COST-BENEFIT ANALYSIS AND SPS-RELATED TECHNICAL ASSISTANCE

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OVERVIEW

- Context
- Role of economic analysis
- Approaches to economic analysis
- Conclusions
CONTEXT

- Significant weaknesses in SPS capacity in developing countries
- Limited resources:
  - Domestic
  - Donors
- Evidence of inefficiencies in technical cooperation:
  - Supply-led
  - Lack of priority-setting
  - Overlaps versus gaps across donors
- Thrust towards enhanced aid effectiveness:
  - Information sharing
  - Coordination
  - Economic analysis
ROLE OF ECONOMIC ANALYSIS

- ‘Sift out’ projects with net cost
- Identify priorities within capacity-building needs:
  + Weaknesses in SPS capacity
  + Products
- Identify efficient approaches to capacity development:
  + Alternative solutions
  + Public versus private sectors
ANALYSIS OF TRADE-RELATED SPS CAPACITY-BUILDING

SPS measures curtailing exports

Elements of SPS capacity inhibiting compliance

Alternative investments to enhance SPS capacity

Cost of alternative investments

Degree to which exports enhanced

Wider socio-economic impacts
PROBLEMS ENCOUNTERED IN UNDERTAKING ECONOMIC ANALYSIS

- Inter-locked impacts:
  - Trade
  - Domestic food safety/agricultural productivity
  - Poverty

- Attribution

- Spill-overs:
  - Capacities
  - Products

- Data:
  - Availability
  - Reliability
WIDER COSTS AND BENEFITS OF ECONOMIC ANALYSIS

- Enhances transparency
- Can facilitate stakeholder involvement
- Costly:
  + Resources
  + Time
- Helps to avoid ‘shopping lists’ of capacity-building needs
- Impact on decision-making:
  + Changes nature of decisions
  + Can increase/decrease time taken to make decisions
- Enhance accountability
ECONOMIC ANALYSIS FRAMEWORKS

- **Cost-benefit analysis:**
  - Which options yield net benefit?
  - Which option yields greatest net benefit?

- **Cost-effectiveness analysis:**
  - Which option most cost-effective way of achieving given objective?

- **Multi-criteria decision analysis:**
  - Which option best way of achieving outcome with multiple objectives?
  - What is impact of changing priorities across multiple objectives?
REVIEW OF STDF PROJECT 20

- Aimed to develop cost-benefit framework to support definition of national action plans
- Developed highly structured framework
- Level of analysis was highly aggregated:
  + Products
  + Capacities
- Key metric of benefits was export flows
- Partial analysis of costs
- Attributed total future flow of exports to SPS compliance
- ‘Tested’ in narrow range of contexts
- More work needed........
CONCLUSIONS

Certainly a need for more economic analysis
Economic analysis in this area is not easy
Need to explore alternative approaches to economic analysis
STDF can play a role here:
  + Exploring strengths/weaknesses of alternative frameworks
  + Working towards an agreed approach
  + Facilitating the ‘testing’ of this agreed approach
  + Providing technical support in economic analysis