



**EAST AFRICAN COMMUNITY**



# **WHAT YOU NEED TO KNOW ABOUT THE EAST AFRICAN COMMUNITY COMMON MARKET**

**WHICH CAME INTO FORCE ON 1<sup>ST</sup> JULY 2010**

*One People. One Destiny*



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Photo (C) Zahur Ramli

*EAC Heads of State (L-R) President Yoweri Museveni of Uganda, President Paul Kagame of Rwanda, President Jakaya Kikwete of Tanzania, President Mwai Kibaki of Kenya and President Pierre Nkurunziza of Burundi join hands in celebration after signing the EAC Common Market Protocol on 1<sup>st</sup> July 2010 in Arusha, Tanzania.*

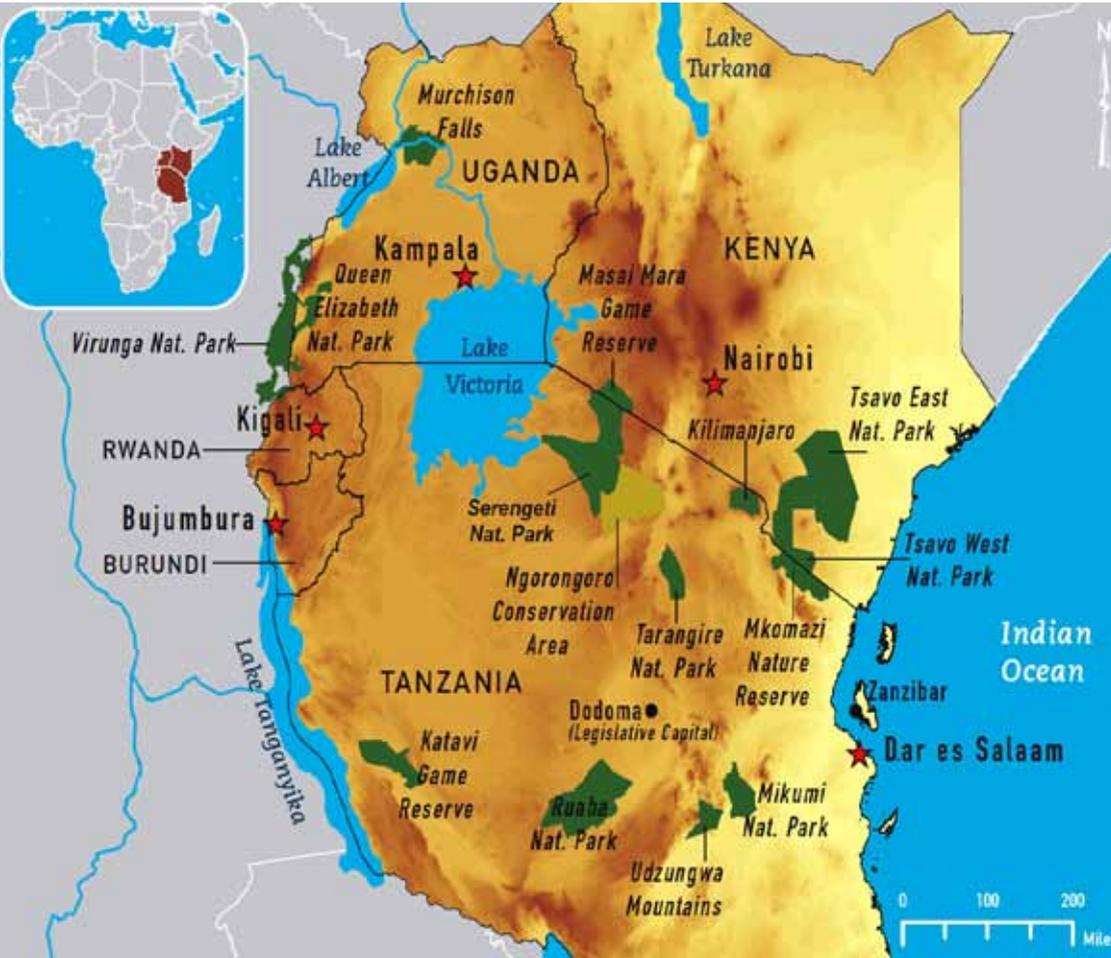
## 1.0 INTRODUCTION

The Protocol on the Establishment of the East African Community (EAC) Common Market was signed by the Heads of States on 20<sup>th</sup> November 2009, coinciding with the 10<sup>th</sup> Anniversary celebrations of the revived Community.

The Protocol entered into force on 1<sup>st</sup> July 2010, following ratification by all the five Partner States: Burundi, Kenya, Rwanda, Tanzania and Uganda. The Common Market represents the second stage of the regional integration process (as defined by the Treaty for the Establishment of the East African Community), following the Customs Union, which became fully-fledged in January 2010. The Common Market Protocol is a significant step towards the achievement of the next milestones in the integration process namely the Monetary Union and the EAC Political Federation.

The establishment of the East African Community Common Market is in line with the provisions of the EAC Treaty. It provides for “Four Freedoms”, namely the free movement of people, services, labour and capital, which is significantly boosting trade and investments and making the region more productive and prosperous.

The Establishment of the Common Market is progressive in accordance with the relevant laws of the Community and those of the Partner States.



*On 1<sup>st</sup> July 2012 the EAC marked two years since the Common Market Protocol came into force. The establishment of the Common Market has been designed to be progressive in accordance with the relevant laws of the Community and those of the Partner States.*

## 2.0 WHAT IS A COMMON MARKET?

A Common Market is where member countries of a Regional Economic Community, in this case the EAC, agree among themselves to operate as a single market with free movement of people, services, labor and capital. It is a legal and binding commitment to a deeper and stronger functional integration by member countries to remove all trade barriers on goods and services; and liberalization of movement of the factors of production.

A single market is a type of trade bloc which is composed of a customs union with common policies on product regulation, and freedom of movement of the factors of production (capital and labor) and of enterprise. The goal is that the movement of capital, labour, goods, and services between the members is as easy as within them. The physical (borders), technical (standards) and fiscal (taxes) barriers among the member states are removed to the maximum extent possible. This is because these barriers obstruct the freedom of movement of the four factors of production. To remove these barriers the member states need political will and they have to formulate common economic policies which will govern the market and also come up with regulatory common regimes for all the countries.

### a) What are the benefits of a Common Market?

A single market has many benefits. With full freedom of movement for all the factors of production between the member countries, the factors of production become more efficiently allocated, further increasing productivity.

For both business within the market and consumers, a single market is a very competitive environment, making the existence of monopolies more difficult. This means that inefficient companies will suffer a loss of market share and may have to close down. However, efficient firms can benefit from economies of scale, increased competitiveness and lower costs, as well as expect profitability to be a result. Consumers are benefited by the single market in the sense that the competitive environment brings them cheaper products, more efficient providers of products/services and also increased choice of products/services. What is more, businesses in competition will innovate to create new products/services; another benefit for consumers.

Other benefits include common and coordinated policies that increase efficiency especially in those countries that are behind in their instituting good policies. In addition the common regulatory regime and frameworks ensure that best practice within the regional framework is not only in place but adhered to. The closeness of market “single” ensure that good procedures are instituted and practiced and thus creates a kind of seamless market. In addition by being in common market and practicing common policies and regulations countries in the trading bloc become their “brothers’ keepers” and therefore they create a system of surveillance upon one another based on “best endeavors” and at time backed by legal systems. This in a way creates an efficient bloc that will operate in a higher indifference curve in consumption and efficient production curve.

### b) What are the main features of a fully-fledged Common Market?

- ~ A common system of taxation
- ~ A common system of laws and regulations governing production, employment and trade
- ~ Free movement of labour, capital and materials, and of goods and services
- ~ The absence of special treatment by member governments of their own domestic industry.

### c) What are the Principles of the EAC Common Market?

The EAC Common Market is guided by the operational principles of the Community namely: principle of non-discrimination of nationals of other Partner States on grounds of nationality; equal treatment to nationals of other Partner States; ensure transparency in matters concerning the other Partner States; and share information for the smooth implementation of the Protocol.



### 3.0 OBJECTIVES OF THE EAC COMMON MARKET

The overall objective of the EAC Common Market is to widen and deepen cooperation among the Partner States in the economic and social fields for the benefit of the Partner States and their citizens.

The specific objectives of the Common Market are:

- ~ To 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;
- ~ 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;
- ~ To sustain the expansion and integration of economic activities within the Community, the benefit of which shall be equitably distributed among the Partner States;
- ~ To promote common understanding and cooperation among the nationals of the Partner States for their economic and social development; and
- ~ To enhance research and technological advancement to accelerate economic and social development

#### Freedoms, Rights and areas of cooperation under the EAC Common Market

The Protocol on the Establishment of the East African Community Common Market contains seven provisions in the following areas:



#### i) The Free movement of goods:

The free movement of goods in the region was provided for in the EAC Customs Union Protocol, which became fully operational on 1 January 2010. It allows intra-trade in goods locally produced within the region.



### ii) The Free movement of persons:

In the Protocol, the right to free movement of persons entails the abolition of any discrimination based on nationality. The right to free movement of persons include: the right to enter the territory of a Partner State without a visa; the right to move freely within the territory of a Partner State; the right to stay in the territory of a Partner State; the right to exit without restrictions; and the right to full protection by the laws of a Partner State. The enjoyment of the rights shall be subject to limitations justified on grounds of public policy, public security or public health. A Partner State imposing such limitation shall be obliged to notify the other Partner States accordingly.

A pass issued free of charge entitles one to stay for up to six months. Student pass shall be issued free of charge and renewed annually over the duration of the study. Partner States which have agreed to use machine - readable and electronic national identity cards as travel documents may do so and shall work out the necessary modalities



### iii) The Free movement of labour/workers:

The Common Market Protocol allows workers from any Partner State to accept employment within any other EAC country. They cannot be discriminated against on the basis of their nationality. Furthermore, a worker will have the right to social security benefits and can be accompanied by a spouse and child. Furthermore, Employment in the public service is excluded unless permitted by the Partner State. Using the ILO classification, Partner States have committed to open up for the following categories of workers:

- ~ **Burundi** – Professionals – by 1<sup>st</sup> July 2010
- ~ **Kenya** – Managers, Professionals, Technicians and Associate Professionals, and Craft and Related Trades Workers – by 1<sup>st</sup> July 2010
- ~ **Rwanda** – Professionals and Technicians and Associate Professionals –by 1<sup>st</sup> July 2010
- ~ **Tanzania** – Professionals and Technicians and Associate Professionals – ranging from by 1<sup>st</sup> July 2010 to 2015
- ~ **Uganda** – Managers, Professionals and Craft and Related Trades Workers – by 1<sup>st</sup> July 2010



iv) The Right of Establishment

EAC citizens will have the right to establish their business in any Partner State and pursue economic activities in accordance with the national laws of the Partner State. Self-employed persons will also be able to carry out their work across the region, and be entitled to social security schemes in the host country.

Partner States shall remove all restrictions on the right of establishment based on the nationality of the companies, firms and self-employed persons.



v) The Right of Residence

EAC citizens will be guaranteed the right to reside in any Partner State, along with their spouse and child, for the purpose of employment. The host Partner State has the obligation to issue residence permit for specified periods. The enjoyment of the rights shall be subject to limitations justified on grounds of public policy, public security or public health. A Partner State imposing such limitation shall be obliged to notify the other Partner States accordingly.



vi) Access to and use of land & premises

The Partner States agree that access to and use of land and premises shall be governed by the national policies and laws of the Partner States.



vii) The Free movement of Services

Service suppliers, providers and consumers from across the region will be guaranteed equivalent treatment to local providers. Partner States shall progressively open up some subsectors within the following 7 broad sectors over the period 2010 - 2015:

- ~ Business and Professional Services
- ~ Communication Services
- ~ Distribution Services
- ~ Educational Services
- ~ Financial Services
- ~ Tourism and Travel Related Services
- ~ Transport Services

Partner States will make commitments on the remaining 5 sectors (Health and Social Services, Construction and Related Services, Energy Services, Environment Services, and Movement of Natural Persons) plus additional commitments on the above indicated 7 service sectors in line with Article 23 (2) of the Protocol.

#### viii) The Free Movement of Capital

Under the Common Market Protocol, Partner States agreed to remove all barriers and restrictions on the movement, sale, investment and payments of capital. Partner States have also agreed to remove any discrimination based on the nationality or on the place of residence of the persons or on the place where the capital is invested.

Kenya, Rwanda and Uganda have already opened up their capital accounts. Burundi and Tanzania will open up within the period 2010 – 2015.



#### 4.0 OTHER AREAS OF COOPERATION

##### ✓ Protection of cross border investment.

Partner States undertake to protect cross border investments and returns of investors of other Partner States within their territories based on the principle of non-discrimination.

##### ✓ Economic and Monetary Policy Coordination.

For the proper functioning of the Common Market, the Partner States shall co-ordinate and harmonize their economic and monetary policies to ensure macroeconomic stability, sustainable economic growth and balanced development

##### ✓ Prohibited Business Practices and Consumer Protection.

Partner States shall prohibit any practices that adversely affect free trade. These practices include among others; all agreements between undertakings which have as their objective or effect the prevention, restriction or distortion of competition within the Community; concentrations which create or strengthen a dominant position; and any abuse by one or more undertakings of a dominant position within the Community or in a substantial part of the Community. In addition, the consumers in the Community through appropriate measures that ensure the protection of life, health and safety of consumers; and encourage fair and effective competition in order to provide consumers with greater choice among goods and services at the lowest cost.

##### ✓ Coordination of Trade relations.

Partner States shall coordinate their trade relations to promote international trade and trade relations between the Community and third parties

✔ **Coordination of Transport Policies.**

Partner States undertake to evolve coordinated and harmonized transport policies to provide for adequate, reliable, safe and internationally competitive transport infrastructure modes and services for the development and consolidation of the Common Market.

✔ **Harmonisation of Social Policies.**

Partner States undertake to coordinate and harmonise their social policies to promote and protect decent work and improve the living conditions of the citizens of the Partner States for the development of the Common Market.

✔ **Environmental Management.**

Partner States undertake to ensure sound environmental and natural resources management principles for the proper functioning of the Common Market, through prevention of activities that are detrimental to the environment.

✔ **Cooperation in Statistics.**

The Partner States shall cooperate to ensure the availability of relevant, timely and reliable statistical data for describing, monitoring and evaluating all aspects of the Common Market; and sound decision making and effective service delivery in the Common Market.

✔ **Research & Technological Development.**

Partner States undertake to promote research and technological development through market-led research, technological development and the adaptation of technologies in the Community, to support the sustainable production of goods and services and enhance international competitiveness.

✔ **Cooperation in Intellectual Property Rights.**

The. Partner States undertake to co-operate in the field of intellectual property rights to promote and protect creativity and innovation for economic, technological, social and cultural development in the Community; and enhance the protection of intellectual property rights.

✔ **Cooperation in Industrial Development.**

Partner States undertake to cooperate in the area of industrial development in the activities related to the production of goods and services in the Common Market, for the attainment of sustainable growth and development in the Community.

✔ **Cooperation in Agriculture and Food Security.**

Partner States undertake to sustainably develop and promote agriculture with regard to crops, livestock, fish, forestry and their products; and ensure food security in the Community through access to quality and sufficient food. Partner States also undertake to establish an Agricultural Development Fund.

## 5.0 GENERAL PROVISIONS

There are general provisions in the Protocol that touch on the following: Institutional Framework needed to operationalize the East African Community Common Market; Approximation and Harmonisation of Policies, Laws and Systems; Safeguard Measures; Measures to address imbalances; Monitoring and Evaluation; Regulations, Directives and Decisions; Annexes; Amendment of the Protocol; Settlement of Disputes; Entry into Force; and Depository and Registration.

### Common Market Annexes

The implementation of the EAC Common Market Protocol will be guided by the relevant Annexes which are integral parts of the Protocol. So far, 6 Annexes are in place to guide the implementation of the various Articles of the Protocol. The Annexes are:

- i. Free Movement of Persons
- ii. Free Movement of Workers
- iii. Right of Establishment
- iv. Right of Residence
- v. Schedule of Commitments on the Progressive Liberalisation of Services
- vi. Schedule on the Removal of Restrictions on the Free Movement of Capital

### What does 1<sup>st</sup> July meant to East Africans?

1<sup>st</sup> July 2010 marked the beginning of a process to create a Common Market in East Africa. From this day, East Africans who wish to travel for any purpose other than earning money (such as visitors, students, medical, tourists, people in transit), the self-employed, intra-corporate transfers of managerial and supervisory personnel and workers are doing so freely (this does not apply to non- EAC citizens).

The Common Market Protocol will initially only apply to certain professions but the number of professions will expand over time. For workers, free movement will be in progressive stages depending on profession and the country in which you wish to work. Workers will enter Partner States by presenting their passports at the port of entry, declaring the usual information and providing a copy of the contract of employment.

For jobs that will last less than 90 days, workers will need a special pass, and for jobs lasting longer than 90 days, a work permit. Special passes and work permits require different supporting documentation. Spouses and children will be allowed to travel with the worker if they apply. Movement of these groups is already happening, but under a different dispensation.

The introduction of the East African Common Market provides an opportunity for business and entrepreneurs to flourish. Professionals will be able to cross borders, increasing their employment opportunities, while businesses will have a wider field to choose from when recruiting or expanding. The increased competition amongst individuals for these opportunities can lead to much better individual and business performance. In the end it is the economy that benefits.

The movement of people within the EAC region is not a new phenomenon; however, the Common Market Protocol provides a foundation on which movement can be made more predictable and reliable. However, it is still the responsibility of individuals to ensure they fulfill the requirements of the Protocol, including obtaining the appropriate documents and permits.

The Ministries of the EAC Affairs in the Partner States have developed communications strategies to enable citizens in the Partner States to know more about the implications of the Common Market.

The Ministries have been undertaking intensive public awareness campaigns to sensitize the East Africans on the opportunities and challenges of the integration process. The awareness campaigns are premised on the principle that businesses and the public must be well informed and prepared for the EAC integration process, if they are to maximize on the opportunities offered by the process.

**More Information on the EAC Common Market may be accessed from the following Ministries of EAC in the Partner States:**

— Permanent Secretary  
Ministry of East African Co-operation  
P.O.Box 9280,  
Dar es Salaam, TANZANIA  
*Fax No. 022 2120488/2127488/2126651*

— Permanent Secretary  
Ministry of East African Community Affairs  
P.O.Box 3138,  
Kampala, UGANDA  
*Fax No. 006 414 348171/256327/341139*  
Email: [ps@meaca.go.ug](mailto:ps@meaca.go.ug);

— Permanent Secretary  
Ministry of East African Community Affairs  
P.O.Box 179,  
Kigali, RWANDA  
*Fax No. +250 252 577 653*

— Permanent Secretary  
Ministry of East African Community  
Cooperative Bank Building  
P. O. Box 30551,  
Nairobi, KENYA  
*Fax No. 005 20 2229650/2252028/253244*  
Email: [ps@meac.go.ke](mailto:ps@meac.go.ke);

— Permanent Secretary  
Ministry of East African Community Affairs  
P.O.Box 3138,  
Bujumbura, BURUNDI  
*Fax No. +257 22223970/22257388*

A soft copy of the EAC Common Market Protocol and its annexes can be downloaded from the **EAC Common Market website** ([www.common\\_market.eac.int](http://www.common_market.eac.int)).



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