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What real interest in the assessment of the quality and the efficiency of agricultural investment between COFOG and COFOG revised methodology? Case of Togo from 2011 to 2013

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ABSTRACT

A guidance note to lead countries on the public expenditure analysis in the agriculture sector has been formulated in order to reach the target of 10% of the share of national budget to agriculture, expressed firmly at Maputo, in 2003. The ambiguousness in the methodologic guidance carried a lack of precision in the estimations of progress accomplished in the achievement of this target of 10%. Thus, agency of NEPAD and Africa Commission Union are engaged in a process to revised the guidance note, in partenership with others partner groups in order to reinforce the analysis and the following of the level and the quality of public expenditure in the Africa's countries. It is in that frame work that the main goal of this study permits to enhance comparative analysis of results from COFOG and COFOG revised methodology in the case of TOGO from 2011 to 2013. This permits to appreciate better the impact of both tools for monitoring the quality of agriculture expenditure which provides more indications on the assessment of the efficiency and efficacity of budgetary expenditure in agriculture sector, in accordance with the Malabo declaration in 2014 on the following the quality of agriculture expenditure. The analysis of agriculture public expenditure with COFOG methodology reveals that the share of public expenditure of agriculture sector in the total expenditure of State increased from 5,7% in 2011 to 6,6% in 2012 and 8,2% in 2013. With the guidance note in 2014 relative to COFOG revised the Maputo rate move to 7,3% in 2011 to 8,5% in 2012 and 9,3% in 2013. It appears that the inclusion of expenditure on service roads, expenses concerned out budgets and excluding debt service payments from the Guidance Note from a the methodology revised COFOG shows better performance in achievement of objectives 10% of the national budget to the agricultural sector. However, a reduction of weight of procedures of financial technical parteners at the level of differents projets in the implementation of National Agriculture Investment and Food Security (NAIFS) will improve more the absorption capacity of agriculture sector. Special attention must be given to the level of public expenditure coming from the official development assistance for the agriculture to better identify and measure their impact.

Keywords: COFOG, Investment, Agricultural

PAPER

1. Introduction

The primary sector namely agriculture is at the heart of economic and social development and national development strategies are built taking into account agriculture. Thus, Togo, several policies have been implemented and are contributing to a successful implementation of PNIASA. It is estimated that a thorough evaluation of agricultural and food security programs must precede any credible process of investment planning also making use of key analyzes, such as analysis and monitoring of agricultural public expenditure continued to inform and guide the implementation of the CAADP process. In the context of recovery of the agricultural development in Togo, to facilitate access to analyzes of the highest quality policies to manage the necessary knowledge in the formulation and implementation of its policies, with technical support IFPRI, and the financial ReSAKSS the International Fund for agricultural development (IFAD) since 2014 a strategic analysis tools is the review of public expenditure in the agricultural sector for the monitoring of agricultural expenditure, the measurement of efforts and progress respecting the Maputo commitment by the Government of TOGO in 2003.

Economic growth in Togo has continued to increase from 4.8% in 2011 to 5.4% in 2013 (GDP Committee, 2014). This macroeconomic performance remains one of the strongest economies in West Africa. This dynamic is drained by the agricultural sector with an average growth of 4.13% between 2011 and 2013. This result is explained by improved macroeconomic management but also by the bonds of investment in infrastructure, the revival agricultural development with emerging economies. Agricultural expenditure is one of the strategic decision-making aspects for the development of the agricultural sector, leading

in 2014, the leaders of Africa, at the summit in Malabo to reaffirm their commitment to respect the commitments made in Maputo, especially their commitments in the efficiency of the allocation of a minimum of 10% of public expenditure to agriculture. In this context, national macroeconomic performance will likely be affected by growth and accelerated transformation of agriculture for shared prosperity and better living conditions. The relationship between the analysis of agricultural expenditure according to the methodology of classification of the functions of public administrations (CFAP or COFOG), national development strategies and sector objectives have attracted increasing attention of technical and financial partners, academic researchers such the World Bank, the African development Bank, the United Nations development Programme, the French Cooperation (2006); Maurice Taondyandé, MbayeYade (2013); and others. To this end, there is a lot of research on the analysis of public spending on agricultural support and supply link with national development strategies. The study of the World Bank's Public Expenditure in the agricultural sector in Togo in 2012 found that although agricultural expenditure according to COFOG single methodology increased significantly from 2002 to 2010, they remain below the commitment Maputo. The similar study for Chad for the period 2003-2012 shows that agricultural expenditure represented 5.7% of total public expenditure; 4.1% of agricultural GDP and 1.1% of total GDP (World Bank, 2014). In 2013, the study of the World Bank for Senegal shows that agricultural growth recorded an average performance with a rate of 4.6% between 2005 and 2009. The agricultural sector is small increase its share Total public expenditure financed from own resources, from 9.8% to 10.9% between 2005 and 2009.

The area of monitoring and analysis of agricultural expenditure in Africa is composed of major initiatives which, although different, all have objectives related to the promotion of agricultural development, economic and social development in Africa. The procedure was defined by the African Union and the NEPAD vision has been realized through the results framework of CAADP. In this context, much of the attention of policy makers has been devoted to identify initiatives that verify whether the target of Maputo / Malabo 10 percent of total public spending on agriculture is reached. Thus, among the initiatives, a wide range of definitions and classification methods are used to calculate this indicator. The system of CFAP was regularly employed but with groups of categories CFAP inconsistent from one measurement to the other. In addition, as many African States do not use the CFAP, which also prompted many analysts to aggregate expenditures by specific categories into national accounting systems. However, the target of Maputo / Malabo 10 percent of total expenditure on agriculture is only a tool for achieving a set of development goals (eg CAADP 2003 and UA 2003, 2014). As stated in the Declaration of Malabo 2014, these objectives include the improvement of investment in agriculture, accelerating agricultural growth and agricultural productivity, poverty reduction, mitigating the impact of climate change and mutual accountability. Therefore, the level of agricultural expenditure should be taken into account by policy makers and practitioners of agricultural public spending and development stakeholders, in combination with the quality and composition of expenditure and the ability to analyze their impact [1]. To this end, the United Nations highlight the availability of data, along with the statistical and analytical capacities as one of the main driving forces for the political decisions to support the Millennium Development Goals (UN, 2014 p. 6-7). In the scientific literature on agricultural expenditure, that "national governments, particularly in sub-Saharan Africa, have limited budgets and are forced to make difficult funding decisions concerning the provision of social services and support agricultural programs "(Allen et al., 2012, p. vi) is regularly reported, pointing here and there the importance of knowledge systems that can effectively guide policy. The study by the Food and Agriculture Organization of the United Nation (FAO) on the comparative reviews and analysis on "monitoring initiatives and analysis of agricultural expenditure in Africa," it appears that there no single way to monitor and analyze agricultural expenditure, and that policy makers need to consider the contribution of each initiative to the overall objectives of CAADP. Some initiatives focus on building capacity and production analysis on specific policies at the national level while others provide expertise to improve public financial management systems, or publish aggregated benchmarks on spending agricultural public regional or global level. Thus, there are limits to the possibilities of harmonization of monitoring and analysis initiatives in agricultural expenditure. Although agreeing on a common definition of agriculture is certainly possible for a number of initiatives, it would be only part of the solution to improve monitoring and analysis of agricultural expenditure in Africa. In fact, all monitoring initiatives and analysis of agricultural expenditure in Africa are experiencing considerable difficulties in obtaining reliable, updatable data and classifiable under a system like the CFAP. Standards and definitions are shared, of course, necessary.

Thus the aim is to provide clear guidelines and common to the Member States of the African Union (AU), in monitoring public expenditure in agriculture and increase the effectiveness of budget management in the agricultural sector.

[1] It is widely accepted that the establishment of monitoring and analysis of reliable and sustainable national agricultural systems of public spending is essential to support the development of the agriculture sector through the formulation of policies based on reliable information. For example, the African Union sees the planning based on reliable information as a fundamental strategy for the implementation of the CAADP (CAADP 2010).

This is facilitated monitoring the country's levels and the AU on the share of public expenditure in agriculture compared to total public expenditure in order to establish the status of progress made by countries concerning target of 10% and strengthen the investment based on the evidence and the political justification for levels of appropriate expenditure and the efficiency and effectiveness of agricultural expenditure in order to assess the quality of public expenditure in the agriculture to enhance the value for money. Thus these principles address some key methodological issues on common accounting standards, agriculture defining the functions of government classifications, the distribution of spending in other sectors, as well as consistency and the harmonization of data on the numerator and denominator in estimating the ratio of Maputo. The framework for monitoring the quality of agricultural expenditure implementation provides guidance on assessing the efficiency and effectiveness of budget spending in agriculture, under the terms of the Declaration of Malabo on monitoring the quality of agricultural expenditure. Thus, CAADP continues to provide an agreed framework to promote and support agricultural development in Africa. Thus, the status of implementation of commitments and emerging issues show that since the Maputo Declaration (2003), progress has been made by African countries towards an expenditure in the sector farm of at least 10% of total budget allocations. The experience gained from the implementation and emerging issues related to the target of 10% of expenditures allowed to draw policy lessons. It is in this context to better understand all the contours of the study on "What real interest in evaluating the quality and effectiveness of agricultural investments between simple COFOG methodology and revised COFOG? Case of Togo 2011 to 2013. "It is important to provide some answers to these different questions: between 2011 and 2013, what is the behavior and evolution of government expenditure in the agricultural sector by between single COFOG methodology and the revised COFOG? What is the comparative evolution of the ratio of Maputo by the two approaches? The rest of this article is as follows. Section 2 presents the methodological approach to analysis of agricultural expenditure by COFOG single and revised COFOG NEPAD and the African Union. Here we define the approach of estimation of agricultural expenditure and expenditure of the state in the country, the ratio of Maputo. In Section 3, we present the main results in the empirical application and presents summary statistics of our estimates of agricultural expenditure. Section 4 concludes.

2. Methodologicalreview

2.1. Definition of agriculture public expenditure

The roles of the AU, NEPAD and FAO in the establishment of a monitoring system for agricultural expenditure were asked to develop, pilot and implement a system to monitor compliance with this resolution. In order to introduce the monitoring system for agricultural expenditure, the AU member countries, a number of consultations were held and the first steps were taken. In 2004, FAO, as a specialized partner of the AU and NEPAD in agriculture, organized technical meetings with the participation of the World Bank, the International Monetary Fund (IMF), the African Development Bank (ADB) and NEPAD. It was agreed that the agriculture sector should be defined according to accepted standards internationally based on the Classification of Functions of Government (COFOG), revised by the United Nations in 1989, and incorporated in the IMF Manual Statistics of Finance of the State (GFS) for 2001. However, it was recognized that some exceptions, African governments do not use the COFOG in their budget classification structure, which implies a dimension and a unified definition of the agricultural sector does not exist in the budget and thus, in all countries accounting systems, and a reliable exercise requires the incorporation of such a classification in the budgets of member countries [2].

2.2. Simple COFOG methodology from United Nation, Africa Union

In the calculation and monitoring of agricultural expenditure is recognized as expenses indicator of 10 percent of total government expenditure in agriculture aims to establish a base platform for agricultural expenditure both in terms of absolute amounts as a percentage of total government expenditure, and monitor their movements on time. Actual expenditures (not budget) are subject to the expenditure tracking system. The definition of COFOG is maintained and confirmed again that a broader definition based on COFOG, as previously proposed by the AU member countries in April 2005, and will be used to determine the agricultural sector and spending it covers.

[2] Although considered the ultimate solution, it is allowed the replacement of existing budget classifications by the COFOG system in member countries of the AU require substantial resources and time. Since the introduction of the COFOG system should cover all ministries and public offices, it should change the structure of the allocation and the general accounting plan of the State, and therefore the budget code system and accounts public. The note will be a tool facilitating and unifying the country reports in the calculation of the share of agricultural spending in total government expenditure.

Data collection must be from more than one department. In many countries, data on the agricultural sector starting from the COFOG are budgeted and accounted for on behalf of more than one department or organization. The Ministries of Finance should be actively involved in this exercise with the cooperation of the ministries concerned [3]. In addition, if a university or research center performs work related to agriculture, they should also be included in the agricultural sector. Finally, the multi-sector projects if a mega - project has multisectoral objectives, including irrigation for agricultural purposes, expenses must be included in the agricultural sector if 70 percent or more of the project costs are related to agriculture. Otherwise, they must be included in the sectors responsible for the supply of water or energy, which poses no problem in this exercise.

2.2.1. Estimation of agriculture public expenditure

Let $i, j, k, n, m \in \mathbb{N}$; $i \in \{1, \ldots, n\}$; $j \in \{1, \ldots, m\}$;

M_{ji} = Ministry Spending i involved in agriculture for j;

M_{ji}^{I} = Sectorial expenditure i on internal resources for the year j;

M_{ji}^{E} = Sectorial expenditure i on external resources for the year j;

H_{jk} = Expenditure outside the budget partner k agriculture for the year j;

N_j = Agricultural expenditure for the year j;

$$(1) M_i = M_i^I + M_i^E$$

$$(2) N_j = \sum_{i=1}^{i=n} M_{ji} + \sum_{k=1}^{k=m} H_{jk} = \sum_{i=1}^{i=n} \left(M_{ji}^I + M_{ji}^E\right) + \sum_{k=1}^{k=m} H_{jk}$$

2.2.2. Estimation of total state spending in the country

I_j^I = Capital expenditure for the year j on internal resource;

I_j^E = Capital expenditure for the year j on external resource;

T_j = Transfer expenditures of the year j;

F_j = Operating Expenses of the year j;

P_j = Personal spending the year j;

I_j^{EH} = Investment spending on external resources outside of the budget for year j;

D_j = Total state spending in the country for year j;

$$(3)\ D_j = I_j^I + I_j^E + T_j + F_j + P_j + I_j^{EH}$$

2.2.3. Estimation of Maputo ratio

Let year j,

$$(4)\ R_j = \frac{N_j}{D_j}$$

[3] It should be noted that agricultural education at the university level and the level of formal secondary education system under COFOG falls within the education sector, but the training of specialized and lower levels should be within each sector , namely agriculture. It should also be noted that rural development in the system of COFOG is not an independent sector butits operations are distributed among many other sectors, including health, education, transport, etc. Special attention should be given to this issue to include only activities related to agriculture of a Ministry of Rural Development. Similarly, it should be noted that in some countries, the ministries of public works or their equivalent who perform construction projects related to agriculture, should also be involved.

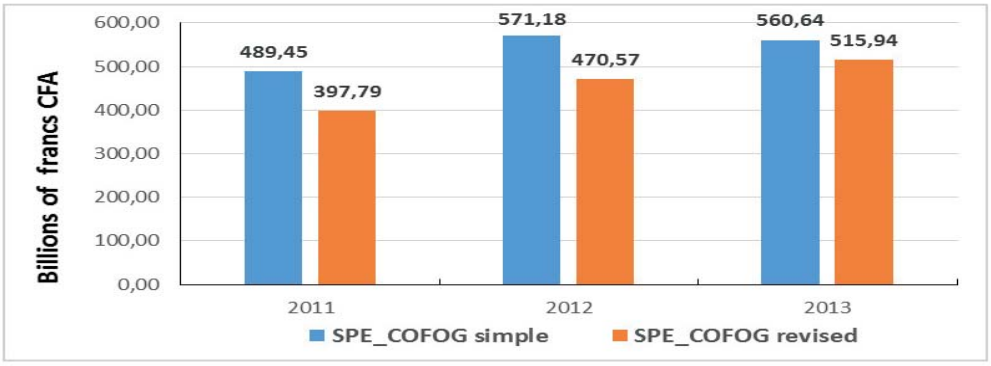
2.3.Méthodology of COFOG révised of NEPAD and African Union

The following guidelines are proposed for the identification, measurement and distribution of the most relevant components to be integrated in the estimated expenditure (numerator and denominator) according to the Guidance Note document of the African Union and NEPAD on the revised COFOG methodology. Indeed, it is with regard to the road serving the important indicator to consider is the proportion of inhabitants and beneficiaries residing in the sphere of influence of the road service for which agriculture is the main source of livelihood. Debt service payments are excluded, the debt service (payment by the state of the interests of its domestic and foreign borrowing) or annuities paid to the state budget are, in principle, of a statutory nature or discretionary spending say no, and states have no control over them. It is therefore proposed that no payment of debt service is included in the total expenditure for agriculture (DEA). For the purposes of this Guidance Note for expenditure outside the budget concerned, it is requested the inclusion of major expenses of Public Aid for outside speaker concerned budget development in the agricultural sector are identified and estimated for both the numerator (total amount of a multisectoral activity) as the denominator (total expenditure of the State). This integration is also consistent with the mutual accountability framework promoted in the CAADP maintenance program [4]. There is a growing demand for institutional accountability, as part of strategic key to improving the quality of expenditure for agriculture and its results as stated in the Declaration of Malabo.

3. Main results and implications

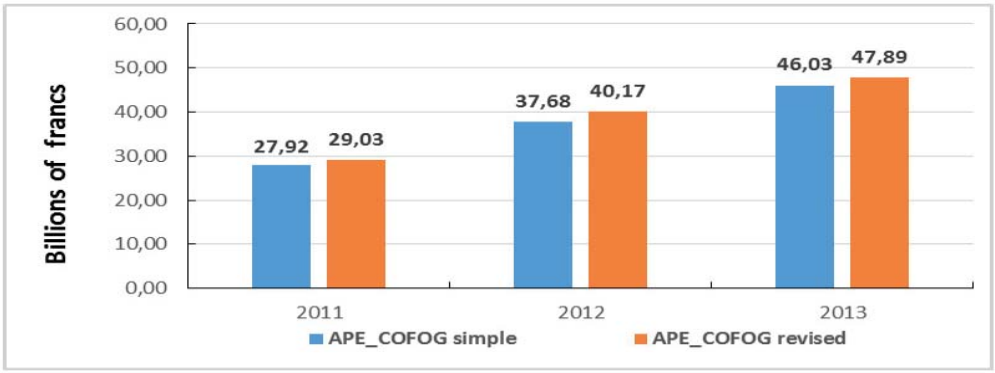
The analysis of the comparative evolution of the budgetary expenditure of the state in the country shows that the level of single COFOG expenditure according methodology is higher than that under the revised methodology COFOG in 2014 of the African Union and the NEPAD. Indeed, the level of state spending as easy COFOG respectively and revised COFOG was established in 2011 to 489.45 against 397.79 billion CFA francs; in 2012 to 571.18 against 470.57 billion CFA francs in 2013 to 560.64 against 515.94 billion CFA francs.

Figure 1 - Comparative evolution of budgetary expenditure in the country



The analysis of the comparative evolution of agricultural expenditure shows that the level of expenditures by COFOG methodology revised slightly higher than under the single COFOG methodology of the African Union and NEPAD. Indeed, the level of agricultural expenditure by COFOG single respectively and revised COFOG was established in 2011 to 27.9 against 29.03billion CFA francs; in 2012 to 37.68 against 40.17 billion CFA francs and in 2013 to 46.03 against 47.89 billion CFA francs.

Figure 2 - Comparative Evolution of agricultural expenditure



[4] In addition, it is important to ensure that the definition and measurement of the ratio of government spending in favor of agriculture and the total expenditure of the state in the country include appropriate adjustments to both numerator and denominator to avoid inconsistent and misleading estimates to contribute also to calculate robust and comparable expense ratios. The Maputo Declaration emphasized the level of expenditure. Recent years have seen an increasing demand from key stakeholders to promote and monitor the quality of expenditure on Agriculture (DEA), including its composition and adding value regardless of its level and its share total expenditures.

The synthesis of the analysis of the main macroeconomic and agricultural development indicators according to the two methodologies reveals differences. Note that the calculation of the agricultural public spending and government spending helped to establish the ratio of Maputo and the relevant ratios. These calculations allowed to turn to international comparisons: (i) on the strict basis of COFOG expenditure; and (ii) on the Maputo target and other targets.The analysis of the comparative evolution of the Maputo ratios shows that the level of the revised ratio according to COFOG methodology is above that falling within easy COFOG methodology of the African Union and NEPAD in the period. Indeed, the ratios of Maputo as single COFOG respectively and revised COFOG was established in 2011 to 5.7% against 7.30%; in 2012 to 6.6 against 8.5 in 2013 to 8.2 against 9.3 billion CFA francs. The index of Togo's agricultural orientation [5] between 2011 and 2013 according to the two methodologies shows disparities. On average over the period, the Agricultural Orientation Index (IOA) as the single COFOG methodology is estimated at 0.17 against 0.21 as the methodology revised COFOG.

Table 1 - Comparative analysis of the agricultural orientation index (IOA)

Rubrique	2011	2012	2013	Moyenne (2011-2013)
COFOG simple				
Ratio of Maputo (A)	5.7	6.6	8.2	6.83
Agriculture DGP (Billionsof francs CFA)	714.87	840.93	800.74	785.51
National DGP (Billions of francs CFA)	1772.58	1989.49	2064.86	1942.31
Agriculture DGP*100/National DGP (B)	40.33	42.27	38.78	40.46
IOA (A/B) simple	0.14	0.16	0.21	0.17
COFOG revised				
Ratio of Maputo (A)	7.30	8.54	9.28	8.37
Agriculture DGP (Billionsof francs CFA)	714.87	840.93	800.74	785.51
National DGP (Billions of francs CFA)	1772.58	1989.49	2064.86	1942.31
Agriculture DGP*100/National DGP (B)	40.33	42.27	38.78	40.46
IOA (A/B)revised	0.18	0.20	0.24	0.21

4. Conclusion

In the CAADP framework, the analysis of agricultural expenditure under the single COFOG methodology and revised COFOG shows that on average the ratio of Maputo between 2011 and 2013 is set at 6.84% to 8.34% against single COFOG revised COFOG. It appears that the inclusion of expenditure on service roads, expenses concerned out budgets and excluding debt service payments from the Guidance Note for the methodology revised COFOG shows better performance in achievement of objectives 10% of the national budget to the agricultural sector.

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[5] The agricultural orientation index is the ratio between the share of agricultural investment in public investment and the share of agriculture in GDP, lets see how government spending on agriculture reflect the importance of the sector in the economy. When the index is less than unity, then public spending in the sector are not up to what it brings to the economy. The higher the index, the higher the expenditure on agriculture are the share of agriculture in GDP.