

Discussion paper

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# What constitutes agriculture spending?

Areas of consensus and contention

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Mark Curtis, David Adama / November 2013



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For comments and further information, please contact Mark Curtis ([mark@markcurtis.info](mailto:mark@markcurtis.info)) or David Adama ([David.Adama@actionaid.org](mailto:David.Adama@actionaid.org) )

**Front cover image:**

Smallholder farmer in Akure, Ondo State, Nigeria

PHOTO: ACTIONAID NIGERIA

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## Introduction

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**Public spending on agriculture in Africa is critical to promoting economic growth and the reduction of poverty. GDP growth originating in agriculture is much more effective in reducing poverty than growth in other sectors. Some studies indicate that GDP growth from agriculture is five times more effective in developing countries overall, and in sub-Saharan Africa, up to 11 times more effective.<sup>1</sup> Public investment in agriculture, alongside other investments, can also play a key role in reducing hunger. The UN Food and Agriculture Organisation (FAO) notes that hunger is more prevalent in countries where public agricultural expenditure per worker is lower.<sup>2</sup>**

There is also a growing view, strongly shared by ActionAid, that increased public investment needs to be made in the world's smallholder farmers. Supporting the world's 500 million small farmers - who produce most of the food in developing countries, but who also constitute the most undernourished people in the world - represents the single biggest opportunity to reduce hunger and increase global food security. It is also essential to adapt to climate change, since small farmers manage around 80 per cent of the farmland in sub-Saharan Africa and Asia.<sup>3</sup>

Small farmers are already the biggest investors in agriculture. According to the FAO, farmers in low and middle-income countries invest more than four times as much in capital stock on their own farms each year as their governments invest in the agriculture sector. The FAO concludes that 'the overwhelming dominance of farmers' own investment means that they must be central to any strategy aimed at increasing the quantity and effectiveness of agricultural investment'.<sup>4</sup>

Yet there is a key issue in defining how agriculture spending is understood and measured. This report assesses different ways in which agriculture spending is defined. It identifies areas of consensus and contention in different definitions before suggesting next steps.

Arriving at a common definition of agriculture spending is important in order to measure government performance and progress over time. It is especially important in the light of the 2003 commitment by African states to spend 10 per cent of their national budgets on agriculture. Yet there is no universally accepted and implemented definition of agriculture spending.<sup>5</sup> In academic and NGO analysis of public spending on agriculture, and also in government statements on agriculture spending, there are often substantial differences in what is actually being measured.

Below, we look at definitions of agriculture spending by COFOG, the African Union/ New Partnership for Africa's Development (NEPAD) / Comprehensive Africa Agriculture Development Programme (CAADP), the FAO and others, commenting on each of the definitions before highlighting commonalities and differences.

## 1. The COFOG definition

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Developed by the Organisation for Economic Co-operation and Development (OECD), the Classification of the Function of Government (COFOG) definitions classify government spending according to the purpose for which funds are used. These are the most internationally recognised set of definitions and are set out in the 2001 International Monetary Fund (IMF) publication, *Global Finance Statistics Manual* and on the UN website.<sup>6</sup> COFOG classifies government spending under ten main headings.<sup>7</sup> Within this classification system, agriculture appears under the heading of 'Economic Affairs'.

### **Box 1: The COFOG definition<sup>8</sup>**

#### ***7042 Agriculture, forestry, fishing and hunting***

##### ***70421 Agriculture (CS)***

Administration of agricultural affairs and services; conservation, reclamation or expansion of arable land; agrarian reform and land settlement; supervision and regulation of the agricultural industry;

construction or operation of flood control, irrigation and drainage systems, including grants, loans or subsidies for such works;

operation or support of programs or schemes to stabilize or improve farm prices and farm incomes; operation or support of extension services or veterinary services to farmers, pest control services, crop inspection services and crop grading services;

production and dissemination of general information, technical documentation and statistics on agricultural affairs and services;

compensation, grants, loans or subsidies to farmers in connection with agricultural activities, including payments for restricting or encouraging output of a particular crop or for allowing land to remain uncultivated.

*Excludes:* multi-purpose development projects (70474).

##### ***70422 Forestry (CS)***

Administration of forestry affairs and services; conservation, extension and rationalized exploitation of forest reserves; supervision and regulation of forest operations and issuance of tree-felling licenses;

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operation or support of reforestation work, pest and disease control, forest fire-fighting and fire prevention services and extension services to forest operators;

production and dissemination of general information, technical documentation and statistics on forestry affairs and services;

grants, loans or subsidies to support commercial forest activities.

Includes: forest crops in addition to timber.

#### 70423 Fishing and hunting (CS)

This class covers both commercial fishing and hunting, and fishing and hunting for sport. The fishing and hunting affairs and services listed below refer to activities that take place outside natural parks and reserves.

Administration of fishing and hunting affairs and services; protection, propagation and rationalized exploitation of fish and wildlife stocks; supervision and regulation of freshwater fishing, coastal fishing, ocean fishing, fish farming, wildlife hunting and issuance of fishing and hunting licenses;

operation or support of fish hatcheries, extension services, stocking or culling activities, etc;

production and dissemination of general information, technical documentation and statistics on fishing and hunting affairs and services;

grants, loans or subsidies to support commercial fishing and hunting activities, including the construction or operation of fish hatcheries.

Excludes: control of offshore and ocean fishing (70310); administration, operation or support of natural parks and reserves (70540).

## 1.1 Comments on the COFOG definition

A major gap in the COFOG definition of agriculture spending is its **failure to include research and development** on agriculture. Such expenditure comes under a separate heading - 'R&D Economic Affairs' (see box).

**Box 2: COFOG definition of R&D<sup>9</sup>****70482 R&D Agriculture, forestry, fishing and hunting (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to agriculture, forestry, fishing and hunting;

grants, loans or subsidies to support applied research and experimental development related to agriculture, forestry, fishing and hunting undertaken by non-government bodies such as research institutes and universities.

*Excludes:* basic research (70140).

COFOG also **excludes ‘multi-purpose development projects’**, which are defined separately (see box). Yet many such projects can have an agricultural component.

**Box 3: COFOG definition of multi-purpose development projects<sup>10</sup>****70474 Multi-purpose development projects (CS)**

Multi-purpose development projects typically consist of integrated facilities for generation of power, flood control, irrigation, navigation and recreation.

Administration of affairs and services concerning construction, extension, improvement, operation and maintenance of multi-purpose projects;

production and dissemination of general information, technical documentation and statistics on multi-purpose development project affairs and services;

grants, loans or subsidies to support the construction, operation, maintenance or upgrading of multi-purpose development projects.

*Excludes:* projects with one main function and other functions that are secondary (classified according to main function).

The COFOG definition **does not mention ‘rural roads’** anywhere in its classifications and is unclear on this point. Section 70451 of the COFOG definition - on road transport - covers ‘urban roads’.

The COFOG definition **includes hunting, and also ‘fishing and hunting for sport’**. It is debatable whether this should constitute agriculture spending.

It is unclear where, under the COFOG definition, **certain policies which address both environmental/natural resources and agricultural activities** should be covered. For example:

- The COFOG definition has separate sections on ‘environmental protection’ and ‘protection of biodiversity and landscape’. But it is unclear where **sustainable land management** (one of CAADP’s four pillars) would be covered. (COFOG’s definition of ‘protection of biodiversity and landscape’ covers activities relating to the protection of fauna and flora species, the protection of habitats and the protection of landscapes for their aesthetic values<sup>11</sup>).
- It is also unclear where policies relating to **climate change adaptation** (CCA) should be covered. The COFOG definition of agriculture includes flood control, but CCA activities go beyond this. The COFOG definition makes no mention of climate change and only one brief mention of ‘climate protection’ (in the ‘pollution abatement’ section<sup>12</sup>).

Although COFOG is the most widely recognised definition of government spending, at least when it comes to agriculture, government accounts are not usually structured along the same functional lines. Instead they are usually organised along administrative lines with expenditures grouped by the ministries and agencies undertaking the expenditures.<sup>13</sup>

## 1. The African Union/NEPAD/CAADP definition

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Following the 2003 Maputo Declaration, and consultations between the AU/NEPAD and member states, agreement was reached that agriculture spending *should be classified according to the COFOG definition*.<sup>14</sup> However, two additional functions were added. These functions related to spending on administration of government agencies involved in agricultural research; and grants, loans and subsidies to support applied agricultural research.<sup>15</sup>

The AUC/NEPAD ‘developed a Guidance Note<sup>16</sup> and a questionnaire to serve as a toolkit to facilitate and unify country reports in the calculation of the share of agriculture spending to total government expenditure’.<sup>17</sup> The intention was to develop an Agriculture Expenditure Tracking System in AU member countries.<sup>18</sup> At the 2006 AU Ministerial Conference of Ministers, a Report of the Experts Workshop on Agriculture Expenditure Tracking System confirmed that COFOG definitions should be used and noted that ‘with few exceptions, African governments do not use COFOG in their budget classification structure and that changing the existing budget classifications to the COFOG system in AU member countries would need substantial resources and a long time span’.<sup>19</sup> It suggested:

‘While in the long-term such budget classification reforms are needed, a short-term solution for establishing an agriculture expenditure tracking system was proposed. The solution proposed was Data Bridging, which means examining the existing organizational or economic/item classification of expenditures in a number of inter-related ministries or organizations, and aligning them to a function or sub-function of the government (COFOG)’.<sup>20</sup>

The 2006 AU meeting provided more detail on the understanding of the definition of agriculture spending.<sup>21</sup> It noted that:

- **Actual expenditure** – not budgets – should be the subject of the expenditure tracking system.
- **All levels of government spending** – lower as well as central – should be included.
- **Public and state-owned enterprises should be excluded.** (‘Public enterprises or state-owned enterprises or public corporations, as well as financial institutions (government-owned banks and insurance companies, such as an agriculture development bank in this case), which are incorporated in accordance with corporation laws or banking regulations are not part of general government and should not be added to total government expenditures even if they are active in the agriculture sector.’)
- **Debt service payments should be included** This section of the report did not mention agriculture but we assume this means debt service payments related to loans for agriculture.

## 2.1 Comments on the AU/NEPAD/CAADP definition

It is understandable that the AU/NEPAD/CAADP formally follow the COFOG definitions, since these have the greatest international recognition. Yet by so doing, problems with the COFOG definitions will be reinforced. Moreover, in practice, African countries are not actually following COFOG since all governments include spending on R&D in their definitions of agriculture and many include (at least some) spending on rural development or rural roads.<sup>22</sup> The FAO notes that, despite the fact that the COFOG classification is recommended by NEPAD, none of the 10 countries participating in the FAO’s MAFAP (Monitoring African Food and Agricultural Policy) project (see below) strictly follow such definitions.<sup>23</sup>

The AU’s formal decision to assess *actual rather than budgeted expenditure* was important, but is rarely followed by governments, who tend to use budgeted amounts as declarations of their commitment to agriculture.

### Box 3: Difference between actual and budgeted spending

The difference between budgeted and actual spending can be significant. According to the MAFAP definition, for example, Tanzania has recently surpassed the 10 per cent CAADP target. But, according to the narrow definition, it has not.

#### Budgeted and actual spending in Tanzania (%)

	2010/11	2009/10	2008/09
<b>MAFAP definition</b>			
<b>Budgeted</b>	9	13.5	16
<b>Actual</b>	10	9.5	12
<b>Narrow definition</b>			
<b>Budgeted</b>	5.5	12	4.5
<b>Actual</b>	6	7.5	5

Source: FAO, MAFAP, *Analysis of Public Expenditures in Support of Food and Agriculture Development in the United Republic of Tanzania, 2006/07 – 2010/11*, January 2013, p.22

The AU’s decision to exclude public and state-owned enterprises is interesting, but is not followed by some governments, which include parastatal budgets in their agriculture spending.

### 3. The FAO's MAFAP definition

Through the MAFAP project, the FAO has developed common indicators for monitoring key commodities and public expenditure in agriculture. MAFAP works in ten countries in Africa, but currently policy analysis of public expenditures is mainly taking place in five (Burkina Faso, Mali, Kenya, Tanzania and Uganda).<sup>24</sup>

MAFAP's definition of agriculture spending is contained in the Methodology Document on its website, which is cited as a draft proposal.<sup>25</sup> MAFAP has a much broader definition of agriculture spending than COFOG (see box).

#### **Box 3: MAFAP's proposed classification of public expenditures in support of the food and agriculture sector<sup>26</sup>**

##### **I. Agriculture specific policies**

##### **1.1 Payments to the agents in the agro-food sector**

##### **A. Payments to producers**

Production subsidies and payments to farmers via development projects

##### **Input subsidies:**

Variable inputs

- seeds
- fertiliser
- energy
- credit
- other

Capital

- machinery and equipment
- on-farm irrigation
- other basic on-farm infrastructure

On-farm services

- pest and disease control/veterinary services
- on-farm training, technical assistance, extension etc
- other

Income support

Other

##### **B. Payments to consumers**

- Food aid
- Cash transfers

- School feeding programmes
- Other

##### **C. Payments to input suppliers**

##### **D. Payments to processors**

##### **E. Payments to traders**

##### **F. Payments to transporters**

##### **1.2 General sector support**

- Agricultural research
- Technical assistance
- Training
- Extension/technology transfer
- Inspection (veterinary/plant)
- Infrastructure
- Roads
- Non-farm irrigation infrastructure
- Storage/public stockholding
- Marketing
- Other

##### **II. Agriculture supportive policies**

- Rural education
- Rural health
- Rural infrastructure
- Roads
- Water
- Other

Notable aspects of the MAFAP definition are that:

It **includes all rural spending**. The definition includes ‘all expenditures related to agriculture [sic], be they agriculture-specific or agriculture-supportive more generally’. This means ‘all public investments in the rural areas, as these may also have an important role in fostering the food and agriculture sector development, even if they are not specific to the sector’.<sup>27</sup> Thus rural health, education and infrastructure are included.

It **distinguishes between agriculture-specific and agriculture-supportive spending** and, in the former, between support to producers (and others in the value chain) and general sector support.

It **includes social protection policies** (eg. food aid, cash transfers) not normally regarded as agriculture spending and which are payments to consumers, not necessarily farmers. These are regarded as ‘agriculture specific’ policies, as noted in the box above.

It includes not only **all government** (central, regional and local) spending, ‘all financing through public institutions’, and **all aid** but also ‘**specific projects conducted by international organisations or NGOs**’.<sup>28</sup>

It includes ‘the need to **account for revenue foregone** as well as budgetary transfers’. An example of the former could include ‘measures such as tax concessions or the government buying fertiliser on the international market and selling it to farmers at a lower price’.<sup>29</sup>

It includes measuring **actual and budgeted spending**.

It includes **only some policy administration costs** - ‘only when associated with the delivery of specific services (e.g. the salaries of extension advisors, inspection officers and researchers)’. Otherwise, such administration costs are excluded, for example, those associated with the costs of formulating and implementing agricultural policies.<sup>30</sup>

It **treats forestry and fishing as separate from agriculture**. (‘We primarily focus on the food and agriculture sector, however, for some countries forestry and fisheries may be an important part of rural activity and therefore those are also included in the scope of the project. However, they will be treated separately from the classification proposed below to insure comparability between the countries’).<sup>31</sup>

When measuring aid to agriculture, the MAFAP Methodology Document cites the 18 ‘purpose codes’ used by the OECD’s Development Assistance Committee for recording aid (see box), but **suggests 11 other purpose codes, set out below, should also be recorded as aid**.<sup>32</sup>

- General budget support
- Trade policies and regulations
- Transport and storage
- Developmental food aid (but not emergency food aid)
- Rural development
- Agro-industry
- Fertiliser (mineral and plant)
- Water supply and sanitation
- Forestry
- Fishing
- Support to NGOs

**DAC ‘Purpose codes’ for agriculture<sup>33</sup>**

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>Agricultural policy and administration</li> <li>Agricultural development</li> <li>Agricultural land resources</li> <li>Agricultural water resources</li> <li>Agricultural inputs</li> <li>Food crop production</li> <li>Industrial crops/export crops</li> <li>Livestock</li> <li>Agrarian reform</li> <li>Agricultural alternative development</li> </ul> | <ul style="list-style-type: none"> <li>Agricultural extension</li> <li>Agricultural education/training</li> <li>Agricultural research</li> <li>Agricultural services</li> <li>Plant/post-harvest protection and pest control</li> <li>Agricultural financial services</li> <li>Agricultural cooperatives</li> <li>Livestock/veterinary services</li> </ul> |
|---|--|

**3.1 Comments on the AU/NEPAD/CAADP definition**

The definition is especially useful in distinguishing between agriculture-specific and agriculture-supportive policies. But by including the latter, it gives an **extremely broad definition of agriculture spending**, which, as MAFAP notes, is intended to give a definition of all ‘food and agriculture’ spending. It also includes social protection policies not normally regarded as agriculture spending.

MAFAP’s definition clearly results in **much higher levels of spending on ‘agriculture’**. MAFAP’s country report of Uganda notes that, using the MAFAP definition, over half of its ‘agriculture’ spending is on agriculture-supportive policies, mainly rural health and infrastructure (indeed, rural health alone accounts for around a quarter of spending).<sup>34</sup> The report also notes that, using the MAFAP definition, Uganda is already meeting the CAADP 10 per cent target. Yet if the more narrow definition, focused just on the main Ministry of Agriculture, Animal Industry and Fisheries statistics is used, Uganda is spending just 4 per cent of its budget on agriculture.<sup>35</sup>

In Tanzania’s case, the MAFAP country study notes that over a third of ‘agriculture’ spending is for agriculture-supportive policies (mainly rural infrastructure such as roads).<sup>36</sup> The following table, on Tanzania’s budget allocation to agriculture, shows a huge difference between using the MAFAP and narrow (essentially COFOG) definition.

**MAFAP and narrow definitions of Tanzania’s budget allocation to agriculture (%)**

	2010/11	2009/10	2008/09
<b>MAFAP definition</b>	9	13.5	16
<b>Narrow definition</b>	5.5	12	4.5

*Source: FAO, MAFAP, Analysis of Public Expenditures in Support of Food and Agriculture Development in the United Republic of Tanzania, 2006/07 – 2010/11, January 2013, p.22*

## 4. Other definitions

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### 4.1 Govereh et al

An academic analysis led by Jones Govereh has attempted to form the basis for a generic approach to tracking public spending on agriculture.<sup>37</sup> However, this does not cover some of the more contentious areas in the MAFAP definition and therefore does not provide a comprehensive guide. The study notes that policy areas to be included as agriculture spending include: interest payments on loans to agriculture, distinctions between budgeted and actual spending (and also audited spending), all levels of government spending and all aid.

The study also notes, interestingly, that not all expenditure - even by Ministries of Agriculture - should be considered as agriculture spending. It cites an example in Zambia whereby the Ministry of Agriculture's spending on World Food Day should be included, but spending on International Women's Day should not.<sup>38</sup>

### 4.2 One

A report by the NGO, ONE<sup>39</sup>, measures spending on agriculture using the following indicators:

- As well as spending by the Ministry of Agriculture, when there was a separate Ministry for Livestock, Forestry or Fishing, the entire budget was included. Spending by other Ministries was included if it could be ascertained that project expenditure related to agriculture.
- Actual spending figures were included if available, otherwise estimations were made of actual spending based on Ministry of Finance figures. If these were not available, budgeted figures were used.
- ONE's methodology for general budget support is unclear.<sup>40</sup>

## 5. Consensus and contention

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A general conclusion is that the COFOG definition is too narrow, but that the MAFAP definition is too broad. However, the MAFAP definition has the merit of distinguishing between agriculture-specific and agriculture-supportive spending. Thus, if these two methodologies are used, actors can in effect choose which one to use as an indicator of agriculture spending.

In order to make progress towards a common definition of agriculture, there are several points of consensus, but many areas of contention needing discussion among actors.

### 5.1 Areas of consensus

Starting from the COFOG definition as a basis, the following additions to the definition of agriculture spending would appear to have wide consensus:

#### 5.1.1. Inclusion of agricultural research

*Agricultural research is universally regarded as constituting agriculture spending.*

#### 5.1.2 Inclusion of non-agriculture Ministries

*It is broadly accepted that ministries other than agriculture spend funds in support of agriculture and therefore should be considered in the definitions. However, there is disagreement over which spending areas in other ministries should be considered (see Areas of Contention for these).*

#### 5.1.3 Inclusion of all levels of government spending

*There is consensus that central, regional, district and local spending should be considered as agriculture spending.*

#### 5.1.4 Inclusion of debt service payments

*Both the AU/NEPAD and MAFAP consider debt service payments for agricultural loans as constituting agriculture spending.*

#### 5.1.5 Inclusion of all official aid

*The consensus appears to be that that all official aid (ie, from government donors) to agriculture should be included as public agriculture spending, but not aid from private sources, such as NGOs, which cannot be defined as public spending.*

### 5.2 Areas of contention

The following are the major areas of disagreement among actors as to what should constitute agriculture spending:

#### 5.2.1 Measuring actual as well as budgeted spending

*The need to measure actual as well as budgeted spending is widely accepted in definitions of agriculture spending. It is included as an 'area of contention' because most governments still use budgeted amounts as public measures of their commitment to agriculture. Thus, in practice, there is not full consensus on this issue.*

*Actual spending on agriculture is usually lower than budgeted allocations, but it can be higher – for example, in cases where governments approve off-budget, supplementary expenditure for special programmes.*

**Recommendation:** Actual spending (including any supplementary expenditure) should be the primary measurement; budgeted spending should also be calculated as a secondary measure.

### **5.2.2. Inclusion of forestry, fishing and livestock?**

*There is consensus that livestock should be considered as agriculture spending. But both COFOG and MAFAP treat forestry and fishing as separate to agriculture spending. It surely makes sense to distinguish between the two areas and agriculture in calculating government spending. But should forestry and fishing be entirely excluded from agriculture spending? ONE's analysis, for example, included spending on forestry and fishing as agriculture spending, and some governments' agriculture ministries also include departments of forestry and fisheries. Agro-forestry is one obvious area of cross-over between agriculture and forestry.*

**Recommendation:** This is an area for discussion.

### **5.2.3 Inclusion of the distinction between 'agriculture-specific' and 'agriculture-supportive' spending / Inclusion of 'multi-purpose projects' and rural development spending?**

*The distinction between 'agriculture-specific' and 'agriculture-supportive' spending is not a part of COFOG but an explicit aspect of MAFAP. 'Multi-purpose projects' and rural development spending are excluded by COFOG but included by MAFAP. This is consequently a major area of contention.*

**Recommendation:** MAFAP's distinction between 'agriculture-specific' and 'agriculture-supportive' spending is very useful. Calculations of agriculture spending should take this distinction into account. But agriculture-supportive spending is just that – supportive of agriculture, but not agricultural spending per se. It is spending for agriculture but not in agriculture. It is misleading to regard all spending in rural areas as supporting agriculture. For example, rural health and education surely benefit farmers and these figures should be noted, but this is different than specific support to agriculture. Thus only agriculture-specific spending should be regarded as agriculture spending. However, agriculture-supportive spending should still be calculated to show the extent to which rural areas are being supported by governments. Similarly, multi-purpose projects in rural areas should be scrutinised for their agriculture components. If these exist, such spending should be included in agriculture spending figures.

### **5.2.4 Inclusion of rural roads?**

*Rural roads are not mentioned in COFOG but captured in MAFAP under the heading of agriculture-supportive policies. Some governments do, and others do not, include rural roads spending in their agriculture budgets.*

**Recommendation:** 'Rural roads' entail both main highways in rural areas and small feeder roads connecting villages. Spending on the former is unlikely to benefit small farmers (who constitute most farmers) but spending on the latter can. However, this is not agriculture spending per se; it should be regarded as agriculture-supportive, and not included in agriculture spending figures.

### **5.2.5 Inclusion of environmental/natural resources spending?**

*COFOG does not, and MAFAP does not appear to, include environmental/natural resources policies such as sustainable land management or climate change adaptation in agriculture spending.*

**Recommendation:** This is a difficult area because there is an increasingly fine distinction between environmental protection and agricultural sustainability. Much environmental spending is of direct benefit to agriculture. Our view is that environment budgets should be scrutinised and that much of this spending could be included as agriculture spending. Examples would include spending on sustainable land management (when land is being farmed) and also spending in support of climate change adaptation, except where such projects do not benefit farmers per se. However, spending on water supply should not be included, except where this refers to irrigation for agriculture. Neither should spending in support of biodiversity be included, except where it can be shown that this has primarily an agricultural objective.

#### **5.2.6 Inclusion of all public financing?**

*While there is consensus that all government spending should be considered, there is no consensus on public spending. The AU/NEPAD/CAADP definition excludes 'public and state-owned enterprises' from agriculture spending whereas MAFAP includes 'all public financing'.*

**Recommendation:** All spending that uses taxpayers' money should be included as agriculture spending. This means that where public and state-owned enterprises use public money, that spending commitment should be included as agriculture spending. However, other forms of finance raised by state-owned enterprises, even in the agriculture sector, should not be counted as agriculture spending.

#### **5.2.7 Inclusion of spending beyond government?**

*MAFAP includes not only all public financing, but also 'specific projects conducted by international organisations or NGOs.*

**Recommendation:** Only public spending should be included, not spending by international organisations (other than donors) or private spending by NGOs, except where this spending appears in aid figures, when it should be included.

#### **5.2.8 Inclusion of social protection policies?**

*MAFAP includes food aid, cash transfers and school feeding programmes in its definition, which are not normally considered agriculture spending.*

**Recommendation:** Spending on social protection should not be included. It is surely useful to capture these figures, since farmers can benefit, but this is distinct from agriculture spending.

#### **5.2.9 Inclusion of all, or some, administration costs?**

*COFOG includes all agriculture administration costs, but MAFAP includes only those associated with the delivery of specific services, such as the salaries of extension advisors, inspection officers and researchers.*

**Recommendation:** All administration costs should be included. In practice, it seems difficult to separate costs associated with the actual delivery of services and those that are indirectly related. Moreover, it is not only the delivery of services that constitutes legitimate agriculture spending – planning and evaluation can too. Thus, costs associated with formulating agricultural policies, for example, should be included. An additional point is that, in practice, it will be difficult to distinguish between costs associated with service delivery and other activities for the purposes of capturing the data.

**5.2.10 Inclusion of revenue foregone?**

*The MAFAP definition includes accounting for ‘revenue foregone’ as well as budgetary transfers, meaning measures such as tax concessions.*

**Recommendation:** Tax concessions in agriculture can certainly be significant and useful to calculate. Yet they should not constitute agriculture spending per se. There is a difference between potential revenue that has never been raised and thus not spent and revenue raised and actually spent. If tax concessions in agriculture were regarded as agriculture spending, a government’s abolition of these would instantly appear to raise the amount of agricultural spending, but without actually doing so.

**5.2.11 Inclusion of all spending by Ministries of Agriculture?**

*The study by Govereh et al suggests that not all spending by Ministries of Agriculture should be classified as agriculture spending.*

**Recommendation:** All spending by Ministries of Agriculture should be included. It is unclear, from the Govereh study, which areas of spending by Ministries of Agriculture should not be included as agriculture spending (except mention of one area, on International Women’s Day). There are questions of efficiency in spending by Ministries of Agriculture, but this is a different issue.

**5.2.12 Inclusion of a broader definition of agricultural aid?**

*MAFAP suggests the inclusion as agricultural aid spending of 11 areas beyond the current DAC purpose codes, such as water supply and trade policies and regulations.*

**Recommendation:** Of the 11 suggested areas, general budget support is dealt with below. Of the remaining 10, we agree that aid to agro-industry and to fertiliser should be included as agriculture spending. We do not agree that development food aid, water supply/sanitation, fishing and support to NGOs<sup>41</sup> should be included.

The four other areas (trade policies and regulations, transport and storage, rural development and forestry) can have agricultural components and these should ideally be captured. However, the current DAC reporting system does not allow for such data to be captured since donors are required only to record a project according to its primary component.

**5.2.13 Inclusion of aid for general budget support?**

*The consensus is to include all aid to agriculture in agriculture spending. But it is unclear how general budget support – some of which may/will go to agriculture – should be included. The DAC ‘purpose codes’ for agriculture do not cover general budget support at all.*

**Recommendation:** Where donors provide general budget support, a proportion of this should be calculated as agriculture spending. For the sake of consistency, this could be calculated as the same proportion as government spending on agriculture in the national budget.

There are also two further issues which do not concern the definition of agriculture spending, but concern better capturing the beneficiaries of agriculture spending.

**Inclusion of a distinction between spending on producers and general sector support?**

*COFOG says nothing about who is being supported, while MAFAP distinguishes between support to producers (and others in the value chain) and general sector support. MAFAP does not appear, however, to capture spending on small-scale producers as such.*

**Inclusion of spending targeted at women?**

*All definitions are silent on this. Again, this is not a point about defining agriculture spending but about capturing the beneficiaries of such spending.*

A final issue is that, in determining how to assess agriculture spending, practicality is also crucial. Deciding on a methodology should be as much dependent on the availability of data as on theoretical purity. The latter will waste time, since much data is simply not available. The availability of data varies by country. In countries where agriculture spending is split across several ministries, such as Kenya and Tanzania, it is harder to get an accurate picture than where a single ministry is responsible for most or all spending, as is the case in Malawi.

## 5. Next steps

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**ActionAid could send a draft of this paper to a variety of key stakeholders for comments, and/or hold a workshop to disseminate findings and identify ways to progress towards a common definition.**

The current lack of a common definition is a real problem, but there is little resolution in sight and the MAFAP definition is too broad. Two main options have been identified:

- One option is to hold/ propose a workshop including as many high-level representatives as possible, perhaps jointly with the FAO, in order to re-address this issue and get more international movement.
- Another option would be to hold a lower level meeting with principally NGO people, from which a document suited more to NGOs would be produced, advocating for a new definition to be produced as a priority.
- It might be useful for ActionAid to precede this by holding an internal discussion to clarify its thinking on the areas of contention above. ActionAid staff could perhaps discuss areas 5.1 and 5.2 and reach a preliminary internal consensus on the definition of agriculture spending. Alternatively, this discussion could be left to workshops or to the broader process of comment and consultation.

### **Other factors to bear in mind:**

- Rural women farmers in particular need support beyond agriculture spending, including access to labour-saving technologies such as cooking stoves or childcare, which will not normally come from agriculture budgets.
- Capturing data (especially gender-disaggregated data) is crucial to monitoring progress.
- It is also important to capture 'private' spending – i.e. by farmers themselves.
- The issue of quality of spending (addressed in ActionAid's PFA work) is clearly also critical.

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**ActionAid** is a global movement of people working together to achieve greater human rights for all and defeat poverty. We believe people in poverty have the power within them to create change for themselves, their families and communities. ActionAid is a catalyst for that change.

International Registration number: 27264198

Website: **[www.actionaid.org](http://www.actionaid.org)**

Telephone: **+27 11 731 4500**

Fax: **+27 11 880 8082**

Email: **[mailjhb@actionaid.org](mailto:mailjhb@actionaid.org)**

ActionAid International Secretariat,  
Postnet Suite 248, Private Bag X31, Saxonwold 2132,  
Johannesburg, South Africa.

**What constitutes agriculture spending?** Areas of consensus and contention

ActionAid, November 2013.