



## Agriculture Public Expenditure Reviews (AgPER)

### Background and Context

The objectives of CAADP are usually reflected in the formulation of detailed and fully-costed National Agriculture Investment Plans (NAIPs). It is expected that the next generation NAIPs, also referred to as NAIP 2.0, will align with the Malabo Declaration. In order to facilitate this alignment, the AU Commission and the NEPAD Agency have launched Malabo domestication processes at country and regional levels<sup>1</sup>.

While CAADP encourages increased allocation of national budgetary resources to agriculture through prioritised and targeted public expenditure, the Malabo Declaration encourages actions that lead to concrete results and impacts from CAADP process. These actions include those aimed at increasing the effect of public expenditure on agriculture growth, through robust allocative and implementation efficiencies: *'Public spending is one of the most effective instruments in promoting agricultural growth and reducing poverty in developing countries ... [and thus] monitoring public spending in agriculture is crucial<sup>2</sup>.'*

This knowledge note explores Agriculture Public Expenditure Reviews (AgPERs) and their linkage to the Malabo Declaration. AgPERs are mirrored in all commitments of the Malabo Declaration in view of the fact that public spending is an enabler of activities in the sector. AgPERs are particularly relevant to:

- ▶ Commitment 1, on recommitting to the principles and values of the CAADP process;
- ▶ Commitment 2, on enhancing investment finance in agriculture (particularly allocating at least 10% of public expenditure to agriculture and ensuring its efficiency and effectiveness);
- ▶ Commitment 7, on mutual accountability to actions and results.

### KEY MESSAGES

- ▶ African countries as a whole need to revisit the debate on shares of agricultural spending versus total spending, which has ranged from 4 to 6 percent on aggregate since 1980.
- ▶ Application of AgPERs in countries for whom NAIPs are not aligned with the central budgeting system will not be effective in responding to the aspirations of the Malabo Declaration – or, ultimately, AU Agenda 2063.
- ▶ Countries must make every effort to ensure that public resources and donor funding are available to execute the NAIP implementation plan.
- ▶ AgPERs should accompany JSRs and should mirror the objectives of the Biennial Review reporting processes, since they have the potential to strengthen dialogue during JSRs and BRs. Countries and development partners should set aside resources for AgPERs to be conducted regularly, therefore, as they represent value for money in terms of both government spending and donor support to the agricultural sector.

AgPERs are witnessed in debates on policy-expenditure-result linkages. They are crucial for strengthening policy dialogue, annual budget preparation, evidence-based decision making, planning and mutual accountability through joint sector review (JSR) cycles<sup>3</sup>.

1 The Malabo Domestication Toolkit has been developed to assist AU member States to align the next generation NAIPs to the 2014 AU Declaration.

2 Fan et al. (2009). *Public Spending for Agriculture in Africa: Trends and Composition* ReSAKSS Working Paper No.28.

3 World Bank. (2017). *Increasing the Impact of Public Spending on Agricultural Growth: Myanmar Agricultural Public Expenditure Review*. Washington, DC.

## Main Challenges

Due to the multisectoral and multidisciplinary nature of CAADP, several key stakeholders involved in African agriculture have recognised the need to clearly define what constitutes 'agriculture' and how expenditure of public resources in the sector would be tracked effectively so as to inform policy and future spending priorities. Since CAADP has embraced the Classification of Functions of Government (COFOG) definition for agriculture, there is thus a need to provide a more detailed classification of 'expenditure' within this context. How do we deal with agriculture expenditure vs. non-agriculture expenditure versus rural infrastructure, health and education, for instance?<sup>4</sup>

The above-mentioned aspects, among others, led to the development of the AU Guidance Note on Tracking and Measuring the Levels and Quality of Government Expenditures for Agriculture.<sup>5</sup> The Guidance Note was designed to be a guiding tool for AU member states 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.<sup>6</sup> Initiatives such as the Regional Strategic Analysis and Knowledge Support System (ReSAKSS) also launched regular tracking of expenditure in the African continent, despite challenges faced in accessing data.

Despite the availability of the Guidance Note, several countries do not yet implement comprehensive AgPERs. This is similarly noted for Joint Sector Reviews (JSRs), which are meant to regularly hold stakeholders accountable for their actions towards results and impact in the sector, in line with Commitment 7 of the Malabo Declaration on mutual accountability. Furthermore, there is an argument that the allocation of public resources (10%) to agriculture does not necessarily equate to efficiency in expenditure. A study by Action Aid reveals that, while there was an increase in funds allocated to communities in eight constituencies of Kenya through line ministry budgets, *'...The allocation of funds [did] not translate into improved wellbeing of intended communities, particularly in ensuring food security'...*<sup>7</sup> According to the World Bank<sup>8</sup>, meanwhile, it has been observed that most documents used for planning, budget



preparation and regular reviews of agriculture sector policy implementation make little reference to public expenditure analysis.

Evidence suggests that investment in public goods *'...is the major driver of agricultural growth, competitiveness and poverty reduction'*.<sup>9</sup> Increased allocations of funding to agriculture should, therefore, cover a broad base of the sector, including areas such as research and development, extension services and rural infrastructure<sup>10</sup>. Much remains to be done in terms of tracking expenditure on agricultural public goods so as to ensure alignment with policy priorities and achievement of intended results and impact.

## Challenges Affecting Agriculture Public Expenditure Reviews (AgPERs)

### ► Funding of AgPERs against other priorities

Agriculture Public Expenditure Reviews may not be a funding priority for governments. In some countries they are undertaken in an integrated manner as opposed to being sector specific. As an analytical tool, AgPERs require the availability of substantial data from a wide coverage area, usually requiring considerable local governmental input, reference to existing agriculture expenditure analysis, and all-round commitment and participation of governments and key stakeholders. AgPERs call for an overview of how much various spending units contribute to agricultural expenditure, the composition of expenditure overtime

4 Fan *et al.* (2009). *Public Spending for Agriculture in Africa: Trends and Composition* ReSAKSS Working Paper No.28.

5 AUC and NPCA (2015) AU Guidance Note on Tracking and Measuring the Levels and Quality of Government Expenditures for Agriculture

6 The GN is aimed at facilitating comparable tracking and periodic reporting, and as well contributing to show casing country progress towards compliance with the 10% target. Furthermore, this Note is meant to facilitate strengthening of 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.

7 Nyangena *et al.* (2010). *How are our monies spent?* The public expenditure review in eight Constituencies (2005/2006 – 2008/2009)

8 World Bank, *Guide for Carrying Out Light Agriculture Public Expenditure Reviews*, AgPER Lite Guide, 2015

9 Fan *et al.* 2000, 2004 and Benin *et al* 2008 in ReSAKSS Working Paper No.34 *The Structure and Trends of Public Expenditure on Agriculture in Mozambique*

10 Timmer, C.P. 2005. *Agriculture and Pro-Poor Growth: An Asian Perspective*. Center for Global Development Working Paper No. 63. Washington, DC: Center for Global Development

and identification of major cost drivers. Conducting such a review is costly and requires strong political will if it is to be applied effectively.

#### ► **Expensive schemes prioritised**

In cases where expenditure on agriculture has increased as a percentage of total expenditure, most countries fall far below the CAADP benchmark. Countries that have surpassed the benchmark tend to operate very expensive input subsidy schemes: this jeopardises sustainability and impact with regard to the commitments of the Malabo Declaration.

#### ► **Sensitisation of key line ministries**

A lack of sensitisation of the ministries which conduct agricultural programmes, projects or activities which are bound by the commitments of the Maputo and the Malabo Declarations – such as the Ministries of Finance and Agriculture – about the importance and usefulness of AgPERs may hinder increased budget expenditure in agriculture.

## **Recommendations for Anchoring AgPERs within NAIPs**

NAIPs are designed to be detailed, multi-sectoral and multidisciplinary strategies, with corresponding fully-costed implementation plans, whose execution is expected to be undertaken through various sector ministries with the participation of key stakeholder groups. It is expected that a Malabo-compliant NAIP, being the central agricultural strategy document for the sector, will become the singular reference point during an AgPER. Under Commitment 1, on upholding the principles and values of CAADP, AgPERs should reflect a country-led and country-owned process and should involve the participation of key line ministries and stakeholders, while generating evidence that will be useful for reporting and strengthening of policy priorities and future planning. Under Commitment 2, on effective and

efficient expenditure of the CAADP 10%, AgPERs should enable regular evaluation of national budgetary allocation to the sector, thereby measuring the effectiveness and efficiency of public spending in the sector in alignment with one common sector strategy and implementation plan: the NAIP. In addition, AgPERs should also:

- showcase progress made towards compliance with the 10% CAADP target;
- strengthen evidence-based investment and policy rationale for appropriate expenditure levels and prioritised composition;
- provide the information required for the compilation of reports in compliance with the Malabo Declaration of 2014;
- support preparation and presentation of annual budget proposals to the Ministry of Finance.

Under Commitment 7, on mutual accountability for results and impact, AgPERs will be useful for strengthening policy dialogue, joint sector reviews and generally for holding governments, donors and other stakeholders in the sector accountable for their commitments.

The role of women and youth in agriculture along commodity value chains cannot be over emphasised. AgPERs can assist in identifying expenditure gaps and informing policy priorities aimed at strengthening the participation of women and youth in gainful agribusiness activities.

In order to achieve the objectives of the Malabo Declaration, and to undertake Malabo-responsive AgPERs, it is essential to note that NAIPs should be financed through a country's central budgeting system. NAIPs must be seen to contribute to the national development plans of countries while simultaneously reflecting national agriculture policies and, ultimately, enabling attainment of the national long-term vision. NAIPs should not be perceived as stand-alone documents for the purposes of resource mobilisation and as a reference for sector priorities: they must play a key role in genuinely informing AgPERs.

For AgPERs – and indeed, NAIPs – to be successful, it is also important that finance ministries be convinced of the 'opportunity costs' of public spending, as well as being fully informed about existing funding gaps in the sector. It is said, after all, that the composition of total expenditures across regions reflects the priorities of governments. For example, the top three most prioritised sectors for Africa in 2005 were education, defense and health – see also Table 1 – confirming that rates of expenditure on agricultural GDP remain low in Africa.<sup>11</sup>



<sup>11</sup> Fan et al. (2009). *Public Spending for Agriculture in Africa: Trends and Composition* ReSAKSS Working Paper No.28.



AgPERs have the potential to support ministries of agriculture to present budgets to their respective ministries of finance, but only if they are a deliberately integrated component of NAIP implementation, review and reporting which fully captures agricultural expenditure. AgPERs should, therefore, be made a requirement as an accompaniment to JSRs and to the Biennial Review reporting process. They should be conducted annually

and integrated into existing processes, with the planning department of the agricultural ministry taking the lead in verifying the quality and plausibility of data needs and using sources that collect data regularly. In order to ensure that AgPERs effectively contribute to Malabo Commitments, meanwhile, it is essential to build human, institutional and other capacities at levels.

		Agriculture	Education	Health	T&C	Social Security	Defense	Other
Sub Saharan Africa	1980	7.1	14.4	4.9	11	2.9	19.7	40.1
	1990	5.5	14.5	4.5	4.5	2.5	17.1	51.5
	2000	3.8	14.1	6.7	4.7	5	8.8	56.9
	2005	6.3	15.4	8.1	5.8	2.8	6.5	55.1
Africa	1980	6.4	12.2	3.7	6.3	5.7	14.6	51
	1990	5.4	15.1	3.9	4.1	7.1	13.7	50.7
	2000	4.7	17	6.8	3.9	6.1	9.4	52
	2005	5	17.9	6.5	3.7	5.6	8.1	53.1
Asia	1980	14.9	13.8	5.3	11.7	1.9	17.6	34.8
	1990	12.3	17.4	4.3	5.2	2.4	12.9	45.5
	2000	6.3	16.9	4.3	3.8	6.4	8.3	54
	2005	6.5	17.9	5.4	4.5	8.7	7.9	49.1
Latin America	1980	7.7	10.4	5.8	6.8	23.6	6.1	39.5
	1990	2.1	7.9	6.1	2.6	21.8	5	54.4
	2000	2.5	14.8	7.6	2.6	36.4	4.6	31.6
	2005	2.5	14.3	8.4	2.4	36.6	3.8	32

**Figure 1: Percentage breakdowns of public expenditure, by continent, 1980–2005 (%).** Source: Fan et al. (2009). *Public Spending for Agriculture in Africa: Trends and Composition* ReSAKSS Working Paper No.28.

#### Further Information

- ▶ Nyangena et al. (2010). *How are our monies spent? The public expenditure review in eight Constituencies (2005/2006 – 2008/2009)*. ActionAid International Kenya. - [View](#)
- ▶ African Union Commission and NEPAD Planning and Coordination Agency (2015). *The AU Guidance Note on Tracking and Measuring the Levels and Quality of Government Expenditures for Agriculture*. - [View](#)
- ▶ Fan et al. (2000) and Benin et al. (2008). *The Structure and Trends of Public Expenditure on Agriculture in Mozambique*. - [View](#)
- ▶ Fan et al. (2009). *Public Spending for Agriculture in Africa: Trends and Composition* ReSAKSS Working Paper No.28. - [View](#)
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**Published by:** African Union Commission - Department for Rural Economy and Agriculture (AUC-DREA) and African Union Development Agency – NEPAD

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**Designed by:** Twaai Design

**Supported by:** Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

**ISBN-Number:** 978-1-928527-06-0

**Date:** June 2019