

TRADE IN SERVICES IN THE EAC REGION

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**At the:
Training Workshop on Trade in Services Negotiations
for AU-CFTA Negotiators,
24th – 28th August 2015
Nairobi, Kenya**

Scope of Presentation

- Introduction
- Liberalization of trade in services
- MRAs
- Common Market Score card, 2014

Introduction - Quick Facts about EAC

| | |
|--|------------------------|
| Area (incl. water): | 1.82 million sq. km |
| Population: | 143.5 million (2014) |
| GDP (market prices): | \$110.3 billion (2014) |
| EAC Headquarters: | Arusha, Tanzania |
| First established (officially): | 1967 |
| Re-established: | July 7, 2000 |
| Main languages: | English, Kiswahili |

EAC Strategic Plan

EAC Vision

The **Vision** of EAC is a prosperous, competitive, secure, stable and politically united East Africa

Customs Union

1st Jan 2005

Common Market

1st July 2010

Monetary Union

Nov 2013

Political Federation

Single Customs Territory

4 Freedoms & 2 Rights

Single Currency

United East Africa

EAC Mission :to widen and deepen Economic, Political, Social and Culture integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investments.

Introduction and Background

- EAC Common Market:
 - EAC CMP was signed in 2009; operational from 1 July 2012
 - Overall objective, Art 4 – widen and deepen cooperation among PS in economic and social fields for the benefit of the EAC people
 - Entails legal and binding commitments to deeper integration by PS , beyond trade in goods

Introduction and Background

- EAC CMP is operational- has sequenced its elements
- Provides for 4 Freedoms _ Free movement of **services, capital, persons and labour** & Right of **establishment and Residence**
- Other areas of cooperation e.g. **investment, economic and monetary policy, transport policies, R&D, IPRs, & social policies**
- 2010 and 2015 – programmed that ‘freedoms’ shall be implemented at varied degrees and speeds
- Requires legal and regulatory reforms in the PS

Liberalization of trade in services

- Part F of the CMP – Free movement of services
- **Applicability**-*(1) services supplied by nationals*
(2) services suppliers who are nationals
- Article 16 (2) – supply of services through any of the 4 modes of supply
- Obligations, Art 16 (5) –
 - *progressive removal of existing restrictions*
 - *Not to introduce any new restrictions on the provision of services*

Liberalization of trade in services

- **Notification**, Art 19- *PS notify Council of any international agreements pertaining to or affecting TiS with 3rd parties that they are signatory to*
- *PS shall promptly and at least **annually** inform Council of the introduction of any new national laws/ administrative guidelines or any changes which affect TiS provided for in the CMP*

Liberalization of trade in services

- **Implementation**, Art 23(1)-*liberalization shall be progressive and in accordance with the Schedule on the Progressive Liberalization of Services (Annex V of the EAC CMP)*
- Additional commitments will be undertaken in successive rounds i.e. specific commitments and sectors where no commitments were undertaken will form the basis for further negotiations

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Liberalization of trade in services

- Annex V follows the WTO GATS- adopts a +ve list, scheduling of commitments on market access and National Treatment according to the 4 modes of supply
- First round focused on 7 service sectors: *Business and Professional; Communication; Distribution; Education; Financial; Tourism and travel-related; and Transport*
- 5 remaining sectors-*Construction and related; Environmental; Health related and Social; Recreational, culture and sporting services; and other services not included elsewhere*

| Services Sector | BU | KE | RW | UG | TZ |
|--|-----------|-----------|------------|-----------|-----------|
| Communication | 6 | 17 | 21 | 21 | 17 |
| Business | 31 | 15 | 32 | 33 | 7 |
| Distribution | 3 | 3 | 4 | 4 | 2 |
| Education | 4 | 4 | 5 | 5 | 4 |
| Financial | 9 | 12 | 15 | 11 | 16 |
| Tourism and travel related | 4 | 3 | 4 | 4 | 4 |
| Transport | 17 | 9 | 20 | 20 | 9 |
| Total number of commitments by subsector (out of 160) | 74 | 63 | 101 | 98 | 59 |

Liberalization of trade in services

- Proposals for amendment of EAC CMP including:
 - definition ‘Service Supplier’;
 - categories of natural persons subject to commitments under mode 4 in the EAC CMP;
 - Market Access provision;
 - horizontal commitments in the Partner States Schedules of commitments on movement of services;
 - review Annex V and provide for specific commitments under mode 4;
 - Provide for Regulations to implement the Free Movement of Services under the EAC CMP.

Mutual Recognition of Qualifications

- **Art 11,** - to ensure free movement of labour, PS undertake to harmonize and mutually recognize academic and professional qualifications granted, experience obtained, requirements met, licences or certification granted, in other PS.
- Harmonise curriculum, examinations, standards, certification and accreditation of educational and training institutions

Mutual Recognition of Qualifications

- Annex VI on Mutual Recognition of Academic and Professional Qualifications was adopted by Council of Ministers
- Template on MRA was adopted
- Benchmarks for Recognition of Foreign Academic and professional qualifications were developed.

Mutual Recognition of Qualifications

- MRAs have been signed by architects, engineers, and accountants
- Bilateral MoUs have been concluded by lawyers, medical boards
- PS are to enact legislation to regulate professionals that are not regulated

Challenges

- Accommodating other PS within the MRAs is cases where the professional bodies are in infancy or non existent
- EAC nationals holding foreign qualifications cannot benefit from the MRA. The underlying intention is to encourage the development of regional qualifications but this is causing some difficulties to individual EAC nationals.
- slow processing of work permits which has had an impact on the effectiveness of the MRA to promote mobility.
- Slow implementation of commitments in the CMP

EAC Common Market Score Card, 2014-

COM establish a framework of monitoring and evaluation of CMP

COM shall annually review the specific commitments and programmes to ensure PS adhere to the set timeframes

Article 50
monitoring and
evaluation of the CMP

For purpose of implementation, COM take into account any changes occurring in the economic and social circumstances of PS

Evaluate the implementation of CMP every three years

EAC Common Market Score Card

- complements M & E of CMP
- developed by EAC Common Market Scorecard Reference Group with support from World Bank Group
- launched on 18 February 2014
- Tracks progress of PS in compliance with their obligations/commitments made under in the EAC CMP
- Outlines progress in removing legislative and regulatory restrictions to the CMP & recommends reform measures

EAC Common Market Score Card

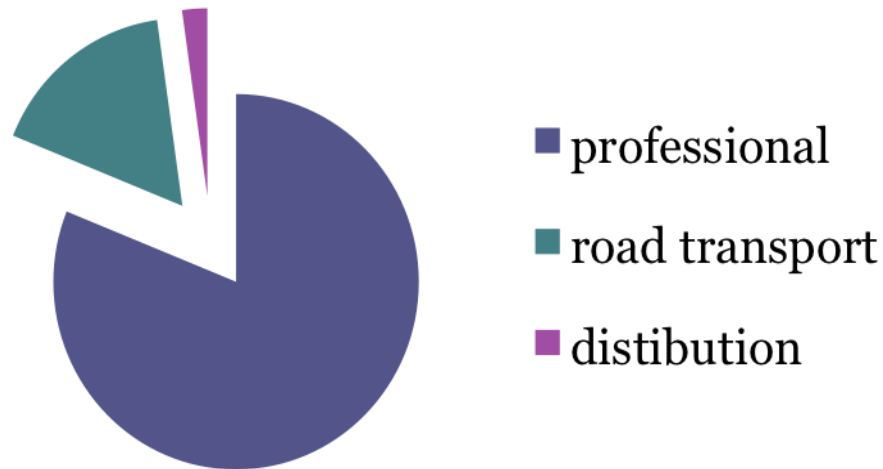
- Examines selected commitments made by the PS
- Covers capital, services and goods
- contribute to better compliance of commitments under the CMP through fostering peer learning and facilitating the adoption of best practices in the EAC region

EAC Common Market Score Card

- In respect of services, it covers-*Professional services* (legal, accounting, architectural & engineering), *Distribution services* (retail and wholesale), *Transport* (road) and *Telecommunications*.
- Analysis of 500 laws (sectoral legislation; and investment and company laws that apply cross sectors)
- 63 non-conforming measures in the trade of services

EAC Common Market Score Card

Non Conforming Measures



No NCM identified in telecommunications and retail

EAC Common Market Score Card

- Violations are affecting the National treatment (and the MFN principle)
- Nearly all inconsistent measures concern multiple modes of services supply
- Across the PS, NCMs are provided in **Laws** (75%); **administrative guidelines** (15%) and **regulations** (10%)
- All PS are in violation of the **notification** obligation

EAC Common Market Score Card

- Violations not only in sectoral legislations but also in laws that cut across all sectors
- Partial complimentary review of PS's principal investment and company laws identified 11 additional violations

EAC Common Market Score Card - limitations

- *Does not measure de facto* compliance - only measures whether PS laws & regulations comply with the EAC CMP
- Does not test the impact or severity of the restrictions, barriers and NCMs
- Focuses only on national laws
- It is not a survey of perceptions of investors or companies
- Barriers that exist due to lack of agreement are not included

EAC Common Market Score Card - limitations

- Excluded those sectors and subsectors where a Partner State made no commitment (i.e. listed “unbound” in Annex V)
- Excluded sectors and subsectors with a future date for the elimination of restrictions (e.g. 2015)

EAC Common Market Score Card- recommendations on TiS

- undertake legal reforms in order to bring EAC laws and regulations in compliance with trade in services obligations under the CMP.
- The private sector, EAC Secretariat, and the Partner States to agree on a practical agenda for addressing the violations
- Organize specialized public-private dialogue process focused on implementation
- Establish an effective reporting/notification mechanism to add transparency & facilitate monitoring

EAC Common Market Score Card- way forward

- Violations identified through the Scorecard presents concrete opportunities for reform focused on aligning PSs' legislation with the regional commitments thereby liberalizing trade in services
- Opportunities can be steered by the PS, private sector, bilateral and multilateral institutions through the National Implementations Committees
- Recommendations for reform shall form the basis of the implementation of the second phase of the Score card



**Thank you for your
attention
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