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Department for Agriculture,
Environment and Water Resources
Regional Agricultural Policy
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REPUBLIC OF LIBERIA

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AFRICAN UNION

NEPAD
Comprehensive Africa Agriculture
Development Program
(CAADP)

LIBERIA

Agricultural Growth, Poverty Reduction, and Food Security

Past Performance and Prospective Outcomes

The Comprehensive Africa Agriculture Development Programme (CAADP) aims to add value to the efforts of individual countries, where necessary, to ensure that their growth and poverty objectives are achieved. Doing so requires reviewing past, current, and emerging future efforts against these objectives. This includes:

- Examining the recent growth performance of the agricultural sector, as well as future growth and poverty outcomes based on observed trends.
- Determining how such outcomes compare with the targets established for the sector under the CAADP agenda and how they compare with the Millennium Development Goals to halve the proportion of people living on less than a dollar a day (MDG1).
- Measuring the prospects of meeting these targets and analyzing the implications for future sector growth and poverty-reduction targets.

IS LIBERIA ON TRACK TO MEET CAADP'S GROWTH AND POVERTY TARGETS?

The following analysis puts figures to six scenarios for agricultural development: (i) a continuation of Liberia's current agricultural growth path, (ii) achieving the 6% agricultural growth target set by the CAADP initiative through accelerated agriculture production, (iii) meeting the government's target GDP growth rates specified in the PRSP, (iv) achieving the MDG goal of halving poverty by 2015, or (v) alternatively by 2025. Given the fact that Liberia has just emerged from a long conflict and poverty levels did go up after the 1990 MDG base year, and thus the considerable challenge in meeting MDG1 in the near future, the study also considers the following additional scenario: (vi) achieving a reduction of the poverty level of 1990 by one third, which corresponds to halving the 2007 poverty level, by 2025.

Recent Performance and Current Trends Compared to CAADP Targets

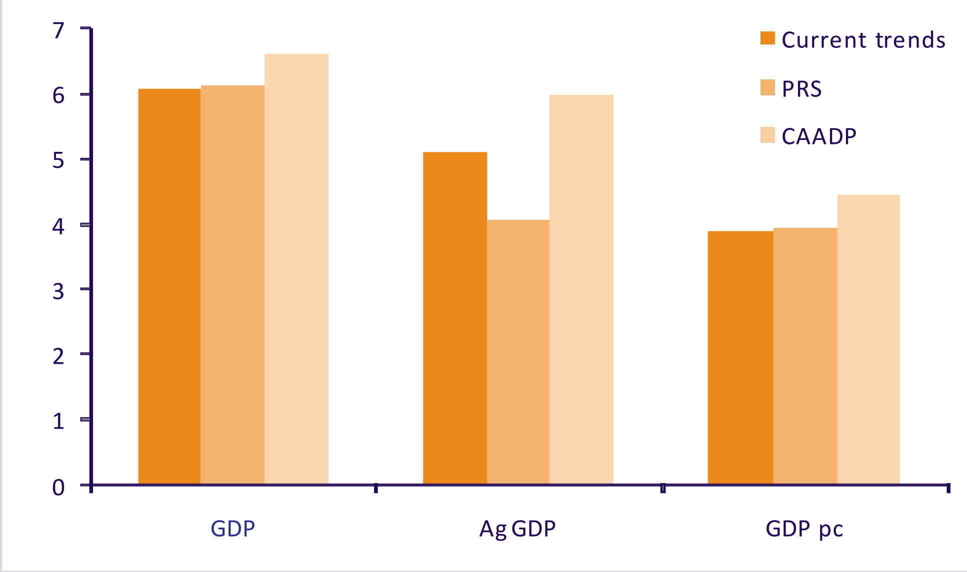
Macroeconomic performance in Liberia has been strong in the recent past, as exemplified by a robust GDP growth rate of 7.5% in 2006, 6.9% in 2007 and 7.9% in 2008. The agricultural sector has also shown good growth rates in the more recent past with a growth of 3% in 2006, 8.7% in 2007 and 7.89% in 2008. During this period, population growth rate was an average of 2.1%. Per capita income grew by 4% in 2006, 3.5% in 2007 and 4.6% in 2008. Future overall growth and poverty trends for the sector under the status quo are projected to 2015 and 2025 based on the following historical trends:

- The agriculture sector is expected to grow at 5.1% while the non-agriculture sector grows at 7.8%. The very high growth rates observed in 2006–2008 are expected to stabilize to long-run levels as the country progressively recovers from the effects of the war.
- The resulting poverty rates are estimated based on an elasticity of poverty with respect to per capita income growth of 0.3 for the 2007 to 2014 period and 0.4–0.6 from 2015 to 2025. The expectation is that the elasticity will improve from its 2007 value (0.3) to 0.6, which is the Africa average, by 2020, and will remain at this value until 2025.

Based on the above assumptions, future growth performance is projected to stabilize at around 6.1% for the overall economy and 5.1% for the agricultural sector, with an average per capita income growth of about 4% (Figure 1a).

Although positive, the growth rate for agriculture is less than the 6% targeted under CAADP. The projected performance is also less than required to achieve the first Millennium Development Goal (MDG1) of cutting the national poverty rate of 1990 by half by 2015 or even by 2025, as indicated in Figure 2b. In fact, national poverty

Figure 1a: Annual growth rate under different scenarios 2007–2015 (%)



rates would be 24% higher in 2015 compared to the 1990 level (Figure 2a). This is because the 2007 poverty levels (84% nationally) are higher those of 1990 (61% nationally). Although, poverty will fall compared to 2007 levels, poverty would have actually increased compared to 1990 levels. Given that the population will grow by about 2% annually, the absolute number of poor people in 2015 at the national level would increase by about 200,000 compared to the number in 2007 under current trends (Figure 3a).[1]

CAN EMERGING GOVERNMENT STRATEGIES ACHIEVE CAADP'S GROWTH AND POVERTY TARGETS?

Overview of the Government's Strategic Objectives for the Agricultural Sector

The Government of Liberia's agricultural sector targets are outlined in two key strategic documents: the Food and Agriculture Policy and Strategy (FAPS) and the Poverty Reduction Strategy (PRS). The goal of the FAPS is a revitalized and modernized agriculture sector that contributes to shared, inclusive and sustainable economic growth and development of Liberia. The PRS recognizes the role and contributions to be made by the agricultural sector towards achieving its objectives. In the PRS the government projects a GDP target growth rate of 10% in 2009 and 14.5% in 2010. The growth rate is then expected to reduce gradually to a long run average of 3.75% per year. To achieve these rates of growth, the government projects slow growth in rubber production and a 5% growth in other crops. In addition, the PRS assigns a stronger role to the non-agriculture sector (timber, minerals etc) so that, based on their projections, agriculture grows at 4.07% while non-agriculture grows at 9.37%.

Projected Growth and Poverty Outcomes under Government strategies

The projection results in Figure 1a indicate that achieving the targets outlined in current government strategies would not allow the country to meet the CAADP target of an overall sector growth of 6% by 2015. Based on the government's targets and projections, overall GDP would grow by 6.1% whereas agricultural growth would only be 4.1%. Per capita growth would be 4%, leading to a small decrease in the 1990s poverty rates of 5% at the national level by 2025. These outcomes are significantly far off from the MDG goal of halving poverty by 2015 or even in 2025 (Figure 2b). As shown in Figure 3a, the absolute number of poor people at the national level would increase by about 200,000 by 2015 compared to the number in 2007.

1. In figure 3a and 3b, NC, NW, SC , SE_A and SE_B refer to the north central, north west, south central, south east A and south east B regions of the country respectively.

Figure 1b: Annual growth rate under different scenarios 2007–2015 (%)

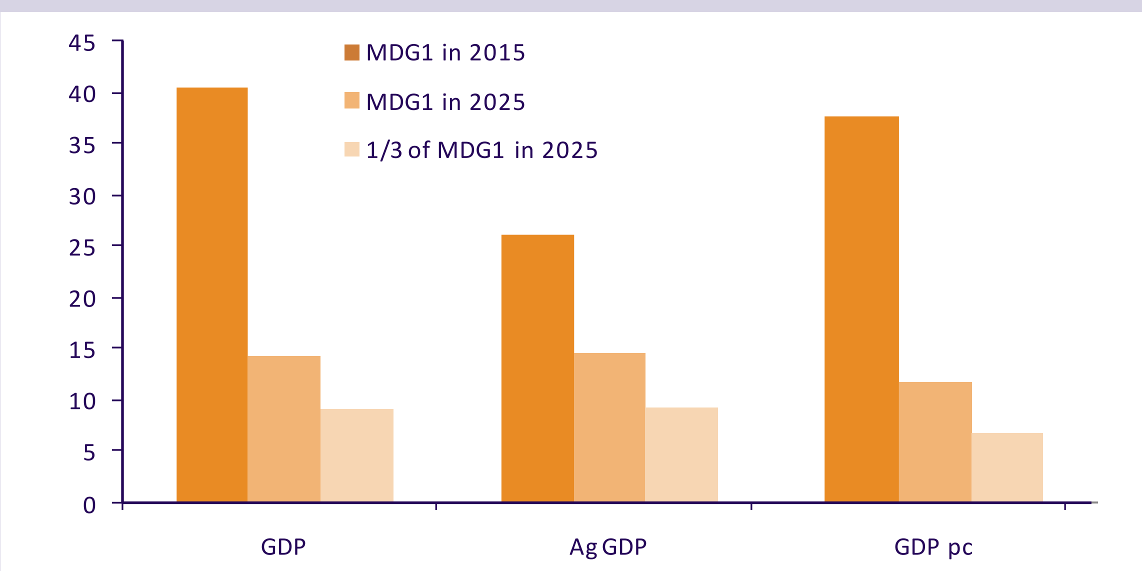


Figure 2a: Percentage change in national poverty compared to 1990 level under different scenarios

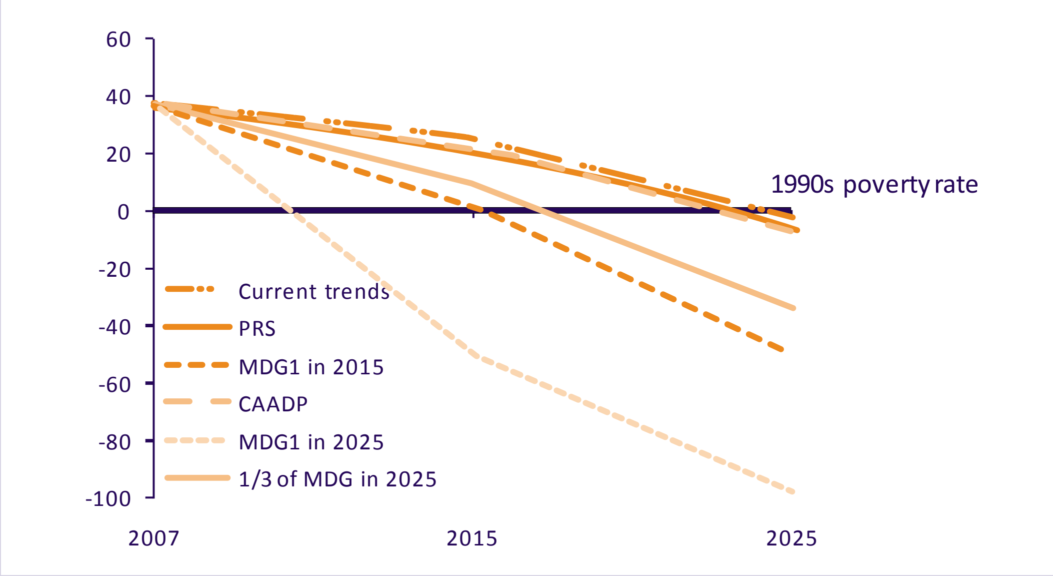


Figure 2b: Projected changes in poverty rates under different scenarios 1990–2025 (%)

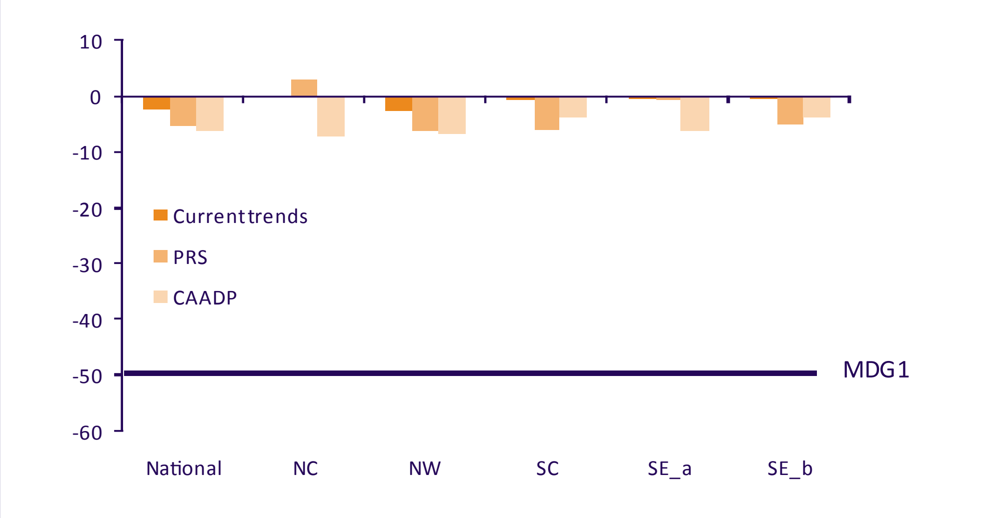
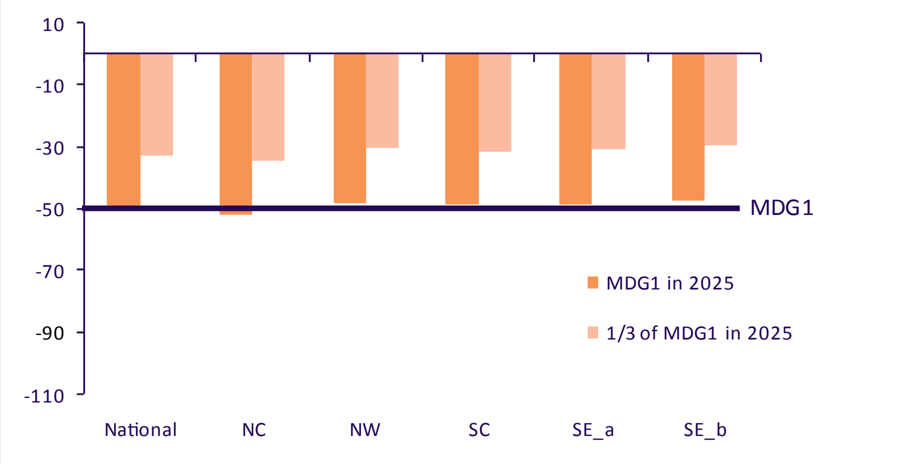


Figure 2c: Projected changes in poverty rates under different scenarios 1990–2025 (%)



ACHIEVING MDG POVERTY OBJECTIVE REQUIRES GROWTH BEYOND CURRENT GOVERNMENT AND CAADP TARGETS

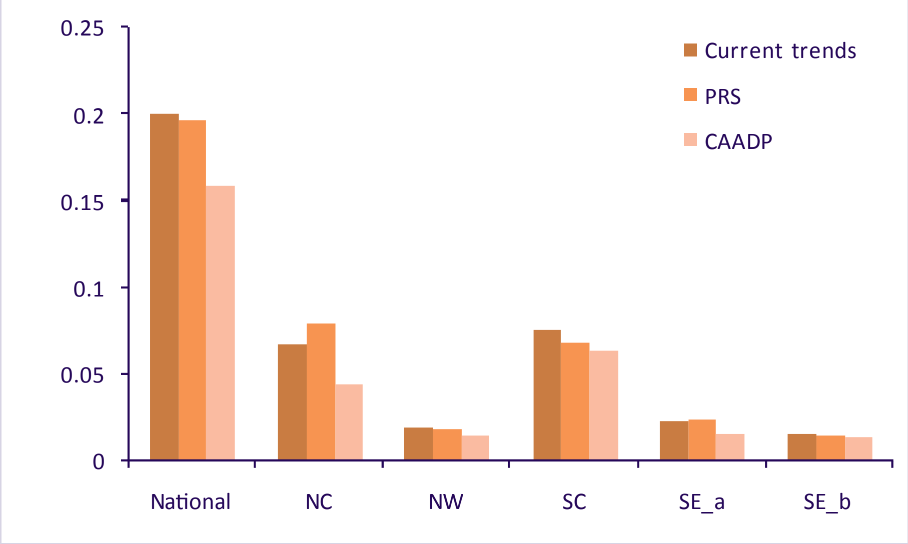
Achieving the MDG objective of reducing poverty by 50% in 2015 would require cutting the national poverty rate to about 31% from the 2007 rate of 84%. Such a reduction necessitates a higher agricultural growth rate than achievable under current targets established by PRS or for that matter, under CAADP growth targets. In other words, Liberia could well achieve the CAADP target of a 6% agricultural sector growth rate and still fail to realize the MDG poverty reduction objective (Figure 2b).

Growth Outcomes Required to Achieve MDG1 Objectives in Liberia in 2015 or in 2025

The projected growth rates required to cut poverty rates by 50% by 2015 are presented in Figure 1b. They imply an agricultural sector growth rate of 26.4% leading to an overall GDP growth rate of 40.5% and per capita GDP growth of 37.7%. If these growth rates were attained, the MDG poverty-reduction objective would be achieved at the national level by 2015. Under this scenario, the absolute number of poor people would decrease by 1.6 million and by between 100,000 to more than 600,000 at the regional level. The above growth rates and related decrease in the number of poor are extreme and clearly not feasible. Therefore, another scenario, which would halve the 1990s poverty rate by the year 2025 has been considered. As shown in Figure 1b, this scenario requires an agricultural growth rate of 15.0%, leading to a growth rate of GDP per capita of 12%. Under this scenario the number of poor would decrease by almost 400,000 at the national and by between 27,000 to 140,000 in the different regions (Figure 3b). By 2025, the 1990 poverty rate would have been successfully halved under this scenario (Figure 2c). However, growth rates required to achieve MDG1 by 2015 are still high and may not be feasible.

An alternative scenario considered was an increase in the poverty growth elasticity from 0.3 to 0.75 in the 2007–2025 period. This can be achieved through fiscal policy and a strong emphasis on pro-poor growth. With this improved elasticity, the 1990 poverty rate can be reduced by one third in 2025 (Figure 2c). Under this scenario, the 2025 national poverty rate would be 41% which is a one third reduction compared to the 1990 poverty rate of 61%. The country as a whole would have successfully halved its 2007 poverty level from 84% to 41% by 2025. The reduction will not be uniform across regions. It would be highest in the north central zone and lowest in the south east b-region (Figure 2b). By 2025 the number of poor people would have reduced by over 130,000 nationally compared to the 2007 numbers. To meet the MDG objective by 2025, would require a more challenging but more feasible agriculture growth rate of 9.4% and a non agriculture growth of 8.5% resulting in a GDP growth rate

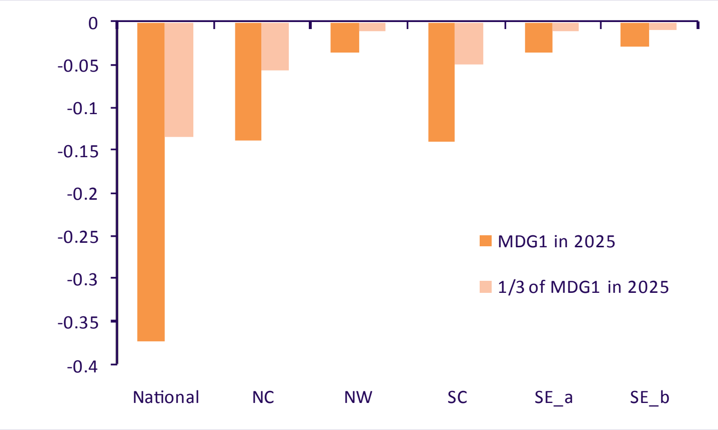
Figure 3a: Projected change in absolute number of poor people under different scenarios 2007–2015



of 9.1%. Although the 9.1% growth rate would be challenging, it brings the country much closer to achieving MDG1. These scenarios highlight the challenges Liberia will face because its 2007 poverty level (84%) is much higher than that of 1990 (61%). This indicates the extent of disruption caused by the war. Even with an improved poverty–growth elasticity and a more feasible growth rate of 7% for the economy as a whole, Liberia would achieve MDG1 only by 2039.

The results presented here indicate that: (i) a continuation of current growth trends in Liberia would not achieve the CAADP growth target or lead to a significant reduction in 1990 poverty rates by 2015; (ii) emerging government strategies under the PRS would not allow Liberia to reach the CAADP nor the MDG1 objective in 2015; (iii) meeting the latter objective in 2015 and 2025 would require GDP to grow by 40.5% and 14.3%, respectively through combined growth in the agricultural and the non-agricultural sectors; however (iv) with improved pro-poor growth, the 1990 poverty level can be reduced by one third in 2025 with a GDP growth rate of 9.1%. In doing so, the country would also successfully halve its 2007 poverty rate by 2025. Such accelerated growth, however, would not allow for equal reduction of the poverty rate in all regions.

Figure 3b: Projected change in absolute number of poor people under different scenarios 2007–2015



Based on modeling conducted by ReSAKSS-West Africa in collaboration with experts from Liberia and financial and technical assistance from the Economic Community of West African States (ECOWAS), the African Union Commission (AUC), the International Food Policy Research Institute (IFPRI), USAID (United States Agency for International Development, SIDA (Swedish International Development Cooperation Agency), GTZ (German Agency for Technical Cooperation) and International Institute of Tropical Agriculture (IITA).

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