

ENHANCED REPORTING ON FOREST PUBLIC EXPENDITURE: OUTCOME OF THE PILOT ACTIVITY IN LATIN AMERICA

HIGHLIGHTS

- **Current available data on public expenditures in forestry may be underreported as the existing methodology is insufficient to fully capture public intervention to forestry sector.**
- **Enhanced methodology in reporting forest-related public expenditure resulted in a 30 percent increase in reported spending by pilot countries in Latin America.**
- **Countries highlighted several benefits of improved reporting on forest public expenditure, including greater visibility of investments in the forestry sector and improved capacity to monitor progress towards relevant SDG reporting.**
- **Countries therefore recommended continued efforts to refine and progressively scale up the methodological approach in reporting public forestry activities.**

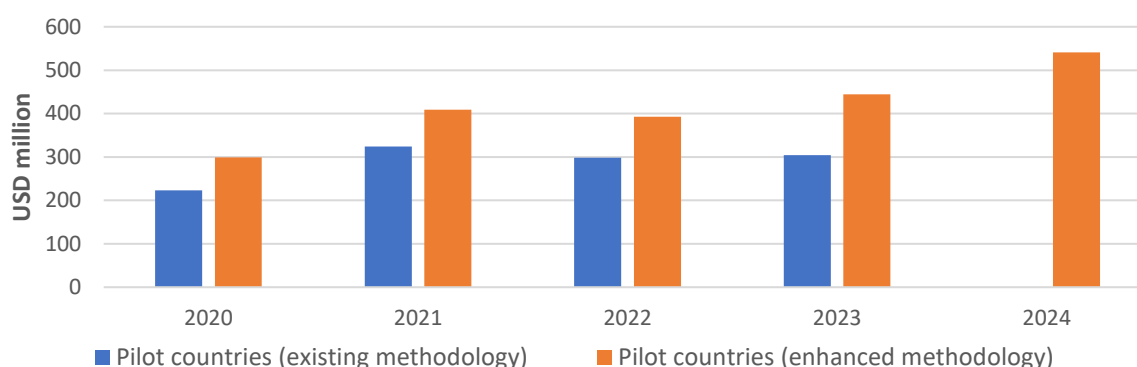
Since 2014, the Food and Agriculture Organization of the United Nations (FAO) has been collecting global data on public spending on agriculture, including forestry. In Latin America and Caribbean, only 16 of 33 countries provided forestry data to FAO between 2020 and 2024. Among the challenges faced by countries in compiling robust forestry data is the lack of a holistic methodological approach in identifying a comprehensive public expenditure flow to the forestry sector. The existing Classification of the Functions of Government (COFOG) methodology, a framework used to classify government expenditure by its specific purpose or socioeconomic objective, presents limitations to fully capture public intervention to forestry. In some cases, public expenditure flows to the forestry sector are reported under both the economic and environmental accounts; however, they are not sufficiently disaggregated within the Environment Protection domain, limiting their visibility.

The Statistics Division and the Forestry Division of FAO undertook a pilot initiative to strengthen the reporting of public expenditure on forest in seven countries in Latin America following the recommendation made by the Latin American and Caribbean Forestry Commission (LACFC) at its 33rd session in June 2023 to support the development of methodologies to analyse domestic public resource flows related to forests.¹ It was implemented in selected countries in Latin America to revisit public expenditure on forestry using enhanced forestry methodology showed that between 2020 and 2024, the forest public expenditure in participant countries rose from USD 298 million in 2020 to

¹ More info is available at: [https://www.fao.org/americas/events/event-detail/33rd-session-of-the-latin-american-and-caribbean-forestry-commission-\(lacfc\)/en](https://www.fao.org/americas/events/event-detail/33rd-session-of-the-latin-american-and-caribbean-forestry-commission-(lacfc)/en)

USD 540 million in 2024. During this period, the cumulative forest spending was reported to have reached USD 2.08 billion in nominal terms, approximately USD 1.88 billion in USD 2015 prices. By comparison, the 2020–2023 data previously reported to FAO has improved by 30 percent on average (Figure 1). This indicates that prior reported data in forestry spending was underreported by as much as 35 percent.

Figure 1. Public expenditure on forestry by methodology²



The observed increase can largely be explained by improved classification practices. Historically, expenditure related to the protection, conservation, and ecological development of forests are classified under COFOG Class 5 - Environmental Protection. However, earlier aggregations at a broad functional level resulted in an underestimation of forest expenditures, particularly under the COFOG category *Protection of Biodiversity and Landscape* (7054), as many projects and activities aligned with forestry objectives were not explicitly labelled as such in the institutional accounting systems.

These factors contributed to underreporting forest expenditure in earlier rounds of data collection. Countries participating in the pilot noted that the revised compilation methodology, based primarily on a comprehensive review of projects and activities aligned with COFOG criteria, represented a significant improvement in the identification and accurate allocation of expenditures to function 70422 (forestry). This methodological enhancement is expected to strengthen the statistical quality and comparability of the data, while also supporting more informed public policy decision-making in the forestry sector.

Enhanced methodological approach to reporting forestry expenditures³

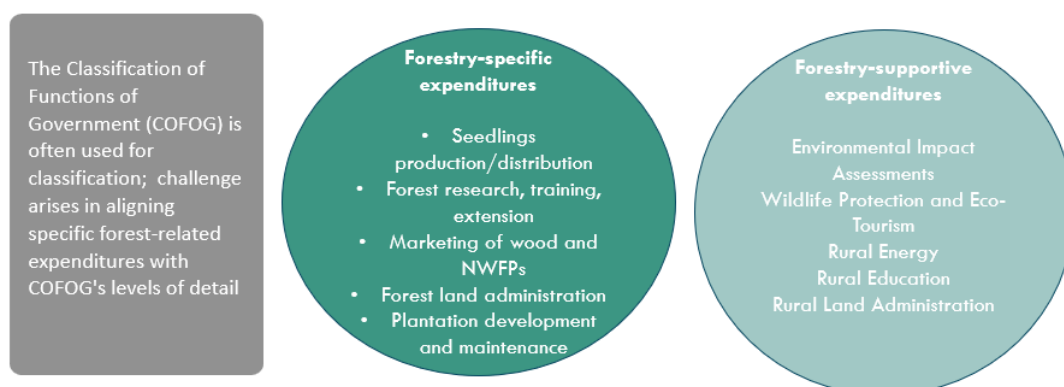
Building on the datasets and methodological framework of the FAOSTAT Government Expenditure on Agriculture questionnaire, and the COFOG, participating countries were invited to enhance identification and reporting on forest public expenditure.

Countries were requested to identify forest-related expenditure in economic accounts and/or environmental accounts, and to report these under the COFOG category Forestry (70422) and/or, where appropriate, under the proxy category *Protection of biological diversity and landscapes in terrestrial ecosystems* (70541). Figure 2 also provides guidance in identifying forestry-specific and forestry-supportive expenditures that may fall into different COFOG categories. National counterparts were also encouraged to further classify expenditure to improve consistency, comparability and analytical value of reported data. The questionnaire was expanded to allow further disaggregation of the forestry sector according to the three forest pathways: *forest conservation*, *forest restoration and regeneration*, and *forestry development* (see Annex 2).

² Results of a regional workshop on forest public expenditure convened by FAO in Santiago, Chile, in October 2024. The Plurinational State of Bolivia, Brazil, Chile, Colombia, Guatemala, Mexico and Peru participated in the workshop that provided a platform to identify key challenges and potential solutions for improving the reporting of forest-related public expenditure. More info is available at: <https://www.fao.org/americas/events/event-detail/taller-gasto-publico-forestal/en>

³ For more information on the PER methodology see: <https://elearning.fao.org/course/view.php?id=1366>

Figure 2. Identification of the forest-specific expenditures and forestry-supportive expenditures



The pilot aimed to strengthen national reporting on public forest expenditure, as well as refine and improve the existing methodology, with particular emphasis on expenditure related to conservation, restoration and the sustainable use of forests resources. The results presented reflect the implementation of the pilot in the Plurinational State of Bolivia, Brazil, Chile, Colombia, Guatemala, Mexico and Peru during 2025.

LESSONS LEARNED

- Participants countries highlighted the limitations of existing budget classifications systems (CFE/COFOG) in disaggregating forestry-related activities, underscoring the need to further refine functional categories to better capture the diversity of forest-related public expenditure.
- Some countries noted challenges in ensuring coherence across multiple statistical and accounting frameworks – including the COFOG, the System of National Accounts (SNA), and the System of Environmental-Economic Accounting (SEEA) – while also reporting progress in structuring forest expenditure pathways around key policy objectives such as conservation, restoration, and sustainable use of forest.
- Countries demonstrated advances in methodological innovation, including the creation of more detailed subcategories within the forestry group (704221 conservation, 704222 restoration, 704223 sustainable forest) and the exploratory use of artificial intelligence to support expenditure reclassification. Remaining challenges include extending revised classifications to historical datasets and broadening institutional coverage.
- In some cases, countries have decided to classify expenditure related to forest conservation and reforestation under the COFOG category Protection of biodiversity and landscape, rather than under forestry, reflecting evolving policy priorities and institutional practices.

RECOMMENDATIONS

- As the Government Expenditure on Agriculture questionnaire follows a standardized format, any modification to its structure should be minimized to ensure compatibility with existing data-processing systems and automated data-harvesting tools. For future data collection cycles, countries are encouraged to follow the same approach applied during the pilot phase. National counterparts may leave subcodes 704221 and 704222 blank or decide to classify expenditures on forest conservation and reforestation under the Protection of biodiversity and landscape COFOG category. In this case, they should specify that the complementary reporting codes (e.g. 7z1 and 7z2) correspond to forest conversation and/or forest restoration expenditures.
- The discussions highlighted several benefits of improved reporting on forest public expenditure, including greater visibility of investments in the forestry sector and improved capacity to monitor progress towards relevant SDG reporting. At the same time, participants identified persistent

challenges, such as the aggregation of forest-related expenditure under broad functional categories, limited technical capacity in some institutions, and the resource-intensive nature of detailed expenditure review processes.

- Countries therefore recommended continued efforts to refine and progressively scale up the methodological approach, strengthen inter-institutional coordination mechanisms, and promote the use of digital and analytical tools to facilitate more efficient data compilation, classification and reporting.

Annex 1. Identification of COFOG categories potentially relevant to forestry

COFOG category	COFOG subcategory	Activities relevant to the forest sector	Sectoral limits
Agriculture, forestry, fishing and hunting	Agriculture	Agroforestry, land administration, watershed management, land development.	Agriculture, crops, livestock
	Forestry	a. Administration of forestry affairs and services; conservation, expansion, and rationalized use of forest reserves; supervision and regulation of forestry operations and issuance of tree felling permits; b. Operation or support of reforestation projects, pest and disease control, forest fire suppression and fire prevention services, and extension services to forestry operators; c. Production and dissemination of general information, technical documentation, and statistics on forestry affairs and services; d. Aid, loans, or subsidies to support commercial forestry activities.	Forestry
	Fishing	Mangroves and adjacent forests	Fishing
	Hunting	Conservation of forests as habitat for wild animals	Non-ag
Environmental protection	Biodiversity protection	Conservation and management of natural forest reserves	Forestry
R&D Agriculture, forestry, fishing	R&D Forestry, agroforestry	Research on forest conservation, sustainable forest management, non-timber forest products, including food, fibers, pharmaceuticals and cosmetics.	Forestry
Education	Tertiary education	Research on forestry and conservation carried out by university research centers and institutes	Forestry
Social protection	Conditional	Initiatives for environmental protection, forest conservation or land rehabilitation (Tirivayi, 2017).	Rural sector
Fuel and energy	Other fuels	Provide or develop alternative fuel sources to reduce deforestation caused by wood fuel	Rural sector
Mining, industry and construction	Manufacturing	Sawmills, pulp and paper mills	Forestry or non-forestry

Annex 2. Expanded questionnaire with detailed forestry reporting

CUADRO A: Gasto público en agricultura y funciones conexas		Gobierno general								
		Gobierno central (excluidos los fondos de seguridad social)				Fondos de Seguridad Social	Gobiernos estatales	Gobiernos locales	Columna de consolidación	Gobierno general ³
		Gobierno central presupuestario	Unidades extrapresupue starias	Columna de consolidación	Gobierno central ²					
Clasificación por funciones		(BA)	(EA)	(CC)	(CG)	(SSF)	(SG)	(LG)	(CT)	(GG)
7	GASTO (EROGACIONES TOTALES)									
704	Asuntos económicos									
7042	Agricultura, silvicultura, pesca y caza									
	→ Recurrente									
	→ Capital									
70421	Agricultura (cultivos y ganadería)									
	→ Recurrente									
	→ Capital									
70422	Silvicultura									
	→ Recurrente									
	→ Capital									
704221	Conservación forestales									
704222	Restauración/ regeneración forestales									
704223	Desarrollo forestales									
70423	Pesca y caza									
	→ Recurrente									
	→ Capital									
7048	Investigación y desarrollo relacionados con asuntos económicos									
70482	Investigación y desarrollo relacionados con agricultura, silvicultura, pesca y caza									
705	Protección del medio ambiente									
7054	Protección de la diversidad biológica y del paisaje									
	→ Recurrente									
	→ Capital									
7055	ambiente									
	→ Recurrente									
	→ Capital									
7z1 (70541)	Otro (especifíquese): i) Protección de la diversidad biológica y del paisaje en ecosistemas terrestres									
7z2 (70542)	Otro (especifíquese): ii) Protección de la diversidad biológica y del paisaje en ecosistemas marino y de agua dulce									

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