Food and Agriculture Organization of the United Nations

GUIDELINES FOR RESPONDING TO THE FAO QUESTIONNAIRE ON GOVERNMENT EXPENDITURE ON AGRICULTURE AND RELATED CATEGORIES

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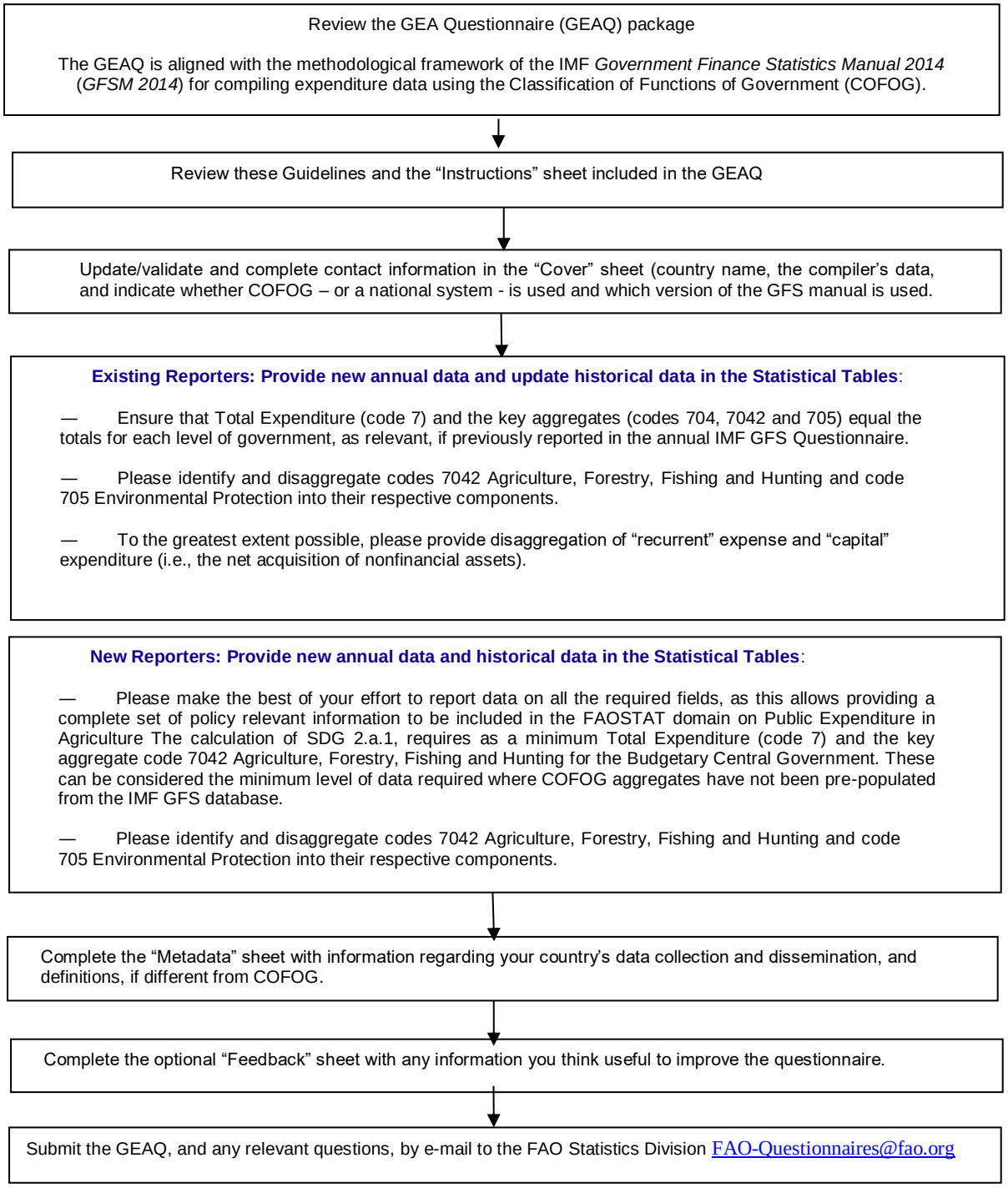
I. OVERVIEW

This document provides instructions for completing the Annual Questionnaire on **Government Expenditure on Agriculture and Related Categories (GEAQ)** of the Food and Agriculture Organization of the United Nations (FAO).

The FAO Statistics Division (ESS) publishes these data on FAOSTAT and on the ESS webpage (http://www.fao.org/economic/ess/investment/expenditure/en/). The data are also used to calculate the United Nations Sustainable Development Goal (SDG) Indicator 2.a.1: Agriculture Orientation Index; and 2) to support analytical work streams of the organization.

The diagram below illustrates summarizes the process for completing the GEA Questionnaire.



II. PURPOSE AND CONTENT OF THE FAO QUESTIONNAIRE

The purpose of the questionnaire is to support FAO efforts to maintain a comprehensive global database that provides cross-country comparable data on how much governments spend on agriculture, forestry and fishing and on environmental protection, as well as the related sub-categories. This database is an essential tool for policy makers to assess whether the fiscal contribution given to the sector is appropriate to the country's needs and to develop effective and well-target agriculture policies.

Well-targeted government expenditures provide an important source of investment in the agriculture sector. In combination with other public policies, these current and capital outlays can help to create a conductive environment that enables effective private sector resource allocation and investments. Together, public finance along with private activities increase agricultural productivity and sustainability, which is a key to achieving economic growth, poverty reduction and food security.

Data on Government Expenditure on Agriculture are also crucial for monitoring progress towards Target 2.a of the 2030 Agenda for Sustainable Development:

> *Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries*.

In particular, GEA data are used to calculate the Tier 1 UN Sustainable Development Goal (SDG) Indicator 2.a.1 – Agriculture Orientation Index (AOI) for Government Expenditures, defined as the agriculture share of government expenditure divided by the agriculture value added share of GDP. This indicator provides a measure of the share of government expenditures to agriculture relative to the sector's contribution to the economy.

In constructing the Tier 1 UN SDG Indicator: 2.a.1 Agricultural Orientation Index (AOI), the numerator relies heavily on GFS-based COFOG reporting of Total Outlays - COFOG code 7 - and code 7042 (Agriculture, forestry, fishing and hunting), a "Group" under the Economic Affairs "Division", either through direct reporting in FAO's GEAQ or, when available, sourced from the IMF GFS database:

Appendix III describes SDG Indicator 2.a.1 and its analytical applications. If you have any query related to this Indicator, please contact FAO-Questionnaires@fao.org.

III. ANNUAL GEA QUESTIONNAIRE DATA REPORTING FORMAT

A. Data Coverage

All correspondents receive a "Government Expenditure on Agriculture and Related Categories Questionnaire Package," which includes:

- A **cover letter** requesting the reporting of annual data;

- **Annual GEA Questionnaires** pre-populated, where available, with previous years' reported data, and blank data sheets for unreported years (see Appendix I). Where detailed series have not been previously reported to FAO, the questionnaire is pre-populated, where possible, with relevant COFOG aggregates that have been reported to the IMF in Table 7 of its annual Government Finance Statistics (GFS) questionnaire. In some cases, FAO staff have compiled estimates based on data published on official national government websites.

The aim of the questionnaire is to collect data – for the highest level of government available – on those expenditures that refer to **Core Areas of Government Functions Relevant to the Agriculture Sector** based on the Classification of Functions of Government (COFOG) as outlined in the International Monetary Fund *Government Finance Statistics Manual 2014* (*GFSM 2014*). The Agriculture Sector is defined as per the International Standard Industrial Classification (ISIC)[1] of All Economic Activities, Revision 4, Section A, to cover **Agriculture, Forestry and Fishing**.

While all variables requested to be reported in FAO GEA Questionnaire are important, the compilation of SDG Indicator 2.a.1. requires, at a minimum, data for the Budgetary Central Government sector. In the *GFSM 2014*, the main emphasis is on measuring the fiscal performance of the general government sector (see APPENDIX II)[2]. The general government sector consists of those resident institutional units that fulfil functions of government as their primary activity, and includes all government units and all nonmarket Non Profit Institutions that are controlled by government units.

Countries are strongly encouraged to compile, on a best effort basis, data for the consolidated general government sector and each of its subsectors (as relevant for the reporting country). Where there are source data constraints, emphasis should be placed on reporting two key aggregates: Total Expenditure (code 7) and an estimate for code 7042 Agriculture, Forestry, Fishing and Hunting for the Budgetary Central Government.

The FAO questionnaire differs from the standard IMF COFOG questionnaire (Table 7 of the GFS questionnaire), in that it seeks to obtain an analytically useful breakdown of the key aggregates that pertain specifically to agriculture (code 7042) and environmental protection (code 705). Statistics on current and capital expenditures (defined as expense *plus* the net acquisition of nonfinancial assets), on agriculture, forestry and fisheries and on environmental protection can be used to study the effectiveness of government programs that support investments in essential public goods with high economic and social returns.

[1] For more details on the ISIC Rev. 4, see the UNSD webpage: https://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=27

[2] For additional details on the coverage of the GFS system, see *GFSM 20014*, Chapter 2: https:/www.imf.org/external/Pubs/FT/GFS/Manual/2014/gfsfinal.pdf

TABLE A:	Government expenditure on agriculture and related functions	General Government									Memorandum: Central Govt. (Including SSFs of central government)
		Central Govt. (excluding social security funds)				Social Security Funds (SSFs)	State Govern-ments	Local Govern-ments	Consoli-dation Column	General Government	
		Budgetary Central Government	Extra-budgetary Units	Consoli-dation Column	Central Government						
	Functional classification	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
7	EXPENDITURE (TOTAL OUTLAYS)										
704	Economic Affairs										
7042	Agriculture, forestry, fishing, and hunting										
	→ Recurrent										
	→ Capital										
70421	Agriculture (crops and animal husbandry)										
	→ Recurrent										
	→ Capital										
70422	Forestry										
	→ Recurrent										
	→ Capital										
70423	Fishing and hunting										
	→ Recurrent										
	→ Capital										
7048	R&D Economic Affairs, *of/which* :										
70482	R&D Agriculture, forestry, fishing, and hunting										
705	Environmental protection										
7054	Protection of Biodiversity and Landscape										
	→ Recurrent										
	→ Capital										
7055	R&D Environmental Protection										
	→ Recurrent										
	→ Capital										

Codes 7 and 7042 should be given priority as these support calculating UN SDG Indicator 2.a.1

Detailed FAO classification tables

Ensure that total outlays (code 7) is equal to the total of "recurrent" expense and "capital" expenditure (i.e., the net acquisition of nonfinancial assets) for all 10 functions of government

Emphasis should then be given to deriving and disaggregating codes 7042 Agriculture, Forestry, Fishing and Hunting and code 705 Environmental Protection into their respective components

To the greatest extent possible, record all relevant transactions with a disaggregation of "recurrent" expense and "capital" expenditure (i.e., the net acquisition of Non-financial assets) on a best effort basis.

Where relevant, verify the consistency of amounts reported against the corresponding data reported in the IMF annual GFS questionnaire (codes 7, 704, 7042,and 705)

In the GEA questionnaire – similar to the GFS questionnaire – provision is made for the compiling statistics for the consolidated general government and its subsectors.[3] Depending on the administrative and legal arrangements, there may be more than one level of government within a country, and statistics should be compiled for each level (also referred to as subsectors). In macroeconomic statistics, provision is made for three subsectors of general government: central, state, and local. It may be possible to create subsectors at each level of government based on whether the units in the subsector are financed by the legislative budgets of that level of government or by extrabudgetary sources—that is, distinguishing between budgetary and extrabudgetary units.

In addition to levels of government, the existence of social security funds and their role in fiscal policy may require that statistics for all social security funds be compiled as a separate subsector of the general government. However, while total outlays relating to social protection expenditure should be indicated, no other details are generally required as these should normally be classified under COFOG code 710 Social Protection or 701 General Public Services, which are outside of the scope of the GEA Questionnaire.

[3] Consolidation—presenting statistics for a set of units as if they constituted a single unit—ensures there is no double counting of expenditures, as it entails the elimination of all intra-governmental flows within a level of government, and intergovernmental flows between levels of government within a country. It is described in detail in the paper "Consolidation of the General Government Sector," available at http://www.imf.org/external/pubs/ft/gfs/manual/comp.htm.

B. Classification of the Functions of Government (COFOG)

The *GFSM 2014* analytic framework can be used to present data generated by a variety of accounting practices.[4] The FAO GEA Questionnaire is based on – and is an extension of - Table 7: Expenditure by Functions of Government (COFOG) of the annual IMF GFS questionnaire, as defined in the *GFSM 2014*, Chapter 6. COFOG provides key aggregates that can be used as indicators or measures of results / outcomes. These data are essential for making international comparisons because the classification system avoids problems associated with organizational changes in a single government as well as problems of organizational differences among countries.

COFOG classification codes permit expenditures to be classified using a three-level scheme, consistent with the ISIC classification and the System of National Accounts (SNA). COFOG has 10 first-level, or two-digit, categories, referred to as *divisions*. Examples are Economic Affairs (Division 04) and Environmental Protection (Division 05). Within each division, there are several *groups*, or three-digit categories, such as Agriculture, Forestry, Fishing and Hunting (042) and Protection of Biodiversity and Landscape (054). Within each group, there are one or more *classes*, or four-digit categories, such as Agriculture (0421), Forestry (0422), Fishing and hunting (0423). All three classification levels and detailed descriptions of the contents of each class are presented in Appendix I while Annex 1 lists the ten divisions and their related groups. As in the annual IMF GFS questionnaire, the prefix "7" has been added to align the COFOG classification codes. Appendix IV provides an example of how to map government programs against GEA-relevant COFOG categories.

Compilers should keep in mind that while the COFOG classification as used in *GFSM 2014* fully agrees with the OECD/UN classification, the concept is applied slightly differently in GFS. Final outlays are referred to in a general sense by the OECD/UN, and therefore include grants, loans, and/or subsidies. However, when compiling COFOG data for GFS reporting purposes, COFOG is applied only to expenditure comprising expense and the net investment in nonfinancial assets. Transactions in financial assets and liabilities, such as loans (lending minus repayments) made by general government units, are excluded. Similarly, while interest expenses is included in COFOG, the amortization payments on the outstanding debt of general government units should be excluded.

C. Statistical Tables

FAO seeks a disaggregation of Agriculture, Forestry, Fishing and hunting (GFS code 7042) and Environmental Protection (GFS code 705) into their underlying components. In addition, and where feasible, a disaggregation of recurrent and capital expenditures (or expense *plus* the net acquisition of nonfinancial assets). Annex 2 provides the detailed breakdown of the different types of expense as well as transactions in nonfinancial assets.

Recurrent vs. capital expenditures

The general government sector has two broad economic responsibilities: to assume responsibility for the provision of selected goods and services to the community on a nonmarket basis and to redistribute income and wealth by means of transfer payments. These

[4] For details on the GFS analytic framework, see the IMF's *GFSM 2014*, Chapter 4: (https://www.imf.org/external/Pubs/FT/GFS/Manual/2014/gfsfinal.pdf).

responsibilities are largely fulfilled through "recurrent" **expense** transactions. The *GFSM 2014* economic classification of expense identifies eight types (see Annex 2. according to the economic process involved. By contrast, the functional classification of expense provides information on the purpose for which an expense was incurred.

In compiling COFOG data, provision must also be made for the inclusion of outlays for the **acquisition of nonfinancial assets** (i.e., Fixed assets, Inventories; Valuables; and, Nonproduced assets), referred to as "capital" expenditures in the GEA questionnaire. It is important to include these outlays because, in the GFS methodology, **expenditure equals expense plus net acquisition of nonfinancial assets**. For compilers of the FAO questionnaire, emphasis will likely be on transactions in fixed assets (Buildings and structures; Machinery and equipment; and Other fixed assets) and in nonproduced assets (particularly land and other naturally occurring assets).

Compiling the FAO Questionnaire

The GEA questionnaire includes statistical tables for 5 years. In this way, questionnaires can be used for reviewing previously compiled data and for reporting revisions to historical series. With regard to the major aggregates, GEA compilers should ensure consistency with amounts reported to the IMF. To this end, GEA compilers are requested, to the fullest extent possible, to report final audited data in **Table A** of the data sheets. In general, in order to complete the Statistical Tables, please note that:

- The naming convention for the files is **FAO_xxx_GEA_QUEST_XXXX_EN.xlsx**, where xxx refers to the M49[5] country code and XXXX is the year of the data collection. Please do not modify the file name.

- Only **data for the years covered by the questionnaire** should be reported, using the tables provided in each worksheet. As these files are country/year encoded, these data sheets should not be changed. However, copies of the blank Excel worksheet can be made for reporting *additional* years of data.

- Data should be entered with the **same currency, magnitude, and number of decimals** as indicated in the worksheets. If the currency and/or magnitude is changed, please **note the changes** in a cover letter accompanying the data submission or in the Notes field at the bottom of the Instructions sheet.

- To indicate an **absolute zero** or **rounded zero**, enter the number "0" in the appropriate data cell.

- To indicate that data are **Not Available** or **missing** (meaning data that exist but are not reported for several reasons, excluding confidentiality for which "C" should be used), please enter "**NA**" in the appropriate data cell. You may wish to make note of the reason(s) for this in the Notes field at the bottom of the Instructions sheet.

- To indicate that data are **Not Applicable** or **not relevant** (for example, if a **subsector does not exist** in your country) please enter "**NP**" in the appropriate

[5] For further details regarding the M49 country codes, see the UNSD webpage: https://unstats.un.org/unsd/methodology/m49/

column/data cells. You may wish to make note of this in the Notes field at the bottom of the Instructions sheet.

- To indicate that data have **confidentiality issues**, please enter "C" in the appropriate data cell.

- Each worksheet in the file is **protected** to prevent changes in its formatting. Please note that (i) **no columns or rows should be added or deleted** in these worksheets; (ii) **no worksheets should be deleted;** and (iii) **worksheets may be added to report additional years of data**. **Also, please do not change the names of the worksheets.**

- Provision for the **verification of the data** in each subsector through: **1)** a "**vertical check**", for the three major components "classes" pertaining to the aggregate of code 7042 (7042 = 70421+70422+70423), which appear below **Table A** of each annual data questionnaire worksheet and **2)** "**horizontal checks**" across subsectors for verifying the consolidation of both the central and the general government that appear to the right of **Table A** of each data questionnaire worksheet. NOTE: A vertical or horizontal check of "**NA**" indicates that one or more of the components of an aggregate are not available. **This should always be investigated** to determine whether (i) the components are truly not available, in which case nothing can be done about it and the "NA" is left as is, or (ii) the components have been omitted accidentally, in which case the problem can be corrected and the "NA" becomes the value zero (0).

For each subsector of general government, the GEA Questionnaire tables should be completed according to the accounting rules underlying the fiscal data currently being compiled and disseminated by the reporting country. To this end, the data worksheets contain, in addition to **Table A**, also **Table C: Nature of data and accounting method**. The accounting method for each subsector of general government should be indicated in **Table C** in each annual data sheet. Use "C" to indicate *cash accounting* (transactions are recorded when the actual cash moves); use "A" to indicate *method other than cash*, such as accrual accounting (transactions are recorded in the period in which they occurred, irrespective of whether cash was received or paid). In addition to the annual data worksheets, the GEA questionnaire also includes the following worksheets:

- *Cover*, where compilers are asked to insert their contact details and to provide information of the use of GFS and COFOG in their country. It is important to include here a contact email address, which will be used by FAO to seek clarifications on the data received, or similar related enquiries.
- *Instructions*, which provides a short but exhaustive guide to the questionnaire.
- *Definitions*, where the items for which data is collected are listed and described, in particular the general government subsectors and the functions of government covered by the questionnaire.
- *Metadata*, where the compilers are asked to provide information regarding the collection and dissemination of the data required, in order to improve the FAO data collection process. Additionally, compilers are asked to report in TABLE B the definitions of the expenditure categories used to compile the questionnaire, if different from COFOG.
- *Feedback*, where the compilers are requested to reply to some questions and provide suggestions that help FAO to enhance the questionnaire.

APPENDIX I: Scope of Activities to be Covered

Composition of the aggregates in the FAO Questionnaire
The compilation of information covering the FAO GEA relevant aggregates requires, for the consolidated general government, detailed source data on all related expense transactions and amounts used for the acquisition of nonfinancial assets. While such source data for each of the subsectors of government may not be immediately available, compilers should give consideration to developing information management systems that will, over time, ensure full coverage, as relevant to the country's institutional structure of government. The scope of activities to be covered is outlined below.

Agriculture, Forestry Fishing and Hunting (GFS Code 7042), which is comprised of:

Agriculture (Includes Crops and Livestock) – GFS Code 70421:
- 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 and 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.

  Excludes: *multi-purpose development projects, such as the development of integrated facilities for flood control and irrigation, which would fall under GFS code 70474.*

Forestry – GFS Code 70422:
- 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.
  Includes: forest crops in addition to timber.

Fishing and hunting– GFS Code 70421:
- Administration of fishing affairs and services; protection, propagation and rationalised 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 or subsidies to support commercial fishing and hunting activities, including the construction or operation of fish hatcheries.

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

R&D Agriculture, forestry, fishing and hunting – GFS Code 70482

- Administration and operation of government agencies engaged in applied research and experimental development related to agriculture, forestry, fishing, and hunting;
- Grants or subsidies to support applied research and experimental development related to agriculture, forestry, fishing, and hunting undertaken by nongovernment bodies, such as research institutes and universities.

Excludes: *basic research (70140)*.

Environmental Protection – GFS Code 705:

The COFOG breakdown of these expenditures is based upon the Classification of Environmental Protection Activities (CEPA) as elaborated in the European System for the Collection of Economic Information on the Environment (SERIEE) of the Statistical Office of the European Communities (Eurostat).

The groups included in the questionnaire are:

Protection of biodiversity and landscape – GFS Code 7054:

This group covers activities relating to the protection of fauna and flora species (including the reintroduction of extinct species and the recovery of species menaced by extinction), the protection of habitats (including the management of natural parks and reserves) and the protection of landscapes for their aesthetic values (including the reshaping of damaged landscapes for the purpose of strengthening their aesthetic value and the rehabilitation of abandoned mines and quarry sites). Administration

- Administration, supervision, inspection, operation or support of activities relating to the protection of biodiversity and landscape;
- Grants or subsidies to support activities relating to the protection of biodiversity and landscape.

R&D Environmental protection – GFS Code 7055:

- Administration and operation of government agencies engaged in applied research and experimental development related to environmental protection;
- Grants or subsidies to support applied research and experimental development related to environmental protection undertaken by non-government bodies such as research institutes and universities.

Excludes: *basic research (70140).*

Compilers should keep in mind that while the COFOG classification as used in *GFSM 2014* fully agrees with the OECD/UN classification, the concept is applied slightly differently in GFS. Final outlays are referred to in a general sense by the OECD/UN, and therefore include grants, loans, and/or subsidies. However, when compiling COFOG data for GFS reporting purposes, COFOG is applied only to expenditure comprising expense *plus* the net investment in nonfinancial assets. Transactions in financial assets and liabilities, such as loans (lending minus repayments) made by general government units, are excluded. Similarly, while interest expense is included in COFOG, the amortization payments on the outstanding debt of general government units should be excluded.

APPENDIX II: Detailed description of the general government sector and related subsectors

Units of General Government

The general government sector consists of all government units and all nonmarket non-profit institutions that are controlled and mainly financed by government units. In the IMF GFS system, provision is made for four main subsectors (or levels) of government: central (or federal); state (provincial, regional or district); local (or municipal); and social security funds. While some countries have all four subsectors; many have only a central government, or central government and local government subsectors.

The central government subsector is a large and complex subsector in most countries. It is generally composed of a central group of departments, ministries and agencies. Any central government entity that is fully covered by the central government budget is part of the "budgetary central government" in the GFS system. Other entities part of the central government are extra-budgetary units. These latter entities or units operate under the authority of the central government but are not (fully) covered by the central government budget, as they may obtain a significant part of their revenues as contributions or user fees from citizens, employees, employers, etc.

Central Government Units Covered by the Budget (Subsector 1)

This subsector lists all central government entities covered by the budgetary central government. The following are typical examples of budgetary central government entities: courts of law, ministries, departments, and parliament. The budgetary central government may also include central government boards, commissions, or central government agencies.

Central Government Units with Individual Budgets (Subsectors 2)

This subsector lists units or entities that operate under the authority of the central government but are not (fully) covered by the central government budget. Typically, these units or entities have individual budgets, and their own-revenue sources may be supplemented by grants (transfers) from the budgetary central government or from other sources. Budgetary arrangements vary widely across countries, and various terms are used to describe these entities, but they are often referred to as "extrabudgetary funds" or "decentralized agencies."

For the purposes of compiling the GEA Questionnaire, compilers should – where "extrabudgetary funds" exist – report total expenditure (code 7, 704 and 705) for all such entities. However, only those entities directly involved in Agriculture, forestry, fishing and hunting and in Environmental Protection should be reported in the respective "groups" and "classes".

Social Security Funds (Subsectors 3)

This subsector includes the units of the Central, State and Local Government operating one or more social security schemes. They can cover a wide variety of programs providing benefits in cash or in kind for old age, invalidity or death, survivors, sickness and maternity, work-related injury, unemployment, family allowance, health care, etc.

For the purposes of compiling the GEA Questionnaire, and to ensure the correct calculation of consolidated general government, compilers should – where "social security funds" exist – report total expenditure (code 7) for all such entities. However, no other details are generally required as these outlays should normally be classified under COFOG code 710 Social Protection and/or 701 General Government Services, as relevant.

State Governments (Subsector 4)

This subsector lists all state, regional or provincial governments in a country.
A state, a province, or region is the largest geographical area into which the country as a whole may be divided for political or administrative purposes. The legislative, judicial, and executive authority of a state government extends over the entire area of an individual state, which usually includes numerous localities, but does not extend over other states. To be recognized as a government unit the entity must be able to own assets, raise funds, and incur liabilities on its own account, and it must also be entitled to spend or allocate at least some of the taxes or other income that it receives according to its own policies. The entity may, however, receive transfers from the central government that are tied to certain specified purposes. A state government should also be able to appoint its own officers independently of external administrative control. If a government entity operating in a state is entirely dependent on funds from the central government, and if the central government also dictates the ways in which those funds are to be spent, then the entity should be treated as an agency of the central government.

Local Governments (Subsector 5)

This subsector lists all local governments in a country.
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 (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 must also have some discretion over how such funds are spent, and they should be able to appoint their own officers independently of external administrative control.

APPENDIX III: SDG indicator 2.a.1 – Agriculture Orientation Index of Government Expenditure

SDG Indicator 2.a. 1 - *Agriculture Orientation Index (AOI) for Government Expenditures*[6] - is defined as the Agriculture Share of Government Expenditure divided by the Agriculture value added share of GDP. The AOI is unit-free and currency-free, calculated as the ratio of these two shares.

The indicator provides a measure of share of government expenditure to agriculture relative to this sector's contribution to the economy, and is composed by two parts:

$$AOI = \frac{Agriculture\ share\ of\ Government\ Expenditure}{Agriculture\ value\ added\ as\ share\ of\ GDP}$$

The two components come from two different statistical sources.

- The numerator is based on the data collected through the FAO GEA questionnaire. The Agriculture share of Government Expenditure is calculated as the Government Expenditure on Agriculture, Forestry and Fishing divided by the Government total outlays. Data for the numerator may also be obtained from the IMF GFS database or from official country's publications. For this reason, emphasis should be placed on reporting two key aggregates: Total Expenditure (code 7) and code 7042 Agriculture, Forestry, Fishing and Hunting – and source data allowing – for the consolidated general government, as relevant.

- The denominator is the Agriculture value-added share of GDP, calculated as the Agriculture (including Forestry and Fishing) of value-added divided by Gross Domestic Product (GDP). These two indicators come from the System of National Accounts (SNA), which is an analytical framework that compiles national data from a mix of survey, census and administrative sources. The SNA is one of the building blocks of most country's economic statistics information, and essential to monitor economic trends, and establish fiscal and monetary policy. Both indicators are obtained from the UNSD's National Accounts Main Aggregates database [7], which in turn, is based on SNA data reported by countries, adjusted for SNA and ISIC revisions.

The AOI takes into account both the proportion of government spending allocated to the agriculture sector and the agriculture contribution to the economy taking into account the relative size variations between governments and the agricultural sector across countries.

The aim of the indicator is to monitor the government contribution to the agricultural sector compared to the sector's contribution to GDP. In particular, an AOI greater than 1 reflects a higher orientation of the government spending to the agriculture sector compared to its contribution to the total economy. An AOI less than 1, instead, shows a lower contribution of the government spending to the agriculture sector compared to its contribution to GDP. An AOI equals to 1 reflects neutrality in government's orientation to the agriculture sector.

[6] For more details, please refer to the FAO e-learning course on SDG Indicator 2.a.1 https://elearning.fao.org/course/view.php?id=361

[7] For more details, see UNSD National Accounts and Main Aggregates Database: https://unstats.un.org/unsd/snaama/Introduction.asp

Nonetheless, the AOI can also vary across countries due to differences in historical public investments in agriculture, and differences in the sector's degree of market failures and income inequalities. As such, like most indicators, it should be considered jointly with its two component, the agriculture share of government expenditure, and the agriculture value-added share of GDP.

APPENDIX IV: Example for Chile mapping government programs against GEA-relevant COFOG categories

MINISTRY	DEPARTMENT	PROGRAM	COFOG	COFOG DESCRIPTION
MINISTRY OF ECONOMY, DEVELOPMENT AND TOURISM	SECRETARIAT OF FISHERIES	SECRETARIAT OF FISHERIES	70423	Fishing and hunting
		FISHERY ADMINISTRATION FUND	70423	Fishing and hunting
		AQUACULTURE STRENGTHENING	70423	Fishing and hunting
	NATIONAL FISHERY SERVICE	NATIONAL FISHERY SERVICE	70423	Fishing and hunting
		ENVIRONMENTAL AUDIT PROGRAM	7054	Protection of Biodiversity and Landscape
MINISTRY OF PUBLIC WORKS	DIRECTORATE GENERAL OF PUBLIC WORKS	DIRECTION OF HYDRAULIC WORKS	70421	Agriculture
MINISTER OF AGRICULTURE	SECRETARIAT OF AGRICULTURE	SECRETARIAT OF AGRICULTURE	7042	Agriculture, forestry, fishing, and hunting
		RESEARCH AND TECHNOLOGICAL INNOVATION SILVOAGROPECUARIA	70482	R&D Agriculture, forestry, fishing, and hunting
	OFFICE OF STUDIES AND AGRICULTURAL POLICIES	OFFICE OF STUDIES AND AGRICULTURAL POLICIES	7042	Agriculture, forestry, fishing, and hunting
	INSTITUTE FOR AGRICULTURAL DEVELOPMENT	INSTITUTE FOR AGRICULTURAL DEVELOPMENT	70421	Agriculture
		RURAL DEVELOPMENT PROJECT IV REGION	70421	Agriculture
		COASTAL SECTION PROJECT	70421	Agriculture
	AGRICULTURAL AND LIVESTOCK SERVICE	AGRICULTURAL AND LIVESTOCK SERVICE	7042	Agriculture, forestry, fishing, and hunting
		INSPECTIONS EXPORTS SILVO-PRACTICE	70421	Agriculture
		LIVESTOCK DEVELOPMENT	70421	Agriculture
	NATIONAL FOREST CORPORATION	NATIONAL FOREST CORPORATION	70422	Forestry
		SPECIAL PROGRAMS	7054	Protection of Biodiversity and Landscape
		PROJECT PRODUCTIVITY AND ENVIRONMENT	7054	Protection of Biodiversity and Landscape
	NATIONAL IRRIGATION COMMISSION	NATIONAL IRRIGATION COMMISSION	70421	Agriculture

Annex 1: Classification of Expenditure by Functions of Government according to Divisions and Groups

7	**Total expenditure**
701	**General public services**
7011	Executive and legislative organs, financial and fiscal affairs, external affairs
7012	Foreign economic aid
7013	General services
7014	Basic research
7015	R & D General public services
7016	General public services n.e.c.
7017	Public debt transactions
7018	Transfers of a general character between different levels of government
702	**Defense**
7021	Military defense
7022	Civil defense
7023	Foreign military aid
7024	R & D Defense
7025	Defense n.e.c.
703	**Public order and safety**
7031	Police services
7032	Fire protection services
7033	Law courts
7034	Prisons
7035	R & D Public order and safety
7036	Public order and safety n.e.c.
704	**Economic affairs**
7041	General economic, commercial, and labor affairs
7042	Agriculture, forestry, fishing, and hunting
7043	Fuel and energy
7044	Mining, manufacturing, and construction
7045	Transport
7046	Communication
7047	Other industries
7048	R & D Economic affairs
7049	Economic affairs n.e.c.
705	**Environmental protection**
7051	Waste management
7052	Waste water management
7053	Pollution abatement
7054	Protection of biodiversity and landscape
7055	R & D Environmental protection
7056	Environmental protection n.e.c.
706	**Housing and community amenities**
7061	Housing development
7062	Community development
7063	Water supply
7064	Street lighting
7065	R & D Housing and community amenities
7066	Housing and community amenities n.e.c.
707	**Health**
7071	Medical products, appliances and equipment
7072	Outpatient services
7073	Hospital services
7074	Public health services
7075	R & D Health
7076	Health n.e.c.
708	**Recreation, culture and religion**
7081	Recreational and sporting services
7082	Cultural services
7083	Broadcasting and publishing services
7084	Religious and other community services
7085	R & D Recreation, culture and religion
7086	Recreation, culture and religion n.e.c.
709	**Education**
7091	Pre-primary and primary education
7092	Secondary education
7093	Postsecondary nontertiary education
7094	Tertiary education
7095	Education not definable by level
7096	Subsidiary services to education
7097	R & D Education
7098	Education n.e.c.
710	**Social protection**
7101	Sickness and disability
7102	Old age
7103	Survivors
7104	Family and children
7105	Unemployment
7106	Housing
7107	Social exclusion n.e.c.
7108	R & D Social protection
7109	Social protection n.e.c.

Note: R&D = research and development, n.e.c. = not elsewhere classified

Annex 2: Classification of Expense and Transactions in Nonfinancial Assets

EXPENSE		TRANSACTIONS IN ASSETS AND LIABILITIES	
2	**EXPENSE**	**3**	**CHANGE IN NET WORTH: TRANSACTIONS** [c/]
21	**Compensation of employees**	**31**	**Net acquisition of nonfinancial assets** [d/]
211	Wages and salaries	**311**	**Fixed assets**
212	Social contributions	**311.1**	***Acquisitions: fixed assets***
2121	Actual social contributions	**311.2**	***Disposals: fixed assets***
2122	Imputed social contributions	**311.3**	***Consumption of fixed capital (CFC): fixed assets***
22	**Use of goods and services**	3111	Buildings and structures
23	**Consumption of fixed capital**	3111.1	*Acquisitions: buildings and structures*
24	**Interest**	3111.2	*Disposals: buildings and structures*
241	To nonresidents	3111.3	*CFC: buildings and structures*
242	To residents other than general government	3112	Machinery and equipment
243	To other general government units	3112.1	*Acquisitions: machinery and equipment*
25	**Subsidies**	3112.2	*Disposals: machinery and equipment*
251	To public corporations	3112.3	*CFC: machinery and equipment*
252	To private enterprises	3113	Other fixed assets
26	**Grants**	3113.1	*Acquisitions: other fixed assets*
261	To foreign governments	3113.2	*Disposals: other fixed assets*
2611	Current	3113.3	*CFC: other fixed assets*
2612	Capital	**312**	**Inventories**
262	To international organizations	**313**	**Valuables**
2621	Current	**313.1**	***Acquisitions: valuables***
2622	Capital	**313.2**	***Disposals: valuables***
263	To other general government units	**314**	**Nonproduced assets**
2631	Current	**314.1**	***Acquisitions: nonproduced assets***
2632	Capital	**314.2**	***Disposals: nonproduced assets***
27	**Social benefits**	**314.3**	***CFC: major improvements, nonproduced assets***
271	Social security benefits	3141	Land
272	Social assistance benefits	3141.1	*Acquisitions: land*
273	Employer social benefits	3141.2	*Disposals: land*
28	**Other expense**	3141.3	*CFC: major improvements, land*
281	Property expense other than interest	3142	Subsoil assets
282	Miscellaneous other expense	3142.1	*Acquisitions: subsoil assets*
2821	Current	3142.2	*Disposals: subsoil assets*
2822	Capital	3142.3	*CFC: major improvements, subsoil assets*
		3143	Other naturally occurring assets
		3143.1	*Acquisitions: other naturally occurring assets*
		3143.2	*Disposals: other naturally occurring assets*
		3144	Intangible nonproduced assets
		3144.1	*Acquisitions: intangible nonproduced assets*
		3144.2	*Disposals: intangible nonproduced assets*

NOTE: Consumption of Fixed Capital (CFC) is the decline, during the course of the reporting period, in the current value of the stock of fixed assets owned and used by a government unit as a result of physical deterioration, normal obsolescence, or normal accidental damage. Since no cash flows are associated with CFC) no entry for this accrual concept is made for cash based reporters. CFC is described in *GFSM 2014*, Chapter 6.Transactions in nonfinancial assets are discussed in detail in *GFSM 2014*, Chapter 8.