



ASSESSING COST-EFFECTIVENESS OF NON-TARIFF MEASURES - A TOOLKIT (SUMMARY)



INTRODUCTION

The incidence of Non-tariff measures (NTMs) is rising. Businesses must increasingly comply with numerous procedures and requirements when exporting and importing. Such NTMs can unduly increase the cost of doing business. Poorly designed and inefficiently implemented NTMs create administrative and financial burden for the private sector and government agencies. This may negatively impact international trade and consumers in the form of higher product prices.

Governments' desire to streamline NTMs for facilitating trade and reducing business costs has gained traction in recent years. However, there are two sides to the coin – while NTMs have implementation and compliance costs, they are usually necessary for achieving economic, social and other policy goals. It is crucial to strike a careful balance between the costs of NTMs and their regulatory, social and environmental benefits, and evaluate NTMs in terms of:

- the objective they are **designed** for,
 - the way they are **implemented**, and
 - how easy it is for the private sector to **comply** with them.
- ✓ **The Non-Tariff Measures Cost-Effectiveness Toolkit is designed to provide policy makers a framework to find this balance.**
 - ✓ **The toolkit is written for reviewing NTMs applicable to import intermediate inputs for a value chain/sector of national economic and political interest.**
 - ✓ **The toolkit takes an integrated view. It considers all NTMs that are applied simultaneously on the reviewed product/s, as well as the way in which they are implemented and complied with.**

The toolkit goes beyond a revision of regulations to assess the **effectiveness** and the **efficiency** on the field. The toolkit targets increasing competitiveness in the identified sector as well as enhancement of regional value chains (RVCs). It also provides certain ready-to-use “tools”.

NTMs are policy measures, other than ordinary customs tariffs, that can potentially have an economic effect on international trade in goods by changing quantities traded, or prices or both (UNCTAD, 2019). Two broad categories of NTMs can be distinguished:

- Technical measures, including sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT), which are product-specific requirements, mostly designed for public policy objectives to protect health, safety and the environment, such as packaging requirements, maximum residual limits of chemicals, and related inspections and certification; and
- Non-technical measures, a wide array of trade-related policies such as quotas, non-automatic import licensing, rules of origin and price control measures.

“NTM improvement should be viewed primarily as a domestic issue, part of a regulatory-improvement agenda driven by a concern for enhanced competitiveness, rather than a concession on trading partners”

*Non-Tariff Measures – A Fresh Look at Trade Policy's New Frontier
Olivier Cadot and Mariem Malouche*

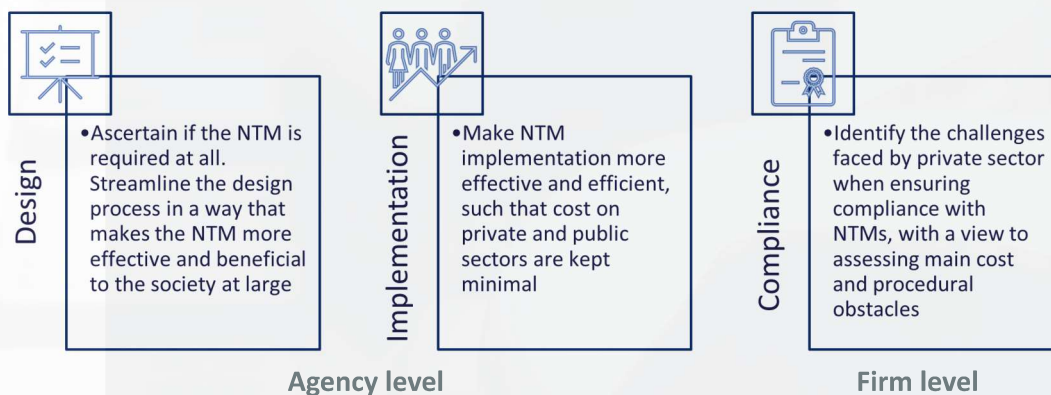
KEY PILLARS

The review of NTMs as proposed by the toolkit is based on three critical pillars: **Design**, **Implementation** and **Compliance**.

- The **Design** pillar evaluates how suitable the NTM has been/can be for meeting the stated objectives;
- The **Implementation** pillar assesses the efficacy of procedures and costs of implementing the NTM; and
- The **Compliance** pillar measures how burdensome the NTM is on the private sector.

Details on dimensions of each pillar are summarized in Figure 3.

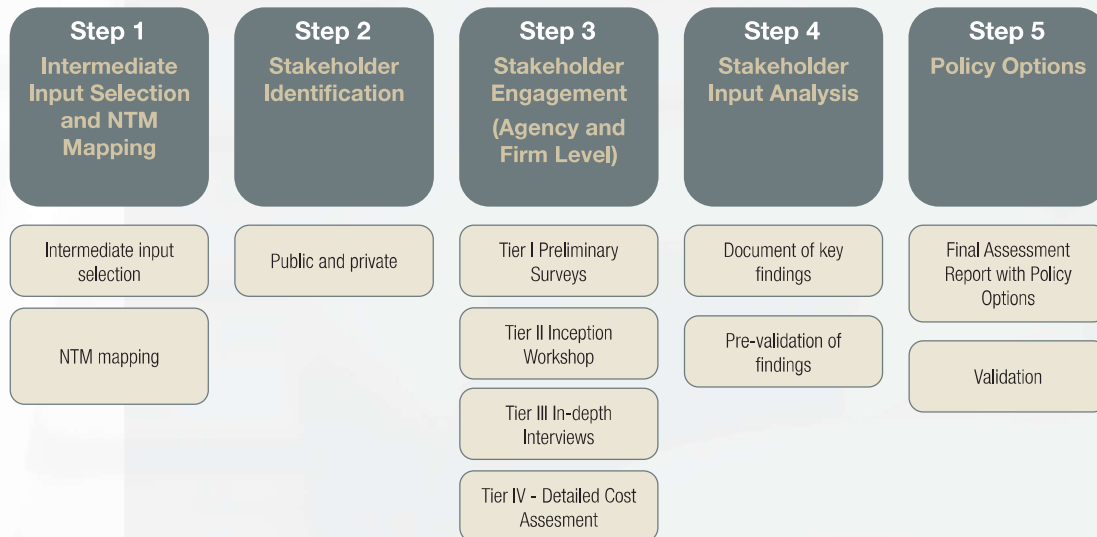
Figure 1: Key pillars NTMs review



FRAMEWORK AND APPROACH

The toolkit proposes a 5-step approach to review NTMs, plus certain tools to aid the process.

Figure 2: Stepwise approach to toolkit deployment, key outputs and tools



Step 1 and 2: Selection of the intermediate input to be studied, and identification of stakeholders.

Product/s are selected within a critical national value chain of interest. Stakeholders are all government agencies responsible for designing and implementing the NTMs under consideration, and the regulated firms who comply with them. The mapping of the applicable NTMs is done using the UNCTAD TRAINS Database.

Step 3: Stakeholder engagement through surveys, focus group discussions, in-depth interviews and detailed compliance and implementation cost assessment. This is when all stakeholders provide their views.¹

Step 4: Stakeholder input analysis whereby all data and information collected in step 3 is synthesized and analyzed to identify main issues and challenges regarding design, implementation and compliance. Insights drawn may be substantive or procedural.

Step 5: Policy options concludes the toolkit through generation of policy options to address the identified problems and drive an NTM reform agenda.

¹ Interview and survey guidelines are provided to facilitate a comprehensive analysis of NTMs.

TIMELINE

The toolkit envisages an average implementation period of six to twelve months. This will also depend on the number of products, number of NTMs, and the number of firms/agencies to be interviewed.

EXPECTED END RESULTS

The findings from the toolkit should enable users to generate policy options towards implementing well-designed NTMs that meet economic and non-economic policy objectives, all while minimizing the burden on the private sector.

Reforms itself are beyond the scope of this toolkit, as it will depend upon the country's political decision. However, activities can be designed to facilitate the process. The larger goal is to encourage good regulatory practices.

Overall, the design of the toolkit is flexible, and users are free to adapt it based on their needs, available time and budget, and political interests. Strong political commitment and active stakeholder engagement are the two most important lynchpins of the toolkit.

Figure 3: Summary of main dimensions under each key pillar

Pillar 1: DESIGN



1. NTM Objective



2. NTM Design (and review) Process

Pillar 2: IMPLEMENTATION



1. Implementation Process and Time



2. Implementation cost



3. Implementation Strategy



4. Transparency



5. Stakeholder Coordination



Resources

6. Resource Allocation



7. Facilitating Smooth Compliance



8. Effectiveness

Pillar 3: COMPLIANCE



1. Administrative formalities



2. Time constraints



3. Transparency



4. Quality of Implementation Staff



5. Agency Support



6. Compliance Cost



7. Benefits