



## LEARNING ABOUT **2** **a.1** INDICATOR

SDG Indicator 2.a.1 Agriculture Orientation Index

# Lesson: Compilation of Government Expenditure on Agriculture questionnaire

Text-only version

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working for Zero Hunger

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## Compilation of Government Expenditure on Agriculture questionnaire

This lesson illustrates the data collection, compilation and reporting process for SDG Indicator 2.a.1, focusing on the FAO questionnaire on Government Expenditure on Agriculture (GEA).

### Learning objectives

At the end of this lesson, you will be able to:

- describe the FAO data collection process for Indicator 2.a.1, and corresponding national data reporting requirements;
- illustrate the international classifications and methodologies used to compile data for Indicator 2.a.1;
- describe the structure of the GEA questionnaire and the relationship with the International Monetary Fund (IMF) questionnaire on Government Finance Statistics.

### Introduction

This lesson provides an overview of the international statistical methodologies and classification systems that countries should use in producing national data to report on Indicator 2.a.1.

It also offers an in-depth analysis of the FAO questionnaire on Government Expenditure on Agriculture (GEA), which is the main tool for collecting national data used for compiling SDG Indicator 2.a.1.

### Data collection for Indicator 2.a.1

The FAO data collection process for Indicator 2.a.1., can be summarized in 6 steps:

#### 📁 Step 1 - GEA questionnaire dispatch

FAO's Statistics Division **dispatches the GEA questionnaire globally to countries** in May each year, together with other key agriculture questionnaires in a harmonized mailout.

Agencies responsible for government expenditure on agriculture receive the GEA questionnaire. The responsible agency may be a Ministry of Finance or other central planning agency, the National Statistics Office (NSO), the Central Bank or the Ministry of Agriculture.

The Chief Statistician or Director General of the NSO also receives the GEA questionnaire, in order to facilitate the NSO's role in coordinating official statistics for that particular country.

### 🔗 Step 2 - Countries compile expenditure data and complete the GEA questionnaire

National officials are requested to submit the completed GEA questionnaire by the end of June.

In order to perform the task, respondents need to identify the **government programmes related to the agriculture sector**, and access, classify and compile the main aggregates and the detailed activities to derive GEA **expenditure data**.

While the GEA questionnaire requests data on both current and capital outlays pertaining to agriculture, forestry and fisheries, for Indicator 2.a.1 only a subset of data included in the GEA questionnaire is referenced: Total Expenditure (code 7) and the aggregate figure of Agriculture (code 7042).

In deriving "expenditure", reporting countries are asked to refer to the IMF's *Government Finance Statistics Manual 2014 (GFSM 2014)* methodology. Specifically, government expenditure on agriculture refers to the Classification of the Functions of Government (COFOG). In this regard, it is important to remember that in In GFS, COFOG is applied only to expenditure, comprising expense and the net investment in nonfinancial assets. Transactions in financial assets and liabilities, such as loans, are excluded when compiling COFOG data for GFS reporting purposes.

Once completed, respondents submit the GEA questionnaire to the Statistics Division of FAO.

*The Statistics Division of FAO:*

### 🔗 Step 3 - data capture, validation, processing and compilation of Indicator 2.a.1 numerator

When FAO receives the completed questionnaires, it proceeds to the questionnaire review.

If a country does not respond to or submit a complete questionnaire, **missing information may be supplemented from alternative official sources**, such as the IMF GFS database or countries' official publications (i.e., Statistical Yearbook, National Bureau of Statistics data portal, Ministry of Finance website etc.). Then, FAO captures, validates and processes the data received. The validation includes:

- ✓ internal validation - comparing new data with that of previous years, inter-country comparisons, and trend analysis;
- ✓ external validation - comparing new data with other sources, such as the IMF GFS database, countries' official publications, and economic phenomena that may explain GEA trends, such as Gross Domestic Product (GDP) growth and agriculture price and production shocks.

In cases of inconsistencies, outliers (unusual observations) or suspected errors, FAO may contact the respondent to validate reported data. The data processing continues with:

- conversion of expenditure data reported in domestic currency units to US dollars, in order to enable international comparisons;
- compilation of various statistics, including the numerator – the agriculture share of government expenditure - of Indicator 2.a.1.

#### 🔗 Step 4 - Compilation of Indicator 2.a.1 denominator

FAO compiles the denominator, which measures the agriculture sector's share of GDP, on the base of the **UN Statistics Division's National Accounts Estimates of Main Aggregates** database. Each spring, FAO downloads and re-publishes data on **agriculture value-added and GDP** under the [FAOSTAT domain of Macro Indicators](http://www.fao.org/faostat/en/#data/MK), [www.fao.org/faostat/en/#data/MK](http://www.fao.org/faostat/en/#data/MK) which provides key country-level **macro-economic indicators** relating to the total economy; Agriculture; Manufacturing; and Manufacturing of food, beverage and tobacco products.

#### Step 5 - FAOSTAT & media release

By October of each year, FAO publishes in [FAOSTAT www.fao.org/faostat/en/#data/IG](http://www.fao.org/faostat/en/#data/IG) - its key agriculture statistics database - the statistics compiled from the GEA questionnaire, including SDG Indicator 2.a.1. FAO also publishes a media release on the [Statistics Division \(ESS\) webpage](http://www.fao.org/economic/ess/investment/expenditure/en/), [www.fao.org/economic/ess/investment/expenditure/en/](http://www.fao.org/economic/ess/investment/expenditure/en/) which provides a summary of trends revealed in the GEA data, and an analysis of the data and Indicator 2.a.1 at global, regional and national level.

#### Step 6 - Data submission for the global SDG report

FAO also contributes to the annual SDG report. It provides time series for Indicator 2.a.1 and its two components - the agriculture share of government expenditure and the agriculture share of GDP - at global, regional and national levels.

## International methodologies and statistical classifications for

### Indicator 2.a.1

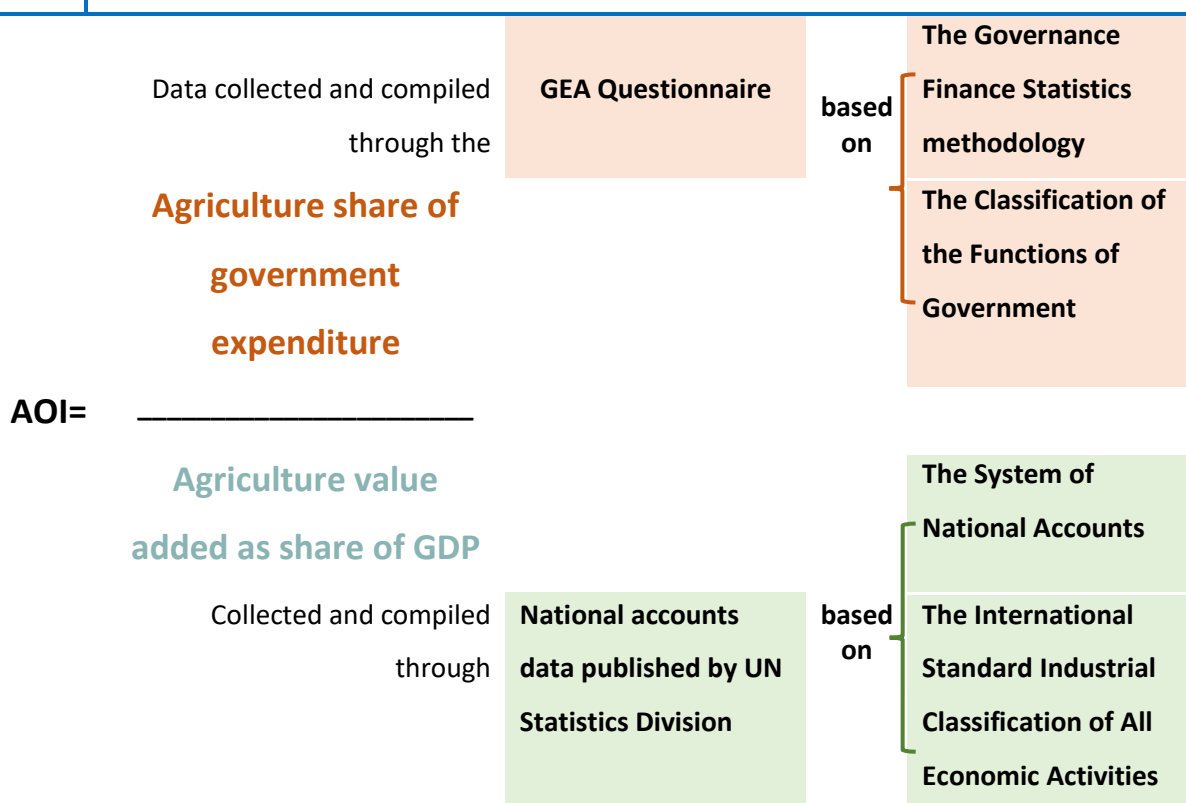
The **data** provided from countries to compile Indicator 2.a.1 are **based on international statistical methodologies and classifications**. This is essential to ensure the ability to compare data **across countries** and **over time**.



### International statistical methodologies and classifications

The basic definitions, concepts and classifications employed by international statistical methodologies reflect **principles that should be universally valid**, regardless of the circumstances in which they are applied. At the same time, they should provide sufficient flexibility for adaption to national circumstances.

Development of international statistical methodologies and classifications are led and coordinated by lead international organizations with inputs from countries and experts in the field. This ensures broad review and advice by data collectors, compilers and users, enabling feasibility, relevance, efficiency and coordination, while reducing duplication and burden on countries.



### The Governance Finance Statistics Methodology

The Government Finance Statistics (GFS) methodology is **an accounting framework** developed by the IMF to provide guidelines **for the compilation of statistics on the general government or, more broadly, the public sector of the economy**. The GFS framework is applicable to all types of economies and its implementation ensures **globally comparable statistics on government finance**, including government expenditure, which may be classified by either an economic classification or a functional classification.

The GFSM 2014 provides the latest methodology and guidelines. Key components covered by the GFS include: government **expense, transactions (and stock positions) in assets and liabilities**, as well as **revenues**. The GFS conceptual framework is used to compile data on **government expenditure**.

Government expenditure = expense + net investment in non-financial assets.

Understanding what this means requires an understanding of what comprises expense and transactions in assets (used to calculate the net investment in non-financial assets) and the ability to differentiate these from revenue and transactions in liabilities. This is particularly important for countries that compile fiscal accounts based on the GFSM 1986 or a national format not aligned with the *GFSM 2014* or its predecessor *GFSM 2001*.

**Government expenses** are those transactions that imply a decrease in the net worth. They include:

▶ payments of social benefits	▶ consumption of fixed capital
▶ purchases of goods and services	▶ interest paid on debt
▶ provision of subsidies and grants	▶ compensation of government employees (e.g. wages and salaries, social contributions by the government as an employer)

**Non-financial assets** are stores of value and provide benefits either through their use in the production of goods and services or in the form of income and holding gains. They are classified as:

- ▶ fixed assets (e.g. building and structures, machinery and equipment, weapons systems)
- ▶ inventories;
- ▶ valuables;
- ▶ non-produced assets (e.g. land, mineral and energy resources).

**Net investment in non-financial assets** = acquisition of financial assets – disposal of financial assets – **consumption of fixed capital**<sup>1</sup>.

Government finance statistics also collect information on government revenues. Although this data is not used to compile Indicator 2.a.1, it can help in the external validation of the indicator and underlying expenditure data. Government revenues cover revenues from all sources, including:

- ▶ taxes (e.g. taxes on income, property, international trade, goods and services, etc.), which form the largest part of most governments' revenues;

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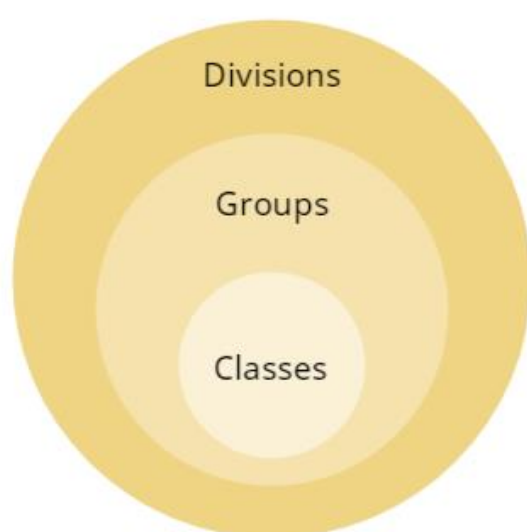
<sup>1</sup> **Consumption of fixed capital**- This is the decrease of the value of fixed assets due to their use in productive activities.

- ▶ grants or transfers (e.g. from foreign governments, multilateral organizations, and other levels of government);
- ▶ other revenues (e.g. property income, sales of goods and services, fines, penalties and fees).

Finally, the GFS methodology explains how to compile data across levels – national or federal, state or provincial, local or municipal – (i.e., subsectors) of the general government and how to account for transfers (grants) between levels of government to avoid double counting through a process known as consolidation. The GFS methodology also explains differences in the treatment of government agencies and ministries, called budgetary units; entities that may have their own revenue sources, which may be supplemented by grants (transfers) from the general budget or from other sources, called extra-budgetary units; and social security programmes run by governments that include contributions by individuals and employers, such as pension plans.

### The Classification of the Functions of Government (COFOG)

The GFSM 2014 uses the Classification of the Functions of Government (COFOG), developed by the Organisation for Economic Co-operation and Development (OECD) and published by UNSD. COFOG **categorizes governments' expenditure according to the socio-economic sectors in which they occur**. COFOG uses a **hierarchical three tier** scheme, consisting of **Divisions**, **Groups** (socio-economic sector) and **Classes** (subsector). It is consistent with the International Standard Industrial Classification of All Economic Activities (ISIC), Rev.4.



10 first-level, or two-digit, categories, referred to as **divisions**.

For example *Economic affairs* (04), *Environmental protection* (05), *Health* (07), *Social protection* (10).

Two or more three-digit **groups** within each division, which refer to a socio-economic sector. For example *Agriculture, Forestry, Fishing* (042), *Pollution abatement* (053), *Hospital services* (073), *Unemployment* (105).

One or more four-digit **classes** within each group.



For example *Agriculture (0421)*, *Forestry (0422)*,  
*Specialized hospital services (0732)*, *Medical and  
maternity centre services (0733)*.

While the COFOG as used in the GFSM 2014I 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, in compiling GFS, COFOG is applied only to expenditure: Government expenditure = expense + net investment in non-financial assets. This is particularly important to keep in mind for compilers of the GEA questionnaire in countries whose fiscal accounts are based on the *GFSM 1986* or a national format not aligned with the *GFSM 2014* or its predecessor *GFSM 2001*.

**Complete COFOG classification:** <https://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=4>

Application of the COFOG classification permits analysis of trends in government expenditure on particular functions or policy purposes over time. In addition, it is essential for making international comparisons since the classification system avoids problems associated with organizational changes in a single government as well as problems of organizational differences among countries. Conventional government accounts are not usually suitable for this purpose because they reflect the organizational structures of governments. Not only might time series be distorted by organizational changes, but at a specific time some organizations may be responsible for more than one function, and responsibility for one function might be divided among several organizations.

### The System of National Accounts (SNA)

The System of National Accounts is the international standard used to measure economic activity. The SNA is **used by governments to compile and report macroeconomic statistics**, in order to analyse the performance of an economy and help governments implement efficient tax and fiscal policies. The Institutional Sectors in the SNA include households, corporations (financial and non-financial), non-profit institutions, and the general government sector. Each institutional sector has its own international methodology and classification for compiling national macro-economic data.

This enables the SNA to provide key indicators such as GDP, the size of economic sectors (e.g. agriculture, as measured by its value-added to GDP and its gross output), and size of government. The most recent version of the SNA is SNA2008. The SNA is updated periodically to reflect major economic changes that arise from the growth of existing sectors, such as the service sector, or the

establishment of new types of businesses, such as internet-based retailers in the service sector. Countries establish their own timetable for adopting new versions of the SNA, depending on resources. GDP and Agriculture value added, often called Agriculture GDP, are critical for compiling the SDG 2.a.1 Indicator.

### The International Standard Industrial Classification of All Economic Activities (ISIC)

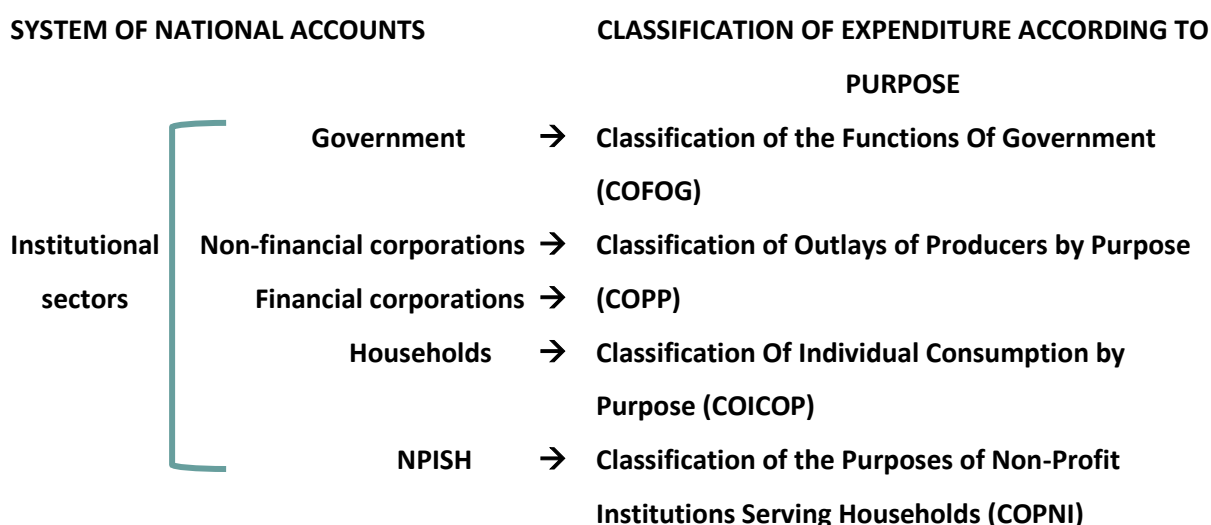
The International Standard Industrial Classification of all Economic Activities (ISIC) is the international **classification of economic sectors**, used by the System of National Accounts (SNA), as well as by the Classification of the Functions of Government (COFOG). ISIC classifies economic sectors, such as agriculture, forestry, fishing and hunting; manufacturing; communication; financial and insurance activities, etc. COFOG was developed to align with ISIC, since both are used to generate data to compile national accounts. However, COFOG includes social sectors relevant for government spending, such as social protection, which may not be relevant for private sector economic production. The categories included in ISIC - Revision 4 - are:

agriculture, forestry and fishing	mining and quarrying
manufacturing	electricity, gas, steam and air conditioning supply
construction	water supply; sewerage, waste management and remediation activities
wholesale and retail trade; repair of motor vehicles and motorcycles	transportation and storage
accommodation and food service activities	information and communication
financial and insurance activities	real estate activities
administrative and support service activities	professional, scientific and technical activities
public administration and defence	education
human health and social work activities	arts, entertainment and recreation
other service activities	compulsory social security
activities of extraterritorial organizations and bodies	activities of households as employers; undifferentiated goods - and services producing activities of households for own use.

### Relationship between key international statistical classifications and the SNA

The System of National Accounts aims to describe the **economic activity** (in monetary terms) of all units in a national economy. Units are grouped together into **institutional sectors** on the basis of

their principal functions, behaviour and objectives. The **Classifications of expenditure according to purpose** allows for classification of the expenditures or outlays of each of these institutional sectors.



**Classification of the Functions of Government (COFOG)** classifies expenditures of government by sector, such as agriculture, forestry fishing and hunting, etc.

The **Classification of Outlays of Producers by Purpose (COPP)** classifies expenditures of producers, such as agriculture, finance, construction, etc.

**The Classification of Individual Consumption by Purpose (COICOP)** classifies expenditures of individual and households, such as food, shelter, transport services, etc.

The **Classification of the Purposes of Non-Profit Institutions Serving Households (COPNI)** classifies expenditures of Non-profit Institutions serving Households (NPISH), such as hospital services, social protection services, cultural services, etc.

## The GEA questionnaire

Let's look at the AOI's numerator and the GEA questionnaire used for collecting government expenditure data.



*What is meant by expenditure?*

### Expenditure = Expenses

Those transactions that imply a decrease of the net worth

+

### Net investment in non-financial assets

Those transactions that affect the stock of non-financial assets without changing the net worth.

#### Example of acquisition of non-financial assets

If a government purchases a hospital, it is exchanging a financial asset (money) for a non-financial asset (hospital). Since this operation does not imply a change in the net worth, it is recorded as the acquisition of non financial assets.

The main purpose of the GEA questionnaire is to **compile globally comparable data on Government Expenditure on Agriculture and related categories** across countries and across time. It collects data on domestic public expenditure incurred in each of the previous 5 calendar years.

The **5-year time horizon** is used in order to allow for revisions or updates of previous year's data, such as updating provisional estimates, and allowing previous non-responding countries to share a time series of information. The GEA questionnaire compiles government expenditure grouped according to the COFOG categories.

### Why the GEA questionnaire looks at expenditure

The GEA questionnaire looks at expenditure rather than expense because it aims to review the sectors that receive contributions from government, so as to monitor how much governments spend on agriculture relative to other sectors. Remember that we use the term agriculture to include fishing and forestry. Expenses are classified according to the economic process involved (compensation of government employees, government subsidies and grants, etc.). Compiling the GEA questionnaire using expense would require the disaggregation of each transaction (either

expense or acquisition of non-financial assets) into the COFOG categories, which would be more demanding than classifying expenditures according to COFOG.

## The GEA questionnaire and the IMF questionnaire

*The GEA questionnaire is divided up into 10 worksheets:*

- ➡ **Cover**, where countries are asked to provide information about the national reporting office and the classification system of government expenditure used in the country.
- ➡ **Instructions** on how to complete the questionnaire.
- ➡ **Definitions** of the levels of government and COFOG categories for which data are collected.
- ➡ **Year's data tables**. The questionnaire has one worksheet for each of the 5 years included. Each worksheet includes:

**Table A:** where countries are asked to provide data on government expenditure on agriculture.

**Table C:** where countries are asked to specify the nature of the data provided (final, preliminary, forecast) and the accounting methodology used, if different from GFS.

- ➡ **Metadata**, where countries are asked to provide information regarding the collection and dissemination of the data required in order to improve the FAO data collection process, and to provide country definitions of expenditure categories, if different from COFOG.

- ➡ **Feedback**, where countries are requested to give information and provide suggestions to help FAO improve the questionnaire and/or reduce response burden.

### Structure of Table A

Let's look in detail at the structure of **Table A**, in which countries are asked to report data on expenditure regarding the listed COFOG categories of government functions in all the government sectors.

Table A compiles data on three main categories and related subcategories:

- ▶ Total expenditure, also referred to as **Total outlays**.
- ▶ Aggregated expenditure on economic sectors, referred to as **Economic affairs**, as well as expenditure on the agriculture sector.
- ▶ Expenditure on **Environmental protection**.

TABLE A: Government expenditure on agriculture and related functions		General Government									Memorandum: Central Government (Including Social Security Funds of central government)
		Central Government (excluding social security funds)				Social Security Funds	State Governments	Local Governments	Consolidation Column	General Government <sup>3</sup>	
		Budgetary Central Government	Extrabudgetary Units	Consolidation Column	Central Government <sup>2</sup>						
Functional classification <sup>2</sup>		(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										
7046	R&D Economic Affairs										
70462	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										
721	Other, please specify:										

List of COFOG categories of government function

For each subcategory, Table A requests the disaggregation of recurrent and capital expenditure.

TABLE A: Government expenditure on agriculture and related functions	
Functional classification <sup>2</sup>	
7	EXPENDITURE (TOTAL OUTLAYS)
704	Economic Affairs
7042	Agriculture, forestry, fishing, and hunting
	→ Recurrent
	→ Capital
70421	Agriculture (crops and animal husbandry)
	→ Recurrent
	→ Capital

► **Capital** expenditure refers to **net investment in non-financial assets**, as defined in the GFS methodology. In particular, it includes those transaction related to the acquisition of non-financial assets such as fixed assets, inventories, valuables, and non-produced assets. It is important to remember that in In GFS, **COFOG is applied only to expenditure**, comprising expense and the net investment in nonfinancial assets. **Transactions in financial assets and liabilities, such as loans, are excluded** when compiling COFOG data for GFS reporting purposes.

► **Recurrent** expenditure refers to **expense** as defined in the GFS methodology. It includes, for example, expenses incurred in activities that result in the provision of goods or services to

the public **on a nonmarket basis**, or that redistribute income and wealth by means of transfer payments, including to individuals, households, and other levels of government.

*Which government sectors are considered in Table A?*

**Central Government**, also referred to as federal government.

**State Government**, also known as provincial or district government.

**Local Government**, also known as municipal government.

**Social Security Funds**.

Combined, all sectors of government are called the **General Government**.

In 2018, Table A of the GEA questionnaire was updated in order to align with the latest version of the IMF GFS Manual (GFSM 2014). The revision regarded the role of **Social Security Funds**, previously treated as a subsector of the Central Government, now as a separate subsector of the General Government.

*Levels of government*

General Government									Memorandum: Central Government (Including Social Security Funds of central government)
Central Government (excluding social security funds)				Social Security Funds	State Governments	Local Governments	Consolidation Column	General Government <sup>2</sup>	
Budgetary Central Government	Extrabudgetary Units	Consolidation Column	Central Government <sup>2</sup>						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

The **Budgetary Central Government** lists all Central Government **entities covered by the official budget**. 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.

The **Extra-budgetary Central Government** includes 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, separate banking and institutional arrangements and separate governance structures. Their own-revenue sources may be supplemented by grants (transfers) from the Budgetary Central Government or from other sources.



The **Consolidation<sup>2</sup> Column** of the Central Government **eliminates the double counting of intra-governmental transfers** that occur between Budgetary Central Government and Extra-budgetary. An example can be a transfer from a budgetary unit that contributes to an extra-budgetary unit.

The **Social Security Funds** include the units of the Central, State or 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.

**State Government** consists of **institutional units** exercising some functions of government **at a level below that of Central Government**. It includes all state, regional or provincial governments in a country. A state, a province, or region is the largest geographical area into which a 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.

**Local Government** consists of institutional units whose legislative, judicial, and executive **authority is restricted to the smallest geographic areas** distinguished for administrative and political purposes. The scope of a local government's authority is generally much smaller than that of 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).

The **Consolidation Column** of General Government **eliminates the double counting of expenditures by General Government subsectors** (Central, State and Local Government and Social Security Funds) that arise through intergovernmental transfers. An example is the transfer of funds from central government to its state governments, subsequently used for the building of rural roads.

## The GEA questionnaire and the IMF questionnaire

The GEA questionnaire **was developed by FAO in collaboration with the IMF**. The IMF is the responsible institution for the global compilation of annual data on Government Finance Statistics (GFS), which countries report through the GFS questionnaire.

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<sup>2</sup> **Consolidation** This is a method of presenting statistics for a set of units (or entities) as if they constituted a single unit. Consolidation is designed to ensure that there is no double counting of expenditure, as it entails the elimination of all intra-governmental flows within a level of government, as well as intergovernmental flows between levels of government within a country, and debtor-creditor relationships among the units or entities that are combined.



**Table A** of the GEA questionnaire was developed **along the lines of Table 7** – "Expenditure by Function of Government (COFOG)" – of the IMF GFS questionnaire, in order to reduce response burden on countries and **ensure consistency between the data** in the two sets of questionnaires. As a result of the collaboration between the two institutions, FAO can supplement data for non-respondents countries or incomplete GEA questionnaires with data reported to the IMF and published in the Government Finance Statistics database

Let's examine the common elements and differences between Table A of the GEA questionnaire and Table 7 of the IMF questionnaire.

Table A replicates the relevant aggregates of Table 7, and drills down to request additional detail related to the agriculture and environmental protection sectors. The diagram to the right shows the COFOG categories in common between Table A and Table 7.

**Table 7 of the IMF questionnaire (partial)**

<b>7</b>	<b>EXPENDITURE [=2M]</b>
<b>701</b>	<b>General public services</b>
<b>704</b>	<b>Economic affairs</b>
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 not elsewhere classified
<b>705</b>	<b>Environmental protection</b>
7051	Waste management
7052	Waste water management
7053	Pollution abatement
7054	Protection of biodiversity and landscape
7055	R & D Environmental protection
7056	Environmental protection not elsewhere classified

**Table A of the GEA questionnaire (partial)**

<b>7</b>	<b>EXPENDITURE (TOTAL OUTLAYS)</b>
<b>704</b>	<b>Economic Affairs</b>
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
70482	R&D Agriculture, forestry, fishing, and hunting
<b>705</b>	<b>Environmental protection</b>
7054	Protection of Biodiversity and Landscape
	→ Recurrent
	→ Capital
7055	R&D Environmental Protection
	→ Recurrent
	→ Capital
7z1	Other, please specify:
7z2	Other, please specify:

While Table 7 includes only two and three-digit categories (divisions and groups), Table A goes more in detail, including four-digit categories (classes) related to the agriculture sector.

**Table 7 of the IMF questionnaire (partial)**

<b>Division</b>	<b>704</b>	<b>Economic affairs</b>
	7041	General economic, commercial, and labor affairs
<b>Groups</b>	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 not elsewhere classified

**Table A of the GEA questionnaire (partial)**

	7	EXPENDITURE (TOTAL OUTLAYS)
Division	704	Economic Affairs
Groups	7042	Agriculture, forestry, fishing, and hunting
		→ Recurrent
		→ Capital
Classes	70421	Agriculture (crops and animal husbandry)
		→ Recurrent
		→ Capital
	70422	Forestry
		→ Recurrent
		→ Capital
	70423	Fishing and hunting
		→ Recurrent

## How the AOI's numerator is compiled

Let's see how the data collected through the GEA questionnaire are used to calculate the numerator of SDG Indicator 2.a.1.

Remember that the numerator is calculated through the following ratio:

$$\text{Agriculture share of central government expenditure} = \frac{\text{Central government expenditure on agriculture}}{\text{Total central government expenditure}}$$

TABLE A: Government expenditure on agriculture and related functions		General Government				
		Central Government (excluding social security funds)				Social Security Funds
		Budgetary Central Government	Extrabudgetary Units	Consolidation Column	Central Government <sup>1</sup>	
Functional classification <sup>2</sup>		(1)	(2)	(3)	(4)	(5)
7	EXPENDITURE (TOTAL OUTLAYS)					
704	Economic Affairs					
7042	Agriculture, forestry, fishing, and hunting					
	→ Recurrent					
	→ Capital					
70421	Agriculture (crops and animal husbandry)					
	→ Recurrent					
	→ Capital					

The ratio's denominator corresponds to code 7 (Expenditure) of the Central Government column.

The ratio's numerator corresponds to code 7042 (Agriculture, Forestry and Fishing) of the Central Government column.

SDG Indicator 2.a.1 focuses on Central Government expenditure because many countries face challenges in compiling expenditure across all levels of government given the number of governments involved, as well as legal and institutional challenges in data sharing and exchange and ensuring comparability in measurement. This requires caution in comparing Indicator 2.a.1 between countries that have different degrees of centralization and decentralization in their government expenditures on agriculture.

## Summary

The reporting process for SDG Indicator 2.a.1 can be summarized in 6 steps.

The data provided by countries to compile the Indicator 2.a.1 are based on international statistical methodologies and classification systems, and are collected through the questionnaire on Government Expenditure on Agriculture (GEA). FAO developed the GEA questionnaire in collaboration with the IMF, responsible for the global compilation of annual data on Government Finance Statistics (GFS) through another questionnaire.

Table A of the GEA questionnaire was developed along the lines of Table 7 - "Expenditure by Function of Government COFOG)" - of the IMF GFS questionnaire, in order to reduce response burden on countries and ensure consistency between the data in the two sets of questionnaires.

As a result of the collaboration, FAO can supplement data for non-respondent countries or incomplete GEA questionnaires with data reported to the IMF and published in the Government Finance Statistics database.