

ABSTRACT

Institutional constraints prevent the Least Developed Countries from fully utilizing the trade-related International Support Measures provided by developed countries. A cost-benefit analysis has been developed as a methodology to identify institutional constraints and prioritize support measures comparing benefits with costs, based on survey data. Applied in Uganda, it identified critical institutional constraints: limited knowledge on how to access most of the assistance; inadequate institutional arrangements; ineffective communications regarding the use of support measures. International support measures related to sanitary and phytosanitary issues, among others, are expected to increase the trade value in Uganda.

Keywords: Cost-benefit analysis, Least Developed Countries, International Trade, Export Promoting, Uganda

JEL Classification:

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Cost-benefit analysis for identifying institutional capacity building priorities in LDCs: an application to Uganda

1 Introduction

including the Gambia, Lesotho and Nepal, but we only highlight the results for Uganda in this paper as an example.² The paper is structured as follows: i) an introduction to CBA methodology in the context of prioritizing institutional capacity constraints in accessing ISMs; ii) detailed description on cost-benefit framework used for establishing institutional capacity building priorities; iii) results of CBA conducted in Uganda; and iv) conclusions.

2 CBA selecting capacity

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in the prioritization of capacity building programs through a CBA is summarized in figure 1, followed by further details outlined below.

3.1 Setting goals, targets and indicators of institutional capacity for the use of ISMs

The overall objective of the CBA is to identify stakeholder priorities for building institutional capacity.



capacity to access the particular ISM—i.e., the more

of cooperation arrangements, regular meetings) are used to calculate the direct cost of achieving Goal 2, “Ensure efficient institutional arrangements”. For Goal 3, “Develop operational communication and coordination mechanisms”, four indicators (government focal points, request for information, request for assistance, processing time) are used to estimate the direct cost, while two indicators (assistance by development partners, priority of cooperation) are included in calculation of the indirect cost.

Regarding the Goal 4, “Achieve adequate level of human, technical and financial resources”, we have not used indicators on human or financial resources in pilot LDCs, because it is difficult to isolate the level of human or financial resource adequate for accessing and using a given ISM, since the human and financial resource for another ISM – in many cases, resources are fungible. For this reason, we use the indicator on the information and communication technology (ICT) as a proxy for the cost related to Goal 4.

Indirect costs could be also negative. For example, suppose there is an ongoing government capacity building project by another development partner which contributes to developing knowledge of requirements and procedures to use a given ISM. This could be measured as a negative indirect cost as the positive spill-over impact of such activities could be regarded as efficiency gains.

Trade benefits indicate the impact on trade by the use of the ISM, assuming that the target level of institutional capacity is achieved. The trade benefits

Socio-economic benefits are indirect impacts that can include increase in productivity and/or employment in the corresponding export sector, fiscal revenues, as well as impact on trade of all other export sectors, such as, impact of heightened reputation, knowledge spillover to other ISMs, etc.

This category of benefits can also include broad and longer term socio-economic benefits: impact on other industries through backward and forward linkages to the export sector, contribution to environmental protection, poverty reduction, improved public health, enhanced social protection, and so on.

As in the case of trade benefits, the socio-economic benefits would be measured in ranks across ISMs, and then rescaled within the interval of 0-1. A numerical estimation for socio-economic benefits is possible but would require hypothetical assumptions on the internal and external factors which are often debated among stakeholders.

3.3 Aggregation of costs and benefits

Table 3 describes the calculation of direct and indirect costs from the indicators measured in the survey.



4 Applying the CBA methodology in Uganda

In May 2014, the CBA was conducted in Uganda based on survey data collected from key exporters, exporter associations and the public sector regarding their institutional constraints in accessing trade-related ISMs. Nine representatives from the private sector, and 19 government officials participated in the survey. The survey covered 8 products, as well as priority ISMs in 5 areas, namely: SPS, TBT, EIF, DFQF, and specific provisions of the Fish Stocks Agreement (FS).³

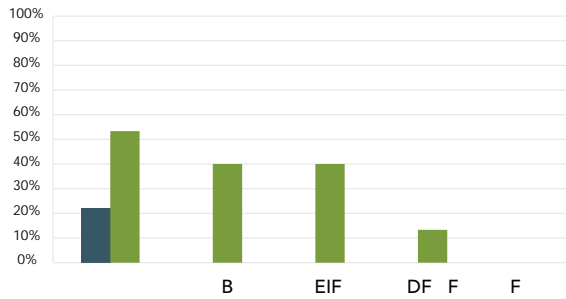
4.1 Uganda: Costs

Goal 1: Develop knowledge on how to access ISMs

The survey provides rich information to identify where the priority is in terms of removing constraints. With respect to indicators used for Goal 1 (Develop knowledge on how to access ISMs—see Annex I and II for related questions), the survey data indicate that

the private sector has a higher priority on general CBA (1.1(e) 0.04 and (g) 3.7) than the public sector (0.06 and 0.94).

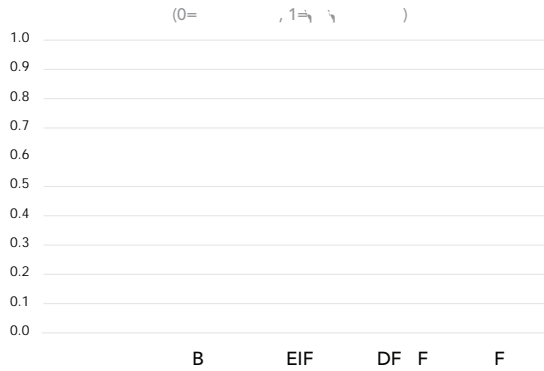
a. Percentage of respondents receiving training on the ISM



b. Percentage of respondents with knowledge on existing training opportunities



c. Interest in receiving training on the ISM



d. Number of people who need to be t

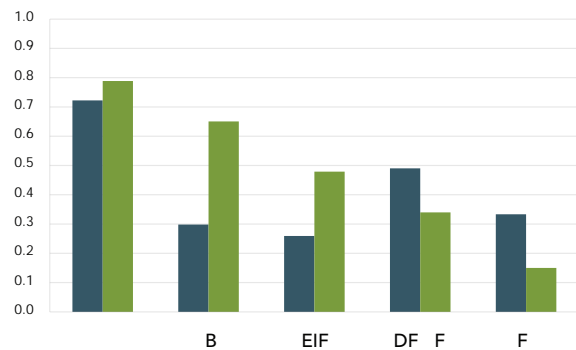


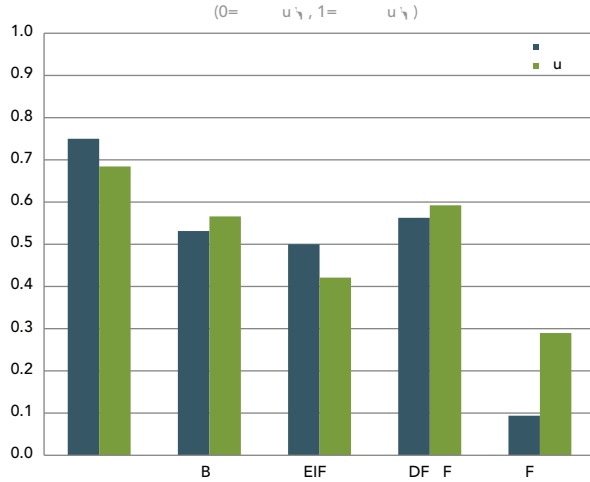
Figure 3
 Uganda: indicators in achieving Goal 2, ensure efficient arrangements



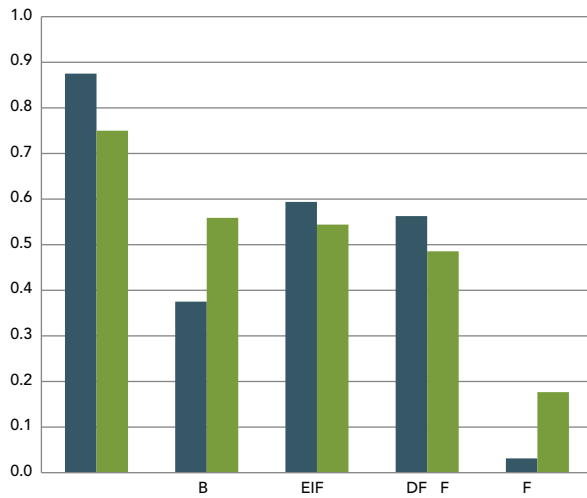
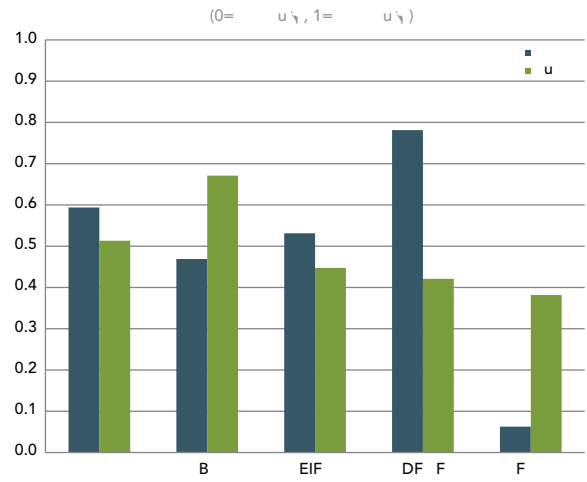
Source: Private and public sector survey.



a. How much would the use of ISM increase trade?



b. How much would the use of ISM increase value addition?



ISM	Direct cost	Indirect cost	Total cost	Trade benefit	Socio-economic benefit	Total benefit	Net benefit	Benefit-cost ratio
SPS	3	5	4	1	1	1	1	1
TBT	4	4	5	3	4	3	4	4
EIF	2	2	1	4	2	4	3	3
DFQF	1	3	2	2	3	2	2	2
FS	5	1	3	5	5	5	5	5

Note: Cost is in ascending order (1=low cost, 5=high cost); Benefit is in descending order (1=high benefit, 5=low benefit). Direct costs

so-called ePing toolkit, an online alert system (see www.epingalert.org) which aims to improve communication and information sharing between public and private sector stakeholders.

5 Conclusions

Institutional constraints are preventing LDCs from utilizing trade-related ISMs to the fullest extent.

The UN DESA project, 'Building institutional capacity in the use of trade-related International Support Measures', aims to assist LDCs addressing these constraints.

Since the available resources are generally insufficient to address all existing institutional constraints, it is critical to specify which particular institutional capacity constraint should be addressed and which ISMs should be prioritized for improving access. The CBA described in this paper presents an approach to identify key institutional constraints and a methodology for prioritizing ISMs based on information collected directly from public and private sector stakeholders.

The CBA applied in Uganda reveals critical information on the institutional constraints faced for

accessing trade-related ISMs and for prioritizing capacity building options. The surveys indicate that both the private and public sector have very limited knowledge on how to access most of the ISMs. Institutional arrangements are not adequately set up, and there is ample room for improvement in terms of dissemination of focal point contacts, channels to submit request for information or assistance regarding the use of ISMs. Trade benefits, particularly benefits on increased trade value, are expected to be highest when SPS related ISMs are more accessible. Based on these findings, UN DESA is implementing capacity development activities, focusing on reducing the information gap in the area of SPS.

The use of the CBA methodology can be further extended to other LDCs that are constrained by limited time and resources to undertake capacity building programs. The simple approach of the CBA can assist policy makers in prioritizing policy options regarding institutional capacity development. The survey data collection included in the CBA is easy to replicate. An additional advantage is, that the survey, if conducted consistently and periodically, could also be a simple and effective tool to monitor the progress made in improving institutional capacity of a country.

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Question	SPS	TBT	EIF	DFQF	Fish stock
Q2a. Have you received a request from private sector for assistance in accessing the ISM? (yes or no)					
Q2b. Do you currently provide to private sector any assistance on accessing the ISM? (yes or no) If yes, go to Q2d. If no, go to Q2c.					
Q2c. Have you contacted private sector to inform the availability of ISMs? (yes or no)					
Q2d. Do you regularly meet with private sector to discuss issues on the ISM? (yes or no)					
Q2e.					



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Q2e.					