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Political Settlements and the Management of Cocoa Value Chain in Ghana

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Abstract

This paper relies on literature review and primary data collected through in-depth interviews with 21 respondents to examine the political economy dynamics of the cocoa value chain in Ghana. The historical analysis, which was based on the political settlements framework, has shown that the policies implemented in the cocoa sector went through four periods. The colonial era was characterised by a fairly corporate governance system and struggle between European traders and farmer cooperatives for monopoly over internal marketing of cocoa. This was followed by the early post-independence era (1957–1980), which was characterised by neopatrimonialism and over-taxation of cocoa farmers. The third phase (1980–2000) witnessed economic reforms and liberalisation. The fourth phase (2000 to present) saw increased public–private partnerships aimed at empowering women and promoting environmentally friendly farming activities. The paper concludes that the policies in the cocoa sector have, historically, created more benefits (rents) to political elite and their crony capitalists. Given that rent-seeking behaviour is a threat to the sustainability of the cocoa sector, the paper urges international development partners and civil society groups to demand greater accountability and transparency from the political elite and state institutions in the cocoa sector.

Keywords

Cocoa, value chain, political economy, political settlements, Ghana

Introduction

This paper examines the political economy dynamics of the cocoa value chain in Ghana, the world's second largest producer of cocoa (Glavee-Geo et al., 2020; Roldan et al., 2013). Commercial cultivation of cocoa in Ghana has a long history, dating back to 1879 when Tetteh Quarshie, a Ghanaian, brought the *amelonado* cocoa pod from Fernado Po in Equatorial Guinea (Amoah, 1995). He planted the cocoa seeds at Mampong Akuapem in the Eastern Region of the then Gold

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Coast, and later started selling the pods from his trees to other farmers who cultivated cocoa on their lands. Within a few years, the cultivation of cocoa spread to other villages in Ghana (Amanor et al., 2020).

Although the initial cocoa production was largely driven by personal investments made by individual farmers (Off, 2006), the British colonial administration made a modest contribution to the development of the cocoa sector through the provision of extension services to farmers (Amoah, 1995). Ghana became the world's leading cocoa producer in 1910/1911 and held this position until 1976/1977 (Kolavalli and Vigneri, 2011). While the Ghanaian cocoa sector experienced a significant downturn from the late 1960s to the early 1980s as a result of a combination of factors, including a decline in cocoa prices on the world market, effects of pests and diseases and political instability (Löwe, 2017), the cocoa sector recovered again in the mid 1980s after the adoption of Economic Recovery and Structural Adjustment Programmes (Kolavalli and Vigneri, 2017). With an average annual production of about 800,000 metric tonnes of cocoa beans, Ghana is the world's second highest producer of cocoa, after the Côte d'Ivoire (Amanor et al., 2020; Cocoa Research Institute of Ghana (CRIG), 2017). The cocoa sector has, historically, been the backbone of the Ghanaian economy. Although the sector's relative contribution to Gross Domestic Product (GDP) has declined in the last decade, it is still the most important commercial crop, contributing an average of 3% to GDP in the last decade (Ministry of Food and Agriculture (MOFA), 2016).

The cocoa sector is also an important source of foreign exchange for Ghana (Deans et al., 2018). In the 1970s, about 65% of the country's foreign earning came from export of cocoa. Today, Ghana is the second leading exporter of cocoa to the United States, Europe and Asia (Glavee-Geo et al., 2020). Cocoa currently contributes about 80% of agricultural export earnings. A greater proportion of the cocoa foreign exchange comes from export of cocoa beans. Cocoa contributes to the livelihood of about 6 million people that are heavily dependent on the cocoa sector, including over 800,000 mostly rural households that derive 67% or more of their household income (Asamoah and Owusu-Ansah, 2017). Cocoa exports are taxed and this provides the government with revenue. The tax rate on exports of cocoa beans is fixed annually by the government (Asare et al., 2018).

Several households in Ghana depend directly on the cocoa sector for livelihoods, and components of the cocoa industry, such as input supplies to farmers and cocoa pricing, have historically featured prominently in national and local politics (Teye and Torvikey, 2018). However, there are very few studies on the interests and benefits that accrue to various actors of the cocoa value chain in Ghana. This paper relies on the political settlements framework (Khan, 2018) to provide a historical analysis of the basic underlying political economy dynamics of the cocoa value chain, with particular focus on how the interests, powers and interactions of various actors along the value chain have contributed to agricultural commercialisation in Ghana. The paper also explores social difference within the chain.

The paper is structured into six sections. Section 'Theoretical perspectives' presents theoretical perspectives that will be relied upon for the analysis. Section 'Research Methodology' describes the methods of data collection. Section 'Mapping Ghana's cocoa value chain' maps the various actors in the cocoa value chain, while section 'Political settlement analysis of the cocoa value chain in Ghana' discusses the outcomes of policies in the cocoa sector, within the framework of the political settlements theory. Section 'Conclusion' presents the conclusions and policy recommendations.

Theoretical perspectives

This section discusses the approach to *value chain analysis* adopted for this study, and explains the political settlement theory which will be used to discuss the findings of the study. The section also describes the methods of data collection and analysis.

Value chain analysis

The concept of value chain, which is attributed to Porter (1985), simply describes the set of activities within and around production to create value for an organisation (Asamoah and Annan, 2012). The concept assumes value addition as a product moves from one stage of production to another (Zamora, 2016). Value chain analysis is a useful tool for assessing the role that specific value chains can play in achieving specific policy objectives, such as promoting economic growth, alleviating poverty and reducing inequality (Bellù and Pansini, 2009). According to Bellù (2013: 1), Value Chain Analysis (VCA) is 'the assessment of a portion of an economic system where upstream agents in production and distribution processes are linked to downstream partners by technical, economic, territorial, institutional and social relationships'.

A value chain begins with the production of a commodity, and ends with the consumption of the final product (Asamoah and Annan, 2012). Following the value chain analysis approach proposed by Bellù (2013), we start our analysis with a mapping of the components and actors of the cocoa value chain. This is followed by an assessment of the evolution of policies and distribution of rents to various stakeholders, within the framework of the political settlements theory.

The political settlements framework

The political settlements framework posits that the distribution of power among various interest groups determines the outcomes of public policies (Whitfield et al., 2015). Any public policy generates different costs and benefits (rents) for different groups (Khan, 2018). Different groups may therefore employ various strategies to influence policy formulation and allocation of rents. Various groups may support or resist policies depending on their own interests and capabilities (Whitfield et al., 2015). Actual policy outcomes may therefore depend on several factors, including the distribution of power among various interest groups. Policies that threaten the rents of powerful interest groups are unlikely to be adopted, even if they are socially desirable (Khan, 2018). The framework also suggests that political parties tend to capture resources for their clients who can help them remain in power, even though such activities may damage the economy (Behuria et al., 2017).

The political settlements theory therefore suggests that any analysis of policy outcomes must focus on the interests and distribution of power among competing groups. The theory further explains that the holding power of interest groups is based on a combination of economic capabilities, capacity of their leadership to mobilise resources and their skills in rewarding the right policy actors through formal or informal networks (Khan, 2018). Groups that lose out during the formulation of stated policy may continue to mobilise resources, and adopt several strategies to influence subsequent policy changes in their favour.

Policy changes are usually the outcome of interactions between policymakers and interest groups. The theory also suggests that while interest groups in developed countries often try to lobby policymakers to change formal rules which are enforced by legitimate governance agencies, powerful interest groups in developing countries tend to adopt informal violations of formal rules to capture benefits informally (Khan, 2018). Patronage networks and corruption, which distort policy outcomes in developing countries, are therefore explained as part of the political settlement. In summary, the theory argues that instead of only focusing on formal rules, there is a need to examine how the interests of policymakers and powerful actors shape the formulation and implementation of policies (Behuria et al., 2017; Whitfield et al., 2015). Based on this framework, we examine the performance of the cocoa sector through a historical analysis of the changes in interests and distribution of powers of various actors in the cocoa value chain in Ghana.

Research methodology

The paper is based on a combination of secondary and primary data. The study commenced with a comprehensive review of literature on theoretical perspectives and empirical findings on the cocoa value chain. The review largely focused on peer reviewed academic publications, although in a few cases policy documents and grey literature generated by reputable organisations were also reviewed. The review entails a systematic search of different databases, including SCOPUS and the University of Ghana (UG) online Balme Library. Other search engines, such as JSTOR and Google, were used to select relevant papers. Policy documents were obtained from the Ministry of Food and Agriculture and the Ghana Cocoa Board (COCOBOD) for assessment. The literature review provided information for mapping the cocoa value chain. The review also enhanced our understanding of the policies adopted to govern the cocoa value chain. The review of the scientific literature was complemented with secondary data sources which provided information on the performance of the cocoa value chain.

Primary data were collected to complement the secondary data. The approach to primary data collection and data analysis was largely qualitative. In all, 21 knowledgeable actors in the cocoa value chain were interviewed as key informants in 2020. They were purposively selected from the private sector, government, cocoa farmers associations and academia. The farmers who participated in the study were interviewed in the Eastern and Western regions of Ghana. The interviews were based on a rapid market interview guide jointly designed by the leaders of the Agricultural Policy Research in Africa (APRA) and Commercial Agriculture for Smallholders and Agribusiness research teams. The topics covered in the interviews include the structure of the cocoa value chain; performance of the cocoa sector, evolution of policies in the cocoa value chain, interests and holding power of different actors, and how these influence policy and outcomes. Some of the respondents, especially farmers, also answered questions on challenges facing the cocoa sector.

With the permission of respondents, all the interviews were recorded with a digital audio recorder. The audio files of the interviews were transcribed and translated into English, in cases where interviews were conducted in a local language. Content analysis was performed on the qualitative data. Where appropriate, extracts from interview transcripts are used to support assertions. In order to protect the identity of respondents, pseudonyms were used throughout this paper.

Mapping Ghana's cocoa value chain

As shown in Table 1, the cocoa value chain in Ghana is made up of input supply segment; followed by cocoa bean production by smallholder farmers; purchasing and transport of cocoa beans by state and private licensed buying companies (LBCs); cocoa processing; and distribution and sales by retailers (Callahan, 2019; Grumiller et al., 2018; Tardzenyuy et al., 2020).

The *input supply segment* is occupied by private companies and state agencies, such as Seed Production Division (SPD) and the Cocoa Health and Extension Division (CHED) of COCOBOD (Hütz-Adams et al., 2016; Manteaw et al., 2018). While the state provided subsidised fertilisers and agrochemicals in the early post-independence era, the subsidies were withdrawn in the mid 1980s. They were, however, re-introduced in the mid 2000s partly as a result of the desire to use input supply to win political votes (see Teye and Torvikey, 2018). Although inputs from the state are currently subsidised, farmers still bear most of the cost:

> Government officials always claim that agricultural inputs are subsidized. The reality is that only a few farmers benefit from fertilizer subsidies and [mass] spraying of cocoa. Many of us [farmers] still buy fertilizers and [agro] chemicals from the market. (GYUGYU, Farmer, Eastern Region)

Table 1. Main cocoa value chain actors in Ghana.

Activity	Actor	Outputs
Input supply	Private input dealers	Seeds, fertilisers, agrochemicals
	Cocoa Health Extension Division (CHED), Seed Production Division (SPD) of COCOBOD	
Production	Farmers	Cocoa beans
Internal marketing	Licensed buying companies (LBCs)	Purchasing of cocoa beans from farmers and delivery to COCOBOD
Transportation	LBCs	Transportation of cocoa beans
	Hauliers	Transportation of cocoa beans
Exports	COCOBOD	Exporting of cocoa beans
Processing	Processors	Chocolate, cocoa powder, cocoa butter, liquor, cakes, beverages
Marketing of cocoa waste	Cocoa waste companies	Exporting of inferior cocoa and cocoa waste
Retail	Big supermarkets	Delivering products to consumers
	Small retailers	
	Individual distributers and table-top businesses	

COCOBOD: Ghana Cocoa Board.
Source: Monastyrnaya et al. (2016).

The cocoa *production component* is made up of an army of approximately 800,000 smallholder farmer households (Ghana Statistical Service, 2014), utilising land sizes up to 5 ha (Callahan, 2019; Hütz-Adams et al., 2016). While about 80%% of these farmers own lands for cocoa production, the remaining 20% who are landless, depend on sharecropping for cocoa production (Monastyrnaya et al., 2016). As noted in the statement below by a farmer, the major challenges faced by cocoa farmers in the production segment of the cocoa value chain include fluctuating rainfall, pests and diseases, and lack of funds to buy inputs:

> We [the farmers] work very hard but we face some problems. The rainfall does not come on time these days. Pests also affect the cocoa harvest each year. Also, if you ask all the farmers here, our main problem is that we don't have money to buy chemicals and fertilizer, and these issues affect our harvest [output]. Successive governments have only made promises but they have not solved these problems. (LITRE, Farmer, Western Region)

The internal marketing and transportation segments of the value chain were initially largely controlled by the state-owned Produce Buying Company (PBC) of COCOBOD. As a result of a World Bank-backed economic reforms in the cocoa sector in the 1990s, the purchasing and transportation of cocoa beans from points of production to the ports in Ghana is no longer the preserve of the state-owned PBC of COCOBOD (Oomes et al., 2016). Although the PBC remains the largest LBC and retains monopoly over external marketing, about 30 licenced private national and international LBCs also take part in internal cocoa marketing (Manteaw et al., 2018). COCOBOD provides LBCs with seed fund, borrowed from an international syndicate, to purchase cocoa. COCOBOD is mandated to fix the domestic floor price for specific quantities of cocoa. To improve their odds, LBCs rely on several local community district managers and purchasing clerks to buy, transport and deliver cocoa from remote communities to their warehouses (Abbey et al., 2016). The *export* of cocoa is the exclusive responsibility of CMC, which is a subsidiary of COCOBOD (Oomes et al., 2016). The Cocoa Marketing Company (CMC) takes delivery of the cocoa from LBCs and stores them at three centres in Tema, Takoradi and Kaase (World Bank, 2013).

The cocoa *processing segment* is not well developed. While efforts aimed at processing cocoa date back to the 1960s with the establishment of the West African Mills Company as a private entity to convert raw cocoa to paste, butter and other products (Sulaiman and Boachie-Danquah, 2017), Ghana only processes 20% of its cocoa into semi-finished or consumer products domestically (Monastyrnaya et al., 2016).

The *cocoa waste marketing* component is occupied by licensed cocoa waste companies who procure cocoa waste such as shells, husks and inferior quality cocoa from farmers and processors in cocoa-growing areas in Ghana (Monastyrnaya et al., 2016). With regard to *retail segment* of the value chain, many small informal retailers and very few supermarkets sell several local and imported cocoa-based products including cocoa powder beverages, chocolate and creams in Ghana (Knudsen, 2010).

Consumers also constitute a key segment of the value chain. Demand for cocoa depends, to a large extent, on chocolate and other cocoa products (Oomes et al., 2016). The main markets for cocoa products remain in Europe and North America, but demand is also rising in China and India. Countries in Central and South America, especially Brazil, also have a long cocoa-consuming tradition (Sulaiman and Boachie-Danquah, 2017).

Political settlement analysis of the cocoa value chain in Ghana

There are several stakeholders with competing interests in the cocoa sector. First, the government has a major interest in maintaining control over cocoa revenue and using it to fund economic development as well as sustain its patronage networks that are important for remaining in power. Traditional authorities also have a vested interest in getting adequate share of their royalties from the production of cocoa. Cocoa farmers' main interest is how to get access to factors of production (e.g. land, labour and credit) and higher prices for their produce. While international cocoa processing firms have, historically, been concerned with how to ensure that Ghana continues to supply high quality of cocoa, international development partners are interested in how the performance of the cocoa sector could be improved to contribute to broader sustainable development.

The interaction by the various interest groups, with different sources of holding power, has led to the evolution of various governance systems and policies which created different costs and benefits (rents) for different interest groups in the cocoa sector. Following the work of Ton et al. (2008), we discuss the history of the corporate governance system in the cocoa sector under four broad periods. The first period (1920–1957) is characterised by struggles for control of cocoa marketing. The second period (1957–1980) witnessed neopatrimonialism and over-taxation of farmers. The third period (1980–2000) saw reforms in the cocoa sector, while the fourth period (2000 to present) was characterised by increased partnership between state and non-state actors.

Colonial corporate governance system and struggle for control of internal marketing of cocoa (1920–1957)

The main interest groups in the cocoa value chain during the colonial era were the colonial administration, which sought to promote and maintain the production of cocoa beans for export in order to raise revenue for promoting development of the colony (Teye, 2008). The colonial administration was also interested in exploitation of the colony for the development of the metropolis (i.e.

Britain). As a result of these interests, the protection of the forest zone where cocoa and other valuable crops were and are produced was a key policy goal. For instance, in his Forest Officers Handbook, Chipp warned that rapid forest loss would inevitably result in the 'disappearance of cocoa, kola and oil palm industries as commercial ventures' (Chipp, 1922: 47; see also Teye, 2008). Traditional rulers who were, and still are, in charge of the allocation of land were interested in maintaining control over land ownership and royalties from cocoa production, while farmers were interested in high cocoa prices. European traders and their local agents were also interested in maintaining control over the internal marketing and export of cocoa (Amoah, 1995).

The cocoa production segment in the colonial era was largely occupied by smallholders, as the colonial administration feared that any efforts to take lands from traditional authorities to establish large-scale plantations could create local opposition and tensions, as highlighted by Teye and Torvikey (2018):

> The early British colonial rulers actually favoured production by smallholder farmers for fears that extensive land acquisitions for plantations could alienate smallholder farmers and create local opposition and conflicts. This has partly laid the foundation for the current situation whereby about 80 percent of annual agricultural output comes from individual small-scale farmers. (p. 27)

One of the key issues that generated tensions during this early period of cocoa production was control of the internal marketing. In the 1930s, when cocoa output began to increase, the local purchasing and exporting of cocoa were largely controlled by European firms (Ton et al., 2008). The foreign companies relied on middlemen, many of whom were prominent farmers, to purchase cocoa beans from farmers (Beckman, 1976). The local farmers were not happy with the prices being offered to them by the European traders. To deal with some of the conflicts over prices in the cocoa marketing segment of the value chain, the colonial administration encouraged the formation of cooperative enterprises in the cocoa sector (Ton et al., 2008).

The European traders, however, feared that the cooperatives would eventually eliminate them from the cocoa trade (Department of Cooperatives, 1990). However, from 1930 to 1937, the farmer cooperatives, who believed that European traders were not offering them good prices, embarked on series of 'hold-up of sales of cocoa' to press their demands for higher prices (Frankel, 1974). In order to resolve these tensions over cocoa pricing and associated 'hold-ups', the West African Produce Control Board was created in 1940 and it was given the power to set cocoa prices for all West African countries. This board was dissolved shortly after the Second World War, and the Cocoa Marketing Board (CMB) was established in 1947 and mandated to market cocoa and stabilise its prices. The foreign firms, however, continued to be involved in the local purchase of cocoa while the CMB was responsible for export. In 1952, the Cocoa Purchasing Company was established by the state and was also involved in the purchasing of cocoa (Ton et al., 2008).

State-controlled economy and neopatrimonialism (1957–1980)

When Nkrumah government came to power in 1957, policy and institutional changes were introduced. First Nkrumah government established a few state plantations in line with its socialist ideologies and the belief that peasant farmers were not efficient. Again, while the colonial government was interested in cocoa production for export, Nkrumah's government promoted production to feed local agro-based industries in line with export substitution policy (Teye and Torvikey, 2018).

As a result, the state invested heavily in cocoa processing capacity, thereby furthering state-led chain integration. The government established two cocoa processing factories in 1963 which were owned by COCOBOD.

The struggle for a monopoly of the cocoa marketing sector, which started in the colonial era, continued in the early postcolonial era. During the early post-independence era, the farmer cooperatives were given more power to control the purchasing of cocoa because of their patronage networks with the ruling government (Teye, 2008). The United Ghana Farmers' Cooperative Council, established in 1953 as the General Farmers' Cooperative, became a political wing of the ruling Convention People's Party (CPP) (Beckman, 1976; Ton et al., 2008). Due to its patronage networks with the ruling government, the Farmers Council managed to stop European firms from active purchasing of cocoa.

As a way of addressing the effects of the existing neopatrimonialism and corruption, the military government which took over from President Nkrumah in 1966, dissolved and banned the Farmers Council (Beckman, 1976). The military government further established a Committee of Enquiry to investigate the issues around internal marketing of cocoa. The committee considered the potential benefits and challenges of adopting three key alternative models for internal marketing of cocoa in Ghana. The models considered were a competitive market whereby any person or group could participate in the internal market; a farmer-based cooperative marketing system and direct state-controlled marketing system. Consistent with the view that policymakers tend to adopt policies that would help them realise their political interests (Khan, 2018), the last model, which would simply extend the export monopoly of the state-supported CMB, was adopted as it was in line with the government's main interest of controlling cocoa revenue generation and use (Amanor et al., 2020; Beckman, 1976). The single cocoa buying system created was restructured in 1977, when the PBC, a subsidiary of the CMB (now COCOBOD) took over the internal marketing of cocoa. Important services to farmers were provided by various divisions of the state-controlled CMB. For instance, the Cocoa Services Division maintained a monopoly over the procurement and distribution of inputs, such as agrochemicals and fertilisers. It was also responsible for providing extension services. The Quality Control Division was responsible for strictly ensuring high quality of cocoa (Ton et al., 2008).

Successive post-independence governments relied on the state-controlled CMB and its subsidiaries to exploit farmers and distribute rent to their clients in the cocoa sector. Although the need to stabilise cocoa prices was used to justify the creation of a state-controlled marketing board, the post-independence governments generally exploited farmers and used cocoa revenue to maintain patronage networks with private entrepreneurs. In most parts of this era, cocoa farmers were heavily over-taxed through the fixing of cocoa prices far below world market prices (Bates, 2005). For instance, from 1957 to the early 1990s, cocoa farmers were offered between 30% and 50% of the free on board (FOB) cocoa price, which is far lower than the producer prices of between 60% and 80% of the FOB price received by cocoa farmers in other cocoa-producing countries, including Brazil and Côte d'Ivoire (Bullř, 2002; Dzorgbo, 2001). Meanwhile, the cocoa management guidelines, which justified 'over-taxation' of cocoa farmers on the grounds that the surplus revenue would be used to stabilise producer prices in the event of declining world market prices, were never implemented. Through over-taxation, the CMB simply functioned as a tool for collecting and distributing patronage resources (Hubbard and Smith, 1996) that would allow the governments to remain in power. As part of the patronage networks, supporters of the ruling governments were usually offered juicy jobs and employment contracts in the cocoa marketing sector (Herbst, 1993: 63). This is a clear situation of political settlements whereby political parties captured resources for their clients who, in turn, helped them to remain in power, even though such activities were damaging the economy.

While poor weather conditions as well as pests and diseases also contributed to the declining cocoa output from the late 1960s and 1980s, over-taxation of farmers was a major factor that resulted in low cocoa output in this era (Amoah, 1995; Dzorgbo, 2001). Available statistics show that the annual cocoa output declined from a peak of 581,000 tonnes in 1964 to about 168,100 tonnes by 1983 (Manu, 1974). In addition, as a result of the patronage networks and mismanagement, the state Produce Buying Company was unable to make prompt payments to cocoa farmers. According to Khan (2018), in any policy engagement, interest groups whose access to rents have been denied by the government may adopt informal violations of formal rules to capture benefits informally. This is exactly what happened in the Ghanaian cocoa sector. Some farmers living in border areas responded to the combined effects of delays in payment and lower prices by smuggling some of their produce to neighbouring Côte d'Ivoire. This is highlighted in the statement below by an 87–year-old farmer:

> In the period before JJ [president Rawlings] came, cocoa prices in Ghana was very bad. We complained to the cocoa clerks about the very low cocoa prices but the government did not do anything. So what we did was to smuggle cocoa across the Ivory Coast Border where we could get good prices. Some government officials came here to say smuggling cocoa to another country is unpatriotic. But what could we have done when they were cheating farmers. (Papaa NUTYN, Cocoa Farmer)

The smuggling of cocoa, as described earlier, further affected Ghana's cocoa export earnings and revenue generation. By the late 1970s, Ghana's cocoa industry was on the brink of collapse (Amanor et al., 2020).

Apart from over-taxation of farmers, social responsibility benefits created for cocoa farmers were 'captured' by state officials managing these benefits. For instance, the Ghana Cocoa Marketing Board Scholarship Scheme which was established in the late 1970s to finance the secondary education of the children of cocoa farmers was actually 'captured' and used by some fund managers (i.e. government officials and headmasters) to seek underhanded economic rent from some parents. In effect, many poor cocoa farmers' children did not benefit from these scholarships.

Economic reforms and liberalisation (1980–2000)

Between 1980 and 2000, reforms were implemented in the cocoa sector in response to political changes, economic crisis and increased international donor pressures for economic reforms needed to prevent the country from collapsing. These changes created new costs and rents for different actors. The Cocoa Rehabilitation Project (CRP), which was implemented in the 1980s and early 1990s as part of Economic Recovery and Structural Adjustment Programmes, helped to prevent the cocoa sector from total collapse (Ministry of Finance, 1999). In the production segment of the cocoa value chain, the reforms enabled large-scale farmers to receive grants and loans from international donors for expansion of their farms. Small-scale cocoa farmers, however, did not benefit from these loans as they lacked collateral security to secure them, as highlighted by a key informant in the Ministry of Agriculture:

> The Structural Adjustment programmes helped to revive the agricultural sector as a whole. Some farmers received huge donor funds to support production . . . Yet many of those farmers were the large-scale farmers who got loans and grants. Smallholder farmers did not get the loans because many of them did not have any document on their lands. They also lack collateral security for loans. (Putupat, Ministry of Agriculture, Accra)

In the cocoa marketing sub-sector, the economic reforms were geared towards increasing producer prices by reducing the cost of inefficient marketing and cocoa pricing systems. The CMB was restructured and renamed COCOBOD in the early 1980s. The restructuring resulted in a 90%

reduction of COCOBOD staff (Kolavalli and Vigneri, 2017). Expansion of processing activities for the purpose of value addition and privatisation of input distribution was among the key reforms. Processing capacity increased in 1982 when the state acquired a cocoa processing factory. Foreign and local private firms were also encouraged to establish processing firms. However, privatisation created new rents for the ruling elite and their crony capitalists, who purchased state agricultural production and processing assets at prices far lower than their real values, as highlighted in the statement below by an official of a non-governmental organisation (NGO):

> It is always argued that privatisation can increase efficiency and overall performance of firms. Ghana's experience, however, does not support this claim . . . During the implementation of the Structural Adjustment programmes, some of the state farms and processing firms that were privatized were almost freely given to individuals that supported the ruling government

Meanwhile, the removal of subsidies created new costs to farmers. For instance, the cumulative effects of currency devaluation and removal of subsidies led to a rapid rise of fertilisers by over 360% between 1982 and 1994 (Teye and Torvikey, 2018). Meanwhile, both farmer and civil society groups did not have strong holding powers to influence policy changes, as the country was under military rule and leaders of groups that embarked on open protests were sometimes arrested.

Another key reform was the liberalisation of the internal marketing sector during the 1992/1993 season. As noted already, this significant change came through an introduction of private LBCs to compete with the state-supported PBC. Again, this reform was in response to international pressures for increased private sector participation in the cocoa sector. As a result of the reforms, the 'producer price' that farmers received from the sale of cocoa increased significantly since 1980 and it has always been above 70% of the FOB price (BulÌř, 2002).

Public–private partnerships and cocoa politics (2000 to present)

Since 2000, the cocoa sector witnessed further liberalisation and increased public–private partnership to deal with intractable challenges, such as poverty, child labour and environmental change. While the peasant farmers still dominated the production segment, efforts have been made to enhance their capacity through training programmes and provision of inputs by both the state and development partners. There have also been increased use of fertilisers, hybrid seedlings and agrochemicals, partly as a result of the combined effects of environmental degradation and efforts by the government and international partners to increase productivity (Kolavalli and Vigneri, 2017). The period has also witnessed increased partnerships between the government, international donors, international cocoa buyers and NGOs aimed at increasing productivity of smallholder farmers and reducing poverty in cocoa-growing communities. For instance, the Cadbury Cocoa Partnership, established in 2008 in conjunction with the United Nations Development Programme, CARE, Voluntary Service Overseas and World Vision, has been empowering cocoa farmers through support programmes, such as the provision of planting materials and technical assistance to cocoa farmers in over 100 communities in Ghana as part of a 10-year GB£30 million commitment to secure the future of cocoa farmers and their communities. Building on the Cadbury Cocoa Partnership initiative, the Cocoa Life partnership, was launched in 2012. Involving several partners, including CARE, World Vision, Cargill, FAIRTRADE, Olam Cocoa, Save the Children and Solidaridad, the initiative is investing US$400 million by 2022 to empower at least 200,000 cocoa farmers and 1 million community members in Ghana, Côte d'Ivoire, Indonesia, India, the Dominican Republic and Brazil. Similarly, the government is collaborating with donor organisations to implement young cocoa farmers' programmes which seek to create employment opportunities for the rural youth as well as sustain the future of the cocoa industry. For instance, the 'youth in cocoa programme' was established by the Ghana COCOBOD in 2016, which led to the formation of several youth associations in cocoa-growing communities. The beneficiaries have been given both technical support and farming equipment to enable them to start cocoa farming.

The partnerships between government, international cocoa buying companies, NGOs and smallholder farmers, are driven by mutual interests. The government is interested in maintaining power over the cocoa sector as a tool for political power. It also relies on international donor funds to distribute rent to its crony capitalists. Indeed, the political elite and their clients continue to gain through irregularities in awarding of contracts for training and supplying of inputs in the cocoa sector. However, international companies, like Cadbury, are interested in maintaining this source of high-quality cocoa beans without any aspersions being cast on its sustainability and human rights record. International donors and NGOs also want to protect the rights of farmers. Smallholder farmers also are interested in getting higher cocoa prices as well as financial and technical support to improve their livelihoods.

In addition to partnerships that seek to enhance productivity of farmers, there have also been partnerships between the government and international donors for the purpose of controlling environmental degradation that is linked with cocoa production. Ghana has received large sums of money from various development partners to implement environmental management programmes which seeks to control climate change through reduction in emissions from deforestation and degradation (Teye, 2013) and climate smart agriculture programmes. Some of these programmes involved public-private-civil partnerships like the Sustainable Tree Crop Program (STCP; Ton et al., 2008). These environmental programmes are largely initiatives of international partners and the Government of Ghana is interested in implementing them, not only because of the desire to solve those problems, but also because such activities attract huge international grants which provide patronage resources for the government and actors in its networks (Teye, 2013). There have also been partnerships with international organisations to implement certification mechanisms to eliminate child labour and all forms of modern slavery from the cocoa sector. Some international buyers, pressured by the NGOs, media and consumer organisations are now playing pivotal roles in the development of national certification schemes, with a focus on labour practices (Ton et al., 2008).

In the marketing segment of the value chain, the state-supported PBC is still the major cocoa purchasing company, purchasing about 30% of the total annual cocoa output. The PBC was partly privatised some years ago, with COCOBOD being the company's major shareholder (Ton et al., 2008). Since the liberalisation, a greater proportion of the LBCs operating in the sector were Ghanaian, with only two (i.e. Olam and Armajaro) being foreign-owned. One of the LBCs (i.e. Kuapa Kokoo Union) was owned by farmers and was created with the support of international NGOs. The state-owned COCOBOD still controls the cocoa industry (Amanor et al., 2020). COCOBOD has managed to stabilise the cocoa prices, while relying on the Quality Control Company to consistently supply good-quality cocoa, for which it received a premium on the world market (Kolavalli and Vigneri, 2017). Given that all LBCs purchase cocoa at nationally fixed prices, farmers do not benefit from the differential pricing that goes with complete liberalisation. While LBCs were initially given permission to export up to 30% of the cocoa they purchase, this practice was discontinued in 2007 on the grounds that the current system is better at ensuring high quality of cocoa. LBCs are unhappy about such a total control of the cocoa export sector by COCOBOD, but they lack the holding power to openly complain about this and other issues related to their relationships with COCOBOD, for fears that such complaints will create tensions between them and COCOBOD, as highlighted in the statement below by an official of one of the LBCs:

> We would have liked to directly do more export just as businessmen can export other crops. You know in the trade sector, it is the export part that one can get huge profits. However, there are some restrictions now . . . We try our own ways to manage our frustrations without complaining so much about the restrictions imposed by COCOBOD. You know it always has the support of the government . . . So if any cocoa-buying company confronts them [COCOBOD] on any issues, they can even stop that company from operating in the sector.

The above statement shows that unequal power relations between COCOBOD and LBCs make it difficult for the latter to challenge the monopoly that COCOBOD has over the internal and market of cocoa.

Given that the ruling government appoints members of the management board of COCOBOD, successive ruling governments have been using COCOBOD as a tool to create and distribute rents in the cocoa sector. Indeed, there have been complaints by the opposition parties about state capture perpetuated by some officials of COCOBOD. Meanwhile the ruling governments have so far been able to employ policy ambiguities to maintain autonomy and contest donor pressure for complete liberalisation of cocoa export sector. The ruling governments have often argued that the current role of COCOBOD helps to maintain high quality of Ghana's cocoa. Also, the discontinuation of the plan to allow some LBCs to export cocoa was justified by the supposed unreadiness of LBCs.

As Grainger and Konteh (2007) noted, the executive may intentionally use deception and policy ambiguity to handle demands from powerful actors, such as international donors. Given that the rational for allowing COCOBOD to control the cocoa marketing segment is linked to rent distribution opportunities rather than political ideology of the ruling government, both the NPP and National Democratic Congress (NDC) governments are not in favour of complete liberalisation. It is also important to state that although the government continues to fix the cocoa prices annually, prices offered to farmers since 2000 has been stable, as both the NDC and the NPP, have been using cocoa pricing to solicit political votes from farmers. The ruling governments have, particularly, been increasing the cocoa producer prices in the years preceding election and or within the election year. For instance, the cocoa producer price was increased by 81.5% in the year 2008 which was an election year and 62% in 2015/2016 which is a year preceding and election year. The percentage of increase in producer prices in non-election years have always been extremely low (Teye and Torvikey, 2018). Similarly, even though the cocoa sector has been liberalised, subsidies on fertilisers and agrochemicals have become a key political tool for 'buying' votes. This situation emerged during the 2000 elections, when the NPP, which was then the main opposition party, promised to re-introduce fertiliser subsidies if voted to power. In fulfilment of its campaign promises, the NPP Government re-introduced fertiliser subsidy programmes for all smallholder farmers in July 2008. Many cocoa farmers in Ghana continue to benefit from these fertiliser subsidy programmes. Teye and Torvikey (2018) have demonstrated that the amount of money that the state spends on fertiliser subsidies tend to increase significantly during election years, and this indicates that the policy is being used to solicit votes from farmers. The 'cocoa politics' also entails free mass spraying of agrochemicals, which was introduced by the NPP in 2001 to control cocoa pests and diseases. Both the NDC and NPP governments talk about free mass spraying and input subsidies during electioneering campaigns. As indicated by an elderly farmer who was interviewed as part of this study, farmers are the winners of these cocoa politics as it enables them to get subsidies:

> The political competition between NDC and NPP has really helped us [farmers]. We [farmers] used to get fertilisers almost free of charge before JJ [Rawlings] came to remove all the subsidies. For several years, we did not get anything from the government. Even the cocoa price fell drastically. In some years, we had

> to carry cocoa in the night to the Ivory Coast border to sell because cocoa prices in Ghana were very low . . . Now farmers are getting some support with fertiliser subsidies and even free chemicals to spray the cocoa farms because the government knows we will vote against them, if we don't get fertilisers. (Papaa NUTYN, Cocoa Farmer)

The above statement clearly shows how democratisation has increased the holding power of cocoa farmers and increased their access to subsidised fertilisers. It needs to be explained that, in reality, the management of fertiliser subsidy programme is used by ruling governments to create rents for its crony capitalists. Under both the NDC and NPP governments, research commissioned by the Peasant Farmers Association of Ghana have shown that contracts for the supply of subsidised fertilisers, and other inputs, are awarded to supporters of the ruling governments. In some cases, poor-quality fertilisers are provided by such party contractors (see Teye and Torvikey, 2018). Given that a significant proportion of the funding in agricultural sector is provided by donors, one can argue the financial grants provided by donors to support smallholder farmers are partly being used by ruling governments to fund their patronage networks and remain in power. The situation resonates with the argument by Collier and Dollar (1999) that financial aid, when poorly coordinated, allows governments of developing countries to finance neo-patrimonial networks and hold on to power.

Since 2000, the cocoa processing segment has also been extensively liberalised, and a number of domestic and international actors have invested in the sector. For instance, Barry Callebaut, the world's third largest processing firm, has a processing factory operating with a capacity of 75,000 t. Apart from the large-scale multilateral companies, some Ghanaians have invested in this segment and produce cocoa products for the Ghanaian market. One case that we came across during this study was that of Adubam, a 51-year-old Ghanaian woman, who returned to Ghana after 12 years of residence in the United Kingdom. While in the United Kingdom, she worked in a cocoa company where she acquired some skills in cocoa processing. She returned to Ghana and used the skills and money acquired from the United Kingdom to set up her processing company in Accra, which has six full time employees and several casual workers. She explained her motivations for coming back to invest in the cocoa sector in the following words:

> I was residing in UK where I worked in a cocoa company for a while. After acquiring all the experience, I told myself it was to return to Ghana to set up a cocoa processing company because, after all, the cocoa is produced in Ghana. So I came down with the little money I made there to start my own company. The company was established about 12 years ago and it is fully registered. We are into manufacturing and packaging of cocoa products for the public, both here and abroad. We also produce customised chocolate for institutions. (Adubam, 51 year-old female entrepreneur)

Similar to the case above, Nana Tura, a 55-year-old Ghanaian, reported that he established his cocoa processing company, which has so far employed 14 people. Nana Tura explained that he started as a cocoa farmer several years ago, and has now invested his savings from the sale of cocoa into the establishment of the processing factory:

> I have been producing cocoa for several years. A few years ago, I decided to use the money I had saved all these years to set up this factory, and I am happy that things have worked for me . . . In my factory, we are currently processing only cocoa from my own farms. This good because the income from the sale of cocoa products is much higher than the income from the sale of cocoa beans. Also, with the factory, I get regular income as we sell the processed goods throughout the year, unlike the cocoa beans that we could only sell during the harvest time.

Nana Tura's case is an example of 'stepping out' livelihood strategy, as savings accumulated from the production of cocoa was used as capital for moving into cocoa processing and marketing. His investment into processing provides him stable returns. The establishment of small-scale agro-processing firms is being actively promoted as part of the current NPP government's industrialisation initiative, referred to as One-District, One-Factory programme.

Conclusion

The analysis in this paper has shown that interaction among various interest groups, with different sources of holding power, has led to the evolution of policies and institutional arrangements which have created different costs and rents for various actors in the cocoa sector. While stabilisation of cocoa prices has, historically, been used to justify the creation of the state-controlled marketing board, post-independence governments generally exploited farmers and used cocoa revenue to support patronage networks which would enable them to remain in power. According to Van de Walle (2001), the structure of neo-patrimonial networks entails the 'ins', the 'outs' and the government. The government taxes the 'outs', and to get financial resources for providing patronage to the 'ins'. Farmers in rural areas tend to suffer the 'outs' because they are not well-organised and cannot contest the ruling government. Marketing boards are used to tax farmers in rural areas to raise money to fund urban consumption and fund neopatrimonialism networks (Teye, 2008). This is exactly what happened during the early postcolonial period. Cocoa farmers were over-taxed, and yet, the cocoa rent distribution only favoured the ruling elite and their clients. The effects of neopatrimonialism nearly led to the collapse of the cocoa value chain.

While economic reforms (ERP and SAPs) implemented since the mid 1980s have brought about a gradual increase in producer prices and a general recovery of the cocoa sector, these reforms also contributed to rising costs of production to farmers as subsidies were removed. Again, even though the economic reforms helped to revive the economy, they also provided financial resources, or what Gibson and Hoffman (2002) term 'patronage resources' for the government. Similarly, the current public–private partnerships which are geared towards modernisation of cocoa farming, promotion of environmentally friendly farming activities, empowerment of women and youth, and protection of children in the cocoa sector have not resulted in improved outcomes for youth, women, children and other marginal groups in the cocoa sector. While foreign donors can be commended for supporting the youth and women in the cocoa sector, the bulk of the foreign donor support to marginal groups in the cocoa sector has been geared towards cocoa production and not for cocoa-related agro-businesses with the potential to compete with the industries of the advanced societies. Only a few foreign donor support projects are seeking to promote cocoa processing and value addition, apparently because foreign cocoa processing companies that fund these programmes are interested in maintaining developing countries as producers of raw materials.

A dominant theme witnessed in Ghana's cocoa sector is the ability of the government to maintain autonomy and control over cocoa revenue. For instance, while the government liberalised the cocoa value chain in response to pressure from international donor organisations, the government has managed to maintain its autonomy and chose a gradual introduction of reforms (Ton et al., 2008). Consistent with the literature on autonomy and policy ambiguities (Grainger and Konteh, 2007), policymakers in Ghana rely on 'ambiguity by deception' to resolve conflicts between their interests and the international donors, especially concerning liberalisation of the cocoa sector. Despite the liberalisation rhetoric by the government, the state still controls the lucrative cocoa marketing sector through COCOBOD, which is responsible for controlling LBCs and the export of cocoa. There is evidence that possibilities for political settlements and rent distribution are the main reasons why the COCOBOD has been granted such a monopoly over internal cocoa marketing, even in an era of liberalisation. An outcome of the political settlement is that the two major political parties (NDC and NPP) do not follow their own ideologies when it comes to managing the cocoa marketing sector. Although the NDC is a social democrat party that is said to favour state control while NPP is said to favour market liberalisation, the governments of both parties have often mandated state institutions, especially COCOBOD, to control all lucrative activities in the cocoa sector. This substantiates the argument that political settlements influence policy and institutional choice in the cocoa sector.

While over-taxation of farmers was the main mechanism of creating rent in the early post-independence era, recent ruling governments distribute such rents through the procurement and distribution of subsidised inputs and management of international donor grants. Subsidies on fertilisers, agrochemicals, equipment had become a key political tool for 'buying' votes. At the same time, political elite and their clients continue to gain through irregularities in the handling of donor grants and awarding of contracts in the cocoa sector.

The situation in Ghana clearly supports the argument that financial aid, if not well-coordinated, tend to provide the ruling government with resources to finance neo-patrimonial networks and hold on to power (Collier and Dollar, 1999; Teye, 2008). However, compared with the situation in the early postcolonial era (1957–1980), when rent distribution nearly led to a collapse of the cocoa industry, the magnitude of rent distribution in the contemporary era has been slightly restrained by the desire to ensure that the industry does not totally collapse. As a result of the desire to use cocoa prices to win political votes, successive governments will also continue to maintain relatively high cocoa prices compared with the situation during the military regimes in the 1970s and 1980s. However, even though smallholder farmers are not getting substantial profits from the cocoa sector due to low prices and land tenure issues, their situation is generally better than what it was in the 1970s and 1980s. In view of these findings, there is a need for civil society groups to work with international donors to ensure transparency in the management of the cocoa value chain in Ghana.

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