



Exploring Trade in Services in the East African Community (EAC)



The East African Community (EAC) is a regional intergovernmental organization composed of eight partner states i.e., Burundi, Kenya, Rwanda, South Sudan, Tanzania, Uganda, Federal Republic of Somalia, and the Democratic Republic of Congo (DRC). While much attention has been traditionally focused on trade in goods, trade in services has emerged as a significant area of interest in the region. The services sector plays a vital role in economic development, employment, and regional integration, making it a key driver for achieving the EAC's vision of a prosperous and competitive region.



Importance of Trade in Services

Trade in services encompasses a wide range of economic activities, including finance, transportation, and professional services such as accounting, legal and consulting services. Unlike trade in goods, services are often intangible, making them challenging to measure and regulate. However, the services sector has been increasingly recognized for its contribution to economic growth, job creation, and poverty reduction.

In the EAC, the services sector contributes significantly to the GDP of partner states. For instance, in Kenya, services account for over 50 % of the GDP, driven by sectors such as tourism, financial services, and telecommunications. Uganda and Tanzania also have rapidly growing services sectors, with tourism and financial services being key contributors.



EAC's Commitments to Trade in Services

The EAC Common Market Protocol, which was adopted in 2010, includes provisions for the free movement of services across the region. This is aimed at facilitating the liberalization of trade in services and creating a single market for services within the EAC. The Protocol outlines specific commitments by partner states to open up various service sectors to regional competition, promoting cross-border trade and investment.

One of the key goals of the EAC in promoting trade in services is to enhance the competitiveness of the region's service providers. This involves harmonizing regulations, standards, and qualifications across the partner states to ensure that services can be provided seamlessly across borders. Additionally, the EAC is working to improve the business environment for service providers by addressing barriers such as restrictive licensing requirements, complex regulatory procedures, and inadequate infrastructure.



Challenges and Opportunities

While significant progress has been made in promoting trade in services within the EAC, several challenges remain. Regulatory differences between partner states can create barriers to the free movement of services, while inadequate infrastructure and limited access to finance can hinder the growth of service sectors. Additionally, there is a need for greater awareness among service providers of the opportunities available through regional integration.

Despite the foregoing challenges, however, there are immense untapped opportunities for growth in trade in services within the EAC. The increasing urbanization and rising middle class in the region are driving demand for a wide range of services, from healthcare and education to entertainment and leisure. Furthermore, the EAC's strategic location and access to global markets make it an attractive destination for investment in services. It is now pertinent to unlock this potential by dedicating congenit public and private sector resources to transformative interventions at all levels of the national, regional and global development chain.

The Way Forward

One such intervention is the EU-EAC CORE Programme, which aims to make an impact through the harmonization of policies and regulations across the EAC partner states. The programme supports the development of consistent rules governing trade in services, which are essential for enabling cross-border service provision. This includes areas such as licensing requirements, professional qualifications, and consumer protection standards. By aligning these regulations, the programme helps reduce tariff and non-tariff barriers to trade and makes it easier for service providers to operate across the region.

The CORE Programme is investing in capacity building and skills development to ensure that service providers in the EAC are competitive at both regional and international levels. This involves training for service providers, regulators, and policymakers in various sectors, including financial services, telecommunications, tourism, and professional services. By enhancing the skills and knowledge of service providers, the programme is helping to improve the quality and competitiveness of services offered within the EAC bloc.

The CORE Programme recognizes the important role of the private sector in driving trade in services. It facilitates public-private dialogue and partnerships to address the challenges faced by service providers and this was exhibited through the Peer to Peer Conference that was held in Nairobi, Kenya on the 01st-02nd August 2024. By engaging with the private sector, the programme aims to identify opportunities for investment and innovation in key service sectors. Additionally, the programme supports initiatives that improve the business environment for service providers, including simplifying regulatory procedures and reducing the cost of doing business.

The Programme is also focused on promoting deeper regional integration by facilitating the free movement of people and services. It helps create a larger, integrated market for service providers. This enables businesses to access new customers across the region, boosting their growth and competitiveness. The programme also supports the implementation of the EAC Common Market Protocol, which includes commitments to liberalize trade in services and enhance market access for regional service providers.

In conclusion, the EU-EAC CORE Programme is playing a pivotal role in supporting trade in services within the East African Community. By addressing key challenges such as regulatory harmonization, infrastructure development, and capacity building, the programme is helping to unlock the potential of the services sector in the region. As the EAC continues to integrate, the support provided by the CORE Programme will be instrumental in promoting sustainable economic growth and enhancing the region's competitiveness in the global market for services.

