

## **OVERVIEW OF THE MAIN CHANGES IN THE GENERAL SERVICES SUPPORT ESTIMATE (2014):**

### **Change in the definition of the General Services Support Estimate**

The revised General Services Support Estimate (GSSE) is defined as “budgetary expenditure that creates enabling conditions for the primary agricultural sector through development of private or public services, institutions and infrastructure.” This definition replaces the previous, broader, definition of the GSSE as “payments to eligible private or public services provided to agriculture generally.”

The revised definition continues to apply the main distinction that: “Unlike the Producer Support Estimate (PSE) and the Consumer Support Estimate (CSE), the GSSE transfers are not destined to individual producers or consumers, and do not directly affect farm receipts (revenue) or consumption expenditure, although they may affect production or consumption of agricultural commodities in the longer term. While implementation criteria are used to distinguish whether the transfer is allocated to PSE or GSSE, the definition of the categories in the GSSE and the allocation of policy measures to these categories is according to the nature of the service” (PSE Manual).

The boundaries of the GSSEs have been re-defined to cover policies where primary agriculture is the main beneficiary. This definition is narrower because it excludes all payments to services for which primary agriculture is not the main beneficiary, such as rural infrastructure, and support to agro-industries further down the stream.

### **Change in GSSE categories**

Table 1 compares the different categories and subcategories under the previous and the revised methodology. Main changes include:

- ***A narrowing of the concept to primary agriculture***, which results in the inclusion of support to the processing industry for the financing of collective initiatives, the move of support to primary processors in the CSE and the exclusion of support to processors further down the stream from the TSE.
- ***The principle that farmers are the main beneficiaries*** of the services, which results in the exclusion of some rural infrastructure services.
- ***More detailed sub-categories***, which allow payments previously included under a general category to be grouped under a sub-category (e.g. hydrological infrastructure, farm restructuring and institutions under “development and maintenance of infrastructure”; distinction of the type of inspection and control).
- ***The addition of new measures***, such as the inspection and control of farm inputs under a new subcategory “Input control”, and the collection and dissemination of knowledge under the category “Agricultural knowledge and innovation system”.

- **Clarifying that GSSE measures policy efforts** and not policy effect, which results for example in all payments to agricultural schools being included, even if students do not end up working in or for primary agriculture.

The definition of public stockholding and miscellaneous was not changed.

**Table 1. GSSE categories**

<b>New classification</b>		<b>Previous classification</b>
See definition in Box 1.A1.1		See definition in Box 1.A2.1
<b>Agricultural knowledge and innovation system</b>	<b>A</b>	
Agricultural knowledge generation	<b>A1</b>	<i>Research and development</i>
Agricultural knowledge transfer	<b>A2</b>	<i>Agricultural schools</i>
<b>Inspection and control</b>	<b>B</b>	<i>Inspection services</i>
Agricultural product safety and inspection	<b>B1</b>	
Pest and disease inspection and control	<b>B2</b>	
Input control	<b>B3</b>	
<b>Development and maintenance of infrastructure</b>	<b>C</b>	<i>Infrastructure</i>
Hydrological infrastructure	<b>C1</b>	
Storage, marketing and other physical infrastructure	<b>C2</b>	
Institutional infrastructure	<b>C3</b>	
Farm restructuring	<b>C4</b>	
<b>Marketing and promotion</b>	<b>D</b>	<i>Marketing and promotion</i>
Collective schemes for processing and marketing	<b>D1</b>	
Promotion of agricultural products	<b>D2</b>	
<b>Public stockholding</b>	<b>E</b>	<i>Public stockholding</i>
<b>Miscellaneous</b>	<b>F</b>	<i>Miscellaneous</i>

### **Guidelines for implementing the revised methodology**

The headings of the different categories in new the GSSE classification provide an idea of their broad contents, but more specificity is needed to specify the scope of information to be included. The guiding principles for the implementation of the new GSSE classification are provided below.

#### ***Agricultural knowledge and innovation system***

##### *Agricultural knowledge generation*

This sub-category includes budgetary expenditure financing research and development (R&D) activities related to agriculture, irrespective of the institution (private or public, ministry, university, research centre or producer groups); irrespective of where they take place, the nature of research (scientific, institutional, etc.), or its purpose. The focus is on R&D expenditures on applied research related to the primary agricultural sector (the definition in the Frascati manual<sup>1</sup> may be a guidance). Social sciences related to agriculture are included. To the extent possible R&D related to forestry, fisheries etc. should be excluded and, if the information is not readily available, the method used to estimate their share should be clearly stated in the documentation.

This expenditure includes also transfers to finance ex situ conservation of livestock and plant species (e.g. gene banks). Data dissemination when primarily associated with research and development

(knowledge generation) e.g. reports from research and databases developed as an adjunct to research also belongs to this sub-category.

#### *Agricultural knowledge transfer*

This sub-category includes budgetary expenditure to finance agricultural vocational schools and agricultural programmes in high-level education. The entire expenditure on those education activities is considered as related to agriculture, as the indicator measures policy effort.

This sub-category also includes budgetary expenditure financing generic training and extension advice to farmers, such as accounting rules or pesticide application methods). Expenditure on advice that are specific to individual farms (e.g. a farm business plan) are included in the PSE category for payment based on services.

Public expenditures on data collection and information dissemination networks related to agricultural production and marketing (e.g. information on technologies and production methods, price and market information) are also included in this subcategory.

#### ***Inspection and control***

##### *Agricultural product safety and inspection*

This sub-category includes budgetary expenditure financing activities related to agricultural product safety and inspection. This includes only expenditures on inspection of domestically produced commodities at first level of processing and border inspection for exported commodities. Import control activities are not included. Production and trade data may be used to make an approximate estimation of a differentiation between export and import inspections. In case that such a separation is not possible, the entire expenditure on food safety and inspection should be included and mention should be made in the documentation.

##### *Pest and disease inspection and control*

This sub-category includes budgetary expenditures financing pest and disease control of agricultural inputs and outputs (control at primary agriculture level) as well as public funding of veterinary and phytosanitary services (for the farming sector).

##### *Input control*

This sub-category includes budgetary expenditure financing the institutions providing control activities and certification of industrial inputs used in agriculture (e.g. machinery, industrial fertilisers, pesticides, etc.) and biological inputs (e.g. seed certification and control).

#### ***Development and maintenance of infrastructure***

##### *Hydrological infrastructure*

This sub-category includes public investments into hydrological infrastructure (irrigation and drainage networks). Water subsidies granted to individual farmers and investment subsidies to on-farm irrigation infrastructure are included in the PSE. The expenditures related to hydrological network infrastructures are included according to the share which corresponds to farmer's participation in that network (e.g. share of water used by agriculture, as reported in OECD agri-environmental indicators<sup>2</sup>).

Flood prevention expenditures where agriculture is not the main beneficiary are not included. In the case of large investments, such as dams, with multiple outputs (irrigation, water retention, flood prevention, hydro-energy), the GSSE accounts only for the share of the outputs used by primary agriculture. Investment expenditure should be accounted in the year when it occurs.

#### *Storage, marketing and other physical infrastructure*

This sub-category includes budgetary expenditure financing investments and operating costs for off-farm storage and other market infrastructure facilities related to handling and marketing primary agricultural products (silos, harbour facilities – docks, elevators; wholesale markets, futures markets).

The item other physical infrastructure includes public investments to build and maintain other physical infrastructure related to agriculture. These are included in the GSSE only in cases when agriculture is the main beneficiary. In general the share of the primary agriculture should be above 50% of economic activity or regional employment or similar indicator. The choice of the indicator should be related to the nature of the policy and data available and should be clearly explained in the documentation.

#### *Institutional infrastructure*

This sub-category includes budgetary expenditure financing investments and operating costs to build and maintain institutional infrastructure related to the farming sector (e.g. land cadastres; machinery user groups, seed and species registries; development of rural finance networks; support to farm organisations, etc.).

As a rule, only the institutional infrastructure closely related to agriculture is included. The decision whether to include an institutional infrastructure should be clearly explained in the documentation.

#### *Farm restructuring*

This sub-category includes budgetary expenditure related to reform of farm structures. It includes measures related to “entry strategies” (such as assisting new farmers within the context of land reforms). Transfers provided directly to individual farmers within those programmes should be in PSE. It also includes measures related to “exit strategies” and diversification strategies outside agriculture used in some developed countries, such as certain programmes in the European Union. However, support to diversification into other commodity sectors is included in the PSE.

#### ***Marketing and promotion***

##### *Collective schemes for processing and marketing*

This sub-category includes budgetary expenditure financing investments in downstream activities (mainly at the level of primary processing) designed to improve the marketing environment for agriculture. It captures support to collective processing, marketing schemes and marketing facilities, while support to on-farm investments in processing activities is classified in the PSE; and support to individual firms (first processors) is classified in the CSE.

##### *Promotion of agricultural products*

This sub-category includes budgetary expenditure financing assistance to collective promotion of agro-food products (e.g. promotion campaigns, participation on international fairs), as well as those promoting food quality schemes. It does not include public expenditure related to export subsidies.

### ***Cost of public stockholding***

This category includes budgetary expenditure to cover the costs of storage, depreciation of the stocks and disposal of public storage of agricultural products. It includes cost of public stockholding related to market interventions (intervention storage) and storage of strategic reserves (stockholding for food security purposes, state reserves). This category does not include public expenditure related to export subsidies or buying into intervention stocks.

### ***Miscellaneous***

This category includes budgetary expenditure financing other general services that cannot be disaggregated and allocated to the above categories, often due to a lack of information. In such cases all efforts should be made to get more information concerning the implementation of the policy which will allow classifying in the categories mentioned above.

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<sup>1</sup>. OECD (2002), *Frascati Manual: Proposed Standard Practice for Surveys on Research and Experimental Development*, 6<sup>th</sup> edition, OECD publishing. Available at: [www.oecd-ilibrary.org/science-and-technology/frascati-manual-2002\\_9789264199040-en](http://www.oecd-ilibrary.org/science-and-technology/frascati-manual-2002_9789264199040-en).

<sup>2</sup>. Available at: <http://www.oecd.org/tad/sustainable-agriculture/agri-environmentalindicators.htm>.