



10 Percent National Budget Allocation to Agriculture Development

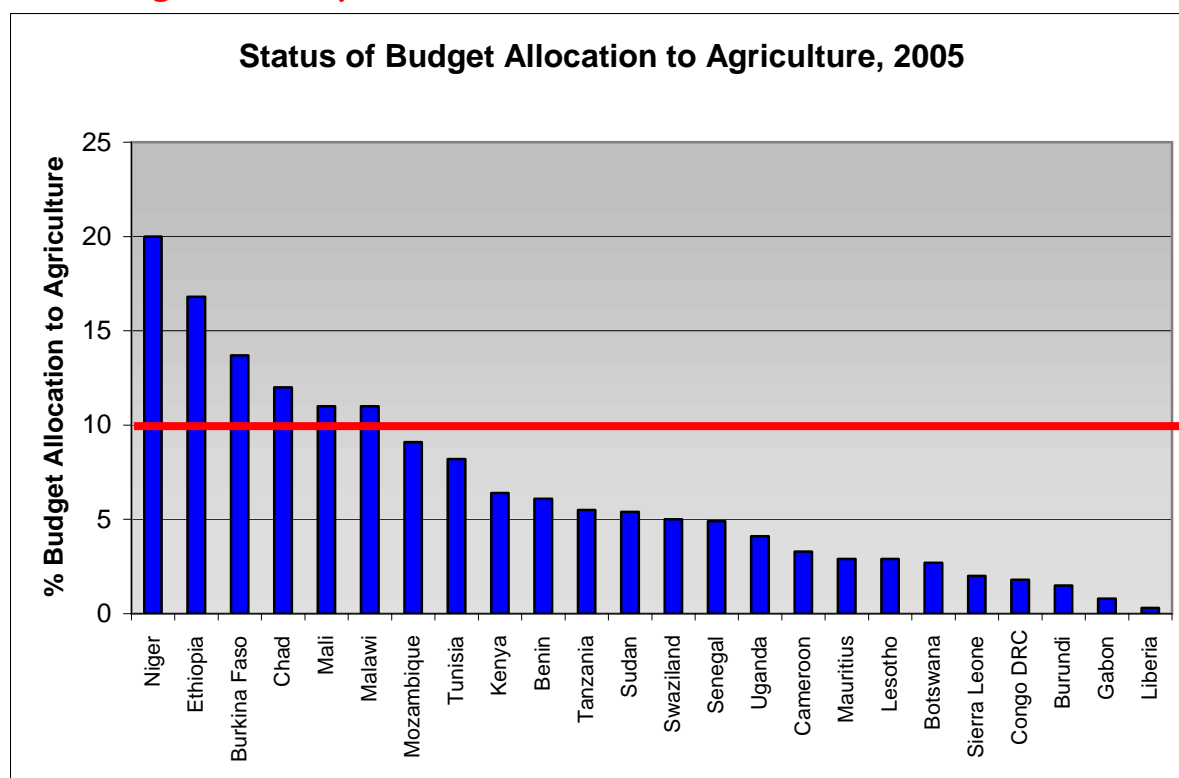
Maputo Declaration on Agriculture and Food Security:

At the Second Ordinary Assembly of the African Union in July 2003 in Maputo, African Heads of State and Government endorsed the “Maputo Declaration on Agriculture and Food Security in Africa” (Assembly/AU/Decl. 7(II)). The Declaration contained several important decisions regarding agriculture but prominent among them was the “*commitment to the allocation of at least 10 percent of national budgetary resources to agriculture and rural development policy implementation within five years*”.

Data for 24 countries shows that in 2005, six countries had achieved the target of allocating at least 10% of their national budgets to agriculture. These countries were: Niger (20%), Ethiopia (16.8%), Burkina Faso (13.7%), Chad (12%), Mali (11%) and Malawi (11%). The average for the 24 countries was 6.6%, the average (for 31 countries) in 2003 was 5.6%.

Fig. 1: Status of Budget Allocation to Agriculture, 2005

**6 countries above 10% Budget Allocation
Niger, Ethiopia, Burkina Faso, Chad, Mali and Malawi**



Source: FAO/AU

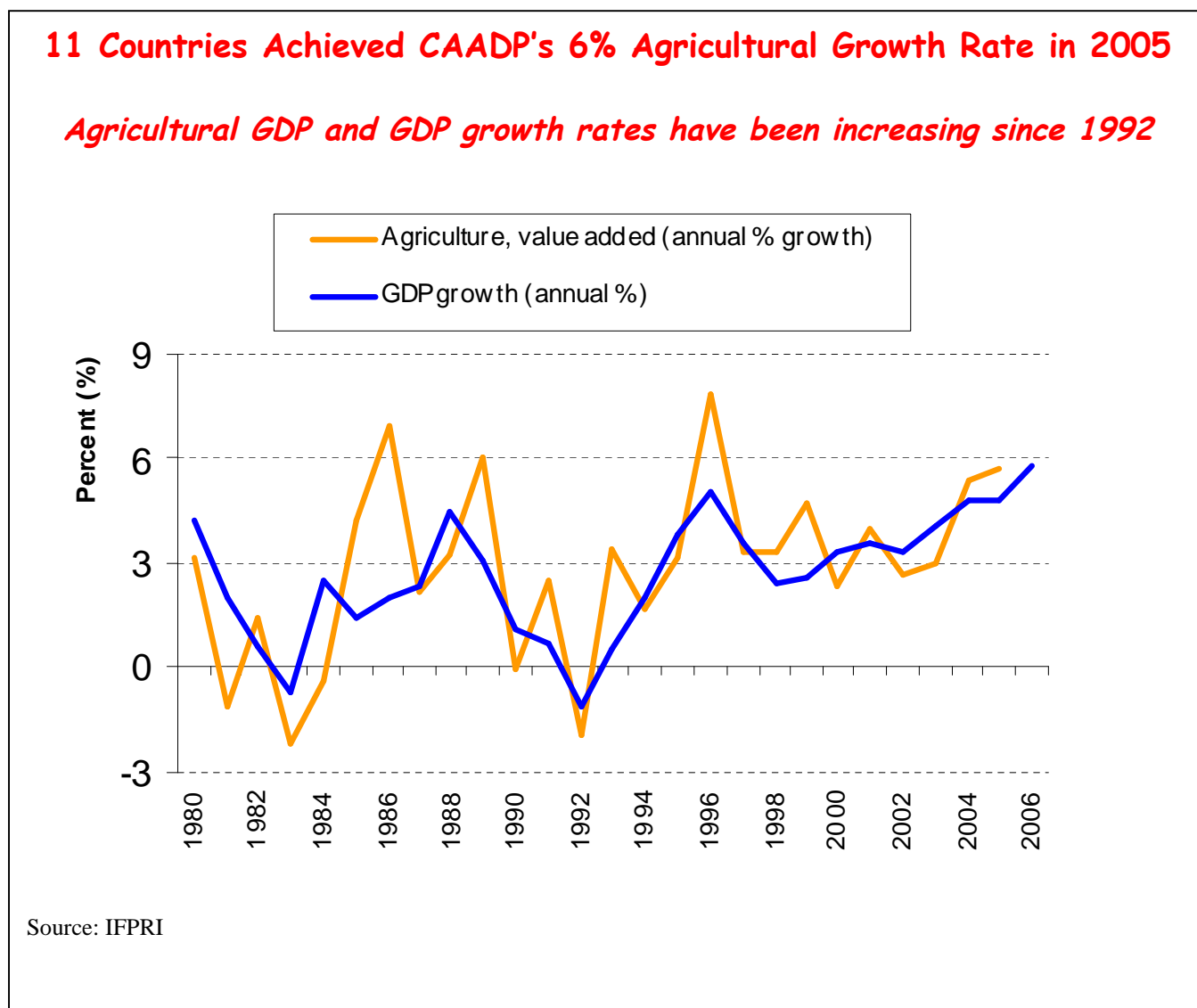
Definition of Agriculture Sector Relevant to the 10% Budget Allocation:

Due to the varying definitions of the “Agriculture Sector” the AU Commission and NEPAD embarked on defining the core areas of agriculture and rural development relevant to the 10 percent budget allocation so that the data could be comparable across countries and over time. After consultations with Member States and RECs, agreement was reached that the agriculture sector should be defined according to the internationally accepted standards based on the UN developed Classification of Functions of Government (COFOG) as used in the IMF’s Government Finance Statistics and (GFS) Manual (see page 4 for definition of the agriculture sector). The AUC/NEPAD developed a technical **Guidance Note** and a questionnaire to serve as a tool kit to facilitate and unify country reports in the calculation of the share of agriculture spending to total government expenditure.

CAADP Target of 6% Agricultural Growth

Another key target of CAADP is for African countries to achieve 6 percent agricultural growth up to 2015. The number of countries which have met or exceeded the 6% target growth rate of six percent has more than doubled between 2003 and 2005 from 5 to 11 countries. The countries that achieved or surpassed this target in 2005 were: Angola, Ethiopia, Eritrea, Nigeria, Mauritania, Mali, Senegal, Kenya, Chad, Guinea, and Congo DRC.

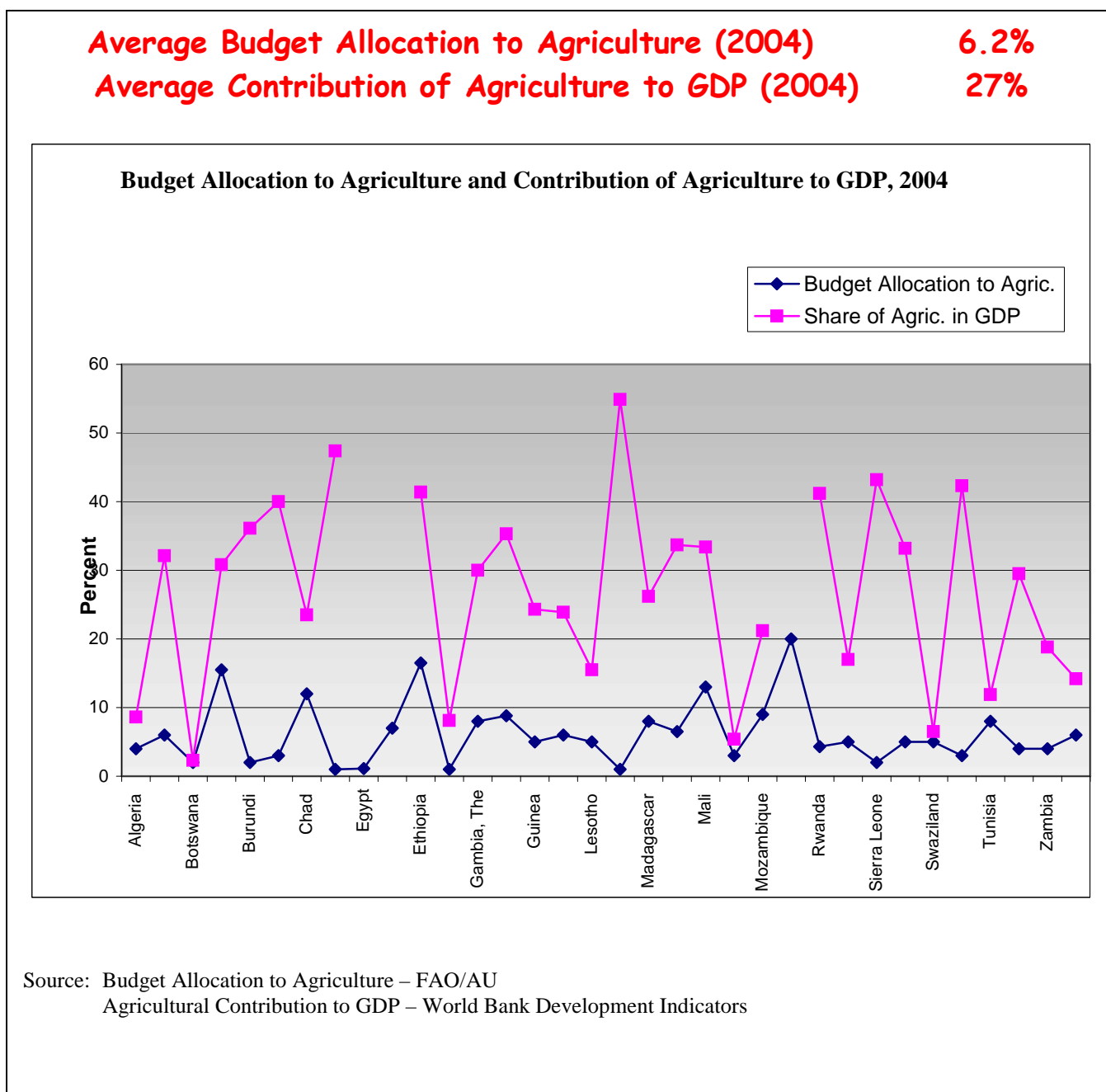
Figure 2: Progress Against CAADP’s Target of 6% Agricultural Growth, 2005.



Comparison of Budget Allocation to Agriculture and Contribution of Agriculture to GDP

One can see from the figure 3 below that on average, the contribution of agriculture to GDP far exceeds the share of government budget allocated to the agriculture sector. The average budget allocation to agriculture for the 34 countries in 2004 was 6.2 percent whereas the average contribution of agriculture to the GDP for the 34 countries in 2004 was 27 percent. These figures show a great disparity between allocation to a sector that contributes so much to the national GDP. This reconfirms the findings from various reports indicating that developed countries spend more than 20 percent on agricultural development while developing countries spend less than 10 percent. This is despite the fact that Agriculture is the largest sector in many developing countries in terms of its share in GDP, employment and exports. More importantly, most of the world's poor live in rural areas and depend on agriculture for their livelihoods. Therefore, agricultural expenditure is one of the most important government instruments for promoting economic growth and alleviating poverty in rural areas and countries.

Figure 3: Budget Allocation to Agriculture and Contribution of Agriculture to GDP (2004)



Definition of Agriculture Sector for the 10% Budget Calculation Based on the Classification of Functions of Government (COFOG)

Agriculture (Includes Crops and Livestock):

- Administration of agricultural affairs and services; conservation, reclamation or expansion of arable land; agrarian reform and land settlement; supervision and regulation of the agricultural industry;
- Construction or operation of flood control, irrigation and drainage systems, including grants, loans or subsidies for such works;
- Operation or support of programmes 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, loans or subsidies to farmers in connection with agricultural activities, including payments for restricting or encouraging output of a particular crop or for allowing land to remain uncultivated.
- Administration and operation of government agencies engaged in applied research and experimental development related to agriculture;
- Grants, loans or subsidies to support applied research and experimental development related to agriculture by research institutes and universities.

Forestry:

- Administration of forestry affairs and services; conservation, extension and rationalized exploitation of forest reserves; 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, loans, or subsidies to support commercial forest activities.
- Administration and operation of government agencies engaged in applied research and experimental development related to forestry;
- Grants, loans or subsidies to support applied research and experimental development related to forestry and undertaken by research institutes and universities.

Fishing:

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