

Measuring aid to agriculture and food security

Losing the plot?

There is a prevailing view that aid to agriculture has suffered a steep decline since the 1980s and is only now beginning to recover its share of total aid, following concerns over food price rises and volatility. While this is broadly true, the extent of the decline has been exaggerated by the limitations of the method used to classify aid to agriculture, and the recent recovery has been exaggerated by the merging of this type of aid with broader efforts to address food insecurity. There are two main causes of such statistical inaccuracies. First, the difficulty of capturing policy changes in the way in which donors support agriculture. Second, the difficulty of isolating the agricultural component in aid programmes, as illustrated by the L'Aquila Food Security Initiative.

This is not simply an arcane issue of aid statistics. Without clarity on what constitutes aid to agriculture, it is difficult to achieve improvements in accountability and transparency. And without clarity on the purposes of aid to this sector, it is difficult to establish both attribution and a framework to measure 'results'. Finally, statistical inconsistency makes it very difficult to align donor expenditure to domestic agricultural public expenditure processes and targets.

How is aid counted?

Analyses of aid flows typically draw on data and definitions from the Creditor Reporting System (CRS) of the OECD's Development Assistance Committee (DAC), the main global data source of official development assistance (ODA). DAC uses two statistical measures to track aid to agriculture. One measure, referred to here as AFF, aggregates agriculture, forestry and fishing as relevant 'production sectors' known as purpose codes.

A broader measure, labelled here as AFF+, adds programmes and projects that contribute to rural livelihoods and food security, such as those separately (purpose) coded as rural



The L'Aquila Food Security Initiative brings to light the difficulty of isolating the agricultural component in aid programmes.

development, development food aid and emergency food aid.

DAC's statistics report a decline (in constant prices) in ODA to both of these agricultural measures since the mid-1980s and throughout the 1990s. Aid to agriculture, measured as AFF, is reported to have fallen from an average of US\$10 billion in the 1980s to an average of US\$6 bn in the 1990s, having then stabilised at around US\$5 bn until the mid-2000s. The share of AFF in total ODA dropped from a record high of 20% in 1979 to a record low of 3.7% in 2006 (see Figure 1, overleaf).

The reversal of these trends is now widely proclaimed. According to DAC statistics, between 2006 and 2007, ODA to AFF rose in real terms by more than 30% and continued to grow. The pledges made at the 2009 G8 Summit as part of the L'Aquila Food Security Initiative (AFSI), in the aftermath of the 2007/08 food price crises, and a progress review on such commitments conducted in 2011 (G8, 2011), suggest that this upward trend is likely to continue in the coming years.

However, while these trends are broadly correct, the extent of the decline has been overstated as a result of the limitations in classifying

Key points

- Recent aid pledges to agriculture reveal flaws in the system for identifying and classifying such aid
- A purposeful measure of aid to agriculture is required to improve transparency and accountability
- The different policy objectives behind aid to agriculture need to be separated to help establish results-based aid

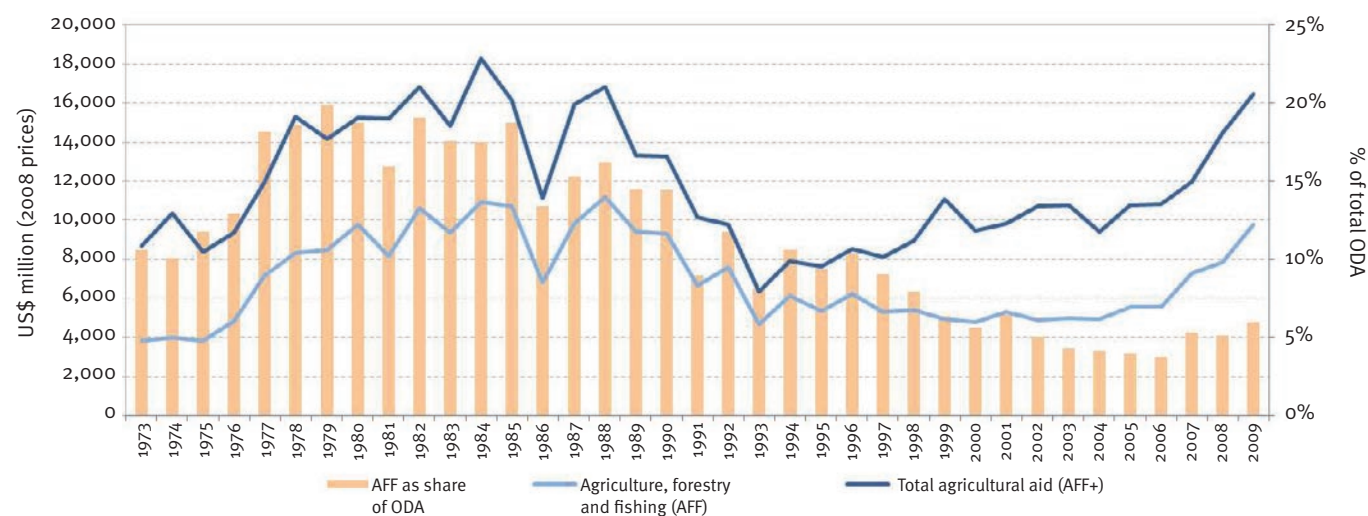
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Figure 1: Aid to agriculture, total and percentage of ODA



Source: OECD-DAC Creditor Reporting System.

aid to agriculture and in adjusting to the evolution of the sector and the policies that support it. The recent recovery is inflated by the blending of aid to agriculture with broader food security initiatives.

Failing to capture the reality of aid to agriculture

The agricultural sector has undergone significant changes over the years. The institutional setting and policy framework found today in most developing countries is very different from that of the 1970s, as is the nature and focus of development assistance.

Until the mid-1970s, aid to agriculture was concerned mainly with raising production and productivity levels through support to agricultural inputs and mechanisation, particularly irrigation. Into the 1980s, integrated rural development approaches became popular as a means to tackle underlying constraints in the rural economy (such as poor health and education and inequitable access to resources).

The generally poor response to these approaches, coupled with macroeconomic instability in much of the developing world, led to a change in approach. Structural adjustment programmes aimed to reduce the size of the state through privatisation, while removing market distortions such as trade barriers and internal price controls. For agriculture, the goal was to increase profits for rural producers targeting export markets through more favourable exchange rates. Towards the end of the 1990s, there was a perception that the limited supply response to liberalisation policies required a more explicit consideration of the underlying incentives to economic activity. In the agriculture sector, more aid started to flow to the business environment, value-chain development, financial market deepening and trade facilitation, rather than directly to agricultural production.

Recent decades have also seen a growing awareness and concern over the vulnerability of rural populations who depend on agriculture and the poorest urban consumers, particularly in the face of threatening climate instability. As a result, aid spending on relief and social protection started to rise significantly in the new millennium.

All of these trends, barring the growing focus on relief and social protection, may be seen either as a progressive shift away from agriculture or as a structural change to support the sector. In the latter view, structural adjustment can be viewed as a way to redress an urban bias in agricultural policies. Support to business development, trade facilitation and financial services can be interpreted as efforts to create an enabling environment for agricultural producers, and an alternative to direct production assistance that is difficult to sustain.

Conventional measures of aid to agriculture fail to capture these strategic shifts, reinforcing instead the interpretation of donor neglect. As a result, the definitions of agriculture and food aid used by the DAC exclude development assistance to areas of indirect, but arguably equally important, support to agriculture. This becomes clear by analysing DAC aid data for the International Fund for Agricultural Development (IFAD) (see Box 1, overleaf).

Lack of consistency in measurement of aid to agriculture

Donor agencies have different interpretations of what constitutes agriculture and what constitutes food aid, and these are covered by different accounting systems. The type of aid data generated by individual agencies is determined primarily by their own aid policy framework and their institutional structures to manage and deliver aid. The United States, for example, has three main channels to deliver agriculture

and food assistance: the US Agency for International Development, the Millennium Challenge Account and the US Department for Agriculture.

In addition, the way in which donors track their assistance is based on their own policy objectives or priority themes and is, therefore, agency specific. For example, Germany has developed its own rural development marker system and uses it to track AFSI pledges. In addition to the DAC purpose codes for aid to agriculture, this marker includes projects in areas as varied as energy, water supply, environmental protection, governance and civil society. The UK, on the other hand, includes in aid to agriculture a share of budgetary support in its domestic reporting, unlike the DAC which reports it as a single multi-sectoral spending category.

These donor differences in the scope of aid to the agriculture and food sector become clear in the tracking of AFSI commitments by the AFSI Group – the group of countries that signed the L'Aquila Joint Statement on supporting global food security at the 2009 G8 meeting. A list of spending categories has been defined to guide the tracking exercise, but a significant degree of flexibility is permitted. As a result, the use of individual spending categories varies across agencies and there is a residual category left open to individual donors' own specification. For some donors, this accounts for a relatively large proportion of funding.

There are also differences in the classification of individual projects among donors and in relation to the DAC, some of which result from attempts to address limitations in the DAC methodology (Box 2). Reconciling the various systems with those of the DAC is not straightforward and much is left to the interpretation of those responsible for reporting to the CRS, implying that some information may get lost in translation from the individual donors' systems to the DAC's CRS.

Why inconsistency matters

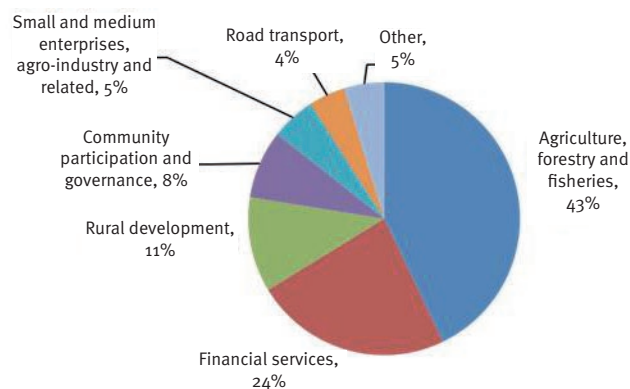
Data inconsistency may seem unimportant when set against the larger challenge of establishing whether aid is effective or not, but it is an important component of the broader effectiveness issue. The measurement of effectiveness, and 'results' in particular, depends upon establishing a link to both the purpose and expenditure of specific aid contributions. In the case of agriculture, the robustness of this link to results is already complicated by the wide range of factors that impact upon production and incomes. Where aid to agriculture is defined in a way that serves several different purposes (such as enhancing food security or improving rural livelihoods) the problem of attribution becomes unmanageable.

Consistency matters for efforts to align donor spending to domestic budget processes. Under the New Partnership for Africa's Development (NEPAD), for example, African governments have made a broad commitment to increase public expenditure

Box 1: Measuring IFAD assistance to agriculture and rural development

The International Fund for Agricultural Development (IFAD) is a specialised agency of the United Nations that focuses on agriculture and the rural poor. Yet the DAC definitions of aid to agriculture exclude a significant proportion of IFAD's funding. Between 2003 and 2009, 46% of IFAD's assistance was classified under Creditor Reporting System (CRS) codes outside the AFF+ measure. CRS purpose codes are reported to be difficult to reconcile with IFAD's internal coding system, with IFAD's assistance to value-chain development particularly hard to fit into the CRS classification, given its cross-sectoral nature. Support to financial services, which accounted for 24% of IFAD-funded programmes in 2003-09, is not counted under the CRS agriculture definition, despite its close links to agricultural economy, because the credit provided is not limited to farmers.

Composition of IFAD's assistance to agriculture and rural development, 2003-09



Source: Platform (2011).

Box 2: Methodologies to classify aid flow: DAC and its individual members

The methodology of the Development Assistance Committee (DAC) attributes project codes on the basis of the principal component of any given project. For example, if a project has a 60% financial services component and a 40% agricultural extension component, it will be classified as a financial services project in full. If the project has several different components cutting across several sectors, it may be classified as a multi-sectoral project. In contrast, the World Bank allows up to five sectors to be allocated to a multi-sectoral project under its internal tracking system. The UK, meanwhile, disaggregates each project in line with the proportion of its different components.

There are also significant differences in the treatment of budget support. The DAC records it as a separate code and is often criticised for having an ambiguous coding system that mixes sectoral (e.g. agriculture), thematic (e.g. rural development) and aid modality (e.g. budget support) codes. The UK, by contrast, splits budget support across sector codes based on an assumption of the amount to be spent on budget support per sector.

Source: Platform (2011).

on agriculture, with the expectation that this will be matched by similar donor increases. Yet without a common understanding of what constitutes agricultural expenditure, this 'compact' is difficult to track in an authoritative way.

Aligning donor expenditure to domestic agricultural budgets is already difficult because responsibility is often split between ministries (for example, research, irrigation, etc.). This is compounded where donors categorise their agricultural, food security and rural development spending in such broad terms that alignment with domestic budgets – and hence joint accountability for tracking impact – becomes unfeasible.



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Ways forward

Two major challenges emerge from this discussion. One relates to the coverage shortfall in the CRS and the failure to account for important changes in agricultural policy and aid flows. The other concerns the lack of cross-donor consistency in accounting for these flows and, therefore, the misleading nature of global pledges.

A recent study by the Overseas Development Institute for the Global Donor Platform (Platform, 2011) emphasises the need to:

- develop a more purposeful (and hence transparent) measure of agriculture and food security aid that reflects the current reality of agriculture and food security assistance.
- clarify the purposes of aid to agriculture for the meaningful measurement of results.

The study's measure of agriculture and food security aid addresses the first issue by incorporating the CRS purpose codes that are considered relevant to agricultural development and adds these to the DAC's AFF+ measure. The aim is to capture the policy trends identified above in aid flow terms, such as the move away from direct support to producers and selected commodities towards more indirect measures, particularly support for the design of incentive policies and market development.

The revised measure of aid to agriculture and food security adds shares of relevant CRS purpose codes to the calculation. For example, it attributes 20% of trade facilitation, the average weight of agricultural commodities in developing countries' trade flows, to agriculture. It attributes to agriculture a 10% share of financial services, corresponding to the share of agricultural value added in developing countries' GDP.

Obviously, this recalculation of agriculture and food security aid adds volume to the DAC AFF and AFF+ measures. For the period 1995-2009, the proposed measure adds 33% of volume to AFF+ and more than doubles AFF. Furthermore, from the late 1990s, the proposed measure starts to grow more rapidly than AFF+, as a result of the steep growth of some of the aid categories that have been added, such as support for democratic participation and civil society, business support services and small and medium enterprise development. This is significant as these areas represent – for some donors at least – a new approach to support agriculture and food security objectives. This approach stresses, on the one hand, the importance of the 'enabling environment' and, on the other, the importance of 'empowering' producers and rural people to become more involved in their own development while holding government services to account.

With regard to the lack of cross-country consistency and the misleading nature of global pledges, the study calls for greater clarity on the purpose of aid, noting its importance in the new emphasis on results-based aid and the challenge of alignment with domestic spending. Most donors tend to conflate 'agriculture, rural development and food security' as a single expenditure – especially for domestic accountability and, in practice, for international reporting. The study proposes that there should be three distinct policy objectives attributed to such broad policy domains and that these should follow the thematic approach already favoured by several donors. The value of such an approach would be to establish different sets of 'results' for three different policy objectives:

- First, the objective related to agricultural production and, especially, productivity of land and labour. This objective underpins initiatives such as the Comprehensive Africa Agriculture Development Programme and reflects global concerns over food availability. For some donors, including the UK and the US, this positions some of its aid to agriculture under 'economic growth', and its results would be measurable in conventional economic terms, including value addition and market growth.
- Second, the focus on rural socio-economic development as a means to improve livelihoods and promote greater equity. Results related to this objective are not found in agricultural production increases but in living standards surveys and various measures of empowerment and access to resources.
- Third, the provision of assistance designed to reduce the high levels of risk and vulnerability facing rural populations in marginal regions, not exclusive to emergency food aid. This objective concerns direct, and often immediate, responses to the impact of adverse climatic or conflict conditions. Results in such cases are likely to include measures of resilience and indicators of the recovery of economic activities.

Such an approach requires an aid measurement methodology that incorporates the breadth of interventions needed to promote the different policy objectives underlying agriculture, rural development and food security. This implies looking at expenditure across sector boundaries. Now that agriculture and food aid volumes are on the rise, it is time to concentrate on delivering assistance that has a real purpose and that comes under close scrutiny to ensure that it achieves its goals.

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