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TOPIC

Liberia Economic Challenge with Agricultural Solution

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Introduction

The Liberia Government has come under serious criticism by some student groups, some business groups and citizens for the high increment in USD rate to that of Liberian Dollar. The groups are demanding the Government under President George Weah to immediately intervene. This has caused hardship in the Country, the economy situation in Liberia is galloping inflation, where rate increases every minute or day, as a result, the profit margin for business is low or lost.

According to some analysis on the economic condition, attributed it to dual currencies in the economy, presently, the USD and LD are used equally in the economy as the medium of exchange for goods and services, in this situation, those who have access to USD are at the advantage, while those who have access to LD are at the disadvantage. Most of the population does not have access to USD, in my mind.

Key words:

1. Currency Substitution
2. Rejuvenate LPMC
3. Cocco and Coffee

Some Causes for High Rate

The Liberians must understand that the departure of Unite Nations Mission in Liberia (UNMIL) whose expenditures in several millions in the economy contributed to this rate increment, the Ellen Johnson Government could not have experienced this while UNMIL was in full operation. The United Nations, prior to its leaving, spent, over $500 million a year on its peacekeeping force, total troop of 7,500.

Another reason is that the Liberian economy is import oriented meaning we do more imports than exports, in such a case, our economy make more spending of USD outside to bring goods in the Country than exporting. If the economy was exporting more than import, there could be more flow of USD in the economy where Government could have stood the challenged from major importers in the Country for their demand for USD.

Our economy never experienced such before the Civil War because the IRON ORE and Rubber were in demand in the world market as such they were value. LAMCO, BONG MINE, FIRESTONE, LAC and others were exporting and the inflow of USD was huge, this is why the economy never experienced such.

The President Speech on the Economy

The President, George Manneh Weah, spoke on July 17, 2018 on the status of the economy, but confronted with critism from some politicians that the speech was about the courses instead of solution. Meaning that the citizens should wait for future solution. Some of the problem highlighted by his excellency, George M. Weah, surrounded the departure of UMIL, the depreciation of Liberia dollar to that of the United States dollar, since 2014. The Coalition for Democratic Change came to power while this problem was creeping on the Liberians.

The Government needs to put mechanism or system to address the situation, some of the regulations expected should include the follow:

Public Financial Institutions

Set up Financial Committee comprises of financial institutions heads with Liberia Business Association to Look into the matter,

Regulate expenditures

We agreed that the President George Weah government cut down salaries of public servants, and those civil servants and autonomous agencies employees with 10%. This deduction has taken place already. However, more need to be done to support the Pro-Poor Agenda, and to do so strategic spending is necessary:

1. Certain amount was not allowed to be withdrawn without Madam Sirleaf consent, and President Weah should look at the same for now
2. With this condition facing the Government, the issues of vehicle maintenance and scratch cards should not form part of the Government Budget for now and gasoline should be allotted base on priority for now. Every official should mange those from their salaries and allowance. In addition, avoidance of luxury, meaning expense vehicles are not necessary for now. Financial value of vehicles for ministers, deputy ministers, assistant ministers and other senior officials be determined.

Single Currency

The Government should allow the economy to use one currency like Ghana, Guinea, Sierra Leone and Ivory Coast. the option should be Liberia Dollar or revoke the law that allows Liberia to use United State Dollar strictly, as it was in the past. Other countries experienced similar problem in their economy, and solution was amicably find with negotiation with country to allow the use of their currencies as legal tenders. With Liberia relationship with U.S Government, permission will be given for Liberia to strictly use the USD avoiding the Liberia dollars. With this situation, American dollar will be the prefer legal currency that can bring our economy to normality. The U.S. dollar is also used as legal tender in countries which either do not issue currencies of their own, or have found the stable dollar preferable to their own currency. For example, Ecuador adopted the U.S. dollar as legal tender in 2000 after the Ecuadorian-issued currency, the sucre, depreciated rapidly such that $1 was worth 25,000 sucres. Adopting the U.S. dollar as the primary legal tender is colloquially known as 'dollarization' - the practice generally is called currency substitution.

In 1944, when the Articles of Agreement of International Monetary Fund (IMF) were adopted at the Conference had national currencies. Some even had several currencies, one for their metropolitan territories, other for their department territories. The possibility for a country to have different currencies for different territories was in the Articles of Agreement. In three of the countries represented at the conference (Dominican Republic, Liberia, and Panama), their mean currency in circulation was the U.S dollar. Meaning, using USD will be no international financial violation

LPMC Role in the Economy

The Government should put money in Liberia Produce Marketing Corporation (LPMC) to buy coco and other farm products for export that will bring some USD in the economy.

Prior to the civil war in 1987, the agriculture sector, contributed around 32.7 percent of GDP and provided employment for about 75 percent of the labour force. However, in the post–war period, the sector’s share of GDP has risen, in spite of its overall deterioration. In fact, in 2004, total agricultural output (including fisheries and forestry) accounted for about 65 percent of GDP. The reason for such anomaly is the drastic decline of other economic sectors, notably the mining and the tertiary sector. Otherwise, agriculture had continued to get worse during the war. For instance, the output of agriculture and forestry amounted to about US$371m in 1987, but 10 years later in 1997 it dropped to about US$228, in current price terms, the agricultural sector has started to grow in the last few years following the achievement of peace in the country. With the present decline in the sector, the Government can rejuvenate LPMC as it was before the war so that it can start the purchasing of coco and coffee for international markets, the multiply effect will make more rural dwellers business in interior by going after these products for major buyers. This is what some war turn countries did to help their economies, Liberia can look in similar direction, however, even the Government establishes Liberia Agriculture Commodity Regulatory Authority (LACRA) to replace the Liberian Produce Marketing Corporation (LPMC) for the purpose of to promote production, processing and marketing of high quality agricultural commodities particularly cocoa, coffee and palm products, to ensure the provision of a well regulated market for cocoa, coffee and palm products for fair competition among all actors in the value chain, to facilitate standardization of quality of agricultural commodities including cocoa, coffee and palm products in accordance with established regional and international standards, to enhance income earning capacity and general welfare of producers of cocoa, coffee and palm products and to provide for other related matters, the Government must be willing to full support so that it meets its objectives.

The Kagame's plan

The country is small with approximately 12 million persons, more than Liberia Population, yet the country has strived under President Kagame's economic development plan heavily focused on increased agricultural productivity, tourism, technological growth and intense government spending on infrastructure.

Rwandan's Fledging Coffee Market

Taking coffee as an example in Rwanda, an industry figurative wiped out by the genocide and the mishaps of leadership following. Coffee is exemplary of the change in the larger agriculture sector. Export earnings grew by an estimated 33 percent in 2013, underpinned or reinforce by increased coffee and tea production. In 2000, Rwanda's first coffee cooperative earned around $0.20 per kilogram of regular-quality coffee. In 2013, it is estimated that the same co-op earned nearly $4.00. The Ministry of Finance estimates that greater agricultural production could push economic growth above 11 percent as well as further its poverty reduction plan. This shows that coffee was very significant to the growth Rwanda economy recovery program. LPMC is needed.

The Agricultural and Rural Sector Contribution to the Economy

The agricultural sector, including forestry and fisheries, was the backbone of the national economy. In addition to supplying food to the people, agriculture has traditionally earned considerable foreign exchange resources through the exports of timber and commercial crops such as rubber, coffee and cocoa. Agriculture is also most important in terms of employment, rural livelihoods and food security. However, its contribution to national economic growth had been limited over the past years by structural constraints, inadequate policies and armed civil conflicts, especially in Liberia that came from more than fifteen years arm struggle needs to copy the model of countries like Ivory Coast and Rwanda for the economy recovery program in Cocco and coffee.

Political stability, sustainable development of Ivory Coast pave way for investments

Having implemented a policy of heavy investment in infrastructure during his first term, Ivorian President Alassane Ouattara, a former senior International Monetary Fund official, has been largely credited for the Ivory Coast's rapid post-war economic revival. Economic growth has averaged around nine percent over the past three years, according to government figures. The president said that an influx of new investment would push that figure into double digits from next year. The IMF has issued a more conservative average forecast of 8.4 percent for 2015 and 2016.

Agriculture has been the backbone of the economy of the world's largest cocoa producer. Cote d'Ivoire accounts for 30 percent of the world's total cocoa production and is also a big exporter of coffee and palm oil. The country also has significant offshore oil and natural gas reserves. The Ivorian government is working on new reforms to support the economy. According to the

World Bank, Cote d'Ivoire is among the top ten reformer economies. The government focus is on developing systems for processing agricultural products and industrializing goods to earn more from exports. Cocoa beans bring low revenues while a lack of value added production inhibits or impedes the production of cocoa powder, which is more profitable. The export of finished goods generate more revenue as compare to exporting raw product, hence; turning Cocco and coffee in to finished products will bring more revenue than usual or the traditional ways of doing thing. Liberia needs to factor in its economic plan the processing of Cocco and coffee for end used.

Conclusion

With such economic crisis situation in Liberia, where the exchanged rate is high, the Government should model Ecuador example by using the United States dollar in the Country avoiding the Liberian dollar. In addition, the Rwanda and Ivory Coast Cocco and Coffee programs for economic development as war turned countries imitation can help Liberia. Most of the African countries have serious economic problem today due to the depreciation in the primary products that were the strength of the economy, since the decline of value in these natural resources, follow of foreign currency, specifically USD reduce. Africa needs to focus on agriculture for economic development, therefore, Liberia must take the path of agriculture, especially for Cocco and coffee. Liberia Agriculture Commodity Regulatory Authority (LACRA) needs LPMC pattern of operation where the rural Cocco and coffee farmers will be in business.

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