



GOVERNANCE COMMISSION POLICY BRIEF



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INTEGRATING VALUE ADDITION INTO SMALL-SCALE AGRICULTURE FOR SUSTAINED DOMESTIC REVENUE GROWTH

Introduction

Value addition is a fundamental driver of sustained growth in every economy, particularly developing ones. The availability of this is only possible with the putting in place of an appropriate enabling environment including the right policy space, needed infrastructure, raw materials, among others. Over the past fifteen years the government of Liberia has exerted some efforts aimed at putting in place these critical baseline requirements but such efforts are yet to yield the needed results.

Agriculture is the second most important sector of the Liberian economy after the need for a developed human capital which universally is a key trigger for sustainable growth and development, while small-scale agriculture provides the largest employment avenue for most rural dwellers. Despite its immense potentials and the massive level of resources that have so far been pumped into it by the government and development partners, the agriculture subsector of Liberia has been unable to harness its potentials. This necessitated the need for the Governance Commission to organize a policy dialogue in collaboration with the University of Liberia (UL) and the Liberia Revenue Authority (LRA) from a good governance standpoint. The dialogue focused primarily on issues around practical steps required for achieving domestic revenue growth, tax reform, and local cash crop popularization for income generation and food security.



Commissioner Elizabeth Dorkin, Officer-in-Charge indicated that support to the small-scale agriculture sector can provide food security and increase domestic revenue. She emphasized the importance of value addition in the agro business environment and recommended that the required system and structures to be put in place to achieve the desired outcomes.

Summary of Presentations

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The policy dialogue delved into major obstacles affecting revenue generation from the Small-Scale Agriculture sector and, generated strategies geared towards addressing these problems. The panelists laid out issues and challenges confronting the sector and provided recommendations aimed at resolving them. A sustainable governance strategy would be needed to mitigate the gaps within the sector. Below are excerpts of presentations that flagged the cogent issues affecting the agriculture sector:

Natural Resource Value Addition – Strengthening the Local Economy: Practical steps for sustained domestic revenue growth within the Agricultural Sector

The Agricultural sector is 3 to 4 times more likely to end poverty and hunger in Liberia. About 70% of the population in this sector comprise local farmers. This sector accounts for 37.45% GDP, 6.6% in 2016 to 1.7% in 2017 and 3.5% in 2018. Government and private farmers should focus on those things that will lead to growth not only money. Prof. Zinnah urged participants to engage in substantive and empirical-based research initiatives which he thinks will improve the sector- noting that CARI which is the agriculture research institute is currently disorganized. He pointed out seven (7) important steps to improve the agricultural sector:



1. Develop high-yield crops
2. Boost Irrigation
3. Increase fertilizer
4. Improve market access, regulation, and governance
5. Make better use of information technology
6. Adopt genetically modified crops
7. Reform land ownership

Additionally, Prof. Zinnah stressed that all of these factors for transforming the agriculture sector are dependent on the institutionalization and implementation of the right enabling policies and financial support to the sector.

Value Addition is welcoming and laudable and should be supported by development partners within the context of the government's flagship Pro-poor Agenda for Prosperity and Development (PAPD).

Some major recommendations arising from the National Economic Dialogue held in September 2019, include:

⇒ Agriculture “MUST” be the lead sector in the New Economic Development.

- ⇒ Government should promote commercial farming to raise productivity, massive job creation, and output to make it economically rewarding and financially profitable to invest in processing local agricultural commodities.
- ⇒ Incentives should be directed at cultivating types of machinery and processing plants.
- ⇒ Support Public-Private-Partnership arrangements that promote agro-processing will lead to the provision of employment opportunities for youth throughout the country, etc.

Small-scale Agriculture Tax Reform: Impacts on Domestic Revenue Growth

Regarding tax reform, Mr. Talery informed participants that the President of the Republic of Liberia issued Executive Order 97 suspending import tariff on all types of Agricultural Products and Equipment classified under the Tariff Numbers of the Liberia Revenue Code and directly related to Agricultural development in Liberia. The Executive Order took effect on August 14, 2019, and is aimed at stimulating economic growth in the Country and enabling key market players to overcome constraints in the agricultural sector and fully maximize farmers’ potential contribution to the sector. Forty (40) agricultural products are affected including Live bovine animal breeding, all types of agricultural seeds of cereals inclusive of rice for sowing under chapters 10 of the Executive Order and of the Harmonized Coding System (Customs Tariff), animals or vegetable fertilizer, whether mixed or chemically treated.



The Ministry of Finance and Development Planning has issued an Administrative Regulation to give guidelines to the Executive Order. The Regulation was issued on September 17, 2019. The purpose of the Regulation is to govern the activities provided by the Ministry of Agriculture, outlining the conditions and procedures under which Importers of Agricultural products and equipment are to benefit from duty waiver under the Executive Order 97.

Mr. Talery also informed the participants that the Domestic Resource Mobilization (DRM) Strategy was approved by the President to part of the Pro-poor Agenda for Prosperity and Development, (PAPD). The Agricultural sector is one of the critical components of the DRM Strategy. The Agricultural sector is a discount sector that can contribute US\$ 77 million to get to a premium sector. However, the sector in 2017 contributed only about a quarter of that amount or US\$ 16 million. The cassava and rice subsistence growers who do not pay taxes generate 54% of value addition in the sector. Structural changes are required to commercialize agriculture by introducing tax-paying producers. The DRM proposed to target the youth as “agripreneurs”, empowering them through skills training and given access to start-up capital (grants/loan) for agricultural enterprise development.



Popularization of Local Cash Crops for Income Generation and Food Security

According to Deputy Minister Robert Fagan, in 2015 alone, the Agricultural and Fishery sectors grew from 0.7% to 6.4%, contributing 232.2M to the Liberian economy (CBL, 2016). Minister Fagan indicated that, if the Agricultural sector will experience sustained growth, there is a serious need to divorce politics from agriculture. He defined Smallholders’ farmers as those who generate income from farming. He encouraged the promotion and production of coffee and cocoa and recommended the need to add value to these crops, (rubber oil palm, etc.).

To enhance the contribution of tree crops to the Liberian economy short-term priorities should include public-private sector dialogues aimed at arriving at solutions to critical issues that impinge on tree crop development, such as land tenure (options of leasing, licensing and other forms of conveyance) and the role of the out-grower plantation scheme; developing a model concessions contract and policies on divesting ownership of existing parastatal plantations; establishment of a program to support rehabilitation of viable smallholder plantations.

Deputy Minister Robert Fagan further said that in the medium and long term, the emphasis should be on the promotion of the widespread adoption of improved techniques in smallholder cocoa and coffee, and a nucleus estate-cum-smallholder strategy for oil palm and rubber. He said that the Ministry of Agriculture (MOA) in its efforts to popularize cash crops for income generation has undertaken the below initiatives:

- ⇒ The development of tree crops master plan;(2019 –2040)
- ⇒ The development of 5 years agriculture Investment plan;
- ⇒ Implementation of the tree crops project by MOA and other partners; and
- ⇒ Support smallholder tree crops farmers by the large scale tree crop firm through the out grower scheme

The Government of Liberia enshrined in each agreement of all Agriculture Concessions for the concessionaires to develop cash crop for host/surrounding communities, but with lands and funds provided by the government. Quite often, the Government has so far failed to provide said lands not to mention the funds for their development. To ensure that smallholder farmers and other actors along the value chain get the most out of their investment, the following must be strongly considered:

- ⇒ Mechanization, which requires collaboration with development partners;
- ⇒ Involvement of the private sector into agriculture activities; and
- ⇒ Foster strong public-private partnership



Policy Recommendations

The participants recommended the following policy options:

- ⇒ Divorce politics from the Agriculture sector and focus on implementations;
- ⇒ Enhance human capacity within the Public Sector (Ministry of Agriculture, Central Agricultural Research Institute, Liberia Agricultural Commodities Regulatory Authority, National Fisheries, and Aquaculture Authority) for better productivity;
- ⇒ Focus on market-based, sustainable value addition in country;
- ⇒ Government should ensure easy access to farm (Farm to Market Road);
- ⇒ Government should provide subsidies to farmers (Financial Aid and agriculture tools) ; and
- ⇒ Set up supportive institutions framework e.g. through seed boards, research institutions, building an agro-dealer network, suitable regulators.



Cross-section of Participants at the Dialogue

➔ *Policy Recommendations continues*

- ⇒ Encourage export orientation – mainly, but not only, to ECOWAS for value-added products while also targeting the domestic market where it is significant;
- ⇒ Government should play a coordinating and enabling role of supporting the holistic development of the various private sector players and the agriculture donors working group along with the agriculture value chains - including input suppliers, producers/farmers, aggregators, processors, packaging, transportation, and marketing firms, wholesalers, exporters and banks;
- ⇒ Government should live up to its commitment by providing lands and funds for concessionaries to develop cash crop for host/surrounding communities for smallholders farmers as indicated by Law;
- ⇒ Establish Agriculture Technical Working Group including Ministry of State, Ministry of Finance and Development Planning, Ministry of Public Works, Central Agricultural Research Institute, Liberia Agricultural Commodities Regulatory Authority, National Fisheries and Aquaculture Authority, Liberia Land Authority, and the private sector. The Agriculture Technical Working Group should be chair by the Ministry of State;
- ⇒ Government should provide training for farmers in food preservation;
- ⇒ Government should provide scholarships opportunity for students to study agriculture in and out of Liberia;
- ⇒ Government officials who take Agriculture break (Legislature) and other senior government officials should be mandated to establish farm;



Moderator, Mr. J. Cyrus Saygbe Sr. “Agriculture must be a private sector-driven for sustainability as the government plays the leading role in an enabling environment”.