecommunication services	2015
Tourist guide services	2010
Travel agencies and tour operator services	2010
Urban planning and landscape architectural services	2010
Veterinary services	2010
Wholesale trade services	2013

## Uganda

Sector/sub-sector	Date of liberalisation
Accounting, auditing and bookkeeping services	2010
Adult education services	2010
Advertising services	2010
Air transport services	2010
All banking and other financial services excluding insurance	2010
Architectural services	2010
Audio-visual services	2010
Building-cleaning services	2010
Commission agents services	2010
Consultancy services related to the installation of computer hardware	2015
Courier services	2010
Data bases services	2015
Data processing services	2015
Engineering services	2010
Franchising	2010
Higher education services	2010
Hotels and restaurants (including catering)	2010
Integrated engineering services	2010
Interdisciplinary research and development services	2012
Internal waterways transport services	2012

Sector/sub-sector	Date of liberalisation
Legal services	2015
Maintenance and repair of equipment	2010
Management consulting services	2010
Market research and public opinion polling services	2010
Medical and dental services	2010
Other business services	2010
Other education services	2010
Other tourist services	2010
Packaging services	2010
Photographic services	2010
Pipeline transport services	2010
Primary education services	2010
Printing, publishing services	2010
Rail transport services	2010
Real estate services involving own or leased property	2015
Real estate services on a fee or contractual basis	2015
Related scientific and technical consulting services	2010
Research and development services for social sciences and humanities	2012
Research and development services on natural sciences	2012
Retail trade services	2015
Road transport services	2010
Secondary education services	2010
Services incidental to manufacturing	2010
Services provided by midwives, nurses, physiotherapists and para-medical personnel	2010
Services related to manufacturing consulting	2010
Software implementation services	2015
Taxation services	2010
Technical testing and analysis services	2010
Telecommunication services	2010
Tourist guide services	2015
Travel agencies and tour operators	2013
Urban planning and landscape architectural services	2010
Veterinary services	2010
Wholesale trade services	2015

## Tanzania

Sector/sub-sector	Date of liberalisation
Accident, life and non-life insurance services	2010
Accounting and auditing services	2010
All banking and financial services excluding insurance	2010
Cargo handling services	2015
Cargo stations/depot services	2010
Commission agents' services	2010
Courier services	2015 (with limitations)
Credit reference bureau services	2012
Engineering services	2010
Financial leasing	2012
Franchising	2010
Health insurance	2010
Hotels and restaurants (3 stars and above – for islands, national parks and game reserves should be from 4 stars and above)	2013 (with limitations)
Integrated engineering services	2010
International air passenger and freight transportation services	2015
International road transport (passengers and freight)	2010
Maritime cargo handling services	2015
Maritime passenger and freight transportation services	2010
Market research and public opinion polling services	2010
Medical and dental services	2010
Placement and supply services of personnel	2010
Primary education services	2010
Radio and television transmission services	2015 (with limitations)
Reinsurance and retrocession	2010
Rental and leasing services without operators relating to ships, aircraft and other high-tech transport equipment	2010
Secondary education services	2010
Services provided by midwives and nurses	2011
Sport fishing	2015 (with limitations)
Technical and vocational education and training services	2010
Telecommunication services	2015 (with limitations)
Tour operators (except in islands)	2010
Tourist hunting	2010
University education services	2010

## Burundi

Sector/sub-sector	Date of liberalisation
Acceptance of deposits and other repayable funds from the public	2010
Accounting, auditing and bookkeeping services	2015
Adult education services	2010
Advertising services	2010
Air transport services	2010
All payment and money transmission services	2010
Architectural services	2010
Audio visual services	2010
Building-cleaning services	2010
Commission agents	2010
Consultancy services related to the installation of computer hardware	2010
Courier services	2010
Data base services	2010
Data processing services	2010
Engineering services	2010
Financial leasing	2010
Foreign exchange services	2010
Guarantees and commitments	2010
Higher education services	2010
Hotels and restaurants (including catering)	2010
Integrated engineering services	2010
Interdisciplinary research and development services	2010
Internal waterways transport services	2010
Legal services	2015
Lending of all types including <i>inter alia</i> consumer credit, factoring and financing	2010
Life, accident and health insurance services	2015
Maintenance and repair of equipment	2010
Management consulting services	2010
Market research and public opinion polling services	2010
Medical and dental services	2010
Money market instruments (cheques, bills, certificates of deposit)	2010
Non-life insurance services	2015
Other business services	2010
Other tourist services	2010
Packaging services	2010
Photographic services	2010

Sector/sub-sector	Date of liberalisation
Primary education services	2010
Printing, publishing services	2010
Related scientific and technical consulting services	2010
Research and development services for natural sciences	2010
Research and development services for social sciences and humanities	2010
Retail trade services	2010
Road transport services	2010
Secondary education services	2010
Services incidental to agriculture, hunting and forestry	2010
Services incidental to fishing	2010
Services incidental to manufacturing	2010
Services provided by midwives, nurses, physiotherapists and para-medical personnel	2010
Services related to manufacturing consulting	2010
Software implementation services	2010
Taxation services	2010
Technical testing and analysis services	2010
Telecommunication services	2015
Tourist guide services	2010
Travel agencies and tour operator services	2010
Veterinary services	2010
Wholesale trade services	2010

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