



## THE AU GUIDANCE NOTE

ON TRACKING AND MEASURING THE LEVELS AND  
QUALITY OF GOVERNMENT EXPENDITURES  
FOR AGRICULTURE



**CAADP**





## The AU Guidance Note

## Table of Contents

<b>Abbreviations and Acronyms</b> .....	02
<b>Foreword</b> .....	03
<b>Acknowledgements</b> .....	04
<b>Executive Summary</b> .....	05
1. Introduction and Background .....	07
2. Guiding Principles .....	11
3. Scope and Composition of Government Expenditures for Agriculture: “Enhanced COFOG” – The “Numerator” .....	13
4. Scope and Coverage of Total Government Expenditures: The “Denominator” .....	18
5. Tracking Quality of Government Expenditures for Agriculture .....	19
6. Roadmap for Implementation and Reporting .....	20
<b>Appendices</b>	
Appendix 1: Glossary of Key Terms .....	22
Appendix 2: Core Areas of Government Functions Relevant to the Agricultural Sector Based on “Enhanced COFOG” .....	25
Appendix 3: Draft Template Tables for Periodic Reporting on the Level/Ratio and Quality of GEA .....	27
Appendix 4: Template of Data Generation and Reporting Plan: Level and Quality of GEA .....	31
Appendix 5: Ideal Disaggregated Expenditure Data .....	32
Appendix 6: List of Main References .....	33



## Abbreviations and Acronyms

ATOR	Annual Trends and Outlook Report
AUC	African Union Commission
CAADP	Comprehensive Africa Agriculture Development Programme
CAE	Public Corporation Agriculture Expenditure
COCOBOD	Ghana Cocoa Board
COFOG	Classification of Functions of Government
CSF	Core Sub-functions
DP	Development Partner(s)
GEA	Government Expenditure for Agriculture
GFS	Government Finance Statistics
GN	Guidance Note
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
JSR	Joint Sector Review
M&E	Monitoring and Evaluation
MAFAP	Monitoring African Food and Agricultural Policies
MDAs	Ministries, Departments, and Agencies
MSDP	Multi-sectoral Development Project
NAFSIP	National Agriculture and Food Security Investment Plan
NEPAD	New Partnership for Africa's Development
NPCA	NEPAD Planning and Coordinating Agency
OBE	Off-Budget Expenditures
ODA	Official Development Assistance
PAE	Public Agriculture Expenditure
PEA	Public Expenditure for Agriculture
R&D	Research and Development
REC	Regional Economic Community
ReSAKSS	Regional Statistical Analysis and Knowledge Support System
RF	Results Framework
SOE	State Owned Enterprises
SAKSS	Strategic Analysis and Knowledge Support System
TCE	Total Public Corporation Expenditure
TGE	Total Government Expenditure
TPE	Total Public Expenditure
UC	Unit Cost

## Foreword

The 2014 Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods expresses firm recommitment towards attaining an agriculture revolution in Africa. This recommitment arose as a result of the progress made and lessons learned from the implementation of earlier AU Decisions and Declarations, most notably the 2013 Maputo Declaration on Agriculture and Food Security in Africa.

Based on this resolve, the African Leaders, meeting in Malabo, Equatorial Guinea on 26-27 June 2014, re-committed to the Maputo target of allocating at least 10% of national budgets to the agriculture sector. The Heads of State also committed, amongst others to "Mutual Accountability, Actions and Results". Under this commitment, the focus is on biennial review of progress through the processes of tracking, monitoring and reporting; and multi-sectorial reviews, peer learning and mutual accountability processes at different levels.

The Malabo commitments provided the basis upon which the African Union Commission (AUC) and the NEPAD Planning and Coordination Agency (NEPAD Agency) developed the Implementation Strategy and Roadmap purposed at facilitating the translation of the Malabo Commitments on agriculture into concrete results and impact. To operationalize the Implementation Strategy and Roadmap, a set of implementation guidelines were developed or revised, including the AU-NEPAD Guidance Note on tracking, measuring and reporting the levels and quality of government expenditures in the agriculture sector – in light of the recommitment of the 10% expenditure target and enhanced quality of GEA.

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The AUC and the NEPAD Agency are therefore pleased that the review of the Guidance Note on the Enhanced Measurement and Tracking of Government Expenditure for Agriculture and its Quality in African Countries is now complete. This document is a result of extensive consultations and technical meetings with key relevant stakeholders including experts in public expenditure tracking and regional and country stakeholders, as well as other state and non-state stakeholders. We want to thank everyone who contributed to the improvement of this Guidance Note. We make specific recognition of the World Bank and ActionAid International for providing the technical and financial support in the preparation of this enhanced Guidance Note.

This document is intended as a guiding tool for AU member states and other stakeholders in their efforts to track and report on Government Expenditures for Agriculture as well as to strengthen the efficiency and effectiveness of budget planning, execution and management in the sector. It will facilitate comparable tracking and periodic reporting, and as well contribute to show casing country progress towards compliance with the 10% target. Furthermore, this Guidance Note will facilitate strengthening evidence-based investment and policy rationale around establishing and managing appropriate expenditure levels and their prioritized composition, which will need to be determined on a country basis. The Note, presented as part of the set of guidelines for supporting CAADP implementation, will also contribute to an increased focus on securing value for money and strategic and sustainable impacts of government spending in the agricultural sector.

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**CAADP**



03

THE AU GUIDANCE NOTE

## Acknowledgements

In 2005, the then NEPAD Secretariat, in collaboration with the AUC, prepared a Guidance Note (GN) to orientate countries on the measurement of public expenditures in the agricultural sector with respect to the 10% expenditure target enunciated in Maputo in 2003. In late 2014, the NEPAD Agency and the African Union Commission, in collaboration with other stakeholder groups, embarked upon a process of revising the GN. The current revised draft GN reflects the feedback as well as the results from a validation process based on inputs from key stakeholders including: AUC, the NEPAD Agency, the Regional Economic Communities (RECs), member state governments, development partners, expert institutions and individuals in analyzing and measuring agriculture expenditure, private sector, farmer organizations and civil society. These inputs were obtained during a series of technical expert and validation workshops held in Addis Ababa, Ethiopia (October 2014); Nairobi, Kenya (February 2015) and Abidjan, Cote d'Ivoire (March 2015).

The NEPAD agency and AUC convened a technical workshop of experts in agriculture public expenditure in October 2014, in Addis Ababa, which kick-started the process of reviewing and improving the Guidance Note. It brought together diverse technical stakeholders to review the experiences and lessons in implementing the initial 2005 GN and to reach consensus on what to include and how to best measure government expenditures for agriculture, in support of formulating an updated GN. The participants represented the AUC, the NEPAD Agency, agriculture expenditure researchers, development partners, and civil society. Subsequently, the draft GN was shared with governments, regional economic communities, research institutes, civil society and other relevant stakeholders for feedback. As part of this process, two regional workshops and a continental-level awareness-raising meeting were organised to enhance and validate the appropriateness and relevance of the revised GN.

A validation workshop took place in Nairobi from February 18-20, bringing together representatives from governments (including Rwanda, Kenya, South Africa, Malawi, Uganda, Nigeria, Ethiopia), regional economic communities (COMESA, EACS, IGAD), civil society, research institutes and other actors,

including the UN FAO, Action Aid and the World Bank. A second validation workshop took place in Abidjan, Cote d'Ivoire from 4-6 March 2015. It brought together representatives from governments (including representatives from 6 countries including from Burkina Faso, Cameroun, Cote d'Ivoire, Nigeria, Senegal and Togo), regional economic communities (ECOWAS, UMA), civil society, research institutions and other actors including the NEPAD Agency, Action Aid and the World Bank. At the margins of the 11th CAADP Partnership Platform Meeting held in Johannesburg, an orientation meeting on the Guidance Note was held on 24 March 2015. The meeting raised awareness among key CAADP stakeholders on the revised AU Guidance Note, and deepened discussions on the appropriateness and adequacy of the guidance provided in the revised Note. The Side Meeting brought together participants from the Governments of Senegal, Chad, South Africa; from one Regional Economic Community - COMESA; from technical institutions - including IFPRI, RESAKSS, UN FAO and IWMI; from continental organisations including the African Union Commission and NEPAD Agency; and from donor communities including GIZ, World Bank and Bill and Melinda Gates Foundation.

In both of the validation workshops as well as the awareness-raising meeting at the PP meeting, the revised Guidance Note was received as a timely and responsive measure to the guidance required by countries in light of the Malabo commitment on the 10% budgetary target, enhanced quality and the reporting requirement. The revised Guidance Note received input on the substance of its content as well as guidance on the modalities for operationalising the Note, including articulating the roles and responsibilities of different stakeholder groups. It was underscored that over and above the reporting compliance to the AU Heads of State Summits and other AU organs, the Guidance Note should purpose to inform and enhance the management and governance of country government budgets, guided by the set of macro and sectoral level priorities, indicators and targets, consistent with the continental level CAADP Results Framework.

## EXECUTIVE SUMMARY

**i. Introduction:** The Heads of State and Governments of Africa committed to pursuing an agriculture-led development agenda enshrined in the Maputo Declaration of 2003. To this end, they committed to allocating at least 10% of their public expenditures to the agricultural sector. In 2014 at the Malabo Summit, the leaders of Africa reiterated their determination to uphold earlier commitments made to allocate at least 10% of public expenditure to agriculture, and to ensure its efficiency and effectiveness. The Comprehensive Africa Agriculture Development Program (CAADP) will continue to serve as the framework for promoting Africa's agricultural development. The progress towards achieving the Malabo goals and targets will be tracked, monitored and reported using the CAADP Results Framework.

**ii. Rationale:** In 2005, the then NEPAD Secretariat in collaboration with the AUC prepared a Guidance Note (GN) to orientate countries on the measurement of public expenditures in the agricultural sector with respect to the 10% expenditure target enunciated in Maputo in 2003. Owing to inadequate methodological clarity on the scope and data to base calculations and reporting on, there were different (and sometimes conflicting) estimates of government spending towards agriculture as a share of total government spending. With this in hindsight, coupled with the limited use of the GN by AU Member states, the NEPAD Agency and the AUC in late 2014, in collaboration with other stakeholder groups embarked upon a process of revising the GN. The revised draft GN has been further reviewed and subjected to validation processes with key stakeholders including: AUC, the NEPAD Agency, Regional Economic Communities (RECs), Member state governments, development partners, expert institutions in measuring agriculture expenditure, private sector, farmer organizations and civil society.

The GN recommends the use of Government Expenditures for Agriculture (GEA) terminology over Public Expenditures in Agriculture (PEA) for practical reasons, including: consistency with the principle of simplicity to ensure a common ratio which can be generated and used by all countries; the estimation of PEA would require more information and disaggregation of expenditure data on entities such as State owned Enterprises (SOEs). At a later stage once countries are in position to generate more accurate and reliable estimates of GEA and TGE, the scope of expenditure tracking could include tracking estimates of PEA and its ratio in TPE.

**iii. Objective:** The objective of the GN is to provide enhanced and common guidelines to AU member states in their efforts to track and report on Government Expenditures for Agriculture (GEA), as well as to strengthen the efficiency and effectiveness of budget execution and management in the sector. The GN will facilitate comparable tracking and periodic reporting both in-country and to the AU on:

- The share of government expenditures for agriculture against total government expenditures (TGE) – which will showcase country progress towards compliance with the 10% target and strengthen evidence-based investment and policy rationale around appropriate expenditure levels and prioritized composition; and
- The efficiency and effectiveness of GEA, thereby contributing to improved quality of GEA through increased focus on value for money of government spending in the agricultural sector. This GN provides a framework for tracking and promoting 4 dimensions of enhanced quality: technical efficiency, allocative efficiency, agricultural growth and rural poverty reduction.

The draft revised Guidance Note is structured along the following key sections:

**iv. Guiding Principles:** A set of guiding principles have been developed to facilitate the effective, pragmatic and consistent application of the GN, especially where there is a need for each country to make some judgments on the “what” and the “how” to measure it. These principles address some key methodological issues around common accounting standards, definition of the “agricultural sector”, functions and sub-functions of government classifications, apportionment of expenditures tagged to other government sectors, as well as data coherence and consistency between what is included in the numerator and the denominator of the estimated ratio (GEA/TGE). It is recognized that, for a given point in time, each country needs to determine the most “appropriate” level and proportion of GEA (total and by subsector), and of the balance between recurrent and capital GEA.

**v. Scope and Composition of Government Expenditure for Agriculture (GEA) – the Numerator:** Guidance on what to include in the calculation of GEA is based on the enhanced application of the Classification of Functions of Government (COFOG) definitions of agricultural sector sub-functions. The “enhanced COFOG” framework of functions includes all sub functions/activities enumerated in COFOG (i.e., administration, construction, operation or support activities, compensation, grants or subsidies for the crops, livestock, forestry, fisheries and hunting sub-sectors), as well as additional relevant expenditures which contribute directly to increased agricultural development. These include: applied agricultural research; multi-purpose development projects with agricultural benefits; net financial losses of state corporations; food and nutrition security activities; natural resource management and agricultural-related climate change adaptation initiatives; rural feeder roads; agriculture marketing; capacity development for agricultural development; land administration activities for agriculture; ICT; rural electrification; and sub national expenditures on agriculture. Many of these expenditures will have to be apportioned, on a country basis, according to the estimated proportion of benefits accruing to the agriculture sector. Furthermore, all expenditures will be disaggregated as recurrent or capital expenditures.

**vi. Scope and Coverage of Total Government Expenditure (TGE) – the Denominator:** Guidance on what to include in the calculation of total government expenditure will be based on a clear and unified definition of TGE, against which the GEA share will be calculated. The calculation of TGE will exclude off-budget expenditures but will include debt service repayments (interest payments only). Guidance is also provided on including sub-national and decentralized levels of government expenditures, which would reflect either allocations from central government (while taking precautionary measures against double counting) and/or from generation of own resources, to ensure consistency in the estimation of the GEA/TGE ratio. The GN recommends that country governments track and report back using actual expenditure data, based on the latest available data, preferably: audited; unaudited; approved and revised.

**vii. Framework for Tracking Quality of Agriculture Expenditures:** Guidance on assessing the efficiency and effectiveness of budgetary agriculture expenditures is included in the GN based on the Malabo Declaration’s explicit emphasis on tracking quality of agriculture expenditure. It is recommended that AU member states integrate and apply the GN as part of a set of tools for enhancing the efficiency and effectiveness of in-country budgetary processes and results. This would provide additional value to the countries, over and above, the benefits of improving the tracking and reporting to the AU. A set of indicators on quality of expenditures is proposed, structured around the dimensions of allocative efficiency, technical efficiency, agricultural growth and rural poverty.

**viii. Country-Level Roadmap for Implementation and Reporting to the AU:** The GN proposes that each country develops a roadmap for tracking, measuring and reporting the levels and quality of GEA. This will facilitate an efficient and coordinated mechanism for compilation of country-level progress reports, which in turn will inform the assessment of progress against sector targets outlined in each country’s Results Framework, and foster mutual accountability and joint learning within and among AU Member states. To this end, the GN highlights the cardinal role of RECs in supporting cross-country capacity development, dissemination and utilization of the reports for strengthening in-country budgeting processes and practices. In addition, it provides guidance on reporting protocols, aimed at promoting standardized reporting to the AU on GEA with respect to the 10% agriculture expenditure target.

# 1. Introduction and Background

- 1.1 The objective of this GN is to provide enhanced and common guidelines and supporting tools to AU member states for tracking and reporting on Government Expenditures for Agriculture (GEA), as well as to strengthen the efficiency and effectiveness of budget execution and management in the sector.
- 1.2 Section 1 highlights relevant background which gave rise to this updating exercise, as well as relevant lessons that have been considered. Section 2 outlines guiding principles. Section 3 outlines the key components of the GEA (the numerator). Section 4 highlights key components of the Total Government Expenditure TGE (the denominator). Section 5 provides an overview, selected tools and roadmap to measuring and tracking the quality of GEA. Section 6 outlines a proposed roadmap for effective implementation of the updated GN at the country level.
- 1.3 **The Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Livelihoods** provides the African vision and resolve to accelerated agriculture transformation through collective and member states specific actions. The Declaration places emphasis on delivering results and impact around a set of targets, and on institutional and policy changes required for realising a set of defined targets and goals. Furthermore, the Declaration re-commits African Governments to uphold a target of allocating at least 10% of public expenditure to agriculture, and to ensure its efficiency and effectiveness.
- 1.4 **The Comprehensive Africa Agriculture Development Programme (CAADP)** is the framework for agriculture development in Africa. The Malabo Declaration lends credence to the CAADP results framework (RF) as the tool for a systematic regular review of the progress made in implementing the provisions in the Declaration; the RF also will help reinforce the continental and country-level commitment to mutual accountability to actions and results. To this end, the results framework will inform the tracking and monitoring of progress towards the set goals and targets, which in turn will feed into reports for the biennial agricultural review processes at AU Summits. Robust and standardised methodologies of tracking and reporting the levels and quality of public expenditure in the agriculture sector will be an integral component of the CAADP results framework.
- 1.5 **“Optimal”/Appropriate Level and Quality of Expenditures in the Agricultural Sector .**  
From a technical perspective, it is difficult to establish the “optimal” level and composition of spending for each country in Africa, given varying characteristics in the structure of the economy, and the different dimensions of accelerated macro-level and agricultural sector growth and poverty reduction. Accordingly, it is recognized that the indicator of spending 10 percent of total government expenditure in agriculture is a measure of Government’s high level of commitment to the agricultural sector. Some countries may need to spend well above or below this target percentage, owing to varying natural conditions, the share of agricultural sector in the Gross Domestic Product (GDP), size of the government engagement in the sector, size and proportion of rural population, and several other country features. The GEA target, therefore, is intended to: (a) establish a benchmark for agriculture spending, both in terms of absolute amounts and as a percentage of total government expenditure (TGE); and (b) be used as an indicator to monitor its trend over time and to help determine appropriate levels and composition of agricultural sector expenditures.
- 1.6 The 10% expenditure target can also be viewed as a weighted average for all African countries, given the variable role and importance of agriculture (vis-à-vis GDP) among African countries. Accordingly, there is a technical dimension to determining the most appropriate level and share of government expenditures which will need to be worked out and justified for each country. Invariably, this also will call for improved evidence of the quality of expenditures, including empirical analysis and the results chain underlying the linkages between expenditures/inputs-outputs-outcomes-impacts. These assessments, in turn, would require more disaggregated expenditure data of functions and sub-functions, and the results will serve as an enhanced basis for allocating prioritized expenditures for the agricultural sector. This approach is consistent with call in the Malabo Declaration for measuring the levels and quality of expenditures in the agriculture sector, and forms the intent of this Guidance Note (GN).



## 1.7 Progress in Implementing a Standardised Expenditure Tracking System in Africa.

Following the Maputo Declaration, the then NEPAD Secretariat in 2005, with technical support from FAO, developed, and implemented a tracking system for GEA among AU member countries. The achievements, challenges and lessons arising from this experience and other relevant agriculture expenditure tracking initiatives<sup>1</sup> have informed the revision and enhancement of the GN.

## 1.8 Emerging Issues: The main emerging issues arising from the implementation of the AU Guidance Note (2005) highlight two salient issues:

**a) Definition of the Agricultural sector:** Firstly, there have been differences in the definition of “agriculture” and its component expenditures; this has resulted in varying numerical estimates of the share of total Government expenditures, even within the same country. Agricultural expenditures can be defined according to commodities or subsectors; functions involved with the production, marketing, and consumption of the commodities; or institutional units (such as ministries, departments, and agencies) responsible for different commodities or different functions. Another source of the inconsistencies is in distinguishing expenditures of the government from expenditures of public corporations, which together comprise expenditures of the public sector (or Total Public Expenditures/TPEs). The inconsistencies are accentuated by the differences in countries’ public financial accounts and coding systems for identifying and aggregating budgets and expenditures in agriculture. Different countries have different accounting systems.

In Africa, a relatively few but growing number of countries use the classification of functions of Government (COFOG) accounting system; this variability of the accounting systems contributes to differences in what to include and measure as part of government expenditures. These variations influence the size of the denominator in calculating the relevant share of total government expenditures (TGE). In addition, the amount of TGE, which comprise the denominator used in calculating the agriculture budget or expenditure share, also has been a source of discrepancy in the estimated ratio. The variations in the definition of the “agricultural sector”, the “agricultural expenditures and TGE have resulted in differences in the estimation of the share of agriculture expenditure at country level. This situation of varying approaches to measuring the numerator and denominator compromises the use of a standardized comparability and assessment approach of country-level progress toward the 10% expenditure target.

**b) Uncaptured Expenditures:** Secondly, there are various expenditure items which often are not captured in the expenditure/accounting information systems and tracking of government expenditures for agriculture which actually involve the provision of “public goods and services”.<sup>2</sup> Such expenditures contribute directly to development of the agriculture sector. The areas include:

- (i) off-budget expenditures provided by official development assistance (ODA) which are intended to support Government sector objectives and which provide both “public” and “private” goods and services; in many countries in Africa, off-budget expenditures, if included in the estimates for GEA, could comprise about 20% to 40% of total GEA; and
- (ii) sub-national/local government expenditures, which often comprise funds from their own revenues and from budgetary transfers from central government (e.g., earmarked funds from MOAs) to promote agriculture development, in line with on-going Government strategies and programmes.

This guidance note addresses these two issues as part of providing pragmatic guidance to identifying, strengthening of relevant information systems and expenditure database, and tracking the relevant aspects of these expenditure components.

<sup>1</sup> Other expenditure tracking initiatives have used variants of GEA; for example, public expenditures for agriculture comprise GEA + expenditures for state-owned enterprises/SOEs or state corporations (which often have revenue-earning objectives).

<sup>2</sup> Many African countries, to varying degrees, use considerable amounts of public funds to finance selected “private” goods and services, in the form of budgetary subsidies.

**1.9 Rationale for Better and Disaggregated Estimates of Agriculture Expenditures.** Variations of estimates occur across initiatives that measure sector expenditure in African countries due to different approaches and methodologies on “what to count”, and “how to count”. To date, there is no universally accepted and implemented definition of GEA. Accordingly, this continued diversity of approaches makes it difficult to make reliable comparisons of expenditure estimates within each country and across countries, and over time. Reaching consensus on a common and sound definition of agriculture expenditures (the “what” and the “how” to count) is important in order to better assess AU countries’ expenditure performance and progress over time, especially in the light of the Maputo and Malabo Declarations on African states spending at least 10% of their national budgets on agriculture. Moreover, a clear definition, together with greater disaggregated expenditure data, and evidenced-based assessments on the quality of expenditures, will better enable countries to determine the most appropriate expenditure priorities and composition for realizing the expected results outlined in the continental and country level Results Frameworks for the Agricultural Sector.

**1.10 Strategic Lessons and Implications.** In the light of the above implementation experiences following the issuance of the initial Guidance Note (2005), the following lessons and their implications for the GN were considered in the preparation of this enhanced GN:

- (1) Definition of Agricultural sector and Approach/Methodology to Using COFOG:** Ensure sound definition of the agricultural sector as a clear basis on what to count, preferably based on an “enhanced” COFOG framework of functions, with appropriate and transparent adjustments to ensure all relevant expenditures are counted. The “Enhanced COFOG”, would comprise of two broad components:
  - (a) “existing” components, comprised of functions/activities outlined in the original COFOG definition of Agriculture, Forestry and Fisheries, together with the expenditures for applied agriculture research (See Table 1.1 below); and
  - (b) “cross-cutting” components, comprised of functions/activities which involve the provision of “public” and crosscutting goods/services and which contribute directly to agricultural growth and rural poverty reduction. Further details are outlined below.
- (2) Off-Budget Expenditures:** For most African countries, it is recognized that off-budget expenditures (OBEs) funded by official development assistance (ODA) comprise a substantial quantum of expenditures involving GEA items. However, these expenditures, especially involving grant funding, are not included in the budgetary process. It is vital to promote enhanced transparency in the level and composition of off-budget expenditures, and pursue progressive integration of these expenditures into government’s budgetary systems.
- (3) Consistency in Adjustments to the Numerator and Denominator:** Ensure that the definition and measurement of the ratio of government expenditures for agriculture to total government expenditures involves appropriate adjustments to both the numerator and denominator to avoid inconsistent and misleading estimates. The addition of some additional expenditure items in the GEA estimate as part of the “Enhanced COFOG” will warrant similar estimations in the denominator for estimating TGE; lack of commensurate adjustments in the denominator often results in over-estimating the share of GEA in the TGE .
- (4) Tracking the Quality of Expenditures:** The Maputo Declaration focused on the level of expenditures. In recent years, there has been growing demand by diverse stakeholders to promote and track the quality of GEA, including its composition, value-addition and value-for-money - irrespective of the level and share of expenditures. This should include the quality of the processes and allocations during the annual budgetary cycle.

<sup>1</sup> There is one exception in these estimations: the GEA estimate should not include an estimate for debt servicing (even a proportional amount), whereas the estimate of the denominator should include total debt service (focusing on interest payments, since the repayment of principle is treated separately from an accounting perspective).



- (5) **Building-in Mutual Accountability:** There is a growing demand by state and non-state actors for greater institutional accountability. This is a key strategic element for tracking the level of GEA and enhancing the quality of GEA: (a) within each country: in line with standard practices of line ministries being accountable to the Ministry of Finance for establishing sound and transparent expenditure priorities and periodic expenditure reporting, while also ensuring that the Ministry of Finance does its part too; and increasing demand by non-state actors for enhanced accountability; (b) periodic reporting by RECs and member states to the AU Summits – as stipulated in the Malabo Declaration. Accordingly, all relevant state and non-state stakeholders should be involved in enhancing mutual accountability around the levels, share, quality and results of GEA;
- (6) **Dissemination, Orientation/Capacity Development and Peer Review:** Ensure wide dissemination and effective application of the updated GN at various levels and with key stakeholders (country level (national and sub-national), RECs, DPs, private sector, civil society)<sup>2</sup>. This could be supported by a network/community of practice amongst agriculture expenditure specialists that fosters greater and regular peer review and sharing of good practices, within and between African countries.



## 2. Guiding Principles

**2.1 Overview:** This updated GN includes a set of guiding principles to facilitate the effective and pragmatic design and application of the GN, especially where there is a need for each country to make some judgments on the “what” and the “how” to measure. It is recognized that, for a given point in time, each country needs to determine the most “appropriate” level and proportion of GEA (total and by subsector), and of the balance between recurrent and capital GEA, as inputs to contribute to the country’s macro-economic and agricultural sector objectives and targets. The principles are outlined below, according to two categories: approach and technical aspects. Appendix 1 provides a glossary of key terms, which can also help standardize the estimation and comparison of expenditures across countries (e.g., definition and criteria for classifying and estimating “recurrent” and “capital” expenditures).

### A. Approach

**2.1 Common Standards, Clear Boundaries and Emphasis on Sound Rationale:** Use an expenditure approach and data classification and collection system (i.e., “enhanced” COFOG) which is consistent with international, including African, standards and practices to ensure comparability and sustainability. At the same time, build on on-going initiatives, while ensuring the approach responds to the specific requirements of the AU in tracking and promoting adequate agricultural expenditure shares and its enhanced quality. Accordingly, this GN encourages the use of the COFOG system, but with specific enhancements to suit the AU’s tracking and reporting requirements (hence named “Enhanced COFOG”). The main expenditure components would include “core” functions covering 4 key subsectors (crops, livestock, forestry and fisheries) and also include important additional functions/activities, many of which are cross-cutting, which contribute directly to expanded agriculture production and marketing. (Appendix 2 provides further details of the classification of key functions and sub functions for the “Enhanced COFOG”, and its elements). The tracking system in this GN will generate greater disaggregation of expenditures, which would enable the derivation of more accurate estimates of GEA and the GEA/TGE ratios.

**2.2 This principle recognizes that “one size does not fit all”** but provides guidance through defining clear boundaries on how each member country determines what to include/measure with respect to the “Enhanced COFOG” and its constituent expenditure components. Accordingly, this principle encourages each country to provide an explicit and sound rationale for its “Enhanced” COFOG components. The rationale, based on some clear and verifiable indicators, should be anchored on the proportion of activity expenditures and benefits which can be attributed to the agricultural sector. Such apportionment should be based on available evidence and relevant supporting indicators (e.g., proportion of incremental benefits from feeder roads and multi-purpose projects which can be attributed to the agricultural sector; together with the percentage of population in sphere of influence of these expenditures which rely primarily on the agricultural sector as their main source of employment and income).

### B. Technical Aspects/Scope of Coverage

**2.3 Public Sector vs. Government Sector and Implications:** The public sector includes the general government sector and all public corporations/state owned enterprises (SOEs). The latter entities are potential sources of financial gain to the government units that own or control them. Accordingly, the term public expenditure, refers to the aggregate expenditures of the general government sector (including central, state, and local governments) and of all public corporations/SOEs (financial and non-financial) that are controlled by government units. The term government expenditure/GE refers to the aggregate expenditures of the general government sector only. This GE would include on-budget (whether shown as loan and/or grant), and exclude off-budget expenditures funded by development partners. Table 2.1 shows the components of Government sector expenditures, based on international accounting standards.



**Table 2.1: Framework of General Government Sector**

General Government								
Central Government			Central Govt. (CG)	Consolidation of Central Govt (CG)	State Govt. (SG)	Local Govt. (LG)	Consolidation of General Govt. (CT)	General Govt. (GG)
Budgetary Central Govt (BA)	Extra-Budgetary Funds (EA)	Social Security Funds (SS)						

**2.4 While there is a choice in Government's using either GEA or PEA in the calculation**, this Guidance Note recommends that all countries utilize the GEA formulation. There are various practical reasons for this choice, including: consistency with the principle of simplicity to ensure a common ratio which can be generated and used by all countries; the estimation of PEA for calculating the share of total public expenditures would require more information and disaggregation of expenditure data. At a later stage once countries generate more accurate and reliable estimates of GEA and TGE, expenditure tracking could include compiling and tracking estimates of PEA and its ratio in TPE.

**2.5 Actual vs. Budgeted Expenditures:** Focus on tracking actual GEA, preferably audited, and where not possible/available, use unaudited actual expenditures, or revised, or approved GEA budgetary allocations.<sup>3</sup> Focus on actual expenditures is preferred because original budget numbers submitted to Parliaments and after they are approved (appropriations) in most countries are subject to change because of nonpayment of some of approved budgets due to revenue constraints or additional payments approved by supplementary budgets. Actual expenditures would be figures that are captured in the payment stage of the budget execution cycle, thereby constituting the closest possible data capturing point to actual expenditures. In this way, more realistic, unified, and reliable figures will be prepared and analyzed. The payment stage is further justified because later stages of the cycle, including bank reconciliation, closing of accounts, and auditing in some member states take a very long time to complete.

**2.6 Inclusion of Relevant MDAs and Apportionment of Expenditures:** Include the expenditures from all relevant Ministries, Departments and agencies of Government, including expenditures from sub national government entities and SOEs/state-owned banks (refers to their net financial losses and special programs administered for Government) which are providing direct agricultural “public” and “private” goods and services to farmers and contributing directly to agricultural growth and poverty reduction. In addition, where there are multi-sectoral costs and benefits, there should be an appropriate apportionment of expenditures which are attributable to the agricultural sector. There needs to be a clear basis/rationale for this apportionment, based on relevant and explicit country-specific indicators (e.g., best estimate of the proportion/percentage of the total incremental benefits from such expenditures which can be attributed to the agricultural sector).

**2.7 Data Bridging Approach.** Data bridging means examining a country's existing organizational or economic/item classification of expenditures in a number of inter-related ministries or organizations, and mapping them into a function or sub-function of the government (i.e., COFOG framework). Because the COFOG classification used in this exercise is very broad (agriculture, fisheries and forestry), such data bridging should be simple, as these broad groupings can accommodate any type of relevant expenditures classified by other budget and accounts classifications than functional classification, including organizational and item classification used in all organizations that have an agriculture-related activity.

**2.8 Cash Basis Reporting.** Data will be reported on cash (not accrual) basis. Cash accounting in government is and will remain the accounting base for a long time in African countries. So while some African countries are phasing-in accrual accounting, for the foreseeable future, AU countries are encouraged to report the share and quality of GEA on a cash basis.

**C. Key Enabling Factors.**

**2.9** As a general principle, it is recognized that the level of application of this GN will largely depend on the commitment by leadership especially at country-level, to demand and support enhanced measurement of the level and quality of GEA. Other key enabling factors include: enhanced capacities at various levels; quality disaggregated expenditure data; and funding to conduct the enhanced tracking.

<sup>3</sup> These terms refer to the budgetary process cycle, which include other related concepts/terms, such as: initial budget; final budget; approved allocation; actual expenditures; budgetary releases. It will be important to ensure consistency of the terms across countries and within the same country, along the lines suggested here.

### 3. Scope and Composition of the Government Expenditures for Agriculture: – The “Numerator”

- 3.1 Overview:** Taking into account the implementation experience, emerging issues and lessons arising from the initial GN (2005), and based on the guiding principles outlined above, the composition of government expenditures to be tracked by AU member states is outlined below. A common template table is provided (see Appendix 3) which all countries can use for expenditure reporting. It is recognized that there may be instances where each country may need to exercise judgement on precisely what is counted, and how much; to this end, a concise rationale for such judgements and apportionment should be provided to ensure consistency and comparability across countries and over time.
- 3.2 “Enhanced” COFOG Components.** It is recommended that all countries use the “Enhanced COFOG” definition for the agricultural sector and their corresponding expenditure components. The “Enhanced COFOG” would serve as a basis for identifying relevant activities and associated government expenditures which contribute directly to development of the agriculture sector. Table 3.1 and Appendix 2 provides a summary of the main elements of these functions and their corresponding expenditures. This includes cross cutting sub functions/activities which contribute directly to the agricultural sector growth (and to other sector(s), and which require an appropriate apportionment for tracking the level of GEA).
- 3.3 Guidance on Existing Sub Functions/Activities.** There has been some debate on the scope for including expenditures on some of the existing components/sub functions, and some guidelines are provided below, especially to ensure that the “public good” nature of these expenditures promote agriculture development are captured:
- (a) Agriculture:** this sub function includes relevant activities which provide direct support to agriculture production involving crops and livestock. These expenditures would include subsidies funded by Government (e.g., seeds and fertilizer), and should include food security management costs, and adaptive agriculture research. This component excludes the private sector investments, including those made directly by farmers.
  - (b) Fishing:** the COFOG classification system provides clear guidance for most of these expenditures (e.g., inland fishing/aquaculture). With regards to oceanic-related fisheries expenditures, these expenditures should be included to the extent the activities contribute to sustainable fish catch, including regulatory and enforcement expenditures (e.g., patrol boats, personnel), and adaptive research for aquaculture development.
  - (c) Forestry:** these expenditures should include sustainable forest production activities (e.g. agro-forestry), adaptive agro forestry research, but exclude forest conservation expenditures (e.g., protected areas) which do not have direct linkages to promoting agriculture production. Where such conservation expenditures in a particular country have important linkages to the agricultural sector and its sustainability, an estimated apportionment should be made and justified for inclusion in the estimate of GEA.
- 3.4 “Cross-cutting” Expenditure Component.** This component includes other identified sub functions and associated activities that involve the provision of goods and services and which contribute directly, but not wholly to sustainable agricultural growth and development. This cross-cutting component would include activities for which there are multi-sectoral objectives and benefits, and therefore require some proportional allocation of expenditures, based on a pragmatic approach applied on a country basis, based on transparent criteria and consensus judgments. This approach takes into consideration country differences, while limiting the degree of flexibility and variation of interpretation across countries.

<sup>4</sup> Once COFOG is firmly established in the countries, then the use of data bridging mechanisms will no longer be necessary.



**3.5 Key Cross Cutting Sub Functions:** These sub functions include: food and nutrition security activities; feeder roads for agricultural development; rural land administration to support increased agricultural production; natural resource management for sustainable agricultural production; agricultural-related climate change adaptation initiatives; multi-purpose development projects with agricultural benefits; mandated public functions of state corporations and their associated government expenditures; enhanced access to agriculture marketing; capacity development for agricultural development; sub national expenditures for agricultural development (e.g., earmarked funds from central government and sub national expenditures for agriculture development funded from their own budgets); information and communications technology (ICT) for agricultural development; rural electrification for agricultural development (e.g., irrigation pumps). All of these additional expenditures will have to be apportioned according to the estimated proportion of their benefits accruing to the agricultural sector.

3.6 Table 3.1 provides a summary breakdown of the broad functions/sub-functions of the “Enhanced COFOG” Expenditure Framework, which provide the main basis for estimating the level of GEA.

**Table 3.1: Summary of Key Elements of the “Enhanced COFOG” Expenditure Framework**

Original COFOG Functions/Sub Functions *	Cross-Cutting Sub Functions **
<b>Agriculture</b> - Crops - Livestock (should include pastoral sub functions) <b>Forestry</b> <b>Fisheries</b>  * (includes applied agriculture research, to be integrated as part of each of the three SFs)	- Food and Nutrition Security - Rural/Feeder roads - Rural Land Administration - Natural Resource Management and Climate Change Adaptation for Sustainable Agriculture Development (includes sustainable forestry) - Multi-Sectoral & Multi-Purpose Development Projects - Mandated Functions of SOEs (for agric. devt.) <b>Agriculture Marketing</b> - Capacity Development for Agriculture Development (up to the technical level) - Rural Electrification for Agriculture - ICT for Agriculture - Sub National expenditures (which are on-budget, and which benefit directly the agricultural sector)

\* Each country will need to estimate an appropriate apportionment of costs for each of the specified subfunctions, based on agreed indicators (e.g., proportion of incremental benefits which can be attributed to the agricultural sector);

**3.7 Guidance on “Cross-cutting” Components/sub-functions.** The following guidance is provided for identifying and measuring the most relevant cross cutting elements to be included in the estimation of the expenditures (numerator and denominator) and its share:

- (a) **Food and Nutrition Security:** These expenditures form part of high priority strategies and expenditures, and part of these expenditures are incurred by the Ministry of Health. Accordingly, there is a need to apportion an appropriate proportion of these expenditures to the agricultural sector;
- (b) **Rural/Feeder Roads:** Rural feeder road expenditures should be included in the estimate of GEA to the extent the identified segments (and associated expenditures) link agricultural production areas (e.g., irrigated or rainfed areas) with markets (domestic, regional and international). Since these feeder roads also provide multi-sectoral benefits, each country will need to make a judgment on the proportion of expenditures to attribute to the agricultural sector, based on an agreed set of criteria (e.g., proportion of the incremental benefits generated by the feeder road which can be attributed to the agricultural sector). Rural roads are considered to be too broad for attribution to the agricultural sector, and therefore, it is advisable to confine the estimation of agriculture expenditure costs to the “feeder road” classification.

- (c) **Rural Land Administration:** To the extent there are rural land administration activities/expenditures which are supporting agricultural development (e.g., land titling, land adjudication, management of land registry), these expenditures should be included in the estimation of GEA. It will be important to ensure that urban-related land administration expenditures are not included. In the event the land administration expenditure data is not disaggregated sufficiently (e.g., total, urban and/or rural land administration), it will be important for the calculations to show explicit allocation assumptions, and use of relevant indicators (e.g. proportion of population residing in the covered area that rely primarily on the agricultural sector as their main source of livelihood).
- (d) **Sustainable Natural Resource Management (NRM) and Environmental Functions:** To the extent there are sustainable NRM and environmental activities which are contributing directly to sustainable agriculture production, including NRM climate change adaptation activities, and sustainable forestry and conservation agriculture, these expenditure should be included in the calculation of GEA. Activities which are focused on “conservation” functions, such as most of the protected area activities, should be excluded from the calculation, unless justified for demonstrating important linkages to sustainable agriculture production. In each of the instances where “significant” environmental expenditures are included (say, more than 5% of total GEA), the inclusion of these estimates should be apportioned and justified with a brief explanation, in order to minimize overestimation.
- (e) **Multi-sectoral/multi-purpose projects.** If a large and mega project (for example a dam construction) has multi-sectoral development objectives/activities (MSDO), including for example irrigation for agriculture purposes, the relevant portion of the MSDO expenditures should be included in the estimation of GEA. Each country should show the basis for this expenditure apportionment, based on relevant indicator(s) (e.g. proportion of total estimated benefits (ex-ante) which can be attributed to the agricultural sector; % of beneficiary population of the MSDP that relies primarily on the agricultural sector; and proportion of total benefits which contribute directly to increased agricultural production).
- (f) **Government Institutions (extra budgetary funds) are included.** In some countries, extra-budgetary institutions which provide goods and services/activities in the agricultural sector (e.g. a Forestry Fund or Fisheries Fund) finance their operations through their own self-generated revenues by an act of law or an executive branch decision. Unlike public corporations, these extra budgetary funds are government institutions and constitute part of the general government expenditure, which should be included in reporting of government expenditures (see Table 2.1). It is recognized that since transactions of these extra-budgetary funds in some countries pass through the Treasury Department, they should easily be captured as part of agriculture expenditure and total government expenditure. However, in countries where these funds operate their own accounting and banking functions, experience shows that reporting from these institutions to Finance Ministries are very weak, delayed, or does not exist. In the event that a country excludes these transactions from the scope of total government expenditures, this should be explained in the country report. Note that since these transactions are deficit-neutral, they may not have immediate fiscal impact of a country and budget deficit analysis, but are important for sectoral analysis.
- (g) **Public enterprises and financial institutions are excluded, with specific exceptions.** In the estimation of GEA, public enterprises or state-owned enterprises or public corporations which incur public corporation agriculture expenditure, as well as financial institutions (government-owned banks and insurance companies, such as an agriculture development bank), which are incorporated in accordance with corporation laws or banking regulations of a country and produce profit and loss accounts and pay taxes, are not part of general government and should not be added to total government expenditures, even if they are active in agricultural sector. However, the

exceptions for inclusion of the relevant expenditures in the GEA estimation includes the following instances: in the event that a government provides additional funds to these companies or institutions to compensate their operational losses (i.e. financial flows, at close of transaction, in accounting terms), or in the form of capital injection or servicing their guaranteed debt, or if a government engages SOEs/banks in carrying out mandated government functions, such as administering a Government-supported agricultural credit scheme, including possible interest subsidy. These expenditures should be included even if the transactions do not appear in the budget documents for as long as they are known to the Finance Ministries (Account-General and Treasury Departments).

- (h) **Debt service payments are excluded.** Debt service (payment of principle and interest by government on its internal and external borrowing) or pension-related payments from government budget, in general, are statutory in nature or so-called non-discretionary expenditures, and governments have no control over them. In the vast majority of countries, the Ministry of Finance manages its debt strategy and inter-sectoral allocations on an aggregate basis, and takes into account various borrowing options based on varying criteria. Therefore, it is difficult to disaggregate debt payments according to each sector, without complicating or distorting the estimation and allocation/attribution process and estimates. Accordingly, debt service payments would not be computed as part of GEA. However, the exception is to include in the denominator only the estimates of interest rates of debt service payments.
- (i) **Agriculture Public Revenues are excluded:** 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 decrease the amount of agricultural spending, but without actually doing so.
- (j) **Agricultural Marketing Expenditures are included:** Agricultural marketing of primary produce would be included (generally about 100% of the total value marketed) in the calculation of the GEA, consistent with the calculation of Agricultural GDP growth.
- (k) **Capacity Development Expenditures for Agriculture Development are included:** It is generally agreed that capacity development of key MDAs and its technical personal play a vital role in facilitating accelerated and sustainable agricultural growth. Accordingly, 100% of expenditures in capacity development should be included in the GEA estimate. Similarly, the estimate of TGE should also include all (100%) capacity development expenditures for all sector/functions incurred through the Government.
- (l) **Sub National expenditures are included:** There is a need to track and estimate an appropriate proportion of the sub national expenditures which are targeted to the agricultural sector and directly promote agricultural growth. These estimates should include: (i) revenue funds generated by local government and used for the agricultural sector, based on an apportionment estimate; (ii) earmarked funds channeled by central Government MDAs for agricultural growth; (iii) expenditures which are funded through the sub national entity's own sources of budget which are supporting one of the key target groups.
- (m) **ICT for Agriculture are included:** ICT is increasingly becoming an important tool for promoting technology dissemination and farmer adoption and competitive agricultural marketing. Accordingly, an appropriate proportion should be included in the estimates of GEA (in line with the proportion of benefits attributed to the agricultural sector);

- (n) **Rural Electrification expenditures are included:** To the extent rural electrification is contributing to agricultural development, an appropriate proportion of these expenditures should be included in the estimate of the GEA.
- (o) **Agriculture training and capacity development,** up to tertiary level, should be included in the estimates of GEA (with appropriate apportionment). Furthermore, it is noted that rural development in the COFOG system is not an independent sector, but its operations are split among many other sectors, including health, education, transportation, etc. The inclusion of agriculture-related activities (as defined and/or implied by the list of functions outlined in Appendix 5) of rural development is recommended. Also, in cases where other ministries, eg., the Ministries of Works implement agriculture-related construction projects, the relevant expenditures should also be identified and apportioned as part of the expenditure calculation, with an indication of clear rationale. Similarly, if a public university or a research center conducts agriculture-related work, the related expenditure should also be included in the estimate of GEA.
- (p) **Off-Budget Expenditures** should not be included in GEA in the short and medium term, although for countries where off-budget expenditures are “significant”, these countries should endeavor to track such off-budget expenditures as soon as possible (for both the numerator and denominator). Identifying and tracking spending from loans and grants needs more cooperation between Finance Ministries (external resource units), central treasuries, line ministries and development partners (DPs). In the case of spending from external grants the issue is even more complicated as most grant donors (ODA) do not usually report to aid receiving governments on the amounts they spend inside and outside a country; often these expenditures, constitute sizeable off-budget expenditures which aim to provide “public” goods/services and to directly support Government agricultural programs (e.g., agricultural extension). Each country, however, is encouraged to demand more transparency in the level and composition of off-budget expenditures and promote integration of off-budgets into the government’s budgetary system.

## Other Relevant Considerations

- 3.8 **Recurrent and capital expenditures should be estimated and reported separately.** Disaggregation of expenditures by capital and recurrent, based on the COFOG classification system, is recommended. This approach would allow for further expenditure analyses, and as well explain patterns in GEA; for example expenditures on a large project may be significantly high in the year when physical installations are made, but much smaller in subsequent years of operation - and hence disaggregation by capital and recurrent expenditures would provide clear explanations.
- 3.9 **Inclusion to be Driven by Functions/sub-functions and Guiding Principles:** Given the approach to defining agriculture expenditures is based on functions and sub functions, once the relevant activities are identified throughout the Government sector, the tracking of the components of the “Enhanced COFOG expenditure functions will require the need to compile relevant expenditure data from more than one MDA. Data on COFOG based-agricultural sector in most countries are budgeted and accounted for under more than one ministry or organization (for example those countries in which forestry and fisheries functions are not part of an agriculture ministry but separate ministries). Finance Ministries (Accountant-General’s Departments in some countries, and Treasury Departments in others) would need to be actively engaged to facilitate access to the relevant data from the various MDAs.

The measurement of agreed components of the numerator will facilitate enhanced and standardized reports on the share (%) of government expenditure allocated to the agriculture sector. From time series data on allocations to the sector, it will be possible to generate the annual growth in the share (%) of government expenditure that the sector is apportioned.

Appendix 3 (Part A) provides a proposed template for countries to report progress toward compliance with the 10% expenditure target (showing breakdown of the “Enhanced COFOG” expenditures).



## 4. Scope and Coverage of the Total Government Expenditures: The “Denominator”

- 4.1. Total Government Expenditures (TGE).** Similar to establishing a clear definition and scope of the agricultural sector, there is need for the expenditure tracking system to define clearly the scope and coverage of the government total expenditure, against which the share of government agriculture expenditure will be measured (GEA). From the implementation experience and lessons outlined above, the definition of TGE will need more attention, as its scope and coverage varies from country to country. In principle, total government expenditure (TGE) covers actual transactions for which corresponding provisions have been made in the annual budget documents submitted to Parliament, based on the consolidated accounts of government (see Table 2.1). However, governments by tradition have different coverage in their budget documents; for example, in some member countries, apart from supplementary budget, there may even be unbudgeted expenditures (to be legalized / formalized after spending), which are also captured in total government expenditures. The following guidelines purpose to define and promote unification of the definition of TGE as much as possible and thereby facilitate the estimation of a sound GEATGE ratio.
- 4.2. TGE Expenditure data should cover “General Government” transactions.** For the purpose of this analysis and the estimation of the TGE, total government expenditure covers operations of the “General Government”, including both central government and lower levels of governments in a country. (See figure 2.1 for the main components and coverage of TGE.) Countries that have a decentralized system should report data on both agricultural sector and total government expenditure for all levels of government. However, in the event that such data is not available, they should report only the central government expenditures and indicate the absence of decentralized data in a footnote. Furthermore, since transfers from Government to SOEs (or net financial losses) are included in the numerator of the GEA, it will be important to include the relevant expenditures from SOEs (the total net financial losses actually incurred from all SOEs) in the denominator to ensure that the numerator is not overestimated and the denominator is not underestimated.
- 4.3. Debt service payments.** Total debt service payments (reflecting only interest charges) for all sectors should form a part of TGE estimates. Debt service (payment of interest by government on its internal and external borrowing) or pension-related payments from government budget, in principle, are statutory in nature or so-called non-discretionary expenditures. Note that while domestic interest, along with external interest and payments of principal on external loans should then be included in total government expenditure, care must be taken in the case of payment of principal of domestic loans. Normally, governments replenish domestic principal payments by issuing new debt instruments (treasury bills) rather than paying them each year because no payment of all these principals are requested by debt holders. Because of this practice, government expenditure, in most countries, does not include payment of debt principals.
- 4.4. Off-Budget Expenditures:** Consistent with the discussions on the estimation of the GEA, in the short and medium term, off-budget expenditures should not be included in the TGE. As recommended above, countries are encouraged to improve the identification and tracking of off-budget expenditures, and in the long term, to include relevant OBE in both the numerator and denominator of the GEA and TGE estimates respectively. This would also support the mutual accountability agenda as enunciated in the Malabo Declaration.

## 5. Tracking Quality of Government Expenditures for Agriculture

- 5.1 Rationale:** The Malabo Declaration emphasizes the importance of African countries taking appropriate and timely actions to promote enhanced quality of agriculture expenditures (by “ensuring its efficiency and effectiveness”). Irrespective of the level and share of agricultural expenditures, including the quality dimensions in the measurement of agriculture expenditures is vital for realizing the goals and targets of the Malabo Declaration. This is also consistent with the CAADP Mutual Accountability Framework (MAF) which emphasizes the need to promote transparent assessment of resource utilization for better prioritization and management of resources. This GN provides a set of indicators for tracking and analyzing the quality of these expenditures at country level.
- 5.2 The guidelines and tools on tracking and promoting enhanced quality are intended to promote enhanced results-focused agricultural expenditures, and to strengthen the empirical basis for enhanced prioritization and management of agricultural expenditures.
- 5.3 Key Dimensions of Measurement of Quality of GEA:** Some of the key dimensions which should guide the tracking of the quality of agriculture expenditures are summarized in the text Box 5.1 below. Appendix 3, Template (B) provide suggested quality indicators for each of these four dimensions. The GN proposes that all countries endeavor to track the specified “core” quality indicators (or proxy indicators, if not currently available); over time, all countries should endeavor to expand the coverage of relevant quality indicators, as data systems are improved in each country and generate comparable data across country.

### Box 5.1: Summary of Key Dimensions of GEA Quality

- **Allocative Efficiency:** refers to the degree to which resources are allocated in conformity with government priorities and highest comparative socio-economic returns (e.g., existence and application of sound prioritization criteria; degree of alignment with and direct contribution to national and sector level priorities and targets; comparative economic returns vis-à-vis other alternative sectoral investments in terms of the composition of sectoral allocation of expenditures);
- **Technical Efficiency:** refers to the ex-ante and ex-post use of allocated public resources at a cost that achieves efficiency gains and is competitive with market prices; this would include relevant indicators on “value for money” and economic returns e.g., expenditure performance (% of approved/actual budget which is executed); timeliness of expenditure releases (relative to target releases); unit costs for different types of expenditures, compared to efficiency-based unit costs;
- Agricultural GDP Growth rates: (% p.a. of agricultural value-added growth);
- Rural poverty reduction: % of rural population below national poverty line;

## 6. Roadmap for Implementation and Reporting

**6.1. Country-Level Roadmap.** In the light of the above overview, it is suggested that roadmaps for implementing the GN are prepared at country, regional and continental levels. The different but interrelated roadmaps should be guided by the need for assessing and reporting on agricultural expenditures, appropriately taking into account and applying appropriately the above guidelines. The roadmaps also include data generation and reporting plans.

The table below provides a generic template for the roadmap, to be prepared at 3 levels: Continental (by AUC and the NEPAD Agency); Regional (by each REC); and country level.

**Table 6.1: Suggested Template for Roadmap for Implementation of GN**

Key Elements And Actions	Priority Milestones	Main Stakeholders	Main Coordination Responsibility			Target Timeframe
			Countries	RECs	AUC/NPCA	
1) Launch the GN *	Official launching of the GN by AUC and NPCA - as part of the CAADP implementation guidelines					By July 2015
2) Disseminate the GN						
3) Provide Capacity Development on application of the GN						
4) Implement the GN						
5) Monitor & evaluate the application of the GN						

\* The launch of the GN will be done at continental level - with AUC and the NEPAD Agency taking the main responsibility of coordination. Elements 2 – 5 will be implemented at 3 levels ie continental, regional and national.

6.2 It is recommended that: the AUC and the NEPAD Agency prepare a roadmap for promoting and coordinating the roll out of the GN, from a continental perspective. This should include inter alia, dissemination, capacity building and technical backstopping support to RECs and countries in the application of the GN; each REC prepares its roadmap for promoting and coordinating the roll out of the GN among its member states (and coordinate with other relevant RECs); and with the continental and regional roadmaps as references, each country (led by the Ministry of Agriculture, in close consultation with the Ministry of Finance, or their equivalents) should prepare a roadmap with consideration of country-specific contexts. It is further recommended that the preparation and subsequent implementation of the country-level roadmap is undertaken by a range of in-country multi-stakeholders of the agriculture sector – in line with the CAADP principle of inclusiveness.

6.3 For purposes of ensuring effective application of the Guidance Note, the countries are encouraged to assign political and technical champions to advocate the institutionalization of the guidelines – including mainstreaming them into the government budgeting and reporting instruments. In addition, it is recommended that inter-sectoral collaboration is fostered as the expenditures on agriculture are assigned to various sectors. Regular and systematic feedback on the application of the Guidance Note is encouraged.

**6.4 Data Generation and Reporting Plan.** Each country is encouraged to develop a plan on collecting, analyzing and reporting data on the agreed expenditure components. These plans should be guided by the AU requirement of submitting reports to AU Summits every two years on the level and quality of expenditures in the agriculture sector, with the first report expected in January 2018. To this end, the countries are encouraged to present their reports to respective RECs for consolidation (while keeping the country-specific focus) and onward transmission to the AUC and the NEPAD Agency. In this regard, it is recommended that each country submits its first report to the REC by 30 May 2017, while the RECs will submit the consolidated reports to AUC and the NEPAD Agency by 30 June 2017. The table below provides a template for a generic data generation and reporting template that countries are encouraged to use.

**Table 6.1: Framework of Data Generation and Reporting Plan**

Indicator	Required Data	Data sources	Formula for calculation	Quality Assurance mechanisms	Platforms for multi-stakeholder buy-in/ ownership	Deadline for submitting first report to:		
						RECs	NEPAD	AU
Indicator x								
Indicator y								
Indicator z								

6.5 It is intended that this process and suggested approach will also provide valuable support to each country in meeting their own strategic and operational requirements, including ways to enhance the linkages between GEA and their strategic results. To this end, countries are encouraged to use the findings and reports of the tracking and measurement exercises in their sector planning and budgeting processes.

**6.6 Mutual Accountability and Joint Learning.** The standardized approach of data reporting against a defined set of expenditure parameters, coupled with the subsequent sharing of country-level progress reports (starting in mid-2017) will foster peer learning and mutual accountability within and among countries. To this end, entities at the different levels are encouraged to establish or strengthen platforms and mechanisms for learning, review and mutual accountability on the application of the GN as well as the reports on the level and quality of GEA.

6.7 Finally, It will be useful to establish a platform, a network or “community of practice” (COP) of “experts” in Africa engaged in measuring and reporting GEAs, including their levels, composition and quality in the budgetary cycle. This team of experts or COP could provide capacity building and/or technical backstopping support, on a demand basis, to RECs and specific countries. Such a platform or network could also actively engage in compilation and sharing of “good practices” in developing and managing government expenditures for agriculture, as well as monitoring, reporting and using the findings to improve the quality of these expenditures.

## Glossary of Key Terms

**Allocative Efficiency:** Refers to the degree to which public resources/expenditures are allocated in conformity with government priorities and highest comparative socio-economic returns. Examples of indicators of allocative efficiency include: (a) existence and application of sound prioritization criteria; (b) degree of alignment with and direct contribution to national and sector level priorities and targets, as reflected in a sound results framework and its corresponding indicators and targets at impact and outcome levels; (c) evidence of building on the results and lessons from relevant interventions; (d) evidence of comparative economic returns vis-à-vis other alternative sectoral investments in terms of the composition of sectoral expenditures);

**Capital Expenditures:** Include payments for acquisition of fixed capital assets, stock, land or intangible assets. A good example would be building of schools, hospitals or roads. However, it is important to note that much donor-funded “capital” expenditure, though referring to projects, includes spending on non-capital payments. Development expenditure is often falsely assumed to consist of only or mainly capital spending. In many developing countries, especially in Africa, the development budget includes little capital spending but mainly nonwage current spending. Often the clear split between capital and current spending is not directly available in the ministry budget, and additional estimates are needed to ensure accurate calculations.

**The terms “capital”, “development” and “investment” expenditures are used interchangeably for time-limited expenditures that are mostly capital formation nature, which (with a few exceptions) are mainly financed by external grants and loans.**

**Central Government (Public Sector in French):** The political authority of a country’s central government extends over the entire territory of the country. The central government can impose taxes on all resident institutional units and on nonresident units engaged in economic activities within the country. The central government typically is responsible for providing collective services for the benefit of the community as a whole, such as national defense, relations with other countries, public order and safety, and the efficient operation of the social and economic system of the country. In addition, it may incur expenses on the provision of services, such as education or health, primarily for the benefit of individual households, and it may make transfers to other institutional units, including other levels of government.

**COFOG:** The Classification of Functions of Government (COFOG) is a detailed classification of the functions, or socioeconomic objectives, that general government units aim to achieve through various kinds of outlays. It is one of a family of four classifications referred to as classifications of expenditure according to purpose, based on the UN system of international expenditure accounting system. The COFOG system applies to all socio-economic sectors in order to facilitate comparisons across countries.

**Conservation:** Refers to production-related conservation expenditures vis-à-vis environmental conservation with no linkage to promoting sustainable agricultural production (e.g., conservation of protected areas which do not promote agricultural production).

**Cost Effectiveness:** Estimate the cost effectiveness of programs. To what extent have financed programs been cost effective at delivering results (e.g., XXX inputs for achieving YYY results)? It may not be possible to assess cost-effectiveness (or value for money) for all programs, so selecting major programs or projects can provide initial insights for a more comprehensive review in the future. What agricultural services does public spending buy? What are the unit costs of delivering key public services? Is there scope for reducing the unit costs of these services?

**Debt Service Payments:** The most common debt transactions of general government units are interest expense and the repayment of principal. Interest is an expense incurred by a debtor for the use of another unit's funds. An interest-bearing financial instrument can be classified as deposits, securities other than shares, loans, or accounts receivable/payable. Interest accrues continuously and is treated as if the debtor pays it continuously to the creditor and the debtor continuously borrows an additional quantity of the same financial instrument, thereby increasing the debtor's total liability. When the debtor makes a payment, the liability is reduced.

**“Enhanced COFOG”:** Refers to a more complete listing of sub-functions and associated expenditures which help define the “agricultural sector” and involve promoting agricultural growth and rural poverty reduction. Many of these sub-functions generate incremental benefits to the agricultural and other sectors, and therefore, there is a need for apportionment of benefits to the various sectors benefitted, based on objective criteria.

**Extra budgetary funds:** Accounts held by government bodies but not included in the governmental budget; expenditures from such accounts are often financed by earmarked revenues or user fees and charges.

**Food and Nutrition Security:** According to the UN FAO, food security as “access by all people at all times to the food needed for a healthy life”. In order to achieve food security a country must achieve three basic aims: ensure adequacy of food supplies in terms of quantity, quality and variety of food; optimize stability in the flow of supplies and secure sustainable access to available supplies by all who need them. Nutrition security is a condition that combines: access to nutritionally adequate and safe food; sufficient knowledge and skills to acquire, prepare and consume a nutritionally adequate diet, including those to meet the special needs of young children and access to health services and a healthy environment to ensure effective biological utilization of foods consumed.

**General Government Sector:** The general government sector consists of all government units and all nonmarket non-profit institutions that are controlled and mainly financed by government units. The general government sector does not include public corporations or

**Impact of expenditures:** effects on higher level objectives, especially on household income, agricultural growth, and on poverty reduction.

**Incidence of Public Spending:** Refers to what groups of society are being reached and benefitted directly by the agricultural service or investment in questions.

**Local Government:** The legislative, judicial, and executive authority of local government units is restricted to the smallest geographic areas distinguished for administrative and political purposes. The scope of a local government's authority is generally much less than that of the central or state governments, and such governments may or may not be entitled to levy taxes on institutional units or economic activities taking place in their areas. They are often heavily dependent on grants from higher levels of government, and they may also act as agents of central or state governments to some extent. To be treated as institutional units, however, they must be entitled to own assets, raise funds, and incur liabilities by borrowing on their own account. They also have some discretion over how such funds are spent, and have the power to appoint their own officers independently of external administrative control.

**Multi-purpose Development Projects:** Multi-purpose development projects typically consist of integrated facilities eg. for generation of power, flood control, irrigation, navigation and recreation. Expenditures include: 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, and loans or subsidies to support the construction, operation, maintenance or upgrading of multi-purpose development projects. This category excludes projects with one main function and other functions that are secondary (classified according to main function).



**Off-Budget Expenditures:** Off-budget expenditure generally refers to accounts of government transactions that are not included in budget totals or documents and typically do not operate through normal budgetary execution procedures. Such transactions may, for example, be financed through foreign aid or earmarked revenues not included in the budget.

**Public Goods:** refer to goods and services which are usually provided by Government, and generate collective benefits, and whose consumption is neither “excludable” nor “rivalrous” (e.g., rural/feeder roads).

**Private Goods:** refers to goods and services which are usually provided (or could be provided) by the private sector in market economies, mostly because they supply goods or services which generate private/individual benefits, and whose consumption is excludable and rivalrous. (e.g., use of limited budget for seed and/or fertilizer subsidy). In practice, there are many Government finance “private goods”, usually in support of a specific policy objective(s) (e.g., seed and fertilizer subsidies targeted to the rural poor to increase their productivity and food security levels and/or reverse serious soil erosion/fertility; subsidies to on-farm productive infrastructure and equipment (irrigation); subsidies for rural credit and agricultural insurance, input support for promoting adoption of improved seed varieties; marketing support, and compensatory cash transfers).

**Recurrent Expenditures:** Include all payments other than for capital assets, including on goods and services, (wages and salaries, employer contributions), interest payments, subsidies and transfers. Recurrent expenditure is spending on items that are consumed and only last a limited period of time. They are items that are used in provision of a good or service. In the case of the government, recurrent (and current when analyzing the development budget) expenditures include wages and salaries, operations and maintenance, and goods and services. Capital expenditure covers payments for the purchase or production of new or existing durable goods (i.e., goods with a life of more than one year).

**The terms “recurrent” and “current”, are used interchangeably for those expenditures that are financed through domestic resources and are spent for ongoing and routine tasks of the government.**

**Social Security Fund:** A social security fund is a particular kind of government unit that is devoted to the operation of one or more social security schemes, which are defined in the annex to this chapter. A social security fund must satisfy the general requirements of an institutional unit. That is, it must be separately organized from the other activities of government units, hold its assets and liabilities separately, and engage in financial transactions on its own account.

**State, Provincial or Regional Government:** A state, province, or region is the largest geographical area into which the country as a whole may be divided for political or administrative purposes. These areas may be described by other terms, such as provinces, cantons, republics, prefectures, or administrative regions.

**Technical Efficiency:** Refers to the ex-ante and ex-post use of allocated public resources at a cost that achieves efficiency gains and is competitive with market prices; this would include relevant indicators on “value for money” and reasonable economic returns (e.g., expenditure performance (% of approved budget which is executed); timeliness of expenditure releases (relative to target releases); unit costs for different types of expenditures, consistent with efficiency-based unit costs; economic returns for a given amount of public expenditures for major expenditure activities, as reflected by economic rates of return, which exceed the estimated opportunity cost of capital in a given country/sector). It is recognized that not all countries are tracking these type of technical efficiency indicators, and that it will take time before all countries adopt common and enhanced indicators for tracking the quality of expenditures in terms of technical efficiency.

## Core Areas of Government Functions Relevant to the Agricultural Sector Based on “Enhanced COFOG”:<sup>5</sup> Agriculture, Forestry Fishing and Cross Cutting Sub Functions

(and corresponding activities/expenditures)

### Agriculture (Includes Crops and Livestock):

- 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, 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.
- Administration and operation of government agencies engaged in applied research and experimental development related to agriculture; \*
- Grants and subsidies to support applied research and experimental development related to agriculture by research institutes and universities. \*

### Forestry:

- Administration of forestry affairs and services; conservation, extension and rationalized exploitation of forest reserves (including forest crops in addition to timber); supervision and regulation of forest operations and issuance of tree-felling licenses;
- 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 or subsidies to support commercial forest activities.
- Administration and operation of government agencies engaged in applied research and experimental development related to forestry; \*
- Grants or subsidies to support applied research and experimental development related to forestry and undertaken by research institutes and universities. \*

### Fishing:

- Administration of fishing affairs and services; protection, propagation and rationalized exploitation of fish stocks; supervision and regulation of freshwater fishing, coastal fishing, ocean fishing, fish farming and issuance of fishing licenses;
- Operation or support of fish hatcheries, extension services, or stocking activities, etc.;
- Production and dissemination of general information, technical documentation and statistics on fishing affairs and services;
- Grants, loans or subsidies to support commercial fishing and hunting activities, including the construction or operation of fish hatcheries.
- Administration and operation of government agencies engaged in applied research and experimental development related to fishing; \*
- Grants or subsidies to support applied research and experimental development related to fishing and undertaken by research institutes and universities. \*

### Other Agricultural Cross-cutting Sub Functions/Activities: (and their corresponding expenditures)

Cross-Cutting Sub Functions for Agricultural Sector (comprises “Enhanced COFOG”) (will require appropriate apportionment of costs) *	
1)	Food and Nutrition Security
2)	Rural/Feeder Roads
3)	Rural Land Administration
4)	Natural Resource Management and Climate Change Adaptation for Sustainable Agriculture Development
5)	Multi-Sectoral / Multi-Purpose Development Projects
6)	Mandated Functions of SOEs (for agric. devt.)
7)	Agriculture Marketing
8)	Capacity Development for Agriculture Development (up to the technical level)*
9)	Rural Electrification for Agriculture
10)	Rural Information and Communications Technology (ICT) for Agriculture
11)	Sub National expenditures (which are on-budget, and which benefit directly the agricultural sector, and which comprise allocations from central government and from sub national own generated revenues)

\* A general guideline is for each country (preferably through an Ag PER team, lodged with the MOA) to apportion to “agricultural expenditures” an estimated amount which is consistent with the proportion of total incremental benefits which can be attributed to the agricultural sector. It is recognized that these percentages will vary between and within countries, and hence it is important for each country (and assigned team) to make explicit its assumptions, based on available information. Over time, it is recognized that as the evidence base improves, there will be improved basis for the apportionment percentages. Cross-country exchanges can also enhance the estimates utilized by each country to promote reliable and consistent cross-country comparisons.

## Draft Template Tables for Periodic Reporting on the Level/Ratio and Quality of GEA<sup>6</sup>

### A) Level and Ratio of Government Expenditures for Agriculture to Total Government Expenditure:

#### (1) GEA: the Numerator:<sup>7</sup>

The template below for measuring GEA can be adapted to each country, as relevant, while ensuring consistency with the GN, with relevant explanation(s). For example, the detailed columns can be dropped at the time of presenting a summarized version of the report);

Country: XXX Year: XXXX General Government								
Central Government					Sub-Nat'l Govt.	Local Govt. (LG)	Consolidation of General Govt. (CT)	General Govt. (GG)
Budgetary Central Govt. (BA)	Extra-Budgetary Funds (EA)	Social Security Funds (SS)	Consolidation of Central Government (CCG)	Central Govt. (CG)	(SG)	(may also include lower tiers)	(8)	(9)
(1)	(2)	(3)	(4)	(5)	(e.g., Region, Province, and/or State)	(7)		
Agriculture, Forestry, Fishing, and Environment								
<b>A) "Existing" Components (COFOG)</b>								
<b>1) Agriculture:</b> list main core sub-functions (CSF), and under each, show capital and recurrent expenditures a) CSF 1: - Recurrent - Capital b) CSF 2: etc...								
<b>2) Forestry</b> a) CSF 1: - Recurrent - Capital b) CSF 2: etc...								
<b>3) Fishing:</b> a) CSF 1: - Recurrent - Capital b) CSF 2: etc...								

<sup>6</sup> This approach should ensure that Governments capture expenditure data in their standard public accounts and the use of sound charter of accounts such that the data is organized and structured in a manner which is conducive for this expenditure reporting.

<sup>7</sup> Each country would endeavor to prepare/update a table for each year, beginning with 2012/2013, until 2016/2017



B) "Crosscutting Components: (with explicit allocation assumption 1) Feeder Roads (% allocation of total) a) Recurrent: b) Capital:								
2) Rural Land Administration (% allocation of total) a) Recurrent: b) Capital:								
3) Sust. Env. (NRM & climate change, others, to be specified, with clear rationale) a)Climate Change (% allocation of total) - Recurrent: - Capital:								
4)Multi-Sectoral Devt. Projects (% allocation of total) - Recurrent: - Capital:								
5) Other (to be specified/rationale) c/								

a: Given that FAO is compiling annual data based on the COFOG expenditure system, it is suggested that these efforts be coordinated where possible, especially to enable a sustainable system of reporting consistent expenditure data. At the same time, the AU GN has specific objectives which warrant this template to be specific to cover the proposed additional components in the Enhanced COFOG aspects in this GN.

b: The allocation percentage refers to the proportional of total expenditures which can be attributed to promoting agricultural production, processing and marketing, in contribution toward agricultural growth and rural poverty reduction. There should be an effort to justify the % used, using appropriate indicators and proxy measures, given data constraints (e.g., % of rural population residing in sphere of influence of feeder roads which rely primarily on agriculture)

c: See the list of other cross-cutting sub-functions (Appendix 2) which should be included to estimate the level and composition of GEA.

(2) Total Government Expenditures/TGE: the Denominator.....

Country: XXX Year: XXXX General Government								
Central Government					Sub-Nat'l Govt.	Local Govt. (LG)	Consolidation of General Govt.	General Govt.
Budgetary Central Govt. (BA) (1)	Extra-Budgetary Funds (EA) (2)	Social Security Funds (SS) (3)	Consolidation of Central Government (CCG) (4)	Central Govt. (CG) (5)	(SG) (e.g., Region, Province, and/or State) (6)	(may also include lower tiers) (7)	(CT) (8)	(GG) (9)
Total Govt. Expenditures (TGE)								
1) Total Recurrent Expenditures								
2) Total Capital Expenditures								

a/Ensure the relevant government expenditures are included in the denominator. In this Table, it would be desirable to show breakdown the breakdown of the main components of TGEs, to the level of the COFOG's main headings (10) and functions/sub-functions (this could form an annex to the report submitted to the AU).

(3) Ratios to track agriculture expenditures

Based on the above estimates, each country needs to calculate and report to the AU/NEPAD the following expenditure ratio (useful to get expenditure data since 2010/11 for a reliable trend line)

Indicator (in local currency, current prices)	2010/11 (Actual) *	2012/2013 (Actual) *	2013/2014 (Actual) *	2014/2015 (Actual) *	2015/2016 (Estimated Actual) **
1. Share of GEA in TGE (ie: GEA/TGE)*100					
a) GEA					
b) TGE					
2. Annual growth rate in the share (%) of GEA of TGE					

## B) Framework of Template Table for Tracking the Quality of GEA

Relevant Indicator for "Quality" of Govt. Expenditures for Agriculture (GEA)	2012/2013 (Actual)	2013/2014 (Actual) (Baseline)	2014/2015 (Actual)	2015/2016 (Actual)
<b>A) Technical Efficiency of GEA ("value for money" in the efficient use of allocated GEA)</b>				
1) GEA (actual/audited) * as a % of the approved (or revised) GEA (= disbursement/execution rate)				
2) GEA allocations released on a periodic basis as a % of the GEA release targets (total and by major expenditure category which is vital to agriculture)				
3) Functional M&E system for GEA (as part of sectoral M&E system): * (C)				
a) Exists: Yes ( ) or No ( )				
b) Qualitative Assessment of the M&E system, based on sound design & implementation aspects (range from 1 to 5, with 5 = "high")				
c) Effective use of the M&E results: (for evidenced-based decisions; range from 1 to 5)				
<b>Other Technical Efficiency indicators:</b>				
4) Unit Costs (of "major" expenditure activities, e.g., comprise > 10 % of ? total GEA)				
a) Establish on ex-ante basis target unit cost (for each of major expenditure items, based on "efficiency" assumptions);				
b) Actual Unit Costs/UCs (ref. to the target unit costs for major expenditures)				
c) Actual UC as a % of the Target Unit Cost Expenditure (for major expenditure items)				
<b>B) Allocative Efficiency of GEA (ex-ante and ex-post basis) (strategic alignment and appropriateness of the GEA allocations)</b>				
1) Existence and quality of explicit prioritization criteria for allocating the GEA (in the budgetary planning cycle):				
a) Criteria Exists: Yes ( ) or No ( )				
b) Qualitative Assessment of the Prioritization Criteria (1 - 5) (e.g., criteria for subsector, geographical and target group priorities)				
c) Application of the Prioritization Criteria (1 - 5)				
2) Degree of alignment (congruence) of allocation with national and sectoral level expenditure priorities, and associated indicators/targets (impacts & outcomes) (1-5)				
3) % of GEA allocated to private goods (e.g. subsidies on fertilizer, seeds, other inputs)				
<b>C) Agricultural Growth Aspects</b>				
1) Agricultural GDP Growth (% p.a. of value-added agricultural growth)				
2) Agricultural sub-sector Growth (% p.a. of value-added), to extent data is available for major subsectors (e.g., crops, livestock)				
<b>D) Poverty Aspects:</b>				
% of rural population below national poverty line (compiled every 2-5 years)				

<sup>8</sup> It is suggested that a common set of unit cost indicators be identified for "major" GEA activities which are common across countries and important in generating increased agriculture production and associated strategic results, including: cost of extension-training one farmer in a certain skill; cost of building one km of feeder road for different specifications; cost of construction and rehabilitation of different types of irrigation schemes; cost of cost of different types of reforestation; unit cost for generation of agriculture research crop varieties). It will be important for each country to coordinate and estimate unit costs for the relevant GEA items. It is recognized that it will be difficult for these specific expenditure items to be comparable across countries, and rather, they would provide a benchmark for promoting efficient spending at the country level.

## Template of Data Generation and Reporting Plan: Level and Quality of GEA

Data to be collected	Required Data	Data sources	Formula for calculation	Quality Assurance mechanisms	Platforms for multi-stakeholder buy-in/ ownership	Deadline for submitting first report to:		
						RECs	NEPAD	AU
<b>Technical Efficiency</b> ("value for money" in the efficient use of allocated GEA)								
1) GEA (actual) * as a % of the approved (or revised) GEA (disbursement/ execution rate)			(Actual GEA / approved / revised GEA) x 100					
2) GEA allocations released as a % of the expenditure release targets			(GEA releases / release targets) x 100			15 March 2017	30 June 2017	30 Aug 2017
3) Actual unit cost (UC) as a % of the Target Unit Cost Expenditure			(Actual UC/ Target UC) x 100					
<b>Allocative Efficiency of GEA</b> (strategic alignment, composition and prioritization of the GEA allocations)								
1) Existence and quality of explicit prioritization criteria for allocating the GEA (in the budgetary planning cycle):								
2) Degree of alignment of allocation with national & sectoral level results and expenditure priorities			% of alignment (derived from rating on 1 - 5 scale), based on suggested criteria.				ditto	
3) proportion of GEA allocated to private goods (e.g. subsidies on fertilizer, seeds, other inputs)			% of GEA allocated to private goods (e.g. subsidies on fertilizer, seeds, other inputs)					
<b>Levels and Share of GEA:</b>								
Share of GEA in TGE	Total GAE at constant prices in international \$		(GEA/TGE) x 100					ditto
Annual growth rate in the share (%) of GEA	TGE at constant prices in international \$		Trends in GEA/ TGE ratio					
<b>Other Indicators: (Growth and Sustainability Aspects)</b>								
Real Agriculture GDP % growth rates	Agricultural value-added at constant factor prices in international \$ in current year (VAAG-T1) and previous year (VAAG-T0) GDP deflator PPP rate		(VAAG-T1 - VAAG-T0)*100/ VAAG-T0 (Ag.GDP/GDP) *100					ditto
Agricultural GDP share in national GDP								

## Ideal Disaggregated Expenditure Data

Functions (COFOG)	Economic classification	Agricultural sub-sector	Agricultural sub-functions
701. Gen. Pub. Services	21. Compensation of employees	Crops	Extension
702. Defense	22. Use of goods and services	Livestock	Research
703. Pub. Order & Safety	23. Consumption of fixed capital	Forestry	Irrigation
704. Economic Affairs	24. Interest	Fishery	Land management
705. Environ Protection	25. Subsidies	Level	Market infrastructure
706. Housing & Community Amenities	26. Grants	Central	Farm support
707. Health	27. Social benefits	State/Region	Policy, planning, M&E
708. Rec., Culture, & Rel.	28. Other	Local/District	Regulation, licensing
709. Education		...	Statistics
710. Social Protection		...	...
	<b>Policy objective</b>	<b>Target</b>	
<b>Source of financing</b>	Food security	Demography	<b>Planning/Execution</b>
Domestic (loan, tax)	Productivity/Growth	Geography	Budget
External (loan, grant)	...	...	Expenditure

(Source: IFPRI, 2014)

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## The AU Guidance Note

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