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Regional Agricultural Policy
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NEPAD
Comprehensive Africa Agriculture Development Program
(CAADP)

LIBERIA

Strategic Options and Sources for Agricultural Growth, Poverty Reduction, and Food Security

Implementing the Comprehensive Africa Agriculture Development Programme (CAADP) as the centrepiece of a poverty-reduction strategy implies that agriculture and its individual subsectors must play a primary role as leading sources of pro-poor growth at the national and rural levels.

Liberia and other African countries are not just seeking to accelerate growth but also to maximize and broaden the impact of such growth on poverty reduction. Successful implementation of the CAADP agenda therefore should be guided by a good understanding of the impact of sector wide growth and growth within individual agricultural sub-sectors on income and poverty at the national level and, in particular, across regions. In the present case, a better understanding of the potential implications of a possible growth strategy which halves the 2007 poverty level by 2025 would allow the Liberian government to emphasize options that are more likely to maximize the impact of growth on poverty reduction.

AGRICULTURAL SECTOR GROWTH AND POVERTY REDUCTION IN LIBERIA

If the strategy of halving the 2007 poverty level by 2025 and reducing the 1990 level by one third were to be successfully implemented, the contribution from growth in agriculture to poverty reduction would be about 50% higher than that from growth in the nonagricultural sector. For every 1% decline in poverty about two-thirds would be attributable to growth in the agricultural sector. At the regional level the minimum contribution of agriculture would be about 60% (Figure 1).

While accelerated growth in agriculture as a whole may be the most promising poverty-reduction strategy currently available to Liberia, such a strategy needs to recognize that not all subsectors contribute to agricultural growth and poverty reduction in the same way. The size of the contribution of individual subsectors is determined by their initial shares in income and employment and their potential for incremental growth. In Figure 2, the axis on the left and the bars show the projected contributions to agricultural GDP growth resulting from an additional 1% annual rate of growth in individual subsectors compared to historical trends. The line and the axis on the right show the corresponding contributions to the reduction in the rate of poverty compared to projected poverty rates at current trends. The food crops (rice, cassava and other food crops) and cash-export crops (rubber, coffee and cocoa) exhibit the highest levels of contribution to agricultural incomes. An additional 1% growth per year sustained until 2015 in either subsector would generate an incremental income of around US$24 million and US$13 million, respectively. The corresponding decline in the overall rate of poverty would be 5.02% and 5.75% respectively compared to projected poverty rates at current trends.

EFFICIENCY OF ALTERNATIVE GROWTH STRATEGIES IN ACHIEVING ACHIEVING POVERTY REDUCTION OBJECTIVES

The long-term contributions (to 2025) of alternative growth strategies to poverty reduction are plotted in Figure 3. Each line depicts the decline in poverty that would be achieved if Liberia were to focus on particular sources of growth. The top line (current trends) indicates the decline in the poverty rate under the continuation of current trends across all subsectors, which would result in a modest reduction from 84% in 2007 to 60% in 2025. The second line from the bottom shows poverty reduction under a strategy that achieves 1% additional growth in the agriculture sector as a whole. The poverty rate would fall to 41%, i.e. an additional reduction by 19 percentage points compared to current trends. The lines in between denote the outcomes of alternative isolated strategies

Figure 1: Contribution of agricultural sector growth to poverty reduction in different regions

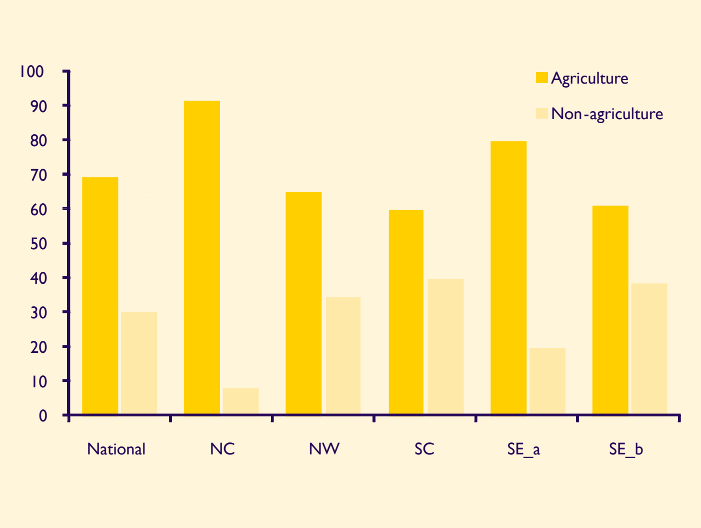
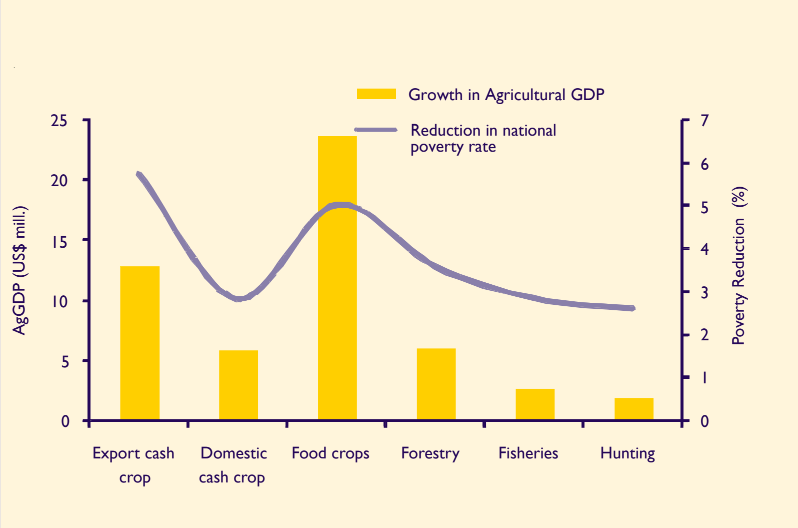


Figure 2: Subsector contribution to agricultural GDP growth (US$ mill.) and poverty reduction (%)



that would focus exclusively on single subsectors: export cash crops, domestic cash crops (banana, oranges, tomatoes etc), food crops, forestry, fishery and hunting. The projected outcomes indicate that in terms of reducing overall poverty levels a more comprehensive, sector-wide strategy would to a large extent be more effective than crop-specific strategies.

The bottom line in Figure 3 illustrates the added contribution of further stimulating growth in the non-agricultural sector. This line indicates that poverty can still be reduced by an extra percentage point if Liberia was to opt for a strategy that accelerates growth in both the agriculture and non-agriculture sector. It would be impossible to achieve the rates of agricultural and nonagricultural sector growth that would be required to meet the MDG1 objective in 2015, estimated at 26% and 54%, respectively (see *Brochure 2: Agricultural growth, poverty reduction, and food security: Past performance and prospective outcomes*).

However, the above results suggest that Liberia can make significant progress towards halving the 2007 poverty rate and reducing the 1990 rate by one-third by 2025 improving the poverty–growth elasticity i.e. the pro-poorness of growth and ensuring growth of 9.4% and 8.5% in the agriculture and non-agriculture sector, respectively. Although it is a challenging target, it remains a feasible one.

An analysis of the alternative growth sources and poverty-reduction outcomes yields the following lessons with respect to efforts to successfully design and implement strategies to achieve the poverty MDG in Liberia:

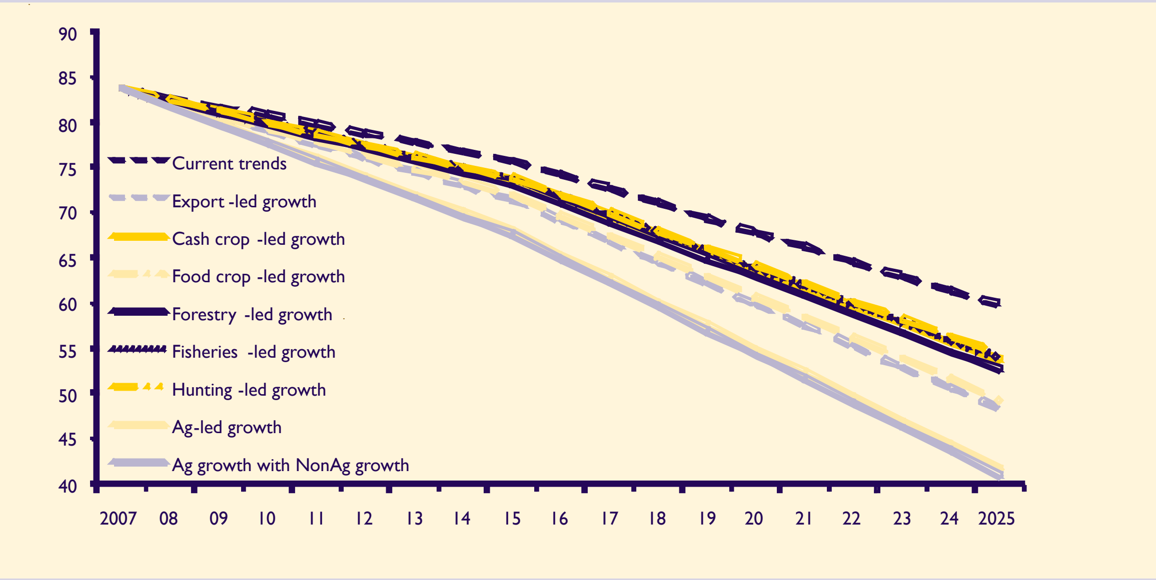
1. Agriculture will remain the predominant source of growth and poverty reduction in Liberia during the next 10 years.
2. Continuation of current trends would reduce poverty by 8 percentage points by 2015 compared to its 2007 level of 84% and would not allow Liberia to halve national poverty by 2015.
3. Isolated strategies targeting any of the major subsectors separately would only marginally lower the poverty rate compared to current trends.
4. If a strategy were to be implemented that would combine accelerated agricultural growth with accelerated growth in the non-agricultural sector in addition to improved pro-poorness of growth, the poverty rate could be reduced to 68% by 2015, and Liberia would halve its 2007 level of poverty by 2025.

POTENTIAL EQUITY EFFECTS RELATED TO GOVERNMENT GROWTH TARGETS UNDER THE PSTA

Impact of Sub-sectoral Growth on the Reduction and Distribution of Poverty Among Regions

Planned strategies to halve the 2007 poverty level by 2025 are projected to generate strong growth across all

Figure 3a: Poverty outcomes of alternative growth strategies (%)



subsectors. However, as the different regions experience almost the same level of poverty reduction between 2007 and 2025, Figure 4 indicates that the regional poverty profile will not change and the poorest regions in 2007 still remain the poorest by 2025. Figure 5 shows that differences in poverty levels between the national level and the different regions do become smaller and are even halved in some cases, suggesting that some convergence towards a more uniform poverty level will take place.

Possible Equity Effects and How to Address them under Current CAADP Targets

Implementation of any particular growth strategy should take potential equity effects into consideration. The purpose here is not necessarily to achieve equal outcomes but rather to raise the overall level of income gain and poverty reduction by maximizing the gains among households in regions at the lower end of the spectrum. This can be done by emphasizing in the design and implementation of programs those subsectors that contribute more immediately and to a greater extent to income growth and poverty reduction among households in regions like the North West and South East A regions that would otherwise continue to lag behind in terms of poverty reduction. The benefits from agricultural growth may vary among households in the different regions due to the following factors:

1. The importance of individual sectors as a source of income and employment for different household groups;
2. The scope for incremental growth in individual subsectors, given technological, market, and other conditions affecting demand and supply; and
3. The initial distribution of growth among individual agricultural subsectors.

Food crops are the largest agricultural source of poverty reduction in all regions except the South Central region where export cash crops are more important (Figure 6).

The following lessons can be drawn regarding the design and implementation of programs to stimulate growth and reduce poverty under the CAADP agenda:

1. Agriculture remains a key source of growth and a major contributor to poverty reduction nationally as well as across regions.
2. The realization of the growth strategy is projected to stimulate growth across agricultural subsectors and across regions.
3. The reduction in poverty will not alter the regional poverty profiles as the poorest regions remain the poorest in the future.
4. The food crops subsector is the major source of future growth and poverty reduction among the poorest households.
5. Consequently, the implementation of the growth strategy needs to emphasize this subsector in the regions with a high concentration of the poorest households so as to better balance out and broaden the impact of growth and poverty reduction.

Figure 4: Projected poverty rates across regions under growth strategy (%)

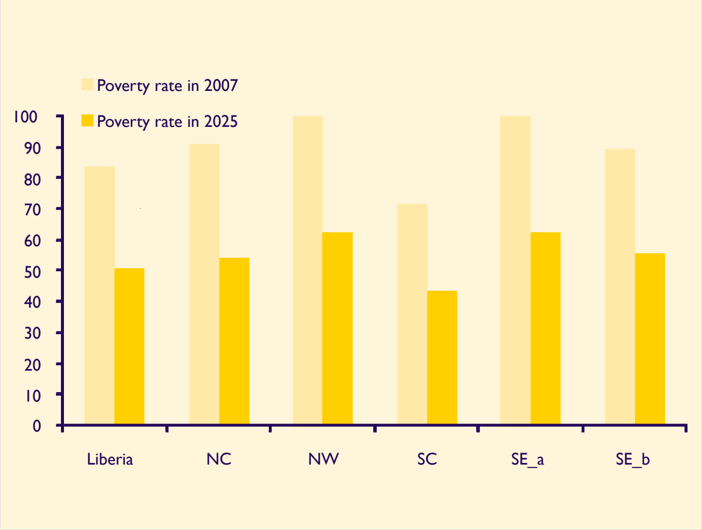


Figure 5: Differences between national and regional poverty rates (%)

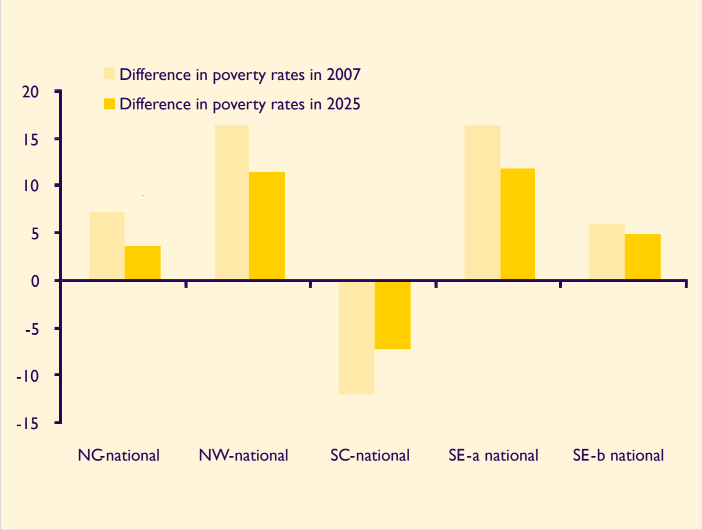
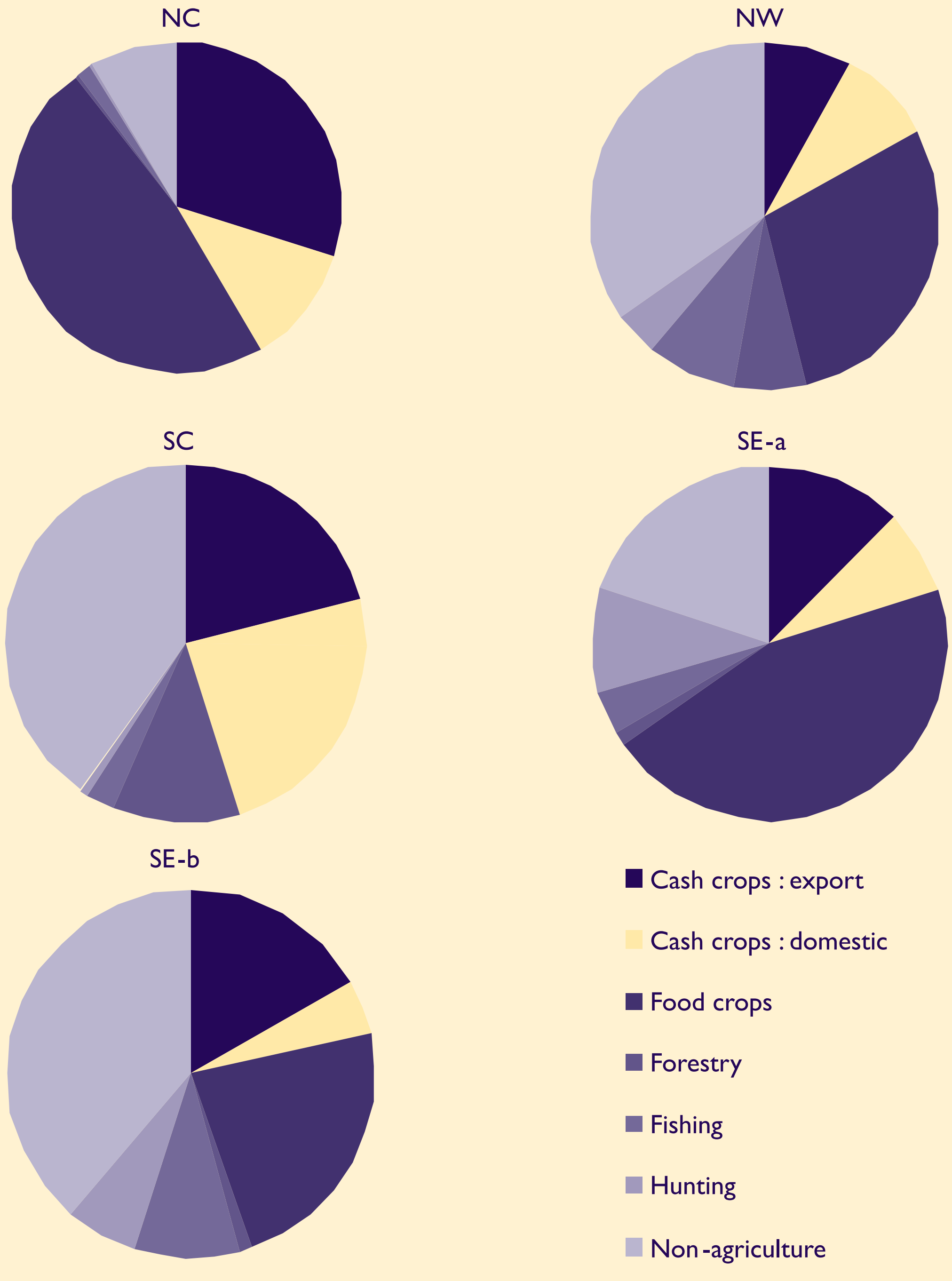


Figure 6 Projected contributions of individual subsectors to income growth and poverty reduction in different regions.



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).

REPUBLIC OF LIBERIA

Ministry of Agriculture
19th Street Sinkor
PO Box 9010
1000 Monrovia 10
Liberia

Email: moa@moa.gov.lr Web: www.moa.gov.lr