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**Trade liberalisation, globalisation and the cocoa industry in
Ghana: the case of the smallholder cocoa farmers.**

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School of Social Sciences, Humanities and Languages

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**TRADE LIBERALISATION,
GLOBALISATION AND THE COCOA
INDUSTRY IN GHANA: THE CASE OF
THE SMALLHOLDER COCOA
FARMERS**

KWAKU OFOSU-ASARE

A thesis submitted in partial fulfillment of the
requirements of the University of Westminster for
the degree of Doctor of Philosophy

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Abstract

The aim of this thesis is to analyse the impact of the “meso model” on Ghana’s cocoa sector in general and the practices and opportunities for smallholder cocoa farmers in particular. Additionally, Ghana’s efforts to embrace globalisation are examined. The theoretical framework of this thesis is the neo-structuralism paradigm out of which an analytical framework was distilled to assess the impact of the 1993 reforms. The qualitative methodology was mainly used to collect data but some quantitative techniques were also used to enhance the collection and analysis of the data. Ghana was adjudged the “Star Pupil” of Africa by the International Monetary Fund (IMF) and the World Bank after implementing bold economic reforms in 1983 and the cocoa sector reforms in 1993. But ironically Ghana stood up to the IMF and the Bank by refusing to dismantle its cocoa marketing board (COCOBOD) as was recommended by them under the Washington Consensus and rather adopted a” meso model” of partial liberalisation of the cocoa sector after skilful negotiations.

The thesis makes a significant, original contribution to knowledge in the field of economic development through the following key findings: Firstly, the output of cocoa farmers in general is a function of not only the price paid to them but also the overall environment created for production. Secondly, the” meso model” Ghana adopted challenges the “One Size Fits All” Washington Consensus development model because it enhanced cocoa farmers’ output and income, and Ghana’s cocoa export and foreign revenue enabling it to attain economic growth and development. Thirdly, the use of mobile phones by cocoa farmers contributes to the reduction in their transport cost and transforms their mode of operations. Finally, Ghana’s efforts to embrace globalisation and to integrate into the global economy have been impressive albeit urban bias.

Keywords: liberalisation, globalisation, smallholder, cocoa farmer, neo-structuralism.

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DEDICATION

THIS THESIS IS DEDICATED TO:

**ALL PRIMARY PRODUCERS IN THE WORLD PARTICULARLY
COCOA FARMERS AND ALL WHO ARE STRIVING TO ENSURE AN
IMPROVEMENT IN THEIR STANDARD OF LIVING**

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GLOSSARY

ADM	Archer Daniels Midland
AFRC	Armed Forces Revolutionary Council
AU	African Union
AWAM	Association of West African Merchants
BSA	Beans Supply Agreement
CFC	Common Fund for Commodities
CMC	Cocoa Marketing Company
COCOBOD	Ghana Cocoa Board
COSMARC	Cocoa Sector Marketing Committee
CPP	Convention Peoples Party
CRIG	Cocoa Research Institute of Ghana
CRIN	Cocoa Research Institute of Nigeria
CSD	Cocoa Services Division
CSSV	Cocoa Swollen Shoot Virus
EPZ	Export Processing Zone
ERC	Export Rehabilitation Credit
ERP	Economic Recovery Programme
EU	European Union
FCC	Federation of Cocoa Commerce
FAO	Food and Agriculture Organisation

FOB	Free On Board
FZB	Free Zone Board
GATT	General Agreement on Tariffs and Trade
GCCMB	Gold Coast Cocoa Marketing Board
GCCSFA	Ghana Cocoa, Coffee and Sheanuts Farmers' Association
GCMB	Ghana Cocoa Marketing Board
GFCC	Ghana Farmers' Co-operative Council
GIPC	Ghana Investment Promotion Centre
GSP	Generalised System of Preferences
IDA	International Development Association
IMF	International Monetary Fund
IITA	International Institute of Tropical Agriculture
JSS	Junior Secondary School
LBCs	Licensed Buying Companies
MDG	Millennium Development Goals
MFEP	Ministry of Finance and Economic Planning
MNCs	Multinational Corporations
MOFA	Ministry of Food and Agriculture
NAMA	Non-Agricultural Market Access
NCMB	Nigeria Cocoa Marketing Board
NDC	National Democratic Congress

NERC	National Economic Review Committee
NPP	New Patriotic Party
NICs	Newly Industrialised Countries
NLC	National Liberation Council
NRC	National Redemption Council
NUGS	National Union of Ghana Students
OAU	Organisation of African Unity
OFY	Operation Feed Yourself
OFYI	Operation Feed Your Industries
OPEC	Organisation of Petroleum Exporting Countries
PAMSCAD	Programme of Actions to Mitigate the Social Cost of Adjustment
PBC	Produce Buying Company
PNDC	Provisional National Defence Council
PNP	Peoples National Party
PP	Progress Party
PPRC	Producer Price Review Committee
QCD	Quality Control Division
RIC	Reconstruction Import Credit
SAP	Structural Adjustment Programmes
SMC	Supreme Military Council
SPSS	Special Package for Social Sciences

TUC	Trade Union Congress
UN	United Nations
UAC	United Trading Company
UGFCC	United Ghana Farmers' Council Cooperatives
UNCTAD	United Nations Conference on Trade and Development
UNICEF	United Nations International Children's Emergency Fund
UNPF	United Nations Population Fund
WACRI	West African Cocoa Research Institute
WAPCB	West African Produce Control Board
WB	Workers Brigade
WTO	World Trade Organisation
YP	Young Pioneers

INTRODUCTION

At the centre of this thesis is a critical analysis of the effects of globalisation and trade liberalisation at the sub-national level of Ghana's cocoa sector after the 1993 reforms. The neo-structuralism development paradigm is used as the theoretical framework to analyse and comprehend the important role the State continued to play especially through COCOBOD (Cocoa Marketing Board) even though the reforms promoted internal market liberalisation of the cocoa sector. This thesis argues that in carrying out economic reforms to promote economic growth and development especially in a developing country like Ghana, the State should play a significant role in the economy and that the power of the State has not been weakened by globalisation; if anything, it has strengthened it. However, there is the need for the State to carefully guide the country to integrate into the global economy therefore efforts must be made to strike "the balance between government and the market" (Stiglitz, 2004, p.3). Furthermore, the State should embrace globalisation hence, this thesis argues not for the enlargement of the State's influence in the economy *per se* but an efficient and influential State that can act as a vehicle to stimulate growth and development. Finally, it is the view of this thesis that whatever development model a nation adopts efforts must be made to strike a balance between the roles of the State and the market. This is why the neo-structuralism paradigm of development which blends the key tenets of structuralism (State led industrialisation) and neo-liberalism (free operation of the market forces) is found expedient for Ghana's case study.

The history of economic reform programmes dates back to the 1980s when developing countries could not pay back loans taken from commercial banks in developed countries. These banks had their vaults filled with petro-dollar money from oil price increases between 1973 and 1979, and therefore decided to go on a spending spree by lending a lot of money to

developing countries at low interest rates. However, the unexpected change in the global macro-economy, for instance, the quick increase in global real interest rates in developed countries, and the decline in terms of trade for exports of developing countries due to the global recession which affected their export revenues, created a debt crisis for the developing countries at the beginning of the 1980s. On the other hand, others attributed the debt crisis to the import substitution industrialisation (ISI) development strategies adopted by developing countries (see section 1.2; De Aghion and Ferreira, 1995; Ismi, 2004). To repay these loans, the developing countries turned to the World Bank and the International Monetary Fund (IMF)¹ (see Table 1.3), to seek financial assistance. However, in granting them the needed assistance, the IMF and the World Bank imposed the Washington Consensus-“One Size Fits All” on all the developing countries irrespective of their context and recommended for the role of the State in the economy to be limited while that of the market should be expanded because the State was seen as the problem and not part of the solution. The Bretton Woods institutions also imposed conditionalities on these developing countries by enforcing privatisation, reduction in government expenditure, liberalisation of capital markets, higher interest rates, trade liberalisation, and exports promotion to increase foreign exchange earnings. This package was termed or commonly referred to as structural adjustment programmes (SAPs) (Haines, 2000; Stiglitz, 2002; Ismi, 2004; Sachs, 2005; Todaro and Smith, 2009). Later the SAPs evolved to cover other areas like good governance, labour laws, environmental regulations, civil service requirements, energy policy and government procurement (Ismi, 2004; Sachs, 2005). All these were encapsulated in the Washington Consensus -“One Size Fits All”.

¹ The World Bank and the IMF were created in 1944 with the Bank responsible for financing long –term productive investment in member countries, while the IMF was to provide short-term loans to address balance of payments deficits. Western leaders were apprehensive that an unregulated world market would lead to depression, poverty and another world war (Ismi, 2004).

According to Konadu Agyemang (1999) the Structural Adjustment is a process whereby economic policies and relevant institutions are reformed to enhance economic growth, improve resource allocation, increase economic efficiency, and improve the economy's resilience to changes in the local or global market. However, in most cases the IMF and the World Bank have favoured the dismantling of the old institutions and in some cases replacing them with new ones when recommending the Washington Consensus. The SAPs were first introduced in 1980 in Turkey, and then in the early 1980s debtor countries including Mexico, Brazil, Argentina, Venezuela, Bangladesh and Ghana also implemented them when they went to the IMF and the World Bank to obtain loans. Later in the 1980s other countries like Nigeria, Peru, Zambia and Zimbabwe followed suit. By 1992 about 64 countries had "adjusted", and by mid 1990s countries like South Korea, Thailand, Indonesia and Russia also adopted them when they turned to the IMF for loan assistance during the Asian crisis and after the collapse of the Soviet Union (Konadu Agyemang, 1999 p. 2; Todaro and Smith, 2009, p.680).

The IMF and the World Bank as part of their conditionalities for deficit reduction insisted on reduction in government expenditure which led to decrease in government spending on education, healthcare and the social sector; removal of subsidies and dismantling of marketing boards for agricultural products in the borrowing countries (Ismi, 2004). However, as Somers puts it "a well educated and healthy population is a key element in promoting sustainable development" (Somers, 1996, p.174, cited in Haines, 2000, p.49). The United Nations Population Fund (UNPF) which evaluated the SAPs in Africa states among other things that "...in many countries marketing boards for major commodities were scrapped" (cited in Castells, 1998, p.115). By dismantling commodity marketing boards, primary producers become exposed to the price volatility in the global market and exploitation of

local middlemen because the boards tend to cushion producers against the shocks of the global market with a fixed producer price and regulate the activities of local buyers. The dismantling of the boards also leads to decline in the quality of products since the boards play important roles like quality control, insect pests and diseases control, and research and development among others. Of the four leading cocoa producers in West Africa (i.e. Cote d'Ivoire, Ghana, Nigeria and Cameroon) (see figure 0.1 below), it was only Ghana which refused to dismantle its cocoa marketing board (COCOBOD).

Figure 0.1 The Four Leading Cocoa Producers and other West African Countries



Source: <http://www.google.co.uk/imgres?q=map+of+west+africa&um>

Nigeria, Cameroon and Cote d'Ivoire after dismantling their cocoa marketing boards as was recommended by the IMF, suffered a decline in quality and a loss of premium in the global market (Gilbert, 1997; Oguleye and Oladeji, 2007). This is why this study finds Ghana's ability to negotiate with the IMF and World Bank to retain COCOBOD and to fashion out a "meso model" during the liberalisation of its cocoa sector unique and of interest. The four West African cocoa producing countries produce about 68% of the global output- Cote d'Ivoire (the world's leading producer-37%), Ghana (the world's second largest producer - 20%), Nigeria (6%) and Cameroon (5%) (www.icco.org - ICCO Quarterly Bulletin of Cocoa

Statistics, Vol. XXXVI, No. 4, Cocoa year 2009/2010). It is estimated that over 90% of the world's cocoa is produced by smallholder farmers (Ogunleye and Oladeji, 2007). In West Africa it is estimated that there are about 10.5 million smallholder cocoa farmers (www.koffiecoalitie.nl), while in Ghana they are estimated to be over 1 million (Ghana Cocoa Board). It is worth stating that cocoa farmers use migrant labour in the sub-region. In Ghana for instance, before the *Aliens Compliance Order* implemented by the Busia government in 1970 (see section 2.5), cocoa farm labour was highly dominated by migrants from neighbouring countries like Nigeria, Benin and Burkina Faso while in Cote d'Ivoire it is alleged that the cocoa sector has attracted farm hands from neighbouring nations like Burkina Faso and Mali (see figure 0.1 above).

This thesis examines the effects of the economic reforms, particularly trade liberalisation and the process of globalisation on the practices and opportunities of smallholder cocoa farmers in Ghana. The focus is on the cocoa sector reforms in 1993 which led to the restructuring of Ghana Cocoa Board (COCOBOD) and the liberalisation of the internal marketing of cocoa in Ghana. Considering the important role of commodity marketing boards in the areas like quality control, research and development and more importantly cushioning producers against the volatility of global market prices with fixed producer prices, as stated earlier, this thesis argues against the World Bank and the IMF's recommendation for the dismantling of commodity marketing boards in general and cocoa marketing boards in particular. The study therefore favours Ghana's "meso model" which maintained COCOBOD but transformed it to play an important regulatory role among others after the partial liberalisation of the cocoa sector. However, this study argues that the provision of basic amenities like electricity and water in cocoa growing areas should be given equal attention as given to the annual producer price increase by the government, the IMF and the World Bank

to ensure the enhancement of cocoa farmers' well-being and to attract investment into cocoa communities.

Castells (1998), Stiglitz (2002), Ismi, (2004) Sachs (2005) have argued that the SAPs which have limited the State's influence in the economy and enhanced that of the market under the Washington Consensus paradigm, have failed to yield the desired result of sustained growth in most developing countries which implemented them. For instance, after fifteen years of implementing the IMF and the World Bank's imposed policies, Ismi states that Latin America by the late 1990s experienced "its worst period of social and economic deprivation in half a century" (Ismi, 2004, p.9), though Chile is cited as a success story in the region (Stallings and Peres, 2000, p.204; and Stiglitz ,2002, p.18). Latin America financed \$145billion in debt payment between 1982 and 1988 at a cost of economic stagnation, increased unemployment and declined per capita income of 7%. Hence, Latin American countries adjusted but did not grow (Todaro and Smith, 2009, p.681). In Asia, after the 1997 Asian financial crisis, the IMF policies worsened the crises in Indonesia and Thailand (ibid) while in Africa the IMF's bail out of the 1980s debt crisis resulted in increase in unemployment and poverty, marginalisation of small and medium enterprises, closure of business, and only normal growth in GDP without any transformation of the structure of the economy (Castells, 1998; Stiglitz, 2002; Ismi, 2004). Another downside of the economic reforms which the study identifies, is the over concentration of the IMF and the Bank on a country's internal factors while neglecting the external factors like commodity prices in the global market and access to foreign markets especially markets of developed countries which also impact on the economic growth of developing countries.

However, Ghana considered as “the showcase” of the World Bank’s evaluation” in Africa, achieved an average annual growth of 5% between 1984 and 1988 (United Nations Population Fund findings cited in Castells, 1998, p.115), after implementing the recommended economic reforms in April, 1983 (see section 2.13). Furthermore, after the cocoa sector reforms in 1993, Ghana’s GDP grew from 2.8% in 1993 to 3.9% in 2008 with cocoa’s contribution to GDP also increasing from 2.3% to 3.9% during the same period (Ghana Statistical Service).

Ghana’s 1983 Economic Recovery Programme (ERP)

Ghana’s 1983 Economic Recovery Programme (ERP) was divided into two phases which more or less overlapped: Stabilisation (ERP I: 1983-86) and Structural Adjustment (ERP II: 1986-89). The focus among others included the following: (i) annual review of cocoa producer prices, (ii) review of Ghana Cocoa Board’s (COCOBOD) cocoa marketing cost, (iii) trade and foreign exchange liberalisation (iv) removal of government subsidies and price controls (v) enhancing exports (vi) controlling inflation (vii) fiscal discipline (viii) realistic exchange rate and (ix) banking reforms (Toyi, 1991p. 159; Dordunoo and Nyanteng, 1997, pp.6-7) (see sections 2.13 and 2.14).

Ghana’s Negotiated “Meso” or Mid-Way Model

Ghana adopted the “gradual” approach from the onset of the economic recovery programme (ERP) of the reform process in 1983 because it had fragile and highly distorted economy, coupled with severe institutional constraints and the government’s limited technical administrative capacity (Aryeetey and Tarp, 2000, p.348). The trade liberalisation policy on the other hand, was implemented speedily and not sequenced (Asenso-Okyere *et al.*, 1997, p.114), a form of “shock therapy”. However during the 1993 cocoa sector reforms, Ghana

chose to negotiate with the Bretton Woods institutions and managed to achieve a compromise with them enabling it to fashion out what this study terms a “Meso model”, a mid-way between “shock therapy” and “gradual” approaches (see figure 1.1). By the “meso” approach, Ghana partially liberalised the internal marketing of cocoa and retained COCOBOD which initially the IMF and the World Bank had recommended to be dismantled. This achievement was unique and unprecedented making Ghana the only cocoa producing country with a marketing board in the world (Laven, 2007; see Table 1.4). Ghana’s ability to fashion out the unique “meso model” could be attributed to the fact that it initiated and designed the 1983 ERP and took it to the IMF and the World Bank after the government realised the critical situation in which the economy was. In this wise, when the IMF decided to partake in the programme, the government was able “to retain the initiative in negotiation” which also gave it the maximum faith and belief in the prescriptions that were agreed upon. This was the main reason why Ghana was able to remain on course irrespective of the difficulties of the early phases of stabilisation compared with other African nations whose economies were in a relatively better state than Ghana’s (Frimpong-Ansah, 1991, p.153). As a result, Ghana became the IMF and the World Bank’s “Star Pupil” in Africa. In praising Ghana, the IMF and the World Bank emphasised among other things the *negotiating skills* of the government of Ghana (Aryeetey and Tarp, 2000, p.348). Under the “meso model”, the State fixed the producer price of cocoa after a recommendation by COCOBOD though the internal market had been liberalised. COCOBOD played other important roles after the reform: (i) regulated the activities of the private LBCs (licensed buying companies); (ii) provided seed money to the LBCs for their operations; (iii) implemented innovative programmes like control diseases and insect pests (CODAPEC) and Hi-tech fertiliser application and planting of hybrid cocoa varieties to enhance cocoa farmers output; and (iv) controlled the activities of the cocoa value-adding companies for example, by supplying them with cocoa beans. The main aims of

the cocoa sector reforms were to: (i) increase producer price, (ii) reduce COCOBOD's operational cost, and (iii) liberalise the internal marketing of cocoa (Toyi, 1991, p.174) (see section 2.15).

Ghana's Efforts to Embrace Globalisation in the Cocoa Sector

In addition to implementing the SAPs, Ghana undertook the following measures to integrate into the global economy: (i) set up the Free Zone Board (FZB) in 1995 to assist processing and manufacturing companies (ii) provided incentives to attract FDI (e.g. a 10 year tax holiday on corporate profits, repatriation of all company profit, duty free imported machinery and equipment, a 30-day credit facility for cocoa processing companies etc) (iii) set up a target of a minimum of 40% of its annual cocoa output to be processed locally (see sections 1.4-1.6; 5.7; 6.30).Consequently, the three leading global cocoa grinding companies (Barry Callebaut, Cargill and Archer Daniels Midland-ADM) established subsidiaries in Ghana to grind at the origin. The number of grinding companies in the country increased from 3 to 7 with cocoa beans ground in the country also increasing from 9.71% of national output in 1991/92 to 18.72% in 2008/09, in furtherance of Ghana's value-added policy.

Reason for Choosing Ghana for the Study

Ghana was chosen for this study because of its ability to stand up to the IMF and the World Bank to refuse the dismantling of COCOBOD and to succeed in negotiating with them to maintain it. In effect, Ghana's "meso model" created out of the partial liberalisation of the cocoa sector was of great interest. Irrespective of Ghana's refusal to dismantle COCOBOD, it was adjudged the "Star Pupil" of Africa with regards to the implementation of the economic reforms by the IMF and the World Bank and became the model of reforms in Africa (Ismi, 2004; Castells, 1998). Austin states that to the IMF and the World Bank,

Ghana's SAPs "provided the hope of a demonstration of the virtues of economic liberalization" (Austin, 1996, p.555). This irony was of interest to the study. According to Aryeetey and Tarp the IMF and the World Bank in praising Ghana cited among other things: (i) the comprehensive nature of the reforms and the stabilisation and structural adjustment policies, (ii) the adherence to the prevailing orthodoxy, (iii) the initial growth, (iv) the ability to hit benchmark conditionalities on many occasions, and (v) the improvements in the *negotiating machinery* on the side of the Ghanaian government (Aryeetey and Tarp, 2000, p.348 [emphasis added]). Ghana's negotiating skills and ability to stand up to the Bretton Woods institutions were of interest to the study. Another reason was that Ghana is the second largest cocoa producer in the world producing about 20% of the global output as noted above. The specific context of the research begins from 1993, when the cocoa sector reforms began to 2008, a period of two different regimes. This period was also chosen because it gave me the opportunity to examine policies implemented by two governments which impacted on the practices and opportunities (i.e. general well-being) of cocoa farmers after the cocoa sector reforms (Rawlings 1993-2000) and (Kufuor 2001-2008) (see Table 2.1).

The Aims of the Study

One of the main aims of the study is to analyse the impact of Ghana's "meso model" adopted after the partial liberalisation of its cocoa sector in 1993 on the practices and opportunities (i.e. general well-being) of the smallholder cocoa farmer, the cocoa sector and the country's economy as a whole. In effect, the impact of the annual producer price increases on the farmer's income, the impact of the operations of the private LBCs on the internal market efficiency and the benefits of the operations of the LBCs to the cocoa farmers. The farmers' ability to afford the needed basic needs, and the provision of infrastructure and basic

amenities by government to enhance cocoa farmers' standard of living were all of interest. Furthermore, the study was interested in the roles of the State and COCOBOD in: enhancing cocoa farmers output; promoting export; ensuring that Ghana continuously maintains its competitive advantage of producing the best quality cocoa in the international market; promoting value-added policies; guiding Ghana's integration into the global economy; and embracing globalisation. Finally, the study sought to assess Ghana's "meso model" as an alternative paradigm to the Washington Consensus and its contribution to the post Washington Consensus "One Size Fits All" debate.

Objectives

The objectives of the study are to:

- 1. Examine the effects of globalisation on the power of the State especially its ability to deal with international organisations like the IMF and the World Bank in deciding which development model to adopt. In line with this the neo-structuralism paradigm is chosen as a useful way of conceptualising the State's power using Ghana as a case study.*
- 2. Derive an analytical framework from the neo-structuralism model to interpret the State's role in Ghana's cocoa sector after the partial liberalisation of the internal market in 1993.*
- 3. Assess the benefits or otherwise of the implemented liberalisation policies to the smallholder cocoa farmer in Ghana.*
- 4. Examine how the operations of the licensed buying companies (LBCs) have addressed the issue of efficiency in the internal cocoa marketing system in Ghana.*
- 5. Examine the extent to which Ghana has been successful with its value-adding policy in the cocoa industry.*

6. *Examine the effects of the recent establishment of factories in Ghana by the world's major cocoa multinational grinding companies on Ghana's cocoa landscape in general and the smallholder cocoa farmer in particular.*

Research Questions

The overarching question of this thesis is: *to what extent has Ghana's "meso model" fashioned out of the partial liberalisation of the cocoa sector enhanced the practices and opportunities of the smallholder cocoa farmers, and how has government assisted cocoa growing areas to take advantage of globalisation.* However, the specific questions of thesis are:

1. *How do dominant theories characterise and interpret globalisation and economic reforms for development and in which ways do they differ?*
2. *Which of the paradigms is best suited to interpret effects of globalisation and economic reforms on the smallholder cocoa farmers in Ghana?*
3. *How has the annual increase in the producer price since the economic reforms enhanced the well-being of the smallholder cocoa farmers in Ghana?*
4. *What specific programmes/projects if any have been/were designed for smallholder cocoa farmers under the reform policy and how have such programmes affected the well-being of these farmers in Ghana?*
5. *To what extent generally has Ghana taken advantage of the process of globalisation?*

6. *With Multinational Companies (MNCs) like Cargill, Barry Callebaut and Archer Daniels Midland (ADM) now processing cocoa in Ghana, how have their activities affected the cocoa industry in general and smallholder cocoa farmers in particular?*
7. *How has the cocoa industry in Ghana been influenced in general by economic globalisation and the trade liberalisation policy if any, and how has this influence impacted on the well-being of smallholder cocoa farmers?*

Hypotheses

The following are the hypotheses of the study:

H1. Government policies on liberalisation and globalisation affect the practices and opportunities of the smallholder cocoa farmer in developing countries.

H2. Many developing countries have failed to take advantage of globalisation to enhance the growth of their economies.

H3. Institutional structural changes in a country during reforms impact on the output of the reforms.

Theoretical Framework

The theoretical framework of this thesis is neo-structuralism, a paradigm which blends the core tenets of structuralism (State led industrialisation) and neo-liberalism (free operations of the market forces). The model advocates for the State to play a prominent role in the market and to cautiously steer a country's integration into the global economy especially a developing one. Neo-structuralism is a development approach which aims to establish a new relationship between institutional reform, modernity, social cohesion, and globalisation in the twenty-first century (Leiva, 2008; Kirby, 2009). Neo-structuralism also favours free operations of market forces but with the State governing the market and embracing

globalisation at the same time (Kay and Gywanne, 2000,) (see section 1.4.; Table 1.2). This paradigm was chosen because it provides a useful framework for analysing and interpreting Ghana's cocoa sector especially after Ghana adopted the "meso model" which allows the State and COCOBOD to play important roles in the cocoa sector even after it was liberalised in 1993.

Analytical Framework

As stated earlier, this thesis argues that in promoting economic growth and development in a developing or transition country such as Ghana, the State should play an important role in the economy. However, the study admits that globalisation has come to stay and hence for a country to take advantage of its benefits efforts must be made to promote market competition but with the State setting the development agenda. The analytical framework of the thesis is distilled from the literature especially from the tenets of neo-structuralism (i.e. the theoretical framework) and constitutes the following criteria:

1. The State must "govern the market" to enhance market efficiency but should embrace globalisation.
2. The State provides: a framework for rules and regulations like enforcing contracts and property rights; infrastructure for development; and in addition collects taxes to generate revenue for development.
3. The State promotes: enabling environment for foreign direct investment (FDI) inflows; globalisation; job creation, and a welfare state.
4. The State must meticulously design industrial and export policies by promoting cutting –edge technological innovations, training, skills and capacity building, and value-added exports to enhance the country's competitiveness in the global market in addition to exploring niche markets.

5. The State has the power and ability to withstand the pressure and might of international organisations like the IMF, and the World Bank to protect the country's interest.
6. "Legacy institutional structures" (i.e. like COCOBOD) must be maintained and reformed by the State to meet modern challenges in order to take advantage of their capacity and knowledge to enhance output and economic growth instead of dismantling them (see section 1.7).

Research Method

The qualitative research method was used for the study principally because the majority of the smallholder cocoa farmers, the core respondents of the study, were illiterates or had low level education. The approach which entails semi-structured and structured interviews and focus group discussions (FGDs) was thus found more appropriate than the self-completed questionnaire of the quantitative approach. Another advantage was that it enabled me to get closer to the respondents, related to them in their social settings, and by that I was able to gauge their attitudes and behaviours through the face-to-face interviews I conducted (see chapter 3 for detailed discussions of the methodology of the study).

Some Key Findings of the Study

The study found that: (i) Ghana's "meso model" is an alternative development paradigm to the Washington Consensus "One size Fits All". This is because it led to an increase in cocoa's contribution to Ghana's GDP from 2.3% in 1993 to 3.9% in 2008 and with cocoa as the mainstay of the economy, Ghana's GDP also increased from 2.8% to 3.9% for the same period enabling the country to achieve economic growth and development (Ghana Statistical Service), which demonstrated growth in the economy after the reforms, (ii) cocoa farmers'

output is a function of their environment since factors like mass spraying for insect pests and disease control, and planting of hybrid seedlings have a direct positive impact on their yields and not only the annual increase of producer price, (iii) the liberalised internal cocoa market has given cocoa farmers options to sell their produce, obtain prompt cash payment and have access to many incentives provided by the licensed buying companies (LBCs), (iv) though the internal cocoa market has been liberalised, COCOBOD regulates the activities of the LBCs and provides them with seed money annually from their operations, and (v) the use of mobile phones and “Space to Space communication centres” has transformed cocoa farmers’ mode of operations enabling them to cut production cost, particularly transport cost, for obtaining inputs, sale of produce, access to market and meeting social obligations. (See chapters 6 and 7 for discussions on the findings and the study’s contribution to knowledge).

Definition of Key Concepts

In this section the key concepts in the study are defined.

Trade Liberalisation: It is simply the removal of all forms of barriers or obstacles (i.e. quotas, tariffs, exchange controls etc.) to free trade. It is supposed to improve a nation’s income by driving resources from low-productive areas to more productive ones or a nation utilising its comparative advantage (Stiglitz, 2002; Todaro and Smith, 2009; see section 2.13).

Globalisation: Globalisation involves many things and like an octopus it has numerous tentacles which include economic, social, political, cultural, security and environmental. It therefore means different things to different people in the literature. However, in this study globalisation refers to economic globalisation which means “closer economic integration of the countries of the world through the increased flow of goods and services, capital and even labour” (Stiglitz, 2006, p.4). Economic globalisation hopes to improve the living standards of

people throughout the world, and give poor countries access to overseas markets and foreign direct investment (FDI) (ibid) (see section 1.16).

Well-being: The concept of well-being is a broad one and means different things in different academic disciplines. The Well-Being Institute of University of Cambridge defines well-being as “positive and sustainable characteristics which enable individuals and organisations to thrive and flourish”. According to Sen (1999) incomes and commodities are used as the basis for our well-being. However, well-being as used in this study means income and access to basic amenities like good roads, potable water, clinics/hospitals, electricity and schools to enhance the lives of cocoa farmers and their families to be comfortable, healthy, happy and prosperous.

Standard of Living: Standard of living ideally relates to consumption which may be “...in terms of goods and services of specific quantity and quality” (Faith M. Williams, 1935 cited in Cottam and Magnus, 1942, p. 177). In this thesis standard of living means cocoa farmers’ ability to afford goods and services of appreciable value and quantity in terms of meeting their basic needs and to have access to basic amenities.

Well-being, standard of living and welfare are used interchangeably in this thesis but in essence they mean the same as the meaning stipulated for well-being.

Smallholder cocoa farmer: According to the International Cocoa Organization (ICCO) a smallholder cocoa farmer is one who owns an average farm size of 2-5 hectares (i.e. 5-12.5 acres) (www.icco.org). In this thesis, a smallholder cocoa farmer is anyone who owns a farm size of 5 hectares (12.5 acres) or less. It is estimated that 90% of the global output of cocoa is produced by smallholder cocoa farmers (Ogunleye and Oladeji, 2007) as noted above.

Cocoa Industry: In this thesis, the cocoa industry comprises of cocoa farmers, processing companies, COCOBOD, LBCs, hauliers and all related institutions.

Rural: Rural in this study, means any settlement with a population less than 5,000 (Ghana Statistical Service).

Development: Development is a term which came into vogue after World War II when development economists attempted to design appropriate development models for developing countries to catch up with the developed world. The literature is replete with writings on it with many definitions but it is used in this thesis to mean improving the quality of life of all human beings. This could be achieved through the following: (i) raising the levels of living of people, for instance, their incomes and consumption levels (i.e. food, medical services, education etc) “through the relevant economic growth processes”; (ii) establishing social, political and economic systems and institutions which will advance human dignity and respect and thus promote people’s self-esteem; and (iii) increasing people’s freedom by enhancing their range of choice of consumer goods and services (Todaro and Smith, 2009, p.820). The following definition of Dudley Seers which outlines indicators for measuring the general development of a country is also found relevant:

The questions to ask about a country’s development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result “development” even if per capita income doubled (Seers, 1969, p.3 cited in Todaro and Smith, 2009, p.15).

The indicators- poverty, unemployment and inequality used by Seers to measure development especially poverty and inequality, are found relevant to the plight of the smallholder cocoa farmers in Ghana. The following section highlights the structure of this thesis.

Structure of the Thesis

This thesis is structured into seven chapters. Chapter 1 reviews the literature and examines the roles of the State and the market in the economy and discusses the alternative development models to the Washington Consensus “One Size Fits All”. The models discussed include structuralism, African socialism and developmentalism with much emphasis on the neo-structuralism model because it was chosen as the theoretical framework of the study. Neo-liberalism, the paradigm which provides the underpinning principles of the Washington Consensus is also looked at while the Chinese “dual model” and Ghana’s “meso model” are discussed as challenges to the Washington Consensus. Finally, the process of globalisation is discussed as well as the analytical framework of the study. This thesis argues that the power of the State has not been weakened by globalisation; if anything, it has rather strengthened it.

Chapter 2 provides the background context to the study by examining the development models adopted by the various governments after 1957 when Ghana attained independence which culminated in Ghana turning to the IMF and the World Bank for assistance in 1983 and the cocoa sector reforms in 1993. The conditionalities imposed by the IMF and the Bank and the SAPs Ghana implemented are also discussed.

Chapter 3 explains the research methodology of the study. It discusses the case study approach and the qualitative methods such as structured and semi-structured interviews, focus group discussions (FGDs), and documents used for the collection of the data. The second part of the chapter focuses on the steps taken in search of the data for this thesis and literally “walks the reader through these steps”. It discusses the sample size, area of the study, and the challenges of the study on the field and how they were overcome.

Chapter 4 looks at the overview of cocoa cultivation and discusses how it spread throughout Europe and finally to the colonies including Gold Coast, now Ghana. The colonies were made to produce cocoa as a raw material to feed the chocolate factories in Europe and America. The three major varieties of cocoa criollo, forastero and trinitario and their different characteristics are highlighted in this chapter as well.

Chapter 5 examines the role of the scalar actors and institutions and traces the origin of Marketing Boards in general and Ghana Cocoa Marketing Board which later became Ghana Cocoa Board (COCOBOD) in particular. The West African Produce Control Board (WAPCB) established by the British in 1940 to market cocoa produced in their West African colonies was the parent company of the Marketing Boards in the English speaking West African countries. The Caisses established by the French in the West African French colonies are also looked at. The chapter also discusses the aims, functions of COCOBOD and its subsidiaries/divisions, and Ghana's policies on cocoa value-addition.

In Chapter 6 the findings on the role of technology and working practices are discussed while the views of cocoa farmers on the reforms are also presented.

Finally, Chapter 7 discusses the findings of the study relating them to the hypotheses and the analytical framework. Limitations of the study are stated, recommendations are made and the study's contributions to the literature are highlighted. Conclusions to the thesis are drawn and an outlook for future research provided.

CHAPTER 1

THEORETICAL FRAMEWORK: NEO-STRUCTURALISM AND OTHER ALTERNATIVE MODELS TO THE WASHINGTON CONSENSUS “ONE- SIZE FITS ALL”

1. Introduction

This chapter develops and sets out the theoretical framework for this thesis. Neo-structuralism, a paradigm which blends the core tenets of structuralism (State led industrialisation) and neo-liberalism (free operations of the market forces) is chosen as the theoretical framework for this thesis. This is because it provides a useful framework for analysing and interpreting the roles of the State and COCOBOD (i.e. a parastatal) in Ghana’s cocoa sector especially following Ghana’s ability to successfully negotiate with the IMF and the World Bank in 1993 to adopt a “meso model” of partial liberalisation of its cocoa sector. This was against the recommended full liberalisation of the sector by the Bretton Woods institutions which required the total dismantling of COCOBOD (Cocoa Marketing Board) in line with the Washington Consensus. The neo-structuralism paradigm advocates for the State to play a prominent role in the market and to guide a country’s integration into the global economy especially a developing one. However, before discussing neo-structuralism and the challenge it poses to the Washington Consensus or the debate of the influential role of the market in the economy, the chapter first looks at the role of the State vis-a- vis that of the market in the economy because arguably their roles underpin the debate in the literature. The chapter then examines structuralism-import substitution industrialisation (ISI), African socialism and communism, and developmentalism models which all favour an influential role of the State in the economy. It also looks at neo-liberalism which conversely favours a more significant role of the market in the economy and a limited role of the State. The neo-liberal

paradigm underpins the Washington Consensus (Stiglitz, 2002, Rodrik, 2006). The chapter discusses extensively neo-structuralism- a combination of the key tenets of structuralism and neo-liberalism which the study considers as an alternative to neo-liberalism and thus a challenge to the Washington Consensus. The second section of the chapter, focuses on other challenges to the Washington Consensus or the move from “one-size fits all” to “post one-size fits all” (i.e. from Washington Consensus to Post Washington Consensus), and whether the Consensus is fitting for countries in their early stages of development or early “transition” stages (Stiglitz, 2002, p.16). The “shock therapy” or the “Big Bang” and the “gradual” approaches of the Washington Consensus implemented by countries in “transition” in: Latin America, Russia and the CEE, Asia and Africa, and China’s “dual model” are examined. Comparisons are drawn between countries which fully implemented the “shock therapy and those that adopted the “gradual” approach, for instance, Russia (“shock therapy”) and China (“gradual”). Ghana’s unique “meso model” for its cocoa sector which it adopted after negotiating with the IMF and the World Bank contributes to the post “one size fits all” debate. This is also discussed and highlighted as the reason why Ghana was chosen for the study. The chapter then looks at the process of globalisation arguing that the process has not weakened the power of the State; if anything it has rather strengthened it. Finally, the chapter discusses the analytical framework of the study distilled from the literature but mainly from the theoretical framework (i.e. neo-structuralism).

1.1 The Roles of the State and the Market in the Economy

In the literature, structuralism, neo-liberalism and neo-structuralism considered by proponents to promote economic growth and development in a country especially developing and transition countries, centre on which of the two -the State or the market, should play a

significant role in the economy. As a result, it is deemed expedient to examine some of the key roles of the State and the market (Table 1.1) before discussing these paradigms.

Table 1.1 Roles of the Market and the State in an Economy

	State	Market
Key Roles	<p>Provides rules and regulatory framework.</p> <p>Acts as a catalyst of development by creating an enabling environment.</p> <p>Reforms institutions for development and competition in the global markets.</p> <p>Assists industries to promote steady and lasting increases in productivity.</p> <p>Promotes high-quality education to meet changes and trends in the global economy.</p> <p>Ensures knowledge –based economy and transfer of knowledge.</p> <p>Provides the needed infrastructure to facilitate economic growth and development.</p> <p>Identifies new niches in the global markets at the appropriate time and takes advantage.</p> <p>Creates a welfare State, adjustable to new realities.</p> <p>Promotes social cohesion and addresses inequality in society.</p>	<p>Introduces competition.</p> <p>Better allocates scarce resources.</p> <p>Reduces cost.</p> <p>Creates new opportunities for production and export for the private sector.</p> <p>Promotes improvement in health care, education and social infrastructure through public-private partnership.</p>

Source: Author

A State derives its political power from its territory and is a manifestation of national identity and sovereignty (Jessop, 2004; Herrschel, 2007). According to Jessop (2004), a sovereign state “is the quintessential expression of hierarchy (imperative coordination) because it is, by definition, the political unit that governs but is not itself governed” (Jessop, 2004, p.21), therefore all States are formally recognised as equally sovereign in the modern State system. However, they are unequally capable of exercising power domestically and

internationally and are confronted with various problems locally and internationally. They have different capacities to address these problems and to reorganise themselves in response, have different histories, and in global encounters some States stand out as being more powerful than others. Beyond the States are the interstate relations and the self-organising international society (ibid, pp.12-13).

The market on the other hand, is considered universal and “is not only around us but inside us, informing our senses and feelings (Cox, 1999, p.22 cited in Xing and Hersh, 2004, p.108). Liberals and neo-liberals portray the universality of the market to the extent that there appears to be nowhere left for one to escape to from its tireless pursuit (ibid). Adam Smith (1776) who is regarded as the father of market capitalism in his theory of general equilibrium posited that, the pursuit of private gain can be socially productive once there is free competition. His key idea of the “invisible hand” is that when the dynamic of market competition is established on self-interest, the individual will most efficiently utilise resources to attain socially desirable outcomes (Xing and Hersh, 2004, p.127). Consequently, liberals and neo-liberals advocate for unfettered operation of the market because it promotes efficiency in the economy and eventually leads to growth (Friedman, 1982; Macpherson, 1997; Haines, 2000; Turner, 2001). However, Stiglitz (2002) contends that the market system needs information and perfect competition to function efficiently but since information is imperfect and markets are incomplete, it becomes difficult for this to be achieved particularly in developing countries. More so, well-functioning competitive markets are not created overnight (Stiglitz, 2002, P.74). Fine (1999) also states that “when information is imperfect, even in equilibrium, markets may not operate at efficient levels”, supply and demand may not be brought into equality and markets may fail to exist altogether (Fine, 1999, p.3).

In the light of the above, one may argue that the “invisible hand” alone can not discharge its duties to perfection and that the State’s intervention in the economy should be considered relevant and paramount to enhance market efficiency. The State’s role therefore should go beyond a limited one of ensuring rules and regulations like enforcing contracts and property rights to “govern the market” (Wade, 1990), to stimulate growth and development especially in developing countries. What is essential as argued by Stiglitz (2002) is an improvement in the efficiency of government and markets, how to strike the right balance between them, and how to ensure that this balance changes over time to match improvement in market changes and government competencies. Table 1.1 above summarises some of the key roles of the State and the market.

The characteristics of the “State” and the “market” in the economy have been shaped by history. The growth of the international economy in Latin America after the 1840s for instance, strengthened and consolidated local institutions and modernised the State and as a result “the market made the state rather than the state the market” (Lewis, 2005, p.4). Jessop states that the old Keynesian welfare national States (KWNS) based on “mass production and mass consumption” which prevailed between the 1950s and 1970s in North Western Europe, North America, Australia and New Zealand are now being substituted by a *Schumpeterian* welfare post-national regime (SWPR) new State (Jessop, 2004, p.13). The market has also metamorphosed from the days of the barter system through the mercantile “zero-sum” system to the current free trade market competition over the years.

The major role of the market is to encourage competition because competition is supposed to bring about a more efficient economy which will better allocate the limited resources, decrease costs and regularly stimulate the private sector to locate new opportunities for production and exports (Foxley, 2010). The unilateral opening of economies, bilateral and

multilateral free trade agreements (FTA), and the eagerness for regional and sub-regional integrations have led to greater reliance on the market by many nations in the world (ibid, p.13). The European Union in Europe, the Mercosur and Central America Free Trade Agreement in Latin America and the Economic Community of West Africa States (ECOWAS) in West Africa for instance, have all created the opportunity for “more market”. When a country opens new markets through free trade agreements in its economy, it becomes the responsibility of the State to engender product innovation, new product methods, and enduring increases in factor productivity to be able to compete or take advantage of the new market. Hence, this thesis argues that in our current globalised world of rapid knowledge changing, for a country to become competitive in the global market, the State must assist industries to steadily and permanently increase productivity (see Table 1.1 above).

More reliance on the market has also resulted from public-private partnerships that most governments have promoted in their economies in recent times. Foxley (2010), states that some countries in Latin America increased the role of the market by establishing a system which allowed the private sector to construct highways, ports, and airports and in Chile the private sector built and ran prisons. Though the results of these projects have been mixed, what is significant is that the private sector will respond quickly and strongly given the right incentives by the State (ibid, p. 15). However, in some of the developing countries the poor farmers have been unable to take advantage of “more market” due to lack of transport infrastructure to send their products to the market while the inability to ensure property rights has also robbed small businesses of the use of credit guarantees (De Soto, 2006; Foxley, 2010), amplifying the need for the State to provide the needed infrastructure and to ensure property rights in an economy, one may argue.

Birdsall and Fukuyama (2011) argue that when the State bears the initial financial and other risks of providing public infrastructure, the State then helps the private sector to address the high cost of “being first movers and innovators” in embryonic sectors. Market forces alone cannot surmount the problems and barriers which discourage investment in nascent industries and technologies (Birdsall and Fukuyama, 2011, pp.49-50). Neo-liberals even admit that, it is important for the State to provide a framework for rules and regulations in the economy (Friedman, 1982). The State must also provide an enabling environment for the economy to create jobs, promote a welfare state and to adjust to new realities. In New Zealand for instance, the State is thought about as the one to provide “light-rain” which “produces a green pasture, a newly inviting environment where others are tempted to sow seeds” (Foxley, 2010, p.20). Birdsall and Fukuyama (2011) argue for the State to get involved in industrial policy even in developing countries, considering how some of them effectively responded to the recent global financial crisis in 2008. State banks of Brazil and China for instance, during the recent financial crisis were able to come out with “crisis-driven stimulus programmes” to rapidly direct credit to needy sectors. There is therefore the need to revisit the idea of the State developing industrial sectors by giving support like cheap credit, or outright subsidies, or using State management development banks. However, this was thought to be perilous in the 1980s and 1990s because it assisted inefficient industries and led to increase in fiscal deficits, but some developing countries now have competent technocrats to manage the State’s involvement in productive sectors (Birdsall and Fukuyama, 2011, pp.49-50).

Jessop (2004) also contends that, the State intervenes on the supply-side to ensure systemic competitiveness and encourages lasting innovation and flexibility in relatively open economies. In effect, innovation, entrepreneurship and competition are promoted in the

economy. The State makes efforts to fashion out subjects to become partners “in the innovative, knowledge-driven, entrepreneurial, flexible economy and its accompanying self-reliant, autonomous, empowered workfare regime” (Jessop (2004, p.23). Additionally, it is the responsibility of the State to create an institutional framework to produce and use knowledge from wider sources like research centres, universities, private industry, customers and companies (Cook and Morgan, 2000; Foxley, 2010). The value-added knowledge-based innovations enable a nation to diversify its production structure to enhance exports with regards to natural resources, manufactures and services. The State also ensures the dissemination of knowledge and acts as a catalyst of development. The State promotes high-quality education to be able to survive in the rapidly changing global economy and also strategically shares its vision with all stakeholders through dialogues. It is also the responsibility of the State to identify new niches in the global markets at the appropriate time and take advantage. The State assists new entrepreneurs to have access to capital; attracts foreign direct investment (FDI); encourages the creation of production groups; and acts as a social protection (see Foxley, 2010, pp. 20-27).

However, the State is no longer regarded as an economic, political and cultural ‘power container’ because of the transfer of economic and social-policy making functions upwards, downwards, and sideways. The upwards transfer is demonstrated at the global level by the increasing number of international agencies like the IMF, World Bank and Organisation of Economic Co-operation and Development (OECD) and intergovernmental fora like the G8 which are able to influence contemporary social and economic policy agendas (Jessop, 2004, p.23). Downwards, the State devolves powers to metropolitan, local and district councils or assemblies. To recompense for failures and shortages in the market, the State has transferred functions entirely to or shares with parastatals, non-governmental, private or commercial institutions often referred to as a move from *government* to *governance*. All this has resulted

in what has occasionally been described as “the ‘hollowing out’ of the national state” (ibid, p.15). But the State depends on governance to shape and deliver State sponsored economic and social policies therefore private-public networks to State activities have become more cardinal on all scales ranging from domestic partnership to supranational new-corporatist arrangements. The change from government towards governance tends to make the traditional forms of intervention less significant in economic and social policy however, vigorous economic and social guidance on soft regulation, reflexive law, private-public partnerships, organisational intelligence, and information sharing have also become more important and make the State’s role in the economy equally more important (ibid, pp.23-25). This thesis therefore argues that the State has not been “hollowed out”.

North (1992) also argues that the State can not be treated as an “exogenous actor in development policy”, and “getting the price right” by abolishing exchange and price controls can only be achieved when you have a set of property rights in place and enforcement to produce competitive market competition (North,1992, p.5). Furthermore, he states that it is politics that change economic performance since they “define and enforce economic rules of the game” (ibid, p.7). Hence, the creation of politics that will fashion and enforce efficient property rights should be the heart of development policy (ibid). North (1992) thus argues for the *new institutional economics* (NIE) theory instead of the neo-classical one. He states that: “The neo-classical result of efficient markets only obtains when it is costless to transact. When it is costly to transact, institutions matter. And because a large part of our national income is devoted to transacting, institutions and specifically property rights are crucial determinants of the efficiency of markets” (North, 1992, p.2). North (1992) challenges the neo-classical implicit assumption that “getting the price right” could be achieved without institutions (i.e. both economic and political) because institutions are created to lessen doubts

and address deviant behaviours in human exchange, and together with technology assess the cost of transacting and producing. According to North institutions are formal rules (i.e. laws and regulations), informal constraints (i.e. conventions, codes of conduct, norms, values etc.) and their enforcement (North, 1992, pp.5-6). The NIE approach perceives relative price changes as essentially driving changes in institutions, and due to incomplete information and our limited mental capacity to process information, transaction costs² result and are key to the formation of institutions (ibid). The economists place importance on the rule-bound law notion of institutions (North, 1992), the sociologists on what is socially acceptable and appropriate in particular contexts and the political scientists on the organisational arrangements (Weiss, 2003a, p.20).

The *Global Commodity Chain* (GCC) paradigm is another option to the neo-classical economies. It has its roots in dependency theory advocated by Baran, (1957) and Frank (1967) in the mid-1960s as an alternative to the orthodoxy theory. GCC challenges the neo-liberal assumption that free trade which permits the free operations of the market will automatically lead to market access by all because buyers and sellers from different markets do not meet each other in the global market as independent actors since some have monopoly. The reduction in trade barriers therefore, does not lead to more opportunities for potential buyers and sellers in the global market because of producer driven commodity chains and buyer driven commodity chains which allow leading global producing and retailing firms or transnational corporations (TNCs) to “manage” the integration of producers and exporters of developing countries into the global economy. Gereffi categories GCC into three: input-output structure, territoriality and governance structure; but governance structure has gained much attention in recent years because it shows how certain leading companies determine

² Transaction costs measure the various valuable dimensions of goods and services exchanged or the performance of agents and the cost of enforcing agreements (North, 1992, p.2).

and control the parameters under which others operate in the chain (Gereffi and Korzeniewicz, 1994; Reynolds, 19994; Dolan et al., 2000; Humphrey and Schmitz, 2001, Plahe, 2005). However, in this study, neo-structuralism another alternative theory to the neo-liberal free market orthodoxy was found relevant and used as the theoretical framework as noted above. Table 1.2 below encapsulates the key tenets of structuralism, neo-liberalism and neo-structuralism.

Table 1.2 Structuralism, Neo-liberalism and Latin American Neo-structuralism

Paradigm	Structuralism (1950-1970)	Neo-liberalism (1973-Present)	Latin American Neo- structuralism (1990- Present)
Motto	Structural Change.	Structural Adjustment.	Productive transformation with social equity.
Purpose	Modernization via industrialization	Modernization via privatization	Modernization via internationalization
View of Development	Requires explicit political will and state intervention rationalized through planning process.	Spontaneous outcome of market forces and free operation of prices as allocative mechanism.	Deliberate process in which social and political energies are focused in support of export drive and achieving dynamic entry into world economic flows.
Key Agent of Development	State	Market	Technical change resulting from dynamic insertion in world economy
Obstacles	Legacy of historical	Mistaken domestic	Pattern of external

	power relations and institutions that erode efficiency of price system. International market that reproduces centre-periphery asymmetries.	policies that hobble market allocation: inward-looking growth strategies, overvalued currency, protectionist policies; state role that suffocates private initiative.	insertion: uncoordinated productive apparatus that traps countries in “low” road (competing via cheap labour and currency devaluations) rather than through productivity increases and innovation.
Role of the state	Structural reforms. Steer capital accumulation. Develop key industrial sectors. Protect economy from external fluctuations.	Provide minimum conditions for market to function: private property; enforce contracts; maintain order, collect data, provide limited safety net	Generate social and political consensus. Increase competitiveness of exports (clusters, public- private partnerships). Facilitate adaptability and upgrading of labour force. Produce social cohesion.
Social conflict	State absorbs pressure from conflicting social groups politically to regulate economic variables.	Repression to disarticulate collective social actors “Trickle down” effect. Targeted subsidies.	Channel/subordinate social conflict to “common goal” of competitive insertion in world economy. Tap social capital. Link civil society to export drive
Outcome	Economy is subordinated to politics.	Politics is subordinated to economy.	Political and cultural space is shaped by requirements of globalization.

Source: Leiva, 2008 (Table 1 pp.4-5)

1.2 The Strong Role of the State in the Economy: Structuralism and Import Substitution Industrialisation (ISI) in Latin America; African Socialism/Communism in Africa and Developmentalism in Asia.

The 1950s, 1960s and 1970s were periods of “more State” in Latin America when the State was the most dynamic agent of development implementing industrial policies, heavy investments in infrastructure and basic industries like steel and energy, and increased investments in education and public health (Foxley, 2010, p.9). The structuralist school led by Raul Prebisch, rejects the orthodox classical theory of international division of labour (IDL) and specialisation or international free trade (Adam Smith, 1795), arguing that the underdevelopment of Latin America was a result of its over reliance on export of primary products which were subjected to unfavourable terms of trade. Though Adam Smith argued that (IDL) leads to increases in global production of different goods, and enlargement of the size of markets, generating wealth that could reach the lowest person on the social strata (vol.1 Mazlish ed., p.5), Prebisch contended that the economic woes of Latin America resulted from the terms of trade which fluctuated in the short-run and deteriorated in the long-run. He stated that “the deterioration of the terms of trade and its serious effects on the purchasing power of exports” slowed down the expansion of exports of primary commodities from the region while demand for manufactured imports swiftly expanded (Prebisch, 1963, p.8). It was felt that unionisation in industry coupled with negative pricing impacted adversely on the terms of trade of primary producers. The structuralists argue that the global economic system had created an asymmetric centre-periphery relationship benefiting the centre and impoverishing the periphery (see Larrain, 1994). Singer (1950) was concerned not only about the fall in export prices and deteriorating terms of trade but also the outflow of funds to repay and service investment.

In Latin America, between 1930 and 1960, the State administered prices of factors, services, commodities and products. A similar approach was adopted in non-market

economies in Eastern Europe, Asia and Africa. After ECLA was founded in 1948 in Latin America under the leadership of Raul Prebisch, it promoted a national development project, which became known as *Cepalismo* or “forced industrialisation” in an attempt to redress the unfavourable terms of trade. It was also under the assumption that commercial and financial growth would be sluggish and would favour manufactured goods after World War II. Its initial objective was therefore to improve domestic enterprise by means of demand management linked with social mobilisation (Lewis, 2002, p.30). The key policy instruments of *Cepalismo* were: exchange control, protectionism, forced savings and expansion of markets (Dornbusch and Edwards, 1991; *ibid*). ECLA’s statism was not against business, foreign investment and export, but involved governments in partnerships with the private sector like the multinational corporations (MNCs) which varied across countries. In Cambodia for instance, the private sector had a greater control while in Brazil particularly in the 1970s government control was stronger (Lewis, 2002, pp.30-31).

Led by Prebisch, ECLA advocated for import substitution industrialisation (ISI) as the new model of development because of the unequal exchange between the “centre and the periphery” a terminology ECLA is credited as the first to introduce in the literature. The ISI model favours development “towards the inside” as against the orthodox model of development “towards the outside”. The ISI model favoured the production of goods to replace the imports which the Latin American countries could not afford to purchase due to unavailability of foreign currency. To implement the ISI model required the implementation of policy decisions and some preconditions, thus the role of the State was found paramount. Under the ISI, the State intervened to handle the planning process of industrialisation and developed key industrial sectors making its role prominent in the economy and as the main agent of development. The economy became subordinated to politics (see Table 1.2 above).

The implementation of the ISI model led to an increase in value-added products in Latin America particularly from 1954 to 1970. ECLA promoted a gradual opening of the economies of the region and integrated them gradually into a common market. It sought to reduce the inefficiencies and structural heterogeneity that had weakened the economies (Foxley, 2010, p.9). The entire continent had an annual average rate increase of 6.2% with Brazil having as high as 8.7% while with macroeconomic performance, annual average rate of GDP per capita increased at 2.63% in 1983 when Asia's figure was 2.24%. Brazil the best-performing economy in Latin America achieved 5.32% while South Korea and Taiwan which were best performing economies in Asia, respectively had 4.89% and 3.8%. South America's compound rate of growth rose to 60% higher than that of North Atlantic countries (Lewis, 2002, p.32). Irrespective of these achievements, the strong State's role in the economy also led to: fiscal deficits, loan defaults, overvalued exchange rates, capital flight, economic populism, unemployment, poverty, rural urban migration, black marketing, food shortages, hyperinflation, high transaction costs and limited foreign investment (Haberler 1963; Cardoso 1972; Jenkins, 1997; Palma, 1983; Dornbusch and Edwards 1991; Larrain, 1994; Landes, 2005; Krugman, 2008). As a result, Latin American countries turned to the IMF and the World Bank for assistance which led to the recommendation of the Washington Consensus in 1989. This is discussed later in the chapter (see section 1.3).

1.2.1 African Socialism/Communism

In Africa, some countries adopted the ISI model after independence and termed their version "African socialism" in the early 1960s (Okoko, 1987; Paulson and Gavin, 1999; Herrschel, 2007,), particularly Ghana under Kwame Nkrumah and Tanzania under Julius Nyerere in an effort to attain economic development and national identity. According to Nkrumah (1966) "true economic and social development cannot be promoted without the real socialization of

productive and distributive processes” (Nkrumah, 1966, p. 200). Nyerere on his part contended that the tenets of “African Socialism” should be nationalisation of the economy, transparent leadership, collectivist “Ujamaa villages” model of rural development, worker participation and control, and political education including militia training. The difference in the versions of Ghana and Tanzania’s African socialism could be attributed to their contexts and for that matter their prevailing “institutions” (North, 1992, 2006). A number of African countries also adopted “Marxism-Leninism” or “African communism” between 1967 and 1975. Tanzania was the first with its Arusha declaration in 1967, Congo-Brazzaville (1969), Benin (1974), Madagascar (1975), Ethiopia (1976); and the Portuguese colonies of Mozambique, Angola, Guinea-Bissau, Cape Verde and Sao Tome and Principe after gaining independence. The economies of all these countries were referred to as ‘centrally planned’. Though the planning was not comprehensive, the State attempted to control the economy through fiscal policy, selective nationalisation, ownership of the ‘commanding heights’, pricing, allocation of scarce foreign exchange and imports for instance (Paulson and Gavin, 1999, pp. 14-15). The State built parastatal industries, protected them against competition from the private sector and imports, and heavily subsidised their activities. The agricultural sector was also controlled by the State through input and output marketing channels especially fertilisers, distribution of consumer goods, price control of inputs, and export of cash crops (ibid) (see Table 1.2 above).

It is worth stating that in Africa, socialism or communism was strongly associated with a break away (i.e. revolution) from foreign control or power (Herschel, 2007). Nonetheless, African countries took advantage of the “bi-polar world” at the time with both the US and Soviet Union competing for influence in Africa but did not adopt the hard core tenets of their ideologies. This was because in Africa, associating with external powers was regarded by the

public as continued domination of imperial powers. Hence, African regimes were mostly pragmatic in handling their internal economic and security problems as well as external dependencies and muddled through whether as “socialist”, “communist” or “western” contrary to what happened in Central and Eastern Europe (CEE) where communism was ruthlessly and thoroughly imposed (ibid, pp.174-175). In this wise, the African version of African socialism and communism based on their “institutions” (North, 1992, 2006), legacies and personality of the leadership (Herrschel, 2007), were different from the CEE’s. The economies of African socialism and communism also encountered similar difficulties such as fiscal deficits, higher inflation and unemployment as happened in Latin America where the ISI model originated as noted above. Economic development was also hampered due to lack of access to foreign capital because wealthy Western countries did not want to finance socialism in Africa, while its “Africanness” philosophy led to the appointment of unqualified Africans to key positions which also negatively impacted on development in general and public administration in particular (ibid; Mwase 1965). All these African socialist and communist economies later shifted to free market by adopting the policies of the Washington Consensus when they turned to the IMF and World Bank for assistance especially after the collapse of communism in the 1990s. This is discussed later in the chapter.

1.2.2 East Asian Developmentalism

While African independent countries chose African socialism and communism as the path to development, the East Asian tigers (i.e. South Korea, Taiwan, Hong Kong and Singapore) opted for “developmentalism”. This model also allows the State to play a prominent role in the socio-economic development of a country. The State plays a strong role in developing strong political institutions first before economic development which is considered as a means to an end and not a goal. A developmental State aims to build a national identity in the

global economy (Huntington, 1968; Johnson 1982; Castell, 2000). The developmental State stimulates development through “government leadership”, and considers the State as the main actor in the economy because it is energetic, vibrant and dynamic (Wade, 1990, p.5; Kelly, 2008, p.326). According to Wade the government’s role in Taiwan is to “govern the market” and not to encourage *laissez faire* (Wade 1990). Amsden (1989) also states that in South Korea, State intervention was paramount in promoting rapid industrialisation. South Korea disciplines its firms. The most significant common factor to the development experiences of the East Asian tigers was “the role of the state in the development process” (Castells, 2000, p.282). The East Asian developers however took a cue from the failures of the *dependencia*’s ISI model in Latin America to ensure that they got the prices right and therefore refrained from tampering with market prices. The developmental State was seen as an agent of change ensuring no resistance in the society and market, and not as a victim of exploitation or revolutionary vehicle as was regarded by the dependency model. However, neither advocates the minimal role of the State recommended by the Washington Consensus (Kelly, 2008, p.326). It is worth stating that, by adopting the developmentalism model the East Asians were able to transform their economies from developing to Newly Industrialised States (NIS), a feat the Africans and Latin Americans failed to achieve. Nonetheless, the paradigm is criticised for breeding corruption and dictatorship, with corruption considered widespread in South Korea, Taiwan, Singapore and Hong Kong (Castell, 2000, p.290).

1.3 Neo-Liberalism: A Model of More Market Less State, an Ideology Underpinning the Washington Consensus “One Size Fits All”.

If the 1960s, 1970s and 1980s saw “more State” influence in the economies of developing nations in the world especially in Latin America, Asia and Africa as noted above, the 1990s witnessed a great advocacy for “more market” domination not only in these parts of the world but also in Central and Eastern Europe (CEE) and former Soviet Union (FSU) during the post- communist “transition” era. The views of neo-liberals or neo-liberalism which trace back to the “free enterprise” advocates of the 1950s and can further be traced back to the original "liberal" economics of Adam Smith took a centre stage in the global economy. Liberalism supports “laissez faire at home as a means of reducing the role of the state in economic affairs and thereby enlarging the role of the individual”. In addition, it supports “free trade abroad as a means of linking the nations of the world together peacefully and democratically” (Friedman, 1982, p.5). Adam Smith (1795) contended that, free international trade would enable a country “to improve its productive powers, and to augment its annual produce to the utmost, and thereby to increase the real revenue and wealth of society” (vol. 1, Cannan ed., p. 413). Friedman advocated for “competitive capitalism” where virtually every economic activity is promoted through private enterprise in a free market because economic freedom will lead to political freedom (ibid, p.4). Liberals believe that freedom and prosperity are indivisible and also consider market competition as crucial because it is the driving power behind economic growth, progress and eventually development (Jenkins, 1997; Macpherson, 1997; Haines, 2000; Turner, 2001; Gilbert and Varangis, 2003, p.2). The market is considered the key agent of development and politics is subordinated to the economy (see Table 1.2). Fukuyama (1992) argues that, the fundamental values of liberal democracy and

free market capitalism are the most attractive and effectual way of organising a society, where liberal democracy becomes the last form of government.

The Washington Consensus is allegedly used as a mechanism to push the neo-liberal ideology (Stiglitz, 2002). It was originally formulated by John Williamson in response to the economic problems of Latin American countries in 1989 and has aptly been described by Joseph Stiglitz (2004) as “one size fits all”. This is because though it was designed for *only* Latin American countries *at that time* (i.e. 1989) and *for that specific period* (Williamson, 2002, p.1), the Consensus was later applied to all countries especially developing ones which went to the International Monetary Fund (IMF) and the World Bank for assistance irrespective of their context. The Washington Consensus which turns to focus on stabilisation, market liberalisation and privatisation among others is regarded by the IMF and the World Bank “as the one and true way for growth and development” (Stiglitz, 2002, p.20). It is a set of uncontested policies of market-oriented reforms that could elicit economic recovery, growth and development (Kolodko, 2000; Stiglitz, 2002; Herrschel, 2007). Hence, it is regarded by some policy makers as the panacea for addressing all economic woes of a country especially developing ones in Latin America, Africa and Asia; and Second World “transition” countries in Central and Eastern Europe (CEE) and the former Soviet Union (FSU). Stiglitz states that “the consensus policies often assumed the worst about the nature and capability of governments and made that one size fit all” (Stiglitz, 2004, p.3).

The governments of Latin America at the time the Consensus was designed had piled huge budget deficits and their loose monetary policies had also fuelled high inflation (ibid, 2002, p.53). It was alleged by the Fund and the Bank that, the excessive intervention of the State in Latin America contributed to all that and the burst of growth decades after World War II which became pronounced in the late 1980s. Latin American countries were emerging from

debt crisis and hyperinflation in the twilight of the 1980s. For instance, inflation rose to 11,750% in Bolivia in 1985, reached 2,500% and 5,000% respectively in Peru and Argentina in 1989, and was 2,200% in Brazil in 1993 (Lewis, 2002, p. 37). Hence, the Consensus sought to limit the size or role of the State in the economy and instead enhanced that of the market. However, one may argue that it is not the size of the State that is significant but the type of function it performs and “the balance between government and the market” (Stiglitz, 2004, p.3). It is more important to ensure that “the state does those things in which it has a comparative advantage and not those in which it has a comparative disadvantage” (Austin, 1996, p.558), to facilitate economic growth and development than to limit its size and role in the economy. This thesis argues not for a huge State influence in the economy but an efficient and influential State that can act as a vehicle to stimulate growth and development and to facilitate a nation’s integration into the global economy particularly developing or those in “transition”. It also argues that whatever development model a nation adopts, efforts must be made to strike a balance between the roles of the State and the market.

Interestingly, Williamson (2004) did not consider the Consensus as a policy prescription for development but the IMF and the World Bank did and have since adopted it as a model of development for all countries making it a “one size fits all” model. In effect, a general policy prescription or medicine prescribed for all ailing economies particularly developing countries in Africa and Asia; Russia and the CEE countries after the collapse of communism with no regard for context. The Washington Consensus consists of ten reform policies originally formulated by John Williamson as “a summary of what most people in Washington believed Latin America (*not all countries*) ought to be undertaking as of 1989 (*not at all times*)” (Williamson, 2002, p.1) [emphasis added].

The following constitute the original list of the Washington Consensus.

1. Fiscal discipline.
2. Reordering public expenditure priorities.
3. Tax reform.
4. Liberalisation of interest rates.
5. A competitive exchange rate.
6. Trade liberalisation.
7. Liberalisation of inward direct investment.
8. Privatisation.
9. Deregulation.
10. Property rights.

(Williamson, 2002, pp.1-2)

As noted earlier, the Washington Consensus is perceived to encapsulate the views of neo-liberalism and “market fundamentalism” and is thus labelled as a neo-liberal manifesto (Stiglitz, 2002, p.74; Rodrik, 2006, p.974). Some of the merits of the Consensus put forward by those in support of it are that: fiscal discipline promotes macroeconomic stability, markets can better determine interest rates than governments; competitive exchange rate stimulates speedy growth in non-traditional exports; trade liberalisation brings about competition and leads to efficiency; liberalisation of capital market increases FDI inflows and portfolio capital resulting in job creation and curbing unemployment; privatisation of loss making state-owned enterprises leads to efficiency, profitability and accessibility to utilities privatised; while deregulation stimulates greater competition and breeds efficiency. With regards to property rights, when well-defined and specified, they create innovations by providing incentives for people to be productive and are considered the most important of the “institutions” by North (1992, 2006) (see Williamson, 1990, 2004; North, 1992, 2006;

Stallings and Peres, 2000, p.55).³ The Bretton Woods institutions therefore believe that any country which implements the above policies will achieve economic growth and eventually development.

However, North (2006) states that the IMF and the World Bank assume the existence of a neoclassical model of a world in which people have perfect information and institutions functioned, therefore they only needed to “incrementally change things at the margins, and all would be well” (North, 2006, p.9). But to design an effective policy requires understanding “the cultural heritage and historical background” of the country (ibid). It will therefore be impossible to make any meaningful sense out of any economy when it is considered new. This is because the economy is a “mixture of formal rules, informal norms and enforcement characteristics that defines institutions and shapes economic performance” (ibid). Though rules may be changed overnight, the informal norms usually change only gradually as noted earlier. Furthermore, North asserts that to be successful with any reforms requires understanding the existing structure of the economy and the transaction cost. In this wise, when reforms are proposed in developing countries without understanding their beliefs, and the incentives built into their beliefs the institutional change being proposed will not work. North argues that “to bring about economic growth we must know where we’ve come from and employ the local knowledge in developing institutions” (ibid). Other criticisms of the Consensus are: restrictions on public expenditure makes it difficult for governments to implement good public policies and to provide public goods; the problem of fallacy of composition where developing countries exports more but earn less; privatisation tainted with corruption, mass unemployment and social unrest; no safety nets; less attention given to social equity; failure to promote increase in standards of living; and lack of concern for

³ All the nine countries -Argentina, Brazil, Bolivia, Chile, Colombia, Costa Rica, Mexico, Peru and Jamaica, Stalling and Peres studied were able to reduce their twin deficits through cuts instead of revenue increases.

sustainable economic, political, social and environmental growth (Gore, 2000; Stiglitz, 2002; Robin, 2003; Held, 2005). Rodrik also asserts that reforms should “be selective and focus on the *binding constraints* on economic growth” and not a host of list as the Washington Consensus demonstrates (Rodrik, 2006, p. 976).

Nonetheless, the Fund and the Bank do not even allow a country implementing the policies of the Consensus the luxury of sequencing or adopting the softer choice of “gradualism” which has the State continuing to play a stronger role but rather insist on the harsher option of “shock therapy”. The “shock therapy” or “Big Bang” requires a rapid implementation of the three major pillars of the Washington Consensus: fiscal austerity, privatisation and market liberalisation (Stiglitz, 2002; Herrschel, 2007). The irony however, is that to bring about these changes in the economy, you need a “strong State” (Skidelsky, 1995; Herrschel, 2007), as happened in Chile under the military dictator General Augusto Pinochet, in Argentina under Carlos Menem (Lewis, 2002), and in Ghana under the military dictatorship of Flight Lieutenant Jerry John Rawlings. Previous governments in Ghana were overthrown for liberalising the economy (see chapter 2), and therefore it needed an iron fisted regime to push through the 1983 reforms. As Turner states in his argument for the “Third Way”, “capitalism pure and simple, unmoderated by the intervention of state” suffers major deficiencies like guaranteeing property rights and imperfections in liquid financial markets (Turner, 2001, p.365). It is also worth stating that speed, scope and legacies of a nation impact on the character of the “shock therapy” (Herrschel, 2007, p.48). The IMF, the World Bank and World Trade Organisation (WTO) are the three global institutions which drive global free trade and the free market orthodoxy , and in effect govern globalisation (Stiglitz,2002, p.10) (see Table 1.3 below).

The IMF and the World Bank (International Bank for Reconstruction and Development) were both formed in July 1944 after World War II to finance the rebuilding of Europe and to save the world from future economic depression. The IMF's main task was to ensure global economic stability by providing loans to countries experiencing economic decline by pressuring them to either cut taxes or increase expenditures to stimulate aggregate demand while the World Bank provided money to countries for long-term investments. The WTO was established in 1995 when GATT (General Agreement on Tariffs and Trade) was converted and governs global trade relations. Unlike the Fund and the Bank it does not set rules but provides a forum for trade negotiations and ensures agreements are respected (Stiglitz, 2002, pp.11-16) (see Table 1.3).

Table 1.3 Roles of IMF, World Bank and WTO

	IMF	World Bank	WTO
Original Key Roles	<p>Promotes Global Economic Stability by:</p> <p>Pressurising governments to cut taxes or increase expenditures to stimulate aggregate demand.</p> <p>Providing funds for countries facing economic decline to create full employment.</p>	<p>Provides countries with long- term investment loans for projects like roads and dams.</p>	<p>Governs global trade relations.</p> <p>Promotes free trade among nations.</p> <p>Provides a forum for trade negotiations.</p> <p>Ensures respect of agreements</p>
Current Key Roles	<p>Promotes Global Economic Stability by handling:</p> <p>Macroeconomics Issues -</p> <p>Pressurising governments to: raise taxes and interest rates; cut budget and trade deficits (i.e. reduce expenditures); reduce inflation.</p> <p>Liberalising monetary policy.</p> <p>Guiding developing and transition nations to a market economy.</p>	<p>Provides structural adjustment loans to countries by handling:</p> <p>Structural Issues -</p> <p>Project or Sectoral micro-economic works : financial institutions, labour markets and trade policies.</p>	<p>Original roles Unchanged</p>

Source: Author

However, the IMF and the World Bank’s roles strikingly changed during the reigns of Ronald Reagan of the US and Margaret Thatcher of the UK when they strongly advocated for “more market” or free market ideology. Thatcherism and Reaganomics rejected the State

considering it as an outside force hindering the best functioning of the economy. As a result, the political process such as the legislature procedure and consultation with stakeholders to reach compromises was discarded in favour of a technocratic approach which focused on “marketisation and de-statisation of economic development as universally applicable and appropriate strategy” (Herrschel, 2007, p.66; Bonker *et al.*, 2002a). The Bretton Woods institutions became the machinery through which these ideas were imposed on unwilling poor nations which turned to them for loans and grants. In effect, the policies were imposed and monitored from external sources (i.e. bottom-down approach) instead of from within or distilled out of internal debate and discussions as part of a democratic process. Consequently, “the Keynesian orientation of the IMF, which emphasized market failures and the role of government in job creation, was replaced by the free market mantra of the 1980s, part of a new ‘Washington Consensus’” (Stiglitz, 2002, p.16) .The Washington Consensus became a consensus between the IMF, the World Bank and the U.S. Treasury, regarded as the “right” policies for developing countries and led to a drastically changed approach to “economic development and stabilization” (ibid). Hence, the Consensus driven by the Fund and the Bank became the mantra for economic growth and development for developing nations in the 1990s. Additionally, the IMF assumed almost all the roles since structural issues could influence largely the performance of a nation’s economy, for instance government’s budget or trade deficit with the Bank playing a minor or supporting role (ibid, p. 14).

The Washington Consensus however, failed to achieve its objectives in Latin America. The tight monetary policies led to high real interest rates for instance, and increased fiscal deficits especially for the countries which previously had large deficits due to the interest paid while small businesses were also adversely affected by the high domestic interest rates. Argentina, Chile and Mexico had lending rates in the 10% range, while Colombia and Costa

Rica had a range between 10-20%. Real exchange rate was equally challenging since many of the countries had to devalue their currencies. Consequently, new jobs could not be created, rather jobs were lost and with no safety nets provided those who lost their jobs entered the poverty bracket. Unemployment rose and social and political tensions and riots were bred. Additionally, Gross Domestic Product (GDP) growth rates which initially increased in some of the countries were not sustainable and also declined. Growth rates declined between 1991 and 1998, for instance, from 10.6% -4.2% in Argentina, 8%-3.4% in Chile, 2.8%-0.3% in Peru and 5.3% -4.7% in Bolivia which even adhered strictly to all the measures of the structural adjustment programme (SAP). Though the average deficit for the region for the same period was 1.4%, it was only Chile (the IMF and the World Bank's "Star Pupil" of the region), which maintained surplus throughout the 1990s with an average of 1.9% (see Stallings and Peres, 2000, pp.54-56; Stiglitz, 2002, pp.16-18). On the whole, the result of the enforced policies of the Washington Consensus was disappointing in Latin America because in countries like Chile and Mexico where growth occurred the benefits were not equally distributed for it accrued largely to the top 10% with those at the bottom gaining little or becoming worse off (Stiglitz, 2002). It was a clear mismanagement of the Latin American economic crisis and the transition from communism to a market economy was no exception as will be noted in the subsequent section in this chapter.

1.4 Neo-structuralism- A Marriage of Free Market Forces and a Strong State Role in the Economy: The Theoretical Framework of the Study.

So far this chapter has looked at the significant role of the State in the economy and why proponents of structuralism or ISI favour such an option and on the other hand why neo-liberals advocate the contrary preferring an influential role of the market in the economy under neo-liberalism. Neo-liberalism is a model favoured by the IMF and the World Bank

which they promote through the Washington Consensus as noted above. This section of the chapter however, discusses neo-structuralism which blends the core tenets of structuralism and neo-liberalism chosen as the theoretical framework of the thesis due to its usefulness in analysing and interpreting the State's role in the cocoa sector after liberalisation as stated earlier. As a development approach, neo-structuralism aims to establish a new relationship between institutional reform, modernity, social cohesion, and globalisation in the twenty-first century (Leiva, 2008, p.3). Unlike structuralism, it admits the importance of market forces, private enterprise and foreign direct investment (FDI), but favours the need for the State to govern the market (Kay and Gywanne, 2000, p.62). This is why it is considered useful in analysing and interpreting Ghana's cocoa sector after the reforms because the State continued to play a paramount role through COCOBOD albeit having liberalised the internal market of the sector to enhance competition.

Neo-structuralists argue that politics and government are vital for constructing in the wider society a "systemic competitiveness" essential for a successful competition in the global markets (Leiva, 2008). Hence, to the neo-structuralists, political and institutional intervention are "essential for generating the synergy, coordination, and social harmony indispensable for fluid and speedy integration into the globalization process" (ibid, p.3). Neo-structuralists believe that the State should not play the principal developmental role as it champions under the structuralist ISI model but rather should provide essential services like health and education. The State for instance, should not be directly involved in productive activities by owning industrial enterprises (Kay and Gywanne, 2000, p.62) but should delegate the responsibilities of production to entrepreneurs, while it concentrates on enhancing productivity, technical progress and training, and promoting social equity or social

cohesiveness (Fajnzylber⁴, 1994). Neo-structuralism was first introduced in 1990 when *Changing Production Patterns with Social Equity* was published by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) and developed through a series of publications between 1990 and 1995 (Leiva, 2008; Kirby, 2009). The co-operation between the State and the private sector to enhance the region's ability "to produce products with a high technological content, to be competitive in the cutting-edge international market and to distribute the benefits of development widely, thereby reducing inequality" were the central concerns of ECLAC's proposals (Kirby, 2009, p.137). Neo-structuralists argue for economic growth to be coupled with social equity and the need for "intellectual and political leadership, not just laissez-faire policies" (ibid). Economic growth and social equity are regarded as symbiotic, and changes in the production patterns can only be sustained over time when there is social cohesiveness, which requires greater equity (Lahera *et al*, p.9). The model is regarded as an alternative to neo-liberalism. In line with this Kirby states that:

where neo-liberalism neglected the importance of technology, neo-structuralism saw its acquisition and dissemination as being crucial to boosting productivity and competitiveness; where neo-liberalism depended on the market to reduce poverty and inequality, neo-structuralism stressed the importance for economic success of reducing poverty and inequality through active social policies; and, where neo-liberalism accepted low-wage labour as a competitive advantage for the region, neo-structuralism emphasized technical innovation as the basis for competitiveness (Kirby, 2009, p.137).

The paradigm emphasises that a country can attain the high road to globalisation, when it focuses its economic policies more on institutional, political, and cultural factors neglected by the free market model. This however requires a change towards "exports with value-added

⁴ Fernando Fajnzylber was a leading ECLAC scholar and one of the main architects of neo-structuralism (Kirby, 2009, p.137)

and an international competitiveness based on increased productivity and innovation” (Leiva, 2008, p.6). There is also the need to lessen income inequalities, improve the capacity of the poor, make the workforce more competitive globally through training and skills enhancement and exploit niches in the global market. This will get a nation on to the “high road” of globalisation as against the “low road” of the neoliberals and make globalisation more pleasant and popular or given a human face (Bello, 2007). Globalisation can be given a human face through a conceptual and policy framework which ensures that economic growth, equity and democracy mutually reinforce each other. Additionally, a country must selectively integrate into the international economy by meticulously designing industrial and export policies which will enable it to create competitive advantages, develop from within, and increase its share of global trade flows, FDI, technology and finance (Lahera *et al* 1995; Kay and Gywanne, 2000; Leiva, 2008). In effect, technical change should facilitate a dynamic insertion into the world economy with social and political energies mobilised by the State and directed in support of exports to achieve the global entry. The requirements of globalisation turn to shape the political and cultural space (see Table 1.2).

Critics of neo-structuralism however argue that it does not protect individuals, communities and firms from the market, but rather ensures that they conform to the laws of the capitalist system. This has led to what Leiva terms “heterodox paradox” where economic and social policies consolidate “transnational capitalist hegemony” and weaken “popular sovereignty and citizenship” (Leiva, 2008, pp.17-18). In his view, neo-structuralism rather completes the change from the ISI model to an export-oriented (EO) capital accumulation regime and therefore can not be regarded as an alternative paradigm to neo-liberalism (*ibid*). Other criticisms are that the model: does not take account of power relations in the economic, social and political analysis made; over concentrates on getting on to the high road of

globalisation and subordinates Latin America to local multinational companies and transnational capital than it was in the 1960s, resulting in lack of political and administrative power to “discipline capital”; and excludes class and process from the discussions on productivity and technical change while “transnationalization”, “precarization” and “financialization” undermine economic development and social equity in Latin America. It also does not hold to the tenets of their forefathers while neo-liberalism strongly does; and fails to envisage or address Prebisch’s principal question of how economic surplus is captured, distributed, and used by local conglomerates, transnational corporations and banks which constitute the “high speed” sector (Leiva, 2008; Kirby, 2009).

These criticisms notwithstanding, one could argue that neo-structuralism is a pragmatic model which has neither capitulated to neo-liberalism nor abandoned its structuralism roots, but rather it is an “attempt to come to terms with new reality” (Kay and Gwynne, 2000, p. 62). It should be seen as adapting to the changing modern trend of events and refusing to “remain frozen in the past” (ibid), or to be swept away by the prevailing currents of globalisation. It is significant to state that neo-structuralists have learnt an important lesson from the East Asian NICs (Newly Industrialised Countries) to selectively integrate into the global economy hence, arguably neo-structuralism could be considered “the only feasible and credible alternative to neo-liberalism” (ibid), in our current globalised world. As Peadar Kirby puts it “ in today’s context of global economic and local social challenges, both left and right have become convinced of the importance of the state” (Kirby, 2009, p.135). This was recently amplified in developed capitalist countries like the US and Britain, when the State had to intervene to bail out financial institutions after the 2008 global economic meltdown. It is also argued that the election of progressive candidates like Ricardo Lagos (2000) and Michelle Bachelet (2006) in Chile, Luiz Inancio Lula da Silva in Brazil (2002,

2006), Nestor Kirchner (2003) and Cristina Fernandez de Kirchner (2007) in Argentina and Tabare Vasquez (2005) in Uruguay, referred to as the 'new left', demonstrated the popularity of neo-structuralism in Latin America as an alternative development path to neo-liberalism (Leiva, 2008 p.1; Kirby, 2009, p.137). The recent election of Dilma Rousseff (2010) in Brazil, another new leftist, as a successor to Lula da Silva is another case in point. Latin America appears to have left behind neo-liberalism and fully embraced neo-structuralism. Birdsall and Fukuyama (2011) argue that, this tidal change to the left has resulted because the new governments have increased social spending to address the issues of poverty and inequality brought about by the liberalisation of the 1990s which failed to achieve the expected growth.

1.5 The Process of “Transition” to Free Market Economy.

“Transition” is considered as “the departure from a socialist, centrally planned economy, towards a free market economy” or “from underdevelopment to development” (Lavigne, 1999, p. 264). However, the process of change and the upshot of “transition” result from three factors: the origin of the changes (i.e. either bottom-up or top-down) which establishes the extent of legitimacy; the speed of change (i.e. either “shock therapy” or “gradualism”); and the depth or completeness of change. These indicators make up each country’s edition of change. There are five assumptions of “transition”: (1) it is dynamic and shows a change in conditions, (2) it brings about democratisation-a “natural” result of the changes, (3) it gains legitimacy through elections-often considered equal to democratisation, (4) it is universal irrespective of context, and (5) States are the main actors (Herschel, 2007, pp.5-6). The IMF and the World Bank, wholly prescribed the Washington Consensus which was designed for Latin America in 1989 as noted above, for the” transition” economies of CEE and FSU some few years later. International trade tended to be the main vehicle driving forward the

transformation process in these countries, and once again the mantra was stabilisation, liberalisation and privatisation (ibid, p. 64), the three key pillars of the Washington Consensus. The main argument for the shift to the market system was a great belief by the Western world in general and the Bretton Woods institutions in particular that the introduction of a market economy would improve competitiveness and efficiency in these countries. Though there was an expectation of a short period of transitional contraction, it was expected that the market economy would bring about recovery and later fast growth. But these goals were not attained instead it turned out to be a “Great Transitional Depression” which lasted during the 1990s in some of the economies of CEE and FSU (Kolodko, 2000, p.3). The huge mistake was that the Consensus was initially designed for economies which were following market principles as it were, but had not been successful. In effect, it was aimed at deformed market economies of the “Third World” and not for those of a “Second World” with a totally different approach to and operation of resource allocation. This misjudgement of the expected transition paths and results was attributed to the lack of knowledge of those who handled the “transition” situation in the communist countries. Though the Consensus was written for Latin America under different circumstances, they displayed lack of understanding of the fundamental differences between the two worlds- “Second World” and “Third World” and wholly applied it to the collapsed communist nations (Herrschel, 2007).

The “shock therapy” albeit with few superficial changes was preferred as the only “rightful” approach to bring about the change to a market economy, and to reduce inflation (ibid, p.65). The main objective was to limit the role of the State in the economies and to assist markets expand in the most efficient manner (i.e. “marketisation), with no consideration for suitable institutional structures to offer the essential legal and administrative framework

for the correct “predictable and reliable market operation” (ibid, p.66). The externally imposed “one-size fits all” Washington Consensus which gave no room for public debate on the type and direction of post-socialist development raised the issue of democratisation, particularly the lack of local opportunities for post-socialist transformation. However, the process of transition is a multi-dimensional and complex phenomenon, shaped by internal and external factors like hegemonic dependency, economic imperative, elite idealism, legacies and personality which overlap and are interconnected (Wu and Su, 1998, p. 397; Herrschel, 2007, p.2). If the hegemonic dependency is greater, the less likely will be independence forms of governance because the institutional principles of the hegemon will be incorporated and will dominate (Herrschel, 2007, p.2). Within such a framework it is the political skill of the local political elite which can create a scope for some form of “independent policy-making” (ibid). Gunder Frank also argued that if a State’s satellite status generates underdevelopment, only a weaker or lesser degree of metropolis-satellite relations will ensure the possibility of the State’s development (Frank, 1967, p.11).

Legacies are also the social memories at national and ethnic levels and include past experiences with democracy acting as a point of reference such as from authoritarian to post-communist or colonial to post-colonial democratic regimes. In the case of CEE countries, the emphasis has been on their Europeanness against Sovietism or Russianness while with post-colonial Africa it has been between national identities and their territorialities (Herrschel, 2007, p.3). Personalities and personal political ambitions, risk assessments and opportunities are key determinants of policy making and are also influenced by specific national and sub-national legacies in building States, planning and aspirations of a society. The end of the Soviet Union and the commencement of Russia resulted from individual initiatives, personalities and contending ambitions (ibid, pp.2-6). The three main drivers of transition are

economic, political and social since transition cannot be limited to economic variables alone and merely changing from State control to market liberalisation because the interaction between market requirements, State capacity, political democratic process and civil society activity are all equally important in State building and eventual development (ibid, p.70).

Consequently, the disparities between the communist countries, especially how the socialist ideology was implemented in each country, should have been given important consideration during the transition period. For instance, Hungary adopted the hybrid model so had some experience with “markets” while Romania adopted a more technocratic rigid socialist model so had no market experience. However, in transforming the “transition” nations, the Washington Consensus adopted the approach of “creative destruction” by replacing the existing structures and commencing everything anew especially in Russia and the CEE countries which resulted in large losses in institutional capacity and knowledge (Stiglitz, 2002; Herrschel, 2007). But North (2006) argues that “institutions” (i.e. laws, rules, norms and beliefs) are inherited from the past therefore people have to live with them and hence cannot just be discarded. “Institutions” must therefore be built into necessary reforms implying that they cannot be borrowed from others. This is one of the reasons why the Washington Consensus did not produce the desired results in the countries where the IMF and the World Banks forcibly imposed it. The Bretton Woods institutions underrate the strength of “institutions” and presume people live in a neoclassical world, have perfect information and “institutions” function as expected needing only incremental changes of things at the boundaries as noted above (North, 2006).

1.5.1 The Impact of the Washington Consensus on the Transformation of Russia and Central Eastern European (CEE) Countries.

The transition from communism to market economy in Russia was not just an economic exercise but a transformation of social and political structures and societies in general. The communist political institutions were destroyed with the introduction of free market structures and democracy, and Russia moved from a totally State controlled economy to a market controlled one (Stiglitz, 2002, Herrschel, 2007). The “shock therapy” of rapid transformation was adopted by Russia as recommended by the IMF against the gradualist approach of sequencing or moving at a reasonable pace and in good order. It could however, be argued that time was of essence because of an alleged fear by the Fund and the Western world that Russia could slip back into communism. Price liberalisation was implemented overnight resulting in hyperinflation which wiped out savings, necessitating reduction of inflation and tightening of monetary policy which increased interest rates. The three pillars of the “shock therapy”: liberalisation, stabilisation and privatisation, were implemented by Russia rapidly as prescribed by the Washington Consensus, however, this resulted in no growth. For instance, industrial production fell by 60% with GDP falling by 54% between 1990 and 1999. The IMF’s privatisation, together with capital market liberalisation also resulted not in wealth creation but asset stripping which turned oligarchs and their cronies into billionaires overnight who siphoned their ill gotten wealth out of the country. Russia implemented the privatisation policy without creating the needed institutional infrastructure such as corporate governance to ensure laws of good governance or the rule of law to check local and State governments from abusing their potential powers. Poverty and inequality also increased and by 1998, the number of Russians in poverty increased to 23.8% from 2% in 1989 using the standard of \$2 per day with more than 40% on less than \$4 per day (Stiglitz,

2002 pp 137-159). Extreme poverty and inequality one may argue lead to social and political instability which hampers growth. However, there has been an increase in the number of young well-educated Russian entrepreneurs, and an improvement in democracy. Though weak, the current democracy in Russia is much better than the former totalitarian regime while the media formerly strictly controlled by the State, now present diversified views wider than before (ibid, 193).

On the other hand, Poland the most successful of the Eastern European transition countries, started with a “shock therapy” to reduce hyperinflation to reasonable levels but realising that it was not conducive for societal change shifted to the “gradual” approach in implementing the privatisation policy while it concurrently built the basic institutions of market economy. For instance, banks to lend money to enterprises, and a legal system to enforce contracts and to fairly handle bankruptcy issues. Additionally, it rejected the doctrines of the Washington Consensus by paying important attention to unemployment, provision of benefits and adjusting pensions to keep pace with inflation, issues given least attention by the IMF, and by doing that, ensured democratic support for the reforms. This programme was called “Strategy for Poland” (from 1991-1997) which focused more on the Polish citizens and not on the approval of the Fund and the Bank (Stiglitz, 202, p. 181; Kolodko, 2005, p.2). In contrast, the Czech Republic, the IMF and the World Bank’s “Star Pupil” of the “shock therapy”, privatised its corporations before privatising the banks and as result, the banks provided easy money to enterprises favoured by the State. The privatised corporations did not also enforce strict budgetary controls which enabled them to delay real restructuring (Stiglitz, 202, p. 181). In addition, the Czech Republic created a capital market which did not raise money for investment but enabled a few intelligent managers to steal millions of dollars. Consequently, the country fell behind where it was in 1989 despite its

immense advantage of a well educated population and geographical location. It is worth stating that, Hungary also decided against the “shock therapy” and adopted a gradual approach especially in privatising its firms and managed to restructure them to become globally competitive (ibid, p. 186). Kolodko⁵ (2005) argues that the Washington Consensus was not suitable for the post- socialist and communist countries because they lacked proper market institutions which needed to be built gradually. The needed consideration was also not given to the provision of a legal and administrative framework for suitable, predictable and reliable market function. This was considered a major limitation of the Washington Consensus. Apart from inadequate attention to the institutional aspect of development policy, the Consensus failed to also give adequate concern to the social consequences of huge liberalisation and rapid privatisation in the post-socialist countries (North, 1992; Murrell, 1992; Kolodko, 2005; Herrschel, 2007). North (1992) also argues that transferring political and economic institutions (i.e. formal rules) of successful Western market economies to Third World and Eastern European economies is not an adequate condition for good economic performance and that privatisation is not the solution to poor economic performance (North, 1992, p.7). Lavigne (1999) however, states that the experience of Russia and the CEE countries shows that the market is not incompatible with command economy, but rather incompatible with the overall political meddling of the Communist Party. This is where China’s “dual model” of transition which has chalked great success in the past decades stands in contrast to Russia’s failure because while China’s economy grew in the 1990s at an average annual rate of 10%, that of Russia declined at 5.6% (Stiglitz, 2002, p. 181). China’s model is thus considered interesting and worth discussing.

⁵ Grzegorz W. Kolodko is the former Deputy Prime Minister and Finance Minister of Poland.

1.5.2 China's "Dual Model" of Transition

Lavigne states that "China is in transition from a command economy to a market economy, from a lower to a higher level of development, but not, for the time being, from socialism to democracy" (Lavigne, 1999, p.265). It has adopted a "dual model" or two contradictory systems of a liberal market economy and an authoritarian one-party State with a political ideology which rejects private property and the principle of the market. In the economic arena, China appears to have devolved to the local level of decision making to increase productivity and responsiveness to the market. It has relied on pragmatic economic reasons to bring about modifications in the economy while holding steadfastly to its political one-party ideology. The gradualist approach adopted by China enabled it to avoid the dangers associated with the "shock therapy" which Russia and other countries experienced when they were pressurised by the IMF and the World Bank to adopt under the Consensus. Under its "dual model", China's economy reflects many factors like: true liberalisation and decentralisation in agriculture such as the township and village enterprises (TVE) which is based on household-responsibility system; the budding of new private sector; the quasi-convertibility of the currency which opens the economy (Lavigne, 1991, p. 270); and promoting international free trade by joining the WTO on 11 December 2011. One would argue that the joining of the WTO is significant in China's reform and opening-up and the process of modernising its economy. China promoted FDI inflows and attracted foreign firms; created an "institutional infrastructure" of an effective securities and exchange commission, bank regulations and safety nets, and liberalised gradually. It also put the creation of jobs, enterprises and competition first before privatisation and restructuring of existing enterprises, and ensured that dislodged resources were redeployed for better efficient use to avoid creating unemployment. All this was to ensure both stability and growth

(Stiglitz, 2002, pp. 183-184). However, the greater part of China's industry is still largely run by State owned enterprises which displays the touchstone features of a command economy and politically still a one-party State. It is therefore a typical example of "coexistence between pure capitalism and standard socialism" (Lavigne, 1991, p. 270). Kornai (1992) terms it 'a "dual system" in which many elements of the socialist and capitalist societies exist side by side'; while Nuti calls it 'a necessary stage of forced market socialism during which the state sector cannot disappear but must be commercialised rapidly' and restructured to enhance its capacity (cited in Lavigne, 1999, p.271). Vietnam has also adopted a similar model (Herschel, 2007). What makes China exceptional, especially among low income countries is how its bureaucracy at the upper level is able to manage and coordinate sophisticated policies. It is a firmly managed top-down administrative apparatus able to evade delays of an untidy democratic process and accounted for China's extraordinary bounce back after the 2008 global financial crisis to the amazement of the entire world (Birdsall and Fukuyama, 2011, p. 51).

China's current economic output makes it the second largest global economy next to the US and a potential threat to the established Western economic interest. Its economy has grown by an average of 10% annually over the past 10 years while that of the US has grown by an average of 2.5% a year. It is predicted that China could overtake the US to become the largest global economy in the next decade (*The Economist*, September 24th-30th 2011, p.6). This attests to the success of China's model and establishes the fact that 'communism' and 'market' (i.e. capitalism) are not "mutually exclusive" and fervently opposed to each other as portrayed during the cold war. China's transition of adopting the two ideologically opposed approaches has challenged the post-communist transition of "marketisation" and "democratisation" as being strictly inextricable which has been disseminated by the Western

developed countries and their institutions since the 1980s (Herrschel, p.13), especially the Fund and the Bank through the use of the Washington Consensus. Hence, this thesis argues that the models of China and Poland offer alternatives to the “one size fits all” Washington Consensus model.

Herrschel (2007) describes China’s model as “growth-led” transformation and that of Russia and some of the CEE countries as “recession-led”. Under China’s model (and also that of Vietnam) because the structure was not destroyed, investment or input was added on requiring no structural replacement. Hence, this led to growth, and made China and Vietnam stand out as the transitional communist countries to have achieved economic growth during the period of transition. However, in the case of Russia and some of the CEE countries, because the structures were destroyed it amounted to disinvestment and great “losses in institutional capacity and knowledge”, and with economic collapse engendering no growth, rebuilding the economy, the State, and the entire society became necessary. It is therefore imperative for transition nations to retain the basic structures and capacity while cautiously altering the ‘rules of the game’ to favour ‘more market’. By such a strategy, the old infrastructure, institutional knowledge and related networks will properly function instead of building everything anew and turning the transition into a revolution instead of a reform (Herrschel, 2007, p. 72). We live in a dynamic world and therefore there is the need to understand time, the way human beings learn, and history because the historical past constrains the present and future (North, 2006).

1.5.3 Washington Consensus: The “Gradualist Approach” of the East Asian Countries.

The East Asian countries also adopted the “gradualist” approach with their version referred to as the “developmentalism” model as noted earlier. In this regard, while the Washington Consensus policies highlighted the need for a limited role of the State in the economy, in East

Asia the State “helped shape and direct markets” (Stiglitz, 2002, p. 92), or the State “govern the market” as Wade (1990) put it. In formulating industrial policies, governments attempt to shape the future direction of the economy. Even though the Washington Consensus considers this a mistake, in East Asia it was the main responsibility of the State. The East Asian countries believed that to close the income gap between them and the most advanced countries they needed to close the knowledge and technology gap and therefore their various governments designed education and investment policies to achieve that. Governments also provided infrastructure including the legal systems needed for markets to function efficiently (Stiglitz, 2002, p.218). Though the Washington Consensus policies emphasised speedy financial and capital market liberalisation, this was gradually done and regulated by the East Asian countries. Trade liberalisation was also done gradually as new jobs were created in the export sector, safety nets were provided, which led to growth and per capita increase and reduction in poverty and inequality. Their only policy which was common to that of the Washington Consensus was macrostability. On the whole, though East Asia did not follow the policies of the Washington Consensus, it grew faster than any other region in the world, and became “an economic powerhouse”. This is attributable to State investment in education, State-directed investment and high saving rates policies (ibid, pp.92-94, 221). The saving rates in East Asia before the 1997 crisis were between 30-40% of GDP compared to 18% in the US and 17-30% in Europe (ibid, p. 67). However, the East Asian economic crisis in 1997 resulted when under pressure from the US and IMF they liberalised their tightly controlled financial markets and became vulnerable to the uncertainties of the international market especially South Korea. Malaysia’s meltdown was shorter and shallower because the government kept interest rates low and limited the outflow of speculative money despite IMF and international pressure (ibid, p.93).

1.5.4 The Washington Consensus: How Africa Tasted It.

In Africa, there was no uniformity in implementing the Washington Consensus. While some countries adopted the “shock therapy” others adopted the “gradualist” approach. In the mid 1980s, many of the African countries shifted from the “African socialism or communism” they adopted after independence to market oriented economy (see section 1.3.1). Guinea and Tanzania for instance, reformed their economies in 1986, Madagascar and Mozambique in 1987, Benin in 1990, Ethiopia and Congo in 1992 (Paulson and Gavin 1999), and Ghana in 1983. These reform programmes were all driven by the IMF and the World Bank based on the policies of the Washington Consensus- “one size fits all”, similar to what they pushed through in Latin America, Russia, CEE and Asia as noted earlier. In general, Paulson and Gavin (1999) classify most of these reforms as gradual or incremental either by design or due to inadequate implementation capacity particularly their sampled former African communist economies⁶. On the whole, the Structural Adjustment Programmes (SAPs) most Africa countries implemented were based on the policies of the Washington Consensus which compelled some of them to dismantle institutions like marketing boards particularly cocoa marketing boards in Nigeria, Cameroun and Cote d’Ivoire. What resulted among other things were poor quality production of cocoa and further decline in terms of trade while per capita growth fell from 36% (1960 -1980) to 15% (1980 -2000). By 2003, Africa’s poverty rate had increased by 75% from 200million people living on U.S. \$ 1 per day in 1994 to 350 million, while per capita incomes of most Sub Sahara countries fell by 25% in 1999. In Africa, the reforms did not result in strong increase in output compared to the initial temporary growth in output in Latin America, nonetheless, there was not an economic collapse and hyper-inflation compared to what was experienced in Russia and the CEE countries in the early years of the break up of the former Soviet Union (see Paulson and Gavin 1999, pp.22-34;

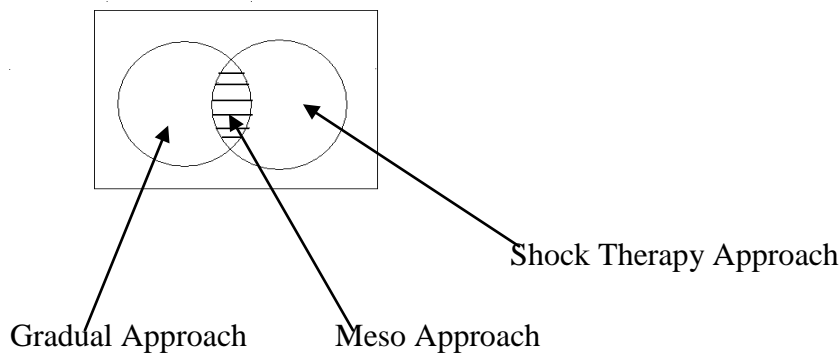
⁶ Angola, Benin, Congo-Brazzaville, Ethiopia, Guinea, Madagascar, Mozambique, Somalia and Tanzania.

Ismi, 2004, pp. 8-12). A political climate evolved in Africa which was another positive aspect of the transition, authoritarianism gave way to democratic principles. In Zambia for instance, Kenneth Kaunda's 30 years of one-party rule came to an end when under pressure from the IMF to democratise he suffered a defeat through multi-party elections. Tanzania had multi-party elections in 1995 which saw Benjamin Mkapa elected (Paulson and Gavin 1999, Herrschel, 2007), while Ghana also held multi-party elections in 1992 which transformed Lt Jerry John Rawlings into a civilian President and ended his *31st December 1981 revolution* or the military regime in Ghana.

1.5.5 Ghana's Negotiated "Meso" or Mid-Way Model

Ghana adopted the "gradual" approach from the onset of the economic recovery programme (ERP) of the reform process in 1983 because its economy was fragile and highly distorted, coupled with severe institutional constraints and the government's limited technical administrative capacity. Considering these deficiencies it was thought by the designers that adopting the "Big Bang" approach or "shock therapy" (as it later became known under the Washington Consensus), which requires implementation of measures simultaneously would have a devastating effect on the economy (Aryeetey and Tarp, 2000, p. 348) (see sections 1.5 & 1.5.1). The trade liberalisation policy on the other hand, was implemented speedily and not sequenced (Asenso-Okyere *et al.*, 1997, p.114), a form of "shock therapy". However during the cocoa sector reforms in 1993, when the Fund and the Bank recommended the dismantling of Cocoa Marketing Board (COCOBOD) as part of the liberalisation policy which was more of a "shock therapy" Ghana refused to do that. Rather, Ghana chose to negotiate with the Bretton Woods institutions and managed to reach a "mid- way compromise" with them and adopted what this thesis terms a "Meso model"- a mid-way between "shock therapy" and "gradualism" (see figure 1. 1 below).

Figure 1.1 Ghana’s “Meso” Reform Approach



Source: Author

Ghana’s ability to fashion out this unique model could be attributed to the fact that it initiated and designed the 1983 ERP and took it to the IMF and the World Bank after the government realised the *in extremis situation* in which the economy was. In this wise, when the IMF decided to partake in the programme, the government was able “to retain the initiative in negotiation” which also gave it the maximum faith and belief in the prescriptions that were agreed upon (Frimpong-Ansah, 1991, p.153). According to Frimpong-Ansah⁷ this was the major reason why Ghana was incredibly able to remain on course irrespective of the difficulties of the early phases of stabilisation compared with other African nations whose economies were in a relatively better state than Ghana’s (ibid). By the “meso” approach, Ghana partially liberalised the internal marketing of cocoa and retained COCOBOD, which was unique and unprecedented making it the only cocoa producing country with a marketing board in the world (Laven, 2007; see Table 1.4 below). This was out of the ordinary since the Bretton Woods institutions mostly recommended or imposed the reform package. In many instances they had pressurised countries to implement the Washington Consensus as noted above.

⁷ Dr. Frimpong-Ansah was the former Governor of the Bank of Ghana and assisted the government in designing the financial package in support of Ghana’s initial independent effort in 1983 (Frimpong-Ansah, 1991, p.155).

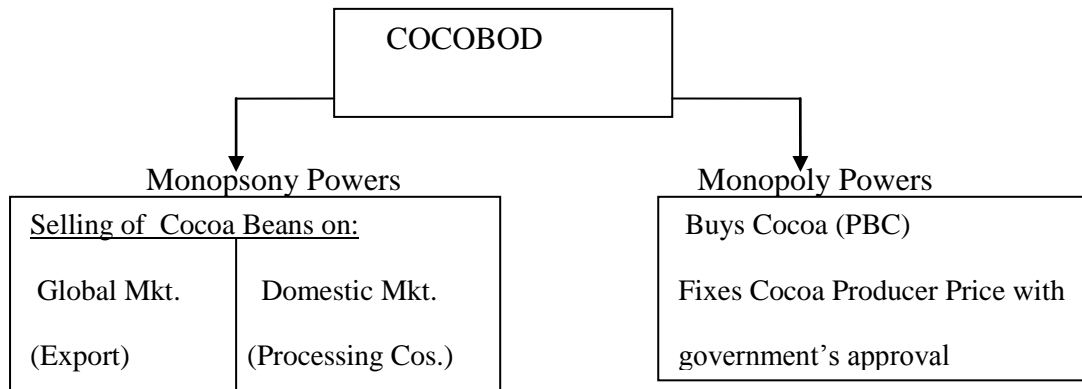
Ironically, the IMF and the World Bank adjudged Ghana as the “Star Pupil” of Africa for its reform efforts citing the following reasons among others: (i) the comprehensive nature of the reforms and the stabilisation and structural adjustment policies, (ii) the adherence to the prevailing orthodoxy, (iii) the initial growth, (iv) the ability to hit benchmark conditionalities on many occasions, and (v) the improvements in the *negotiating machinery* on the side of the Ghanaian government (Aryeetey and Tarp, 2000, p.348 [emphasis added]). In effect, the IMF and the Bank praised the *negotiating skills* of Ghana but in addition this thesis will commend the ability of Ghana (i.e. the State) to stand up to the Bretton Woods institutions to rather reform a “legacy institutional structure” like COCOBOD to meet the challenges of the cocoa sector instead of dismantling it as was recommended. This amply demonstrates that the State has not been “hollowed out” (Jessop, 2004, p.15), which supports the argument of this thesis.

The “Meso” approach took the following form where COCOBOD was asked to: (i) reorganise its subsidiaries, (ii) reduce its staff strength and divest itself of its plantations to reduce its running cost, (iii) lose its monopoly power of the internal marketing of cocoa and encourage the establishment of private LBCs (license buying companies) to compete with its subsidiary (Produce Buying Company-PBC), (iv) still fix the producer price of cocoa (i.e. *panterritorial*) albeit with government approval, (v) maintain its monopsony of cocoa exports (see figure 1.2 below), and (vi) privatise its cocoa processing companies. COCOBOD was also assigned a regulatory role over the LBCs, and controlled the activities of the cocoa processing or value-adding companies for example, by supplying them with cocoa beans. As North (2006) states, the neo-classical theory was designed to show how well-developed markets work and how to enhance their performance. But not all countries have well-developed markets as is the case with Ghana. Hence, Ghana’s challenge was to create

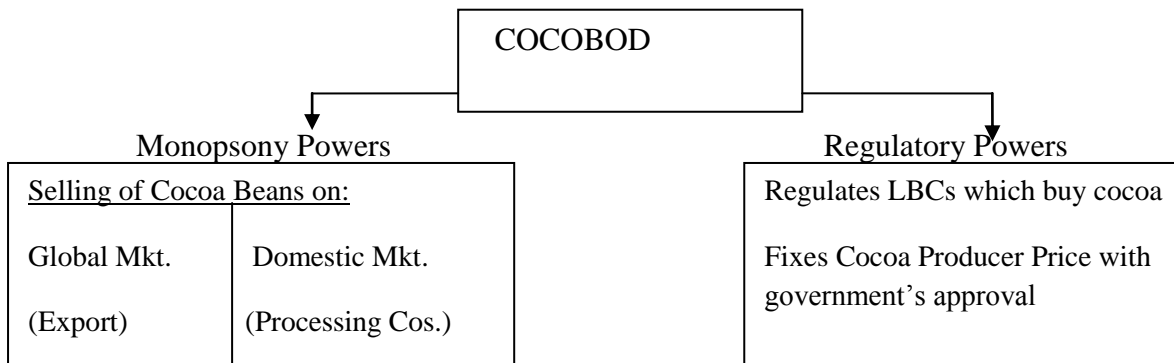
efficient-markets, not just economic markets but political ones because political markets will first institute economic rules and their enforcement (North, 2006, p.8).

Figure 1.2 Roles of COCOBOD Before and After the Reforms

Roles Before Reforms



Roles After Reforms



Source: Author

Ghana's argument was that its ability to produce quality cocoa to sell to generate enough foreign exchange to repay the loans the Fund and the Bank had granted it would be adversely affected if its system of cocoa production and quality control under the supervision of COCOBOD was dismantled. With the global market valuing Ghana's cocoa as the *finest*, and the possibility that this quality advantage could be lost if its supply system of smallholder farming under COCOBOD's supervision was disorganised and dismantled, it was agreed to transform COCOBOD and partially liberalise the cocoa sector. The *mid-way compromise* thus satisfied both parties- Ghana and the IMF/World Bank (Toyi, 1991). Ghana's ability to

negotiate such a compromise on a policy of the Consensus with the Fund and the Bank was found to be unprecedented in any known literature, and hence the reason why it was chosen for the study. The IMF and the World Bank had recommended to the four leading cocoa producing countries in Africa –Cote d’Ivoire, Ghana, Nigeria and Cameroun which produce an annual average of 65.5% of the global cocoa output (see Table1.4), to dismantle their cocoa marketing boards as part of the liberalisation policy under the shock therapy of the Washington Consensus. All the 3 countries (Cameroun, Cote d’Ivoire and Nigeria), fully complied except Ghana but ironically the IMF and the World Bank touted Ghana as the “Star Pupil” of Africa in terms of the implementation of the policies of the Washington Consensus (see sections 2.13 & 2.14). The “paradox” was found fascinating, which was another reason why Ghana was chosen for the study.

Cote d’Ivoire is the leading global producer of cocoa, its output in 2008 (the cut off year of the study) was 36.8%, followed by Ghana (19.4%), Indonesia (12.9%), Nigeria (6.1%), Cameroon (4.9%) and Brazil (4.6%) in that order (see Table 1.4 below). Cote d’Ivoire’s leadership resulted from policies like high producer price and planting of hybrid implemented by the State during the era of the country’s first President, Felix Houphouet –Boigny (see sections 4.3 & 4.4). Africa leads the global production of cocoa with an output about 70% followed by Asia and Oceania (17%) and Latin America (13%) (Table1.4 blow). Africa’s achievement could be attributed to efforts by governments of the producer countries to enhance their exports with Nigeria as another case in point. The government’s “Cocoa Rebirth” programme in 2005 in Nigeria which supplied 5,976,854 seedlings free of charge to cocoa farmers, trained them and rehabilitated old moribund farms/plantations in an effort to revive the cocoa industry, assisted in increasing national output from 202,000 tonnes in 2004 to 250,000 tonnes in 2008/09 (Adeoti and Olubamiwa, 2009; Table 1.4 below). All this

amplifies the important role the State can play to enhance cocoa farmers' output in particular and export in general (see section 1.1). As noted earlier, Ghana is the only cocoa producing country with a marketing board (i.e. COCOBOD) out of all these cocoa producing countries (Table 1.4) which is also attributed to the ability of the State to negotiate with the IMF and the World Bank as noted above. The next section discusses the process of globalisation.

Table 1.4 The Leading World Cocoa Producers (Beans-Thousand Tonnes) 2007/08-2009/10

Name	2007/08	2008/09	2009/10
World	3752 (100.0%)	3605 (100.0%)	3613 (100.0%)
Africa	2693 (71.8%)	2518 (69.9%)	2458 (68.0%)
Cameroon	185 (4.9%)*	227 (6.3%)	190 (5.3%)
Côte d'Ivoire	1382 (36.8%)	1222 (33.9%)	1242 (34.4%)
Ghana	729 (19.4%)	662 (18.4%)	632 (17.5%)
Nigeria	230 (6.1%)	250 (6.9%)	240 (6.6%)
Others	166 (4.4%)	158 (4.4%)	154 (4.3%)
America	469 (12.5%)	488 (13.5%)	522 (14.4%)
Brazil	171 (4.6%)	157 (4.4%)	161 (4.4%)
Ecuador	118 (3.1%)	134 (3.6%)	160 (4.4%)
Others	180 (4.8%)	197 (5.5%)	201 (5.6%)
Asia & Oceania	591 (15.8%)	599 (16.6%)	633 (17.5%)
Indonesia	485 (12.9%)	490 (13.6%)	535 (14.8%)
Papua New Guinea	52 (1.4%)	59 (1.6%)	50 (1.4%)
Others	55 (1.5%)	50 (1.4%)	48 (1.3%)

*Source: ICCO Quarterly Bulletin of Cocoa Statistics, Vol. XXXVI, No. 4, Cocoa year 2009/2010 Published: 30-11-2010. Note: Totals may differ from sum of constituents due to rounding. *Author's Calculation*

1.6 Globalisation: An Inexorable Wind which Spreads the Washington Consensus.

Globalisation means different things to different people in the literature which attests to why there is no single shared definition. It is considered an overwhelming force that changes all aspects of the current society, politics and the economy, though characteristically it is considered an economic process in the least sense of it (Weiss, 2000, p. 3; Wolf, 2005, p. 14). In this thesis, the focus will be on economic globalisation which has resulted from the neo-liberalist idea of allowing market forces to operate without any hindrance. It spreads "free-

market capitalism to virtually every country in the world” (Friedman, 2000, p.9). It is a phenomenon which promotes the “integration of economic activities across borders, through markets” with technological and policy changes as the driving forces (Wolf, 2005, p.14). In this study, Stiglitz’s definition of economic globalisation is found relevant. According to Stiglitz (2006), economic globalisation “entails the closer economic integration of the countries of the world through the increase flow of goods and services, capital and even labour”. By such an integration globalisation hopes to “raise living standards throughout the world: give poor countries access to overseas markets so that they can sell their goods, allow in foreign investment that will make new products at cheaper prices, and open borders so that people can travel abroad to be educated, work, and send home earnings to help their families and fund new business” (Stiglitz, 2006, p.4). Thus economic globalisation means domestic economies getting embedded in the international economy via trade, long-term FDI facilitated by Multinational Corporations (MNCs), flows of short- term portfolio capital, migrations (legal and illegal) and transfer of technology (Bhagwati, 2007, p.3). In addition, ideas are increasingly shared by all as a common property. The whole world is continuously acting “as though it were a part of a single market, with interdependent production, consuming similar goods, and responding to the same impulses” (Williamson, 1998, p.1). All this deepens the integration of nations’ economies wedding them into a single global economy and dissolution of ‘national capitalism’ (Weiss, 2000).

However, economic globalisation has a set of rules like opening your economy, deregulation and privatisation as encapsulated in the Washington Consensus, which must be conformed to (Friedman, 2000). Its aspiration is to bring about growth and development in national economies in general and improvement in the earnings of people in particular to make life worth living for all in our current “global village”. Globalisation is not an entirely

new phenomenon (Rupert, 2000) however, over the last three decades it has been immensely transformed by the great revolution in transportation and communication to the extent that it now wields a much greater influence on every aspect of mankind's life more than before. As a result, communication has been hugely enhanced and travelling times greatly shortened. Transportation and communication have both become relatively cheaper and more affordable than before and have enhanced the global trade. The overarching feature of globalisation is integration which Thomas Friedman (2000) refers to as a web. Globalisation keeps growing in intensity facilitating global flows which have seen States and societies embedded in global systems and networks of interaction resulting in distant events and developments having grave domestic impacts while domestic occurrences also generate serious world wide effects (Mc Grew, 1992; Held *et al.*, 1999). Friedman (2000) argues that, with free-market capitalism driving globalisation, the more a country allows market forces to rule the more efficient and flourishing its economy becomes.

Consequently, globalisation has created a seamless single world market referred to as the "Anglo-American –system of free market capitalism" (Weiss, 2000). This growing economic openness and interdependence have however, led to concerns about the impact of globalisation on "the state's capacity to govern the national economy" (ibid, 2003a, p.1), or generated the "globalisation versus the State" debate. Two schools of thought dominate this debate in the literature: (1) globalisation has made the State weaker; and the opposing view of (2) globalisation has made the State stronger or has not diluted the powers of the State. This study shares the second view particularly in relation to the example of East Asia and what Ghana's case study depicts as noted above. However, the objective is to succinctly draw the difference between the two schools of thought and not to be deeply embroiled in the debate.

The first school is made up of two groups: the minority “hyper-globalists” who posit the death or end of the State like Ohmae (1990), Horsman and Marshall (1994), and Friedman (2000), and the majority “moderate globalists” referred to as the “constraints school” by Weiss (2003a), who state that changes in international political economy (i.e. global markets, global capital flows, activities of multinational corporations –MNCs, etc) have immensely compromised the State’s position as the main actor in the domestic political economy, and have severely shrunk or eroded the capacity and ability of the State to pursue its desired goals. Consequently, States for instance, have been compelled to put on the straightjacket of fiscal conservatism, cutting budgets, raising taxes etc, with capital mobility as a serious constraint on the State’s fiscal, welfare and industrial technology policies. International governmental agreements and international organisations like the United Nations, IMF, World Bank and WTO have also deprived States of their autonomy and control of their local economies and made them powerless (Reich, 1990; Cable, 1995; Cerny, 1995; Held et.al, 1999; Crouch and Streeck, 1997; Rhodes, 1996, Slaughter, 1997; Friedman 2000).

However, those of the second school of thought like Wolf (2005), Weiss (2000) and Coates (2000) argue to the contrary, stating that globalisation has rather made the State stronger. According to Wolf, economic processes have not resulted in the death of the State because “the policies and capacities of states” are key to the success of economic globalisation and to comprehending how it operates (Wolf, 2005, p16). In addition, national institutions are able to negotiate and mediate the forces driving globalisation as happened in Ghana (see section 1.5.5), which means the impact of globalisation can be limited and not evenly spread in different countries (Garrett 1998; Hobson, 2003, Bruff, 2004). Katzenstein states that nations adopt different strategies and policies due to the fact that external forces are directed through domestic structures shaped by each nation’s history and potential,

therefore “...internal events drive countries to different responses” (Katzenstein, 1985, p.37). The State also turns to increasingly facilitate rather than restrict worldwide trade, investment, and production policies of their corporations (Weiss, 2000, p. 12). In addition, governments provide safety nets to address the social pressures like unemployment which result from economic openness. Globalisation to a greater extent could also be described as a “political baby” or politically created (Wade, 1996, Helleiner, 1994), because it is made possible by governments either willingly or unwillingly (Banuri and Schor, 1992; Helleiner, 1994). It is important to note that “globalisation and state power are not locked in a negative-sum relationship whereby the advance of the former can only occur at the expense of the latter” (Weiss, 2000, p.13). Bhagwati also stresses that the process of globalisation has greatly been enhanced by the role of the State or “state action” in terms of policy implementation but cautions that “governments that can accelerate globalization can also reverse it” (Bhagwati, 2004 p.11). In the light of the above, one could argue that, States support and maintain globalisation, and therefore act as catalysts and not victims of globalisation. Globalisation has therefore rather increased the need for State intervention or enhanced State powers and not decreased them because local institutions and the State remain significant to outcomes of whatever globalisation promotes (Weiss, 2000, pp.11-12).

It is worth emphasising that globalisation creates opportunities and benefits for nations but these are associated with costs and risks as well. Some of the benefits of globalisation are: access to new markets; introduction of new technologies, establishment of new industries; use of best technology associated with FDI flows; improvement in the standard of living of million of people; and intellectual capital especially to developing countries (Stiglitz, 2002; Wolf, 2005; Bhagwati, 2007)). Additionally, a country which adopts outward oriented policies in line with globalisation can specialise and perform better and can also take

advantage of economies of scale associated with the expansion of markets that trade brings (Bhagwati, 2007). China for instance, was able to enhance its exports after integrating into the global economy. Its exports grew at 13% between 1980 and 1990 and then at 11% between 1990 and 1999 (Wolf, 2005, p.144). However, globalisation has also made rich countries richer and poor countries poorer (Todaro and Smith, 2009, p.589), though some developing countries like Brazil and India have taken advantage of it to transform their economies. Other downsides of globalisation are: income inequality experienced by developing countries as a result of low price for primary exports (i.e. fallacy of composition) and high price for manufactured imports; short-term capital outflows on the slightest suspicion of a looming problem as happened in East Asia from 1997 to 1998; migration of skilled labour from developing countries to developed ones; farmers from developing countries unable to compete in the global market with their counterparts from developed countries due to subsidies provided them by their governments (Stiglitz, 2002; Deardoff, 2002; Wolf, 2005; Collier, 2007; Harris and Seid, 2000). The above review of the literature has provided an answer to the research question1: *How do dominant theories characterise and interpret globalisation and economic reforms for development and in which ways do they differ?* The next section discusses the analytical framework of the study.

1.7 Analytical Framework of the Study

As emphasised so far in this chapter, this study argues that in promoting economic growth and development especially in a developing country like Ghana, the State should play an important role in the economy and that the power of the State has not been weakened by globalisation. The analytical framework for the study distilled from the literature especially from the theoretical framework (i.e. neo-structuralism) constitutes the following criteria:

1. The State must “govern the market” to enhance market efficiency but should embrace globalisation.
2. The State provides: a framework for rules and regulations like enforcing contracts and property rights; infrastructure for development; and in addition collects taxes to generate revenue for development.
3. The State promotes: an enabling environment for foreign direct investment (FDI) inflows and promotes globalisation; job creation, and a welfare state.
4. The State must meticulously design industrial and export policies by promoting cutting –edge technological innovations, training, skills and capacity building, and value-added exports to enhance the country’s competitiveness in the global market in addition to exploring niche markets.
5. The State should ensure that economic growth, equity and democracy mutually reinforce each other to give globalisation a human face.
6. The State has the power and ability to withstand the pressure and might of international organisations like the IMF, the World Bank and the WTO to protect the country’s interest.
7. In promoting public-private partnerships, the State transfers some functions entirely to or shares with parastatals like COCOBOD, non-governmental, private or commercial institutions (i.e. devolves power from *government* to *governance*).
8. Exports are promoted by the State with the implementation of policies to enhance the output and income of producers and to also reduce income inequalities.
9. Getting the *price right* by promoting free market competition or *laissez-faire* policies is considered important but should be guided by the State to ensure maximisation of benefits for all stakeholders.

10. “Legacy institutional structures” (i.e. like COCOBOD) must be maintained and reformed by the State to meet modern challenges in order to take advantage of their capacity and knowledge to enhance output and economic growth instead of dismantling them.

1.8 Conclusion

The Washington Consensus has since 1989 when it was designed to resolve the economic woes of Latin America, become the mantra of the IMF and the World Bank for addressing all economic problems of any country which turns to them for assistance. Underpinning the policies of the Consensus is market fundamentalism which has been spread by globalisation in the last three decades and particularly after the collapse of communism in the 1990s. Advocates of market fundamentalism and for that matter the Washington Consensus, argue that the inefficiencies of government are relatively large while the inefficiencies of the market are relatively small. Government is therefore more of the problem than the solution hence, its role in the economy must always be limited while that of the market should be enlarged. Of much greater concern is the belief of the Bretton Woods institutions that the set of policies of the Washington Consensus is the only *right one* for every country to achieve economic growth and development irrespective of its context making it “one size fits all”. However, the Consensus has failed to achieve the expected results in many of the countries where it was forcefully imposed. In Latin America for instance, Chile is the only success story even in relative terms while it failed in Russia and most of the transition CEE economies and in Africa as well. Consequently, many Latin American countries have adopted neo-structuralism as an alternative model to neo-liberalism, a model adopted by this thesis as the theoretical framework for the study because it helps to analyse and comprehend the role of the State in Ghana’s cocoa sector. Additionally, in countries like the East Asian tigers,

China and Poland which challenged the “one size fits all” approach and refused to strictly adhere to the policies of the Consensus and allowed the State to play influential role in the economy, growth was achieved. East Asia became the fastest growing economy in any part of the world while China’s economic growth, made possible by its “dual model”, remains one of the greatest challenges to the Consensus. The success of these countries could also be attributed to their refusal to dismantle their local institutions relying on their capacity and knowledge to promote growth by adopting the “gradualist” approach instead of the “shock therapy” favoured by the Fund and the Bank. Ghana also blazed the trail when it adopted a “meso model” in its cocoa sector by refusing to dismantle its cocoa marketing board (COCOBOD) despite the pressure imposed by the Fund and the Bank which has enabled it to continuously produce the *finest* cocoa in the world over the years. It demonstrates the power of the State to stand up to the might of influential international organisations like the IMF and the World Bank. It is worth stating that a country’s context (i.e. history, legacies, “institution” etc) is significant in shaping policies to achieve growth and development and that the State should play a significant role in guiding a developing nation to integrate into the global economy. Globalisation has also come to stay, therefore it will be in the interest of every nation to manage the downsides and take advantage of its benefits. In addition, globalisation has made the State stronger and not weaker, therefore efforts must be made to improve the efficiency of the market and the State because they both have their failures and to strike the right balance between them at all times. This chapter has reviewed the literature with emphasis on the significant roles of the State and the market in the economy which underpin most of the key development models. In the next chapter, a look is taken at the development models adopted in Ghana by the various governments after independence in 1957 which culminated in the country turning to the IMF and the World Bank for assistance in 1983 and the cocoa sector reforms in 1993.

CHAPTER 2

A REVIEW OF GHANA'S POLITICAL ECONOMY PRIOR TO THE 1983 ECONOMIC REFORMS AND THE 1993 PARTIAL COCOA SECTOR REFORMS

2. Introduction

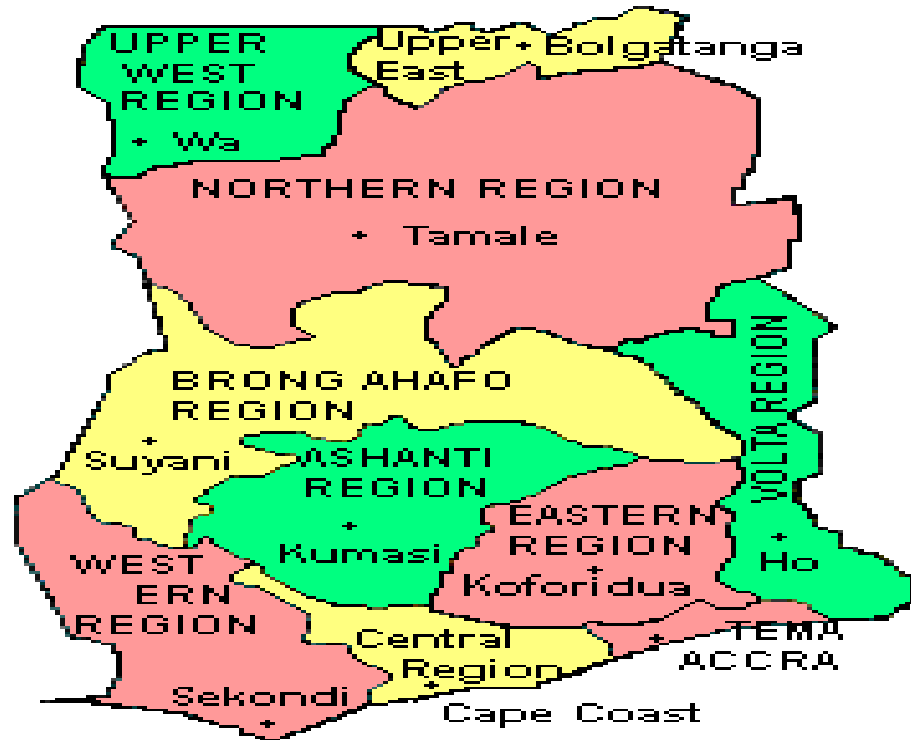
This chapter provides the background and context for this study. It first provides a brief geographical and historical backdrop of Ghana before examining its political economy. It reviews the development models adopted by the various governments since the country attained independence in 1957 in pursuit of economic growth and development. The last segment of the chapter looks at the Economic Recovery Programme adopted in 1983 and what necessitated Ghana turning to the International Monetary Fund (IMF) and the World Bank for assistance. The recommended policies of the Bretton Woods institutions to Ghana are also examined with the focus on how Ghana managed to negotiate with the Fund and the Bank to adopt the unique “meso model” of partial liberalisation of the cocoa sector, the mainstay of the country's economy. The chapter also examines the recommended policies Ghana implemented and why.

2.1 Ghana: Geographical Context, Administrative and Cocoa Regions

Ghana is divided into three main geographical zones: the savannah grassland predominantly in the Northern, Upper East and Upper West regions; the forest in the middle belt mostly in the Eastern, Central, Ashanti, Brong Ahafo and Western regions, and the sandy, swampy mangrove lands along the coast (Buah, 1998), in the Greater Accra, southern Volta and Central regions (see figure 2.1 below). The forest covers an area of about 8.2 million ha (i.e.

34.5%) with the savannah spreading over an area of about 15.6 million ha (i.e. 65.5%). The forest is where tree crops like cocoa and coffee are cultivated and is considered the most important vegetation economically. The country lies within the tropics and has monthly average temperatures ranging between 20°C and 30°C. It has two main seasons, the dry and wet or rainy. The dry is from October to March while the rainy is subdivided into two. The heavy rains fall from April to the end of July and light rains from August to September (Amenumey, 2008, p.1). However, too much rain is not conducive to cocoa farming because the cocoa pods turn to rot and in addition cocoa farmers in Ghana rely solely on the sun to dry their cocoa beans. Ghana's population was estimated at 24.2 million in 2010 (Ghana Statistical Service). The country is divided into 10 administrative regions: Upper West, Upper East, Northern, Brong Ahafo, Ashanti, Eastern, Central, Western, Greater Accra and Volta with 6 of them (Eastern, Western, Ashanti, Brong Ahafo, Central and Volta) producing cocoa (see figure 2.1 below). The administrative regions are however different from the cocoa regions which COCOBOD has divided into 7 (i.e. Eastern, Western North, Western South, Ashanti, Brong Ahafo, Central and Volta) for administrative convenience. Western region is the leading producer, producing an annual average of about 56.4% of the national output, followed by Ashanti 17%, Brong Ahafo 10.3%, Eastern 8.3%, Central 7.9% and Volta 0.1% (see section 3.8 and Table 3.1).

Figure 2.1 The Administrative and Cocoa Regions of Ghana



Source: www.ghanaweb.com

2.2 Colonial Times

The country was known as the Gold Coast⁸ until it gained independence from the British on March 6, 1957. The British ruled over the Gold Coast from 1820 until 1957 when Ghana became the first black African country to obtain independence under the leadership of Dr. Kwame Nkrumah. However, the Portuguese were the first Europeans to have arrived at Gold Coast in January 1471 and for two centuries built settlements and traded with the people. Later, other Europeans like the Dutch and British also followed the Portuguese to trade with the natives (Buah, 1998, p.65). At independence, Gold Coast was renamed Ghana after the medieval Empire of West Africa where they thought the ancestors of the inhabitants of the present country might have migrated from. Like most African countries, Ghana inherited a colonial economic structure which had the export sector as the most dynamic and profitable with the agriculture sector the most buoyant, propelled by

⁸ Gold Coast was given its name by the Portuguese, the first Europeans to have landed at the shores of the country in the 15th century because they found gold in abundance when they first got there.

cocoa. During the period of the British administration (1820-1957), the focus was more on producing products which supported “imperial trade”, such as cocoa, which was exported to feed the chocolate factories in Europe and America, without any efforts made to add value to the beans in Ghana. Foreign exchange reserves were built, but this was not used to provide the required infrastructure for industrialisation for economic advancement. For instance, primitive agriculture was promoted instead of mechanised. As a result, at the time of independence in 1957, Ghana had accumulated large foreign exchange reserves of about £200 million (Amenumey, 2008, p. 217); Leith had it as US\$500 million and a per capita income of about US\$300 per year (Leith, 1996, p. 2). The British administration adopted the neo-liberalism model with the market having a dominant role in the economy. Cocoa was the main export earner and commanded a good price of £247 per tonne (Amenumey, 2008, p. 217). A culture of “non industrialisation” however developed in Ghana during the colonial rule which did not promote industrialisation. Sydney Caine stated that “it was a lucky accident if a colony had a Governor capable of conceiving and carrying out development” (cited in a footnote in Frimpong- Ansah, 1996, p. 7). At independence, Ghana’s foreign debt stood at £20 million with a balance of payment deficit of £13.3 million (Jonah, 1991; Frimpong- Ansah, 1996).

To understand the reasons for the Economic Recovery Programme (ERP) Ghana adopted in 1983, and subsequently the partial reforms of the cocoa sector in 1993, it will be helpful to know the country’s pre-existing political economy, especially the development models adopted by the various governments after independence and how they impacted on the economy before the ERP. In pursuit of economic growth and development after independence, Ghana has alternated between the ISI or an inward-development approach with the State dominating the economy, and neo-liberalism where the market was the

dominant force in the economy, under nine (9) different Heads of State (both civilian and military) before the 1983 economic reforms. A total of about 11 years were spent adopting the inward development approach and about 10 years using the free market model (see Table 1.1). In this chapter the focus is on how these models impacted on the cocoa sector the mainstay of the economy (see Table 2.1 below). Frimpong- Ansah (1991, p.132) stated that the right method of measuring the effects of the State's policies on the cocoa sector is by estimating the direct and indirect effects on production as Krueger *et al.* (1987) suggested. The direct effects are defined by Krueger *et al.* (1987) as policies on: taxes and subsidies; restrictions on trade; and domestic price restrictions, while the indirect effects are distortions in the economy resulting from deviations from the official exchange rate from the equilibrium exchange rate (Frimpong- Ansah, 1991, p.132). Table 2.1 below summarises the period of each government, the development model (i.e. policies) it adopted and its effects particularly on the cocoa sector.

Table 2.1 Development Models Adopted by Ghana and their Effects on the Cocoa Sector from 1957-2008

Leader/ Period	Dev. Model Adopted	IMF/W. Bank Dev. Policy Agenda	Policies/Results
Dr. Kwame Nkrumah (Civilian-Elected) 1957-1966 (Feb)	(ISI- African Socialism) Objective: - to achieve rapid industrialisation and economic independence	Free Market Reforms (Neo-liberal orthodoxy). But the ISI was in vogue in Latin America	Policies: Influential role of the State in the economy. Refused to devalue the currency (i.e. cedi). (i)abolished the multiple buying system of private licensed companies (LBCs)(ii) Ghana Farmers' Co-operative Council became the only cocoa buying company (iii) Ghana Cocoa Marketing Board (GCMB) later COCOBOD), only exported cocoa- monopsony powers (iv) subsidised inputs for cocoa farmers (v) Mass spraying of cocoa farms free of charge (vi) decrease in nominal producer price by 50% while the cocoa farmer's share of the fob price also declined by 28.6% (vii) revenue of cocoa used to lay foundation for industrialisation. Results: cocoa production increased by 60% (ii) inflation rose from 1% to 14.8%.
Lt. General J.A. Ankrah (Military) 1966-1969	Neo-liberalism Objective: to revive the ailing economy	Free Market Reforms (Neo-liberalism)	Policies: Liberalised the economy. Large market role in the economy (i) devalued the cedi by 30 % (ii) abolished the single buying system and re-introduced the LBCs (11 LBCs operated). (iii)GCMB still had monopsony export power (iv) nominal cocoa producer price increased by 40% but cocoa farmers' share of the fob price decreased by 19.44%. Results: (i) cocoa output declined by 14.4% (ii) inflation

			reduced from 22.7% to 6.5%.
Lt. General A.A.Afrifa (Military) 1969(Apr-Sep)	Neo-liberalism	Free Market Reforms (Neo-liberalism)	Large market role in the economy. Continued with the NLC's liberalisation policies.
Dr. K.A. Busia (Civilian-Elected) 1969-1972 (Jan)	Neo-liberalism (Shock Therapy) Objective: to totally overhaul the economy to promote growth	Free Market Reforms (Neo-liberalism)	Policies: Fully liberalised the economy. Large market role in the economy. (i) devalued the cedi by 42 % (ii) No increases in cocoa producer price; (iv) cocoa farmers' share of the fob price dropped by 0.24%; (iii) LBCs operated; (iv) GCMB had only monopsony export power in the market. Results: (i)cocoa output increased by 2.5% (ii)inflation dropped from 6.5% to 3% (iii) real GDP growth 5.56%
Lt. Col I.K. Acheampong (Military) 1972-1978	Self-reliant model or Inward Dev (Similar to ISI) Objective: National self-reliance	Free Market Reforms (Neo-liberalism)	Policies: Greater role of the State in the economy. (i) Reversed the devaluation and re-valued the cedi by 44% (ii) abolished the LBCs and re-introduced the single buying system (iii) increased cocoa nominal producer price by 263% but cocoa farmers' share of the fob price declined by 17.25%. Results: (i) GCMB given both monopoly and monopsony powers in the market (iii) national cocoa output declined by 35.7% (iv) inflation rose from 3% to 116.5% (v) real GDP growth rose from -2.5% to 8.48%
Lt.Gen. F.W.K.Akuffo (Military) 1978-1979 (5 July -3 June)	Neo-liberalism Objective: to restore the health of the ailing economy	Free Market Reforms (Neo-liberalism)	Policies: Liberalised the economy. Large role of the market in the economy. (i) devalued the currency by 60% (ii) currency demonetisation (iii) increased cocoa producer price by 100% but farmers' share of the fob price declined by 9.5% (iv) GCMB still had monopoly and monopsony powers in the market. Results: (i) cocoa output declined by 2.3% (ii) inflation declined from 116.5% to 54.5% (iii) real GDP growth fell from 8.48% to -7.82%.
Flt J. J. Rawlings (Military) 1979 (4 June-23Sep)	"House Cleaning" Objective: to eradicate social and economic vices; redeem the army's image		Policies: Tried and executed 3 former Heads of State and others for economic crimes against the State; enforced price controls and collection of tax. Results: government revenue ratio to GDP increased from 6.6% to 9.9%; adverse effect on private working capital.
Dr. H. Limann (Civilian) 1979-1981	Refused to reform (Didn't adopt any clear cut dev. model)	Free Market Reforms (Neo-liberalism)	Policies: (i)increased cocoa producer price first by almost 50% and then by 200% (ii) GCMB still had both monopoly and monopsony powers in the market Results: (i) output of cocoa increased by about 12% (ii) inflation increased from 54.5% to 116.5% (iii) real GDP declined from 6.25% in 1980 to -3.5% in 1981.
Flt J. J. Rawlings (Military) 1981(31Dec)-1992	Socialism (1982-83) Objective: Inward dev. Or national self-reliance Free Market (1983-1992) Objective: to revive the economy and integrate into the global economy	Free Market Reforms (Neo-liberalism) Free Market Reforms (Neo-liberalism)	Policies: Neo-Marxist populist policies. Large role of the State in the economy Cocoa price not increased Results: (i) national cocoa output declined by 25% (ii) inflation declined from 116.5% to 22.3%, and real GDP from -3.5% to -6.92%. Policies: Fully liberalised the economy. Large role of the market in the economy (i) GCMB (COCOBOD) still had monopoly and monopsony powers in the market but was restructured. Results: (i) cocoa price (nominal-cedi) rose by 1,993% and by 7.5% (\$) (ii) farmers' share of fob price increased by 12% (iii) cocoa output increased by 36%; (iii) by

			1990 COCOBOD's staff strength had been reduced from 140,000 to 42,000 (iv) inflation rose by 100.5%
Flt J. J. Rawlings (Elected-Civilian) 1993-2000	“Meso Model” (Cocoa Sector Reforms in 1993) Objective: to increase farmers' share of fob price; reduce the operational cost of COCOBOD and add-value to more cocoa beans	Free Market Reforms (Neo-liberalism)	Policies: Partial liberalisation: Neo-structuralism (i) re-introduction of the multiple buying system –LBCs increased from 4 to 14 (ii) COCOBOD had monopsony power (iii) increased nominal cocoa producer price by 630.5% while farmers share of fob price increased by 24% (iv) COCOBOD divested its cocoa plantations plus the 3 cocoa grinding companies (vi) free zone incentives for cocoa processing companies. Results: (i) national cocoa output increased by 71.6% (ii) inflation declined from 122.8 to 24.9%
Mr John A. Kufuor (Civilian) 2001-2008	Neo-liberalism (Continued with the “Meso Model” in the Cocoa Sector)	Free Market Reforms (Neo-liberalism)	Policies: Continued with the liberalisation of the economy and the neo-structuralism approach to the cocoa sector. (i) nominal cocoa producer price increased by 245.3% while farmers' share of fob price also increased by 6% Results: (i) national cocoa output increased by 90% (ii) No. of LBCs increased from 14 to 26. (iii) No. of grinding companies increased from 3 to 7; cocoa ground increased by 61.7% (i.e. 18.7% of national output) (iii) inflation declined from 33.6% to 16.5%

Source: Author

2.3 The Nkrumah Regime (1957-1966)

Dr. Kwame Nkrumah adopted the import substitution industrialisation (ISI) model of development in 1961 (Gyimah-Boadi and Jeffers, 2000, p. 339), in line with what Prebisch and the Economic Commission for Latin America (ECLA) did in Latin America (see sections 1.3 and 1.3.1). As a result, the State wielded a greater control in the economy (see Table 1.2). Nkrumah believed that for Ghana to achieve economic independence, the State had to control and own the major means of production, distribution and exchange (Baah-Nuakoh, 1997, p.133), and act as a catalyst to development (see Table 1.1). He therefore abandoned the open market economy approach adopted by the British and adopted a socialist system of government known as *African Socialism*, an approach with a focus on economic development as “the path to national self-determination and true independence” with socialism promising a new beginning and an alternative to the generally accepted leading capitalist system (Herrschel, 2007, p.169). As part of his ISI model, Nkrumah abolished the multiple-buying

system of cocoa by private licensed buying companies (LBCs) in 1961 and granted Ghana Farmers' Co-operative Council (GFCC) monopoly in the market to purchase cocoa while Ghana Cocoa Marketing Board (GCMB) which later became known as COCOBOD also had monopsony power to export cocoa in the country (see section 5.5.5). According to Austin, Nkrumah's efforts between 1961 and 1966 was a 'big push' aimed at achieving "an industrial base, a welfare state and economic independence" which got political radicals and development economists all over the world excited because it was a practical demonstration of a theory (Austin, 1996, p.554).

Nkrumah used revenue from cocoa to lay the foundation for rapid industrialisation but took advantage of the *Cocoa Duty and Development Funds (Amendment) Act, 1954* to reduce the producer price paid to cocoa farmers in 1959 to siphon money from the sector for development in other sectors of the economy. For instance, Nkrumah's grandiose Seven-Year Development Plan, made cocoa farmers worse off (Frimpong-Ansah, 1991, p.86). The nominal producer price decreased from 353 cedis in 1956/57 to 176 cedis in 1965/66 (i.e. 50%) with the farmer's share of the free on board (fob) price also declining from 80.21% to 51.59% within the same period (see Table 2.2 below). Nkrumah stated that "by using cocoa funds for development and for providing amenities, it will be possible to improve the general standard of living in the country as a whole at an early date" (cited in Frimpong- Ansah, 1991, p.90). The government subsidised inputs for cocoa farmers and sprayed their farms against pests and insect diseases free of charge. This led to then unprecedented cocoa output of 591,031 tonnes in 1964/65 (see Table 2.2). However, the transfer of financial resources from the agriculture division in general and the cocoa sector in particular to promote industrialisation, led to the decline of the sector. Toyi (1991) argues that "a permanent and sizable wedge was driven between the global fob cocoa price and the price paid to the

producer. This price wedge comprised of, (a) internal marketing charges and (b) internal taxation of cocoa producers” (Toyi, 1991, p.151), however, the revenue from the “overtaxation of cocoa producers” was not used by government to create profitable industries which could export non-traditional goods, or import substitution industries which were efficient and profitable. Frimpong- Ansah also stated that by his “patriotic drive for modernization” Nkrumah failed to appreciate the demand imposed on the weak and fragile peasant productive structure which remained fragmented and ill developed as it had been over the years (Frimpong- Ansah, 1991, pp.90-91).

Table 2.2 Cocoa Production/Producer Price (1956/57 - 1965/66)- Nkrumah’s Regime

Year (Cocoa Season)	Total Production (Tonnes)	Ghana’s Production in World Production (%)	Producer Price (Cedi)	FOB \$/ Tonne (Achieved)	Farmer’s Share of Producer Price in FOB (%)
1956/57	259,788 ^{9*}	28.52	353	**	80.21
1957/58	209,765	26.69	317	**	44.85
1958/59	259,572	28.12	264	**	48.66
1959/60	322,223	30.60	264	**	50.40
1960/61	439,159	37.47	264	152.62	64.98
1961/62	415,186	36.13	264	138.24	71.75
1962/63	428,018	36.52	264	142.94	69.39
1963/64	427,782	35.35	264	155.85	63.64
1964/65	591,031	39.27	264	149.90	66.17
1965/66	415,753	34.05	176	112.12	51.59

Source: Compiled by Author **Figures for achieved FOB prices for 1956/57-1959/60 were not available.

^{9*} Figures used for the Tables in this Chapter were obtained from Ghana Cocoa Board Research Department unless otherwise stated.

The protectionism aspect of the ISI model led to increase in the price of agriculture inputs, while the over taxation of cocoa farmers to promote industrialisation led to a decrease in producer price and the overvalued currency (i.e. cedi) also as an indirect taxation of agricultural exports. The ISI model typically encouraged rural-urban transfer of resources in order to pay for the new industries which adversely affected the growth of the agricultural sector especially the cocoa industry. The new industries created could only survive under protection and their poor financial operations were borne by the State which increased public expenditure. By 1965, Nkrumah had established 22 state-owned factories of which only two were making profits because the high cost of raw materials affected the cost of production and eventually the price of goods produced. Nonetheless, the share of manufacturing in GDP increased from the meagre 0.8% in 1955 to 2.3% in 1961 and 9.7% in 1965 (Killick, 2000, p. 63). Nkrumah was so determined to pursue his ISI agenda that he raised short-term loans at very high interest rates to import essential inputs for these factories in the absence of foreign exchange. In line with the ISI approach, State enterprises were protected and imports regulated to give preference to the capital and intermediate goods urgently needed by the industries (Toyi, 1991; Gyimah-Boadi and Jeffers, 2000). This Toyi (1991) argues was a key fundamental policy mistake, though one could also argue that protecting infant industries is not altogether typical of the ISI model. The macroeconomic situation deteriorated and fiscal deficit rose from 3% in 1960 to 9% in 1965 (Killick, 2000, p. 63).

Consequently, Ghana's foreign debt increased to £400 million by the beginning of 1966 from £20 million in 1957 (Amenumey, 2008, p.223), an increase of 1,900%. Other indicators of a decline in the economy were: cocoa export ratio to GDP declined from 13.8% in 1957 to 7.7% in 1966; inflation entered double digits at 22.7 % from 1% for the same period; savings dropped from 18% in 1958 to 8% in 1966, national reserves went into deficit dwindling from

35.3 % of GDP in 1955 to -1.8 % in 1966 (see Appendix 2A). The currency (cedi) became over valued but Nkrumah refused to devalue it and also to reform the economy irrespective of pressure from the IMF and the World Bank. The deterioration of the economy however, could also be attributed to an external factor like the worsening terms of trade for cocoa, the major export earner, which declined by 26.5% from \$152.62 in 1960/61 to \$112.12 in 1965/66, one may argue (see Table 2.2).

Frimpong-Ansah (1991) stated that under Nkrumah, the public service was politicised which resulted in inefficiency and oppression. To spread his political doctrine and ideology of *African socialism* (see section 1.2.1), Nkrumah also established the Kwame Nkrumah Ideological Institute at Winneba (about 60 miles west of Accra). President John Atta Mills, the current President (2009) of the country is a product of the institute. Nkrumah also made Ghana a one party state (Convention People's Party-CPP) in 1964 and created "Wings of the Party": the Trade Union Congress (TUC), the United Ghana Farmers' Council Cooperatives (UGFCC), National Union of Ghana Students (NUGS), the Young Pioneers (YP) and the Workers Brigade (WB). The main objective was to use these groups to asphyxiate any opposition to him and to also gain full authority over the party. All workers for instance, became members of the TUC, farmers the UGFCC, students the NUGS and pupils the YP. The UGFCC decided to accept lower producer prices for cocoa (see Table 2.2) and to donate farmers' funds for development (Frimpong-Ansah, 1991, pp.97-98). The Preventive Detention Act passed in 1958 gave the government the power to arrest and detain anybody for five years without trial and was used to stem the spread of opposition to Nkrumah. He had the powers to dismiss judges of the High Court at any time for reasons he deemed fit and appointed those who headed the State owned newspapers and Trade Union Congress (TUC) (Amenumey,2008, pp.220-230). Nkrumah controlled the media by establishing a hierarchical

state institutional network like the Ministry of Information, Ghana News Agency, Ghana Broadcasting Corporation and his own press, the Guinea Press Limited, which later became the New Times Corporation and bought the Daily Graphic in 1963 to incorporate it into the state apparatus. The Daily Graphic (the leading newspaper in Ghana) and its sister paper the Mirror, and the Ghanaian Times and its sister paper the Weekly Spectator (published by the New Times Corporation) became State owned news papers and the mouth piece of government. The Pioneer, a private newspaper was subjected to repeated censorship and eventually closed down while its editors were jailed. As a result of all this, there was no opposition in parliament, freedom of the Judiciary, of the press and of speech in Ghana which also impacted adversely on the development of civil society. Nkrumah's dictatorial powers coupled with his ISI policy created political suppression and economic hardship in the country culminating in the overthrow of his government by a group of army and police officers led by Colonel E.K. Kotoka in a coup d'état on 24 February 1966 (Amenumey,2008).

Nkrumah was accused of having left behind a legacy of economic decline, a fragile external sector, a weak fiscal structure and huge debts (Frimpong- Ansah, 1991, p. 97). However, Nkrumah is also remembered for laying the foundation for Ghana's industrial take off by providing the needed transport infrastructure and facilities like a manmade harbour at Tema (about 25 km east of Accra, the capital, constructed in 1960), and the Akosombo Dam (built in 1965), which still provides energy for industrial and domestic use. He is also credited with social gains especially the investments he made in education and public health. Arguably, Nkrumah's best legacy is the level of global height that he raised African and Black consciousness to which no African leader has been able to equal (ibid), albeit at the expense of money that could have provided facilities for domestic development. He immensely assisted the emancipation of Africa from colonial rule and was one of the founding fathers of the Organisation of African Unity (OAU) formed in 1963, now African Union (AU).

2.4 The National Liberation Council (NLC) Regime (1966-1969)

The top brass military and police personnel who toppled the Nkrumah government formed the National Liberation Council (NLC) with Major General Joseph Arthur Ankrah as leader and Head of State. The NLC put paid to Nkrumah's ISI policies and adopted the liberal paradigm of development in an attempt to fix the economy. They turned to the IMF for assistance and fully liberalised the economy limiting the role of the State and enhancing that of the market in the economy (see Table 2.1). The State owned enterprises (SOE) were privatised to cut down public expenditure however, this was not far reaching enough because out of the 47 SOEs only 4 fairly small ones were sold. The irony is that the NLC government even created 5 new ones between 1966 and 1969. All State farms were closed down and their sixty-five thousand (65,000) highest paid employees laid off. The negative aspect of this policy was that by 1968 the unemployment situation in the country had gone from bad to worse which resulted in an unprecedented increase in crime. The positive aspect of the reforms however was that between 1965 and 1969 inflation drastically declined by 16.2% while cocoa export ratio to GDP increased from 7.7% in 1966 to 11.1% in 1969. With cocoa as the mainstay of the economy, cocoa revenue impacted on government spending and imports: government expenditure ratio to GDP increased from 18.3% to 19.8% while total imports ratio to GDP also increased from 19.6% to 21.4% from 1966 to 1969; however net reserves ratio to GDP declined from -0.5% to -5.2 for the same period (see Appendix 2A; Nkrumah, 1973, p.416; Frimpong-Ansah, 1991, pp.99-102; Gyimah-Boadi and Jefferies, 2000, p. 33; Amenumey, 2008, p.224 and 240- 242).

To stimulate cocoa production, the NLC government jacked up the nominal cocoa producer price from 176 cedis per tonne in 1965/66 to 198 cedis in 1966/67 (i.e. 12.5%) immediately after assuming power and by 1968/69 had increased it by 40%. Though the fob price increased by 119% during the same period, the cocoa farmers' share of the fob price decreased by 19.44%

(Table 2.3) therefore cocoa farmers remained worse off under this regime just like under Nkrumah in terms of their share of the fob price. The multi-buying system of cocoa by LBCs was re-introduced in 1966 after the overthrow of Nkrumah but was limited to only Ghanaian companies (see section 5.5.5). However, GCMB (i.e. COCOBOD) was still the sole exporter of cocoa in the market.

Table 2.3 Cocoa Production/Producer Price (1965/66 -1968/69) - NLC's Regime

Year(Cocoa Season)	Total Production (Tonnes)	Ghana's Prod. in World Production (%)	Producer Price (Cedi)	FOB \$/Tonne (Achieved)	Farmer's Share of Producer Price in FOB (%)
1965/66	415,753	34.05	176	112.12	51.59
1966/67	381,353	27.96	198	167.80	46.83
1967/68	430,665	31.41	238	201.60	41.47
1968/69	355,588	28.27	247	245.68	32.15

Source: Compiled by Author

Corruption, one of the charges the NLC levelled against Nkrumah's government, reared its ugly head at the topmost level of the military government. In April 1969, Lt. General Akwasi Amankwaa Afrifa (then Brigadier), a member of the NLC and one of the ring leaders of the 1966 coup took over from Lt General J. A. Ankrah, as Head of State and Chairman of the NLC when Ankrah was compelled to resign after admitting having collected bribes from foreign companies. After taking power, the NLC freed all the jailed private journalists and because it adopted a libertarian policy, there was a limited state control of the media. The government created the Centre for Civic Education (CCE) headed by Dr. K.A. Busia to educate Ghanaians about their rights and civic duties; restored free press, freedom of speech and lifted the ban on party politics. It conducted elections on 29 August 1969 and handed over power on 1 October 1969 to a constitutionally elected government of the Progress Party (PP) led by Dr. Kofi

Abrefa Busia who became the Prime Minister of the country (Buah, 1998, pp.195-196; Amenumey, 2008, p.243). It could be argued that Busia's position as the Chairman of the CCE, might have given him a head start among his political opponents during the elections because he toured the entire nation, interacted with the electorates and became popular among them before the ban on party politics was lifted by the NLC government. He later used the contacts he made for his political party (Amenumey, 2008, p.243), and to enhance his political ambition.

2.5 The Busia Regime (1969-1972)

Busia was more committed to the market-oriented paradigm and implemented far reaching liberalisation policies like devaluation and deregulation of the financial and trading sectors. For instance, he devalued the national currency (i.e. cedi) by 42% on 27 December 1971, liberalised imports and abolished all import controls. He ensured a more prominent role of the market in the economy than the State and imposed a strong fiscal policy by cutting down on government expenditure and improving revenue generation (see Table 2.1). As part of his fiscal policy, Busia reduced the perks and perquisites of civil servants, imposed heavy taxes under the National Development Levy in his 1971 budget and replaced the government grants to students of the three universities with a loan scheme to be repaid after graduation. Trade and exchange controls were relaxed and foreign borrowing was made attractive as part of measures to open up Ghana's economy to foreign trade and investment. Through the Open General License (OGL) scheme which permitted the importation of items without official authorisation, imports were more liberalised with the OGL accounting for 33% to 75% of commodity imports from 1970 to 1971. The cedi price of imports rose by about 90% due to the devaluation. The government also embarked on pruning down the surplus labour in the State enterprises between 1970 and 1971 to regulate government expenditure (see Frimpong-Ansah, 1991, p.107; Gyimah-Boadi and Jefferies, 2000, pp. 33-34). But just like the NLC, Busia created two State organisations and by

that demonstrated his support for State ownership. On the whole, Busia's privatisation policy foundered just like the NLC's (Frimpong-Ansah, 1991, p. 102).

However, Busia is revered for his achievements in rural development and created a separate Rural Development Ministry which was a novelty. He built roads and provided social amenities in the rural areas. Buah (1980) stated that "the implementation of the government's rural programme gave hope to Ghana's hinterland. At least some of the impoverished rural masses saw new health centres and roads spring up at places previously considered too remote for such projects" (Buah, 1980, p. 198 cited in Amenumey, 2008, p. 249). However, with all these laudable efforts to enhance the well-being of rural dwellers, cocoa farmers who form a significant proportion of the rural population were disappointed by Busia because the nominal producer price of cocoa remained at 294 cedis (about \$107) throughout his two and half year rule while the farmer's share of the fob price ranged between 39% and 42% during his reign (Table 2.4 below). The domestic marketing system of LBCs buying cocoa while GCMB solely exported also remained unchanged. As someone who believed in the operations of the market forces, Busia should have rather increased the cocoa farmers' lower share of the fob price by increasing the producer price, which fell by 16.15% relative to food prices from 1969 to 1971 at 1963 prices (Nyanteng, 1980, Frimpong-Ansah, 1991). As a result, cocoa farmers were not motivated enough to increase their output, and there was increase in smuggling of cocoa by cocoa farmers along the borders of neighbouring countries like Togo (East) and Cote d'Ivoire (West) (see figure 0.1) where the producer prices offered cocoa farmers were higher than what Ghana paid.

Table 2.4 Cocoa Production/Producer Price from 1969/70 - 1971/72- Busia's Regime

Year (Cocoa Season)	Total Production (Tonnes)	Ghana's Prod. in World Production (%)	Producer Price (Cedi)	FOB \$/Tonne (Achieved)	Farmer's Share of Producer Price in FOB (%)
1969/70	417,457	29.48	294	312.23	39.49
1970/71	427,894	27.48	294	227.48	39.25
1971/72	469,864	29.66	294	250.47	42.12

Source: Compiled by Author.

Another problem which beset the cocoa industry was unavailability of basic farm inputs like pesticides and fungicides for cocoa farmers. The introduction of the *Aliens Compliance Order* in 1970 by the Busia government, which expelled over one million non Ghanaians from the country also created shortage of farm hands compounding the labour problem on cocoa farms since most of the hired farm hands were from neighbouring West African countries like Nigeria, Benin and Burkina Faso (see figure 0.1; Amenumey, 2008, p.245), and also impacted adversely on cocoa output. By 1971, cocoa export ratio to the GDP had declined by 2% of the 1969 ratio when Busia took office with real GDP growth rate also declining from 6.78% in 1970 to 5.56% in 1971 and further declining to -2.5% in 1972 (see Appendixes 2A & 2C). Despite efforts by Busia to reduce government expenditure, the ratio of government expenditure to GDP increased from 19.8% in 1969 to 21% in 1971, while fiscal deficit ratio to GDP also rose from 1.4% in 1970 to 2.3% in 1971. However, inflation declined from 10.7% in 1969 to 8.8% in 1971 (see Appendixes 2A & 2C).

The neo-liberal policies implemented by Busia made him unpopular, particularly the devaluation of the cedi, retrenchment of many government employees, the dismissal of 568 public servants referred to as "Apollo 568" and his refusal to reverse the decision when the court ruled against it. His popularity was further dented when he tried to suppress press

freedom by sacking the editor of the leading national newspaper the *Daily Graphic* for opposing his decision to dialogue with the apartheid South African government in 1971, and also when he abolished the Trade Union Congress (TUC) (Amenumey, 2008, pp.245-246). In opposition, Busia was revered as a great democrat and defender of the people but in government his deeds proved otherwise. It is surprising that as a neo-liberalist, Busia tried to stifle the growth of civil society, freedom of the Judiciary and the press. Consequently, the judges, workers and students whose displeasure he had incurred ganged up against him and fed on the economic hardships his devaluation policy created. The military took advantage and Busia's government was overthrown in a military coup on 13 January 1972 by Lt. Colonel Ignatius Kutu Acheampong who formed the National Redemption Council (NRC).

2.6 The National Redemption Council (NRC) Regime (1972-1975)

Lt. Col. I. K. Acheampong gave two main reasons for staging the coup. Firstly, the excessive rate of the devaluation and secondly, the reduction in the real income of the military and public servants. He accused Busia of taking away the few privileges the Army enjoyed under Nkrumah. As a result, Acheampong immediately restored all benefits and allowances to the public servants (Frimpong-Ansah, 1991, p. 108; Gyimah-Boadi and Jeffries, 2000, pp34-.35; Amenumey, 2008, p.250), which led to increase in government expenditure. Busia later described the coup as “an officers’ amenities coup arisen from their grievances at my efforts to save money” (cited in Gyimah-Boadi and Jeffries, 2000, p.34).

Acheampong adopted the “inward development” or “national self-reliant” model similar to Nkrumah’s ISI and instituted stringent and comprehensive import and price controls. He reversed all the free market policies implemented by Busia, limited the role of the market in the economy and hugely enhanced that of the State (see Table 2.1). The government took over majority shares in the private mining and leading industries owned by foreigners and after

promulgating the Investment Policy Decree transferred to Ghanaians the “Commanding Heights of the Economy” (Gyimah-Boadi and Jeffries, 2000, p.35). On agricultural development, Acheampong implemented two programmes-the “Operation Feed Yourself” (OFY) and “Operation Feed Your Industries” (OFYI) in February 1972 to revitalise the agriculture sector. OFY focused much on food production to ensure food security in the country while the objective of OFYI was to produce industrial raw materials to feed the countries industries (Dordunoo and Nyanteng, 1997, p.3; Baah-Nuako, 1997, p.119). The philosophy of the two programmes was “national self reliance”. The economy responded positively to these measures in the first three years of Acheampong’s administration because there was an increase in the production of the staple food items. Maize production for instance, increased from 402,400 tonnes in 1972 to 485,700 tonnes in 1974, rice from 71,000 tonnes to 732,000 tonnes and cassava from 2,840,000 tonnes to 3,606,100 tonnes for the same period (see Table 2.5 below). Ghana exported rice reversing the trend of rice importation and produced greater quantities of maize and cassava especially in 1973and 1974. The country’s net reserves which had been in deficit since 1965, for the first time increased in 1972, registering a positive reserve of 4.5% of the GDP and rose again to 6.1% in 1973 (see Appendix 2A). These increases were remarkable compared to previous achievements but Frimpong-Ansah (1991) stated that, Acheampong’s success in the first three years (i.e.1972-1975) could be attributed to the repudiation of the country’s medium-term external debts (Frimpong- Ansah, 1991, p. 108).

Table 2.5 Production of Some Staple Crops ('000 Tons)-Acheampong's Regime

Year	Maize	Millet	Rice	Cassava	Yam	Plantain
1972	402.4	98.6	71	2,840	678.8	1,669.5
1973	426.8	108.7	62	2,865	686	2,070.8
1974	485.7	154.4	73.2	3,606.1	849.5	2,024.1
1975	343.4	121.9	71.1	2,398	709.2	1,245.7
1976	286.0	144.0	70.0	1,819	575	1,256
1977	274.0	125.0	109.0	1,811	535.0	927

Source: Adapted from Baah-Nuakoh, 1997 (Table 5.5, p. 105).

However, one could also argue that his success could be attributed to the global cocoa price which began to rise in 1973 a year after he took office and continued to rise significantly during his term of office (i.e. 1972-1978). The fob price increased by 440.2% from US\$299.37 in 1972/73 to US\$1,617.08 in 1977/78 however, the farmer's share of the fob price which was less than 50% declined by 17.25% during the same period though the nominal producer price increased by 263% from 367 cedis to 1,333 cedis (see Table 2.6 below). Consequently, national cocoa output declined by 35.7% which could also be attributed to smuggling of cocoa and subsidised agricultural inputs like fertiliser and insecticides to neighbouring countries which paid higher prices for these items. Ghana lost its leadership as the leading global producer of cocoa to its neighbour Cote d'Ivoire in 1976/77 (see section 4.4). Cocoa export ratio to GDP declined by 5.1% by 1978, the cedi was overvalued and the higher rates of inflation reached 116.5% in 1977 (see Appendix 2A). All this led to increase in black marketing, and also served as disincentive to primary and secondary producers who found smuggling more lucrative because of the higher prices they obtained in neighbouring West African countries like Togo and Cote d'Ivoire (see figure 0.1) than what they received at home (Nyanteng, Seini, 2000).

Table 2.6 Cocoa Production/Producer Price from 1972/73- 1977/78-Acheampong's Regime

Year (Cocoa Season)	Total Production (Tonnes)	Ghana's Prod. in World Production (%)	Producer Price (Cedi)	FOB \$/Tonne (Achieved)	Farmer's Share of Producer Price in FOB (%)
1972/73	421,843	30.15	367	299.37	43.19
1973/74	354,871	24.44	441	471.00	31.38
1974/75	361,283	23.49	551	612.88	30.38
1975/76	400,321	26.71	588	554.91	33.89
1976/77	324,111	24.15	735	968.32	25.83
1977/78	271,339	18.04	1,333	1,617.08	25.94

Source: Compiled by Author

2.7 Supreme Military Council I (SMCI: 1975-1978)

The NRC metamorphosed into Supreme Military Council I (SMC I) in October 1975 and significantly it was in that same year that the reversal of Busia's neo-liberal policies, particularly the devaluation and fiscal policies, came back to haunt Acheampong and accelerated the deterioration of the economy. The cedi, for instance, had become overvalued for more than ten years and created a major disincentive for exports via official channels. The global oil crisis which created global inflation and recession in 1974 and 1975 adversely affected Ghana's balance of payments and external reserves with the decline in cocoa output also affecting foreign exchange earnings. Cocoa output declined from 421,843 tonnes in 1972/73 to 271,339 in 1977/78, a loss of about US\$ 2.4 million in foreign exchange revenue using the 1977/78 achieved fob price (see Table 2.6 above). The net reserves ratio to GDP which was 0% in 1974 rose to 2.4% the following year but declined again to 0% in 1977. The government ran a deficit

fiscal policy and the fiscal deficit percentage to the GDP grew enormously from 4.3% in 1972 to 10.9% in 1977 but declined to 8% in 1978 (see Appendixes 2A & 2C). The scarcity of foreign exchange led to black marketing, and while officially the government imposed rigid controls on foreign exchange, Acheampong misused the little available by granting his cronies import licences for foreign exchange which they instantly sold and made huge profits above the official exchange rate. Toyi states that “Ghana fell under the rule of a kleptocracy” (Toyi, 1991, p.152). Rent seeking became the order of the day. The government also lost control of the fiscal system, spent more than revenue collected and made up for the difference by authorising the printing of more money. Money supply increased by 135% in 1977 (Gyimah-Boadi and Jeffries, 2000, p.33), and inflation skyrocketed to 116.5% in 1977 from 3% in 1970 (see Appendix 2A). The suffering of Ghanaians became worse with cocoa farmers bearing the brunt because of the heavy tax imposed by government. The low producer price paid to cocoa farmers also heightened the smuggling of cocoa and cocoa inputs to neighbouring countries like Togo and Cote d’Ivoire which paid higher producer prices. The government in 1977 abolished the multiple buying system of LBCs and gave monopoly to Produce Buying Company (PBC), a subsidiary of GCMB. GCMB therefore had both monopoly and monopsony powers for the purchase and export of cocoa in the market similar to what Nkrumah did.

Government revenue declined from 15.5% of GDP in 1975 to 6.6% in 1978 because businessmen and women had refused to pay their taxes with impunity and government did nothing about it. Real GDP growth which increased from -2.5% in 1972 to 15.3% in 1973 declined to 2.29% in 1977. Per capita savings rates and net reserves which had increased in Acheampong’s early years in office also significantly declined from 1972 to 1978: savings from 14.3% to 4.1% and net reserves from 4.5% to 0.1% (see Appendixes 2A & 2C). The dwindling reserves could also be attributed to the reckless issuing of import licenses by

Acheampong and other government officials. The low savings could be due to the high risk environment which frightened investors and negatively impacted on private investment while public investment was adversely affected by corruption which dissipated the budget (Toyi, 1991, p. 153). Acheampong increased the salaries of public servants affected by high inflation. However, this further fuelled inflation, created budget deficits and imposed more pressure on the economy (Frimpong-Ansah, 1991, p. 110; Amenumey, 2008, pp.251-252). The high inflation also contributed to the overvaluation of the cedi which Acheampong blatantly refused to devalue because devaluation of the cedi was one of the charges he levelled against Busia when he staged his coup as noted earlier. All this impacted on productivity and economic growth.

There was a shortage of essential items which resulted in hoarding, profiteering, black marketing and general economic malpractices which became known as *kalabule*, meaning “to keep the lid shut” or hoard. The government passed decrees making these vices serious offences for example, smuggling attracted the death penalty but cocoa was still smuggled to Togo and Cote d’Ivoire with impunity. According to Frimpong-Ansah (1991) “there was virtually economic anarchy in which every one broke the law” (see Frimpong-Ansah, 1991, p.111). By the government’s own activities, it licensed corruption, embezzlement and other economic vices which ate into the social fabric of the Ghanaian society, hence nobody took the government seriously when it passed the above decrees (Gyimah-Boadi and Jeffries, 2000, p.37; Amenumey, 2008, p.253).

The economic malaise led to the brain drain of the country’s skilful labour who according to Toyi (1991) “voted with their feet” because their loyalty was unrewarded and their voices were either not heard or punished (Toyi, 1991.p. 154). Social and economic infrastructure and basic amenities broke down, food could not be transported to marketing centres and huge quantities of cocoa and timber could also not be hauled from growing areas, hinterland and

depots to the ports. The result was further reduction in foreign earnings and the high price of food items because of scarcity. GCMB's (Ghana Cocoa Marketing Board) cost of production rose to 27 % in 1977 from 8 % in 1967/68 which affected the cocoa farmers' share of the fob price and resulted in many cocoa farmers switching to food crop production (Dordunoo and Nyanteng, 1997, p.4). Ghana was plunged into an economic cesspit which Toyi (1991) described as "vicious circles of circular and cumulative causation" (Toyi, 1991, p. 152).

Acheampong banned the activities of political parties when he staged his coup, limited the freedom of the press, arrested and detained all who opposed his Union Government idea which he introduced in 1977 and attempted to control the Electoral Commission. All this impacted adversely on good governance, the growth of civil society and resulted in frequent social unrests led by students and professional bodies and on 5 July 1978, Acheampong was removed from office in a palace coup. He was accused of economic mismanagement and political incompetency in addition to running a "one man show" administration and was compelled to retire from the Army. Lt. General Fredrick William Kwasi Akuffo, then Commander of the Army and a key member of SMC I took over from him and SMC II was born. Acheampong was arrested but he and his accomplices were not tried by the Akuffo administration for their economic crimes against the State which angered the public (Frimpong-Ansah, 1991, p.111; Gyimah-Boadi and Jeffries, 2000, p.39; Amenumey, 2008, p.256).

2.8 Supreme Military Council II (SMCII: 1978-1979)

Akuffo immediately liberalised the economy in line with the requirement of the IMF and the World Bank limiting the large role his predecessor gave the State in the economy under the type of an ISI model and enhancing that of the market. He implemented short and medium term measures including tough monetary policies to arrest the economic situation and promised to return the country to civilian rule in a year's time. Firstly, he devalued the cedi by 139 % :

from 1.149 cedis = US\$ to 2.75 cedis = US\$ in 1978 (see Appendix 2C); secondly, he implemented currency demonetisation and thirdly, he reduced government borrowing from the Bank of Ghana (i.e. central bank) to rein in monetary supply to address the high rate of inflation (see Table 2.1 above; Frimpong-Ansah, 1991, p.111; Gyimah-Boadi and Jeffries 2000, p.39).

Table 2.7 Cocoa Production/Producer Price from 1977/78- 1978/79-Akuffo's Regime

Year (Cocoa Season)	Total Production (Tonnes)	Ghana's Prod. in World Production (%)	Producer Price (Cedi)	FOB \$/Tonne (Achieved)	Farmer's Share of Producer Price in FOB (%)
1977/78	271,339	18.04	1,333	1,617.08	36.36
1978/79	265,076	17.57	2,667	3,609.76	26.87

Source: Compiled by Author

To motivate cocoa farmers to increase production, the Akuffo administration increased the nominal producer price by 100% from 1,333 cedis in 1977/78 to 2,667 cedis in 1978/79 though cocoa farmers' share of the fob price declined by 9.5%. This means their income in relation to the global market price decreased hence, they were worse off just like the previous regimes as noted earlier. Cocoa production declined by 2.3% but cocoa export ratio to GDP increased from 4.7% in 1978 to 6.5% in 1979 (see Table 2.7 above; Appendix 2A). This could be attributed to the export of cocoa in stock since cocoa can be stocked for about 5 years. Despite the government's implemented liberal policies, GCMB remained solely responsible for the purchase and export of cocoa in the market. The government's demonetisation measure to mop up the excess liquidity in the economy excluded money held in the bank however, this affected cocoa farmers who usually keep their money at home. Due to the fact that shortages especially of inputs had been endemic and led to many factories grinding to a halt,

productivity in general was at its lowest ebb hence, the economy could not immediately respond to Akuffo's liberal policies. Real GDP growth for instance, declined from 8.48% in 1978 to -7.82% in 1979. Nonetheless, the harsh monetary measures succeeded in decreasing inflation from 116.5 % in 1977 to 54.5% in 1979 as well as the percentage of fiscal deficit to GDP which declined by 4.3% during the same period (see Appendix 2A & 2C). But with shortages in the economy and traders still hoarding essential basic items, demand outstripped supply and prices soared. The masses felt the excruciating effects of the monetary measures especially the devaluation which led to social unrest, and on 4 June 1979 the junior officers of the army staged a coup to overthrow the government. The Armed Forces Revolutionary Council (AFRC) headed by Flight- Lieutenant Jerry John Rawlings took over the reins of power. Frimpong-Ansah (1991) stated that the revolt by the military was perhaps against Akuffo's refusal to punish Acheampong (Frimpong-Ansah, 1991, p.112).

2.9 The Armed Forces Revolutionary Council (AFRC) Regime (4June-24 September 1979)

Rawlings and his colleagues set out the following objectives: (i) to eradicate social and economic vices like corruption and trade malpractices; (ii) to clean up the entire armed forces and redeem its tainted image; (iii) to institute probity and accountability, and awaken the masses to their rights and duties; (iv) to punish all tax evaders and enhance tax collection; and (v) to return the country to civilian rule as planned by the previous government.

As a first step of image redemption and "housecleaning", three former military Heads of State-Acheampong, Akuffo and Afrifa, and some senior military officers who served in the NRC and SMC governments were tried for economic crimes against the State by military tribunal and executed (Amenumeey, 2008, p.259). The government strictly enforced price controls and used the military to sell all essential consumer goods hoarded by traders to the public in the open at controlled prices. However, most of the consumer goods were sold in the

cities and urban areas and thus cocoa farmers in the rural areas hardly benefited from this action by the government. Business men and women who had evaded tax over the years appeared before the courts and were made to pay with interest. As a result, huge amounts of revenue were collected in the form of tax arrears. Government revenue ratio to GDP increased from 6.6% in 1978 to 9.9% in 1979 (see Appendix 2A). Assets of those found guilty by the special courts to have used their positions to illegally acquire them were expropriated (Gyimah-Boadi and Jeffries, 2000, p.40).

These harsh government measures triggered both external and internal effects on the economy. Nigeria, Ghana's main oil supplier, imposed an oil embargo against Ghana and Western Europe and North American countries also imposed economic sanctions, all in reaction to the executions by the government (Amenumey, 2008, p.260). Internally, within no time all the shops were depleted and with no improvement in supply, the country faced acute shortage of consumer goods. Production was significantly jeopardised because the arbitrary seizing and selling of goods below production cost by government adversely affected working capital ((Frimpong-Ansah, 1991, p.112). The expropriation of assets of Ghanaians and foreigners alike also led to loss of confidence of foreign investors. Food shortages hit the urban centres as the middlemen who made abnormal profits from the sweat of the farmers went underground for fear of the soldiers. However, the good thing about the AFRC government was that it stuck to the political timetable of its predecessor, supervised the Presidential and general election on 18 July 1979, and handed over power to Dr. Hilla Limann who was elected President on 24 September 1979 (see Amenumey, 2008, p.261). It is fair to state that the three and half month period of the AFRC's rule was too short for it to make any significant impact on the economy in general and the cocoa sector in particular.

2.10 The Limann Regime (1979-1981)

The immediate problem of the Limann administration was how to save the economy from further atrophy. However, Limann refused to liberalise the economy as was recommended by the IMF, particularly stabilisation measures like devaluation and cutting down government expenditures, and therefore failed to attract foreign investment. Devaluation had become a knell that signalled the political doom of a government in Ghana, hence Limann shied away from it but he improved trade relations with Nigeria and got the Nigerian government to donate large quantities of crude oil to Ghana to address the fuel crisis (Amenumey, 2008, p.262). Limann neither adopted a Statist nor liberal model of development to address the problems of the economy but introduced new taxes to increase government revenue and reduced government expenditures. These were laudable initial economic initiatives Limann took but he incurred the displeasure of the people when he increased the salaries of parliamentarians and bought them new saloon cars.

The government also took steps to immediately address the decline in cocoa output by increasing the nominal producer price by almost 50%, from \$969.82 (i.e. 2,667cedis) in 1978/79 to \$ 1,454.55 (i.e. 4,000 cedis) in 1979/80 . The cocoa farmers' share of the fob price was also increased by 15% to motivate them to increase production. The output of cocoa increased by about 12% from 265,076 tonnes in 1978/79 to 296,419 tonnes in 1979/80 but Ghana's terms of trade for cocoa declined from US\$ 3,459.36 in 1979/80 to US\$ 2,233.82 in 1980/81 (see Tables 2.7 and 2.8), at a time when global oil prices increased. Crude oil price increased from \$14 per barrel in 1978 to \$35 per barrel in 1981, about 150% (http://www.ehow.com/about_5089332_opec-crude-oil-price-history.html). These two external shocks led to increase in Ghana's external debt from US\$1.4billion in 1979 to US\$1.8 billion in 1981((Toyi, 1991, p. 154; see Appendix 2B). However, in his relentless efforts to motivate

cocoa farmers, Limann increased the nominal producer price by 200% from \$1,455 (i.e. 4,000 cedis) to \$4,364 (i.e. 12,000) in November 1981 which spoke volumes of his commitment to revive the cocoa industry and more importantly to enhance the income of the cocoa farmers and their general well-being. It was also part of the government's rural integrated development programme to attract the youth to the cocoa farm to prevent them from migrating to urban centres for non-existing jobs, and also to Nigeria. It is important to state that it was the first and only time that a government had increased the nominal producer price (about 167%) more than the fob price (then \$1,633.65). The fob price had declined from \$3,459.36 in 1979/80 to \$1633.65 in 1981/82 (see Tables 2.8 & 2.9). GCMB still had monopoly and monopsony powers in the buying and export of cocoa in the market.

Table 2.8 Cocoa Production/Producer Price (1978/79 -1980/81) Limann's Regime

Year (Cocoa Season)	Total Production (Tonnes)	Ghana's Prod. in World Production (%)	Producer Price (\$)	FOB \$/Tonne (Achieved)	Farmer's Share of Producer Price in FOB (%)
1979/80	296,419	17.73	1,455*(4,000)	3,459.36	42
1980/81	257,974	15.22	1,455(4,000)	2,233.82	65.13

Source: Compiled by Author. *Figures in brackets indicate the cedi equivalent.

The Limann administration was however, weak in enforcing measures like tax collection and as result government revenue declined from 9.9 % in 1979 to 4.5 % in 1981 while inflation increased from 50.2 % in 1980 to 116.5 % in 1981 just like in 1977 during the era of Acheampong as noted earlier. National net reserves also dropped from 1.2 % to 0.3 % during the same period which could be attributed to the decline in global cocoa price, the main foreign exchange earner (see Appendix 2A). The lack of foreign exchange affected imported inputs and spare parts for the factories and led to a 20% decrease in their production

capacities. As a result, real GDP growth which rose from -7.82% in 1979 to 6.25% in 1980 declined to -3.5% in 1981, while fiscal deficit percentage to GDP rose from 6.6% in 1979 to 7.1% the following year but decreased by a mere 0.7% in 1981 (see Appendix 2C). The overvalued currency however, did not encourage producers and manufacturers to export because their production costs outweighed selling prices. The government continued to pile deficits and refused to take any action to prune down the bloated civil service and other parastatals but rather increased borrowing from the central bank which fuelled the already high inflation. Limann lost control of the economy as economic mismanagement, corruption, embezzlement and other social vices created a vicious circle similar to that of Acheampong's era (see section 2.7). There was much social discontent, and Flt.Lt. Jerry John Rawlings capitalised on the situation to stage his second coup on 31 December 1981 to overthrow the government. The Provisional National Defence Council (PNDC) was formed with Rawlings as the Chairman and Head of State (ibid; Gyimah-Boadi and Jeffries, 2000). Rawlings termed his second coup a "*revolution*" (i.e. 31st December revolution).

2.11 The Rawlings Regime- Provisional National Defence Council (PNDC: 1982-1983)

The new military PNDC government adopted "a self-reliant national development approach" along the path of the neo-Marxist dependency coupled with populist policies (Dornbusch and Edwards, 1991). The model, a combination of economic nationalism, nebulous pan-Africanism and socialism advanced principles similar to Nkrumah's African socialism (see 1.2.1), gave greater powers to the State in the economy and limited the role of the market. The regime however, immediately implemented policies liberal in nature: reduced government spending and the high deficit; stopped the printing of money, and demonetised the 50 cedi notes (then the highest denomination of the local currency in circulation) to mop up the excess liquidity and to reduce inflation. It also closed the country's borders to check smuggling and strictly controlled

foreign exchange. The demonetisation according to Gyimah-Boadi and Jeffries (2000) was also to punish those the government thought had exploited the masses “in collaboration with imperialist and multinational interests” and in addition the bank accounts of individuals and companies the government considered as huge were frozen (Gyimah-Boadi and Jeffries, 2000, p.42). However, this measure later impacted adversely on domestic savings and investment when people kept money at home for fear of losing it if deposited in the bank. Per capita savings ratio to GDP declined from 5% in 1981 to 0.6% in 1984, gross fixed capital formation declined from 4.7% of GDP in 1981 to 3.5% in 1982. The policies to address inflation also failed with the rate of inflation rising from 116.5% in 1981 to 122.8% in 1983 (see Appendixes 2A & 2C). In a desperate attempt to appease the people, the government tightened price controls which resulted in the few items in the shops and departmental stores immediately disappearing and worsening the acute shortage of goods in the country (Dordunoo and Nyanteng, 1997, p.5). The government therefore had a difficult time trying to fix the badly damaged economy with the Statist development model it adopted. However, to generate foreign exchange, it quickly organised to transport the huge tonnes of cocoa locked in the hinterland due to bad roads to the ports. In support of the “revolution” students of the country’s three universities¹⁰ under NUGS stopped classes for some months to convey the cocoa.

In 1983, the situation went from bad to worse when Ghana experienced one of the worst droughts in its history culminating in widespread bush fires which destroyed many cocoa and food farms. The result was a 29.3% decline in the output of cocoa from 1981/82 to 1983/84. Consequently, Ghana’s output percentage to the global output fell from 12.97% to 10.51% while the nominal producer price was also reduced by 90.8% during the same period (Table 2.9). The repressed producer price resulted in decline in cocoa production and widespread cocoa smuggling to neighbouring Togo and Cote d’Ivoire who offered relatively higher prices.

¹⁰ The author then a student at the University of Ghana took part in the exercise.

Table 2.9 Cocoa Production/Producer Price from 1981/82- 1983/84 –Rawlings’s Regime (PNDC).

Year (Cocoa Season)	Total Production (Tonnes)	Ghana’s Prod. in World Production (%)	Producer Price \$/Tonne (cedis)	FOB \$/Tonne (Achieved)	Farmer’s Share of Producer Price in FOB (%)
1981/82	224,882	12.97	4,364 *(12,000)	1,633.65	
1982/83	178,626	11.71	368 (12,000)	1,508.95	24.4
1983/84	158,926	10.51	400 (20,000)	1,815.49	22

Source: Compiled by Author *Figures in brackets indicate the cedi equivalent.

Ghana experienced prolonged drought and bushfires in 1983 which dealt a devastating blow to farmers and Ghana’s economy as whole. Ghana’s population also increased from 8.61million in 1970 to 13.59 million in 1985 (Frimpong-Ansah, 1991, p.166). This increase of 57.2% in population led to increase in demand for basic food items which outstripped supply. The shortage, especially of maize and rice (the two main staple food items), required imports to address it, however, the balance of payment deficit and lack of foreign exchange made this difficult, more so with output of cocoa on the decline. In addition, external factors like increases in petroleum price, decrease in global demand for exports and decline in commodity prices aggravated the ill health of the economy. Cocoa price dropped by 7.6% from US\$ 1,633.65 per tonne in 1981/82 to US\$ 1,508.95 in 1982/83 which resulted in a short fall of foreign revenue of about US\$ 5.7 million using the 1982/83 achieved fob price (see Table 2.9 above). The cocoa sector tax base decreased to 1.2% and that of imports to 3% by 1982 (Frimpong-Ansah, 1991, p.95). The lack of foreign exchange to import inputs and spare parts led to low productivity at the factories with many of them closing down and impacted adversely on real GDP growth which declined from -3.5% in 1981 to -6.25% in 1982 (see Appendix

2C). The overvaluation of the cedi was estimated at 816% in 1982 (Werlin, 1994 cited in Aryeetey and Harrigan, 2000, p.8), and rose to 1,300% by 1983(Frimpong-Ansah, 1991, p.95). This adversely affected the competitiveness of exports, and with restrictions on imported inputs and consumer goods, it resulted in limited capacity utilisation in general. Matters were made worse when about one million Ghanaian illegal immigrants were repatriated from Nigeria in 1983 which aggravated the dire food crisis in the country and put more pressure on the already precarious socio-economic situation (see Toyi, 1991, p. 158, Gyimah-Boadi and Jeffries, 2000, p.42; Aryeetey and Harrigan, 2000, p.8; Amenumey, 2008, p.265). According to Frimpong-Ansah by 1982, the fiscal policy had totally collapsed, government revenue base was a meagre 5.6% of GDP compared to 20-25% in other West African nations and inflation was nearly 123% (Frimpong-Ansah, 1991, p.95).

In trying to fix the economy, the Rawlings government realised that the major priority was capital to rebuild the deteriorated infrastructure but the cocoa sector, the mainstay of the economy, was in total decline and the government's self-reliant model could not provide the capital needed to support it. Frimpong-Ansah (1991) attributed the decline of the cocoa sector to short, long and very long term price distortions for almost 30 years. The short and long term price distortions (i.e. direct and indirect) reached their peak from 1977 to 1980 causing the sector between 33% to 40%, and 51.5% decline in output per year respectively while the very long-term price distortions also peaked in 1978 and 1983 and at 62.6% decline in output (Frimpong-Ansah, 1991, p.147). In early 1983, the government recognised that the considerable capital needed could not be provided by Libya or the Soviet bloc when it turned to them for assistance. The Soviet Union instead admonished Ghana to go to the IMF for assistance which was the only alternative left (ibid, p. 153; Gyimah-Boadi and Jeffries, 2000, p.44). In trying to further their "Populist and Marxist" ideology, Rawlings and his cohort when they took power

comprehensively discredited the Fund and the Bank, for instance, its mouth piece *The Workers' Banner* wrote the following scathing accusation about the IMF:

this monster, the mercenary headquarters of the imperialist monopolist companies (which aimed) to squeeze out finances, sabotage the economy, destroy the revolution and thus ensure a continued exploitation and oppression of the people (*Banner*, 16-23 September 1982 cited in Frimpong-Ansah, 1991, p. 155)

The government therefore was compelled to change its ideological stand and went to the IMF and the World Bank for the much needed assistance. However, before it went to the Fund and the Bank it established the National Economic Review Committee (NERC) which put together a package of policies that would appeal to the Bretton Woods' institutions and when they embraced it an agreement was reached with Ghana on the prescriptions (see 1.5.5). In April 1983, Ghana implemented the recommended economic reform programmes (ERP) of the IMF and the World Bank by largely liberalising the economy. The influential role of the State in the economy was therefore significantly reduced while that of the market got significantly enhanced (see Tables 1.1 & 2.1; section 1.1).

2.12 The Initial IMF and World Bank Policy Conditionalities for the 1983 Economic Recovery Programme (ERP) and Ghana's Gradualism Approach.

Ghana's Economic Recovery Programme (ERP) implemented in 1983 with the support of the IMF, the World Bank and other multi- and bilateral donors, was mainly based on issues of stabilisation and structural adjustment. The "reform measures were designed on the basis of the prevailing neo-liberal orthodoxy" (Aryeetey and Tarp, 2000, p.346). This was based on the positive view of the efficacy of the market as a means of ensuring efficiency and development and a set of macroeconomic policy recommendations which later became known as the Washington Consensus (*ibid*, see Table 1.1 and section 1.4). Additionally, it was believed that

the decay in the economy had been caused by the overarching influence of the State in the economy during the early PNDC era and also during the regimes of Nkrumah in the 1960s and Acheampong in the 1970s (see Table 2.1). The State was therefore the problem and not the solution. The reforms thus focused on: (i) changing the balance between the role of the state and the market forces in the allocation of resources (see Table 1.1 and section 1.1) (ii) macroeconomic policy changes geared at improving the balance of payment and laying the foundations for sustained output growth, and (iii) improving the capacity of the economy to adjust to both external and internal shocks (ibid). In effect, the IMF and the World Bank recommended for an enhancement of the role of the market in the economy while limiting that of the State in promoting economic growth since the State was considered the *problem* and the market the *solution*.

The main initial policy conditionalities under which the IMF and the World Bank granted Ghana assistance for the ERP between 1983 and 1988 were the following: (i) cocoa producer price to be reviewed and adjusted annually, (ii) Ghana Cocoa Board (COCOBOD) to review its cocoa marketing cost, (iii) subsidies and price controls to be removed by government, (iv) trade and foreign exchange regime to be established by government, (v) cost recovery and removal of subsidies in the health and education sectors, (vi) public expenditure programming, (vii) divestiture of State enterprises, (viii) improvement in public sector management, and (ix) banking reform (Toyi, 1991, p. 173). The ERP was divided into two phases which more or less overlapped: Stabilisation (ERP I: 1983-86) and Structural Adjustment (ERP II: 1986-89), and took the form of sequencing. The stabilisation, was aimed at (i) providing incentives to increase production and to enhance exports (ii) controlling inflation and enhancing Ghana's international credit worthiness, (iii) fiscal discipline by reducing the budget deficits, (iv) improving government finances, (v) rehabilitating social and economic infrastructure with the

assistance of enhanced domestic and foreign finance, (vi) stemming smuggling and parallel (black) market transactions, and (vii) realigning the cedi (currency) with the global key currencies (i.e. realistic exchange rate) (Toyi, 1991, p. 159; Dordunoo and Nyanteng, 1997, pp.6-7).

Trade and exchange rate liberalisation were central to the reform programme which sought to free exchange rate and trade from extreme controls (Aryeetey and Tarp, 2000; Asenso-Okyere et al., 1997). To achieve these objectives the government implemented major policy measures which included devaluation of the currency from 2.75 cedis = US\$1 to 90 cedis= US\$1 by the end of 1986. The cedi was thus devalued by about 3,173 % by the close of the ERP I period (Dordunoo and Nyanteng, 1997). With regards to the domestic market liberalisation, the following were inherent in the ERP: (i) “laissez- faire” standard textbook macroeconomic theory and (ii) the set of neo-liberal pessimistic core views about the role and nature of the State as part of the problem and not part of the solution, and the need to create public options (Aryeetey and Tarp, 2000, p.348). The principles of trade liberalisation and ‘getting the prices right’ were relied upon to ensure efficiency in output in agriculture, industry and other sectors to lay the foundation for “an automated process of development”. However, little attention was given to the fact that trade and market liberalisation may not increase efficiency because some markets like insurance and credit could not be made to function flawlessly due to transaction costs and imperfect information or conventional types of market failure (ibid; see section 1.1). Ghana also became a dumping ground of cheap goods because the trade liberalisation policy was implemented hastily and not adequately sequenced. The quantitative restrictions were abolished at the same time that the high tariffs were reduced. Adequate sequencing would have allowed the local industries time to adjust to the liberalisation (Asenso-Okyere *et al.*, 1997, p.114).

It is worth stating that government's "self-reliant inward-looking" socialist model of development adopted in 1982 resulted in the controls in the economy (see Table 2.1 above) which limited the role of the market and enhanced that of the State. The ERP therefore set the following objectives to: (i) re-orient the economy to be outward-looking instead of inward looking, (ii) diversify its production base by concentrating on value-adding, (iii) be competitive in the international market, and (iv) get integrated into the world economy. As a primary commodities exporter, Ghana decided to place emphasis on value-adding due to fluctuations of commodity prices in the global markets. In integrating into the global economy Ghana's approach was more of neo-structuralism (see section 1.2), especially in the cocoa sector (see section 5.7). In support of the ERP, the IMF provided about 60% of US\$1 billion financial assistance to Ghana while the World Bank provided only 14% with the bilateral aid donors lagging behind the Bank (Toyi, 1991, p.160-170; Dordunoo and Nyanteng, 1997, p.7).

2.12.1 Achievements under ERP I

According to Dordunoo and Nyanteng (1997), the economy responded positively to the reforms under ERP I. Real GDP increased from negative to more than 8% in 1984 and grew more than 5% in 1985 and 1986. Another major achievement was the decrease in the budget deficit brought about by substantial reductions in government current expenditures through removal of public subsidies, review of prices of government services and huge retrenchment of workers in the public sector. Real per capita also grew by 2% but remained about 80% of the 1975 levels. The tax reforms and the stringent enforcement of tax collection methods led to an increase in the tax element of the GDP from a meagre 5% in 1983 to 15.3% in 1987. With revenue increasing while government expenditures decreased the budget deficit gave way to a minor surplus by 1986. Inflation was significantly reduced from 122.8% in 1983 to

10.3% in 1985 (see Appendix 2A). The government's measures to mop up excess liquidity in the system and reduce money supply contributed to the decline in inflation. The official and unofficial cedi rates narrowed remarkably with the black market premium falling from 8.7 in 1983 to 2.1 in 1986. Prices were also greatly stabilised while production increased markedly particularly industrial and cocoa sectors. Gross capital formation increased from 4 % in 1983 to 10% in 1987 while exports also increased from 6 % to 10 % and reduced the import asphyxiation. Cocoa output increased by 43.32% from 158,926 tonnes in 1983/84 to 227,765 tonnes in 1986/87 with the nominal producer price also increasing from 400 cedis to 451 cedis during the same period after declining to 367 cedis. However, the farmer's share of the fob price decreased by 3% which was against the objective of the reforms (see Table 2.10 below). One would argue that the farmer's share of the fob price should not have declined at a time when Ghana's terms of trade for cocoa increased, therefore cocoa farmers were unfairly deprived of revenue due them by the government (Toyi, 1991, pp. 165- 167; Dordunoo and Nyanteng 1997, p.7; Aryeteey and Tarp, 2000; Bawumia and Abradu-Otoo, 2003).

The devaluations of the cedi also had an immense effect on the fiscal balance because of the increase in cocoa revenue tax. Another target not met during the period was the over valuation of the cedi because the exchange rate of 90 cedis =US\$1 in September 1986 was insufficient relative to its required "equilibrium" and black market rates, hence imports remained quantitatively controlled (Dordunoo and Nyanteng, 1997, pp.7-8). The Fund and the Bank expected the market forces to reverse the fall in per capita food production but this did not happen, therefore with subsidies on inputs removed, cocoa producer prices increased, farmers switched to cocoa production and food production decreased.

Table 2.10 Cocoa Production/Producer Price (Rawlings's Regime -PNDC) (During ERP I: 1983/84-1986/87)

Year (Cocoa Season)	Total Production (Tonnes)	Ghana's Prod. in World Production (%)	Producer Price \$/Tonne (cedis)	FOB \$/Tonne (Achieved)	Farmer's Share of Producer Price in FOB (%)
1983/84	158,926	10.51	400 *(20,000)	1,815.49	22.03
1984/85	174,809	8.94	367 (30,000)	2,175.97	16.86
1985/86	219,044	11.09	428 (56,000)	2,545.73	16.81
1986/87	227,765	11.33	451 (85,000)	2,370.18	19.03

Source: Compiled by Author. *Figures in brackets indicate the cedi equivalent.

2.13 Structural Adjustment Programmes (SAPs) 1986-89

In Ghana, the structural adjustment programmes (SAPs) which actually commenced in August 1986 aimed at: (i) sound balance of payment with continued emphasis on growth, (ii) providing incentives to increase savings and investment rates, and (iii) improving the quality of public sector management, (iv) rectifying the institutional inefficiencies to bring about a sustainable growth in the long term, and (v) addressing price distortions in the production and consumer sectors for efficient utilisation of resources and making the economy more flexible and efficient (Toyi, 1991p. 159; Dordunoo and Nyanteng, 1997, pp.6-7). The SAPs had the following three major objectives among others: (i) to achieve a 5 % average annual rate of GDP growth to improve real per capita income by about 2.5 % per annum after making provision for population growth, (ii) to reduce inflation from 25 % in 1986 to 8 % by 1990, and (iii) to retain balance of payment surpluses, averaging US\$110 million per annum to ensure the payment of all the country's external debts by 1990 (iv) to increase the

investment level from about 10% of GDP in 1986 to 23% by 1989 (v) to raise national savings from 7% of GDP to 15% by 1989 (vi) to improve the management of resources within the public sector (Dordunoo and Nyanteng, 1997, p.9; Aryeteey and Tarp, 2000, pp.349-350). The tax and banking systems were also reformed under the SAPs. The central concern of the fiscal policy after 1987 was to broaden the scope of the tax system and improve on efficiency and equity while the financial sector reform programme (FINSAP) aimed to improve the regulatory framework for banking, and to improve banking supervision, efficiency and the profitability of banks (Aryeteey and Tarp, 2000, p.353).

2.13.1 Achievements under Structural Adjustment Programmes (SAPs) 1986-91

The SAPs achieved a growth of 4.8% between 1986 and 1990 and almost achieved its objective of the 5% annual average growth rate. The target of keeping an average balance of payments surplus of US\$110million could not be realised because the actual average obtained was US\$ 91million between 1986 and 1990 (Dordunoo and Nyanteng, 1997, p.9). By 1990 the external debt had rather increased to US\$ 3.5 billion from about US\$ 2.7 billion in 1986 and further increased to \$ 7 billion in 1999 (Ismi, 2004; see Appendix 2B). Consequently, during the Kufuor administration in 2001, Ghana opted for the Heavily Indebted Poor Country (HIPC) initiative of the World Bank and the IMF, for debt relief, to stabilise the economy. Real effective exchange rate depreciated falling from 42% in 1986 to 23% in 1987 and to 6% in 1989. Forex bureaux were licensed to operate in 1988. Total exports grew by 7.8% between 1986 and 1988, and 8.9% between 1988 and 1991. Cocoa export grew by 2.4% between 1986 and 1988 and by 12.5% between 1988 and 1990. With regards to manufacturing, the annual growth rate of the industrial sector declined from 6.9% between 1983 and 1987 to 4.4% between 1988 and 1995. This is attributed to the adverse effects of trade liberalisation which has turned Ghana into a dumping ground. A balance of payment

surplus of US\$ 137m was recorded in 1991 but by 1993 Ghana was in a deficit of US\$ 664m. Foreign direct investment (FDI) was 5% of GDP during the ERP with only the mining sector benefiting from it but this sector has low linkages with the rest of the economy. The low FDI inflow could be attributed to the uncertainty and the lack of confidence in the Ghanaian environment. Gross domestic savings were low around 7% which could also be attributed to the sufferings endured by the business community during the early days of the PNDC revolution and the AFRC era when people had their bank accounts frozen by the government (Aryeetey and Tarp, 2000 pp.356-358). The expected automatic “trickle down” to address the issues of poverty and inequality based on the implicit assumption that improved stability, decline in inflation and better prices to farmers will result in economic growth and benefit the poor was not realised. The removal of subsidies on fertilisers and pesticides worsened the plight of the poor farmers and the retrenched workers. This brought to the fore the importance of distribution issues and the need for adjustment to be “people-centred”, which requires that the most vulnerable parts of society must be part of the overall strategy (ibid p. 343).

Nonetheless, Ghana was regarded by the IMF, the World Bank and donor countries “as a showcase of success in Africa” and additionally as “a front-runner in economic reform process” in Africa in the early 1980s (Aryeetey and Tarp, 2000, p.344). The World Bank (1993a) stated that ‘Ghana’s adjustment programme is by *any yardstick* one of the more successful ones in Sub-Saharan Africa’ (cited in Aryeetey and Tarp, 2000, p.344). In addition, the donors including the IMF and the World Bank praised the comprehensive nature of Ghana’s reforms, its adherence to the prevailing orthodoxy, initial growth attained, the conditionalities observed and the *negotiating skills* of the government as noted above (see section 1.5.5). Ghana was also praised as one of the first nations which tried to give a “human face” to adjustment when it implemented the ‘Programme of Actions to Mitigate the Social

Cost of Adjustment' (PAMSCAD) in 1988 (Aryeetey and Tarp, 2000, p.344). All this accounted for why Ghana was adjudged the "Star Pupil" of Africa in relation to reforms by the IMF and the Bank and hence the reason for choosing it for this study.

However, the SAPs implemented by Ghana failed to address effectively the complex institutional constraints which can limit the process of development in a nation. Though liberalisation and privatisation were pursued, the economic and social environs were not shaped to promote the build up of production factors, their efficient utilisation and the introduction and application of cutting-edge technologies. According Aryeetey and Tarp (2000) private markets and non-market institutions deserve to be given attention to work effectively while low transaction costs must be ensured to assist medium and long term growth and development (Aryeetey and Tarp 2000, p.363, North, 1990; see section 1.1).

2.14 Ghana's Cocoa Sector Reforms Under ERP I and II

With regard to the cocoa sector under ERP I and II, the government had to comply with the following two conditionalities which invariably became its twin objectives under the cocoa sector reforms: (i) to raise the producer price as a form of incentive to farmers, and (ii) to reduce the operational cost of COCOBOD. There is a close relationship between these two objectives because COCOBOD's cost saving impacts on the farmer's share of the fob price since that cost element is deducted from the achieved fob price before the farmer's share is determined. In June 1983 the first Reconstruction Import Credit (RIC 1) recommended that cocoa producer prices be reviewed annually in consultation with the International Development Association (IDA) of the World Bank. This was because of the low producer prices paid to cocoa farmers prior to 1983 as discussed above. However, it is worth stating that the PNDC government declared its intention to improve upon the producer price before

the Fund and the Bank came to Ghana's assistance and demonstrated this by significantly increasing it under ERP I.

Originally, the IMF and the World Bank wanted COCOBOD to be dismantled and cocoa marketing completely privatised as had been done in Cote d'Ivoire, Nigeria and Cameroon but the Rawlings government was able to resist this because it was entirely at variance with its objectives of improving the sector. COCOBOD's main functions are: (i) production, (ii) research, (iii) extension, (iv) quality control, and (v) internal and external marketing of cocoa. The government was strongly against privatising these functions especially quality control and external marketing because of fear that the quality could be compromised which then would lead to loss of the premium earned on quality beans produced. Also, by controlling the external marketing, the government could cushion the farmer against the price volatility in the global market. Eventually the compromise reached was a partial liberalisation of the sector which led to the creation of the "meso model" (see section 1.5.5; Toyi, 1991, p.190). However, COCOBOD was considered overmanned and thus the reduction of the staff strength was an uncompromising demand by the Fund and the Bank for the release of the second tranche of the ERC (Export Rehabilitation Credit). The first phase of the retrenchment exercise targeted 19,000 workers out of which 16,000 were laid off by the end of the phase in 1985. It came to light that 10,000 "ghost workers" (nonexistent workers) were on the payroll and were removed in February 1987. By the end of 1987 an additional 14,000 workers were also retrenched at the end of phase two of the exercise. Later a further 8,000 of the workforce was laid off to bring the total staff strength to 42,000 (Toye, 1991, pp. 174-175). By 2008 there had been a 95% reduction of COCOBOD's staff from 140,000 in 1993 to 5,684 (Ghana Cocoa Board, 2009). The retrenchment exercise was a particularly bitter pill for the government because its support base was the ordinary workers and the masses.

The process of infusing some form of privatisation into the cocoa sector was somewhat slow but by 1987 the Bank had been able to involve more private hauliers in the transport of cocoa. According to Toyi (1991), by the close of 1987 the Bank had been able to achieve its 1983 objective of “a financially autonomous Cocoa Board equipped with an initial three-year corporate plan” (ibid, p. 175). In 1988 the government launched the Cocoa Rehabilitation Programme to address the deficiencies and to enhance efficiency to perk up the cocoa sector. Some of the key policies implemented among others were: (i) payment of attractive producer prices to cocoa farmers, (ii) provision of improved extension services to cocoa farmers, (iii) supplying adequate farm inputs to cocoa farmers, (iv) granting operational and financial autonomy to key subsidiary companies and divisions, (v) promoting greater operational efficiency through mergers, (vi) restructuring of COCOBOD by further downsizing the staff strength, (vii) divestiture of cocoa/coffee plantations, and the West African Mills Company (WAMCO), and (viii) privatisation of the marketing of cocoa, coffee and shea-butter. In 1990 the producer price of cocoa was increased. WAMCO, COCOBOD’s value-adding factory which produces cocoa butter, liquor and cake was not privatised outright but refurbished (see figure 5.5 in section 5.6) and measures of financial discipline implemented. However, WAMCO was later divested under the divesture and privatisation programme in September 1992, with 60% of the shares sold to Schroeder of the Hosta Group of Companies in Germany while COCOBOD retained 40%. In 1993, WAMCO I took over the Taksi factory from COCOBOD and therefore had WAMCO I and WAMCO II increasing its processing capacity from 40,000tonnes to 60,000 tonnes (i.e. 40,000 tonnes for WAMCO I and 20,000tonnes for WAMCO II) (Ghana Cocoa Board Handbook, 2000, p. 42).

The impact of the annual producer price increase of cocoa on output was significant under ERP II when output increased for the first time since 1976/77 to 300,101 tonnes at the end of

the 1988/89 season after reaching a record low of 158,956 tonnes in 1983/84 after the drought and bush fires. The terms of trade worsened and the achieved fob price declined by about 45% from 1987/88 to 1991/92 and impacted on the producer price driving it down from US\$591 to US\$430. Consequently, the farmer's share of the fob price was below 40% during the ERP II period. Though the producer price of cocoa kept rising, ranging between 5.7% and 28.4% during the entire period, this was attributable to the regular devaluation of the cedi and thus it did not mean an increase in real terms. The cocoa farmer's share of the fob price which increased from 22.77% in 1987/88 to 39.97% in 1990/91 declined to 34.04% 1991/92. The cocoa farmer's share was lower than 50% of the achieved fob price in the global market which one could argue as a huge income loss to the farmer (see Table 2.11).

Table 2.11 Cocoa Production/Producer Price under ERP II (1987/88- 1991/92) – Rawlings's Administration (PNDC).

Year (Cocoa Season)	Total Production (Tonnes)	Ghana's Prod. in World Production (%)	Producer Price \$/Tonne	FOB \$/Tonne (Achieved)	Farmer's Share of Producer Price in FOB (%)
1987/88	188,177	8.57	591 *(150,000)	2,291.87	22.77
1988/89	300,101	12.18	526 (165,000)	1,620.44	32.44
1989/90	295,051	12.26	487 (174,400)	1,325.31	36.75
1990/91	293,352	11.71	549 (224,000)	1,374.16	39.97
1991/92	242,817	10.66	430 (251,200)	1,262.16	34.04

Source: Compiled by Author.*Figures in brackets indicate the cedi equivalent.

2.15 The Cocoa Sector Reforms under Rawlings as a Civilian President (1992-2000)

Ghana returned to multi-party democratic rule in 1992 as part of the reforms after Rawlings was compelled to give in to international pressure. He was re-elected in 1996 when he led the National Democratic Congress (NDC) party. The civilian Rawlings administration

liberalised the internal marketing of cocoa in June 1993 (i.e. 1992/93 mid- crop season) which led to COCOBOD re-introducing the multiple purchasing system to allow for competition. This system was not new in Ghana for it was first introduced in 1947 by the Gold Coast Cocoa Marketing Board (GCCMB) when it was established (see section 5.5.5) and thus a legacy of the colonial administration (see 1.5). As part of the partial liberalisation measures the government removed subsidies on cocoa inputs, and the extension service wing (i.e. Cocoa Services Division-CSD) of COCOBOD was transferred to the Ministry of Food and Agriculture (MOFA) in 2001 as part of the compromise with the IMF. The rationale was to ensure that all farmers in the country were provided with effective and efficient extension services (Dormon, 2006, p.16). However, the transfer was done without any accompanying resources and therefore created a weaker link between the extension officers and cocoa farmers, unlike previously when the Cocoa Research Institute of Ghana (CRIG) and CSD were both under COCOBOD (see figure 7.3 in section 7.3.4). COCOBOD divested itself of all cocoa and coffee plantations and allowed private hauliers to transport cocoa. The cocoa processing factories were also divested, and became autonomous (see section 5.6). Eight new ones were set up including the three world leading grinding companies- Barry Callebaut, Cargill and Archer Daniels Midland Companies (ADM) however, only four were operational in 2009. John Agyekum Kufuor took over from Rawlings as President on 7 January 2001 and continued with the economic reforms. His administration implemented the two major programmes -Cocoa Diseases and Pest Control (CODAPEC) in 2001 and Cocoa High Tech programme in 2003 to enhance cocoa production (see sections 6.17.1 and 6.17.2). These programmes were all part of the 1999 Cocoa Strategy I package for the cocoa sector designed during the Rawlings era.

During the PNDC era (1981-1991) of the Rawlings military regime, the government used the State media to propagate the “revolutionary” ideas. However, the situation changed in 1992 when Ghana returned to a democratic rule and Rawlings became a civilian President. He abrogated the newspaper licensing law which led to the flourishing of the private newspapers while the airwaves were also liberalised when Ghana adopted political liberalisation which gave birth to the 1992 constitution. Consequently, the State’s mouthpiece, the Ghana Broadcasting Corporation lost its radio and television monopoly. There are now over 150 radio stations and 10 television channels in Ghana including rural community radios which have benefitted cocoa farmers. The Kufuor administration also abolished the criminal libel law in 2001 which had been used by governments since colonial times to criminalise the freedom of expression and the media (<http://www.ghanareview.com/int/chief.html>). The government of the PNDC/NDC (i.e. both the military and civilian administrations of Rawlings) for instance, used this law on several occasions to silence journalists and to even jail some of them. The abolishing of this law has thus given great freedom to media practitioners making the media very powerful while the freedom of expression has also immensely enhanced the development of civil society in Ghana. It is worth stating that the 1992 constitution coupled with the above developments have led to a strong opposition in parliament, an independent Judiciary, a vibrant media and the establishment of many active civil groups. The cocoa farmers have now been politically empowered since they choose their members of parliament (MPs) and also the President of the country, the media can now free write about the plight of the cocoa farmers, scrutinise government and COCOBOD policies on the cocoa sector while legislators or MPs of cocoa growing areas and civil society influence the fashioning out of policies to enhance the well-being of cocoa farmers. These new characteristics of the Ghanaian society in general have contributed hugely to shaping national polity which has created a more peaceful and friendly

environment better than what existed in the 1970s and 1980s for economic growth and development notwithstanding the fledgling nature of Ghana's democracy¹¹.

2.16 Conclusion

This chapter has attempted to look at the political economy of Ghana and the development models adopted by the various governments since the country attained independence in 1957. Ghana's political economy has been characterised by a shift from the influential role of the State in the economy (i.e. under Nkrumah, Acheampong and Rawlings-1982-3) to that of the market (i.e. under Ankrah/Afrifa, Busia and Akuffo, Rawlings after 1983 and Kufuor). However in the case of Limann (1979-1981), he was indecisive in opting for any of the two. Ghana became the IMF/World Bank's "star pupil" of Africa after its 1983 reforms, while its partial liberalisation (i.e. "meso model") of the cocoa sector in 1993 which retained COCOBOD is considered a challenge to the Washington Consensus. Ghana has made important strides under these reform measures and is now better than it was in the 1970s and 1980s in terms of growth and increase in productivity particularly in the cocoa sector. However, the economy still remains fragile and poor with low savings and investment, weak institutions, small domestic markets, rudimentary technology and inadequate human capital. The economy is still vulnerable to market failure and external shocks with exports largely dependent on primary products. Ghana has very high transaction costs (Aryeetey and Tarp 2000), therefore there is the need to create efficiency-enhancing institutions which should include effective private markets to reduce these transaction costs to an appreciable level to assist in putting the economy on a vibrant growth path. As North (1990) states, the failure of

¹¹ After the reforms, Ghana has since 1992 had three different constitutionally elected governments and conducted five peaceful elections. The first two governments served their maximum 8 year terms, while the third at the time of the study was serving its first 4 year term.

societies to develop inexpensive ways of ensuring compliance with contracts is the most cardinal source of stagnation in history and of underdevelopment in developing countries (see section 1.1). Respect for property rights, for instance, is key in promoting investment and economic growth. The role of the State therefore becomes paramount in taking bold social, economic and legal measures to remove risks and uncertainties that may exist in the economy and to ensure that private markets and non-institutions function efficiently and effectively. In this wise, one may argue for a strong State but not a voracious one, to establish the necessary regulatory structures because development cannot be achieved without the active participation of the State. The State must promote competition where necessary and limit monopoly power in the absence of competition, hence the need to strike the right balance between the roles of the State and the market (see section 1.1 and Table 1.1). This is why this thesis favours the neo-structuralism development model which attempts to strike this balance albeit with a bias towards the State (see section 1.2 and Table 1.2). Ghana's civil society has also evolved over the years since the country gained independence in 1957 despite severe suppression under both civilian and military governments to become more active in shaping national policies and to contribute towards development particularly after political liberalisation and deregulation of the media landscape in the 1990s. The next chapter discusses the research methodology of the study and the rationale for adopting the approaches used.

CHAPTER 3

RESEARCH METHODOLOGY

3. Introduction

The main aim of this thesis, as set out in the preceding chapters is to analyse the impacts of Ghana's trade liberalisation and globalisation policies on the practices and opportunities of the smallholder cocoa farmers. In particular, the aim is to analyse the effects of the policies on the output and income of the smallholder cocoa farmers as well as their access to basic amenities like good roads, electricity, water, clinics/ hospitals and schools for their children. In effect, the practices, opportunities and general well-being of the smallholder cocoa farmers are some of the key concerns of this thesis.

The overarching research question is: *to what extent have the opportunities and practices of the smallholder cocoa farmers been enhanced or otherwise by Ghana's partial liberalisation policy of the cocoa sector and how has the government assisted cocoa growing areas to take advantage of globalisation.* Out of this, subsidiary research questions were derived (see page 12).

Firstly, an attempt is made to answer this question by using "before versus after" analysis because by having information on the opportunities and practices available to the smallholder cocoa farmers before and after the reforms assisted in assessing any improvement in their well-being or otherwise. Secondly, the qualitative approach was adopted which enabled me to have face-to-face interactions with my respondents to seek their views. Finally, some instruments of the quantitative approach were used in analysing the data to complement the qualitative approach which enhanced the data analysis.

The first part of this chapter discusses the research design, survey and case study approaches used. These approaches helped to understand the perceptions of the smallholder cocoa farmers on their welfare issues, the core concern of the study. The second part of the chapter looks at the data collection process and the stages of data collection. It focuses on the qualitative research method used for the study and examines the structured interview, semi-structured interview and focus group discussions (FGDs), the qualitative instruments used in collecting the data. The rationale for choosing the qualitative method is also discussed. Reliability and validity, the most common criticisms often levelled against the qualitative research method and triangulation are examined. Finally, the challenges on the field and how they were overcome are discussed.

3.1 Research Design

A research design is a strategy or the basic plan of a research. It is the logic behind the research and makes it possible for valid general conclusions to be drawn. It is regarded as the blueprint for carrying out a research project and details the essential procedures for acquiring the information to solve the research problem (Oppenheim, 1992; Malhotra and Birks, 2007). A research design thus offers a framework for data collection and analysis, for example, using the qualitative or quantitative method to collect and analyse data; and designing and pretesting questionnaires. Questionnaires were designed and tested for the structured interviews (see section 3.11 Stage 2). The Special Package for Social Sciences (SPSS), an instrument of quantitative approach was also used to analyse the data collected (see section 3.16). The pilot study or pretesting of the questionnaires helped me to fine tune the questions while the use of SPSS assisted me to condense the massive data collected when I was analysing them. According to Bryman, in choosing a research design a decision is made about the importance the researcher attaches to the following:

1. expressing causal connections between variables
2. generalising to larger groups of individuals than those actually forming part of the investigation
3. understanding behaviour and the meaning of that behaviour in its specific social context
4. having a temporal appreciation of social phenomena and their interconnections

(Bryman, 2009, p.31).

The focus of study was to understand the attitudes and behaviours of the smallholder cocoa farmers in relation to the reform measures, the interconnection between these measures and their well-being to be able to generalise the findings. Hence, the rationale behind adopting some instruments of the quantitative method in addition to the qualitative method. A research design may be generally classified as exploratory or conclusive (descriptive/causal). An exploratory research is carried out to understand conditions, causes of events and actions. It is flexible and evolves a method to comprehend phenomena. The conclusive research design on the other hand aims to test specific hypotheses and mainly examines relationships. It measures clearly defined phenomena. This study can be classified as conclusive because it examined the well-being of the smallholder cocoa farmer which is a clearly defined phenomenon and tested hypotheses. The case study and survey approaches were used.

3.2 The Survey and Case Study Approaches

In social science there are five primary research strategies for data collection. These are experiment, survey, history, a case study and analysis of archival records (Yin 2009, pp8-9).

In this section efforts are made to justify the use of the survey and case study approaches

employed in the study. The case study was within the survey hence the two are not mutually exclusive. A case study approach is usually adopted when researchers desire to comprehend intricate social phenomena and in this case the well-being of the smallholder cocoa farmers who form the bulk of Ghana's cocoa industry. According to Yin, the case study approach enables "investigators to retain the holistic and meaningful characteristic of the real- life events" (Yin, 2009, p.4), for instance, small group behaviour, organization and managerial processes, individual life cycles and international relations. In effect, case studies are used to enhance our knowledge of complex social, political and economic phenomena particularly when the boundaries of a phenomenon and a concept are not that clear (ibid). Case studies also allow a detailed study of a particular subject matter from different perspectives and are preferred when examining contemporary events and when relevant behaviours can hardly be manipulated by the researcher. They have a unique advantage of being able to deal with a general variety of evidence like documents, interviews, observations and artefacts (ibid, p. 11).

A survey research on the other hand encompasses a cross- sectional design by which data are collected mainly by questionnaire or structured interview on two or more cases at a single point in time so as to collect a body of quantitative or quantifiable data regarding two or more variables to identify their patterns of association (Bryman, 2009, p.46). Yin (2009) states that if a researcher wants to know the "what" outcomes of a government programme, a survey could be used to provide the answers while if s/he needs to know "how" or "why" the programme had worked s/he will rely on a case study. In this study, the purpose was to find out the outcome of the government implemented economic reform measures in the cocoa industry, and how they had impacted on the well-being of smallholder cocoa farmers. Hence, it was found useful to combine the case study and survey methods.

However, I am cognisant of the criticisms of the case study approach. Firstly, it is criticised for lacking academic rigour or a researcher not following systematic procedures and allowing his/her biases to influence his/her findings and conclusions. Secondly, it is also not “generalisable” because it does not represent a “sample”. But Yin contends that if great care and attention are given to the collection and evaluation of evidence, a case study can overcome these limitations and contribute to a theory development and generalisation of propositions. A previously developed theory can therefore be used as a benchmark for comparing the empirical result of the case study to obtain “analytic generalization” or to “generalize theories” (Yin, 2009 pp.14-15). I combined the case study with the survey approach by choosing a sample size of 400 and used structured interview which requires adherence to a systematic procedure and therefore was able to address these limitations. By doing that, the two methods complemented each other and enhanced the data collection.

Additionally, the well-being of smallholder cocoa farmers after the reforms in the cocoa sector in 1993, which is the purpose of this study, is a contemporary phenomenon and will be better achieved if the analysis is made through a case study approach. In seeking to improve Ghana’s cocoa output, the welfare of the smallholder cocoa farmers has been considered significant by various governments especially after the economic reforms in 1993. What is of interest is whether the right policies have been implemented to achieve this. Considering the fact that I have no control over the behaviour of all the stakeholders -the IMF and the World Bank officials, Ghana’s policy- makers, foreign donors and cocoa farmers, this strengthens the reason why I decided to use the case study approach in particular instead of using other methods. The hypotheses of the study: (i) *H1. Government policies on liberalisation and globalisation affect the practices and opportunities of the smallholder cocoa farmer in developing countries;* (ii) *H2. Many developing countries have failed to take advantage of*

globalisation to enhance the growth of their economies;(iii) H3. *Institutional structural changes during reforms impact on a country's reform measures;* were developed on the assumption that the case study would provide enough materials to test them, and add to the knowledge and understanding of how the well-being of smallholder cocoa farmers in general could be dovetailed into the IMF and the World Bank's policy recommendation for economic reforms of the cocoa sector. To strengthen the triangulation of empirical evidences of the study, I used research instruments like structured and semi-structured interviews and focus group discussions (FGDs), and documentary analysis to investigate the living standards of smallholder cocoa farmers. The next section looks at the rationale for adopting the qualitative method for the study.

3.3 Rationale for the Choice of Qualitative Research Method for the Study

A researcher has two main research methods to choose from when conducting a research in social science. These are qualitative and quantitative approaches. Both methods depend on the way the researcher decides to collect, treat and analyse the data. In West Africa and particularly Ghana most cocoa farmers are less educated or have no formal education (Ogunlye and Oladeji, 2007; Osei-Akom, 1999), therefore the qualitative research method was mainly used because the majority of the smallholder cocoa farmers, my core respondents, were illiterate. Hence, the interviews (semi-structured and structured-interviews or questionnaire administration) and focus group discussions (FGDs) were conducted in their own dialect and gave them the opportunity to fully express themselves during the face-to-face interviews. The face-to-face interview method also gave me an added advantage to observe "social cues" like the body language, voice and intonation to gain additional information to add to whatever verbal responses the respondents gave (Opdenaker, 2006, Badu-Addo, 2010). The social cues enabled me to measure the resentment expressed by the respondents

against the government in general and COCOBOD¹² in particular for the lack of concern for their well-being or appreciation of what has been provided them. The flexibility of the approach allowed the respondents to be more relaxed during the interviews which offered me the opportunity to probe for further emphasis of their responses. This assisted me to understand the world of the cocoa farmers from their view points and experiences.

The qualitative method was also considered appropriate because I wanted to get closer to the smallholder cocoa farmers, place their attitudes and behaviours in the context of their social setting and “see the world through their eyes” as it were. In Ghana where the study took place the smallholder cocoa farmers live in towns, villages, hamlets and on their farms, and these were where they were interviewed giving them the opportunity to freely express themselves within their social setting with the environment not intimidating them. By using the qualitative approach, I was able to capture the exact words and feelings of the cocoa farmers which allowed for a more lively analysis of the issues underpinning their well-being, the main research problem. Additionally, it enabled me to capture the various perceptions of the views of the respondents on how their well-being could be enhanced. The cocoa farmers also felt better with the opportunity they had to ask for clarifications and to put their views across which assisted me in finding answers to my research questions like: (i) *How has the annual increase in the producer price since the economic reforms enhanced the well-being of the smallholder cocoa farmers?*, and (ii) *What specific programmes/projects if any have been/were designed for smallholder cocoa farmers under the reform policy and how have such programmes affected the well-being of these farmers?*

As Yin (2009) states, the type of research questions asked, the extent of control the researcher has over actual behavioural events and the degree of focus on contemporary as

¹² Smallholder cocoa farmers considered government and COCOBOD as one and hardly differentiated between the two.

against historical events are three major conditions that guide the researcher in deciding which method to use. The above research questions and contemporary nature of my research theme -*the impact of the 1993 cocoa sector reforms on the well-being of the cocoa farmers*; also influenced my decision for the qualitative method because I thought interviews would be the appropriate instruments to elicit the needed responses to test the hypotheses of the study as well.

Another reason for deciding on the qualitative approach for the study was that, it provided maximum opportunity for complete and accurate communication between me and my respondents and guided my desire to get to know what they think. In effect, I wanted to get into their minds, to see and experience the world as they see it and to gauge their feelings on their welfare. The approach also allowed me to make specific observations and to draw inferences. It enabled me to comprehend the respondents' way of life and to ascertain their views on how their well-being has been affected since the cocoa sector reforms in 1993, the core problem of the study. These opportunities would not have availed themselves if I had chosen the pure quantitative approach of a self completed questionnaire.

Quantitative research method on the other hand emphasises quantification in the collection and analysis of data. It comprises a deductive approach between theory and research and considers the testing of theories as important unlike the qualitative method which relies on inductive approach. It also integrates the norms and practices of natural science and considers social reality as an external objective reality that is beyond the influence of the individual (Bryman, 2009, p.22). Quantitative approach thus analyses social problems by selecting concerns of interest for the researcher which are then measured and analysed through statistical procedures in an effort to comprehend whether generalisation of a determined theory is true or false. In the literature, the main difference between the use of quantitative

and qualitative data collection approaches is the accuracy of quantitative approach and its ability to capture complex issues, especially in numerical order. By contrast, qualitative data are not easily converted into a numerical format and require to be analysed using a different set of techniques or by converting them into a coding format that conforms to the quantitative data technique. The study incorporated some aspects of quantitative technique by highlighting the views of respondents in frequencies and percentages using the Statistical Package for Social Sciences (SPSS) software as stated earlier. This is because it is the closer way to currently perform a real data analysis using a quantitative technique (Bryman, 2009). Though many writers on methodological issues consider it useful to distinguish between the two methods, others find the difference nebulous while to others such a difference does not exist. Based on my experience of using some aspects of the quantitative approach to complement the qualitative method in this study, I will also argue that qualitative and quantitative models should not be portrayed as two distinct epistemologies that cannot be fused together by a researcher (Bryman, 2009).

3.3.1 Critique of the Qualitative Method

The qualitative approach is however criticised on grounds of subjectivity, lack of reliability or replication of the study and inability to generalise the findings, especially when participant observation is used or unstructured interviews are conducted. There is also the concern of lack of transparency as to what the researcher did and how the conclusions of the study were arrived at (Bryman 2009). To address these limitations of the approach, the semi-structured and structured interviews which require following systematic procedures were used to collect the data in this study. In addition, a sample size of 400 (see section 3.8) was chosen while the simple random method was used in selecting the cocoa districts of respondents which addressed the issue of generalisation. Information gleaned was also validated and verified

through FDGs and documentary sources. In evaluating and interpreting the findings the variables of the constructed analytical frameworks were used which ensured transparent explanation of the findings.

3.4 Reliability and Validity

Reliability and validity as noted above are criticisms usually levelled against the qualitative research method. Reliability is concerned with how the results of a study can be repeated. This means a second researcher should be able to follow the same steps described by the original researcher to conduct the same study and arrive at the same findings and conclusions. Therefore, to address the problem of reliability a researcher must endeavour to stipulate all operational steps taken during the study (Bryman, 2009; Yin, 2009). The data collecting methods used and the subsequent analysis should thus have multiple sources of evidence, a case study data base, and a chain of evidence linking the questions asked, data collected and conclusion drawn (Yin, 2009). Morse *et al* (2002) also state that a research is valueless without rigour, for it becomes a fiction and cannot be used. According to Bryman, “validity is concerned with the integrity of conclusions that are generated from a piece of research” (Bryman, 2009, p.32). That is why reliability and validity need to be given the due attention in a research. To address the reliability and validity concerns, several operational steps were meticulously adopted in this study during the semi-structured interviews, the administration of questionnaires or structured interviews and focus group discussions (FDGs). For instance, rigorous and realistic steps were taken in designing, administering questionnaires, piloting, coding and analysing. These steps are well stipulated and discussed in the subsequent sections (i.e.3.7 and 3.8) of the chapter.

However, since qualitative research method does not generate actual figures as much as quantitative approach does, it becomes essential for anyone using the qualitative approach in

a research to ensure that the data collected for analysis are credible, transferable, dependable and can be confirmed in order to establish trustworthiness or validity (Guba and Lincoln, 1982; Shields and King, 2001). Hence, in designing a study, analysing results and assessing the quality of a study, validity and reliability are two key factors that should be of prime concern to the researcher (Patton, 2002). According to Mason, validity refers to whether “you are observing, identifying, or ‘measuring’ what you say you are” (Mason, 1996, p. 24 cited in Bryman, 2009, p. 376). It thus refers to whether an indicator designed “to measure a concept really measures the concept” (Bryman, 2009, p. 151). For example, a question like: Q11. *What is the size of your current cocoa farm?*, which I asked was intended to know the number of acres or farm size of each respondent (see Appendix 3E)

Though reliability, validity and generalisation (i.e. the main aspect of external validity, meaning the degree by which a study can be duplicated) are criteria in quantitative research they can be applied in qualitative research if one can methodologically follow their required discipline and convention as was done in this study. Triangulation was also used to guarantee reliability and validity (Patton, 2002) because by combining the structured and semi-structured interviews, FGDs, (i.e. recording the semi-structured interviews and FGDs), documentary analysis and observations, it ensured the achievement of trustworthiness and confidence in the findings of the study.

3.5 Triangulation

According to Creswell and Miller triangulation is “a validity procedure where researchers search for convergence among multiple and different sources of information to form themes or categories in a study” (Creswell and Miller, 2000, p.126). In effect, triangulation is the use of more sources of data which enables the researcher to double check on the findings (Denzin, 1970; Bryman, 2009). In respect of this, semi-structured, FGDs and documentary

materials were used to complement the structured interviews and to enhance the data collected to create confidence in the findings of the study. It is argued that triangulation also encourages creative data collection. The next section discusses the data collection process.

3.6 The Data Collection Process

The data-collection process began at the very beginning of the PhD programme in October 2006 with the review of literature which lasted until February 2009. The literature enhanced the construction of appropriate questions for my field work. It also helped me develop the two analytical frameworks for the study as noted earlier. Two different field trips were made to Ghana to collect the data. The first which was the main field trip was in February and lasted until June 2009, while the second was in June 2010. The second visit was used to collect supplementary data. The following data collection activities were carried out at two levels in London and Ghana.

1. Interviews (semi-structured and structured)
2. Sampling
3. Piloting.
4. Questionnaire Administration and Focus Group Discussions (FGDs) in the study areas in Eastern, Ashanti, Brong Ahafo and Western- the four leading cocoa producing regions in Ghana.
5. Documentary analysis- reviewing reports, studies, publications like books, journals, news papers and other relevant documents on the study.

3.6.1 Interviews

Bryman (2009) contends that interview is perhaps the most commonly used method in qualitative study. Interviews, according to Yin (2009), are important when much information is to be collected in a relatively short time and where the interviewee's perspective is vital in providing answers to research question(s). I had a relatively short time for the field work (i.e. about four months) to collect data in Ghana and in addition, the views of the cocoa farmers were vital in finding answers to the research questions, hence interviews were considered appropriate. Interviews also have the advantage of targeting or focusing on case study topics and being astute in giving perceived causal inferences and explanations. The structured and semi and structured interviews were used in this study as noted above.

3.6.2 Phase 1 of the Data Collection Process

The first phase of the data collection took place in London using the semi-structured instrument. First, the Manager of Cocoa Marketing Board (COCOBOD), United Kingdom, I interviewed at the London office in December 2008. We chose a quiet location outside his office to avoid interruptions like phone calls during the interview. He gave me a general overview of the activities of COCOBOD particularly the forward sales functions of his office. I later borrowed some books from their library which gave me more background information about my study area and assisted me in fine tuning my research questions. Second, through my supervisor I had the opportunity to interview the former IMF representative to Ghana now in London in January 2009. This meeting also took place at a quiet location outside her office with the same reason of avoiding phone calls and other interruptions during the interview. She also gave me an overview of the operations of IMF in developing countries in general and Ghana in particular. After the interview I got to know more about how the IMF monitored the implementation of the recommended policies in Ghana. She also arranged for

me to interview the current IMF and the World Bank's representative in Ghana (see Appendix 7E) during my field trip which paved the way for me to have more information on the IMF and the Banks's activities in Ghana which was useful. On both occasions we agreed on the time for the interview but that was not strictly observed because at some point in time the interviewees got carried away. Their responses also generated many follow-up questions.

3.6.3 Phase 2 of the Data Collection Process

The second phase of the data collection took place in Ghana and the activities were carried out in 4 stages:

Stage 1: The Preliminary Interview at COCOBOD

The first stage began with my preliminary visit to the Headquarters of COCOBOD in Accra¹³ on 5 February 2009, the next day that I arrived in Ghana. I relied on my personal relationship with some officials at COCOBOD to immediately arrange interview appointments. Another advantage I had was that as a former Host of one of the most popular sports programmes on Ghana Television¹⁴, I am well known in the country which "opened doors" and made it easier for me to arrange interview appointments throughout the field study because most people were eager to talk to me and to assist as well. Generally, Ghana is a sports loving nation and football is like a religion hence, my popularity. Nonetheless, I had to send an official request letter to the Deputy Director of the Research and Development, stating the questions to be discussed and also attached a letter from my University stating that I was carrying out the research purely for academic purposes (see Appendix 3A). I did same with most of the institutions that I conducted the semi-structured interviews (see Appendix 3B).

¹³ In 1877 Accra became the capital –city of Gold Coast (now Ghana). It doubles as the capital of the Greater Accra Region.

¹⁴ Ghana Television is part of Ghana Broadcasting Corporation. Until 1997 it was the only television station in the country and even though there are about 10 TV stations in the country now, it is the only one that covers the entire nation.

The questions were e-mailed to respondents or embodied in a letter sent personally. I used the snowball technique throughout the data collection period. Nonetheless, there was the need for patience because of cancellations and re-fixing of appointments and follow-ups which became necessary. The respondents willingly agreed for the interviews to be recorded after their consent had been sought with the exception of one respondent (a Senior Manager of one of the LBCs), who declined this request so I had to write his. The recording of the interviews was essential to ensure that whatever the interviewee said was captured. The small portable digital audio-recorder I used was easy and convenient to handle.

The first interview in Ghana was with the Deputy Director of Research and Development of COCOBOD. I decided to interview him first to enable me have more insight into COCOBOD's operations in Ghana which served as a guide and assisted me during my interviews with the other respondents. At the time of the study, the Deputy Director was the Acting Head of the Research and Development Department¹⁵ because the head was on annual leave. The interview with him was significant and beneficial. It centred on the recommended economic reform policies by the IMF and the World Bank implemented by COCOBOD particularly the annual producer price increases, the liberalised internal cocoa market- the roles of the licensed buying companies (LBCs), the regulatory role of COCOBOD, and the operations of the cocoa processing companies. This interview enabled me to obtain detailed information on COCOBOD's operations in Ghana. After the interview he gave me supporting documents and relevant secondary materials. The opportunity was utilised to obtain current information and documents on the cocoa regions, districts and farmers which helped me in choosing my sample size and in choosing the cocoa districts through simple random

¹⁵ The Research and Development Department keeps the data of Cocobod's operational activities.

sampling. The materials also helped me to develop some of the questions for the questionnaire and subsequent interviews. He also arranged for me to interview other COCOBOD officials as well.

The semi-structured interview instrument was used to interview all the representatives of the institutions (see Appendix 3B). The questions were sent to them prior to the interview date and helped them to prepare as well as giving me the opportunity to get the best out of them. In addition, the questions serve as a guide against deviations. Polite promptings were used to stem rambling or going off on a tangent, a key problem of the approach. To address the other problem of time wasting, I always agreed with the interviewee on the time allotted for every interview at its onset. In most cases it was respected, albeit not on all occasions because of telephone calls and other unanticipated interruptions. Telephones could not be put off because of the risk of missing important calls from superior officers. After every interview the recording was transferred onto a laptop, well labelled or coded and stored safely. The advantage of the digital recording is that it allows for several play backs especially when listening to any unclear portion without any risk of damaging the recording (Bryman, 2009). This made transcribing the interviews easier with less difficulties of mishearing. Additionally, recording and transcribing the interviews enhanced my memory of what the respondents said, allowed me to repeat their answers and to further examine them again. Another advantage of the recorded data is that they can be subjected to public scrutiny by other researchers, and also assist me to counter an accusation that my analysis has been influenced by my biases and values. The data can also be reused in other ways from what they were intended for (Heritage, 1984, p.238 cited in Bryman, 2009, p. 451).

Most of the semi-structured interviews were conducted in the Greater Accra region, precisely Accra and Tema where the companies had their Head Offices, apart from the ones with representatives of West Africa Mill Company (WAMCO) which took place in Takoradi in the Western Region where the company is located (see figure 3.4 below). The interviews with these institutional representatives were structured into two phases. The first phase interviews were mostly with COCOBOD officials which did not only help me to fine tune my questionnaire but also provided me with some relevant information on the implemented government and COCOBOD programmes for the cocoa farmers like the mass spraying of cocoa farms against insect pests and diseases and distribution of fertilizers to cocoa farmers. The second phase was after my interactions with the cocoa farmers (i.e. questionnaire administration) which also armed me with concerns of the cocoa farmers and also helped me to structure some of my questions especially for COCOBOD officials who were interviewed during the second phase. The objective was to double check on the information respondents provided which enhanced the data collected. For example, when a COCOBOD official claimed the mass spraying programme was “a great success”, during my interview with him, some limitations like spraying done at the wrong time, shortage of insecticides/pesticides on some occasions and frequent break down of spraying machines which farmers had made me aware, were politely pointed out to him. The official then admitted these shortcomings and said efforts were being made to rectify them. The next stage after the first phase of the semi-structured interviews, was choosing a sample size and study area.

3.7 Choosing a Sample Size and Study Area

Cocoa is produced in six of the 10 regions of Ghana (see figure 2.1 in section 2.2). These are Eastern, Ashanti, Brong Ahafo, Western, Central and Volta. However, COCOBOD has

divided the cocoa regions into Eastern, Ashanti, Brong, Western North, Western South, Central and Volta for administrative convenience but in this study Western was regarded as one cocoa region due to lack of time and resources. According to Barrientos *et al* (2007), the estimated total number of smallholder cocoa farmers in Ghana is 720,000 but COCOBOD puts the figure at 1 million with 500,000 cocoa farm units and a cultivated area of 1.6 million hectares (2006 farmers' census –Ghana Cocoa Board, 2009). Out of this population a sample size of 400 was chosen for the study. The main reason for deciding on 400 was due to lack of time and resources. Even though the literature states that the larger the sample size the greater the precision because the amount of sample error will be reduced, Bryman (2009) argues that it is the *absolute size* of a sample that is important and not the *relative size*. This is because the probability sample of a small population has as much validity as that of a larger one.

Malhotra and Birks (2007) state that, the aim of most research is to obtain information about the characteristics of a population which could be obtained through taking a census or a sample. Sampling techniques may be classified as probability or non-probability. Non-probability sampling relies on the judgement of the researcher and on chance procedures whereas with probability sampling each member of the population has an equal opportunity of being selected for the sample. In this study purposive sampling¹⁶ was used in selecting the cocoa regions, while the districts and the communities were selected by using simple random sampling. Out of the six cocoa producing regions Western, Ashanti, Brong Ahafo and Eastern were selected for the study. They were selected based on their past production records but emphasis was placed on their national production average figures for 2006/07 and 2007/08

¹⁶ Purposive Sampling is a sampling technique that allows the researcher to select units of analysis by using the criteria that will ensure that the research questions are answered.

seasons, the latest two seasons before the study (see Table 3.1 below) . However, Eastern region was also selected because it is the cradle of Ghana’s cocoa industry.

Apart from the estimated national figure, regional and district figures of cocoa farmers could not be obtained, hence a figure of 100 respondents (i.e. 400÷4) each was allotted to the four leading cocoa producing regions. Then 4 districts each were selected from Eastern, Ashanti and Brong Ahafo and 9 from Western by simple random sampling. Eastern has 10 cocoa districts, Ashanti 15, Brong Ahafo 9 and Western 25. Nine districts were chosen from Western because apart from having the greatest number of cocoa districts in the country it also produces an average of more than 56%¹⁷ of Ghana’s output (see Table 3.1 below) or about 10% of the global output since Ghana produces 20% of the global output (www.icco.org).

Table 3.1 Annual Regional Cocoa Production

Region	2006/07 Season (National %)	2007/08 Season (National %)	Average (%)
Western	*58.6	54.2	56.4
Ashanti	15.5	18.5	16.9
Brong Ahafo	10.7	9.9	10.3
Eastern	8.3	8.2	8.3
Central	6.8	9.1	7.9
Volta	0.10	0.10	0.10
Total	100	100	100

Source: Author *Figures rounded to the nearest decimal point.

In all, 21 districts were selected by simple random sampling as stated earlier out of a total of 67 for the study (see Appendix 3C). The figure of 100 respondents for each region was

¹⁷ This average figure is based on 2006/07 and 2007/08 figures but according to COCOBOD’s record Western Region produces about 60% of the national output.

further divided by the selected number of districts. Each district in Eastern, Ashanti and Brong Ahafo had 25 respondents while apart from Enchi which had 12 because it is the leading cocoa producing district in Ghana, all the other districts in Western region had 11 respondents (see Table 3.2 below).

Table 3.2 Selected Cocoa Districts for the Study

Region	Selected Cocoa Districts
Eastern	Achiase, Akoase, Kibi/Ayinam and Suhum
Ashanti	Bekwai, Mankraso, Nhyinahin and Nkawie
Brong Ahafo	Goaso/Mim, Kukuom, Sankore and Sunyani
Western	Bogoso, BonsuNkwanta, Dadieso, Debiso (Essam), Enchi, Juabeso, Kaase (Essam), Manso Amenfi and Samreboi

Source: Author

Twenty Purchasing Clerks (PCs) in the study area were chosen by purposive sampling for interview (semi-structured). In addition, 3 processing companies were also chosen by purposive sampling (one in the Tema a free zone area, one outside the Tema free zone but both in the Greater Accra region, and one in Takoradi, in the Western region). The next step was piloting and testing of the questions of the questionnaire for the smallholder cocoa farmers, the core respondents of the study.

3.8 (Stage 2): Piloting and Testing of Questions

In doing a pilot study it is best to select a small set of respondents similar to the population of the study (Bryman, 2009). The pilot study for this thesis was thus done in a small cocoa farming community in the Koforidua/Tafo cocoa district which was not one of the sampled districts. Four university graduates with research backgrounds were recruited to assist me on the field. Three of them were graduates in Agricultural Science and the other in Mass

Communication. Two of the three Agricultural Scientists were research assistants at the Cocoa Research Institute of Ghana (CRIG) at Tafo and the other also a research assistant at the Department of Crop Science at the University of Ghana. Before the piloting exercise they underwent training. Firstly, they were made aware of the importance of keeping to the wording of the questions to be asked since a small difference in wording could impact on the interviewee's responses. Secondly, the need for them to write down exactly the answers given by respondents especially for the open-ended questions as this could introduce errors. Thirdly, the need to follow clear instructions to go through the questions in an orderly manner as scheduled attaching importance to filter questions so that some respondents are not asked questions that may not apply to them to waste their time or bore them. Following the order of the questions was also essential to avoid the problem of forgetting to ask those questions which had been leapfrogged. Finally, the interviewers were taken through all the questions to ensure that they understood them. The rationale of this training was to avoid interviewer variability in asking questions and recording answers. Since they had some research experience they were able to easily grasp what was required of them without difficulty.

The pilot study was helpful because it enhanced the confidence of the research assistants. It also helped me to reduce the number of questions from 180 to 160 because it took more than an hour to complete one questionnaire and the respondents appeared tired and lost concentration. Some of the questions were revised especially the open-ended ones which appeared uncomfortable to respondents. For example, "*Do you follow the advise of extension officers to produce quality cocoa for the market?*" was revised to "*How do you ensure producing the right quality of cocoa for the market?*" because the farmers complained of the lack of services of extension officers in their community for many years. The piloting helped me to reshuffle the questions in the order preferred by the farmers which enhanced the

questionnaire. Additionally, I learnt some of the names and terms used by the cocoa farmers. For instance, “brun” for fermentation; “anonom” for black pod disease, “akate” for capsid, and “nkrampan” for mistletoe (i.e. a cocoa tree parasite) relevant to questions on “Pest Management”: E.g. Q. 32 “*Do you currently have problems with pests on your cocoa farm?*” Q.33. *If Yes what type of pests do you encounter?*”(Appendix 3E). The responses of the respondents were “*akate, anomom, nkrampan*”, etc. The questionnaires were administered in the local *Akan*¹⁸ dialect spoken by all the respondents, the research assistants and myself. Hence, there was no linguistic barrier which enabled the respondents to freely express themselves. I realised that the respondents felt much at home as they spoke in their dialect and their body language gave cues as to how they felt and added to the unspoken responses. This was significant so during the actual data collection these body languages or social cues were observed and given much consideration.

The piloting of the questions for the PCs was also done in the same district which helped to revise some of the questions. For example, questions like *Do you sell some of the cocoa you purchase to any of the Multinational Companies (MNCs) now processing cocoa in Ghana?*, and *If “No” why?* This was because processing companies could only buy from COCOBOD and not from the LBCs, and also LBCs purchased cocoa only for COCOBOD.

I explained the import of the exercise to the cocoa farmers before it commenced and then spent an hour to observe how the research assistants conducted the interviews. I paid attention to how the questions and instructions were read, especially the filtered and probing questions, and recording of responses particularly what was exactly said. I was also concerned with the effect of the interview style on replies of interviewees to ascertain if the research assistants did exactly what they were taught at training. After being satisfied I joined

¹⁸ Akan is the dialect spoken in the study area and by majority of Ghanaians. It comes close to a national language.

them. The exercise lasted for almost the whole day after which the team met, did a review and consequently revised the questions flagged for revision during the exercise.

3.9 (Stage 3) Questionnaire Administration/Focus Group Discussions (FGDs)

The third stage was questionnaire administration and focus group discussions (FGDs) in the selected four (4) cocoa regions. FGDs help to elicit different views on a particular issue and are considered more naturalistic because they reflect the process through which meaning is made out of every day life which gives the researcher the opportunity to study the ways individuals collectively construct meanings around a phenomenon (Bryman, 2009). I started the questionnaire administration in Eastern Region because it was convenient after having carried out the pilot study there (see Appendix 3D). In each district the geographical location of the cocoa farming community was considered an important factor in its selection. This is because the study was interested in knowing if any differences existed in the well-being of cocoa farmers in “rural towns” and those in “rural villages/hamlets”. Those geographically closer to the regional or district municipal capitals or towns with better access roads (i.e. tarred or feeder) linking them to these capitals or towns constituted the “rural town smallholder cocoa farmers” while those geographically further away and with poor feeder roads or lacking accessible roads were the “rural village/hamlet smallholder cocoa farmers”. Availability of basic amenities like electricity, potable water, clinics and schools was also considered an important criterion. Non-probability sample technique was used in selecting two each of “rural towns” and “rural villages/hamlets” in the districts because information obtained from the district cocoa offices on the geographical locations of the cocoa towns, villages and hamlets was found not enough to merit selecting by simple random. Additionally, farmers had two or more farms at different locations while others live on they farms. Out of the 25 respondents allocated to each district 12 were allotted to “rural

villages/hamlets” and 13 to “rural towns”. The limitation here was that due to time constraint only cocoa farmers present at a location were interviewed or selected for the FGDs. To minimise this “error of exclusion” market days or non farming days were mostly chosen for the exercise to ensure meeting most of them.

Mindful of ethical principles like harm to respondents, lack of informed consent, invasion of privacy and deception of respondents (Bryman, 2009), at every location before the commencement of the questionnaire administration and FGDs, I first introduced the research team to the respondents, told them of the purpose of the study, why they had been chosen and the voluntariness of the exercise, that is, no one was under compulsion to participate. The consent of the respondents was first sought and they were made aware that it was purely for academic purposes and the letter given to me by the University for the data collection was used to support it. Respondents were also assured of confidentiality. Names were not required on the questionnaire (see Appendix 3E), but those who took part in the FGDs willingly gave their names. Their identities were nonetheless concealed as was assured during the analysis of the data. The interviews were conducted in the local *Akan* dialect spoken by all the respondents. Hence, there was no linguistic barrier which enabled the respondents to freely express themselves. They felt much at home as they spoke in their dialect and their body languages gave cues to how they felt on questions asked as was noticed during the piloting.

To complement the questionnaire, FGDs were also held. A total of 27 FGDs were held during the study, 13 in “rural towns” and 14 in “rural villages/hamlets”. They were held at convenient places like a house or under big trees with little or no interruptions (see figure 3.5 below). In the rural towns, it turned out that some of those who constituted the group had travelled from various farming villages especially during market days which gave a wider

representation of the cocoa farmers in the district. This was common in Western Region and led to more FDGs being held in some of the district capitals or towns (see Appendix 3F).

Figure 3.1 Farmers Participating in Focus Group Discussions



Cocoa farmers at FGD in a “Rural Village” Cocoa Farmers at FGD in a “Rural Town”
Source: Author 25/02/09 18/03/09

I always led the discussions which were guided by key topics in the questionnaire (see figure 3.1). The rationale was to have the views of those not selected for the structured interview on the same topics (see Appendix 3G). Individuals argued with each other and views were challenged which gave me pragmatic account of their thoughts. In addition, it was an opportunity to learn how individuals collectively understood the topics. A total of 300 smallholder cocoa farmers took part in the FDGs held at 27 different locations (Appendix 3F). The recordings of the FDGs were labelled and transferred on to the laptop at the end of each day’s programme. On the other hand, the questionnaire was administered on “one on one” basis where the research assistants and I interviewed a respondent at a time and asked the questions in the order as stipulated in the questionnaire. Before joining the assistants, I spent about an hour each day to access and monitor the way and manner the research assistants conducted the interviews to ensure they did it in accordance with how I had

instructed or taught them. In monitoring, I was particularly more concerned about whether the research assistants asked the questions correctly, orderly and got the best out of the respondents. Of the four research assistants used in Eastern region, the two from CRIG were familiar with research interviews with cocoa farmers since as part of their official duties they conducted interviews with cocoa farmers from time to time while the other two also had experience with research studies. It was therefore not difficult for them to grasp the import and objectives of the study. Additionally, language was not a barrier because all the research assistants and I spoke the local dialect (*Akan*) which the respondents spoke and understood as indicated earlier (see section 3.9), hence it was easier for them to conduct the interview in the *Akan* dialect and to relate with the respondents. It was also easier for me to monitor and to assist them whenever necessary and did periodic monitoring as well in the course of the exercise. We usually had about an hour's lunch break so I used part of the time to go through the completed questionnaires to check on the recordings and any errors detected were corrected and discussed to avoid a repeat. I also reviewed the administered questionnaires before the commencement of the next day's activities. In addition, each morning, before the start of work I held a meeting with the research assistants and any errors detected in the recordings of the previous day's exercise were also corrected and discussed to avoid a repeat while the day's plans were outlined and also discussed. All this was done to ensure interviewer consistency and to reduce any inconsistency to the barest minimum. This was the approach used to monitor and supervise the work of the research assistants during the data collection throughout the field study. It is important to state that the research assistants were initially not related to the study but became attached to it as the field work progressed. The two assistants from CRIG for instance, saw the study as having a bearing on what they did at the institution and were even known to some of the respondents at some of the locations because they often related with them. The research assistant from the University of Ghana

also knew a lot about cocoa as an agricultural scientist and saw the study as a field work so was enthusiastic about it while the other saw it as an opportunity to know more about the cocoa sector and to meet the cocoa farmers she had read much about. The exercise in Eastern region lasted for one week.

Due to lack of resources the team could not continuously stay in the field and usually had to break for two weeks after finishing with each region before going to the next. The breaks were also used to make appointments for the next visit using personal contacts and snowball technique. Photocopies of relevant materials like questionnaires to be used at the next region were also made during this period. From Eastern region we went to Ashanti in the first week of March 2009 and spent 8 days there (see Appendix 3D). Two (2) research assistants were used in Ashanti Region (see Appendix 3H) and the same monitoring and supervision practice as stated above was adopted to supervise and monitor the research assistants to ensure consistency and to avoid interviewer variability in asking and recording the answers. The next region was Brong Ahafo and this was the last week in March 2009. We spent 10 days there and one research assistant (i.e. the one from the University of Ghana) was used. At this point because he had been with me through out the field study, he had imbibed the rationale of the study and become very conversant with the research questions and in relating with the respondents as well. Nonetheless, I never relented on my monitoring, supervision and consistency practice. We finished off in Western region where we spent 14 days because of the high number of districts (i.e. 9). Again only one research assistant (i.e. from the University of Ghana) was used. The number of research assistants was reduced because it became necessary for me to cut down on cost due to financial constraints.

The purchasing clerks (PCs) of some of the LBCs were also interviewed in their offices or depots and farm gates at the various locations visited using the semi-structured approach (see

Appendix 3I). I conducted this interview alone because they were only 20, two each from the companies in Table 3.3 below who operated in the study areas (see Appendix 3 J).

Table 3.3 Names of the LBCs whose Purchasing Clerks (PCs) were Interviewed

1. Produce Buying Company (PBC)
2. Akuafo Adamfo Marketing Co. Ltd (AAMC)
3. Transroyal Ghana Ltd. (TGL)
4. Armajaro Ghana Ltd. (AGL)
5. Adwumapa Buyers Ltd (ABL)
6. Olam (Gh) Ltd. (OLAM)
7. Royal Commodities Ltd (RCL)
8. Diaby Company Limited (DCL)
9. Federated Commodities Ltd. (FCL)
10. Cocoa Merchants (Gh) Ltd. (CMGL)

As noted earlier, at the time of the study 26 LBCs had registered with COCOBOD (see Appendix 3 K) but apart from PBC which operated in the whole country, most of them restricted their operations to certain cocoa farming communities.

3.10 (Stage 4) Interviews with Representatives of Institutions

The study entered stage 4 after the questionnaire administration when key personalities with expert knowledge in the cocoa industry were also interviewed. In all, twenty-seven key individuals were interviewed (see Appendix 3B). The interviews with present and former representatives of the processing companies centred more on value-adding in the cocoa chain. The interactions with the cocoa farmers helped in fashioning out the questions for some of these individuals during the interviews. All the interviews were recorded except one as noted earlier. The limitation of the one which was not recorded was that I was not able to write everything he said.

3.11 Phase 3 - Final Phase of Data Collection

In June 2010 I went back to Ghana to collect supplementary data at COCOBOD and Ghana Statistical Service which concluded the field trip for data collection. At COCOBOD a Manager at the Marketing Department was interviewed on COCOBOD's policy on value-adding. The opportunity was used to collect some documentary materials while in Ghana.

3.12 Documentary Information

As stated above documents or secondary data were considered significant for the study and were thus systematically sought. Yin (2009) states that documentary information is important to every case study, however, no single source has a total advantage over the others hence the various sources should complement each other. The appropriate ones were used mainly to corroborate and enrich evidence garnered from the other sources. Most of the documents were collected from COCOBOD (Research Department), CRIG, the libraries of Ministry of Finance and Economic Planning, Ministry of Food and Agriculture and University of Ghana (ISSER Department). Diaries of field events were meticulously kept and pictures taken were also used. The internet was another documentary source much used.

3.13 Confidentiality

Confidentiality was given important attention in the study though most of the respondents were not too worried about it as noted above. This is because the best form of guarantee for a respondent's protection is to ensure nothing in the study could be traced to any particular person or groups. After assuring them of confidentiality and anonymity, steps were taken to store all the interview tapes, transcripts and contact details separately and in a safe and secured manner. Traces that could make a respondent traceable or identified were either destroyed or kept secured. As a measure of the confidentiality of interviewees, quotations and

statements were not related to specific names. Nonetheless, the study did not repress, falsify or create any evidence. This would have amounted to deceit which is unprofessional in research communities and considered a scientific misbehaviour. However, with consent, the key persons from institutions interviewed have been listed in Appendix 3 B and one or two quoted. The next section discusses how the data were analysed.

3.14 Analytical Strategy and Data Analyses

Data analyses involve the process of bringing coherence, structure and meaning to the amount of data collected. In qualitative data analysis the researcher moves further from describing “what” is the case to explaining “why” that is the case after using instruments like interviews and observations to collect a large amount of data for instance. This puts the researcher in a better position to explain a phenomenon or several phenomena better (Patton, 2002). In this study, one became deeply engrossed in the process of data collection, transcription, coding, analysis and interpretation considering the amount of data collected.

3.15 Coding or Indexing

The first step was to go through all the 400 questionnaires to code or index the answers provided by respondents to all the open-ended questions using the framework approach to thematic analysis (Bryman, 2009). The following four steps were followed: (1) tried to get a total impression, (2) identified meaning units, (3) abstracted the contents of individual meaning units, and (4) summarised them in terms of importance (Giorgi, 1985). An index of major themes and subthemes was constructed in a matrix form to be able to input in the SPSS (17) software used. This approach was important as it helped to condense the data into analysable units by creating categories which conformed to the responses of closed questions.

Codes are tools of heuristic devices and for thinking, and by using them to condense the meaning gives the data a new look. A code can be given to distinct objects, events, or a phenomenon for instance, and should be comprehended in its context. A coding manual was constructed as a guide for instance, codes for the regions were: Eastern (1), Ashanti (2), Brong Ahafo (3) and Western (4) with the districts coded from 1-21 in an alphabetic order. In a qualitative research as the one undertaking in this study, a good thematic code thus portrays the richness of the phenomenon which can be used for analysis, interpretation and presentation. The open coding a process which allows for similar comments to be grouped together to form categories was also used . This assisted in emphasising themes from the interview data. For example, responses by farmers on measures they take to produce quality cocoa beans for sale were coded as follows: Ensure beans are properly fermented (1); Ensure beans are properly dried (2) Good farm husbandry (3).

3.16 Transcription

The recorded interviews and FGDs were also transcribed. I decided to transcribe all the tape-recorded interviews because it was an opportunity to once again become closer to the data, identify the themes and note the similarities and differences in the accounts of respondents especially the FDGs. Cognisance was taken of all the variables that emerged. The data were analysed according to the hypotheses and research questions of the study. To ensure anonymity of the respondents, personal and identifiable details were omitted. In order to create data close to the recorded voice only nuances, figures of speech and idiomatic expressions necessary were included in the transcript. This was necessary because the analysis was based on respondent's personal narratives of their experience and feeling in relation to their well-being. It is worth stating that the transcription of the recorded tapes was laborious and time consuming. After having rigorously followed the above stated steps, the

findings of the study can be generalised to reflect the larger body of the smallholder cocoa farmers.

3.17 Challenges of the Field Study

The major challenge of the field study was funding. As a result, the study was restricted to 21 cocoa districts out of the total of 67. It also led to the interruption of the data collection for the research team could not be continuously maintained on the field. In addition, the number of my research assistants was eventually reduced first from 4 to 2 and then to 1 as noted above. Consequently, the research team spent more days in the last two regions (Brong Ahafo and Western). Another problem was that some of the respondents complained that they had been interviewed by some researchers in the past but their plight of neglect had not changed and therefore thought it would be a waste time to grant us the interview. It took some explaining before they understood the academic nature of the study for some thought I had been sent by government and were initially not enthusiastic to participate whereas others saw it as an opportunity for government to hear their views. Some of the farmers had grown bitter about the government because they felt they had been unfairly treated in terms of provision of basic social amenities. It was later learnt that the vehicle we were using contributed to the farmers' perceptions since most often COCOBOD and government officials who came round to talk to them used similar vehicles (see Appendix 3D). These perceptions tended to colour some of their initial responses to questions asked. We therefore had to be patient and politely prompted them to address the questions particularly the open-ended ones, and did same during FGDs. Accommodation was another problem encountered at some locations. Most of the cocoa villages did not have decent hotels or guest houses where the team could lodge. Therefore at some locations we had to stay in towns to commute on daily basis to the remote

communities. The poor nature of the roads in some of the cocoa communities (see figure 3.2 below) caused much travel weariness. .

Figure 3.2 Nature of many roads in Cocoa Communities



18/03/09

29/03/09

Source: Author

The original idea of using mixed methods for data collection had to be abandoned because most of the purchasing clerks (PCs) targeted for self-completed questionnaires were always moving from one location to the other due to the nature of their duties. They therefore made me aware of the difficulty that could be encountered in finding them to collect the completed questionnaires. Most of them therefore opted for interviews (see Appendix 3J). Some of the requests for interviews were also turned down. Barry Callebaut, one of the new grinding companies in Ghana flatly refused the request for an interview and gave no reasons. Kuapa Kokoo Ltd. (KKL) one of the LBCs was also apprehensive in granting interviews and turned down my request. The apprehension was later found to be based on a pending court case against some executive members of the company. At Cocoa Processing Company (CPC) it was difficult getting an appointment with any Senior Manger after several attempts, so the Senior Marketing Officer and the former Managing Director were interviewed. Another problem encountered was that the companies which supplied fungicides and pesticides to

COCOBOD for the “Mass Spraying” flatly refused to grant any interviews without assigning any reasons and therefore secondary sources were used.

3.18 Conclusion

This chapter has looked at the methodology used for the study. It has discussed the qualitative method used for the study and the rationale for choosing it. The data collection and analysis were duly highlighted. In research, methodology serves as a “sign post” and guides the reader as to how the researcher came by his/her findings and how they were analysed. It also attests to the credibility and trustworthiness or otherwise of the findings of the study. Hence, this thesis gives due attention to the issues of reliability and validity by meticulously stipulating the procedures for data collection and ensuring that indicators measured variables that they were designed to measure. It could be argued that the qualitative and quantitative methodological dichotomy is gradually losing its importance in social research. In this study, the qualitative method and some aspects of the quantitative method were combined especially with questionnaire design and administration, and coding for the analysis of the data without much difficulty which enhanced the study. This means, the use of different methods can enhance the understanding of social phenomena since there is a saying that, life could be many-sided with no single truth. In addition, by fusing the methods together in the data collection and analysis it also assisted in addressing the reliability and validity concerns against the qualitative approach. In the next chapter, the cultivation and spread of cocoa from its origin in the River Amazon forest to other parts of the world including Ghana will be discussed. The various varieties of the crop and the post harvest practices which impact on the flavour of the bean are also looked at.

CHAPTER 4

ANALYSIS I:

A HISTORICAL ANALYSIS OF THE OVERVIEW OF COCOA CULTIVATION AND VARIETIES OF COCOA

4. Introduction

This and the following couple of chapters present the analysis of the core findings at the heart of the study. This particular chapter provides an overview and historical analysis of cocoa cultivation and varieties of the crop. Cocoa is one of the leading cash crops in the world because it is a major ingredient for the manufacturing of products like chocolate, biscuits and other confectioneries consumed daily by humankind. The crop could be as old as creation since its history dates back to ancient times. Even though the crop originated from Latin America, West Africa now produces about three- quarters of the world's output (see Table 1.4), and it is a major foreign exchange earner of most of the countries that produce it including Ghana. The first section of this chapter looks at the cultivation and origin of the cocoa crop, its spread in Europe and the popularity of the chocolate drink which resulted in the establishment of chocolate houses and factories in Europe and America. It also examines the propagation of cocoa in the rest of the world by European colonial masters ostensibly for the colonies to produce the cocoa beans as a raw material to feed the chocolate factories. The chapter also discusses the shift in the world's leadership position of cocoa production since 1900 and what accounts for that. The second section of the chapter looks at the three major varieties of cocoa viz criollo, forastero and trinitario cultivated in various producer countries by cocoa farmers. Finally, it highlights the different characteristics associated with each variety, the required fermentation period and how this enhances the flavour of the cocoa beans, a key requirement for chocolate manufacturing.

4.1 The Origin and Cultivation of Cocoa

“Cocoa” is the English word for “cacao” a word thought to have been created by the Olmec Indians because they were using the term around 1000 BC as revealed by historical linguistic investigations. The Spanish and French on the other hand still use the word “cacao”. The origin of cocoa is shrouded in mystery since many stories abound as to the exact origin of the crop. However, it is generally agreed that the cocoa tree originated from the rainforest of Central and South America around the headwaters of River Amazon and later domesticated by the Mesoamericans. History has it that the Olmec¹⁹ Indians who lived in the Eastern Mexico lowlands from 1200 BC to 400BC are believed to be the first to have domesticated the cocoa crop. They grew it among other crops like rubber and maize which they cultivated. Through trade it spread from there to the Mayans²⁰ and later to the Aztecs (see figure 4.1 below), but the Mayas were the first to establish a cocoa plantation in the lowlands of South Yucatan in AD 600 (Ghana Cocobod Handbook, 2000, p.1; Dand, 1993, p.2;

<http://www.lycos.com/info/olmec-indians.html> ;

<http://inventors.about.com/od/foodrelatedinventions/a/chocolate.htm>

<http://www.rsc.org/ebooks/archive/free/BK9780854046003/BK9780854046003-00001.pdf>).

¹⁹ The Olmec were a Pre-Columbian people whose civilization is believed to be the first Mesoamerican civilization, with San Lorenzo and La Venta as their two major cities. The Olmec civilization spawned the Maya civilization and is considered the mother culture of Mesoamerican civilizations. The Aztecs gave them the name Olmec meaning “rubber people” because they supplied them sap from rubber trees.

²⁰ The Mayan civilization is the best-know of the classical civilizations of Mesoamerica and regarded as the highest achievements of Pre-Columbian culture.

Figure 4.1 The empires of Olmecs, Mayans and Aztecs where Cocoa originated



Source: <http://www.crystalinks.com/olmec.html>

The Mayas and Aztecs had a myth that *Quetzalcoatl* the god of the air brought the cocoa tree to man after man had lost his right to live in the garden similar to the Biblical Garden of Eden and was driven out of it. After assisting man to find a place to live, Quetzalcoatl left him with the cocoa tree. They believed that one gained wisdom and became more knowledgeable when he ate the cocoa beans, hence it was much revered. They also believed that the cocoa tree was sacred, noble and divine in origin and therefore performed rituals when they cultivated it (Amoah, 1995, p.1). With such believe, the Aztecs and Mayas included the tree and its fruit in most of the religious ceremonies they performed. For instance, before planting cocoa, a festival was held in honour of their gods, they burned incense to their idols and slaughtered fowls to sprinkle their blood on the land on which the cocoa seeds were planted (Dand, 1993, pp. 1-2; Acquaah, 1999, pp. 7-8). Little wonder Carolus Linnaeus, a Swedish botanist in 1753 coined the name *Theobroma cacao* for the cocoa tree which means “food of the gods”. “Theobroma” comes from two Greek words “theos” which means God and “broma” meaning food. This name since then has become accepted as the botanical name for the cocoa tree (figure 4.2 below).

Figure 4.2 A cocoa tree with ripe pods.



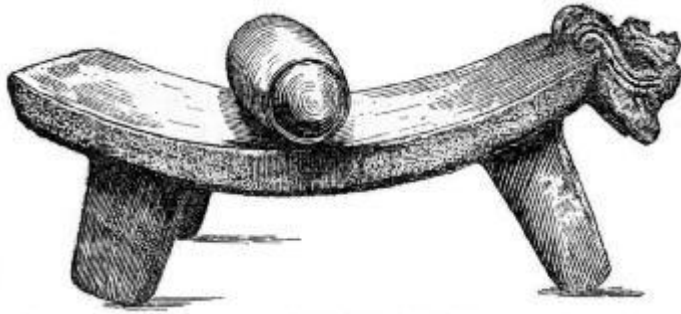
Source: Author 28/03/09

The Aztecs used the beans as a currency for transacting business and for paying taxes to the king. The beans were of such high value that one hundred (100) beans were used as rates of exchange for one slave. An Aztec paid ten (10) cocoa beans as a “bride price” for a wife. According to what Thomas Candish recorded in 1586, one hundred and fifty (150) cocoa beans were equivalent to *Real of Plate* a small Mexican coin used until 1897, estimated to be about an eighth of the current United States of America’s (USA) dollar.

The Mayas were the first to make a drink from ground cocoa beans and chilli mixed with hot water. This drink, which was reserved for the elites of their society, was later introduced to the Aztecs. By the sixteenth century the Aztecs had managed to master the use of the beans in preparing the drink which they called “chocolatl” (i.e. bitter water). The Aztecs believed the brew was nourishing, energising and had aphrodisiac effects. Montezuma II, the Aztec Emperor, drank nothing but the chocolatl. History has it that about fifty (50) large jugs were prepared for him and two thousand (2,000) jars for his court on daily basis. In preparing the drink they roasted the dried beans in earthenware pots, removed the shells and then crushed between stones, sometimes using decorated heated tables and mill stones to pulverise the nib

into brown powder which was mixed with water. A concave stone called *metate* (see figure 4.3 below) was used in grinding the nibs.

Figure 4.3 A Mexican *Metate* used in grinding cocoa by the Mayas and Aztecs



Source: <http://www.gutenberg.org/files/16035/16035-h/images/g059.jpg>

The drink was spiced with vanilla, pepper or mixed with fermented maize to make it milder or to give it alcoholic properties (see Dand, 1993, p.2; Amoah, 1996, p.1; Acquah, 1999, pp.6-8; Ghana Cocobod Handbook, 2000, p.1; Afoakwa, 2008, p.107). However, the use of the drink was limited to the royals, the wealthy and the elites of the society.

Figure 4.4 Cocoa beans dried on a mat



Source: Author

28/03/09

Figure 4.4 shows a sample of dried cocoa beans used in preparing the “chocolatl” drink by the Mexicans at that time and now used in preparing chocolate and other confectionery

products. The cultivation and value of the crop spread very fast in ancient times throughout Central and Western Amazonia to the Northern part of Central America and later the cocoa beans got to Europe after the Spanish invasion of Mexico (Dand, 1993, p.2).

Christopher Columbus was the first European to bring the cocoa beans to Europe when he made his fourth voyage to the New World in 1502 and took the beans to King Ferdinand of Spain but Hernando Cortez is credited as the one who identified the commercial value of cocoa and introduced the “chocolatl” drink into Europe in 1528. After Cortez and his Spanish *conquistadores* had defeated Montezuma II, the Aztec Emperor of Mexico in 1521 who then had about 900 tonnes of dried beans stored in his palace (i.e. similar to what is shown in figure 4.5 below); they took large quantities of the cocoa beans in the Emperor’s palace together with the utensils for making “chocolatl” drink to Spain in 1528 to the court of Charles V who adopted the drink.

Figure 4.5 Cocoa beans in jute sacks packed in a depot



Source: Author

19/03/09

The Spaniards did not like the bitter taste of the Mexican drink so they often added ingredients like vanilla, spices, honey and sugar to sweeten it. The “chocolatl” beverage was initially the preserve of the royals and social elites and the Spaniards managed to keep the commercial preparation of the drink from the rest of Europe through out the sixteenth century

for over 90 years after stealing the process as it were from Mexico (Dand, 1993, p.3). According to Dand (1993), even in Spain the religious element associated with cocoa prevailed over its mundane characteristics when monks were responsible for the preparation of cakes from the beans. The cocoa drink was the preserve of the king, his court and presumably the monks. However, the Spaniards lost this secret when Antonio Carletti, an Italian visitor who enjoyed the drink learnt how to prepare it and introduced it in Italy in 1606. From then on, the secret leaked out and gradually permeated the rest of Europe. The Austrians acquired the knowledge of preparing the luxury “chocolatl” and when in 1615 Louis XIII married Anne of Austria, the French also got to know how to prepare it. By the middle of the seventeenth century, the knowledge of preparing the beverage had spread all over Europe reaching Germany in 1641 and Great Britain in 1657. In 1660 when Spain’s Princess Theresa married France’s King Louis XIV, the marriage fuelled the popularity of the chocolate drink in Paris. As the drink became popular and seeped out into Europe, the Spanish court lost its preserve over it for it became available to anyone with the wherewithal to purchase it. This marked the commencement of the modern chocolate industry, the improvement in the preparation of the drink and the establishment of “Chocolate Houses” where one could purchase the beverage which further popularised it (see Dand, 1993; Amoah, 1996; Ghana Cocobod Handbook, 2000).

The mid seventeenth century could be described as the watershed for the popularity of chocolate in Europe particularly England where chocolate houses sprang up and became noted as places for the purchasing and drinking of the beverage. In June 1657 in England, there was an advert relating to the drink which went as follows:

...in Bishopsgate Street, in Queen's Head Alley, at a Frenchman's house, is an excellent West Indian drink called chocolate to be sold, where you may have it ready at anytime, and also unmade at reasonable rates (cited in Amoah, 1995, p.2).

Some of these chocolate houses were so popular that they became rival social and political clubs. In spite of the fact that the price of the chocolate drink was relatively high because the raw materials were imported from Spain, it enjoyed increase in patronage in the late seventeenth century and early eighteenth century in England. For instance, a pint sold at half a shilling at a time when the annual income of a foreman was twenty pounds. The houses became the meeting places for the gentry and some became popular for their gambling activities (White's in St James Street), business (Lloyds in Lombard Street) and political discussions (The Cocoa Tree). Producers of beer and ale in England became jealous and envious and sought political action arguing that while they used locally produced raw materials like wheat, barley and malt, cocoa beans were imported. Furthermore, while some apothecaries prepared chocolate for medicinal purposes other medical practitioners cautioned against it on grounds that it fuelled passion (Dand, 1993, p.7; Amoah, 1995, p.3). Nonetheless, the claim that chocolate had therapeutic benefits stimulated its growth and popularity in the United Kingdom and the rest of Europe. This enticed entrepreneurs not only in Europe but the USA to establish chocolate factories to produce chocolate products which have survived the test of time until today.

4.2 Early Chocolate Factories in Europe

The early chocolate factories began to blossom in Europe particularly in United Kingdom (UK), Holland, France, Germany and Switzerland in the eighteenth century.

1. In United Kingdom, chocolate factories were established through the ingenuity of the following entrepreneurs:
 - In 1728 Dr. Joseph Fry established the first chocolate factory in Bristol and adopted the following production techniques in the course time:
 - 1728 manual grinding of the cocoa (i.e. by hands).
 - 1760 mechanical grinding using “water powered engine” invented by Walter Churchman.
 - 1795 mechanical grinding using steam engine invented by James Watt.
 - 1847 produced chocolate bar using a combination of cocoa butter and chocolate liquor.
 - In 1785 Rowntree, an apothecary established a chocolate factory.
 - In 1823 Joseph Terry, Bayldon and Berry formed a company in York to produce chocolate.
 - In 1824 John Cadbury started preparing drinking chocolate in his shop in Birmingham using a mortar and pestle.
 - 1842 Cadbury sold 16 varieties of drinking chocolate.
 - 1860s Cadbury Brothers produced the palatable Cocoa Essence using a new processing technique and later became the leading chocolate manufacturer in the UK.
 - In 1875 Henry Nestle of England and Daniel Peters of Vevey, Switzerland, combined their efforts to produce a new product called “chocolate milk”- chocolate blended with milk (Amoah, 1995, p.5; Acquah, 1999, p.12).).
 - They used less cocoa butter which was a huge cost saving because the butter was expensive. The flavour of chocolate milk was very mild and was additional advantage

(Dand, 1993, pp.8-13; Amoah, 1995, pp.3-5; Acquah, 1999, pp.11-12;

<http://www.cadbury.com>)

According to Acquah, the consumption of chocolate assumed a national character in England. For instance, in 1986 of the 750,000 tonnes of confectionery consumed in England, 70 per cent constituted chocolate. In England, the annual sale of chocolate is more than the sale of bread, two times more than the sales of tea and coffee combined and four times more than the sale of breakfast cereals (Acquah, 1999, p.11).

2. In France, Lombart, an apothecary, started producing chocolate in 1760.
3. In Germany, von de Lippe, another apothecary, established his chocolate factory in 1785.
 - In Holland, G.J. Van Houton, achieved a great milestone in the confectionery industry. In 1828, he produced cocoa cake when he invented the process of removing butter from the cocoa nib by means of hydraulic pressing which reduced the fatty content to the level between 12% and 25%.
 - The cake was ground into powder which was miscible in warm water and tasted better when sugar was added to it.
 - Van Houton came up with another discovery when he changed the colour of the cocoa powder by adding alkali to it. The alkali solution is usually in the form of potassium or sodium carbonate used in treating the liquor, nib or powder. The alkalisated cocoa was darker and more miscible in warm water.
 - In honour of Houton's achievement alkalisation of cocoa is know as "dutching".
4. In 1879 Rodolphe Lindt invented the "cronching" for chocolate manufacturing to become probably the most famous chocolate-maker of his time in Switzerland.
 - "Cronching" is a unique technique which allows the butter to fully cover the particles of the mixed sugar and cocoa while at the same time reducing their sizes.

- The process also disposes of acids, moisture and some unstable flavours resulting in the enhancement of the general chocolate flavour.
 - By this technique Lindt could manufacture chocolate more superior in quality than all others of his time in terms of aroma and melting characteristics.
 - Lindt's "melting chocolate" soon became famous and significantly enhanced the worldwide reputation of Swiss chocolate.
5. In 1780 John Hanan established the first water powered cocoa mill to produce chocolate in Dorchester, Massachusetts in the USA.

(Dand, 1993, p.9; Amoah, 1995, pp.5 -7; <http://www.benjisdirect.com/History%20of%20Lindt>)

In the USA, just like in Europe, the popularity of chocolate increased for what it is and not necessarily because of its medicinal properties. Another similarity was that, most of the entrepreneurs who went into the chocolate industries in the USA were also apothecaries, who not only had the experience and skill for manufacturing products but also the then requisite basic equipment of mortar and pestle for grinding the cocoa beans. The supply of raw material to the American chocolate manufacturers was mainly from seamen who preferred the relatively shorter and less perilous voyage of carrying the cocoa beans to the USA to carrying them to Europe ((Dand, 1993, p.9; Amoah, 1995, p.5).

Governments took advantage of the emerging cocoa industry in the eighteenth century to broaden their revenue base by imposing import duties and license fees. For instance, in England anyone who had six pounds of cocoa or more was required to purchase a license because he was considered a dealer. King George III of Britain during his reign imposed an import duty of 1s 10d on each pound of cocoa if grown in a British colony but 2s if imported by the East Indian Company and 3s if by others. However, in Trinidad it is interesting to

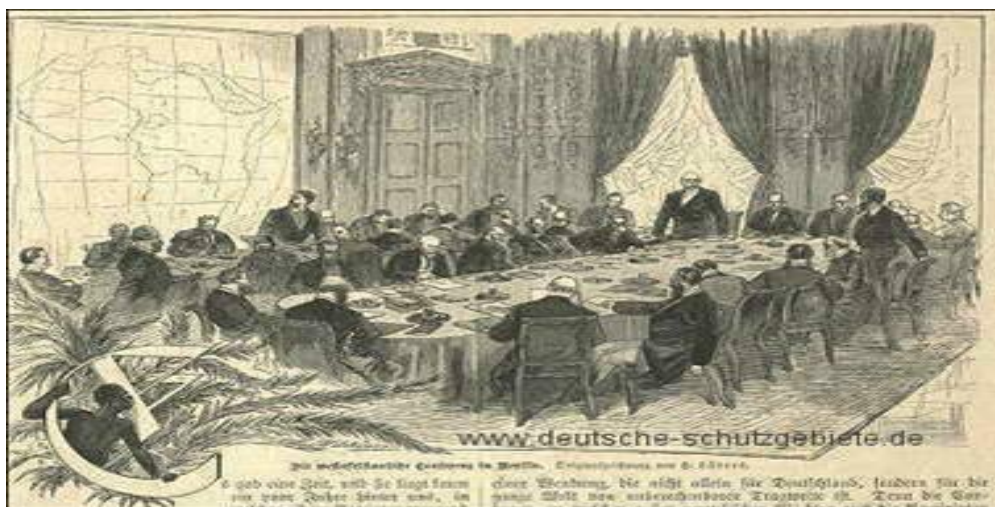
learn that growers of cocoa in the eighteenth century paid tithes (i.e. a form of tax) on their cocoa. Cleverly, most of them managed to evade this by doing forward sales (i.e. selling the cocoa and agreeing on a delivery time in future), and surprisingly the ruling colonial administration could not detect this evasive action of the farmers (see Dand, 1993, pp. 6-7). However, what is of significance is that the forward sales of cocoa which in modern times has been adopted by cocoa marketing boards of producer countries and brokers, is used especially in determining the free on board (fob) price of the commodity. A percentage of this fob price is paid to the farmer as a producer price. Furthermore, until present date cocoa still attracts tax in various forms, for example producer countries impose export tax on cocoa which is a major source of revenue for many of the developing countries exporting the crop. Cocoa was introduced to these colonies mostly by the Europeans who colonised them or traded with them.

4.3 Early Cultivation of Cocoa in other parts of the World

The spread of cocoa could be linked to the expansion of European empires which rose from the fifteenth century to about 1914. When Columbus accidentally found the Americas, Spain and Portugal eventually profited by gaining large colonies in the New World. They took huge treasures like gold and silver from America and the sale of sugar and tobacco was also very profitable. The Portuguese who then had cutting-edge technology for shipbuilding and navigation techniques wanted to find an alternative route to the Far East particularly India and China to trade with them. To avoid any confrontations with the leaders of then mighty Ottoman Empire, they navigated south along the coast of Africa establishing refuelling post and trading with the natives as they went along. This gave the Portuguese the opportunity to acquire some knowledge about Africans. Later when the Spanish and Portuguese shared America between them they decided to import African slaves and used them on their sugar

cane plantations and mines in America. Other European countries followed suit to expand their empires which led to fierce competition among them for the acquisition of colonies especially in Africa. The eighteenth century for instance saw a keen competition between Britain and France for new territories. Many European countries especially Belgium, Germany and Italy believed that to have colonies in Africa not only contributed to the expansion of their empires but also enhanced their prestige in Europe (see Vale, 2008). Therefore after individual efforts to acquire colonies from around the fifteen century to the eighteenth century, the European countries also made collective efforts to acquire colonies in Africa in the nineteenth century. At the Berlin Conference in Germany from 16 November 1884 to 26 February 1885 for example, fourteen European countries met to deliberately carve and share Africa as colonies (figure 4.6). After haggling for three months they succeeded in dividing Africa into fifty countries drawing artificial boundaries which disregarded the cultural and linguistic boundaries established by the indigenous Africans. The Europeans then allocated the demarcated areas to themselves as colonies.

Figure 4.6 Europeans at the Berlin Conference to share Africa as colonies amongst themselves in 1885. The Map of Africa at the background.



Source: <http://www.passion.org.uk/documents/Berlin%20Report.pdf>

Some of the objectives of the Europeans in their quest for colonies aside from those stated above were to find markets for their manufactured goods and raw materials to feed their industries. In effect, it could be argued that they wanted to further expand the *international division of labour* as advocated by Adam Smith where the colonies would produce raw materials to feed the manufacturing industries in Europe for instance cocoa beans for the chocolate companies. The international division of labour (IDL) was to cover all working people in the colonies and virtually every where. Since the chocolate drink had become very popular in Europe, there was the need for a constant supply of the cocoa beans, the basic raw material. Hence, the Europeans introduced cocoa to the colonies they acquired which resulted in the rapid spread of the crop. With the Europeans in full control of world trade including legal and organisational aspects of the movement of goods between continents, they were able to institute an international trade model where they controlled both the prices of the raw materials supplied by the colonies and manufactured goods they produced which were imported by the colonies (see Rodney, 1973).

One could argue that, the popularity of the chocolate drink in Europe influenced the Spanish to undertake large-scale cultivation of cocoa in their colonies in Central America in the sixteenth century to ensure control over the supply of the raw material. The early cultivation of cocoa outside South America was in Asia in 1560 when the Spaniards introduced the crop in Celebes in Indonesia. Outside Asia, the British, French and Dutch also wanted a regular supply of the cocoa beans and therefore introduced cocoa in their respective colonies. In Jamaica, Haiti, Martinique, Surinam and West Indies, the crop was cultivated in the seventeenth century and the beans sent to Europe for the manufacture of chocolate. The Dutch gained a major share of the cocoa trade between America and Europe in the seventeenth century. They moved into Asia and in 1834 introduced the crop in Sri Lanka

when they sent some seeds and seedlings from Trinidad. In trying to expand their trade in the crop in Asia, the Dutch established plantations in their colonies in the two Indonesian islands of Java and Sumatra in the 1860s. The Spanish on their part took cocoa to Philippines in 1860 while the Portuguese also established plantations in Timor in the 1860s. However, on the whole the spread of cocoa to other parts of Asia was quite limited, nonetheless, cultivation of cocoa continued to spread reaching Africa in the eighteenth century.

In Africa, the Spanish were again the first to have introduced the crop on the continent when they established plantations on the island of Fernando Po (now Bioko Island in Equatorial Guinea) in 1788. The cocoa plantations flourished in Fernando Po and Rio Muni (also in Equatorial Guinea) and attracted migrant workers from the West African sub-region like Nigeria and Gold Coast (now Ghana) to work on the plantations on contract basis often two years (Acquaah, 1999, p.13; Ghana Cocobod Handbook, 2000, p.1). To date over 90% of Equatorial Guinea's cocoa is produced in Fernando Po. In 1822, the Portuguese took cocoa seeds from Bahia the largest cocoa growing area in Brazil to Sao Tome another island off the coast of West Africa to plant. Over there it flourished as well and spread to Principe a neighbouring island. The twin islands of Sao Tome and Principe became reputed for cocoa production just like Fernando Po (figure 4.7 below).

Figure 4.7 The Islands of Fernando Po (now Bioko), Principe and Sao Tome where Cocoa was first introduced in West Africa



Sources: <http://daviderrick.files.wordpress.com/2007/07/gulf-of-guinea.jpg>

From Sao Tome and Fernando Po cocoa spread to West Africa particularly Cameroon, Nigeria, Cote d'Ivoire (Ivory Coast) and Ghana, currently the world's major cocoa producing region with an annual share of about 70% as stated earlier(see figure 0.1 and Table 1.4). This is because in Ghana and Cote d'Ivoire for instance, cocoa has been the mainstay of their economies therefore it has had immense government support in terms of research and inputs subsidies, to enhance production during the colonial era and after independence. In Nigeria, for example, the government's efforts in 1999 and the "Cocoa Rebirth" policy in 2005 to revitalise its declining cocoa industry with emphasis on research, use of new agricultural technologies and supply of inputs free of charge to cocoa farmers enhanced cocoa production (Adeoti and Olubamiwa, 2009). As a result, Nigeria's cocoa output first increased gradually from 170, 000 tonnes in 2000 to 202,000 tonnes (i.e.by 18.8%) in 2004 (ibid). It further increased to 230,000 tonnes (i.e.by 35.3%) in 2007/08 and then to 250,000 (i.e.by 47%) in 2008/09 (see Table 1.4).This amplifies the significant role the State can play to enhance export (see section 1.1, Tables 1.1 & 1.2) as noted earlier. Nigeria, Cote d'Ivoire and

Cameroon have fully liberalised their cocoa industries while Ghana opted for a partial liberalisation (see section 1.5.5). These efforts by the main producers account for the improvement in the output of the West African sub-region.

Among the four main cocoa producers in West Africa (see Table 1.4), it was Cameroon where the crop was first introduced. The Germans in 1822 introduced cocoa to Kamerun (now Cameroon) when they established botanical gardens and later estates after importing cocoa beans from Sao Tome, West Indies and South America. The interest of the local farmers was aroused and later they started growing the crop mostly in the Western and South-Western part of the country. However, the local farmers cultivated the crop on smaller scale of about 6.2 acres or 2.5 hectares on family land which has been the practice until date (Amoah, 1995, p.50; Acquaaah, 1999, p.14). In the case of the other West Africa countries particularly Ghana, Nigeria and Cote d'Ivoire, the crop got there from Fernando Po. In 1870 cocoa beans were imported from Fernando Po to Nigeria and in 1874 Chief Squiss Ibaningo planted cocoa beans at Bonny in the former River State in Nigeria. Later, the crop was much cultivated in Western and South-Western Regions of Nigeria at the beginning of the twentieth century. The Cokers, members of the Christian Mission and African Church are credited for the important roles they played in spreading the cultivation of the crop in Nigeria (Acquaaah, 1999, p.13). Cocoa got to Cote d'Ivoire in 1895 when the French imported seeds from Fernando Po and planted them near Bingerville, about 15 miles east of Abidjan the economic capital city. Even though the French sponsored cocoa cultivation, the Ivorian local farmers unlike their Nigerian and Ghanaian farmers strongly opposed the growing of the crop because the French administration used a forced-labour system to compel them to grow the crop on the plantations they established. On the contrary, the British administration encouraged local farmers in their colonies to grow the crop under no compulsion hence farmers in Nigeria and

Ghana were more willing to grow cocoa than their Ivorian counterparts. Later the French adopted a different approach by supplying the farmers with cocoa seedlings similar to what is shown in figure 4.8 and persuaded them to grow the cocoa on their own farms. An interesting story about the method farmers in Ivory Coast adopted to sabotage the cultivation of cocoa runs as follows:

.....after much persuasion by the French administration, the farmers reluctantly agreed to plant the cocoa seedlings supplied to them. This they did by day, but by night they poured hot water on the newly planted seedlings in the hope of killing them (cited in Acquah, 1999, p.14).

Figure 4.8 Cocoa seedlings ready for transplanting similar to those supplied the Ivorian farmers.



Source: Author 27/03/09

The French administration therefore adopted a more high-handed approach and made cocoa cultivation compulsory for farmers in 1908 but they had to wait for a decade (i.e.1917/1918 season) before Cote d'Ivoire could export 1,000 metric tonnes of cocoa (Acquaah, 1999, p. 14). Ironically, Cote d'Ivoire is now the world's leading cocoa producer producing an annual average of about 37% of the global output (see Table 4.1 below and

Table 1.4). How Cote d'Ivoire managed to become a world leader would be discussed later in the chapter.

In Ghana, the Dutch missionaries are on record as being the first to have planted cocoa in the coastal areas of Ghana (then Gold Coast) in 1815 and in 1857 the Basel missionaries also planted cocoa at Aburi (about 20 miles east of Accra, the capital). However, these efforts by the missionaries failed to yield the desired result in terms of spreading the cultivation of cocoa in Ghana until Tetteh Quarshie a native of Osu in Accra, returned from Fernando Po in 1879 with five *Amelonado* cocoa pods after having gone there to practice his trade as a blacksmith for six years. The *Amelonado*, a type of the *forastero* variety, believed to have originated from Brazil and later spreading to other parts of the world, is currently the main source of cocoa production. Tetteh Quarshie²¹ established his farm at Akwapim Mampong in Eastern Ghana, about 60 miles east of Accra and later sold cocoa pods (figure 4.9) to farmers at £1 per pod (Amoah, 1995, p.45; Acquah, 1999, p.22).

Figure 4.9 A Cocoa Pod



Source: Author

27/03/09

²¹ In 1960 Cocoa Marketing Board provided about \$500,000 to build a hospital in memory of Tetteh Quarshie at Manpong Akuapim where he first cultivated his cocoa. A big round about has also been named after him in Accra.

Within no time the cultivation of cocoa spread to the entire Akwapim State and later other parts of the Eastern Region of Ghana. This was because cocoa growing became a form of pride in the Akwapim State therefore every household wanted to own a cocoa farm. The traditional chiefs also encouraged its cultivation by giving out land to farmers ensuring that each farmer had a five acre farm (Acquaah, 1999, p.22). In addition, the British administration complemented the efforts of the Chiefs and farmers. For example, Sir William Bradford Griffith, the then British Governor of Ghana in 1886 arranged for cocoa pods to be sent from Sao Tome for seedlings to be raised at Aburi Botanical Gardens in Eastern Ghana and distributed to farmers. All this facilitated the rapid spread of cocoa cultivation in Ghana (Cocobod Handbook, 2000, pp1-3; Acquaah, 1999, p.15; Amoah, 1995, p. 45). Irrespective of the efforts by the colonial administration to propagate cocoa in Ghana, Tetteh Quarshie is generally credited with the introduction and spread of cocoa in Ghana. This is because his colleagues (i.e. the farmers) were more prepared to listen to him than the colonial administration and more importantly to emulate what he did on his farm in terms of cultivating the crop. One could argue that, he might have shared his experience in Fernando Po with them so they realised the commercial value of the crop. No wonder they were prepared to buy a pod of cocoa for £1 from him at that time to also cultivate the crop. Tetteh Quarshie's ingenuity, entrepreneurship and commitment to the cultivation and spread of the crop aroused the interest of other farmers in Akwapim Mampong and other parts of the Eastern region of Ghana. Though cocoa cultivation later spread to Ashanti, Brong Ahafo, Central and Western regions of Ghana, Eastern region remained the main centre of cocoa production until 1940 and is still regarded as the cradle of Ghana's cocoa industry. The farmers took advantage of the government support to lay a solid foundation for the cocoa industry by growing the crop. Ghana officially exported its first cocoa in January 1893 when two bags were shipped to Hamburg in Germany. The export volume increased to 20,000

tonnes in 1908 and then to 41,000 tonnes in 1911, making Ghana the world's leading producer of the crop (Table 4.1) (Cocobod Handbook, 2000).

Table 4.1 World Production of Raw Cocoa (*Thousand Metric Tonnes*)

	1900/01	1901/02	1902/03	1903/04	1904/05	1905/06	1906/07	1907/08	1908/09	1909/10	1910/11	1911/12	1912/13	1913/14	1914/15
Africa															
Cameroon (German)	1	1	1	1	1	1	2	2	3	3	4	5	5	3	3
Congo(Belgium)	-	-	-	-	-	-	1	1	1	1	1	1	1	1	1
Ghana	1	2	2	5	5	9	9	13	20	23	41	41	48	57	67
Guinea(Spanish)	1	1	1	2	2	2	2	2	3	2	4	4	5	5	4
Ivory Coast	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nigeria	-	-	-	1	1	1	1	1	2	3	4	3	4	5	9
Sao T&Principe	17	17	21	23	24	23	23	27	33	37	33	37	37	34	28
Togo(German)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Total Africa	20	21	25	32	33	36	38	46	62	69	87	91	100	105	113
America															
Bolivia	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Brazil	18	20	21	23	21	25	24	33	34	29	36	30	29	41	45
Colombia	3	3	3	3	3	3	3	3	3	3	3	3	3	3	4
Ecuador	23	24	23	28	21	22	19	32	32	37	40	37	43	45	36
Mexico	1	1	1	1	1	1	1	1	1	2	2	2	2	2	-
Peru	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Venezuela	9	8	8	14	12	14	12	16	16	16	18	14	18	17	18
Other America	3	2	2	1	2	2	2	2	2	2	2	2	2	2	2

Total America	59	60	60	72	62	69	63	89	90	91	103	89	99	112	110
West Indies / Caribbean															
Cuba	2	2	2	3	2	3	2	1	2	1	1	2	2	2	2
Dominican Rep.	7	9	8	13	12	14	10	19	15	16	19	20	19	20	20
Grenada	5	6	5	6	6	5	5	5	6	5	6	5	5	5	5
Haiti	2	2	2	2	2	2	2	3	2	2	1	3	2	3	2
Jamaica	1	1	2	2	2	2	2	3	3	3	2	3	2	4	3
Trinidad&Tobago	12	17	15	22	22	12	18	21	23	26	22	19	21	28	24
Other W. Indies	2	2	4	3	2	2	2	2	2	2	2	2	2	1	1
Total: W. Indies	31	39	36	50	49	41	42	54	53	56	54	56	54	65	59
Asia & Oceania															
Ceylon	3	4	4	3	3	2	5	3	4	4	3	4	3	3	4
Indonesia	1	1	1	1	1	2	2	2	2	2	2	2	2	2	2
Philippines	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Western Samoa	-	-	-	-	-	-	-	-	-	-	1	1	1	1	1
Total Asia & O'nia	5	6	6	5	5	5	8	6	7	7	7	8	8	7	8
WORLD TOTAL	115	126	127	159	149	151	151	195	212	223	251	244	261	289	290

Source: Ghana Cocobod Handbook, 2000

The growth of cocoa continued to be rapid and by the early 1920s Ghana exported between 165,000-213,000, about 40% of the world's total output (see Table 4.2 below). This was because of the serious attention the farmers gave to the cultivation of the crop which was considered phenomenal, unprecedented and in sharp contrast to what transpired in the other producing countries where European companies owned plantations. By such display of hard work on their farms, A.W. Knapp writing in 1920 described the Ghanaian cocoa farmers as

having the ability and capability to build a strong and sustainable economy by their own initiative and enterprise (Cocobod Handbook, 2000 p.3).

Table 4.2 World Production of Raw Cocoa (*Thousand Metric Tonnes*)

	191 5/ 16	191 6/ 17	191 7/ 18	1918/ 19	191 9/20	192 0/21	192 1/22	192 2/23	192 3/24	192 4/25	1925/ 26	192 6/27	1927/ 28	1928/ 29	1929/ 30
Africa															
Cameroon (German)	4	4	3	2	3	3	3	3	4	5	5	7	7	10	11
Congo(Belgium)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Ghana	83	87	71	150	147	118	165	198	204	213	210	242	210	246	236
Guinea(Spanish)	5	4	4	3	7	5	4	7	10	6	6	6	7	10	10
Cote d'Ivoire	-	-	-	1	1	1	2	4	4	6	7	10	16	16	22
Nigeria	9	15	10	26	17	18	32	36	35	41	43	47	47	55	55
Sao T&Principe	34	29	14	55	20	28	20	13	22	20	12	17	14	18	9
Togo(German)	-	1	1	3	3	2	3	3	6	5	5	6	6	5	6
Other Africa	-	-	-	1	1	1	1	1	1	1	1	1	1	1	1
Total Africa	136	141	104	242	199	177	231	266	287	298	290	337	309	362	351
America															
Bolivia	1	1	1	1	1	1	1	2	2	2	2	2	3	3	3
Brazil	44	56	42	63	67	36	59	57	68	59	72	71	73	64	69
Colombia	3	3	3	4	4	4	4	4	5	5	5	5	6	5	5
Costa Rica	1	1	1	2	2	3	2	4	4	4	5	3	6	6	7
Ecuador	50	47	38	38	40	41	41	29	30	30	18	20	20	15	17
Mexico	2	2	2	2	2	2	2	2	2	3	1	1	1	1	1
Panama	1	1	1	2	1	1	1	2	2	2	2	2	3	3	4
Peru	1	1	1	1	1	1	1	1	1	1	1	1	1	-	-
Venezuela	15	20	19	19	17	22	21	22	17	23	15	17	20	21	16
Other America	2	2	3	2	2	2	2	2	1	1	-	-	1	1	1
Total America	119	133	110	132	137	113	134	125	132	130	121	122	134	121	125
West Indies/ Caribbean															

Cuba	1	1	-	-	-	3	2	-	-	-	1	1	-	-	1
Dominican Rep.	21	23	19	22	23	26	19	19	23	23	20	26	19	21	20
Grenada	6	6	5	5	4	4	4	4	4	4	4	5	5	5	4
Haiti	2	2	2	2	2	1	2	2	2	1	2	2	2	1	2
Jamaica	3	3	3	4	3	3	4	2	3	3	3	3	2	3	3
Trinidad & Tobago	24	32	26	27	28	35	23	30	25	22	22	23	26	28	24
Other W. Indies	2	2	4	3	3	2	2	2	2	2	2	2	2	1	1
Total: W. Indies	59	69	59	63	62	74	55	59	59	55	54	62	56	59	55
Asia & Oceania															
Ceylon	4	4	4	3	3	3	4	3	3	3	3	4	4	4	4
Indonesia	1	2	1	2	1	1	1	1	1	2	1	1	1	1	1
New Hebrides	-	-	1	1	-	1	1	1	1	1	2	2	1	2	2
Philippines	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Western Samoa	1	1	1	1	1	1	1	-	1	1	-	1	1	1	1
Total Asia & O'nia	7	8	8	8	6	7	8	6	8	7	7	9	8	9	9
WORLD TOTAL	321	351	281	445	404	371	428	456	486	490	472	530	507	551	540

Source: Ghana Cocobod Handbook, 2000

It is striking from Table 4.2 above that Cote d'Ivoire which is currently the world's leading producer in 1916/17 exported no cocoa when Ghana exported 87,000 metric tonnes. Again in 1924/25, when Cote d'Ivoire exported only 6,000 metric tonnes, Ghana exported 213,000 metric tonnes (i.e. 40% of the global output). Cote d'Ivoire increased its export to 22,000 metric tonnes in 1929/30 when Ghana exported 236,000 tonnes. Cote d'Ivoire's achievement of becoming the world's number one cocoa producer and unseating Ghana was through a well designed approach by its government particularly during the era President Houphouet-Boigny as noted earlier. Cote d'Ivoire implemented policies like:

1. Paying farmers higher producer prices.
2. Encouraging wide-spread new plantings.

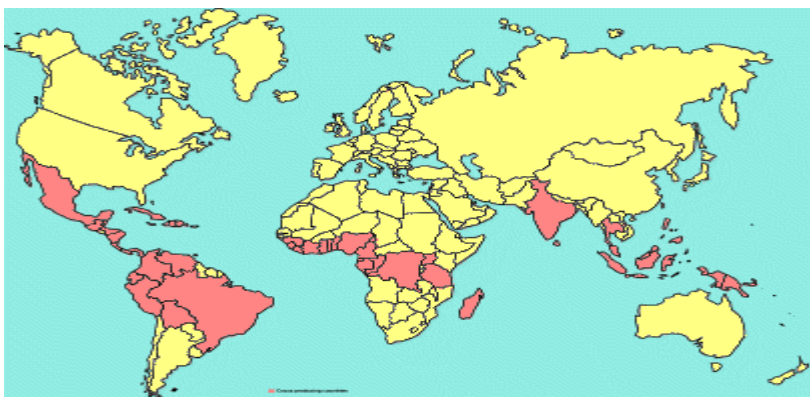
3. Establishing an extension unit called SATMACI in 1958 to control diseases and pests.
4. Encouraging farmers to form co-operatives for the effective use of equipment.

Again the important role of the State in creating an enabling environment to enhance export and economic growth becomes apparent and cannot be over emphasised (see section 1.1; Tables 1.1, 1.2 & 1.4). In addition, Cote d'Ivoire was fortunate to have had less wide – spreads of the cocoa swollen shoot virus epidemic in the twentieth century than it afflicted other producer countries like Ghana. In Ghana, which was badly affected, the control measures put in place to arrest the spread were inadequate. Cocoa farmers refused to accept the 25 pence per tree compensation paid to them for each infected tree cut and chased officers carrying out the exercise from their farms with guns and machetes in the early 1960s. This could be attributed to lack of education and when in 1962 the Nkrumah government capitulated and ordered the cutting exercise to stop it made matters worse because more farms were destroyed by the disease and production declined. However, as part of Nkrumah's ISI policies, he subsidised inputs for cocoa farmers and sprayed their farms against pests and insect diseases free of charge which arrested the situation. As a result Ghana produced an output of 591,031 tonnes of cocoa in 1964/65 then unprecedented cocoa.

In 1969 under the Busia administration, Ghana introduced a new exercise of **“Plant As You Cut”** as a permanent solution to the cocoa diseases and pests problem but the objective was not achieved because the cocoa farmers were not actively involved and eventually they decided to neglect their cocoa farms. Even though Busia adopted the neo-liberalism model which promotes market competition the producer price of cocoa was not increased during his reign from 1969 to 1972. The cocoa farmer's share of the fob price declined under the various governments after independence, for instance: from 80.21% -51.59% under Nkrumah; 51.59%-32.15% under the NLC military government; ranged between 39.49% and 42.12%

under Busia; and declined so low from 43.19 % to 25.94% during the Acheampong era (see chapter 2). No wonder Ghana lost its number position as the leading cocoa producer in the world in 1976/77 during Acheampong's reign. With the producer price Ghana paid its cocoa farmers not being attractive, they failed to improve and maintain their farms while those closer to the Ivorian border smuggled their cocoa to Cote d'Ivoire (Ivory Coast) where they earned higher prices. In effect, while Cote d'Ivoire adopted policies to increase cocoa output especially with regards to attractive producer price, Ghana did the opposite. It could also be noted from Table 4 .2 that, Indonesia the world's third largest cocoa producing country, which now produces about 13% of the world's output (485,000 tonnes see Table 1.4), in 1929/30 exported 1,000 tonnes (Amoah, 1995, pp. 47-48; Afoakwa, 2008). It will therefore be of interest to briefly review the world's leading cocoa producers since 1900 and how it has shifted from country to country and from Latin America to Africa.

Figure 4.10 The Cocoa growing areas (red) in the World.



Source: www.commodityalmanac.com/features

4.4 Leadership Changes in World Cocoa Production Since 1900

The highlighted area of figure 4.10 above shows the cocoa growing areas in the world. Since 1900/01 when a more proper and accurate record was kept on production and export of cocoa world wide, the title of the “ world's leading cocoa producer” has shifted from country

to country among leading producers or countries which made efforts to produce the crop. Ecuador became the first world leading producer of cocoa in 1900/01 when it exported 23,000 metric tonnes which was 20% of the world's production (see Table 4.1 above). However, after 4 years it lost the leadership to Brazil in the 1905/06 season when Brazil produced 25,000 metric tonnes, 3,000 metric tonnes more than what Ecuador produced that season. Ecuador lost the first position because of the problems of quality and disease attacks. The trinitario hybrids it introduced were less resistant to diseases and required new husbandry practices and higher management skills which its farmers lacked. In addition, Brazil and other producing countries like Ghana concentrated on growing cocoa especially the forastero variety which has a stronger resistance to diseases and higher yields. Little wonder Brazil overtook Ecuador and managed to hold on to the leadership for 5 years. Ghana stunned the world with a remarkable production of 41,000 metric tonnes to become the world's leading producer of the crop. Ghana held on to this leadership for sixty-six years (i.e. from 1910/11-1976/77) but lost it to Cote d'Ivoire due to the reasons stated earlier. In addition, Ghana experienced political instability associated with inconsistent development policies (i.e. shifting from statism to neo-liberalism) (see chapter 2) while Cote d'Ivoire had political stability under Felix Houphouet- Boigny who ruled from 1960 when the country attained independence till 1993 when he died. Under Houphouet- Boigny, the State pursued a national policy to increase cocoa production in Cote d'Ivoire by granting cocoa growers easy access to land and migrant labour, higher producer price and income stability (Losch, 2002). This also demonstrates the role of the State in enhancing export in particular and economic growth and development in general (see section 1.1; Tables 1.1 & 1.2). Cote d'Ivoire has managed to stay on top as the leading global cocoa producer for the past three decades from 1976/77 until present irrespective of the civil war from 2002 to 2004 (see Table 1.4).

It is important to state that, the internationally accepted cocoa crop season commences in October of one year and ends in September the next year. This has become associated with the production pattern in the major cocoa producing countries in Africa. In Ghana for instance, there are two production periods- the major or main, and the minor or mid crop production seasons. The main production season begins in October and ends in March, while the mid crop season is from April to July. The significant difference associated with the two production seasons is that the cocoa beans produced during the main season are bigger than beans produced during the mid crop season. Smaller beans are produced during the mid season because the cocoa tree goes through physiological stress or literary experiences tiredness after producing the bigger pods and beans, and in addition, there is little rain during the period since the rains recede after March. These two factors militate against the tree's ability to produce bigger beans during the mid crop period.

The purchasing of cocoa in Ghana is from July to August the following year while the export of the main crop cocoa beans commences in October and ends in April the next year. The mid crop cocoa beans are also exported between June and September to end the season or annual production. This is why the cocoa season has double years. There are also different varieties of cocoa produced for export by producers. These varieties and their characteristics are discussed in the subsequent sections.

4.5 The Different Varieties of Cocoa

The cocoa tree grows usually in countries lying between latitudes 20° N and 20° S but thrives better in latitudes 10°. There are three major varieties of cocoa which are criollo, forastero and trinitario. Criollo means “native” a term from Western Venezuela used to differentiate the original cocoa variety cultivated there from the “forastero” variety which meant “foreigner” imported from the Amazon basin. The trinitario variety is a mixture or

hybrid of criollo and forastero (Dand, 1993 p.5; Amoah, 1995, pp.10-14). The terms criollo, forastero and trinitario are considered to have general genetic complexes and characteristics. It is significant to state that cocoa trees growing all over the world display slight differences in their habits and characteristics of the various parts of the tree such as stems, branches and leaves as well as how they blossom. However, the main differences in the characteristics of the three varieties are found in their fruits (see Table 4.3 below). The Nacional and Amelonado varieties of forastero are considered the main varieties of the cocoa tree, *Theobroma cacao* which were domesticated in the Amazon basin. The Nacional variety was developed in Ecuador while the Amelonado varieties were created in Brazil which later spread to other parts of the world to become the main source of cocoa production. However, the Criollo variety (with aromatic beans containing 50% fat) grew around the Andean mountains in Venezuela and was domesticated and introduced by the Capuchin monks (ECOWAS-SWAC/OECD, 2007).

4.5.1 Criollo

The criollo cocoa trees usually produce less beans and fat content than the forastero but the colour of the cotyledon is the main striking difference between the two. While the criollo has big plump seed with white or pale purple fresh cotyledons, the forastero has deep or dark purple cotyledons. Chocolate made from criollo has a pleasant nutty flavour with a light brown colour generally weak and delicate (Afoakwa *et al*, 2008). Until the end of the twentieth century when forastero gained the major commercial importance globally, criollo cocoa was the leading commercial cocoa produced in the world. Criollo lost its position because it is not strong or robust and therefore easily susceptible to diseases, pests and drought. It thus grows only in specific soil and climatic conditions. The criollo cocoa variety is found in countries like Colombia, Ecuador, Mexico and Venezuela in the Americas;

Trinidad and Tobago and Jamaica in the West Indies; Equatorial Guinea (particularly Fernando Po) in West Africa; Indonesia, Papua New Guinea, Samoa, Sri Lanka and Vanuatu in East Asia (see Dand, 1993, p.6; Amoah, 1995, pp.11-13).

4.5.2 Forastero

The smooth, melon-shaped, thick-walled and furrow pods are the characteristics that stand the forastero variety out (figure 4.11 below). Its robustness and higher yields make it a popular choice among farmers in countries where it thrives.

Figure 4.11 Ripe (yellow) and unripe (green) melon-shaped forastero cocoa pods



Source: Author

28/03/09

It has local varieties like Amelonado²², Amazon²³ Cacau Commun²⁴ and Nacional²⁵. The forastero and criollo varieties got to West Africa from Fernando Po and Tetteh Quarshie is credited for bringing the Amelonado variety of the forastero to Ghana in 1879. In honour of him, most cocoa farmers in Ghana up to date call this variety “*Tetteh Quarshie*”. Figure 4.12 below shows a cocoa farm in Ghana with the amelonado variety.

²² A Spanish word meaning “melon-shape”.

²³ A cocoa variety originating from the Amazon River basin.

²⁴ It is a type of Amelonado cocoa the bulk of which is found in Bahia in Brazil

²⁵ An indigenous Ecuadorian cocoa with a distinguished aroma known as “Arriba flavor” despite its linkage with Forastero. The trees are taller than the Criollo and Forastero trees and grow in Guyas River valley of the West Andes tropical rainforest in Ecuador.

Figure 4.12 A cocoa farm in Ghana with the amelonado variety.



Source: Author

22/03/09

It is worth stating that methods of preparation and handling like fermentation and drying bring about significant differences of the forastero cocoa from various countries. The beans require between 5 and 7 days of fermentation but this varies from country to country. In Ghana majority of the cocoa farmers ferment their cocoa for 5 to 7 days, while in Malaysia the farmers ferment their cocoa for 6 days but there is a difference between a single forastero variety originally produced in Ghana and now grown in Malaysia. This may be due to geographic, climatic conditions and the duration and/or method of fermentation. Other countries like Brazil, Congo and Venezuela also cultivate the forastero variety (Afoakwa *et al.*, 2008, p.843; Amoah, 1995, p. 13).

Figure 4.13 Two cocoa trees of the forastero variety afflicted with swollen shoot virus disease on a cocoa farm in Ghana.



Source: Author

03/03/09

25/02/09

Though robust and vigorous the forastero tree is also susceptible to several diseases like “witches broom” common in Brazil and “swollen shoot virus disease” predominant in West Africa especially Ghana’s Eastern Region. When the disease attacks the tree the pods become black and the beans inside are destroyed (figure 4.13). This is also known as pod rot and most of cocoa losses in the world are attributed to it. Nonetheless, since the middle of the nineteenth century forastero has become the leading cocoa commercially cultivated all over the world. Its beans are bitter but its colour and flavour compared to other beans are the most acceptable by chocolate manufacturers giving it an edge over other varieties in the global market and hence the bulk traded in (see Dand, 1993; Amoah, 1995; Afoakwa et al., 2008).

4.5.3 Trinitario

Trinitario takes its name after its origin in Trinidad where the bulk is produced. The trees of this variety are the hybrid of the criollo and forastero varieties and therefore have pods and seeds with characteristics of the two parent varieties. Figure 4.14 below shows the trinitario variety but the melon-shaped of the pods is a trait of the forastero.

Figure 4.14 Trinitario variety having purple (unripe) and yellow (ripe) fruits.



Source: Author

28/03/09

Trinitario trees have greater yields and are more robust than the criollo. They bear fruits all year round but in Ecuador they blossom between July and September. Trinitario has a mild taste and derives its flavour from the fermentation method used which is usually for a period of 5 to 7 days. Seed propagation of trinitario usually produces variable outcomes hence some planters prefer propagating by using cuttings. It is not grown in many parts of the world but can be found in countries like Cameroon, Ecuador, Grenada, Trinidad and Tobago, Indonesia (in Java), Papua New Guinea and Venezuela (see Amoah, 1995; Afoakwa et al., 2008). Table 4.3 below highlights some of the characteristics of the fruits of criollo, forastero and trinitario varieties of cocoa. However, there are virtually little or no variations regarding the cocoa tree in terms of the stem, branches and leaves as indicated earlier.

Table 4.3 Principal Characteristics of Criollo, Forastero and Trinitario Cocoa

CHARACTERISTICS OF THE COCOA VARIETIES			
ITEM	CRIOLLO	FORASTERO	TRINITARIO
Pod(Fruit) Colour			
-unripe	Green/Red	Green	Red/Purple
-ripe	Yellow/Orange	Yellow/Orange	Yellow/Orange
Pod Shape	Cylindrical or long, narrow and pointed	Shorter and broader Pods; oval shaped	Variable (between Criollo and Forastero features
Pod wall	Thin-walled and easy to cut	Thick-walled and woody	Variable
Pod texture or surface	Warty, conspicuously furrowed	Smoother, not warty and with shallow furrows	Variable
Pod Apex	Conspicuously pointed	Slightly pointed	Variable
Average beans per pod	20-30 large beans	More than 30 about 40 if they are small beans	More than 30
Beans per 100 grams	80 to 90	90 to 110	80 to 90
Shape of Beans or Seeds	Plump	Relatively Flat	Variable
Cotyledon (nib) colour	Whitish or pale purple when cut	Deep dark purple when cut	Variable/medium brown
Fermentation	2-3 days	5-7 days	5-7 days
Commercial classification	Flavour with delicate aroma	Bulk	Flavour

Source: Amoah, 1995

4.6 The Flavour Character of the Varieties of Cocoa

There are variations in the flavour of cocoa beans as there are varieties. The forastero is reputed for its bulk flavour or grade, the criollo for its fine grade and the hybrid trinitario for its fine grade. The Nacional variety of the forastero produces the well-known Arriba beans with distinctive floral and spicy flavour notes. The differences in flavour (Table 4.4 below), can be attributed to the variation in the bean composition from its genetic origin (i.e. the type of cocoa bean), location of growth, farming conditions and fermentation period. As a result, chocolate manufacturers tend to blend majority of the bulk variety with less of the fine grades to enhance the final flavour profile. Bulk cocoas usually have strong flavour characters while fine cocoa are considered to be aromatic or smoother (Afoakwa *et al*, 2008, p.843).

Table 4.4 Cocoa variety and fermentation effects on flavour character.

<u>Origin</u>	<u>Cocoa type</u>	<u>Duration (days)</u>	<u>Special Flavour Character</u>
Ecuador	Nacional (Arriba)	2 Short	Aromatic, floral, spicy, green
Ecuador	Criollo (CCN51)	2	Acidic, harsh, low cocoa
Ceylon	Trinitario	1.5	Floral, fruity, acidic
Venezuela	Trinitario	2	Low cocoa, acidic
Venezuela	Criollo	2	Fruity, nutty
Zanzibar	Criollo	6 Medium	Flora, fruity
Venezuela	Forastero	5	Fruity, raisin, caramel
Ghana	Forastero	5	Strong basic cocoa, fruity notes
Malaysia	Forastero/ Trinitario	6	Acidic, phenolic
Trinidad	Trinitario	7-8 Long	Winy, raisin, molasses
Grenada	Trinitario	8-10	Acidic, fruity, molasses
Congo	Criollo/Forastero	7-10	Acidic, strong cocoa
Papua New Guinea	Trinitario	7-8	Fruity, acidic

Source: Afoakwa *et al* (2008)

Each bean variety is known to have a unique potential flavour character (Table 4.4). Nonetheless, the growing conditions like climate, the amount and time of sunshine and rainfall, soil conditions, ripening, time of harvesting and time between harvesting and bean fermentation are the factors which contribute to the variations in the ultimate flavour formation. Although differences in the genetic origin of cocoa variety and the duration of fermentation influence flavour profile, different conditions like geographic and climatic conditions could result in a single cocoa having significant differences in flavour. Chocolate's distinctive flavour character is attributable to bean genotype, growing conditions and processing factors. The development of the flavour and colour is initiated at the fermentation stage. Fermentation and drying are considered key processing stages by which the farmer is able to produce quality cocoa beans for the market (see section 6.16). Figures 4.15a, 4.15b and 4.16 below depict these processes. According to Afoakwa *et al* (2008), flavour quality and intensity in chocolate are influenced by genotype but post-harvest processes like fermentation and drying plus roasting have a strong influence on final flavours.

Figure 4.15A. Forastero cocoa beans being fermented.



Source: Author 23/03/09

4.15B. The state of the beans on the 4th day of fermentation.



26/03/09

Figure 4.16 A farmer in Ghana busily drying his forastero cocoa beans



Source: Author 18/03/09

On the international cocoa market, forastero varieties dominate or constitute most of the “bulk” or the “basic”. Generally, cocoa from West African countries especially Ghana, Cote d’Ivoire and Nigeria is noted for its good flavour with moderate and nutty underlying qualities and a strong character but what Ghana produces is considered to have the touchstone flavour. However, cocoa liquors from Cameroon are noted for their bitterness and those from Ecuador for their flora-spicy notes. Cocoa beans from the Americas and West Indies have flavours ranging between aromatic and winy notes but the Trinidad cocoa has the floral or raisin-fruity notes. The Asian and Oceanian beans have flavour profiles which range from subtle cocoa and nutty/sweet notes in Indonesia especially beans from Java to the intense and acidic phenolic notes of the Malaysian beans (Table 4.4 above). The forastero variety and trinitario from New Guinea have higher aroma. The aroma compounds formed during roasting of the cocoa beans are found to vary quantitatively and directly with the fermentation period (see Afoakwa *et al*, 2008 pp.840-844). The flavour of the cocoa beans is very significant to its marketability on the global market.

4.7 Conclusion

This chapter has attempted to trace the history and spread of cocoa from its Latin American rainforest origin of the River Amazon to the rest of the world and also discussed the various varieties of the crop and their characteristics. After Hernando Cortez had introduced the “chocolatl” or chocolate drink into Spain in 1528, it spread to the rest of Europe. Later when the drink became popular, factories sprang up in Europe and the US to produce it and other confectioneries. The need for the cocoa beans as the raw material to feed these factories became imperative and led to the crop being introduced by the Europeans in their colonies in Asia, the Caribbean and Africa. The three varieties of cocoa are criollo, forastero and trinitario and the difference in them can be found in the characteristics of their fruits. The difference in beans flavour for instance is significant however, the flavour also depends on post harvest factors like number of days the beans are fermented and how thorough they are dried. Forastero is the leading commercially produced variety in the world because of its resistance to insect pests and diseases and its flavour which is the most acceptable by chocolate manufacturers.

It could be argued that in introducing cocoa into their colonies, the European colonial masters made conscious efforts to structure the international trade system on the Smithian international division of labour theory. The colonies were consigned to the production and export of the raw cocoa beans (i.e. primary product) which attracted lower prices while the Europeans processed or added-value to the beans and sold the products at higher prices. This international division of labour has persisted until today and unless leading global cocoa producers like Cote d’Ivoire and Ghana alter this arrangement to process more of the cocoa beans they produce at home to enhance their terms of trade, it will be difficult for the smallholder cocoa producers to benefit significantly from their produce to improved upon

their standard of living. The next chapter will look at the role of Ghana Cocoa Board (COCOBOD) in cocoa production and marketing, and Ghana's policy on value-adding.

CHAPTER 5

ANALYSIS II:

ROLE OF SCALAR ACTORS AND INSTITUTIONS

5. Introduction

This chapter attempts to trace the origin of Marketing Boards in general and particularly Ghana Cocoa Board (COCOBOD) which was born out of the West African Produce Control Board (WAPCB) established by the British in 1940 to market cocoa produced in their West African colonies. The Caisse, the French brand of marketing board which they also established in their West African colonies is looked at. The chapter also discusses the aims and functions of COCOBOD and its subsidiaries/divisions. The second section of the chapter looks at the genesis of cocoa processing in Ghana and cocoa's contribution to its economy. Finally, Ghana's land tenure system which makes it more difficult for prospective large-scale farmers and investors, is examined.

5.1 Origin of Marketing Boards

Marketing Boards in most countries were created out of co-operatives formed to enable producers group together to enhance their strength in the market. The history of statutory Marketing Boards dates back to the time between World War I and World War II when most of them were established under the belief that the producers could have better returns from their products if they controlled the marketing boards. It was also thought producers would be equitably treated if they controlled the agents in their industries and not the other way round. Another belief was that private marketing was disorganised, exploitative and inefficient (Nayga and Rae, 1993). In New Zealand for instance, marketing boards were created after World War I as a result of low commodity prices and the objective of the Dairy Export

Control Board was to obtain higher and more stable prices for butter and cheese on the British market (ibid). The Milk Marketing Board was also formed in Britain in 1933, to provide a solution to the marketing problems of dairying in the buyer dominated unstable market which made it difficult for the selling of milk (Empson, 1998).

However, according to Nayga and Rae, the main reasons for creating statutory marketing boards could be categorised into three: (i) to ensure that producer prices are maintained or increased, (ii) to limit the fluctuations in prices and incomes, and (iii) to create equal opportunities and returns among producers (Nayga and Rae, 1993, p.95). Furthermore, they suggest that the power and responsibilities of the boards can also be generally grouped into three: (i) regulatory and control functions, (ii) commercial activities and (iii) leadership and industry activities. Under the regulatory and control functions, the boards license exports and exporters; ensure grading, quality control and packaging, provide storage and transportation facilities, and acquisition of information. In performing their commercial duties the boards purchase, store, and market products in addition to other trading and commercial activities. They formulate development and marketing strategies and provide technical, advisory, information and support services when carrying out their leadership and industry service activities (ibid, p. 94). This study however, is interested in cocoa marketing boards in West Africa, particularly Ghana.

5.2 Historical Background of Marketing Boards in West Africa

In West Africa the first marketing board for cocoa was established in 1940 (i.e. during World War II) by the British colonial government out of fear that demand for the crop would decline. Later it set up the oil seeds board in 1942. The Cocoa Board was established after the Nowell Commission of Enquiry recommended to the British colonial government to come to the aid of cocoa farmers. The Nowell Commission was set up by the colonial government

after the smallholder cocoa farmers in Gold Coast (now Ghana) went on strike in 1937 when they rejected the low price offered by the private merchant buyers. The “hold up” lasted for eight months with farmers resolving not to sell their cocoa to the merchant buyers. The private merchant companies were United Africa Company (UAC), Paterson & Zochonis, Cadbury & Fry, G.B. Ollivant, J. Lyons and United Trading Company (UAC) and had until the strike been the main buyers of the crop since the early 1930s. They also bought other commodities like coffee, rubber, palm oil and kernels and imported manufactured goods for distribution in the country. Out of these private buyers it was only Cadbury & Fry which was very particular about quality and paid the farmers premium prices for producing good quality cocoa. In addition, they supported the farmers in diverse ways to expand the cultivation of cocoa from Eastern Region (i.e. the cradle of Ghana’s cocoa industry) to other parts of the country. Cadbury won the hearts of the farmers and virtually gained monopsony in cocoa buying in Ghana. To break this monopsony, the other local merchants formed an association called Association of West African Merchants (AWAM) which condemned the payment of the premium price by Cadbury and after succeeding in stopping it, decided to pay the cocoa farmers low prices which led to the strike (see Ghana Cocoa Board Handbook, 2000, pp.4-5). During the strike period one Kwame Ayew, a Ghanaian entrepreneur, intervened and bought two tons of cocoa from the farmers to sell in Liverpool in the UK but he was frustrated while there and had to abandon his efforts (ibid,p.4). It is a significant example of how African entrepreneurs encountered difficulty in trying to build capital for investment during the colonial era. The colonial governments also deliberately stemmed African industrialisation by acting on behalf of industrialist from their mother countries to avoid any competition and to ensure international division of labour where Africans will produce raw materials like cocoa and cotton to sell at cheaper cost to feed the industries in Europe while Europeans produced

manufactured goods to sell at high cost (see Rodney, 1972, p.217). Linkages of value-adding were thus discouraged by the colonial administration.

The British government however, accepted the Nowell Commission's report on the strike which highlighted the irregularities in the marketing of cocoa and consequently formed the West African Produce Control Board (WAPCB) in 1940 to purchase under guarantee all cocoa produced in the British West African colonies (i.e. Gold Coast, Nigeria, Sierra Leone and Anglophone Cameroon) where cocoa was cultivated (Ghana Cocoa Board Handbook, 2000). It also accepted the West African Governments' proposal to put WAPCB under local control but went on to explain that the objective was to provide a machinery which will insulate the "producers' prices for cocoa from the day to day fluctuations in the world market values", and in addition, enable the "West African producers to improve their own lot and, as their capacities develop, to assume increased responsibility for the marketing of their own products" (Williams, 1953, p.46).

However, up to the present day, the smallholder cocoa farmers in West Africa in general and Ghana in particular have not been assisted to develop the capacities that will enable them play a key role in the running of the Cocoa Marketing Boards as was originally intended. In this wise, both the colonial British government and the subsequent Africa governments are equally blameable.

The WAPCB was the sole body which bought cocoa in the British West African colonies throughout the war years and amply demonstrated how controlled marketing could protect the farmer against price volatilities and all forms of market unsteadiness which led to the "hold-up" (ibid, p.47). Frimpong –Ansah stated that the establishment of WAPCB averted the collapse of the cocoa industry after the loss of the European market during the war and ensured producer price stabilisation. It was also a significant policy initiative because apart

from saving the cocoa industry, it saved the Ghanaian economy because cocoa has been the mainstay of Ghana's economy since then (Frimpong-Ansah, 1991, p.61). A year after the war, WAPCB was dissolved in 1946, however, due to the benefits derived from its operations, the colonial government decided to form a permanent organisation to maintain and build on its achievements. This led to the setting up of the Gold Coast Cocoa Marketing Board (GCCMB) and the Nigeria Cocoa Marketing Board (NCMB) in 1947 (Williams, p.47; Ghana Cocoa Board Handbook, 2000, p.5). The 1947 ordinance which established the GCCMB stipulated that:

It shall be the duty of the Board to secure the most favourable arrangements for the purchase, grading and selling of Gold Coast cocoa, and to assist in the development by all possible means of the cocoa export industry for the benefit and prosperity of the producers (Williams, 1953, p.47).

The same functions were stipulated for the NCMB in Nigeria. The objective of the two boards, which was though implicit and not categorically stated, was for them to stabilise producer price and ensure maximum equality of prices between seasons. The Gold Coast Board then established Cocoa Marketing Company (CMC) in London which it wholly owned but was headed by Sir Eric Tansley until 1956 when Mr Kankam Buadu, a Ghanaian took over from him and has since been headed by Ghanaians (ibid; Ghana Cocoa Board Handbook, 2000). The above, is another example of the significant role of government in protecting the interest of primary producers while promoting export, ensuring economic growth and global market integration (section 1.1 Tables 1.1 & 1.2).

The GCCMB and the NCMB inherited £13.5 million and £8 million respectively being their shares of profit made by WAPCB. This served as their initial operating capital and in the first year of their operations they also made profits of over £24 million and £9 million respectively. The profits resulted from paying the cocoa farmers less than what their produce

earned at the world market after the marketing expenses had been deducted. For instance, in their first year of operations the total payments GCCMB made to cocoa farmers was £16 million while NCMB also paid less than £11 million. In effect, the two boards paid farmers less than the profits they made (Williams, 1953, p.47). Another reason assigned for paying the farmers less was that with consumer goods in limited supply, if the boards should pay the farmers more than they did it would have caused inflation. Williams (1953) stated that the GCCMB in particular soon became “an agent of government fiscal policy” (ibid, p.51). For instance, from 1955 to 1965 cocoa export tax rate ranged between 44.74 and 54.25% while for non-cocoa export it was between 1.4 and 1.13%. Diamond’s export tax, which was already so low, further declined from 4.89 to 0.14% for the same period (Frimpong-Ansah, 1991, p.14). In 1960 alone cocoa’s export tax which accrued to government was over £18 million (ibid, p.81). The overtaxing of the cocoa farmers has continued until today and impacts adversely on their earnings (see section 6.21). The boards also performed quality control functions which improved the quality of cocoa produced in these colonies. For example, by 1951/52 season, 95 per cent of cocoa produced in Nigeria was Grade 1 as opposed to 76 per cent in 1948/49 season (Williams, 1953, p.52). Marketing boards were also established in Sierra Leone for palm oil and in Gambia for groundnuts by the British in 1949 to perform similar functions. The policy or practice of marketing boards paying producers less than the value of their produce on the global market has continued until today.

5.2.1 The Charitable Activities of Gold Coast Marketing Board (GCCMB)

The profits made by GCCMB were cleverly used by the government. For instance, in 1948, it made a grant of about 1.8 million cedis (about £1.7 million) towards the establishment of a government endowment fund for the University College of the Gold Coast (now the University of Ghana), the premier university of the country. This university has

trained a greater percentage of Ghana's human capital and most of them have held higher positions in all sectors of the economy and contributed to the development of the country. The board granted an additional amount of 3.1 million cedis (about £3 million) for the establishment of the Faculty of Agriculture and its supporting sciences to undertake research into problems afflicting cocoa husbandry to assist Ghana maintain its lead in cocoa production. As noted earlier, Ghana was the world's leader in cocoa production from 1910/11 until 1976/77 before Cote d'Ivoire became the global leader. COCOBOD recently awarded a fellowship of 10,000 cedis (about £5,000) annually for a 5 year period for research into the economics of cocoa production (Ghana Cocoa Board Handbook, 2000, pp.20-21).

A "CMB Scholarship Scheme" was also established by the board in 1951 which has assisted in educating children/wards of cocoa farmers in particular and the youth of the country in general. An initial amount of 14 million cedis (about £13 million) was invested in the scheme. In 1958, the board contributed 5 million cedis (about £4.5 million) to the former Ghana Education Trust to finance the building of twenty-six secondary schools in different parts of the country. This was during the Nkrumah administration and demonstrates the role of the State in providing the needed infrastructure to ensure high-quality education to meet the demands in the global economy and eventually development (see Tables 1.1 & 2.1; section 2.4). In trying to preserve the memory of Tetteh Quarshie, the man who brought cocoa to Ghana the board gave 1 million cedis (about £ 800,000) in 1960 towards the building of a hospital in his name at Mampong-Akwapim where he started his cocoa farming which later spread to the other parts of Eastern Region as discussed in chapter 4. The French also established the Caisse de Stabilisation in their West African colonies as their brand of marketing boards to handle the cash crops which is discussed in the next section.

5.3 The Caisse de Stabilisation System

The French equivalent of the agricultural marketing boards was the Caisse de Stabilisation (the Caisse de Stabilisation et du Soutien des Prix des Produits Agricoles or Caistab) which they created to handle the export of primary products from their colonies in West Africa, for example, cocoa in Cote d'Ivoire and Francophone Cameroon. The Caisses were created by a French Act of February 1955, which established a general reserved fund, the *Fond nationale de regularisation des cours des produits d'Outre-Mer*. After the Act was passed, the French Administrators in the colonies then established the Caisses. In Cameroon for instance, three Caisses were created for cocoa, coffee and cotton in December 1955. The Caisses unlike the Marketing Boards operated a stabilisation fund and did not acquire ownership of the cocoa or the crops they controlled. The actual trading was done by private exporting companies called “*exportateurs agree*”. This means the Caisse system allows exporters to purchase and export the cash crops. However, to prevent exporters from making abnormal profits in times of high world prices, the Caisses levy a tax or *prelevement* on each export transaction. The tax is calculated on three cost elements (i) the presumed contract price based on world prices which the Caisse fixes (usually not too different from the actual contract price) (ii) the shipping cost and (iii) other external costs. The tax is levied on the difference between the contract price and the sum total of the shipping and external costs. However, in times of lower world prices, if the contract price is lower than the two other costs, the Caisse pays the difference to the exporter (see Laurens van der Laan, 1987, pp.3-5). In Cote d'Ivoire for instance, the cocoa beans are bought by traitants (i.e. traders) who may either sell to a single exporter or various exporters. The general functions of the Caisses can however be categorised into the following:

1. Fixing the official export price

2. Releasing exports negotiated by private exporters (deblockage)
3. Selling a direct portion of the crop, but allowing nominated exporters to handle the shipping and handling arrangements
4. Setting of the “bareme” or the domestic shipping costs.
5. Setting the farmgate price (floor price) based on export price through the bareme
6. Ensuring quality control which is carried out at the port (Gilbert, 1997, pp.21-22).

The marketing Boards, Caisses and their subsidiaries became “institutional legacies” for these West African countries, inherited from their colonial masters, when they attained independence in the late 1950s and early 1960s (see section 1.5). However, since the focus of the study is on Ghana, the subsequent sections will discuss GCCMB which later became Ghana Cocoa Marketing Board (GCMB) after Ghana gained independence in 1957. In 1984, as part of the 1983 economic reforms, GCMB was dissolved and reconstituted as Ghana Cocoa Board (COCOBOD) because it performs other roles like quality control and research in addition to marketing.

5.4 The Ghana Cocoa Board (COCOBOD)

After independence, the Ghana Cocoa Marketing Board (GCMB) which later became Ghana Cocoa Board (COCOBOD) as stated above, was assigned additional responsibility for coffee and sheanuts- two other cash crops. The objectives of COCOBOD are:

1. To promote the production of cocoa, coffee and sheanuts
2. To initiate programmes with the aim of controlling pests and diseases of cocoa, coffee and sheanuts

3. To undertake and promote the processing of cocoa, coffee and sheanut and cocoa waste in Ghana, aimed at adding value for export and local consumption.
4. To undertake, promote and encourage scientific research with the aim of enhancing the quality and yield of cocoa, coffee, sheanuts and other tropical crops.
5. To regulate the internal marketing of cocoa and the marketing of coffee and sheanuts.
6. To secure the most favourable arrangements for the buying, grading, sealing and certification, sale and export of cocoa, coffee and sheanuts.
7. To buy, market and export cocoa products and cocoa produced in Ghana which is graded under the Cocoa Industry Regulation (NLCD 278) or any other law appropriate for export.
8. To help with the development of cocoa, coffee and sheanut industries in Ghana.

(Ghana Cocoa Board Handbook, 2000, pp. 18-19).

The main functions of COCOBOD are also as follows:

1. To determine the producer price of cocoa and other related fees and rates albeit with the prior approval of the government.
2. To ensure the prompt payment for all cocoa beans bought from producers.
3. To encourage the setting up of buying and marketing organisations (i.e. Licensed Buying Companies-LBCs) and to regulate their operations.
4. To acquire and hold an interest in the business of any person or company performing functions (both in and outside Ghana) similar or related to the objects of COCOBOD, and may dispose of their interest

5. To provide seedlings, credit and other facilities to cocoa, coffee and sheanuts farmers to plant new farms as may be required.
6. To ensure quality production and marketing of cocoa.
7. To carry out other activities as may appear to the Board to be favourable to the achievement of the objects and functions of COCOBOD but with the prior approval of the government (ibid, p.19).

5.5 Subsidiaries and Divisions of COCOBOD

To be able to perform these functions COCOBOD created 6 subsidiaries and divisions which are:

1. Cocoa Marketing Company (Ghana) Limited, Accra
2. *Produce Buying Company Limited , Accra²⁶
3. *Cocoa Processing Company Limited, Tema
4. Cocoa Services Division, Accra
5. Cocoa Research Institute of Ghana (CRIG), Tafo
6. Quality Control Division, Accra

COCOBOD has its headquarters in Accra (see figure 5.1 below) and is governed by a Board of Directors comprising bankers, economists, administrators, workers representatives and farmers (ibid, p.18). The Chief Executive, who oversees the day to day administration of COCOBOD, is appointed by government (see Appendix 5A)

²⁶ * The 2 subsidiaries were privatised after the cocoa sector reforms in 1993.

Figure 5.1 Cocoa House: Headquarters of COCOBOD in Accra, Ghana.



Source: Ghana Cocoa Board

The building of Cocoa House was to express the Board's strong faith in the future of Ghana's cocoa industry and also as a living monument to the hard work of the Ghanaian cocoa farmer. The foundation of the building was laid by Dr Kwame Nkrumah²⁷ in 1957 (ibid, p. 17). The irony of it is that many of the hard working smallholder cocoa farmers, whose money was used in building this edifice which has been dedicated to them, live in houses which can hardly compare to this. Figure 5.2 below shows one of the best cocoa farms visited during the study and where the farmer lives.

²⁷ The first President of Ghana- (1957-1966)

Figure 5.2 A cocoa farmer on his farm and the house he lives in.



Source: Author

28/03/09

In the following sections the functions of the subsidiaries/divisions of COCOBOD are briefly discussed.

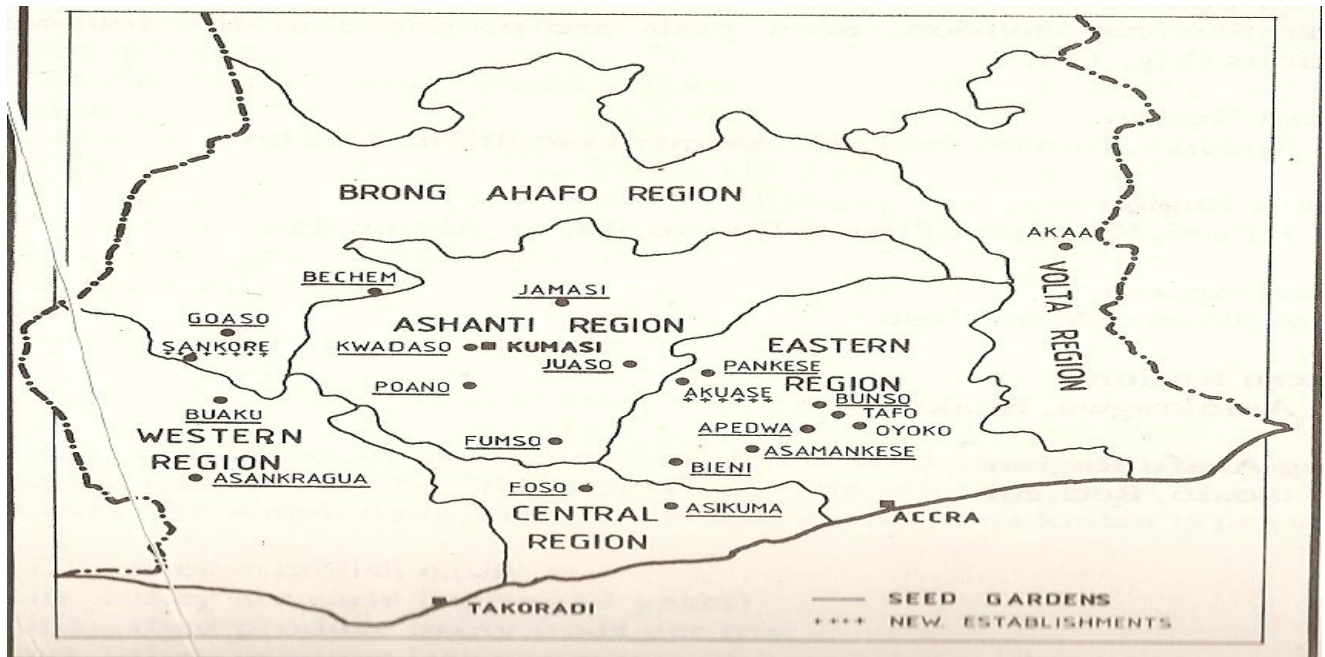
5.5.1 The Cocoa Research Institute of Ghana (CRIG)

The Cocoa Research Institute of Ghana (CRIG) at Tafo in the Eastern Region was set up in June 1938 by the British as the Central Cocoa Research Station of the Gold Coast Department of Agriculture because cocoa production in the Region was declining. It was therefore assigned the responsibility of carrying out major research programmes to improve the cocoa stock, and develop new products and control cocoa diseases. It was later expanded in 1944 to become the West African Cocoa Research Institute (WACRI) and gave birth to the Cocoa Research Institute of Ghana (CRIG) and the Cocoa Research Institute of Nigeria (CRIN) when the two countries attained independence respectively in 1957 and 1960 (ibid, p.22).

5.5.2 The Cocoa Services Division

The Cocoa Services Division (CSD) was established in 1946 to fight the Cocoa Swollen Shoot Virus (CSSV) disease detected from a survey conducted in 1945/46. The disease, which was widespread, was found in all the 6 cocoa growing regions. Officials of CSD cut down 135 million diseased trees between 1948 and 1961. CSD is therefore responsible for the survey and control of the CSSV disease, and production and distribution of improved planting materials. The division is the extension wing of the cocoa industry and also acts as the interface between CRIG and cocoa and coffee farmers in disseminating information of improved production technologies to them. It has 24 cocoa demonstration and training centres for farmers; 21 seed gardens for the production and distribution of hybrid cocoa pods to farmers (see figure 5.3 below), and a College at Bunso in the Eastern Region established in 1950 which trains staff of the Division. It has its headquarters in Accra with regional offices in the 6 cocoa growing regions in Ghana. The advisory extension service teaches farmers the correct way to cultivate, maintain and get the maximum yield from their farms. Farmers are taught general farm husbandry, agronomic practices like spraying of insecticides against capsids (i.e. Akate) in the months of August, September, October and December; spraying of fungicides against Black Pod disease, removal of mistletoe, overhead shade, and basal chupons. The extension officers implement and monitor programmes. The staff working on the CSSV have been placed on contract and are no longer permanent employees of CSD, while the extension officers have since 2001 as noted earlier, been transferred to Ministry of Food and Agriculture (MOFA).

Figure 5.3 CSD's locations for production and distribution of hybrid cocoa pods and seedlings.



Source: CRIG (1987)

5.5.3 The Quality Control Division (QCD)

This is an important Division of COCOBOD with the responsibility to ensure that the quality of cocoa and other exportable crops such as coffee and sheanuts is maintained. It is important for the Division to ensure that the cocoa being exported is of good quality because Ghana earns a premium for exporting quality cocoa. In addition, the buyer could reject it if it does not meet the required standard. In carrying out this responsibility various measures are taken. First, it issues out Certificates of Registration after inspecting the premises or depots where the cocoa and other export crops are stored. This is to ensure that the crops are stored in a decent and hygienic environment devoid of insects and pests before they are transported to the port. Hence, no grading, sealing and storage is allowed at any depot which has not been given a certificate. The Division has 73 operational district offices in the 6 cocoa growing

regions. Staff of the Division inspect, sample, grade and seal the cocoa before it is transported to the take-over points or ports for shipment or to the processing factories. The QCD officer will sample every 30 bags and among other things look out for “unusual beans” or beans not in uniform with the rest and test for moisture because if the beans are not properly dried they will be mouldy. The mouldy and unusual beans are not good for export. How the bags are sewed is also examined to avoid spillage of the beans and reducing the weight of the bag. Figure 5.4 below shows a QCD officer doing a moisture test to determine the dryness of the cocoa beans at a depot in Kaase in Western Region, visited during the study.

Figure 5.4 A QCD Officer using an Aqua-boy moisture meter to test the dryness of cocoa beans at a depot



Source: Author 23/03/09

The cocoa beans are graded strictly in compliance with international quality standards of bean size. The quality restrictions include mouldiness, slaty or purple beans, and other defects like germinated, flat or broken and insect damaged beans. The United Nations Food and Agriculture Organisation (FAO) established the international standards which are Grade 1 and Grade 2. The Grade 1 beans should have a maximum of 3% each of mould, slate and other defects while in the case of Grade 2, the beans should have a maximum of 4% mould, 8% slate and 6% other defects. However, in all cases the beans should be comprehensively

dry, not infected, smoky or contaminated with any foreign matters. The cocoa is considered sub-standard if the above stated parameters or features surpass Grade 2. The QCD adopts quality control procedure for sorting out or segregating cocoa beans in accordance with the Federation of Cocoa Commerce (FCC) contract terms which are large, medium, small and remnants, based on a number of beans per 100 gm weight. If the cocoa beans are more than 180 per 100grams they are not accepted in cocoa trading in Ghana. The size of the cocoa beans can be affected by changing whether conditions particularly irregular rainfall patterns, continuous bearing hybrid trees, younger hybrid cocoa trees, and lack of pruning of the cocoa trees can reduce the size of the beans. The bean size distinguishes the main crop season which usually has bigger pods and bigger beans from the mid-crop season which has smaller pods and smaller beans.

The quality inspection by QCD has since 1999 been limited to the depots while the LBCs are required to do the inspection at the society (or point of buying) level. However, an LBC can request the QCD to inspect the beans at the society level but that will attract an extra charge. After inspecting the cocoa, the officer prints the grade of the beans on the bag (i.e. Grade 1 or 2), puts a seal indicating the month, year, and the depot number where the cocoa was inspected plus his identification number. This is a built in check system to know when and where the cocoa was inspected and sealed and by who. The QCD officer then issues a certificate to the LBC representative at the depot. At the port, the cocoa is again subjected to another test by other QCD officers after which the Cocoa Marketing Company (CMC) Limited takes over the cocoa or rejects it if not up to the standard. A “Purity Certificate” is issued for every consignment CMC takes over. A final check-sample is conducted before all consignments are shipped to ensure that only good quality cocoa is exported and again a “Purity Certificate” is issued. However, in countries like Nigeria, Cote d’Ivoire and

Cameroon which have fully liberalised their cocoa marking systems, the quality inspection is limited only to the ports. The QCD also has trained pest control staff who inspect sheds to spray and disinfest the cocoa to ensure that only insect-free cocoa is exported. They also fumigate the cocoa at the port with Phosphine to ensure that the cocoa is completely disinfested before shipment (see Ghana Cocoa Handbook, 2000, pp.32-33; Ghana Cocoa Board Strategy II Document, 2010 pp. 20-22).

5.5.4 Produce Buying Company Limited (PBC)

The Produce Buying Company (PBC) was a subsidiary of COCOBOD but after the liberalisation has been privatised as one of the twenty-six (26) private licensed buying companies (LBCs)²⁸ which purchases cocoa under the supervision of COCOBOD for export. It was solely responsible for the buying of good quality cocoa, storage and evacuation to take-over centres at Tema, Takoradi and Kaase before the internal liberalisation of the sector in 1993. The company has buying centres known as “societies” manned by purchasing clerks (PCs) who ensure that quality beans (i.e. in terms of dryness and cleanliness) are purchased and cocoa farmers paid whenever they sell their cocoa. After purchasing, the PC arranges for the QCD officer to grade and seal the cocoa for evacuation to the ports. PBC also has a haulage unit which has a fleet of trucks that transport the cocoa to the ports (ibid, p.34-35).

5.5.5 Internal Marketing

After the Gold Coast Cocoa Marketing Board (GCCMB) was set up in 1947, it licensed thirty-two (32) buying agents, including the private merchants²⁹, to internally purchase cocoa while it was solely in charge of export. This was under the neo-liberal system of the British colonial administration. The multiple-buying system was however abolished and from 1961-

²⁸ The number of the LBCs was 26 at the time of the study in 2009.

²⁹ The private merchants were those buying cocoa before the farmers’ strike action in 1937.

1966 the Ghana Farmers' Co-operative Council (GFCC) was granted the monopsony power by government as the sole buying company after Nkrumah adopted his ISI model. The multi-buying system was re-introduced in 1966 after the overthrow of Nkrumah and the neo-liberal development model was again adopted by the government but this time only eleven wholly Ghanaian companies were granted license by COCOBOD. In 1977, the multiple buying system was again abolished and Produce Buying Company (PBC) was given the sole buying right by the Acheampong administration (ibid, p. 38), when he adopted a self-reliant inward development model similar to Nkrumah's ISI model. However, the multiple-buying system was introduced again in 1993 when the cocoa sector was reformed as recommended by the IMF and the World Bank (see Table 2.1; chapter 2).

In 1993, a legal framework was put in place which granted COCOBOD the authority to licence and regulate the operations of private licensed buying companies (LBCs) to compete with PBC. Six (6) companies were licensed to compete with PBC in 1993 and PBC lost its monopsony position in the market. The producer price was still to be set by government based on the advice of the Producer Price Review Committee (PPRC) made up of representatives of government, COCOBOD, farmers and LBCs. This means, government would continue to fix the *floor price* but the LBCs could pay higher prices to farmers. The banking law (PNDC 225) implemented under the reforms restricts local banks from lending huge sums of money to individual companies, hence since 1992/93 COCOBOD arranges loans from syndicated local and foreign banks at the beginning of each season and disburses to the LBCs as "Seed Fund" for the buying of cocoa. The initial quality check at the buying centres or farm gates was left to the LBCs while the Quality Control Division (QCD) of COCOBOD concentrated on the depots, and the ports before the final shipment as noted earlier. By 1996/97, the number of the LBCs had increased to thirteen (13) and had a market

operation of 32 % with PBC having 68%. PBC was however, privatised and listed on the Ghanaian Stock Exchange on 1 June 2000. By 2008/2009, twenty-six (26) LBCs were buying cocoa under the supervision of COCOBOD and PBC's market share had declined to 31% (Ghana Cocoa Board, 2009). This implies that the LBCs combined had captured more of the market (i.e. 69%) than PBC.

5.5.6 The Cocoa Marketing Company Ghana Limited

The Cocoa Marketing Company Ghana Limited, better called CMC, is solely responsible for the sale and export of Ghana's cocoa beans and the semi-processed products of the Cocoa Processing Factories when they were subsidiaries of COCOBOD (i.e. before they were privatised after the cocoa sector reforms). Its main objective is to obtain the best prices on the international market for cocoa. It tries to maximise foreign exchange for the country and carries out forward sales as well in an attempt to achieve this. It performed the same responsibilities for coffee and sheanuts until the internal and external marketing of the two crops were privatised in 1991. It has its main office in Accra and a branch in London. CMC only sells to companies registered with them as buyers, except sales made to countries under bilateral agreements. Companies which register with CMC are issued with buying licenses renewable each crop year (1st October- 30th September). Sales are made on cash against documents basis on first presentation payment terms in either New York or London except under trade agreement which permits payments to be made against letters of credit. The minimum quantity required for discharge at any main port is 50 tonnes for cocoa beans and 10 tonnes for cocoa products. Shipment is mainly done on cost, insurance and freight (CIF) basis but occasionally on free on board (f.o.b.) and cost and insurance (C&I) (Ghana Cocoa Handbook, 2000 , pp35-37).

5.6 History of Cocoa Processing or Value-Adding in Ghana

Cocoa value-adding in Ghana dates back to 1949 when Gill and Daffus of London set up the West Africa Mills (WAM) at Takoradi³⁰. The government acquired 51% of WAM's shares in 1963 and built two new processing factories through Cocoa Products Corporation at Tema and Takoradi as part of Nkrumah's ISI policy (see Table 2.1). The Takoradi factory was commissioned in 1964 and was managed by Peterson Simons and Edward of Britain under a 5 year agreement with the government. At the end of the agreement, COCOBOD took over control in 1969. The construction of the Tema factory called Portem was started in 1963 by Drevici Group of Companies but was not fully completed until 1972 when COCOBOD took over its management. COCOBOD established Cocoa Products Company in 1973 to run the two factories. The Golden Tree factory started by Drevici which was attached to the Tema factory was also taken over by COCOBOD in 1973. This happened under Acheampong's self-reliant policy (see Table 2.1; section 2.6). The processed products and raw cocoa beans have been contributing to Ghana's export drive until the present. Table 5.1 summarises this contribution from 1962 to 1980.

Table 5.1 Cocoa's Contribution to Export (%) (1962- 1980)

Commodity	1962	1965	1970	1974	1975	1979	1980
Cocoa Beans	60.0	61.1	65.1	54.0	55.4	67.9	63.3
Cocoa Butter	0.8	0.4	0.9	1.2	1.1	1.9	3.0
Cocoa Paste	2.5	5.1	6.0	9.9	7.5	4.8	4.8

Source: Compiled by Author (i.e. from Baah-Nuakoh's 1997 Tables 5.2 and 12.4).

The decline in the output of the processed products between 1974 and 1979 was attributed to obsolete equipment at the factories (Awua, 2004). It could also be attributed to

³⁰ Takoradi is the capital of Western Region which currently produces about 60% of Ghana's cocoa.

Acheampong's self-reliant policy and his ill management of the economy particularly his refusal to devalue the currency and to reform the economy to stimulate export coupled with the reckless dissipation of foreign reserves by him and his cronies, all of which resulted in the lack of foreign exchange to import new equipment to replaced the old ones to enhance the capacities of the factories (see sections 2.6 & 2.7). In 1981 the two factories at Tema and Takoradi were merged to become the Cocoa Processing Company Limited (CPC) a wholly-owned subsidiary of COCOBOD. COCOBOD also fully took over WAM which it had 51% share-holding in 1982 after Gill and Duffus had handed over their 49% shares to it. It then had total control over all the three processing factories in the country (i.e. CPC-Portem, Tema, CPC-Taksi, Takoradi and WAM-Takoradi). Table 5.2 below shows the output of the three factories from 1969/70 to 1980/81.

Table 5.2 Raw Cocoa Beans Processed in Ghana by the 3 Processing Factories (Metric Tonnes) 1969/70-1980/81

Crop Year	Portem (Tema)	Taski (T'di)	WAM (T'di)	Total	Total National Output	% of National Output Processed Locally	% of Processed Beans on World Cocoa Grindings
1969/70	-	14,727	27,333	42,060	417,457	10.23	3.11
1970/71	-	15,772	32,496	48,268	427,894	11.49	3.45
1971/72	-	15,177	34,962	50,139	469,864	10.67	3.26
1972/73	1,793	10,914	29,678	42,385	421,843	10.05	2.68
1973/74	2,353	13,066	23,629	39,049	354,871	11.01	2.58
1974/75	3,742	17,512	26,065	47,319	361,283	12.49	3.26
1975/76	8,860	17,620	25,627	51,633	400,321	13.01	3.38
1976/77	10,207	18,147	17,931	46,286	324,111	14.28	3.21
1977/78	12,00	16,600	11,176	39,776	271,339	14.66	2.85
1978/79	7,838	15,443	9,803	33,084	265,076	12.48	2.27
1979/80	7,671	15,013	10,944	33,628	296,419	11.34	2.28
1980/81	7,535	8,045	11,017	26,597	257,974	10.31	1.68

Sources: Awua, 2002; Ghana Cocoa Board, 2009

The total percentage of the raw beans ground by three processing factories increased from 10.23% in 1969/70 to 14.66% in 1977/78 but declined to 10.31% in 1980/81. Ghana's bean grinding percentage at the global level also fell from 3.38% in 1975/76 to a record low level of 1.68% in 1980/81 (Table 5.2). This, one may attribute to the poor state of the economy created by the Acheampong administration which culminated during the Limann era when Limann like Acheampong also refused to reform the economy in general and to devalue the currency in particular as was recommended by the IMF and the World Bank (see section

2.10). The output of the processed cocoa products declined due to old and obsolete equipment at the factories and the unavailability of spare parts to replace worn out ones. However as noted earlier, there was no foreign exchange to import the needed spare parts which left the factories in a dire state and gradually ground to a halt. Consequently, the output of beans processed declined from 13.62% in 1981/82 to 9.71% in 1991/92 and fell also from 1.9% to 1.03% in relation to world cocoa grindings for the same period (Table 5.3).

Table 5.3 Raw Cocoa Beans Processed in Ghana by the 3 Processing Factories (Metric Tonnes) 1981/82-1991/92

Crop Year	CPC-Portem (Tema)	Taksi (T'di)	WAM (T'di)	Total	Total National Output	% of National Output Processed Locally	% of Processed Beans on World Cocoa Grindings
1981/82	6,540	11,767	12,330	30,637	224,882	13.62	1.90
1982/83	3,808	6,883	5,057	15,748	178,626	8.82	0.96
1983/84	3,590	5,467	5,885	14,941	158,956	9.40	0.87
1984/85	2,288	8,613	9,391	20,241	174,809	11.58	1.09
1985/86	3,194	10,195	8,773	22,162	219,044	10.12	1.18
1986/87	4,715	8,112	10,315	23,142	227,765	10.16	1.22
1987/88	7,093	10,648	10,451	28,192	188,177	14.98	1.41
1988/89	8,171	12,363	-	20,534	300,101	6.84	0.97
1989/90	11,379	11,609	7,723	30,711	295,051	10.41	1.39
1990/91	11,071	9,624	9,313	30,707	293,352	10.47	1.31
1991/92	13,458	10,132	-	23,589	242,817	9.71	1.03

Sources: Awua, 2002, Ghana Cocoa Board, 2009.

In 1990, the Portem factory in Tema was split into two - Portem Cocoa factory and Portem confectionery. The factory produced cocoa liquor, butter, cake and powder while the confectionery manufactured chocolate, couverture, “pebbles” and instant cocoa powder. This

among others accounted for the increase in the company's output from 11,379 metric tonnes in 1989/90 to 13,458 metric tonnes in 1991/92 (Table 5.3). The semi-finished cocoa products all sold on the global commodity market with the exception of the confectionery products which were also sold on the domestic market. In all about 95% of the products produced by CPC was exported. As part of the implemented liberalisation policy by the government, WAM was divested in 1992 and became known as West Africa Mills Company (WAMCO). COCOBOD's shares reduced from 51% to 40% while the new investor Schroeder of Germany had 60%. However, CPC- Portem, Tema operated as a subsidiary of COCOBOD until July, 2002 when it was placed under the Ministry of Finance and subsequently listed on the Ghana Stock Exchange (GSE) on 14 February 2003 as a Public Company (Awua, 204, pp.1-2; Ghana Cocoa Handbook, 2000 pp.40-42).

The implemented liberalisation policy also enhanced Ghana's importance in the cocoa processing value chain because the number of processing companies in the country increased. In addition to the three local processing companies, eight new ones were set up including the three world leading grinding companies- Barry Callebaut, Cargill and Archer Daniels Midland Companies (ADM) which established subsidiaries in the country, but out of the eight only five were processing cocoa beans as at 2009 (Table 5.4 below).

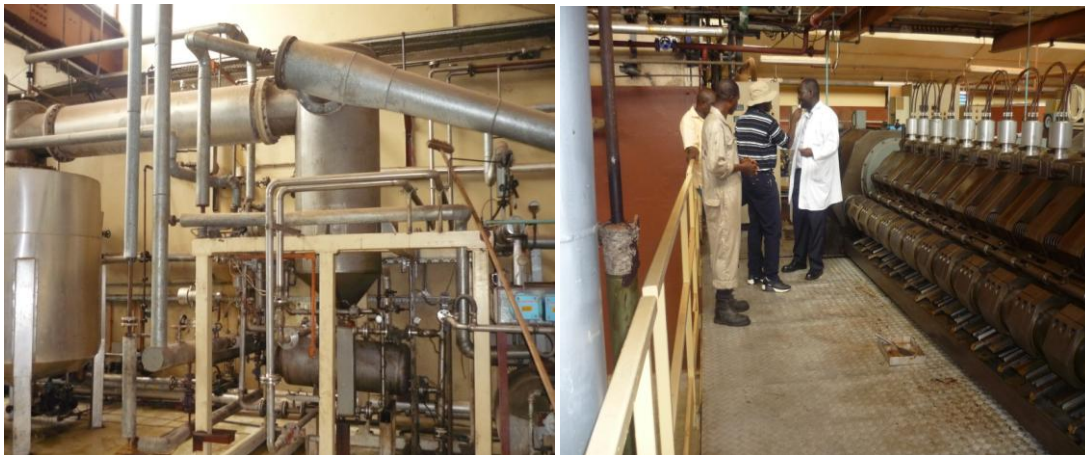
Table 5.4 The New Cocoa Processing Companies in Ghana

Name of Company	Year of Establishment	Year of Operation	Plant Capacity (Metric Tonnes)
ADM	January 2008	2008/09	30,000
Afrotropic Cocoa Processing Ltd	3 January 2003	2006/07	45,000
Barry Callebaut	13 November 1998	2001/02	60,000
Calf Cocoa Int. Ghana Limited	11 July 1998	2007/08	10,000
Cargill	29 June 2006	2007/08	65,000

Source: Ghana Free Zone Board, 2009

Of the three leading global processing companies, Barry Callebaut was the first to start grinding cocoa in Ghana in 2001/2002. The national grinding output which had risen to an all time high of 20.55% in 1996/97 had declined to 19.4% in 2000/01 but this increased to a record 24.16% when Barry Callebaut began grinding in 2001/02 (Table 5.5 below). Awua (2002) also states that the fluctuation in the quantity of beans processed can be attributed to the lack of definite policy on beans supply, refurbishment and re-equipping of some of the factories (i.e. Portem-CPC and WAMCO), and inadequate power supply. After the refurbishment, Portem-CPC's (Tema) capacity increased from 20,000 metric tonnes (mt) to 64,000 mt while WAMCO's capacity also increased from 60,000 to 75,000 mt (see figure 5.5 below)

Figure 5.5 WAMCO Factory after the Refurbishment



Source: Author

15/03/09

Figure 5.6 Cocoa Butter at WAMCO Ready to be Exported



Source: Author 15/03/09

Barry Callebaut has since 2006/07 taken over from WAMCO as the leading cocoa processor in Ghana after a six year operation (figure 5.6). It processed 53,466 mt in 2006/07, which increased to 60,046 mt in 2007/08 while Cargill's 30,769 mt in 2008/09 put it in the second position (see Table 5.5 below).

Table 5.5 Raw Cocoa Beans Processed By the 7 Grinding Companies Currently Operating in Ghana (Metric Tonnes) 2001/02- 2008/09

Crop Year	CPC (Portem)	WAMCO	Cargill	Barry	Afro'C	Calf	ADM	Total	National Output	% of Na'nal Output Processed
2001/02	20,920.85	44,059	-	17,300	-	-	-	82,279.85	340,562	24.16
2002/03	20,723	26,896	-	21,377	-	-	-	68,996	496,846	13.35
2003/04	19,378	33,485		24,556				77,419	736,975	10.51
2004/05	16,378	35,801		28,040				80,219	559,318	13.39
2005/06	18,177.42	41,906		22,352				82,435.42	740,458	11.13
2006/07	22,928	46,025		53,466	2,089.3			124,508.30	614,532	20.26
2007/08	21,722.35	31,963	1,058	60,046	4,487.7	5,354.9		124,631.95	680,781	18.31
2008/09	14,178.3	23,219	30,769	51,322.3	4,146.5	6,029.2	3,290.8	133,055.07	710,641	18.72

Source: Ghana Cocoa Board, 2009.

Barry Callebaut and Cargill the two leading global grinding companies, have therefore started making a significant impact in Ghana and it is expected that ADM, the other giant global grinding company which started operations in 2008/09 with a modest production of 3,290.8 mt will soon be competing with Cargill and Barry Callebaut in terms of output. Barry is now leading because of the three giant global grinders it was the first to have started grinding cocoa at the origin in Ghana and have thus become well established in the country.

5.7 Policies on Cocoa Processing or Value-Adding in Ghana

Ghana has set a locally processed target of a minimum of 40% of its annual cocoa output in the medium term, and as a result the following policies and incentives have been provided for local processors:

1. Government guarantees the land for the processing company with regards to its establishment and operations.
2. Processing companies are granted permission to import essential plant, machinery, equipment and accessories and conferment of export processing zone (EPZ) benefits (see section 6.30).
3. COCOBOD shall sign Beans Supply Agreement (BSA) with processing companies to supply them with cocoa beans but without any mention of particular type/category /grade of cocoa beans.
4. The BSA shall not commit COCOBOD to supply specific quantities of cocoa beans.
5. In the case of companies that COCOBOD has tied itself in the BSA to supply specific quantities and types of cocoa beans within a certain period of time, supply will be subject to availability of the specific quantities and types of beans specified in the BSA. However, this will be reviewed on the expiration of the BSA and COCOBOD shall cease to commit itself to supplying specific quantities and types of cocoa for specific period.
6. Currently, in addition to primary processing, the processing companies are encouraged to include tertiary production in their product line. However, in the long term, only processing companies which are prepared to process cocoa to the tertiary level may be licensed. The focus of processing is to direct prospective processors to the secondary/tertiary stages of processing.
7. Cocoa processing companies currently enjoy a 30-day credit facility but this is likely to be phased out in future BSA.

8. Processing companies are not strictly limited to Ghana cocoa beans but can import beans from other origin countries to blend with Ghana cocoa whenever necessary.
9. Cocoa processing companies shall import cocoa beans subject to the approval of COCOBOD and in consultation with other relevant institutions. The cocoa beans being imported shall be transported by sea and not by road.
10. All cocoa-related investments shall be referred to COCOBOD for advice, and in line with this COCOBOD shall liaise with the Ministry of Finance and Economic Planning (MFEP) to direct Ghana Investment Promotion Centre (GIPC), the Free Zone Board (FZB) and other investment promotion agencies to COCOBOD.
11. Cocoa processing companies operating within the free zone are not allowed to cultivate their own cocoa farms as it is against the current internal and external cocoa marketing regulations.

(Ghana Cocoa Board-Draft Cocoa Development Strategy II Document, 2010)

This is an attempt by the government to focus on increasing cocoa value-added products to enhance Ghana's competitiveness in the global market in addition to promoting public-private partnerships which is in line with the neo-structuralism model of a country particularly designing industrial and export policies to integrate into the global market (see Tables 1.2 and section 1.2). It also amplifies the significant role of COCOBOD in pursuit of this objective which Jessop (2004) refers to as a move from *government* to *governance* that is the State transferring functions entirely to parastatals, non-governmental, private or commercial institutions or sharing functions with them (see section 1.1). The State has generated economic, social and political consensus in pursuit of this agenda since the reforms particularly under the Kufuor administration (see Table 2.1).

5.8 Cocoa's Contribution to Ghana's Economy

Cocoa has been the mainstay of Ghana's economy since the establishment of the marketing board to oversee the running of the industry. Its export ratio to GDP in 1955 prior to independence was 19.3%. This however declined to 13.9 % in 1960, three years after independence during Nkrumah's era but it was attributed to the outbreak of pests like capsid (Akate) and cocoa swollen shoot virus (CSSV) disease in the country. The Nkrumah government however introduced massive mass spraying of cocoa farms and cut down afflicted cocoa trees in 1960 to address the problem. This led to Ghana producing a then record of 591,031 metric tonnes of cocoa in 1964/65, about 40% of the global production. In terms of revenue, this was US\$88.6 million (Ghana Cocoa Board Handbook, 2000; Ghana Cocoa Board, 2009). This is another example of the role of the State in enhancing export and efforts made by Nkrumah to sustain the cocoa industry and to use the sector to drive his ISI policy (see Table 2.1 and section 2.3).

Table 5.6 Foreign Exchange Earned by Sale of Cocoa Beans from 1960/61-2007/08

Crop Years	Amount (US\$ Million)
1960/61-1969/70	755.9
1970/71-1979/80	3,657.3
1980/81-1989/90	3,900
1990/91-1999/2000	4,558.9
**2000/01-2007/08	7,205
Total	20,077.1

Source: Author

* Less than a decade in 2009.

The sale of cocoa beans from 1960/61 to 2007/08 earned Ghana over US\$20 billion (Table 5.6). The foreign exchange of US\$7.2 billion earned between 2000/01-2007/08³¹ was higher

³¹ Less than 2 cocoa seasons at the time of the study.

than any of the earnings of the previous decades and was due to increase in production and higher prices at the global market. However, cocoa could have contributed more than it did had it not been for the volatility of world market prices and decline in production. For instance, the cocoa price at global market declined from US \$152.62 in 1960/61 to US \$ 112.12 in 1965/66 which one could argue was a means by the Western countries, the main buyers of Ghana cocoa, to stifle Nkrumah of money to pursue his African socialism and ISI development model because the price increased to US \$167.80 in 1966/67 immediately after Nkrumah was overthrown in 1966 (see sections 1.2.1; 2.3 & 2.4). Additionally, the terms of trade for cocoa declined from US\$1901.96 in 2002/03 to US\$1447 in 2004/05 while cocoa production also fell from 736,975 metric tonnes in 2003/04 to 599,318 metric tonnes in 2004/05. During the late 1970s and early 1980s cocoa production also declined to as low as 265,076 metric tonnes in 1978/79 due to several factors like low producer price paid farmers, smuggling and drought (see chapter 2).

5.9 Ghana's Land Tenure System

It has also been argued that Ghana's land tenure system limits prospective farmers' or investors' access to land, especially large scale farmers, which contributes to lack of large scale cocoa farming and the problem of food security in the country. Under the existing system, traditional land-owning authorities³² hold complete ownership title to land on behalf of their people. What therefore pertains in Ghana is that, the land is leased and rented over a reasonable period of time for economic and commercial activities with the permission of the titleholder(s). The land however, reverts to the community or the titleholder at the end of the lease or at the end of the activity for which the land was leased (Asumadu, 2003). Asumadu (2003) argues that the different customary arrangements in Ghana, coupled with the

³² These are the chiefs, clan heads and skin.

inconsistencies in the procedures for deeds and title registrations make it difficult and burdensome for potential investors to obtain large parcels of land for large scale economic activities, particularly when the activity requires a period of development or gestation. Additionally, the various traditional ownership structures often demand the need for one to negotiate with a greater number of the allodial titleholders. This can not only be burdensome but frustrating and expensive since at every stage of the negotiations money is demanded. One could even end up been defrauded by some crooks who have taken advantage of the system.

Baah-Nuakoh (1997) also states that the acquisition of land for large scale farming in Ghana is difficult because of the communal ownership of land with the family as the unit of ownership. Consequently, the lands get fragmented for use. Members of clans who own lands however, can till the land free of charge and without any encumbrances. Their farms or portion of land can be inherited by their children or descendants or may be willed to any member of their family. Many of the smallholder cocoa farmers therefore cultivate their cocoa farms on family lands or inherited family lands. Some also acquire their land through the “abunu” system where the owner of the land gives it to the prospective farmer to cultivate and when the cocoa or whatever crop cultivated is matured, the farm is divided equally into two with the owner taking half while the farmer takes the other half. There is also the “abusa” system where proceeds of the farm are divided into three, the land owner takes two thirds and the farmer takes one third. In the case of a cocoa farm where the farmer acts as a care taker, he and the land owner take one third each of the proceeds and the remaining one third is used in running and maintaining the farm. In all situations (i.e. under the two systems), the land owner picks first. Nonetheless, some smallholder cocoa farmers are able to purchase land under leasehold for farming without going through the difficulties and frustrations

prospective large-scale farmers may experience. Hence, large-scale commercial cocoa farming is not common in Ghana. Cocoa farmers who own large farms mostly have different sizes of farms in different cocoa growing communities or regions.

5.10 Conclusion

Marketing Boards, particularly cocoa marketing boards, play an important role in the stabilisation of producer prices, marketing of the produce, supplying inputs like hybrid seedlings to farmers and providing technical assistance and insect pests and diseases control. The services of extension and quality control officers which COCOBOD for instance provides are relevant to the operations of the cocoa farmer. The functions of Marketing Boards are therefore relevant particularly in developing countries where most of the smallholder farmers of cash crops are illiterates, poor and not organised. However, it could be argued that often the Marketing Boards take advantage of the situation to exploit the farmers, by not paying them the deserved producer price. Additionally, most farming communities in developing countries lack basic amenities like good roads, drinking water, schools and hospitals and to address this, farmers or the producers must be well represented and participate at all levels of the Marketing Boards' activities. The above findings clearly suggest that the Marketing Boards ought to consider adopting a bottom up approach where farmers decide on issues relating to their well-being and not the reverse where the Boards decide for the farmers as is the case in many developing countries in general and Ghana in particular. Staff of the Marketing Boards have become masters or bosses of the business instead of the farmers who own the business. The government of Ghana ought to also consider taking steps to reform the land tenure system by reducing the bottlenecks in it. For instance, it can acquire all lands and duly compensate the owners and in turn lease them out to prospective farmers and investors as a long term solution to the food security problem and

in Ghana's efforts to regain its position as the leading cocoa producer in the world. This chapter has traced the origin of commodity marketing boards particularly the Cocoa Marketing Boards and the Caisse System. It has highlighted the significant role of these boards especially in cushioning producers against price volatility, exploitation by middlemen or buyers and ensuring production of quality produce. The next chapter presents the findings of the study relating to the research questions and objectives, and highlights the views of the smallholder cocoa farmers on the 1993 cocoa sector reforms.

CHAPTER 6

ANALYSIS III:

THE ROLE OF TECHNOLOGY AND WORKING PRACTICES

6. Introduction

This chapter presents the findings of the empirical study relating to the research questions and objectives. The major concern of this thesis is to analyse the effects of Ghana's "meso model" created after the cocoa sector reforms in 1993 on Ghana's cocoa industry in general (see section 1.5.5), and the practices and opportunities of the smallholder cocoa farmers in particular. In effect, the study sought to analyse effects of the implemented liberalisation policies and economic globalisation on the cocoa sector the mainstay of the economy and the general well-being of the smallholder cocoa farmers who form the bulk of the industry. It therefore focused on the effects of: (i) the annual increase in cocoa producer price on cocoa farmers output and income, (ii) the operations of the LBCs (licensed buying companies) on the smallholder cocoa farmers in particular and the efficiency of the market in general, (iii) the programmes implemented by government or COCOBOD (Cocoa Marketing Board) under the reforms to enhance the output of the smallholder cocoa farmers, and (vi) how Ghana had taken advantage of the process of globalisation with regards to its cocoa value-added programme. Some of the major findings are as follows: firstly, the annual producer price increased after the reforms increasing the cocoa farmers' share of the free on board (fob) price from 53.3% to 73% and enhancing farmers' income. However, subsidies on inputs were removed which increased prices of inputs in some cases by 100%. Secondly, majority of the respondents indicated that the liberalisation of the internal market after the reforms led to prompt cash payment by the LBCs and also gave cocoa farmers options to sell their produce. Thirdly, respondents also said they found the mass spraying and Hi-tech programmes

implemented by the government through COCOBOD after the reforms in 2001 and 2003 respectively, very good incentives which assisted in improving their output despite the bottlenecks. Fourthly, the government has provided incentives for cocoa processors in line with its value-adding policy with COCOBOD playing an important role by supplying cocoa beans to the processing companies under the Beans Supply Agreement (BSA) and supporting them in diverse ways (see section 5.7). These findings amplify the important role of the State in enhancing exports and also guiding the integration of a nation into the global economy. Communication in the cocoa communities was found to have improved with many cocoa farmers using mobile phones as a result of the government's deregulation policy which was part of the implemented general reform policies (see Tables 1.1 & 1.2; sections 1.1, 1.2 & 2.12). However, it was also found that government or COCOBOD had not provided adequate basic amenities in some of the cocoa growing communities to the dismay of cocoa farmers who felt the lack of these basic amenities served as a disincentive to attracting the youth into cocoa farming. These findings are presented using the before and after approach. The purpose is to establish the situation before and after the reforms to be able to draw meaningful inferences.

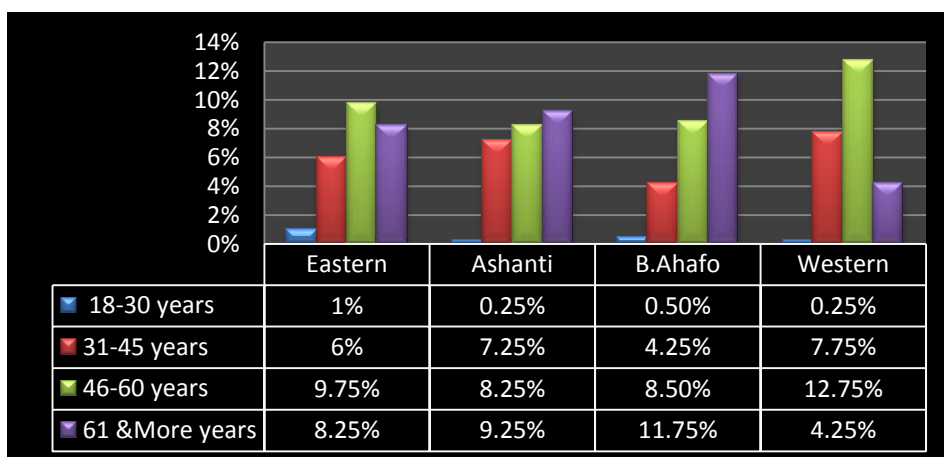
There is a lot of literature on cocoa, especially the effect of producer price on cocoa production and its sustainability (Barrientos *et al*, 2007; Osei-Akom, 1999), but Ghana's "meso model" which resulted from its ability to negotiate with the IMF and the World Bank for a partial liberalisation of its cocoa sector instead of the total dismantling of COCOBOD which is distinctive (see section 1.5.5), has not received the needed attention in the literature to the best of my knowledge. However, this unique "meso model" according to the above findings assisted Ghana to continuously produce the touchstone of global quality cocoa and

enhanced its export and foreign revenue in general and cocoa farmers output and income in particular. It is therefore worth studying.

6.1. Demographics

The study had a sample size of 400 (see section 3.8) and had responses from all of them through the face-to-face structured interview. The findings show that 82.5% (330) of the respondents were males and 17.5% (70) females, which is a reflection of the fact that cocoa farm ownership in Ghana is dominated by male farmers. With regards to their ages, 39.25% of the respondents were between 46 to 60 years while 33.5% were above 60 years. The rest fell within the age brackets of 31-45 years (25.25%) and 18-30 (2%). By cocoa region, Brong Ahafo had the highest proportion of older farmers (11.75% over 60 years), followed by Western which had 12.75% between 46-60 years, while more young farmers (1% between 18-30 years) were found in Eastern region (see figure 6.1 below). Hence many of the cocoa farmers were aging or were old.

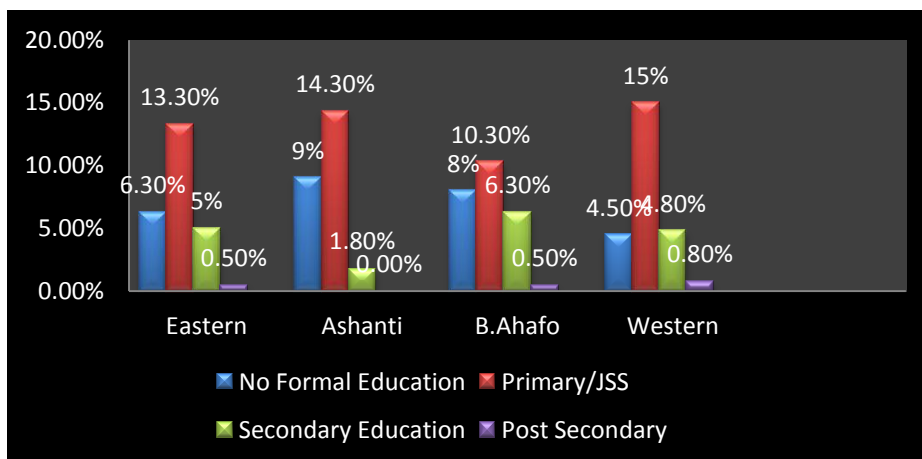
Figure 6.1 Regional Age Distribution of Respondents



6.2 Educational Levels of Respondents

When the educational levels of the respondents were examined, it was found that a majority of the farmers had primary and junior secondary education (52.8%). Out of this, the highest number was in Western region (15%) and the lowest (10.3%) in Brong Ahafo. The proportion of respondents with secondary education was 17.8% and those with post secondary education was 1.8%. Brong Ahafo had the highest number of farmers (6.3%) with secondary education. However, there were respondents with no formal education (27.8%) of which Ashanti region had the largest number (9%) and Western region the lowest (4.5%) (figure 6.2). Many of the cocoa farmers thus had low formal education or no formal education at all.

Figure 6.2 Regional: Education Level of Respondents



6.3 Reasons for going into Farming

The majority of the respondents (66.5%) became cocoa farmers by taking after their parents, while 5.8% indicated that the producer price was what attracted them, but 2% went into farming after having lost their jobs due to the privatisation exercise which accompanied the

economic reforms. However, 25.8% of the respondents went into cocoa farming for other reasons like “Life was difficult in the city”, and “I inherited a cocoa farm from my uncle”³³.

6.4 Farm Sizes of Respondents

Table 6.1A Farm Sizes of Respondents Before the Reforms in 1993

	0-5acres	6-10acres	11-15acres	16&more acres	Total
Eastern	30	20	15	5	70
Ashanti	28	22	8	12	70
B.Ahafo	17	24	10	13	64
Wetern	10	12	18	20	60
Total	85 (32.2%)	78 (29.5%)	51(19.3%)	50 (18.9%)	264 (100)

Source: Author

Table 6.1 B Farms Sizes of of Respondents After the Reforms in 2009

	0-5acres	6-10acres	11-15acres	16&more acres	Total
Eastern	38	33	11	18	100
Ashanti	30	31	10	29	100
B.Ahafo	23	30	8	39	100
Wetern	16	20	17	47	100
Total	107(26.8%)	114(28.5%)	46 (11.5%)	133 (33.3%)	400 (100%)

Source: Author

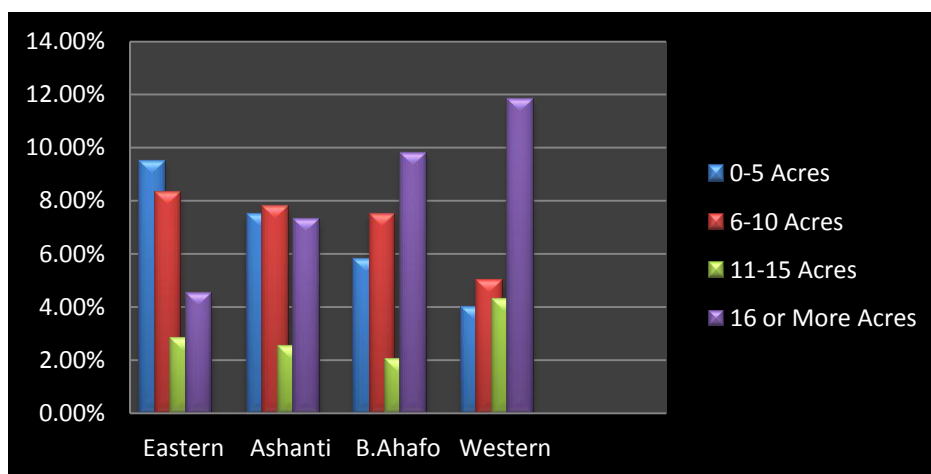
Tables 6.1A & 6.1B summarise the size of farms of respondent before and after the reforms.

Out of 264 respondents farming before the reforms 32.2% had the minimum farm sizes of 5acres or less but this decreased to 26.8% after the reforms, while the number of those who

³³ Most members of the Akan tribe in Ghana practice the matrimonial inheritance system where a nephew inherits from his uncle and takes over his property at his death. The practice is however dying off in recent times.

had large farms of 16 acres and more increased from 18.9% before the reforms to 33.3% after the reforms. The study found that, before the reforms 40% of the respondents indicated that they increased their output mainly by expanding their farms in terms of acreage but after the reforms this number increased to 72%. This could be attributed to “forest rent” (to cultivate virgin forest as economically viable for cocoa) and “pioneer front” (immigrants who clear tropical forest quickly to plant cocoa) (Hill,1963; Clarence-Smith and Ruf,1996), because some of the respondents said they moved to Western region to cultivate new farms. However, forest rent and pioneer front were beyond this study. Some of the farmers (30%) also said the desire to acquire new farms was due to increase in the producer price which they found better after the reforms while others (40%) said they got enticed by the availability of family land.

Figure 6.3 Regional Level: Size of farms of Respondents



At the regional level, Western region had the largest proportion of respondents (11.8%) with the largest farms (16 or more acres). Eight of the respondents in the region had farms with sizes between 21 and 80 acres with one respondent owning a total of 305 acres and could be classified as large cocoa farmers. Brong Ahafo region followed with 9.8%. Three participants in the region had farms totalling between 24 to 67 acres while one had a total of 130 acres. Eastern region had more of the typical smallholder farmers with five or less acres (9.5%) and

8.3% with 6-10 acres (figure 6.3 above). However, it is worth stating that most respondents did not have a large stretch of farm at one place but had different farms at different locations and estimated the sizes of their farms by adding up the different areas under cultivation. The majority of the respondents cultivated family lands³⁴ (64.5%). This was followed by a proportion of 12.3% each who either bought or got the land by other means like the “abunu” system³⁵, while 11% rented the land.

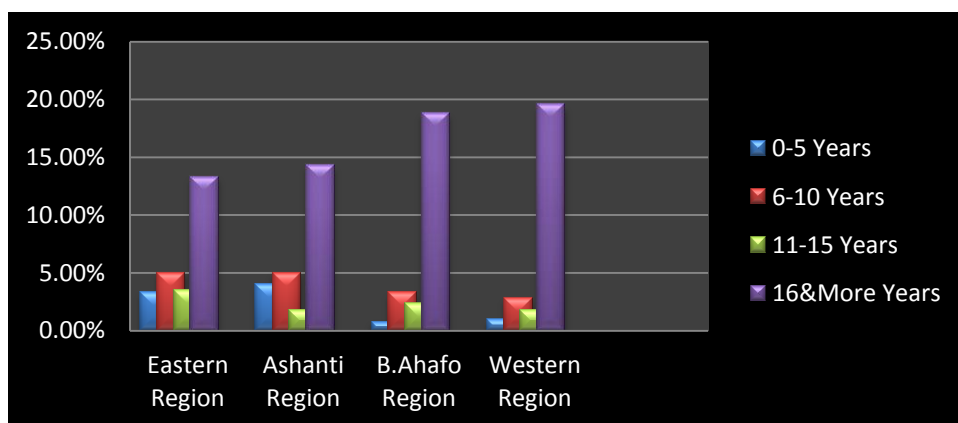
6.5 Respondents farming before the Refoms in 1993

It was found that out of the 400 respondents a greater number of 66% (264) were cultivating cocoa before the cocoa sector reforms in 1993, while 34% (136) started farming after the reforms. Of the 34% , the greater maority(16%) started farming between 6- 10 years ago while an equal number (9%) joined the profession between 11-15 years, and 5 or less years at the time of the study (i.e.2009). Western region had the largest proportion of respondents (19.5%) farming more than 16 years, followed by Brong Ahafo (18.8%). Ahanti region attracted more respondents (4%) into cocoa farming in the last 5 years followed by Eastern (3.3%) (figure 6.4). The new farmers were more concerned about making the most out of cocoa farming by adopting modern farming methods while the older farmers were concerned about maintaining their farms and leaving them as a legacy for their children and spouses.

³⁴ In Ghana Chiefs are custodians of land but clans own lands and families constitute clans, therefore members of families have the right to cultivate clan lands free of charge (see Chapter 5 section 5.9).

³⁵ The farmer and the land owner evenly share the farm when the cocoa first matures (see chapter 5 section 5.9).

Figure 6.4 Regional: Distribution of Years of Farming



6.6 Output of Respondents before the Reforms

Of the 264 respondents who indicated that they were farming before the reforms, the research found that a total of 25.3% produced between 1-10 bags³⁶, 35.9% between 11-60 bags with 2.5% producing between 91-100bags. Eastern region had majority of the participants (8.8%) producing less than 10 bags followed by Ashanti (6.8%), while Western had the highest participants (2%) producing between 90-100 bags (figure 6.5 below). At the district level Akim Ofoase in Eastern region was where a majority of respondents produced less than 10 bags whereas Bonsu Nkwanta, Debiso, Dadieso and Juaboso all in the Western region had the largest number(0.5% each) with the highest output (91-100bags).

³⁶ The figures of their output for the season (1991/92) before the reforms are here not regarded as too accurate as most of the respondents struggled to remember the exact figures because of the time lapse (16 years) and also most of them were illiterates and old. The researcher did not have any means of double-checking the figures. However, they were found useful to assist in estimating their gross income prior to the reforms.

Figure 6.5 Cocoa Output of Respondents Before Reforms (1bag = 64kg)

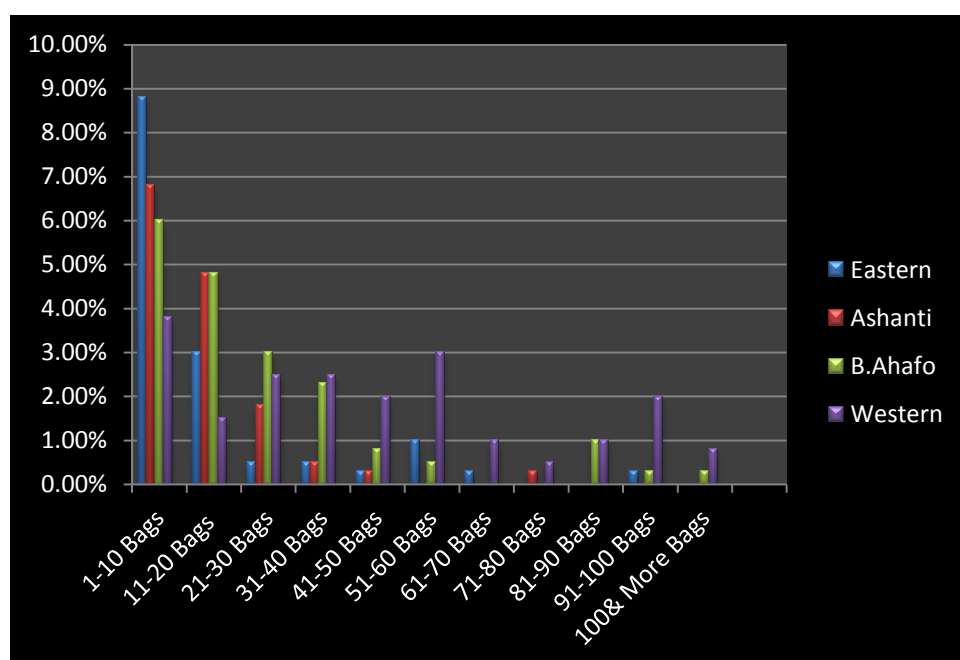


Table 6.2 Regional: Cocoa Output of Respondents After Reforms (2007/2008)

Cocoa Output in Bags (1bag = 64kg)

Region	1-10	11-20	21-30	31-40	41-50	51-60	61-70	71-80	81-90	91-100	100 & More	Yet to Harvest	Total
Eastern	59	22	10	2	0	1	0	1	0	4	1	0	100
Ashanti	42	32	11	4	4	4	1	0	0	1	0	1	100
B.Ahafo	30	23	18	9	8	1	4	1	0	0	6	0	100
Western	13	14	15	10	13	9	7	5	1	3	10	0	100
Total	144	91	54	25	25	15	12	7	1	8	17	1	400

Source: Author

6.6.1 Output of Respondents after Reforms (2007/08)

Table 6.2 shows that the majority (36% or 144) of the respondents produced between 1-10 bags with the largest proportion (14.8% or 59) from the Eastern region followed by Ashanti (10.5% or 42). Out of the 17 respondents who had output of more than 100 bags, 2.5% (10) were from Western region and 1.5% (6) from Brong Ahafo. A total of 170 respondents or 42.5% produced between 11-40 bags while 13% (52) had output of between 41-70 bags. The respondents attributed the increase in their output to government and COCOBOD's intervening measures like the Hi-tech and CODAPEC programmes (see section 7.3.3).

Research Question 3: How has the annual increase in the producer price since the economic reforms enhanced the well-being of the smallholder cocoa farmers in Ghana?

6.7 The Cocoa Producer Price

The study helped to highlight the effects of the cocoa producer price or *floor price* still fixed by government through COCOBOD after the reforms (see section 5.5.5) on smallholder cocoa farmers. The farmers' share of the fob price declined the following year after the cocoa sector reforms from 53.3% in 1992/93 to 49.88% in 1993/94 but by 2007/08, it had increased to 73%, that is, from 308, 000 cedis (\$281) per tonne to 12,000,000 cedis (\$1,290)³⁷ during the period (Tables 6.3A& 6.3B). This was a conscious effort made by government to enhance cocoa farmers' income and well-being and to also enhance export (see Table 1.2).

Table 6.3A Producer Price of Cocoa Before Reforms

Year	FOB Price Per Tonne (US\$)	Cedi Exchange Rate to the US\$	Price Per Tonne (Cedis)	Price Per Bag (Cedis)	% of FOB Paid to Farmers (Cedis)
*1983/84	1815.49	49.97	20,000 **(\$400.24)	1,250 (\$25)	22
1992/93	980.45	881.93	258,000 (\$292.54)	16,125 (\$18.28)	53.3

Source: Author. *1983/84 is used as the based year because the government implemented the general economic reforms in 1983. ** Approved government's \$ rate to the cedi used.

Table 6.3B Annual Cocoa Producer Price Increase After Reforms – 1993/4 and 2007/08.

Year	FOB Price Per Tonne (US\$)	Cedi Exchange Rate to the US\$	Price Per Tonne (Cedis)	Price Per Bag (Cedis)	% of FOB Paid to Farmers (Cedis)
1993/94	1,138.66	1,095.74	**308,000 (\$281)	19,250 (\$17.6)	49.88
2007/08	1,670.00	9,300	*9.5m/12m (\$1,021.5/\$1,290)	*593,750/750,000 (\$63.84/\$80.65)	73

Source: Author. *Producer Price was increased during the course of the season. ** Approved government's \$ rate to the cedi used.

³⁷ Using the prevailing official exchange rates at the time-1,095.74cedis =\$1 in1993/94 and 9,300cedis =\$1 in 2007/08

Cocoa production increased from 254,653 tonnes in 1992/93 to a record 740,458 tonnes in 2005/06 before it slightly dipped to 680,781 tonnes in 2007/08 (Appendix 6A). There were other contributory factors to the increase in production like mass spraying against insect pests and planting of cocoa hybrid varieties. It is worth stating however that by 2008 the prices of the cocoa farmer's basic inputs –cutlass, hook and labour charges had increased by 100% while the price of fertiliser rose astronomically by 4,800% (see Appendixes 6F & 6G).

Table 6.4 Views of Respondents on Annual Producer Price Increase

	Very Attractive	Attractive	Neutral	Not Very Attractive	Not Attractive	Total
Percentage	1.25%	27.75%	4.5%	54.75%	11.75%	100%
Frequency	5	111	18	219	47	400

Source: Author

A higher proportion of respondents constituting a total 66.5% (i.e. a total 266) thought the annual producer price increase by government was either not very attractive or not attractive enough to motivate them to increase their output because the increase did not match increases of prices of farm inputs and the general goods on the market, however, 1.25% found it very attractive while 27.75% thought it was attractive (Table 6.4). In terms of annual income enhancement, the majority 79% (316) of them said it did enhance their income but 21% (84) thought otherwise. Furthermore, the study found that only 1% (4) out of the 400 respondents cited the annual increase of producer price as a form of incentive to them because they thought government could have increased it higher than it did. It was also found that the majority (55% or 220) of respondents did not monitor the producer price but 45% did. Of those who monitored, 90% (162) relied on radio and 10% (18) on television.

At the focus group discussions (FGDs) most of the participants were dissatisfied with the annual percentage increase of the producer price and felt they deserved to earn more than the government was giving them. One person said:

The government has made farmers poor and the occupation unattractive to the youth. COCOBOD officials who don't own a cocoa tree get richer all the time while we get poorer. They ride in big cars in the city and we walk on bush paths and bad roads to the markets and clinics, sleeping in darkness and drinking dirty water. Is it fair?

6. 8 Nominal and Real Producer Price

The nominal and real producer prices of cocoa can be used as indicators to assess the financial gains of the farmer before and after the reforms. The average nominal producer price after the reforms (from 2003/04-2005/06) increased by 4,100% in relation to that of 1989/90-1991/92 (3 years preceding the reforms), while in the case of the real producer price³⁸ the average increase was 32,400%. In addition, from 1991/92 (just before the reforms) to 2005/06, the difference between the nominal producer price and the real producer price declined by 30.7%, which meant that the cocoa farmer's real producer prices increased after the reforms (Table 6.5).

³⁸ The 2005/06 cocoa real producer price figure was the latest figure available during the study. That was why 2003/04- 2005/06 period was chosen even though the study period is from 1993-2008.

Table 6.5 Nominal and Real Cocoa Producer Prices Before (1989/90-1992/93) and After Reforms 2003/04-2005/06 (Cedis '000)

Year	Nominal Price (NP) (Cedi/Tonne) (\$)		*Real Price(RP) (Cedi/Tonne) (\$)		% Difference in NP and RP	% Change
1989/90	174.4	(487)**	10.57	(29.5)	93.94	
1990/91	224	(549)	11.50	(28.2)	94.87	8.6
1991/92	251.2	(429.6)	11.72	(20)	95.34	0.47
1992/93	258	(292.5)	9.63	(10.9)	96.27	-0.93
2003/04	9,000	(1006.8)	4,133.81	(462.4)	54.07	
2004/05	9,000	(999.8)	3,671.23	(407.8)	59.21	-5.14
2005/06	9,000	(\$992.6)	3,178.56	(350.5)	64.68	-5.47

Source: Compiled by Author from ISSER's 1994 (Table 5.29) & 2007 (Table 5.11) figures.
*Nominal Price deflated by Consumer Price Index (CPI). ** \$ equivalent calculated at then going rate.

6.9 Payment of Bonus to Cocoa Farmers

The bonus is the difference between estimated fob price and achieved fob price at the end of the season. The policy to pass on some percentage of this difference to the farmer in the form of a bonus was implemented after the reforms. Prior to the reforms the farmer was never paid any bonus. Government solely determines the percentage or amount that should be paid to cocoa farmers as bonus after which COCOBOD releases funds to the LBCs who pay farmers through their PCs. It is worth noting that the fob price is the price at which cocoa is sold by government to buyers in the international market and includes all COCOBOD's operational costs incurred such as buying and transporting the beans to the port, but excludes the profit margin or premium.

Table 6.6 Bonus Paid to Cocoa Farmers After Reforms (Cedis ‘000)

Year	Rate/Bag Cedis	Rate/Tonne Cedis
2000/01	12.4 (\$1.77)*	198.4 (\$28.34)
2001/02	8 (\$1.1)	128 (\$16.83)
2002/03	22 (\$2.58)	352 (\$41.27)
2003/04	15 (\$1.68)	240 (\$26.85)
2004/05	No Payments	No Payments
2005/06	17.1 (\$1.89)	273.6 (\$30.17)
2006/07	34.3 (\$3.78)	548.8 (\$60.52)
2007/08	20 (\$2.15)	320 (\$34.41)

Source: Ghana Cocoa Board³⁹. *\$ equivalent calculated at then going rate.

Table 6.6 summarises the farmer’s share of the bonus paid from 2000/01 to 2007/08. The first payment was made in 2000/01, seven years after the reforms. It is calculated on the number of cocoa bags the farmer sold in the season. From 2000/01 to 2007/08 the farmer’s bonus per bag varied between US\$1.77 and \$3.78 or \$28.34 to \$60.52 per tonne. The bonus is paid in December but at the time of the study, COCOBOD intended to pay it in two tranches in a year- December and June. All the respondents (100%) said the bonus enhanced their income and considered it a motivating factor hence, an important policy implemented by government to enhance production and export (see Table 1.2).

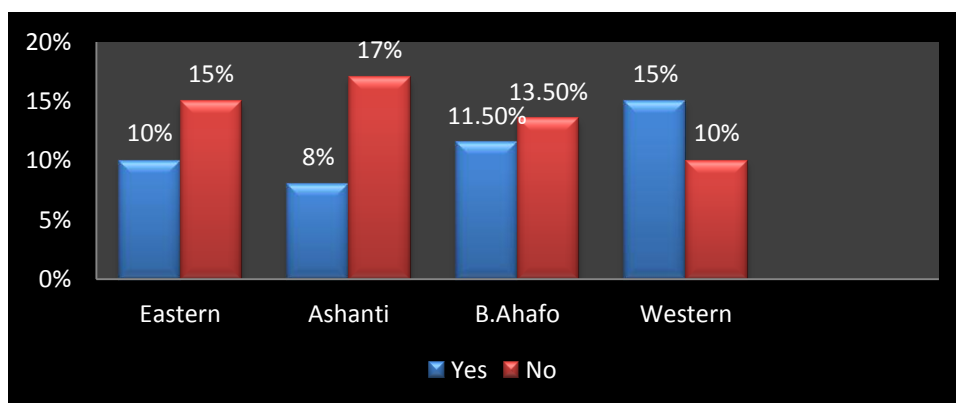
6.10 Answers of Respondents on Savings

Savings was considered relevant to the study for two reasons. Firstly, to find out if respondents could save some of their cocoa income after meeting their basic needs, and secondly, to ascertain if cocoa farmers had cultivated the habit of saving which was one of

³⁹ All Ghana Cocoa Board figures in the study were obtained from the Research Department unless otherwise stated.

the objectives why government introduced the Akuafu cheque⁴⁰ in 1982. The survey found that 44.5% (178) of the cocoa farmers did save while 55.5% (222) made no savings. At the regional level Western region had majority of the respondents saving (15% or 60) while Ashanti had most of them (17% or 68) not saving (see figure 6.6 below). A higher number (86%) of the 44.5% saved at the bank, followed by those who saved with private “Susu” collectors (10%) while 4% kept their money at home. The majority (89%) of those who did not save said it was because their incomes were not sufficient to even meet their basic needs but 6% said they did not see the need to do so. However, before the reforms cocoa farmers were compelled to save because they could not cash all their money from the bank as part of the banking regulation when they were being paid with Akuafu cheque.

Figure 6.6 Regional: Answers of Respondents on Savings



6.11 Meeting Basic Needs from Cocoa Income

The study classified the basic needs of respondents as children’s education, health and housing needs, providing three square meals a day and clothes for the family, in line with the United Nations (UN) Millennium Development Goals (MDG). Out of the 264 respondents who were farming before the reforms, 91.7% (242) could not meet their basic needs by relying solely on their income from cocoa, while 8.3% (22) met them. However, according to

⁴⁰ The Akuafu (meaning farmers) Cheque was introduced in 1982 by the government to address the problem of purchasing clerks (PCs) of COCOBOD abusing funds and holding back money meant for cocoa farmers. It was also to protect farmers from armed robbery in addition to helping them cultivate the habit of saving at the bank.

the data collected, the majority (72.4%) of the respondents indicated they were able to meet their basic needs after the reforms (Table 6.7).

Table 6.7 Meeting Basic Needs after the Reforms in 1993

	Education (Children)	Health	Housing	Food (3x a day)	Clothing	Average %
Yes	261 (73.5%)	256 (64%)	244 (61%)	270 (67.5%)	384 (96%)	72.4%
No	94 (26.5%)	144 (36%)	156 (39%)	130(32.5%)	16 (4%)	27.6%

Source: Author

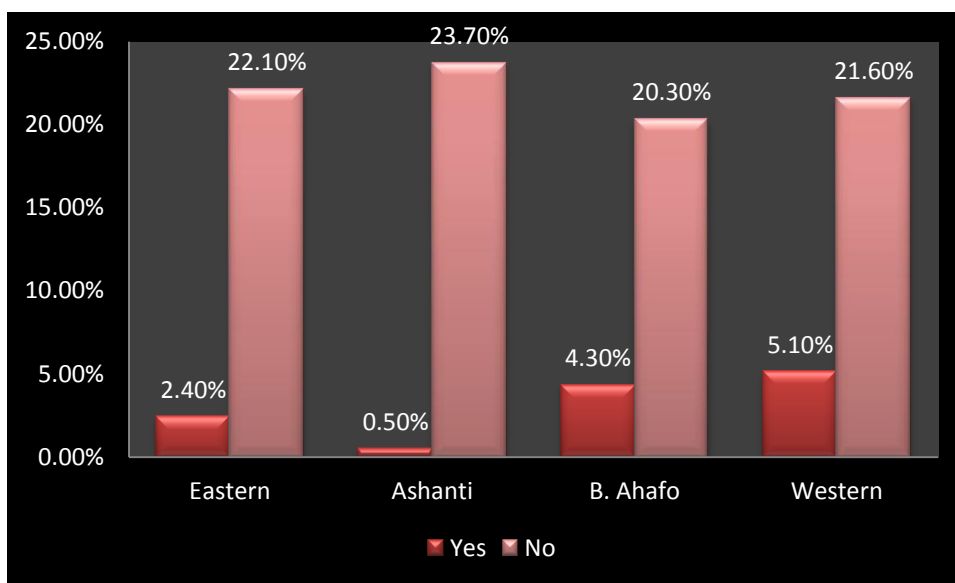
With regards to provision of food for the family, 29.2% out of the 32.5% provided 2 square meals. However, in meeting the educational needs of children and providing clothing for the family, it was found that respondents mostly met them when they sold their cocoa. The majority (79%) of the respondents had registered with the National Health Insurance Scheme⁴¹ introduced by government in 2003 by the Kufuor administration therefore had free medical care without paying for certain basic medical drugs which enabled them to meet their basic medical needs. Most of the respondents who could not meet their medical needs lived in remote “cocoa villages/hamlets” where there were no clinics or hospitals, while the rest were those who did not register with the health scheme due to lack of money. Eastern and Brong Ahafo regions had higher proportions of 5.75% and 4.75% respectively of respondents who could not meet their health needs.

⁴¹ The National Health Insurance Scheme allowed anyone who had registered with it to be offered free medical treatment at any of the public hospitals/clinics in the country. Different types of premiums were paid by contributors who were grouped according to their levels of income. The scheme replaced the “Cash and Carry” system.

6.12 COCOBOD Scholarship Scheme for Children/Wards of Cocoa Framers

The study found that, out of the 400 respondents, 375 or 93.75% had their children or wards in secondary schools or second cycle institutions but only 12.3% (46) had benefited from the COCOBOD scholarship scheme which awards scholarship to bright children or wards of cocoa farmers in government second cycle institutions while the greater majority of 87.7% (329) had not.

Figure 6. 7 Regional: Beneficiaries/Non Beneficiaries of COCOBOD's Scholarship Scheme



At the regional level, Western region had the highest number of beneficiaries (5.1% or 19) followed by Brong Ahafo 4.3% (16) while Ashanti had the lowest number of 0.5% (2).

Ashanti therefore had the largest proportion of non beneficiaries (23.7%) and Brong Ahafo the least (20.3%) of non beneficiaries (see figure 6.7). During the FGDs respondents complained bitterly about their inability to obtain the COCOBOD scholarship for their children or wards and accused officials of COCOBOD for allocating the scholarship to their children in the cities. A respondent said:

we break our backs to cultivate cocoa which generates the money for the scholarship but can hardly get it for our children however, COCOBOD officials who sit in airconditioned

offices and have no cocoa farms rather get the scholarship for their children. More so, they are in the position to pay for their children's school fees while we are not.

6.13 Cocoa Exports Before and After the Reforms

The output of cocoa farmers directly impacted on export. This section examines the cocoa export pattern before and after the 1993 cocoa sector reforms. Tables 6.8A&6.8B below give a summary of cocoa exported and the foreign exchange earned by Ghana 7 years before the reforms and the last 7 years after the reforms (preceeding the study). Ghana exported a total of over 1.5 million metric tonnes of cocoa from 1986 to 1992 and earned over US\$2.6 billion before the reforms. However, the total volume of cocoa exported increased to over 3.3 million metric tonnes, after the reforms (2001- 2007), which earned Ghana a foreign exchange of over US\$5.1billion. The volume of cocoa exported therefore increased by 116.6%, while the foreign exchanged earned also increased by 96.82%. Hence one of the objectives of the reforms to improve Ghana's export earnings was achieved.

Table 6.8A Cocoa Exports Before the Reforms (1986-1992)

Cocoa Beans	1986	1987	1988	1989	1990	1991	1992	Total
Value (\$m)	469.8	451.0	422.3	381.3	323.8	315.8	276.8	2,640.8
Volume (mt)	195,224	197,980	200,904	225,860	247,380	243,040	223,774	1,534,162
Unit Price(\$/Tonne)	2,406.5	2,278.8	2,101.8	1,490.3	1,309.0	1,298.5	1,237.0	

Source: Compiled by Author from ISSER's 1992 figures

Table 6.8B Cocoa Exports After the Reforms (2000-2007)

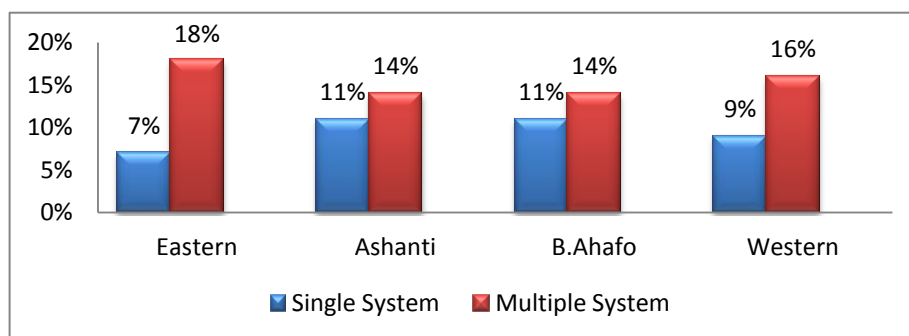
Cocoa Beans	2001	20002	2003	2004	2005	2006	2007	Total
Value (\$m)	316.9	392.5	691.6	984.4	818.5	1,041.1	946.3	5,191.3
Volume (000mt)	310.5	311.4	354.8	620.4	536.9	657.2	531.7	3,322.9
Unit Price(\$/Tonne)	1,020.8	1,260.5	1,949.5	1,586.9	1,524.5	1,584.1	1,779.5	

Source: Compiled by Author from ISSER's 2005 & 2007 figures.

6.14 Liberalisation of the Internal Cocoa Market

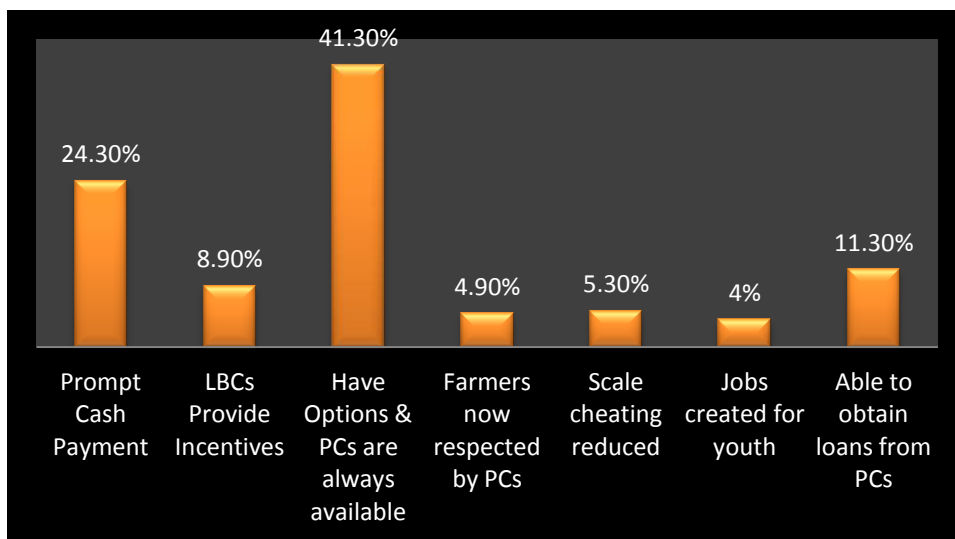
The internal marketing of cocoa has since the 1992/93 mid- crop season been liberalised breaking Produce Buying Company's (PBC) 13 years monopsony. Under the single buying system, PBC, then a subsidiary of COCOBOD, paid the farmer with Akuafu Cheque which he/she could cash at any bank of his/her choice. The liberalisation led to the licensing of private buying companies (LBCs) to compete with PBC, with the objective of improving upon the efficiency of the internal marketing system. One of the objectives of the study therefore was to: *examine how the operations of the LBCs have addressed the issue of efficiency in the internal cocoa marketing system in Ghana.* According to the data collected 62% (248) of the participants preferred the multiple system while 38% (152) wanted the single buying system. At the regional level, Eastern had the highest proportion of respondents (18%) favouring the multiple system (MS) while the single system (SS) was more favoured in Ashanti and Brong Ahafo regions (11% each) (figure 6.8).

Figure 6.8 Regional: Respondents' Preference of Purchasing System



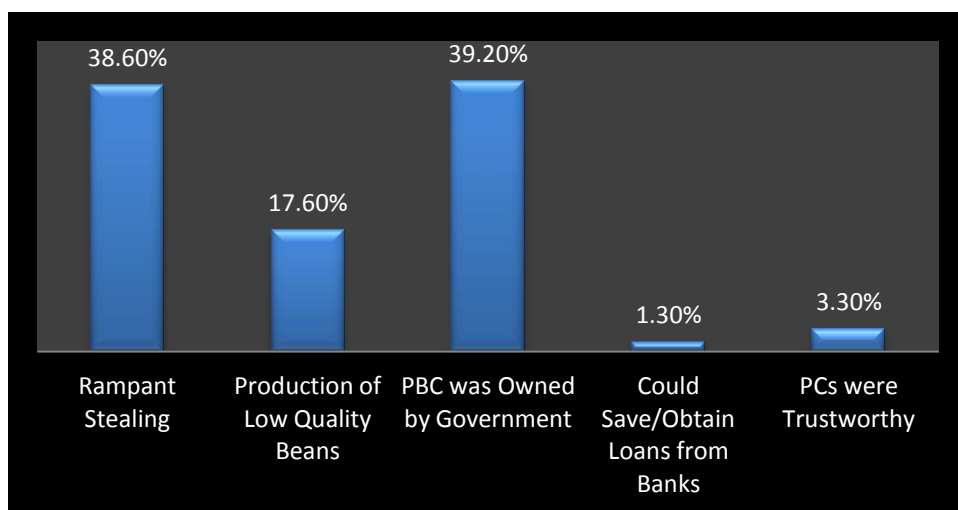
Of the 62% cocoa farmers who preferred the multiple system (MS), the majority (41.3%) cited the main reason as having options to sell their cocoa to PCs who were always available, and prompt cash payment (24.3%). Other reasons were ability to obtain loans from PCs (11.3%), incentives received from the LBCs (8.9%), decline in scale cheating (5.3%), the respect now accorded cocoa farmers by PCs (4.9%) and job creation (4%) (figure 6.9 below). This augments the argument for free market competition and its benefits (see Table 1.1; section 1.1).

Figure 6.9 Respondents’ Main Reasons for favouring the Multiple System (or LBCs)



However, farmers who were against the MS and favoured the SS gave their main reasons as PBC was owned by government (39.2%), rampant stealing of cocoa beans in their communities as a result of the MS (38.6%), and production of low quality beans (17.6%) (figure 6.10).

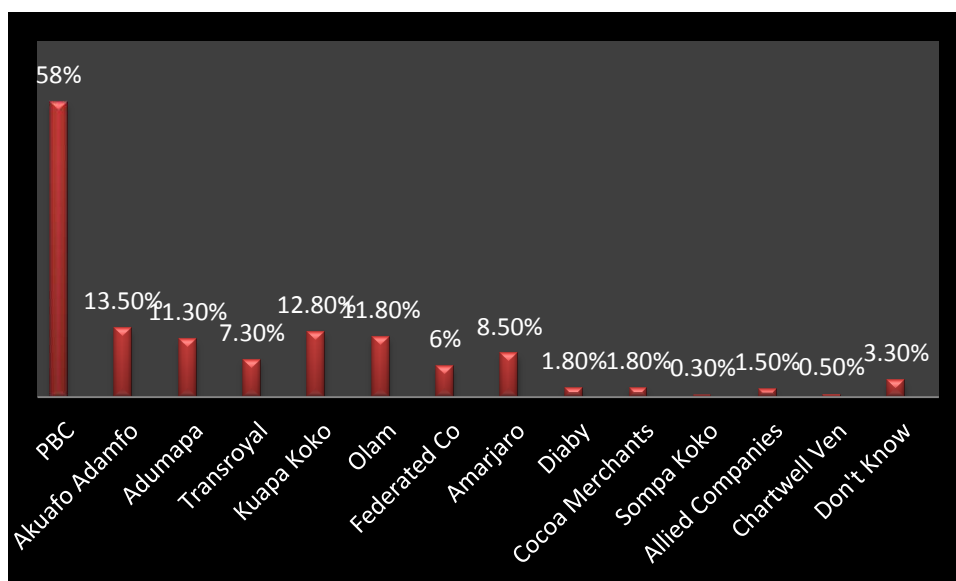
Figure 6.10 Reasons of Respondents for Preferring the Single Buying System



6.15 Market Share of the LBCs

The LBCs purchased cocoa from farmers during two periods, from October to April (main season) and from June to August (mid crop or minor season). The study was interested in finding out the market shares of the LBCs and why cocoa farmers sold to particular LBCs. It was found that PBC had the largest market share of 58% (i.e. 232 of the respondents sold their cocoa to PBC) and was the only company which purchased cocoa in all the 21 districts surveyed. Akuafu Adamfo Marketing Company Limited followed with 13.5% (or 54), Kuapa Koko third with 12.75% (51), Olam fourth with 11.8% (47), while Adwumapa had 11.3% (45) in 5th place out of the 12. Sompakoko had the least share of the market (0.3%) while 3.3% of respondents did not know the names of the LBCs they traded with (figure 6.11).

Figure 6.11 LBCs Market Share of Respondents



Participants were divided on the liberalisation of the internal market during the FGDs, which complemented the findings of the survey. Those in favour of the multiple system cited prompt cash payment, having options and incentives from the LBCs as their main reasons while others who opposed it referred to rampant stealing and production of poor quality beans as their reasons. One participant said:

These days the cocoa farmer sleeps with one eye opened because of stealing, a problem which was for the rich businessmen in the city.

6.16 Producing Quality Cocoa Beans for the Market

Obtaining quality cocoa beans requires among other things good fermentation and thorough drying. Manu and Tetteh (1987) state that with normal size heaps of 4-10 baskets, fermentation⁴² should be complete in 6 days. Slaty or purple beans which are bitter in taste are produced when the beans are poorly fermented. The other key determinants of high quality are harvesting the pods at right time, polishing the beans to remove foreign matter and

⁴² During fermentation the heap must be turned and mixed on the 2nd and 4th days. The drying of the beans is done in the sun on a raised mat and not on the floor.

storage of dried beans at farm gate level by cocoa farmers before selling. The acceptable moisture content of sun-dried beans is between 7% and 7.5%, when it is below 7% the beans will brittle and above 8% they will develop mould. Mechanical drying is not suitable for chocolate manufacturing because the beans lose their flavours. Ghana earns a premium on the global market for exporting quality cocoa (Grade 1 beans), therefore the role of COCOBOD becomes very paramount since it ensures that cocoa farmers produce high quality cocoa through its Quality Control Division (QCD) as noted earlier (see section 5.5.3).

Table 6.9 Number of Days of Fermentation of Cocoa Beans by Respondents

Season	Up to 5days	6 days	7days	8 or more days
Dry	62(16%)	200(50%)	136 (34%)	2 (5%)
Rainy	94 (24.5%)	178 (44.5%)	120 (30%)	4 (1%)

Source: Author

From Table 6.9, a larger number of respondents fermented their beans for 6 days during both the dry and rainy seasons (50% and 44.5% respectively). However, 16% (62) fermented their cocoa beans for 5 or less days during the dry season and 24.5% (94) for the same number of days during the rainy season. All respondents used solar energy (sun) in drying their beans. The majority of the farmers dried their beans for 7days (37% or 148) during the dry season while the majority (63.5% or 254) dried them for 7-14 days during the rainy season. However, 28.5% (114) dried their beans for 5 days or less during the rainy season while 29.5% did so for 5 days during the dry season. It was found that a greater proportion (72%) of farmers had not received any training to improve their skills in cocoa farming and production of quality beans in particular, but 28% had had some form of training either by the LBCs or COCOBOD officials.

It is important to state that even though QCD's role has helped to maintain the high quality standard of the beans in general, it was found that some PCs bought poor quality beans which resulted in the quality of beans dropping after the reforms. For instance, in 2004/05, COCOBOD paid some of the LBCs half of what was due them when it detected that most of the bags of cocoa they bought had about 25% of purple beans⁴³ (Laven, 2007), which were of poor quality. COCOBOD therefore plays another important regulatory role of ensuring that LBCs buy quality cocoa from the farmers for it can refuse to pay the LBCs the commission due them or withdraw their licence for poor performance.

Research Question 4: What specific programmes/projects, if any, have been/were designed for smallholder cocoa farmers under the trade liberalisation policy and how have such programmes affected the well-being of the cocoa farmers in Ghana?

6.17 Government of Ghana Policy Initiative to Improve Farmers' Yield

The study found that the government put in place a policy initiative in April 1999 to improve farmers' yield per hectare through disease and insect pests control and hi-tech programmes, and the adoption of recommended agronomic practices.

6.17.1 Cocoa Diseases and Pests Control (CODAPEC) Programme

One of the major programmes implemented by the government of Ghana through COCOBOD after the reforms was the Cocoa Diseases and Pests Control (CODAPEC) Programme in 2001 which embarked on "mass spraying" or spraying of cocoa farms free of charge to control insect pests and diseases. The objectives were to enhance farmers' output and improve the quality of beans produced since in addition to fermentation and drying, the quality of cocoa beans also depended on the absence of living insect pests. The number of cocoa farms sprayed in 2008 against capsid was 479,489, an increase of 14.6% on the

⁴³ Purple beans result from inadequate fermentation and drying. It could also result when the beans are infected with diseases.

previous year's while in the case of Black Pod it was 255,094, an increase of 22.1% (see Appendix 6B). The survey found that 90% (360) of the farmers considered mass spraying as an incentive to them. However, 40.55% did not think the programme was effective because it was carried out only once a year instead of ideally three times. In addition, sometimes the spraying was done in August which some cocoa farmers thought it was the wrong time and should have been done between May and June, but 59.45% said it was effective. According to those who complained about the timing of the spraying, in August the Capsid (Akate) might have already attacked their farms or their cocoa had already been infested with diseases but if it is done in May and June it acted as a preventive measure and served the purpose. Almost all the farmers (99%) complained about insect pests, 95.5% mentioned Capsid (Akate) as the commonest insect pest problem they faced, followed by the black pod disease (24.7%) with mistletoe as the least of their worries (see Table 6.10 below).

Table 6.10 Insect Pests and Diseases which afflict cocoa farms of Respondents

	Capsid (Akate)	Bathycoella (Atee)	Black Pod	Stem Borer	Termites	Squirrel	Mistletoe
Frequency	382	86	99	91	20	17	8
Percentage	95.5%	21.5%	24.75%	22.75%	5%	4.25%	2%

Source: Author

Most of the farmers stated that two or more pests/diseases plagued their cocoa farms at a time. As a result, 90.5% of them ensured their farms were sprayed either by government or themselves while 9.5% did not. A greater number (66%) of the cocoa farmers, who sprayed their farms to complement the mass spraying, used Confidor, followed by Akate Master (56.25%) and then Actara (7%). These were recommended insecticides for spraying against capsid and the choice depended on which one the cocoa farmer found efficacious in his/her circumstance. However, 13.75% (55) did not spray their farms on their own. Some cocoa

farmers (6.5%) indicated that they could not afford to purchase fungicides and insecticides while 0.5% did not see the need to spray, 1.75% said they did not have a spraying machine to spray, but 5% found the mass spraying sufficient.

During the FGDs the issue of mass spraying engendered divisions among participants. Some of the cocoa farmers said it had been politicised and was ineffective because it was sprayed once and at the wrong time. One female participant said:

They didn't spray my farm because I belong to the opposition party.

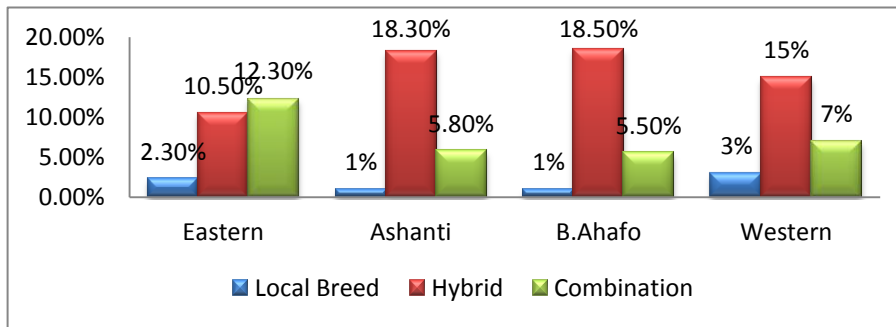
The same thing was said by other participants at different locations. They also cited broken down equipment, lack of spare parts and inadequate insecticides and fungicides and pilfering of the inputs by members of the spraying gangs as some of the problems. However, majority of the participants at all locations said the mass spraying had enhanced their yields and assisted them save cost on spraying inputs.

6.17.2 Cocoa Hi-tech Programme

Another programme by government after the reforms was the introduction of Cocoa Hi-tech implemented in 2003. It encouraged cocoa farmers to plant improved materials and to apply fertilisers. Out of the 400 respondents surveyed, 62.3% had planted hybrid cocoa variety while 30.5% had a combination of the hybrid and the local “amazonia” and “amelonado”⁴⁴ older varieties but 7.3% of the farmers still planted only the local amazonia and amelonado. The hybrid has a shorter maturity period, about 3 years and able to resist diseases more than the local amelonado which has about 5 years maturity period. The hybrid also yields more and thus gives the cocoa farmer a greater output and income than the amelonado.

⁴⁴ Amelonado and Amazonia varieties are still prominent, forming about 30% and 40% respectively of cocoa tree stock in Ghana (COCOBOD Strategy II Document, 2009, p.4).

Figure 6.12 Regional: Types of Cocoa Cultivated by Respondents



A larger proportion (18.5%) of respondents who planted the hybrid cocoa variety was found in the Brong Ahafo region followed by Ashanti (18.3%) and Western region (15%). It was found that a higher number of respondents in Eastern region (12.3%) combined the local and hybrid varieties more than any of the regions while the lowest number (5.5%) was in Brong Ahafo region (figure 6.12). It is important to state that as part of the reforms, cocoa farmers were compensated by government through COCOBOD for cutting down trees infected with cocoa swollen shoot virus (CSSV) and replanting hybrid varieties developed by the Cocoa Research Institute of Ghana (CRIG). The above programmes highlight the deliberate efforts made by the State and COCOBOD to improve cocoa farmers' output and income. At the time of the study (i.e.2009) cocoa farmers were buying hybrid cocoa pods and seedlings from the 21 seed gardens of Cocoa Services Department, a subsidiary of COCOBOD (see section 5.5.2). All this emphasises the significant role the State and in this case a parastatal (i.e.COCOBOD) can play in enhancing exports and generating foreign exchange for development (see Tables 1.1 & 2.1; section 1.1). At the time of collecting the field data in 2009, the government had set a national output target of 1million tonnes to be achieved in 2011/12 (Ghana Cocoa Board, 2009). Though the above intervening measures aimed to enhance the cocoa farmers' output and national export, during interviews with COCOBOD officials two other objectives were mentioned: (i) Ghana's strong desire to regain the global leading producer's position it lost to Cote d'Ivoire in 1976/77 during the Acheampong era

(see sections 2.6 & 2.7; 4.4), and also (ii) to enable COCOBOD meet the demand for beans by the cocoa processing companies in line with the BSA (Beans Supply Agreement) with them (see section 5.7). The number of the cocoa processing companies increased from 3 to 7 after the reforms (see sections 5.6; 6.27 & 6.30).

6.18 Fertiliser Usage by Farmers

On fertiliser usage, it was found that of the 264 farmers who were farming before the reforms 30% used fertiliser, while 70% did not. Western region had the highest number (14% or 36) of farmers who used fertiliser, while the lowest number was found in Eastern region (4% or 11). However, after the reforms, there was an increase in the number of farmers who applied fertiliser on their farms 43% (172) and the percentage of those who did not, declined to 57% (228). Western region had the largest proportion of respondents both before and after the reforms (14% or 36) and (19.5% or 78) respectively who used fertiliser while Eastern had lowest number (4% or 11 before and 7% or 28 after) (Table 6.11).

Table 6.11 Use of Fertiliser by Respondents before (1991/92) and after (2007/08) Reforms

Region	Before Reforms		After Reforms	
	Yes	No	Yes	No
Eastern	4% (11)	25% (66)	7% (28)	18% (72)
Ashanti	7% (18)	15% (40)	9% (36)	16% (64)
B. Ahafo	5% (13)	20% (53)	7.5% (30)	17.5% (70)
Western	14% (36)	10% (26)	19.5% (78)	5.5% (22)
Total	30% (79)	70% (185)	43% (172)	57% (228)

Source: Author

Of the 57% farmers who did not use fertiliser, 63.3% attributed it to the fact that it was expensive on the market and they could not afford it, 20.1% said they had fertile lands because their farms had recently been established (see Table 6.12 below). The majority of

those who used fertiliser also complained about the price: 66.5% thought it was very expensive and only 18% said it was affordable. However, they said it assisted them to increase their output and hence their income. One of the downsides of the liberalisation policy was the removal of subsidies on farm inputs which increased the price of the fertiliser. For instance, before the reforms the cocoa farmer spent 3,100 cedis in 1992/3 on fertiliser per acre on his farm but this increased to 147,300 cedis in 2007/08 after the reforms, an increase of 296.8% (see Appendixes 6F & 6G). The inputs prices were determined by market forces after liberalisation and no longer by the State, a key tenet of neo-liberalism (see section 1.3). But with COCOBOD providing cocoa farmers with inputs like fungicides and insecticides for the free spraying (i.e. mass spraying) of their farms, it also demonstrates the main tenet of neo-structuralism which is the combination of the core tenets of neo-liberalism and structuralism (see section 1.4). This also amplifies the usefulness in using the neo-structuralism model to analyse and understand Ghana's case study.

Table 6.12 Reasons for not Using Fertiliser

Very Expensive so cannot afford it	Don't see the need for it	Farm is new so land is fertile	It creates weeds	Don't know the importance of it	It destroys farms	Not available	Total
63.3%	7.4%	20.1%	2.6%	2.6%	2.6%	1.3%	100%

Source: Author

Table 6.13 Where Respondents Obtained Fertiliser.

Input Store	LBCs	Open Market	Cocoa Abrabopa	Govt. Supply	Total
38.1%	13.7%	42.3%	4.8%	1.2%	100%

Source: Author

Table 6.13 summarises the sources where respondents obtained fertilisers. A greater number (42.3%) bought fertiliser on the open market, 38.1% from the input store, and 13.7% from the

LBCs. Some of the respondents (4.8%) obtained it from Cocoa Abrabopa, while a small number was supplied free of charge by government (1.2%).

6.19 Area of Cultivation

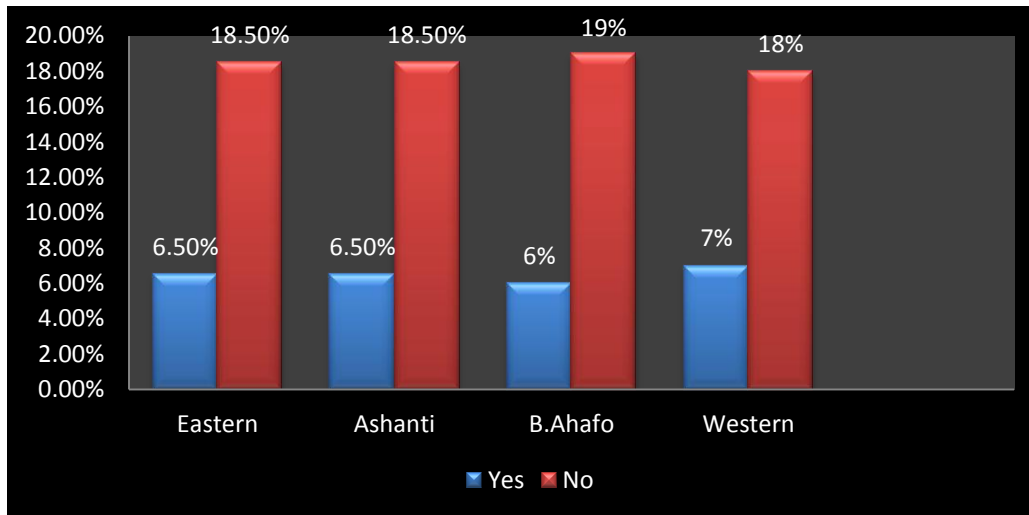
In 1983 when Ghana implemented the general economic reforms the estimated area of cocoa cultivation was 847 hectares but by 1991/92 just before the cocoa sector reforms the area under cultivation had declined by 18% to 693 hectares. However, it increased by 73% to 1,200 hectares by 2002/2003 and further increased by 133,233% to 1.6 million hectares at the time of the study (2008/09). The survey found that 72% (288) of the respondents increased their output by expanding their farms and said they did that to take advantage of the support provided by government like the mass spraying against diseases and insect pests, payment of bonuses and annual producer price increases. Additionally, the role of the LBCs and the benefits of the liberalisation of the internal market like having options to sell their produce and prompt cash payment all motivated them to expand their farms.

6.20 Cocoa Extension Services

The reforms brought about the unification of all extension services in Ghana. As a result, the cocoa extension service under COCOBOD was merged with the extension services of the Ministry of Food and Agriculture (MOFA) in 2001 as stated earlier. The objective was to ensure cost effective and efficient delivery of extension services to all farmers in the country. However, it was found that, the highest proportion of cocoa farmers (74.5% or 298) received no services from extension officers but 25.5% (102) did. Those who received the services said they were advised on the need to plant hybrid seedlings, good farm husbandry, insect pests control and cocoa fermentation and drying. At the regional level, lack of access to

extension officers by respondents was quite evenly distributed: it was 19% in Brong Ahafo, 18.5% in both Eastern and Ashanti, and 18% in Western (see figure 6.13 below)

Figure 6.13 Regional: Access of Respondents to Extension Officers



The evidence of the survey about farmers’ inability to gain access to extension officers was amplified at FGDs.

One focus group female participant remarked:

Formerly they were visiting us regularly but since I had my last child who is about 8 years I have not seen one. If you ask me the name of the extension officer in our community I can’t tell you because we don’t have one.

6.21 Taxation/Export Duty

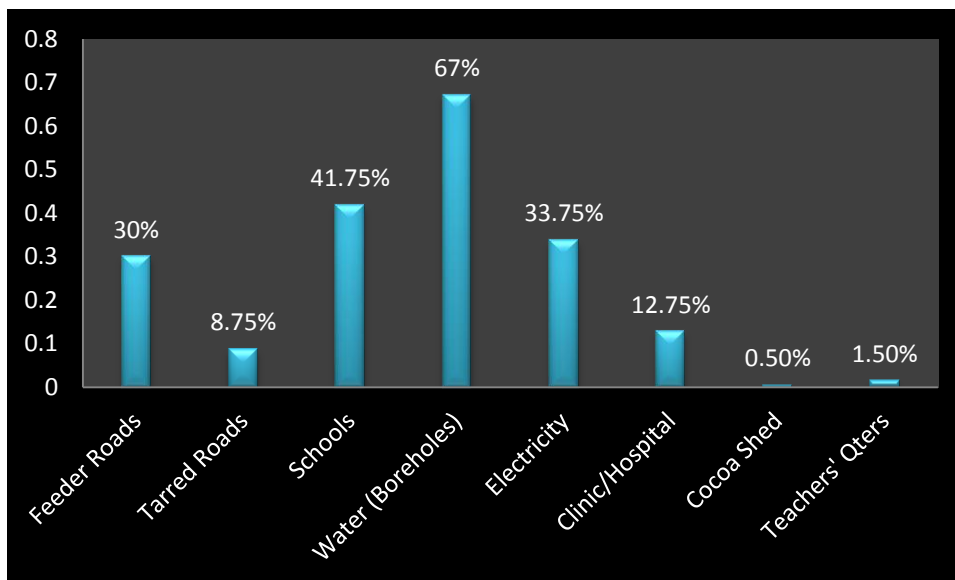
Before the reforms, cocoa farmers were taxed between 40% -60% (Frimpong-Ansah, 1996). However, after the reforms the recommended tax on cocoa from 1998/99 to 2004/05 ranged between 15%- 25.8% of the fob price but this was not achieved. It was found that the real tax paid by cocoa farmers ranged between 6%-12% over the years. The amount of the implicit taxation of farmers was reduced by the devaluation of the cedi (currency). Before the reforms the export duty generated amounted to \$35.2 million (1991/92) but rose to \$108.2 million in

2003/04, a decade after the reforms, an increase 207.4% (Ghana Cocoa Board: Cocoa Sector Development Strategy II Document, 2010).

6.22 Provision of Infrastructure and Basic Amenities in Cocoa Communities

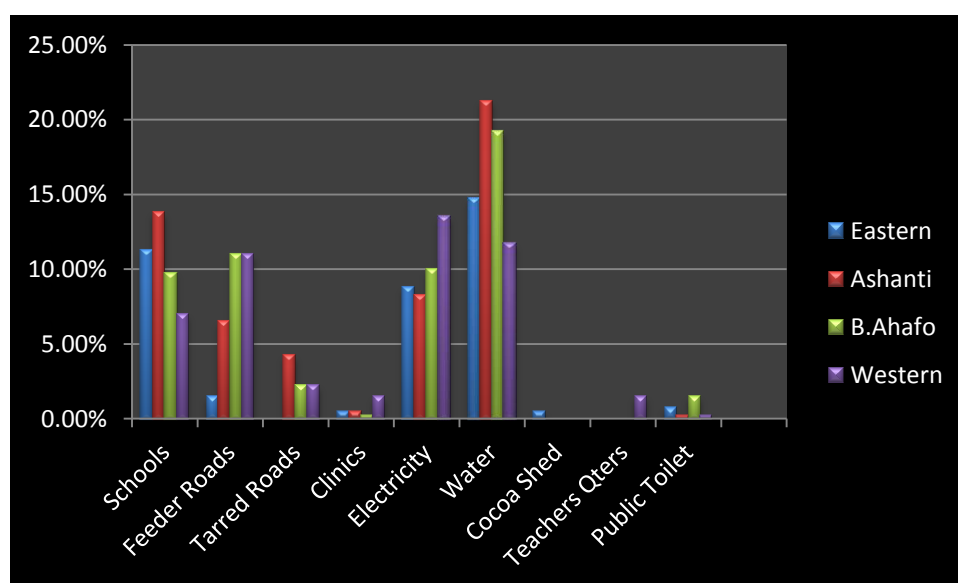
Infrastructure and basic amenities have significant impacts on rural cocoa communities, especially roads, because they make these communities accessible particularly during the rainy season and improve produce evacuation.

Figure 6.14 Roads and other Basic Amenities



Of the 400 respondents, 67% had access to water, 33.75% electricity, 12.75% clinics/hospitals and 41.75% had schools in their communities for their children. With regards to roads, only 8.75% lived in communities (rural towns) which had tarred roads while 30% lived in communities with feeder roads (figure 6.14 above) but the greater majority (69.25%) lived in communities with poor road infrastructure. Out of the 4 regions, Ashanti had a greater number of the respondents who had access to tarred roads (4.24%), water (21.25%) and schools (13.75%). An equal number of participants (11%) in Western and Brong Ahafo regions had access to feeder roads (see figure 6.15 below).

Figure 6.15 Regional: Provision of Roads and Basic Amenities



A large proportion of the farmers (69.25%) lived in communities (rural village/hamlet) which had no access to tarred or feeder roads. Some farmers lived on their farms.

Consequently, a greater number of the cocoa farmers (66%) carried their cocoa to the buying centres, 18% hired vehicles while 15% had their beans bought at the farm gate by the purchasing clerks (PCs) of the LBCs. However, respondents said the presence of the LBCs has relatively limited the distance they have to travel to sell their cocoa compared to the period before the reforms.

Table 6.14A Basic Amenities Before Reforms in 1993

	Schools	Feeder Roads	Tarred Roads	Clinics	Elect. (Light)	Water (B.holes)	Cocoa sheds	T'chers Qters	Public Toilets
Eastern	31	3	0	1	20	24	2	-	2
Ashanti	39	13	7	1	25	35	-	-	1
B.Ahafo	27	30	6	25	20	30	-	-	4
Western	20	28	5	3	17	15	-	4	1
Total	117	74	18	30	82	104	2	4	8

Source: Author

Table 6.14B Basic Amenities Provided After Reforms by 2008

	Schools	Feeder Roads	Tarred Roads	Clinics	Elect. (Light)	Water (B.holes)	Cocoa sheds	T'chers Qters	Public Toilets
Eastern	14	3	0	1	15	35	-	-	1
Ashanti	16	13	10	1	8	50	-	-	-
B.Ahafo	12	14	3	16	20	47	-	-	2
Western	8	16	4	3	10	32	-	2	
Total	20	46	17	21	53	164	-	2	3

Source: Author

Tables 6.14 A&6.14B summarise the number of respondents who had access to the basic amenities before and after the reforms. According to most of the respondents, they had these amenities in their communities before the reforms. For instance, 19% (76) had lived in communities which had feeder roads before the reforms while communities of 11.5% (46) had it after the reforms; 20.5% (82) also said their communities had electricity before the reforms while 13.25% said they had it after the reforms while 41% said they had water after the reforms. With regards to the water, it was attributed to the boreholes provided in some of the communities by multinational companies (MNCs) like Cadbury. However, some of these amenities were found in poor conditions during the study (see Appendix 6C).

Participants complained bitterly about the lack of basic social facilities in their communities during the focus group discussions (FGDs), especially those who lived in the rural village/hamlet.

One focus group participant summed it up as follows:

In this community we have no good roads, drinking water, schools, electricity and clinic.

Pregnant women die mid way in the journey to the clinic in the near by town. It can haunt you for

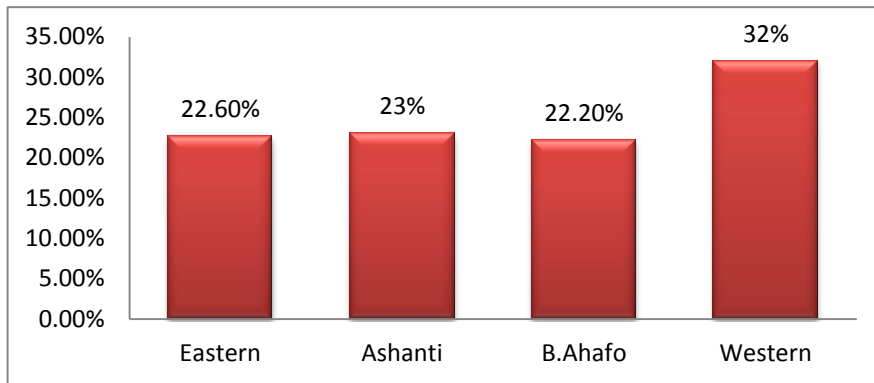
the rest of your life when a pregnant woman dies in your arms. I think it is a curse to be a cocoa farmer in Ghana.

Most of the participants were therefore strongly against their children going into cocoa farming, because of the poor treatment meted out to them with regards to the provision of basic amenities in their communities by government and COCOBOD, the low self esteem and drudgery nature of the occupation, and preferred to educate their children for better jobs in the cities. Nonetheless, many of the respondents were concerned about the sustainability of the cocoa industry because the rural community was not being made attractive enough to retain the youth and to encourage them to go into cocoa farming (see section 6.24).

6.23 The Mobile Phone Revolution in Cocoa Farming

The mobile phone has transformed the rural cocoa farmer in Ghana into more of a “city businessman”. The survey found that the use of mobile phone enabled the farmer to reduce his/her transport cost, improve his/her communication with the outside world and save man hours of travelling which were now spent on the farm. A high proportion of farmers (61% or 244) owned mobile phones but 39% (156) did not. The 61%, who owned one, said they used it for “business activities” especially to contact the PCs when they wanted to sell their beans, and to arrange for inputs from the market or input store. Even the 39% who did not personally own one said, at least a member of their households had one (e.g. spouse or child). Of those who owned mobile phones, Western region had the highest number of farmers (32%), followed by Ashanti with 23% (figure 6.16).

Figure 6.16 Regional: Respondents who Owned Mobile Phones



Additionally, it was found that owning of a mobile phone was not dependent on farm size or age. Out of the 61% of the respondents who owned mobile phones, 14% had cocoa farms of 5 acres and below, 17% between 6-10 acres, 7% between 11-15 acres while 23% had farm sizes of over 15 acres. With regards to age, 1.5% of the 61% were between 18-30 years, 17.5% between 31-45 years, 27% between 46-60 years while 15% were 61 years and above.

The survey also found private communication “centres”⁴⁵ or “Space to Space” as they were commonly referred to, in most of the farming communities, both in the rural towns and rural villages (see Appendix 6D). Cocoa farmers therefore, had access to commercial telephones and used them when the need arose, 51% (204) lived in such communities while 49% (196) lived in the rural hamlet which did not have this facility.

During the FGDs participants said the use of mobile phones had changed the dynamics of their cocoa farming business especially in contacting people, selling their cocoa, arranging for inputs, loans, funerals and staying in touch with their children in schools, towns and cities. Most of them commented on the reduction in their transport cost.

⁴⁵ The Communication “Centre” had the owner or operator sitting under a mounted umbrella with a table and the telephone hand set or mobile phone on it. They were commonly referred to as “space to space”.

One focus group participant said:

I used to go to the town at least four times in a season looking for inputs which cost me 200,000 cedis (50,000 cedis (\$5.4)⁴⁶, per trip but now all I do is to buy about 10,000 cedis (\$1.1) worth of phone units for my mobile, and then make a call to find out when I could get the inputs.

Sometimes the sellers also called when they got the inputs. Big savings on transport cost.

Another also said:

Now we share information among ourselves at relatively low cost. We are behaving like the city businessman or the educated elite, you know.

Additionally, participants said they used the mobile phones to inform neighbours and PCs in their communities when their cocoa beans got stolen to be on the look out for the thieves, and to also call for assistance whenever they encountered problems like snake bites and fire outbreaks on their farms. A participant said:

If we had mobile phones in 1983, we would have been able to prevent most of the fire outbreaks which destroyed our cocoa farms because at that time when you detected a fire outbreak you had to run from the farm to the village to mobilise people to assist you but now you just make a phone call to people at home or on their farms and they would come rushing to your aid.

One participant who had a bandage on his right foot said:

But for my mobile phone which I used to call for assistance when I had this snake bite on my farm last week, I would be dead and would not be standing here talking to you. We cocoa farmers therefore find the mobile phone very useful.

⁴⁶ Using \$1=9,300 cedis the exchange rate at the time of the study (2009).

Figure 6.17 A Cocoa Farmer Answering a Call on his Mobile Phone on his farm.



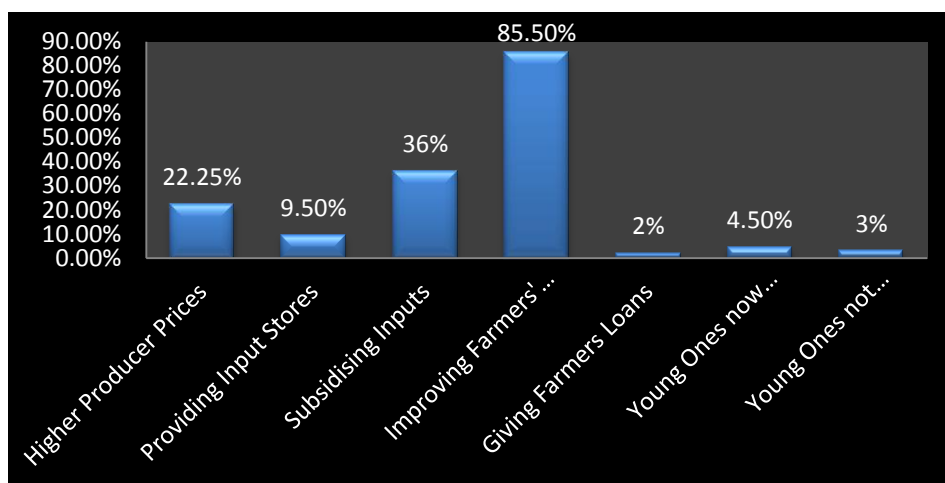
Source: Author 18/03/09 **The Road to the Cocoa Farmer's Hamlet (18/03/09)**

Figure 6.17 shows a cocoa farmer answering a phone call on his mobile phone on his farm. He was one of the respondents in a rural village/hamlet who lives on his farm but told me that because of his mobile phone he was in constant touch with his colleague farmers and the rest of the world.

6.24 Sustainability of the Cocoa Industry

On the issue of sustainability of the cocoa industry, cocoa farmers considered the enhancement of their welfare more important than the producer price. A greater proportion of the farmers (85.5%) said the sustainability of the cocoa industry depended on how government addressed their welfare needs by which they meant the provision of basic amenities like good roads, water, electricity, clinics and schools for their children; while 36% cited subsidies on inputs, with 22.25% stating the producer price (figure 6.18 below).

Figure 6.18 Views of Respondents on Sustainability of the Cocoa Industry



This is a recognition by the cocoa farmers of the important role the State could play in providing the needed infrastructure in cocoa communities to sustain the industry (see Table 1.1; section 1.1). All the respondents were of the view that government and COCOBOD should provide these basic amenities in tandem with the annual increase in cocoa producer price since the annual producer price increase alone has not been enough to attract the youth to the cocoa farming profession.

6.25 Farmers Association

Another finding of the study was that a larger proportion of the cocoa farmers (82% or 328) did not belong to any farmers' co-operatives or associations to give them a collective strength to fight for their needs. During the FGDs many participants attributed their inability to form associations to their individualistic attitude. One participant said:

We are so much concerned about our individual needs and give very little attention to forming any association.

However, others said their associations collapsed because of bad leadership. Due to their non- involvement in farmers associations, 79% (316) did not even know they had a representative on the Producer Price Review Committee (PPRC) and how he was selected. The small proportion (21% or 84) who said they knew of it, however, said they were not involved in selecting him. It was also found that the mass spraying was better organised in cocoa communities which had farmers' association and pilfering was very low because the association acted as a watch dog and got farmers to prepare their farms for the spraying⁴⁷.

6.26 Response of Purchasing Clerks (PCs) of the LBCs

Purchasing Clerks of the LBCs were also interviewed especially about the competitiveness of the market. The main criterion for determining the degree of competitiveness was the number of LBCs in a “society” or buying centre with their PCs competing for the beans of the cocoa farmers. Out of the 20 PCs interviewed during the survey 60% said the competition on the market was fierce, 35% found it competitive while 5% said it was fairly competitive. As a result, all of them said they resorted to the use of incentives supported by their companies to entice the cocoa farmers. They cited incentives like loans, giving farm inputs like fertilisers and cutlasses, insecticides and fungicides, soap and salt (figure 6.19 below). A large number of the respondents (60%) said cocoa farmers sold their beans to them because of cash and timely payment, 30% said because of the incentives they gave them, while 10% said because the cocoa farmers were their relations or friends. This evidence amplified what the cocoa farmers indicated (see section 6.14). Cocoa farmers were deriving these benefits as a result of the market competition associated with liberalisation and in this case the partial liberalisation of the internal market (see Table 1.1; section 2.15).

⁴⁷ Cocoa farmers were required to weed their farms before spraying and to provide water for the sprayers.

Fig 6.19 A Bag of Salt Given By Akuafu Adamfo (an LBC) as an Incentive to Cocoa Farmers



Source: Author 18/03/09

On the quality of beans sold to them, 80% said they bought beans not thoroughly dried and dried them themselves, but did so because of the intense competition (see Appendix 6E). All respondents said the role of the LBCs had improved the efficiency of internal marketing of cocoa, while 90% found the role of COCOBOD important in the cocoa industry.

Research Question 6: With the leading grinding Multinational Companies (MNCs) like Cargill, Barry Callebaut and ADM having established factories in Ghana, how have their activities affected the cocoa industry in general and the smallholder farmers in particular.

6.27 Impact of the Operations of the Processing MNCs on the Smallholder Farmers.

The study found that before the reforms in 1993, Ghana had 3 processing companies owned by COCOBOD which ground 9.71% of the national output in 1991/92. After the reforms, the number of the processing companies increased from 3 to 7 by 2009. The 7 companies ground 18.72% of the national cocoa output, an increase of 464% in terms of tonnage ground and 9.01% in terms of percentage of national output ground (see Table 6.15 below; chapter 5 Table 5.5).

Table 6.15 Raw Cocoa Beans Processed in Ghana Before and After the Reforms

	Year	No. of Processing Companies	National Output (Tonnes)	Cocoa Processed (Tonnes)	% of National Output Processed
Before	1991/92	3	242,817	23,589	9.71
After	2008/09	7	710,641	133,055.07	18.72

Sources: Awua, 2002; Ghana Cocoa Marketing Board.

However, the survey also found that the smallholder cocoa farmers did not benefit directly from the activities of the grinding companies because the companies had no direct contact or dealings with them. Processing companies got their cocoa beans through COCOBOD at fob or world market price. All the 3 respondents of the processing companies interviewed did not find it economically wise to invest in projects or programmes which directly benefitted the smallholder cocoa farmers for they saw anything to do with the farmers as the responsibility of COCOBOD. Out of the 400 respondents, 4.5% benefitted from cocoa MNCs but the larger percentage of 95.5% did not. Of the 4.5% who benefitted, 2.5% had their communities provided with boreholes (potable water), 1% with schools and 0.75% the hunger projects. The boreholes were mainly provided by Cadbury Schweppes under their “Well Project”.

6.28 Cocoa Products Exported Before (1986-1992) and After (2001-2007) the Reforms

This section examines cocoa products exported by Ghana 7 years before the reforms (1986-1992) and the last 7 years after the reforms (2001-2007, i.e. preceded the study). Ghana earned a total foreign exchange of US\$239 million for exporting a total volume of 134,654 metric tonnes of cocoa products before the reforms (1986-1992) but the volume rose to 389,600 metric tonnes from 2001 to 2007 after the reforms, earning the country US\$ 708.2 million in terms of foreign exchange (see Tables 6.16A&6.16B below).

Table 6.16A Exports of Cocoa Products Before the Reforms (1986-1992)

Cocoa Products	1986	1987	1988	1989	1990	1991	1992	Total
Value (\$m)	33.3	44.4	39.2	26.5	36.8	33.1	25.7	239
Volume (mt)	15,645	20,983	20,250	14,940	21,763	21,745	19,328	134,654
Unit Price(\$/Tonne)	2,141.3	2,116	*NA	1,770.4	1,773	1,522.2	1,327.1	

Source: Author * NA= Not Available.

Table 6.16B Exports of Cocoa Products After the Reforms (2001-2007)

Cocoa Products	2001	2002	2003	2004	2005	2006	2007	Total
Value (\$m)	65.7	81.9	126.1	41.2	89.9	146.4	157	708.2
Volume (000mt)	63.9	59	48.5	21.1	42.9	78.7	75.5	389,600
Unit Price(\$/Tonne)	1,028.4	1,387.2	2,597.8	1,950.2	2,097	1,860.2	2,077.9	

Source: Author (2001-2004 & 2006); ISSER, 2005& 2007.

6.29 Comparing Cocoa Export Earnings with other Sectors.

Cocoa was Ghana's leading export earner until 1991 when minerals made the highest contribution of 35.3%. By 1992, before the reforms, cocoa's export contribution had declined from 52.4% in 1988 to 30.7%, a reduction of US\$159.5million in revenue. However, the earnings improved after the reforms and in 2004, cocoa became the leading earner again when it contributed 36.9% of Ghana's total foreign exchange. In 2007, its contribution of \$1,103.2 million was an increase of \$800.7million (265%) on the 1992 contribution. Cocoa's total contribution before the reforms (1988-1992) was \$1,881.3million but this rose to \$5,042.6 million (168%) after the reforms (2003-2007) (Tables6.17A&6.17B).

Table 6.17A Cocoa Export Earnings Compared to other Sectors Before Reforms (1988-1992) (US\$ m)

Item	1988	1989	1990	1991	1992
Cocoa	462 *(52.4%)	407.8 (50.5%)	360.6(40.2%)	346.5(34.7%)	302.5(30.7%)
Minerals	187.7(21.3%)	186 (23%)	242.4(27%)	352.5 (35.3%)	388.6(39.4%)
Timber	106.2(12.1%)	80.2 (9.9%)	118 (13.1%)	124.2(12.5%)	113.9(11.5%)
Others	125 (14.2%)	133.9(16.6%)	181.6(20.2%)	174.5(17.4%)	181.3(18.4%)

Source: Author's Calculation; ISSER, 1992. *Contribution in Percentage

Table 6.17B Cocoa Export Earnings Compared to other Sectors After Reforms (2003-2007) (US\$ m)

Item	2003	2004	2005	2006	2007
Cocoa	817*(31.9%)	1,025(37.9%)	908.4(32.4%)	1,187.4(31.9%)	1,103.2(26.3%)
Minerals	893.7(34.9%)	904.5(33.4%)	1,034.8(36.9%)	1,371.8(36.8%)	1,815.3(43.3%)
Timber	174.7(6.8%)	211.7(7.8%)	226.5(8.1%)	199.5(5.4%)	250.1(6%)
Others	739.8(28.9%)	661.6(24.5%)	632.5(22.6%)	968(25.9%)	1,026.1(24.4%)

Source: ISSER, 2007. *Contribution in Percentage

Research Question 5: To what extent has Ghana taken advantage of the globalisation process?

6.30 Efforts to Integrate into the Global Economy by Embracing Globalisation

The commitment of the Rawlings government to the 1983 economic reforms in general and the cocoa sector reforms in 1993 in particular, and an equally good commitment to the reforms by subsequent governments, have assisted Ghana in taking advantage of the process of globalisation to a certain extent. The study found that Ghana's implementation of the deregulation policy, for instance, made it easier for firms to be established or investment made in the country than before. The government also set up the Free Zone Board (FZB) in

1995 to assist processing and manufacturing companies and to attract FDI inflows. From interviews with FZB officials, it was found that the establishment of export processing zones and industrial parks, and the provision of needed infrastructure and incentives by government enticed investors. Additionally, improvement in the service sectors particularly banking and communication stimulated investment in Ghana as well as the enhancement of the independence of the Judiciary (see section 2.15) which improved the protection of property rights and contracts. Some of the incentives provided by government included a 10 year tax holiday on corporate profits, machinery, equipment and inputs imported duty free. All company profits can also be repatriated within the 10 year period. Cocoa beans are however, excluded from the tax free inputs. Cargill and Barry Callebaut have sited their factories at Tema (36.24km east of Accra) in the free zone area, while ADM is located in Kumasi the second largest city (199.59 km north of Accra) (see figures 2.1 & 2.2). It is important to state that a processing company only needed to register as a free zone company to enjoy the incentives and not necessarily to be sited in the free zone area. All the 3 respondents of the cocoa grinding companies said apart from Ghana's quality cocoa, the support provided by government had contributed to the increase in the number of the cocoa processing companies (i.e. from 3 to 7) now grinding at the origin (i.e. in Ghana).

One respondent said:

The free zone incentives have changed the operations of cocoa grinding in Ghana, we are a local company but we import inputs tax free, formerly this was not the case. We are like a republic within a republic now. That is the kind of support government is giving to value-adding companies.

This attests to the important role the State can play to attract FDI inflows and to guide the integration of a nation's economy into the global one or in effect, to get on the high road of

globalisation (see Tables 1.1 & 1.2; section 1.2). Additionally, the cost of transporting cocoa beans to the factories of the MNCs which now grind cocoa in Ghana has also reduced. For instance, ADM which has its factory sited in Kumasi is now closer to cocoa farming areas, and will therefore pay less for transporting the cocoa beans to its factory than when it was not processing the beans in Ghana.

It is also worth stating that in facilitating the establishment of these cocoa processing companies, COCOBOD has through the various Beans Supply Agreements (BSA) and Memoranda of Understanding (MOU) (see section 5.7), ensured that beans requirements of companies are matched against national cocoa production though provision has also been made for local processing factories to import cocoa beans should the need arise as noted earlier. The study found that, COCOBOD was finding it difficult to meet the quantity of beans demanded by processing companies because it also tries to maximise revenue on the export of raw beans. As result, 4 out of the 7 companies had to import beans to supplement what they obtained from COCOBOD. The high demand for beans by these factories one may argue also stimulated production leading to the achievement of Ghana's 1 million tonnes record output earlier than expected (i.e. in 2010/2011 instead of 2011/2012) as noted above.

6.31 Cocoa Farmers have become Politically Empowered by the Reforms

The political liberalisation which was part of the general reforms package gave birth to the 1992 constitution. As a result, Ghana moved away from the military dictatorship to multi-party democracy in 1992. Since then four other peaceful multi-party elections have been held in the country every four years. The implemented decentralisation policy has also led to the devolution of powers to the district or local Assemblies. All the respondents (100%) indicated that they have now been politically empowered because they participate in elections to elect their district assembly men/women, members of parliament (MPs) and the President of the

country. Under the military rule they neither elected their legislators nor the Head of State. However, some of them lamented that they saw their MPs only when elections were drawing close while some MPs hardly fulfilled their election promises. Nonetheless, the respondents said the fact that every four years they got the opportunity to either retain or change the President and their MPs gave them some satisfaction. All respondents said they preferred multi-party democracy to military rule because it has given them the opportunity to be part of the democratic process of the country.

6.32 Conclusion

This chapter has presented the views of respondents in relation to the reforms which have assisted in addressing the research questions of the study. It also highlighted the role of technology and working practices. According to cocoa farmers (i.e. respondents), the cocoa sector reforms, especially the liberalisation of the internal market, gave cocoa farmers options to market their produce, the programmes implemented by the State through COCOBOD enhanced their output and income and then exports. The increase in their income improved their ability to meet basic needs while the deregulation policy of the government improved the communication industry and made it easier for cocoa farmers to also use mobile phones to transact business and to meet their social obligations. However, the majority of cocoa farmers lost access to extension officers when the service was transferred to MOFA as part of the reforms. . The study also found that most of the cocoa growing areas lacked basic amenities like good road and electricity. Representatives of the cocoa processing companies also indicated that the incentives provided by government and the quality of Ghana's cocoa were the main factors which enticed them to establish their factories in Ghana. Ghana's value-added policies of providing incentives for processing companies were found to be important efforts to integration into the global economy and to embrace globalisation or to

get on the high road of globalisation. The study also found that COCOBOD plays a significant role to ensure the production and marketing of quality beans of cocoa as well as regulating the activities of the LBCs and to some extent the functions of the cocoa grinding companies. In addition, the fixing of the cocoa *floor price* by government through COCOBOD protected the smallholder cocoa farmer against the vicissitude of the global prices and exploitation by buyers. This chapter has therefore highlighted the benefits of the “meso model” particularly to the smallholder cocoa farmers and to the national economy as a whole. The above findings could provide information and guidance to bodies such as the IMF and the World Bank, governments and policy makers especially in developing countries to appreciate the meso model as an alternative development model to the Washington Consensus. Additionally, they could inform COCOBOD and the government of Ghana to better appreciate other welfare needs of the cocoa farmers apart from the regular increases of the producer price. As a result of the political liberalisation, one could argue that Ghanaians in general and cocoa farmers in particular have become politically better empowered than before. The next chapter discusses these findings and the study’s contribution to knowledge within the context of the theoretical framework.

CHAPTER 7

DISCUSSION AND CONCLUSIONS: ASSESSMENT OF THE IMPACT OF THE “MESO MODEL” ON COCOA FARMERS AND THE ECONOMY, AND THE STUDY’S CONTRIBUTION TO KNOWLEDGE

7. Introduction

So far the previous chapter (chapter 6), presented the views of the respondents on Ghana’s 1993 cocoa sector reforms and the findings of the study. As the next step, this chapter will discuss the findings and how they relate to the discussed theories and then highlight the study’s contribution to knowledge. This chapter presents an in-depth discussion of the impact of the “meso model” on the Ghanaian economy in general and cocoa farmers in particular and implications of the findings. The first part of the chapter is organised into the following sections: a summary of the main findings in a comparative manner of before and after the reforms, and relating the empirical findings to theory. The second part is also structured as follows: recommendations, limitations of the study and future research, summary of the key findings and contributions of the thesis to the literature, conclusions and outlook.

7.1 Aims of Research Revisited

One of the main aims of this thesis is to find out how Ghana’s “meso model” of partial liberalisation of its cocoa sector in 1993 adopted after negotiations with the IMF and the World Bank, has impacted on the practices and opportunities of the smallholder cocoa farmer, the cocoa sector and the country’s economy as a whole. In effect, the impact of the annual producer price increases on the farmer’s income, the impact of the operations of the private LBCs (licence buying companies) on the internal market efficiency and the benefits of their operations to cocoa farmers. The cocoa farmers’ ability to afford the needed basic

needs, and the provision of infrastructure and basic amenities by government to enhance cocoa farmers' standard of living were all of interest. Furthermore, the study was interested in the roles of the State and COCOBOD in: enhancing cocoa farmers output and income; promoting export; ensuring that Ghana continuously maintains its competitive advantage of producing quality cocoa for the international market; promoting value-added policies; guiding Ghana's integration into the global economy and embracing globalisation. Finally, the study sought to assess Ghana's "meso model" as an alternative paradigm to the Washington Consensus and its contribution to the post Washington Consensus "One Size Fits All" debate.

7.2 Summary of the Main Research Findings

The study found that COCOBOD fixes the annual cocoa producer price with the approval of government. The government implemented a policy to annually increase the producer price of cocoa after the cocoa sector reforms in 1993 with the objective of increasing the farmer's share of the fob (free on board) price. As a result, the share of the fob price of cocoa farmers many of whom were men (82.5%) was found to have increased from 53.3% in 1992/93 to 73% in 2007/08 in line with this policy objective. The difference between nominal and real producer prices also got narrowed, declining by 30.7% after the reforms. Cocoa farmers' incomes got enhanced from 308, 000 cedis (\$281) per tonne in 1993/94 to 12,000,000 cedis (\$1,290) in 2007/08. Cocoa farmers were for the first time paid bonuses and from 2000/01 to 2007/08 their bonuses varied between \$28.34 to \$60.52 per tonne. As a result of the enhancement of their income the majority (72.4%) of the respondents indicated that they were able to meet their basic needs after the reform. Government intervening micro policies implemented through COCOBOD for the control of insect pests and diseases under the Cocoa Diseases and Pests Control (CODAPEC) Programme in 2001 and the Hi-tech

programme (i.e. new technology of production) in 2003 which encouraged the use of fertilisers and planting of hybrid cocoa varieties, contributed to improving the yields of cocoa farmers. Consequently, national cocoa output increased from 254,653 tonnes in 1992/93 to a record 740,458 tonnes in 2005/06 before it slightly dipped to 680,781 tonnes in 2007/08. The findings on the provision of infrastructure like roads (tarred and feeder) to cocoa communities by government or COCOBOD to make the areas accessible, suggested that many of the roads were in poor conditions especially in the rural villages/hamlets. Some of these communities also lacked basic amenities like potable water, schools, clinics/hospitals and electricity. However, it was found that cocoa farmers used mobile phones and “Space to Space” communication centres to improve their mode of production (i.e. carry out their farming activities) and to stay in touch with the outside world reducing their transport cost. Another finding was that almost all the cocoa farming communities lacked internet facilities with the majority of the cocoa farmers relying on the radio as their main source of information.

Furthermore the study found that the liberalisation of the internal cocoa market which led to the licensing of private buying companies (LBCs), has given the cocoa farmer options in selling his produce, prompt cash payment and access to many incentives. The study also revealed that COCOBOD regulates the activities of the LBCs and provides them with seed money annually for their operations from the syndicated loan it raises from both local and foreign banks. The State also created favourable conditions to attract foreign direct investment (FDI) and to take advantage of the positive aspect of economic globalisation by providing the needed infrastructure in urban centres, free zone facilities and incentives. As a result, three leading global cocoa grinding companies (ADM, Cargill and Barry Callebaut) now have factories in the country enhancing the prospects of Ghana achieving its set

objective of adding value to at least 40% of its cocoa output. On the other hand, the government failed to provide similar facilities in cocoa growing communities to attract investment. The political liberalisation which was part of the general reforms package has also politically empowered cocoa farmers since all the respondents (100%) said they participate in electing their assembly men/women at the district level, members of parliament (MPs) and the President of the nation. The subsequent sections discuss these findings of the study in detail.

7.3 THEMATIC ANALYSIS

After presenting a summary of the key findings of the study in the section above, an attempt is made to engage in thematic analyses of these findings in the following sections. The thematic analyses will be discussed and understood by relating the above empirical findings to the analytical framework within the neo-structuralism paradigm which is the chosen theoretical framework of the thesis. It is worth stating that in relating the empirical findings to the analytical framework of the thesis, the various theories as discussed in Chapter 1 will be revisited.

7.3.1 Age and Gender Profile of Cocoa Farmers in Ghana

The cocoa farming occupation was found to be dominated by males. Many of the respondents were men (82.5%) because traditionally men often secured land for cocoa farming and used their wives and children as additional labour. The women cocoa farm owners (17.5%) either had their farms through inheritance (Nyateng, 1995; Barrientos *et al.*, 2008), or given to them by their husbands as a form of reward for having assisted them on their farms but some bought their own land to cultivate the farms. Ogunleye and Oladeji, (2007) in their study of cocoa farmers in Ila in Nigeria, attributed tediousness of cocoa farming as one of the factors

of the male dominance of the occupation. However, one could argue that this may only hold in relation to the initial clearance of the virgin forest which requires much physical effort since the study found women involved in most of the cocoa farming activities like weeding, harvesting and breaking the pods. Small scale cocoa farming in West Africa in general and Ghana in particular is not mechanised, hence cocoa farmers still use simple basic tools like cutlasses for farming. All the respondents relied on the old traditional method of cocoa farming with the use of cutlass and hook for weeding, harvesting and opening of the pods which confirms earlier findings (Nyanteng's, 1995; see figure 7.1 below).

Figure 7.1 A Cocoa Farmer weeding with a Cutlass on his farm



Source: Author

18/03/09

Many of the cocoa farmers were old, 33.5% over 60 years and 39.25% were between 46 to 60 years. This finding is considered a major problem to the sustainability of the cocoa industry not only in Ghana but also neighbouring Nigeria, confirming previous studies (Nyanteng, 1995; Ogunleye and Oladeji, 2007). This brought to the fore the issue of scarcity of labour in cocoa communities since the finding indicates that the youth were shying away from the occupation. The study also found that the scarcity of labour had led to increase in labour cost which was 50,000 cedis (\$5.4), per day per labourer (at the time of the study)

when the national minimum wage was 22,500 cedis (\$2.4). Labour cost was therefore 125% more than the minimum wage which made labour still the highest cost component of the cocoa farmer's production cost (Nyanteng, 1995; Clarence-Smith and Ruf, 1996) (see Appendixes 7A and 7B). The scarcity of labour could also be attributed to the fact that the practice of using family labour on the farm has gradually reduced because farmers are now sending their children to school. Cocoa farmers were also found to be better informed about child labour, hence of the 180 respondents who indicated that their children assisted them on their cocoa farms, the majority (85%) indicated further that it was during weekends and vacations which supported earlier study that the practice of child labour was on the decline (Asumeng-Brempong *et al.*, 2007). It was found that in addition to motivating farmers to increase their output, the government's policy of annual producer price increase was to make the occupation attractive to the youth to address the labour and sustainability concerns. However, this objective of attracting the youth to cocoa farming was found not to have been met since the occupation is still dominated by the aged farmers. The next section discusses the annual cocoa producer price increases by the government.

7.3.2 The Impact of the Annual Producer Price Increase on National Cocoa Output and Cocoa Farmers' Income.

The major aim of the reforms was to increase cocoa farmers' share of the fob price to motivate them to increase production to enable Ghana increase its cocoa output and export and thus increase its foreign exchange earnings since cocoa is the mainstay of the economy (Toyi, 1991). This among other things was to enable the country service its contracted foreign loans including those of the IMF and the World Bank (see section 2.14). The producer price was thus increased annually, and by 2007/08, it had increased from 258,000 cedis (\$292.5) per tonne in 1992/93 to 12,000,000 cedis (\$1,290) per tonne (see section 6.7).

Consequently, national cocoa output increased from 312,123 tonnes in 1992/93 to 680,781 in 2007/08 and a record output of 740,458 in 2005/06. The study found that the annual producer price was always increased by the government upon the recommendation of COCOBOD. Hence in effect, the annual producer price or *floor price* of cocoa was fixed by COCOBOD.

The increase in the cocoa farmers' share of the fob price led to improvement in their income. The majority (79%) of respondents attributed the enhancement of their incomes to the annual increase in producer price. In addition, the majority (72.4%) of the 91.7% cocoa farmers who could not meet their basic needs before the reforms indicated that they were able to do so after the reforms. The bonus paid to cocoa farmers after the reforms (since 2000/01), also enhanced their incomes. Though the government determines the amount of bonus to be paid COCOBOD administers it after providing funds to the LBCs to pay farmers through their PCs (purchasing clerks) (see section 6.9). The bonus which had varied between US\$1.77 and \$3.78 per pag or \$28.34 to \$60.52 per tonne from 2000/01 (when it was introduced) to 2007/08, enhanced cocoa farmers' income enabling a reasonable proportion of them (44.5%) to voluntarily save with Western region having the highest number of them (15%). Additionally, the majority of respondents (72.4%) indicated that they were mostly able to meet their basic needs but emphasised that this was mostly after selling their cocoa beans and not all year round which compelled some of them to engage in other economic activities like planting maize and palm oil (Barrientos *et al.*, 2008). However, the involvement of cocoa farmers in extra income activities was beyond the scope of this study. It is worth stating that the majority (66.5%) of the respondents did not find the annual producer price increase solely motivating because they always thought they deserved a higher increase. Nonetheless, they said the payment of bonus, free spraying of their farms (mass spraying) and supply of inputs by COCOBOD plus the producer price increase, all together was motivating.

7.3.3 Increase in Cocoa Output is a Function of the Cocoa Farmer's Environment

The literature is replete with studies of cocoa production responding positively to increase in producer prices (Nyanteng, 1995; Bulir, 1998; Hattink, 1998, Osei-Akom, K., 1999; Vigneri, 2005; Kolavalli and Vigneri, 2010). However, the finding of the study suggests that the increase in the output of respondents was a function of their environment. This is because the increase in output from 312,123 tonnes in 1992/93 to 680,781 in 2007/08 and the record output of 740,458 in 2005/06 could not be solely attributed to producer price increases for two reasons. Firstly, many of the respondents (90%) regarded the mass spraying under the Cocoa Diseases and Pests Control (CODAPEC) Programme implemented in 2001 as a huge incentive which encouraged them to also spray their farms to complement what was done by COCOBOD. In an endemic capsid zone, COCOBOD sprayed the cocoa farms with insecticides and farmers were given fungicides to spray against black pod disease, while the reverse was done in the black pod endemic zone. Spraying machines were also provided by COCOBOD to cocoa farmers in communities which lacked them. As a result of all this, there was an increase of 30.5% of cocoa farmers who sprayed their farms after the reforms (i.e. from 60% before the reforms to 90.5% after the reforms). The spraying gangs formed to spray the cocoa farms also created jobs in cocoa communities. A total of 52,639 persons had been employed by the spraying gangs though on temporary basis at the time of the study (see Appendix 7D).

Secondly, the cocoa Hi-tech programme implemented in 2003, encouraged farmers to use fertilisers and to plant hybrid cocoa varieties which resulted in more farmers (43%) using fertilisers and planting hybrid seedlings (30%) than before the reforms. These findings confirmed earlier studies (Boahene *et al.*, 1999; Edwin, *et al.*, 2003; Dormon *et al.*, 2004; Gockowski and Sonwa, 2007; Vigneri, 2008; Kolavalli and Vigneri, 2010). The implications

of these findings are that these two programmes assisted in improving the yields of cocoa farmers more than the annual producer price increases because the producer price per tonne increased by 772% from 1992/93 to 2000/01, but the highest production recorded within the period was 436,946 tonnes in 1999/2000. However, from 2002/03 to 2004/05 about 150,000 hectares out of the total area of 1.6 million hectares under cocoa production were fertilised which increased production to 736,975 tonnes in 2003/04 and 740,458 tonnes in 2005/06. Though after the implementation of the CODAPEC and Hi-tech programmes, the producer price per tonne also increased by 245% from 2001/02 to 2007/08, this was lower than 772% but the output of 740,458 tonnes in 2005/206 was then unprecedented (see Table 7.1 below). The findings on the benefits cocoa farmers derived from the mass spraying and Hi-tech programmes address the research question of : *What specific programmes/projects if any have been/were designed for smallholder cocoa farmers under the reform policy and how have the programmes affected the well-being of these farmers?*

Table 7. 1 Expected Yield per Hectare with Fertiliser Application and Pests/Disease

Control

Year	Hectare	Output (Kilos)
1	1	1,000 ⁴⁸
2	1	1,100
3	1	1,200
4	1	1,300

Source: Ghana Cocoa Board

The study also found that COCOBOD estimates that, a cocoa farmer with a 1 hectare (2.5 acres) farm, who applies fertiliser and sprays against insect pests and diseases, can have a

⁴⁸ Expected kilos per hectare without fertiliser application but with insect pest/disease control will yield 400kg; Expected kilos per hectare without fertiliser application and insect pest/disease control will yield 250kg (Ghana Cocoa Board, 2010).

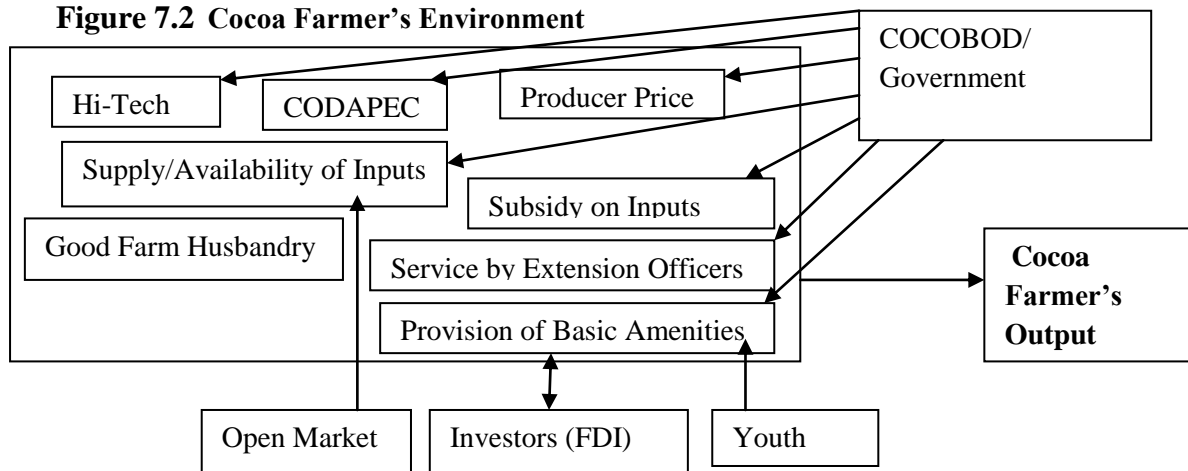
yield of 1,000 kg which will increase annually by 100kg enhancing his/her yield (see Table 7.1 above). With an increase in output the cocoa farmer's income increases enabling him/her to meet his/her basic needs. It was found that more cocoa farmers in Western region used fertiliser (19.5%) to improve soil fertility than farmers in the other regions, which increased their productivity. For instance, in Enchi (the highest cocoa producing district in Ghana), in Western region, all respondents used fertiliser. The study therefore argues that Western region produces the highest cocoa output in Ghana (i.e. about 60% of Ghana's output) not because farmers in the region had larger farms (11.8% with total farm sizes of 16 acres) but also because more cocoa farmers in the region use fertiliser. According to most of the respondents during focus group discussions (FGDs), land had become scarce in Western region which means land availability can no longer be used as a contributory factor to the region's high cocoa output. Ironically, Eastern region which had more farmers (9.5%) with small sizes of cocoa farms (5 acres and less), rather had fewer cocoa farmers using fertiliser (7%) and as a result more cocoa farmers (14.8%) in the region produced 1-10 bags, whereas in Western region only 3.3% produced 1-10 bags while 8.8% produced 50-100 and more bags.

Professor Aryetey⁴⁹ in an interview with me during the field study in 2009 said:

We saw how about 6-7 years ago cocoa output jumped very significantly in response to new technologies like the hi- tech cocoa that was introduced; we saw how the mass spraying and other things yielded, so what it means to me is that how much cocoa farmers will produce is a function of not just the price that they are being paid but also the overall environment for production, the incentives available through mass spraying, new technology and extension services (see figure 7.2 below; Appendix 7A).

⁴⁹ Professor Aryetey was the Director of the Institute of Statistical Social and Economic Research (ISSER), University of Ghana at the time of the study but now is the Vice Chancellor of the University.

Figure 7.2 Cocoa Farmer's Environment



CODAPEC- Cocoa Diseases and Pests Control; COCOBOD- Ghana Cocoa Board; FDI- Foreign Direct Investment

Source: Author

Figure 7.2 summarises the number of factors like supply of inputs, subsidies on inputs, Hi-tech and CODAPEC (mass spraying) programmes, and producer price found in the cocoa farmers' environment which impacted on their output. Most of these factors are provided by COCOBOD or by government through COCOBOD. COCOBOD for instance supplied hybrid seedlings to cocoa farmers or sold hybrid cocoa pods to them which the farmers used in raising their own seedlings (see Appendix 7B). The hybrid seedlings and pods were obtained by cocoa farmers from cocoa stations of CSD (Cocoa Services Division) a subsidiary of COCOBOD (see figure 5.3). It is important to state that the mass spraying was found to be saddled with problems like inadequate number of times farms were sprayed, spraying not done on time, lack of spare parts, broken down equipment, ill trained sprayers and politicisation of the programme. These bottlenecks impacted adversely on the full benefits cocoa farmers could derive from the programme. Nonetheless, both respondents and COCOBOD officials attributed the increase in cocoa output after the reforms to mass spraying and planting of hybrid variety by cocoa farmers. In 1964/65 for instance, when Ghana recorded an output of 580,000 tonnes, then unprecedented, it was attributed to mass spraying in the early 1960s by the Nkrumah administration (see section 2.3; Cocoa Board

Handbook, 2000). In effect, when these drawbacks on the implemented intervening measures or programmes by COCOBOD are addressed, the output of cocoa farmers will increase which will also increase national output more than the achieved increases. It was therefore not surprising that at the time of finalising this thesis, Ghana's cocoa output for 2010/11 had reached over 1 million tonnes achieving the target a year earlier (see sections 6.17.1 & 6.17.2).

Relating the above empirical findings of the study to the analytical framework as outlined (see section 1.7), COCOBOD played a significant role in increasing cocoa farmers' share of the fob price by recommending the annual producer price increases to government.

Additionally, its role in implementing programmes which increased cocoa farmers' output and resulted in the enhancement of their income and general well-being is equally important.

As a result, national output increased, enhancing export and foreign exchange generation. In interpreting these findings in relation to the literature or theory as discussed earlier (see Chapter1), one would argue that it demonstrates the benefits derived from keeping "legacy institutional structures" during reforms instead of dismantling them (see section 1.7).

COCOBOD's skills, capacity and knowledge acquired over the number of years of its existence (i.e. as a legacy institution –see section 5.2) enabled it to play this important role in the cocoa sector after the reforms in 1993. This is why this study argues that in carrying out reforms, a country should transform existing institutional structures like COCOBOD to meet the challenges demanded and not to dismantle them to create new ones as favoured by the IMF and the World Bank when imposing the Washington Consensus on developing or transition countries. The destruction of institutional structures during economic reforms is tantamount to disinvestment and results in the loss of institutional capacity and knowledge limiting a country's ability to facilitate economic growth and development. In addition, when

all existing structures are destroyed the reforms become a revolution, a fate suffered by Russia and some of the CEE countries during their transition periods when the IMF and the World Bank imposed the Washington Consensus on them (Herrschel 2007; see section 1.5.1). But when the existing structures are retained and added on to them while carefully changing the ‘rules of the game’ to favour ‘more market’ (Herrschel, 2007, p. 72), as China did with its “dual model” and Ghana with its “meso model”(see sections 1.5.2 & 1.5.5) of partial liberalisation which transformed COCOBOD instead of dismantling it, this ensured increase in national cocoa output, enhancement of exports and foreign exchange. The foreign exchange earnings of cocoa increased from US\$ 302.5 million in 1992 before the reforms to 1,103.2 million in 2007 after the reforms (see section 6.29). These findings thus support the study’s argument for an influential role of the State in the economy and for the State to use legacy institutional structures during reforms to drive exports and economic growth. Furthermore, COCOBOD’s role stands out as a practical demonstration of shared functions between the State and a parastatal which Jessop (2004) refers to as from *government to governance* usually encouraged to compensate for any market deficiencies on the part of the State (see section 1.1).

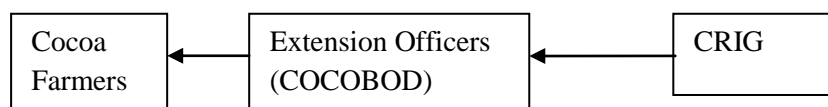
7.3.4 Lack of Access to Extension Officers By Cocoa Farmers After the Reforms

Another important finding was that cocoa farmers lacked access to extension officers, a situation which resulted after cocoa extension officers had been transferred from COCOBOD to the Ministry of Food and Agriculture (MOFA) in 2001 as part of the reforms. It was found that the transfer was done without any accompanying resource transfer consequently the few extension officers found during the study were mostly in the towns and district capitals and not in the cocoa growing communities. This resulted in the greater majority (74.5%) of the respondents not having access to extension officers with only a few cocoa farmers (25.5%)

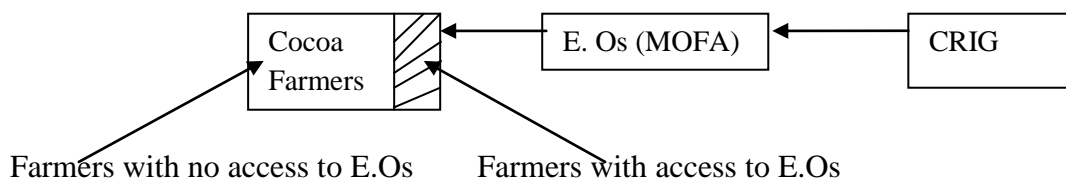
benefitting from the services of extension officers after the reforms. Figure 7.3 below shows that before the reforms when the extension service was under COCOBOD, cocoa farmers had access to extension officers but when the service was transferred to MOFA (see section 2.15) it led to the majority of cocoa farmers getting deprived of the services of extension officers creating a gulf between CRIG and a greater number of cocoa farmers.

Figure 7.3 Links Between CRIG, Extension Officers and Cocoa Farmers

Before Reforms 7.3A



After Reforms 7.3B



E.O.-Extension Officer; MOFA-Ministry of Food and Agriculture; CRIG- Cocoa Research Institute; COCOBOD-Ghana Cocoa Board.

Source: Author

The implication of the lack of access to extension officers by cocoa farmers is that it made it difficult for them to benefit from the new technologies and findings that CRIG (the research department of COCOBOD) developed (figure 7.3B). Additionally, considering the production enhancement policies implemented by government through COCOBOD (i.e. CODAPEC and Hi-tech) as noted above, the study argues that national cocoa output could have increased higher than it did after the reforms had the majority of cocoa farmers had access to extension officers. This is because with the majority of cocoa farmers having low educational background (52.8% junior secondary) and 27.8% with no formal education, they required the assistance of extension officers to carry out the innovative measures on their

farms like planting hybrid seedlings, applying fertilisers, and using insecticides and fungicides. It is worth stating that at the time of finalising this thesis, the government had realised the shortcomings of the IMF and the World Bank's decision to transfer the extension officers from COCOBOD to MOFA in line with the findings of the study and had decided to reverse the decision. This is also a testimony of the important role COCOBOD plays in providing extension services to cocoa farmers particularly in transferring technological innovations from its research department (CRIG) to cocoa farmers on their farms to improve their yields, national output and export.

In the literature, various yields of cocoa per hectare in Ghana have been cited -300 kg/ha (Baah, 2008), 330 kg/ha (Nyanteng, 1995) and between 360 and 400kg/ha (Dormon *et al.*, 2004) which are lower than those of major producers like Malaysia (1,800 kg/ha), Cote d'Ivoire (800kg/ha) and Brazil (569 kg/ha), (Nyanteng, 1995; Dormon et al., 2004). Though according to findings by CRIG, the Ghanaian cocoa farmers are capable of producing a minimum of 1,000 kg per hectare (Baah, 2008), this study revealed that, the majority (58.8%) of cocoa farmers produce 320 kg/ha (i.e.1-20bags). Constraints to cocoa production in Ghana are attributed to the low yielding Amelonado varieties grown by farmers, aged trees and farms, aged farmers, soil deterioration and lost of nutrients (Nyanteng, 1995), which are similar problems faced by farmers in Nigeria (Ogunleye and Olakeji, 2007). An appreciable number (37.8%) of cocoa farmers were found growing the old Amazonia and Amelonado varieties which also have weaker resistance to insect pests and diseases, and confirmed the previous study by Nyanteng (1995). However, with the implementation of the Hi-tech programme by COCOBOD as noted earlier coupled with the payment of compensation by government to cocoa farmers to replace the old Amazonia and Amelonado varieties with hybrid ones, there is more reason why the services of extension officers are most needed by

cocoa farmers. This will further improve the environment of the cocoa farmers and will increase their output strengthening one of the key findings of the study that the cocoa farmer's output is a function of his/her environment as noted above. The next section discusses another significant role of COCOBOD as a regulatory body in the internally liberalised cocoa market after the cocoa sector reforms.

7.3.5 COCOBOD as the Regulatory Body in the Internally Liberalised Cocoa Market

The liberalisation of the internal marketing of cocoa implemented in the mid season of 1992/93 was a key reform policy in Ghana's cocoa sector. The objective was to bring about competition in the domestic cocoa market, break COCOBOD's monopsony and promote efficiency for the betterment of cocoa farmers. The liberalisation therefore allowed for private licence buying companies (LBCs) to competitively participate in the internal buying of cocoa. However, the study found that COCOBOD was assigned a regulatory role to supervise the operations of the LBCs under section 4(1) of PNDC Law 81. This role entails granting of licences to the LBCs, monitoring their activities and renewal or withdrawal of the licences in the event of poor performance. For instance, the licence of an LBC could be revoked for failing to handle a minimum volume of 2,000 tonnes for 3 consecutive cocoa seasons. The Cocoa Sector Marketing Committee (COSMARC) of COCOBOD recommends the granting and renewal of the licence (Barrientos *et al.*, 2008; Ghana Cocoa Board, 2009). COCOBOD can also refuse to pay the LBCs which have the responsibility as the first quality check of cocoa beans purchased, their commissions or margins for buying poor quality beans and also withdraw their licences. In 2004/05 for instance, COCOBOD declared all bags of cocoa bought by LBCs with more than 25% of slaty or purple beans as sub-standard and paid them only 50% of the commission due them (Laven, 2007). This was a severe financial loss to the LBCs who had already paid the cocoa framers. The licences of Sunshine Commodities

Limited and Bigfat Buying Company Limited were also withdrawn in 2005/06 by COCOBOD for poor performance.

The study also found that it is the responsibility of COCOBOD to ensure transparency with regards to the entry into the internal marketing of cocoa by private companies. At the time of the study 26 LBCs had been licensed for the 2008/09 season with 1 (one) into organic purchases. PBC had the largest market share of 58% (232) which confirmed its leadership in the market (Ghana Cocoa Board, 2009). In the literature, PBC's leadership on the market is attributed to factors like the company having structures all over the country, being obliged to operate in all cocoa communities as required by COCOBOD to ensure that every cocoa farmer gets an outlet to sell his/her cocoa, good accountability system, and qualified and experienced personnel (Laven, 2007). However, a larger proportion of cocoa farmers (39.2%) who favoured the single buying system (i.e. when PBC had monopsony), indicated that they favoured it because PBC was owned by the State and had remained loyal to the company even with the State no longer fully owning it (i.e. the State now has 40% shares). Hence, PBC's larger market share in Ghana according to the study could also be attributed to the loyalty of cocoa farmers to the company on the basis of it being at a point in time owned by the State or the current stake the State has in it. Akuafo Adamfo Marketing Company Limited's second position (13.5%) was remarkable particularly for having a greater share of the market than Kuapa Koko (12.8%) because of Kuapa's pedigree as the only LBC owned by producers.

As noted earlier, COCOBOD fixes the *floor price* or the annual producer price for the approval of government, however, the LBCs could pay more than the *floor price* to farmers. But despite the fact that the LBCs could pay more than the *floor price*, all the respondents (100%) indicated that they were only paid the *floor price* by the LBCs thus, the LBCs

competed only in *services* and not in *prices* which confirmed earlier studies (Laven, 2007, Vigneri and Santos, 2009). Nonetheless, cocoa farmers benefitted from this competition in terms of prompt cash payment, having options to sell their cocoa, obtaining loans, providing inputs, creating jobs for their kith and kin as PCs and nearness of purchasing centres which reduced their transport cost. Cocoa farmers were also less cheated in terms of scale adjustment and were better respected by the PCs than before the reforms. The majority of cocoa farmers (41.3%) who favoured the multiple buying system assigned their main reason to having options to sell their cocoa to PCs who were always available. However, prompt cash payment was cited by a reasonable proportion of respondents (24.3%) as the chief reason for deciding on which LBC to sell to which confirmed other previous studies (Laven, 2007, Vigneri and Santos, 2009). Some of the respondents indicated during FGDs that, prompt cash payment by LBCs had alleviated the hardships they faced before the reforms such as spending days at the banks trying to cash their Akuafɔ cheques, and getting robbed in towns or in the bush on the way to their villages/hamlets after cashing their cheques. Apart from prompt cash payment, the next most important reason (11.3%) respondents gave for selling to an LBC was the credit facility it provided or ability to obtain loans from PCs which also confirmed the study of Vigneri and Santos (2009).

7.3.6 COCOBOD Provides Seed Money for the Operations of the LBCs

Another important role of COCOBOD in the internal market of cocoa which the study found was that it contracts loans from syndicated local and foreign banks to give as seed money to the LBCs for their operations including buying cocoa at the beginning of each season. This is a significant role because the LBCs could not raise money locally for their operations due to the new banking law (PNDC Law 225) which prohibited the banks from lending large amounts of money to individual companies apart from the high cost of internal borrowing.

This law was passed after the implementation of the financial sector reform programme (FINSAP) which aimed at improving efficiency in the banking system (see section 2.13). The LBCs were also not in the position to raise foreign loans to finance their activities which made COCOBOD their main source of financing for their operations. On the other hand, with an improved international reputation and repayment record after the reforms coupled with its ability to provide the required collateral, COCOBOD could raise large syndicated loans from both local and foreign banks each year for its operations like internal cocoa purchases and provision of infrastructure (see Table 7.2 below). It was found that COCOBOD usually uses the cocoa beans in stock at its warehouse as collateral for the loans.

Table 7.2 Syndicated Loans contracted by COCOBOD from 2000/01 to 2008/09

Crop Year	Amount US\$ Million
2000/01	260
2001/02	320
2002/03	420
2003/04	650
2004/05	850
2005/06	550
2006/07	810
2007/08	900
2008/09	1,000

Source: Ghana Cocoa Board

Table 7.2 shows that apart from 2005/06 the amount of the syndicated loans COCOBOD raised increased each year even after the global financial crisis in 2008 which attests to its high international integrity built after the reforms. COCOBOD's ability to easily raise loans from foreign banks for its operations which increased by 384,515% between 2000/01 and

2008/09 also amplifies the parastatal's credibility in the international market and foreign support Ghana has been enjoying since the reforms. Furthermore, the study found that from the acquired money, COCOBOD ensured that all the LBCs had proportionately equal access to seed fund in addition to the utilisation or lease of State-owned facilities like warehouses to improve their operational efficiency and financial performance.

In relating to the analytical framework of the thesis (see section 1.7) and within the general theories as discussed in Chapter 1, the above findings of the role of COCOBOD in the internal cocoa market: (i) regulating the LBCs, (ii) fixing the floor price for the LBCs, and (iii) providing the LBCs with seed money and warehouse facilities, could best be interpreted as the State governing the *cocoa market* through COCOBOD (Wade, 1990). Additionally, the State provides leadership in Ghana's export drive (see sections 1.1 & 1.7) even though the market had been liberalised, blending the tenets of liberalism and structuralism (i.e. neo-structuralism, see section 1.4). As noted earlier, liberalisation limits the role of the State in the market in favour of an enhanced role of the market to encourage competition and efficiency (see section 1.3). However in Ghana, the State still superintends the market and production of cocoa (i.e. supply chain) through COCOBOD particularly the quality aspect. This is to maintain Ghana's competitive advantage of producing the touchstone cocoa in the global market since the country earns a premium on it. Ghana's "meso model" therefore strengthens the neo-structuralists argument that in achieving economic growth, the State needs to provide intellectual and political leadership in the market together with *laissez-faire* policies as against only *laissez-faire* policies promoted by neo-liberalism which underpins the Washington Consensus promoted by the IMF and World Bank (see section 1.4). The liberalisation of the internal cocoa market with 26 LBCs competing is a key tenet of neo-liberalism (see section 1.3) however, by fixing the *floor price*

it is also a key tenet of structuralism where the State determines prices on the market(see section 1.2). Hence, a blend of the key elements of structuralism and neo-liberalism as advocated by neo-structuralism (see section 1.4). The State in fixing the *floor price* protects the Ghanaian cocoa farmer against price volatility in both the local and global markets and hence against any exploitation by the LBCs. This answers research question 2: *Which of the paradigms is best suited to interpret effects of globalisation and economic reforms on the smallholder cocoa farmers in Ghana?* The above findings could also be interpreted as the State providing the rules and regulations as well as promoting good public-private partnerships (see section 1.7).

In a fully liberalised cocoa market like that of Nigeria however, a study by Ogunleye and Oladeji (2007) found that cocoa farmers were at the mercy of buyers especially the itinerant buyers or middlemen who moved from village to village and bought cocoa dried or fresh. These buyers go in when the cocoa farmers are in need of money and take advantage of them but because they pay money on the spot, the farmers patronise them most (ibid). In effect, the fully liberalised system puts cocoa farmers at the mercy of the buying companies and individuals. The World Bank in its report stated that there was the need for a marketing structure to help link smallholders to markets and to assist in solving their problems which is what COCOBOD provides in Ghana. Hence, the Bank admitted that it was dogmatic in arguing for complete liberalisation and dismantling of marketing boards in the 1980s (World Bank Report, 2008; see Appendix 7C Qt3.). Ghana's meso model which promotes market competition of LBCs but allows the State to fix the cocoa producer price and thus "governs the market" through COCOBOD is unlike the East Asian model of developmentalism where the State "governs the market" without promoting *laissez-faire* policies but does not tamper with market prices (Wade, 1990 see section 1.2.2). By fixing the annual *floor price* through

COCOBOD to increase the cocoa farmers' share of the achieved fob price and protecting them against price volatility and exploitation in the market, the State is also able to reduce the income inequalities of cocoa farmers as advocated by neo-structuralists because primary producers are affected by the volatility of commodity prices in the global market (see sections 1.4 & 1.7). As noted earlier, capitalism pure and simple, not tempered by the intervention of the State suffers major deficiencies such as imperfections in liquid financial markets (Turner, 2001) which impact adversely on the global market as happened in 2008 during the global melt down. Eventually the State had to intervene even in purely capitalist or liberalised economies like the USA and Britain to bail their banks out and to mop up the economic mess whereas if the model allows an important role of the State in the economy as neo-structuralism does, an earlier intervention could have forestalled the crisis.

7.3.7 Challenges of Stakeholders in the Liberalised Internal Market

The study also found that all stakeholders in the liberalised domestic market had various challenges. The main challenge to cocoa farmers was rampant stealing of cocoa in their communities. Pods were harvested on trees, and beans stolen when being fermented and dried. Caretaker farmers colluded with PCs and sold cocoa beans of farm owners. Cocoa farmers, who sold their cocoa to PCs with "hanging scales" (i.e. with no fixed addresses or purchasing centres,) had difficulty locating them to collect their bonuses. If these PCs came from outside that district it decreased the district's output and affected the award of COCOBOD's scholarship to the children of farmers in the district since the number of awards allocated to a district and or region depended on its cocoa output. The proliferation of LBCs also makes it difficult for some cocoa farmers (3.3%) to even remember the names of the LBCs they traded with and also attributed the rampant stealing of cocoa to the large number

of LBCs operating in a particular area. Most of the farmers suggested a maximum of 5 LBCs instead of the 26 which was operating during FGDs.

Interviews with PCs identified some of the problems they also encountered, such as farmers selling beans that had not been well fermented or thoroughly dried. However, the PCs indicated that they were compelled to buy such beans because of the competition. Apart from spending extra time and resources to dry them, the weight of the beans decreased when thoroughly dried causing more financial losses to them. Cocoa farmers granted credit facilities refused to honour their part of the agreement to sell their beans to the PCs or LBCs who granted them the credit and sold their beans elsewhere to avoid repaying the credit. This caused financial losses to LBCs in general and PCs in particular. Some LBC officials also revealed that COCOBOD sometimes delayed in paying the margins (commission) due them as well as the payment of the yearly seed money which affected their operations. On the other hand, COCOBOD officials also indicated that some LBCs performed poorly by buying poor quality beans and also used the seed money for different purposes than intended which led to COCOBOD withdrawing the licences of some them.

7.3.8 Benefits of COCOBOD's Monopolistic Role in External Marketing of Cocoa.

COCOBOD still has monopoly for the external marketing of cocoa in Ghana after the reforms (see section 1.5.5 & figure 1.2). The external marketing is mainly done by Cocoa Marketing Company (CMC) Limited a subsidiary of COCOBOD. The policy allowing LBCs to export 30% of their domestic purchases which was to have been effective in October 2000 had not been implemented at the time of the study. In interviews with COCOBOD officials, they argued that the LBCs were not fully equipped to be able to perform such a role. However, the study found that COCOBOD's monopoly is accompanied with advantages like its ability to obtain good prices and to raise security guarantee receivables through forward

sales for the annual syndicated loans it raises for its operations as noted above. The forward sales also enable COCOBOD to enhance its financial and operational planning for instance, fixing the producer price at the commencement of every season, selling at the best point of the market and improving balance of payments planning. COCOBOD is also able to negotiate to obtain a better price for cocoa on the international market particularly on the futures market. It enters into futures contracts for better prices using the physical cocoa it stores in its warehouse as a guarantee. It is able to withdraw from the market for a while when the price is not favourable since cocoa can be stored for about 5 years as noted earlier. As a result, the achieved fob price for cocoa per tonne increased by 66.9% from 1993/94 to 2007/08 (i.e. \$1138.66-\$1900), after the reforms. COCOBOD therefore has the strength, capability and know-how to deal with major cocoa buyers and brokers in the global market, an advantage or expertise an individual smallholder cocoa farmer or an LBC does not have. In effect, Ghana is able to sell a greater percentage of its cocoa on forward markets, achieve a higher price and ensure price stability for cocoa farmers during the year. Additionally, with COCOBOD as the only body exporting cocoa, it makes it easier for government to tax the cocoa exported. The study found that Ghana's export duty on cocoa for instance rose from \$35.2 million in 1991/92 before the reforms to \$108.2 million in 2003/04, a decade after the reforms, an increase 207.4% (see section 6.21). Tax collection one may argue is one of the main responsibilities of the State in generating revenue for development (see section 1.7).

7.3.9 COCOBOD Ensures that Ghana Produces the Best Quality Cocoa in the World

The reliability of COCOBOD in fulfilling and providing good quality products has earned Ghana a good reputation internationally. However, in Nigeria, Cote d'Ivoire and Cameroon which fully liberalised their cocoa marketing boards as was recommended by the IMF and the World Bank, studies have shown that the quality of cocoa produced by cocoa farmers has

declined (Gilbert, 1997; Ogunleye and Oladeji, 2007; Barrientos *et al.*.,2008, p.22). On the other hand in Ghana, COCOBOD has put in place a high quality standard scheme enforced by its Quality Control Officers (QCOs) (see section 5.5.3). The QCOs rigorously ensure that cocoa purchased for export is of the highest quality therefore cocoa farmers are always obliged to produce quality cocoa beans to meet the set standard. The LBCs which buy the cocoa for COCOBOD, risk not getting paid by COCOBOD if they should buy cocoa beans below the set standard and could also have their licences withdrawn as well as noted above. CMC which exports the cocoa also makes the final check on the quality of cocoa beans for export and has the right to reject them at the port of departure (Tema or Takoradi⁵⁰; see figure 2.1 in section 2.1) if they fall below the required standard (see section 5.5.6). The study found some cocoa bags meant for export rejected by CMC at the Tema port. COCOBOD therefore has a built in inter-departmental quality control system which acts as a check on the operations of its Quality Control Division (QCD) and demonstrates the importance it attaches to its quality control role in Ghana's cocoa industry.

The study revealed that due to COCOBOD's stringent quality control system, Ghana over the years has continuously produced the best quality cocoa in the world which lends credence to its "meso model" of maintaining COCOBOD instead of dismantling it when the IMF and World Bank recommended that. The "meso model" of partial liberalisation of the cocoa sector created after negotiations with the Bretton Woods institutions, amplifies the significance of the *quality control role* of COCOBOD in the cocoa sector. As stated earlier, Ghana earns a premium for producing the touchstone cocoa in the global market for instance, traditionally it earns an average of £50 per tonne on the London terminal market prices. However, according to Barrientos *et al* (2008, p.22) Ghana has earned a premium from US\$ 200 to US\$ 250 per tonne over the prevailing global price depending on the prevailing market

⁵⁰ Takoradi and Sekondi are twin cities and are the capital of the Western Region

conditions in some instances. The study found that in 2007/08 Ghana received 45% of the net fob price as a margin which COCOBOD reinvested in the Ghanaian cocoa economy by paying bonuses to cocoa farmers, carrying out research, providing inputs to farmers and discounting (i.e. by 20%) light crop beans sold to local grinding companies which confirms another study (Laven, 2007). The above benefits derived by: (i) cocoa farmers (i.e. enhancement of output, protection against price volatility in the global market and exploitation by buyers), (ii) LBCs (i.e. provision of seed money for their operations), and (iii) the nation (i.e. increase in exports, production of best quality cocoa in the global market and earning of premium) from the operations of COCOBOD, amplify the positive role COCOBOD has played in the cocoa sector after the reforms. It could thus be argued that hypothesis 3 (H3) which posit that: *Institutional structural changes in a country during reforms impact on the output of the reforms*, has been tested. In this case, the outcome has been positive.

It is important to also state that apart from being abreast with local “institutions” (North, 1992, 2006), COCOBOD as a “legacy parastatal” also has the advantage of *institutional knowledge* acquired over the years which enables it to translate historical data into useful knowledge. Knowledge of the local culture or “local knowledge” apart from using it to develop “institutions”(North, 2006) is of great importance in stimulating economic growth especially in emerging markets or a developing country like Ghana where the rule of law is relatively weaker compared to what pertains in the developed countries. One may also argue that knowledge is vital to sustainable competitive advantage because knowledge facilitates effective action which in turn steers superior performance that assists competitive advantage (Adams *et al*, 2010). This enabled Ghana to continuously maintain its competitive advantage of producing the best quality cocoa in the global market. The downside of institutional knowledge however, is that it may become ingrained to the extent that it becomes difficult to

challenge if found unsuitable or outmoded while organisations tend to be slow in altering institutional knowledge.

The interpretation which one could give to the above findings within the theories as discussed in Chapter 1 is that the State has not been “hollowed out” because Ghana was able to stand up to the IMF and the World Bank (Jessop, 2004) by refusing to dismantle COCOBOD as they recommended. This ensured that Ghana did not lose its competitive advantage as the best cocoa producer in the world market and the benefits associated with it. The associated benefits also amplify the important role marketing boards play for primary producers in particular and the national economy in general. As noted above, the premium earned for producing the best quality cocoa in the global market is invested by COCOBOD and for that matter by the State in the cocoa sector and with cocoa as the mainstay of Ghana’s economy the ripple effects stimulate development. COCOBOD’s export monopoly makes it easier for the State to collect the tax revenue on cocoa export while its “muscle” and expertise enable it to stand up to all the major players in the global market, the MNCs inclusive. This also attests to the fact that the State has not been “hollowed out” (ibid).

7.3.10. COCOBOD’s Corporate Social Responsibility

As part of its Corporate Social Responsibility (CSR), COCOBOD provides scholarship for wards of cocoa farmers and money for building basic social amenities. It has instituted a scholarship scheme for the children or wards of cocoa farmers. The main objective of the scheme is to assist brilliant but needy children of cocoa farmers to attend government assisted second cycle institutions, though children of COCOBOD staff are also entitled to the scholarship. The scheme was established in 1951 by COCOBOD as noted earlier with an

annual budget support but this was transformed into a Trust in 1996 when COCOBOD provided seed money of 5 billion cedis (about US\$9.4 million)⁵¹ for that, and in 2008 the Trust was worth 130 billion cedis (about US\$1.4 billion). The scholarship covers tuition and boarding fees and each year 2,500 students benefit from it. It is categorised into: (i) new entrants -1,700 students and (ii) continuing students-800, and awarded on (i) merit- based on the pupil's Junior Secondary School (JSS) final examination results, and (ii) quota for pupils from catchment areas-cocoa regions and districts. However, the majority (87.7%) of the respondents said they did not benefit from it. During FGDs cocoa farmers indicated that COCOBOD officials benefit from the scheme more than them. However, it was found that because the primary and junior secondary schools in the cocoa growing communities were in poor condition and lacked qualified teachers compared to the ones in the towns and cities, the children of cocoa farmers who attended schools in cocoa villages hardly excelled in their final examinations to merit the scholarship. In addition, the study found that the procedure for applying for the scholarship is also so centralised at the COCOBOD Head Office in Accra (see figure 5.1) to the extent that almost all the respondents indicated it was difficult obtaining even the initial application form to apply for their children. COCOBOD officials from the Head Office went round the country each year distributing the scholarship application forms but respondents indicated that they were usually not adequately informed of the exact arrival date and time of these officials in their communities and therefore on many occasions could not obtain the application forms. Cocoa output is used to determine the quota for the districts and regions, therefore Western region for instance, receives about 59% of the quota because it produces about 60% of the country's cocoa. The study argues that by educating more children or wards of cocoa farmers it could result in attracting more educated

⁵¹ 1,923.21cedis =\$ in 1996; 9,300 cedis =\$ in 2008 were then the going rates.

people into cocoa farming since as noted above, the majority of respondents (66.5%) took after their parents as cocoa farmers (see section 6.3).

COCOBOD provided money for the building of the Faculty of Agriculture at the University of Ghana and the research it undertakes. It also contributed to the building of twenty-six secondary schools in different parts of the country in its efforts to support higher education. Additionally, it contributed hugely towards the building of a hospital at Mampong-Akwapim (about 30 miles East of Accra) in memory of Tetteh Quarshie, the man who brought cocoa to Ghana (see section 5.2.1). At the time of the study, COCOBOD was building an ultra modern hospital at Sewfi Wiaso, one of the major cocoa growing areas in the Western region. Solar street lights were also found to have been provided by COCOBOD in some cocoa communities in the region. During interviews, COCOBOD officials said the company builds feeder roads in cocoa communities. In relating these findings to theory it can be interpreted as COCOBOD's contribution to training and building of human capital to make Ghana competitive in the global market. In addition, they are also considered as COCOBOD's efforts to distribute the benefits of development widely, thereby reducing inequality to promote social equity or social cohesiveness as advocated by neo-structuralists (Fajnzylber, 1994, Kirby, 2009; see section 1.4).

7.3.11 The Mobile Phone Revolution in Cocoa Farming

Another significant finding of the study was that many of the respondents (61%) used mobile phones which they had acquired on their own and this had revolutionised the cocoa farmer's mode of operations (see section 6.23). This was made possible when the government implemented the liberalisation and deregulation policies as encapsulated in the Washington Consensus (see sections 1.3 and 2.12). The deregulation policy led to five multinational mobile operators: Zain (now Airtel), Vodafone, MTN, Millicom (tiGo) and Kasapa

establishing subsidiary companies in Ghana. According to the cocoa farmers they never had access to telephone facilities before the reforms when Ghana Telecom had monopoly in the country. The mobile phone had transformed the cocoa farmer into a “modern day businessman or woman”, because it is used to arrange for inputs, to market the produce and carry out social obligations. The mobile phone therefore assisted cocoa farmers to reduce the huge budget on transport costs⁵² and they now only travelled when it was essential to do so. In emergency situations like fire outbreaks, the use of mobile phones assisted cocoa farmers to mobilise manual support in their communities in the absence of modern fire fighting equipment, and in life threatening situations like snake bites on their farms in the absence of ambulance for medical treatment. According to respondents some of their colleagues previously died of snake bites on their cocoa farms when they could not receive help in time. The mobile phone has also raised the cocoa farmer’s social status and made it possible for him/her to communicate with the outside world (see Ofosu-Asare, 2011). However, cocoa farmers who did not own mobile phones also had access to communication “centres” referred to as “space to space”, which were found in many cocoa growing communities (see Appendix 6D).

In relating to the literature this finding could be interpreted to mean that the deregulation policy implemented by government made it possible for multinational communication companies (MNCs) to freely enter and exit the Ghanaian market, and to co-operate with the private sector to enhance Ghana’s communication industry. With communication key to the globalisation process, the enhancement of the communication industry facilitated Ghana’s integration into the global economy. The availability of communication service also enhanced the cocoa farmers’ mode of production in terms of cost reduction particularly in arranging for

⁵² Cocoa farmers were charged higher lorry fares because of the poor nature of the roads in the cocoa communities.

inputs and access to market. At the time of finalising this thesis COCOBOD in collaboration with the Hershey Company and World Cocoa Foundation (WCF) had launched the Cocoa Link project which allows text messages to be sent to cocoa farmers who own mobile phones. The messages were technical like disease control and fertiliser application from CRIG sent through extension officers, or social such as health and safety, commerce and gender equality. The farmer could also give a feedback via text however this was a pilot one with COCOBOD hoping to extend to all cocoa farmers in future. The enhancement of communication services with the implementation of those policies by government and COCOBOD was also found indicative of Ghana's effort to embrace globalisation which is discussed in more detail in the next section.

7.3.12 Ghana's Efforts to Embrace Globalisation in the Cocoa Sector

In Ghana's efforts to embrace globalisation or get on to the "high road of globalisation" as advocated by neo-structuralists (see section 1.4) particularly in the cocoa sector, the State provided the needed infrastructure especially by creating the free zone area in Accra and Tema in 1995, free zone incentives for processing companies, improved the communication industry and set up needed institutions to attract FDI inflows (see section 6.30). As a result, giant grinding cocoa companies like Barry Callebaut, Cargill, and ADM moved to Ghana to establish processing factories (see sections 5.6 and 6.27) increasing the number of grinding companies in the country from 3 to 7. This led to the increase of cocoa beans ground in the country from 9.71% of national output in 1991/92 to 18.72% in 2008/09, in furtherance of Ghana's value-added policy to add-value to a minimum of 40% of its annual cocoa output before exporting. Consequently, Ghana's export of cocoa value-added products increased from 134,654 metric tonnes before the reforms (1986-1992) to 389,600 metric tonnes after the reforms (2001-2007) with foreign exchange earnings also increasing from \$239 million

(1986-1992) to \$708.2 million (2001-2007) (see section 6.28). The representatives of the processing companies during interviews said they moved to Ghana principally because of the quality of cocoa and incentives provided by government. COCOBOD for instance, grants the processing companies a discount of 20% of the fob price of the cocoa beans it sells to them in addition to all the free zone incentives provided by the State (see section 6.30).

Another advantage of the value-addition the study found was that because the processing factories use sub-standard beans which fall outside the international classifications as raw materials, Ghana now has a ready market for such beans. It is important to state that in cocoa production, there is always a proportion of sub-standard beans produced which can be sold in the global market only when discounted therefore all cocoa producers grapple with the problem of how to dispose of such beans. Apart from Cocoa Processing Company (CPC or Portem) in Tema which processes cocoa into finished products, all the other processing factories process the cocoa beans into semi-finished products such as liquor, butter and cake for export (see section 5.6 & figure 5.6), and by setting up at the origin they have the flexibility needed to respond effectively to market opportunities. Additionally, good quality cocoa can be stored longer in temperate zones than in the tropics where the bulk of the world's cocoa is produced, therefore processing the beans at the origin in Ghana (a tropical country), allows for flexibility in marketing the cocoa. This study argues that the increase in the number of processing companies has also provided ready markets for Ghana's cocoa and resulted in Ghana achieving higher fob price in the global market on the basis of demand and supply, all things being equal since the local grinding companies buy the cocoa at international price. Ghana's achieved fob price for cocoa increased by 66.9% after the reforms from US\$ 1,138.66 in 1993/94 to US\$1,900 in 2007/08 (Ghana Cocoa Board, 2009). As a result, the smallholder cocoa farmer's share of the fob increased from 53.3% in 1992/93

to 73% 2007/08 with the producer price increasing from US\$292.5 to US\$ 1,290 for the same period as noted above enhancing the cocoa farmer's well-being. The processing companies also created jobs with the accompanying forward linkages leading to the establishment of related factories for packaging materials like cartons and polythene lining; restaurants and security companies which further created additional jobs. Technology and know-how were also transferred to Ghana with the establishment of the factories of these multinational companies (MNCs) in line with the benefits of globalisation (see section 1.6). In view of these findings of the study, Hypothesis 2: *Many developing countries have failed to take advantage of globalisation to enhance the growth of their economies*, could be refuted because of the efforts Ghana has made in the urban centres to gain some benefits from globalisation. The above findings also provide answers to the research question: *To what extent generally has Ghana taken advantage of the process of globalisation*. Additionally, from the above findings of the study : (i) increase in the output and income of cocoa farmers, (ii) earning of yearly bonus, (iii) provision of incentives to cocoa farmers by LBCs, (iv) options to sell their produce, (v) prompt receipt of cash payment, and (vi) activities of the processing companies increasing demand for cocoa beans with the tendency to induce increase in producer price, it could be argued that Hypothesis 1 which posited that: *Government policies on liberalisation and globalisation affect the well-being of the smallholder cocoa farmer in developing countries*, is also supported.

When relating the above empirical findings on Ghana's efforts to embrace globalisation to the analytical framework within the theoretical framework of the study, one could argue that these efforts by the State increased Ghana's competitiveness in the global market as advocated by the neo-structuralists (see Table 1.2). Exports of cocoa value-added products for instance, increased from 134,654 metric tonnes (1986-1992) to 389,600 metric tonnes (2001-2007) resulting in an increase in foreign exchange from US\$ 239 million to US\$ 708.2 million for the same period (see section 6.28). The conscious efforts made by the State to

facilitate this technical change to bring about Ghana's dynamic insertion into the world economy can be traced back from the value-added factories to the technical innovative programmes the State implemented through COCOBOD at the producers' or cocoa farmers' level to enhance cocoa production. COCOBOD's designed production system ensured cocoa quality production of cocoa beans, increased in output and guaranteed regular supply of beans to processing factories under the Beans Supply Agreement (see sections 5.7 & 1.7). In this case, Ghana shifted the emphasis on low-wage labour as the basis for competitive advantage in the global market as advocated by neo-liberals to technical innovation as the basis for competitiveness as advocated by neo-structuralists (Kirby, 2009, p.137; see Table 1.2). Additionally, the value-adding policy is also considered as an effort by Ghana to address the problem of volatility of commodity prices in the global market which impacts adversely on primary producers, in this case the income of the smallholder Ghanaian cocoa farmers. The foreign revenue earned by the country is also adversely affected by the volatility of commodity prices in the global market which tends to hamper the State's ability to carry out its development projects.

7. 3.13 Lack of Adequate Infrastructure in Cocoa Communities to Attract FDI Inflows

The study also made an important finding that unlike the cities and towns where the State had provided infrastructure and facilities to attract foreign direct investment (FDI), not much had been done in typical cocoa growing areas to achieve this objective. Many of the cocoa communities, especially the rural villages/hamlets lacked basic social amenities like good roads, schools, drinking water, clinics/hospitals and electricity therefore they were found not in the position to take advantage of globalisation. Most of the respondents(69.25%) lived in rural villages/hamlets which lacked these amenities and thus indicated that they were of the highest priority to them. The 30.75% who lived in rural towns and had some of these

amenities were also concerned about their rehabilitation since most of them were in deplorable conditions (see Appendix 6C). The majority (85.5%) of the respondents however indicated that to sustain the cocoa industry there was the need for the government and COCOBOD to provide the needed amenities in the deprived cocoa areas in addition to the regular improvement in their income because this will assist in attracting the youth to the vocation since the annual increase in the producer price alone has not been able to achieve that. As the study found out, the majority of the respondents (72.75%) were old above 46 years (i.e. 39.25% between 46 and 60 and 33.5% above 60 years) (see section 6.1) irrespective of the efforts made by government and COCOBOD to annually increase the income of cocoa farmers since the reforms in 1993 as noted earlier.

The implication of the above empirical finding on the sustainability of the cocoa sector is that productive transformation or technological innovative policies implemented by the State and COCOBOD should be promoted with social equity in line with the motto of neo-structuralism (see Table 1.2). Cocoa farmers should have their fair share of the social amenities which the State uses revenue from cocoa in providing in the cities and towns in order to promote social cohesiveness, a cardinal principle of neo-structuralism which facilitates development. The provision of basic amenities in cocoa communities will also stem migration of the youth into the cities in search of non-existent jobs or to enjoy basic amenities like electricity and good drinking water. Cocoa has many by-products with the potential to attract investment if an attractive environment can be created in cocoa growing communities. In interviews with CRIG officials, the study found that the department had developed cocoa by-products such as fresh juice or jam from the “sweatings pulp” around the fresh cocoa beans, and fertiliser and soft soap from the cocoa husk. The husk is what contains the fresh cocoa beans and cocoa farmers usually split it open with a cutlass or knife

after the pods are harvested to ferment the beans. The husk is then left to rot on the cocoa farm (see figure 7.4 below). The study argues that these by-products can attract private investors both locally and foreign once the needed infrastructure and basic amenities are provided in cocoa growing areas. This is because the State is supposed to provide the basic facilities in the cocoa communities that will act as a “light-rain” which produces the green pasture or a newly inviting environment tempting enough for investors to invest or “to sow seeds” as it were (Foxley, 2010, p.20; see section 1.1). Additionally, when the State bears the initial financial and other risks of providing public infrastructure, the State then assists the private sector to address the high cost of “being first movers and innovators” in embryonic sectors. Market forces alone are not able to overcome these initial problems and barriers which tend to discourage investment in promising industries and technologies (Birdsall and Fukuyama, 2011, pp.49-50; section 1.1). The provision of basic social amenities can also contribute to the reduction in poverty in rural areas with the establishment of other industries which can create additional jobs for rural dwellers.

Figure 7.4 Cocoa husks disposed of on 2 different cocoa farms



Source: Author

(26/03/04)

This thesis further argues that though the State provided infrastructure and incentive facilities in the cities to embrace globalisation as discussed earlier, the above findings in Ghana’s cocoa

communities could be regarded as a partial support for Hypothesis 2 which posited that: *Many developing countries have failed to take advantage of globalisation to enhance the growth of their economies* with cocoa as the mainstay of Ghana's economy. Considering the amount of foreign revenue cocoa generates for Ghana as noted above, the study argues strongly that cocoa farmers deserve to enjoy better basic facilities than were found in cocoa communities. This anomaly, which the study finds as the downside of the "meso model" deserves to be addressed.

Another finding of the study was the lack of internet facility in cocoa growing communities though communication in these areas to a greater extent had improved with the use of mobile phone and "Space to Space" centres by cocoa farmers (see section 7.3. 11). Cocoa farmers therefore did not have access to internet facilities, however the internet is a key aspect of communication that has enhanced the promotion of globalisation (see section 1.6). The internet is currently used by farmers in many countries especially the advanced ones to find modern methods of increasing their produce. This meant that even the relatively better educated cocoa farmers (19.6%) who had secondary and post secondary education could not benefit from the use of the internet. The Ghanaian cocoa farmer therefore could not sit in his/her village to use the internet to find a new method of cocoa production developed for instance, in Malaysia or elsewhere to apply it to enhance his/her production. S/he was also not in the position to either buy or arrange to sell his produce via the internet. CRIG or COCOBOD therefore could not disseminate any research findings or information to farmers via internet which is now one of the most effective and cheaper ways of disseminating information and also keeping people closely in touch. With economic, political and cultural space shaped by requirements of globalisation (see Table 1.2), this key element of communication which facilitates globalisation needs to be given the needed attention in cocoa communities in Ghana's efforts to get on to the high road of globalisation.

The study also found that the political liberalisation brought about by the reforms had politically empowered cocoa farmers since all (100%) the respondents said they participated in all the five general elections held after the reforms to elect the President of the country and members of Parliament (MPs) as well as districts elections to elect their local Assembly representatives. They said they preferred multi-party democracy to military rule and were found to be aware of their political rights. In the light of the above findings: a flourishing democracy (i.e. separation of powers; strong opposition; freedom of the press and speech, growing civil society etc.) coupled with economic growth (i.e. 3.9% in 2008), one could argue that globalisation could be given a human face in Ghana in general and the cocoa communities in particular if it could be ensured that economic growth, democracy and equity mutually reinforce each other as advocated by neo-structuralism (see section 1.4).

7.4 Recommendations

While it is not the aim or the concern of this thesis to provide recommendations for policy makers nonetheless, a number of recommendations flow from the empirical findings of the study. Considering the findings and their implications as noted above, the following recommendations in Table 7.3 (below) are made to ensure further enhancement of the cocoa farmers' well-being and the sustainability of Ghana's cocoa industry in general.

Table 7.3 Recommendations Arising from Research Findings

Recommendations
<ol style="list-style-type: none"> 1. There is an urgent need for the government of Ghana and COCOBOD to provide basic amenities (adequate roads, schools, potable water, electricity and clinics) in the deprived cocoa communities, and cocoa farmers must be involved to give them a sense of ownership. This will address the downside of the “meso model” and will also help to attract the youth into cocoa farming to take over from the aged farmers and to open up cocoa communities to attract investments. 2. With the discovery of oil in Ghana, the provision of basic amenities in cocoa

communities would also stem the outflow of the already scarce labour from these communities to the oil drilling areas to seek jobs.

3. As part of their corporate social responsibility, multinational cocoa companies in Ghana should be encouraged to invest in the provision of basic amenities in cocoa communities and as an incentive, have the option to buy a percentage of cocoa produced in those communities.
4. Conscious and consistent efforts should be made by the government and COCOBOD to attract the educated into cocoa farming since educated farmers will be more receptive to innovations and modernisation of the sector.
5. In trying to embrace globalisation, efforts must be made by the State to facilitate the provision of internet facilities all over the country, cocoa communities included, to open up the entire economy to global investment.
6. The bottlenecks associated with the mass spraying programme should be addressed by COCOBOD so that cocoa farmers and the nation can fully benefit from it since there is too much wastage and pilfering.
7. It is essential for all cocoa farmers to have access to extension officers as a matter of urgency and the extension officers should be under COCOBOD for COCOBOD to ensure proper supervision.
8. COCOBOD should adopt a bottom up approach to involve cocoa farmers and to grant them more opportunities to decide their needs instead of the current top down approach. The needs of cocoa farmers should always be considered supreme since this thesis regards them as owners of the business.
9. Cocoa farmers should be encouraged to form strong associations in their various communities to give them a strong collective voice to fight for their needs and benefits, and to shape policies in their favour.
10. A pension scheme fund should be instituted for cocoa farmers to take care of them in their old age. If cocoa farmers draw on the fund according to their contributions, this could motivate them to increase their output and will also stem smuggling of cocoa to neighbouring countries. Government can then use the huge money spent on checking cocoa smuggling to provide basic amenities in cocoa communities.
11. The discovery of oil in Ghana should reduce the pressure on cocoa revenue since government would be able to easily access the oil revenue. In this wise, the export tax

on cocoa should be reduced to enhance the income of the smallholder cocoa farmers while part of the savings made should be ploughed back into the industry by COCOBOD to sustain the industry.

Source: Author

7.5 Limitation of Study and Future Research

There were some limitations with this study despite its strengths in terms of the literature reviewed, the sample size, area covered and the research method adopted among others. First, the study could not cover two of the cocoa growing regions in Ghana, Central and Volta. It is possible that because of their context the views of cocoa farmers in these two regions could have altered the findings and the corollary conclusions drawn. However, the two regions could not be included in the survey due to time and resource constraints. Further research can therefore be conducted in the Central and Volta regions to assess the impact of liberalisation and globalisation on smallholder cocoa farmers. Though Western North and Western South are two different cocoa regions they were combined as one region for the same reason of lack of resource and limited time. As a result, 100 respondents were allotted to the two cocoa regions instead of 200. It is also possible that this numerical disadvantage might have affected the general findings of the two leading cocoa producing regions which were treated as one. Future researchers should avoid a repeat of this mistake.

7.6 Summary of Key Findings and Research Contribution to Knowledge

The study has made the following contributions to the literature on the impact of liberalisation and globalisation on the well-being of the smallholder cocoa farmers in Ghana:

1. The output of cocoa farmers is a function of not only the price paid to them but also the overall environment created for production. This is because the mass spraying against insect pests and disease control (CODAPEC) and the Hi-tech fertiliser application and

planting of hybrid cocoa varieties programmes implemented by COCOBOD enhanced the yields of cocoa farmers.

2. Ghana's "meso model" created out of the partial liberalisation of its cocoa sector through negotiations with the IMF and the World Bank, was found by the study as an alternative development paradigm to the Washington Consensus because Ghana achieved economic growth and development through increase in: national cocoa output and cocoa value-added products, exports and foreign exchange after adopting it. The paradigm shift with the State playing a significant role through COCOBOD enabled Ghana to continuously produce the best quality cocoa in the world. Additionally, the State assisted smallholder cocoa farmers to enhance their output and income; cushioned them against the volatility in the global market and exploitation in the liberalised internal market (i.e. against the LBCs); and enhanced their general well-being. COCOBOD's regulatory role in the internal market and provision of seed money to LBCs for their operations promoted public-private partnership. The model which granted COCOBOD export monopoly of Ghana's cocoa enabled the parastatal to: do forward sales; raise huge syndicated international loans irrespective of the current global financial crisis for its operations including providing seed funds for the LBCs; increase cocoa producer price annually or the cocoa farmer's share of the fob price; provide intervening measures to enhance output and export; and build infrastructure like roads and warehouses. The model has also enabled Ghana to embrace globalisation and to attract leading cocoa global grinding companies to grind cocoa in Ghana. Consequently, Ghana's GDP grew from 2.8% in 1993 to 3.9% in 2008 while cocoa's contribution to GDP also increased from 2.3% to 3.9% for the same period (Ghana Statistical Service), which demonstrated growth in the economy after the reforms. As North puts it,

economic development is a function of the productivity of an economy, therefore if an economy is productive it becomes rich and if not it gets poor (North, 2006). Hence, with the “meso model” enabling the cocoa sector which is the mainstay of the economy to become productive, Ghana’s economy was enriched after the reforms which positively impacted on development. In this wise, this thesis argues that the “meso model”, classified as unique, is a challenge to the Washington Consensus and a contribution to the development literature.

3. Cocoa farmers were of the view that the long term sustainability of the cocoa industry depended on the provision of basic amenities like good roads, water, schools, electricity and clinics in cocoa communities in tandem with annual producer price increases to improve their general standard of living and to attract the youth into the profession since the annual producer price increases alone had not been able to achieve that.
4. The use of mobile phones and “Space to Space communication centres” has transformed cocoa farmers’ mode of operations enabling them to cut production cost particularly transport cost for obtaining inputs, sale of produce, access to market and meeting social obligations.
5. Cocoa farmers in Western region use fertiliser more than their counterparts in the other cocoa growing regions in Ghana to enhance their output which is why the region produces about 60% of the national output. Land was found to be scarce in the region therefore output was no longer solely dependent on expansion of cocoa farms.
6. Cocoa farmers in Western region saved part of their cocoa income more than other cocoa farmers in the other regions of Ghana.

7. PBC's leadership in the market could also be attributed to cocoa farmers' loyalty and the "State ownership image" still perceived of it by many cocoa farmers. This is because the study revealed that cocoa farmers' loyalty and support for PBC (the former subsidiary company of COCOBOD) was principally because it was owned by the State. The cocoa farmers therefore considered themselves as part owners of PBC, and thus stood to benefit from the survival of the company but had no such affection for the other LBCs.

7.7 Conclusions and Outlook

This section draws conclusions to this thesis in general and the chapter in particular. It also provides an outlook for future research.

7.7.1 Conclusions

In this thesis, I have considered the different development models like: Structuralism-import substitution industrialisation (ISI), African socialism/communism, developmentalism, neo-liberalism which underpins the Washington Consensus, neo-structuralism and the Chinese "dual model"; from their theoretical perspectives and analysed their relative explanatory powers. However, I identified the neo-structuralism paradigm as suitable for Ghana's case study and therefore used it as the theoretical framework for the study because it assisted in understanding and analysing the significant role of the State in the cocoa sector after it was liberalised. The analytical framework for the study was thus distilled out of the neo-structuralism paradigm. This thesis has established that the "meso model" Ghana adopted after the liberalisation of its cocoa sector, is an alternative development paradigm to the Washington Consensus "One Size Fits All". The "meso paradigm" allows the State and parastatals to play significant roles in a liberalised economy regulating to some extent the activities of competing private companies and promoting public-private partnership to

achieve economic growth and development. This is against the limited role of the State and the dismantling of parastatals like COCOBOD which the Washington Consensus advocates and favoured by the IMF and the World Bank. The “meso model” was also found to demonstrate the State’s ability to stand up to the Bretton Woods institutions to fashion out a development paradigm suitable to its context which further demonstrated that the State has not been “hallowed out” in our current globalised world. This thesis therefore argues against the dismantling of State institutional structures or parastatals during reforms particularly commodity marketing boards by the IMF and the World Bank. However, it favours the transformation of the boards or structures to meet the challenges of the country especially to promote the well- being of smallholder farmers, economic growth and development in general. In effect, State institutional structures should be adapted to suit the country’s needs and challenges and not destroyed during reforms. The “meso model” is described by this thesis as a “new paradigm kid” on the block with the knack to alter the development fortunes of developing countries in particular and stuttering economies in general. This thesis therefore argues that the “meso model” considered as Ghana’s version of a challenge to the “One Size Fits All” Washington Consensus, is similar to the East Asia “developmentalism” and the Chinese “dual model” which have also been used to achieve economic growth and development by these nations (see sections 1.5.2 & 1.5.3). Finally, the benefits associated with the “meso model” as identified and analysed throughout this thesis would be of use to governments, policy makers, and international organisations especially the IMF and the World Bank and that the model would be promoted as a development paradigm worth adopting especially by developing nations albeit in relation to their contexts.

7.7.2 Outlook

This thesis has attempted to analyse and highlight the benefits associated with the amalgamation of the roles of the State and the market at both the *theoretical and empirical levels* using the neo-structuralism paradigm which combines the core tenets of structuralism and neo-liberalism as the theoretical framework as noted above. However, some gaps still exist at both the theoretical and empirical levels which future researchers could explore.

At the *theoretical level* different versions of the amalgamation of the roles of the State and the market in pursuing economic growth and development have been put forward like “more market less State” or “large State and limited market”. This thesis argues for a combination of their roles with the State playing a significant role or governing the market particularly in a developing country charting a development path as noted above. Furthermore, it argues in support of an improvement in the efficiency of the State and the market with the understanding that they both have failures. However, how to strike the right balance between them and how to ensure that this balance changes over time to match improvement in market changes and government competencies (Stiglitz, 2002, 2004) was not explored. Considering the important role the State played to bail out banks and to provide stimulus to revive the economies after the global meltdown in 2008 even in developed Western countries like Britain and the United States which hold fast to the free market orthodoxy, coupled with the fact that globalisation underpinned by free market forces has now become an integral part of our everyday life as stated earlier, one may argue that the roles of the State and the market have equally become paramount in the economy in our current globalised world. It would therefore be interesting if future research could explore at the theoretical level how the right balance could be struck between their roles particularly in developing countries in relation to their contexts as they strive to achieve economic growth and development. This could then be used as a theoretical framework for future empirical studies.

At the *empirical level*, future research could be carried out within Ghana in the Central and Volta regions to assess the impact of liberalisation and globalisation on smallholder cocoa farmers to address the empirical gap that may exist as a result of this study's inability to cover the two cocoa regions as noted above. Additionally, a cross-country study on comparative basis of cocoa farmers in a country under a fully liberalised marketing system such as Cote d'Ivoire or Nigeria and those in Ghana under a partially liberalised system (i.e. "Ghana versus Cote d'Ivoire" or "Ghana versus Nigeria") could be an exciting research study area for future researchers. This could assist with the development of policy tools and in promoting policy interactions between the cocoa producing countries in the West African sub-region (see figure 0.1). As the leading cocoa producing region in the world (see section 1.5.5 & Table 1.4), policy interactions could go a long way to enhance the output, income and general well-being of cocoa producers and foreign revenue of these producer countries to promote socio-economic growth and development in their various countries in particular and the sub- region in general. These policies could also be tailored to promote intra West African trade in cocoa products like chocolate and confectioneries. Additionally, they could assist these countries in strengthening their positions and competitiveness in the global market because they pursue individual agendas at the moment while a united front will stand them in good stead.

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APPENDIX 2A

Indicators of Economic Decline: 1955-1985

Year	Govt. revenue ratio to GDP (%)	Govt. expen'ture ratio to GDP (%)	Cocoa export ratio to GDP (%)	Total import ratio to GDP (%)	Net reserves ratio to GDP (%)	Per capita savings ratio to GDP (%)	Rate of inflation (%)
1955	18.8	20.7	19.3	25.9	35.3		0.5
1956	14.0	16.7	14.4	25.2	32.4	13.8	4.1
1957	16.2	15.4	13.8	26.1	25.9	12.4	1.0
1958	17.1	19.4	16.0	21.7	25.4	18.0	0.0
1959	15.7	19.6	15.5	25.4	23.7	16.1	2.9
1960	17.5	23.4	13.9	31.0	21.2	15.2	0.9
1961	14.1	20.3	14.9	35.0	12.2	12.7	6.2
1962	14.4	23.1	13.4	27.1	12.9	14.2	5.9
1963	14.1	22.3	12.4	26.3	12.1	13.6	5.6
1964	18.7	26.9	11.0	22.9	5.5	14.6	15.8
1965	19.4	25.3	9.2	26.7	-0.5	8.6	22.7
1966	15.5	18.3	7.7	19.6	-1.8	8.0	14.8
1967	15.7	21.3	8.7	20.9	-3.5	9.0	-9.7
1968	17.5	23.5	10.6	21.7	-2.6	13.0	10.7
1969	16.6	19.8	11.1	21.4	-5.2	11.0	6.5
1970	19.3	20.7	13.3	23.9	-1.1	11.5	3.0
1971	18.0	21.0	8.1	27.5	-0.4	6.5	8.8
1972	14.9	19.3	9.8	15.2	4.5	14.3	10.8
1973	10.9	15.7	11.3	17.1	6.1	12.1	17.1
1974	12.5	16.2	10.0	22.6	0.0	8.0	18.8

1975	15.5	21.9	10.5	18.4	2.4	12.7	29.8
1976	13.4	22.9	7.9	16.0	0.3	9.6	55.4
1977	10.5	19.1	6.1	11.5	0.0	8.4	116.5
1978	6.6	15.1	4.7	9.7	0.1	4.1	73.1
1979	9.9	16.4	6.5	9.9	1.2	5.9	54.5
1980	6.9	10.9	6.0	8.9	0.5	5.0	50.2
1981	4.5	10.6	1.5	5.3	-0.3	3.0	116.5
1982	5.6	11.0	1.2	3.0	0.0	3.9	22.3
1983	5.6	8.0	3.4	9.3	-3.1	0.6	122.8
1984	8.4	9.9	4.7	7.7	-6.6	6.7	39.7
1985	11.7	13.3	5.3	11.6	-9.7	7.7	10.3

Source: Adapted from Frimpong- Ansah, 1991, (Table 6.2), p. 95

APPENDIX 2B

Structure of Ghana's total debt from 1970 to 1990

Year	Total (\$million)	Long-term debt (\$million)	Medium-term debt (\$million)	Short-term debt (\$million)
1970	1048.79	524.00	314.64	209.75
1971	1154.12	555.82	325.09	273.21
1972	1167.01	587.24	335.54	244.27
1973	1277.11	618.66	345.99	312.46
1974	1290.11	650.08	356.44	384.30
1975	1315.75	681.50	366.89	267.36
1976	1340.68	696.48	377.34	266.86
1977	1365.61	711.46	387.79	266.36
1978	1390.54	726.44	398.23	265.87
1979	1415.47	741.42	408.65	265.40
1980	1440.40	756.40	342.10	341.90
1981	1833.34	887.84	365.10	580.40
1982	1907.00	861.00	352.92	693.08
1983	2039.12	869.33	655.19	514.60
1984	2431.00	823.26	908.36	699.38
1985	2736.00	909.88	1087.81	738.31
1986	2669.00	1224.26	1180.60	264.14
1987	3126.60	1611.00	1257.80	257.80
1988	3133.22	1854.90	1166.61	111.71
1989	3223.60	1998.63	1116.11	108.86
1990	3521.80	2310.63	1164.50	106.67

Source: World Bank, *World Debt Tables*, various issues. Bank of Ghana, External Debt Department cited in Osei, 1995, Table 3, p.10

APPENDIX 2C KEY MACROECONOMIC INDICATORS 1970-83

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
GDP (cedi M)	2259	2501	2815	3502	4666	5283	6526	11163	20986	28231	42853	72626	864551	184038
Real GDP Growth (%)	6.78	5.56	-2.5	15.3	3.39	-12.87	-3.52	2.2	8.48	-7.82	6.25	-3.5	-6.92	-4.56
BOP (US\$) Trade Accounts	52	-34	161	213	-29	150	89	29	113	263	195	-243	18.3	-61
BOP (US\$) Current Account	-68	-146	108	127	-172	17	-74	-80	-46	122	29	-421	-109	-174
BOP (US\$) Overall Balance	NA	NA	NA	109	-142	106	137	-9	-46	36	-30	-289	-10	-173
Narrow fiscal deficit (cedi M)*	-31	-58	-122	-248	-190	-422	-592	-1212	-1678	-1875	-3041	-4606	-4364	-4514
Narrow fiscal deficit as % GDP	-1.4	-2.3	-4.3	-7.1	-4.1	-8.0	-9.1	-10.9	-8.0	-6.6	-7.1	-6.4	-5.1	-2.5
Money supply growth rate broad money M2 (%)	22.2	27.3	33.1	12.2	33.9	22.4	25.7	37.3	54.4	25.6	47.7	40.3	38.9	12.4
Inflation CPI (%)	3.5	5.1	20.3	1.68	24.3	41.2	41.2	121.2	73.2	54.4	50.1	116.5	19.2	128.7
Exchange rate Cedi: US\$	1.02	1.03	1.33	1.149	1.149	1.149	1.149	1.149	2.750	2.750	2.750	2.750	2.750	30.00
Gross fixed capital formation as % GDP	12	12.4	8.78	7.6	11.9	11.6	9.8	9.4	6.5	6.7	6.1	4.7	3.5	3.8

Note: *Narrow fiscal deficit excluding expenditure financed by foreign loans and grants

Source: IMF, Balance of Payment Year Book; World Bank, 1987b; ISSER, 1993-Table 1.1, Aryeetey and Harrigan, 2000, P.9

APPENDIX 3A

The Director (R&D)
Research, Monitoring & Evaluation Dept
Ghana Cocoa Board (Cocoa Hse)
P.O.Box 933
Accra
Ghana

Sch. of Social Scs Hum & Lang
University of Westminster
Regent Campus, Well St
London
NW1 5LS

9th Feb. 2009.

Dear Sir/Madam,

REQUEST FOR AN INTERVIEW AND RELEVANT SUPPORTING MATERIALS

I am a PhD student of the University of Westminster, London researching on “**Trade Liberalization, Globalization and the Cocoa Industry in Ghana: A case study of the Smallholder Farmers**”. As part of efforts to collect primary data for the study, I wish to request for an interview with you or your representative. The focus of the interview will be on the following areas:

1. The effects of IMF/ World Bank recommended economic reform measures on smallholder cocoa farmers.
2. The annual increase of the producer price is supposed to enhance the income of the smallholder farmer; how successful has this been? Who determines the annual producer price and what ingredients go into fixing it?
3. Liberalization of internal marketing of cocoa is one of the key reform measures. What is your assessment of the operations of the licensed buying companies (LBCs)? How are their operations impacting on the smallholder farmer and the country?
4. What are some of the incentives Cocobod or government has since 1993 been giving to smallholder farmers to enhance their general well-being?
5. Cargill and ADM having established factories in Ghana to grind cocoa (i.e. add value). Have they changed the landscape of the cocoa industry and do you in anyway regulate their activities?
6. What is your assessment of Ghana’s value-adding program in the cocoa industry?
7. What efforts are been made to enable Ghana sustain its comparative advantage of cocoa production in the global market?
8. Recently there have been concerns on the international market about the higher levels of pesticides in Ghana’s cocoa. What accounts for that and what are measures being taken to address it?
9. How can the smallholder farmer be cushioned against the current global melt down?

It would also be appreciated if you could give me relevant materials to complement the interview. Hoping this request will meet your kind consideration.

Yours faithfully,

Kwaku Ofosu-Asare.

APPENDIX 3B

Summary of Key Persons Interviewed

Name	Status	Number
Cocobod	Deputy Directors/Snr. Officials	5
Cocobod	Ex. Chief Executive	1
Cocobod	Ex. Deputy Chief Executive	1
Cocoa Research Inst.of Ghana (CRIG)	Snr. Research Officials	2
Cocoa Inputs Co. Ltd	Managing Director	1
Int. Inst. of Tropical Agric. (IITA	Impact and Policy Analyst	1
Ghana Free Zones Board	Manager/Snr Official	2
Cocoa Processing Co. (CPC)	Snr. Marketing Official	1
Cocoa Processing Co. (CPC)	Ex. Managing Director	1
Cargill	Marketing Manager	1
West Africa Mill Co. (WAMCO)	Gen Manager/Quality Officer	2
Trans Royal Gh. Ltd.	Financial Manager/ Snr. Officials	3
Produce Buying Co.	HR Manager/Chief Accountany/Snr. Official	3
World Bank Rep. in Ghana	Snr. Economist	1
University of Ghana	Director/Head of Dept	2
Total		27

APPENDIX 3C- COCOA DISTRICTS IN GHANA

Region	Districts
Eastern	1.Achiase
	2.Akim Oda
	3.Asamankese
	4.Kade
	5.Kibi/Anyinam
	6.Koforidua/Tafo
	7.Nkawkaw
	8.Akim Ofoase
	9.Suhum
	10.Akim Okoase
Ashanti	11.Agona
	12.Ampenin
	13.Nyinahin
	14.Antoakrom
	15.Bekwai
	16. Effiduase
	17.Konongo
	18.Tepa
	19.Mankranso
	20.New Edubiase
	21.Nkawie
	22.Nsokote
	23.Obuase
	24.Offinso
	25.Juaso
Brong Ahafo	26.Asumura
	27.Goaso/Mim
	28.Kasapin
	29.Hwidiem
	30.Kukuom
	31.Sunyani
	32.Nkrankwanta
	33.Dorma Ahenkro
	34.Sankore
Western North	

	35.Adabokrom
	36.Essam
	37.Fosukrom
	38.Kaase
	39.Asampaneye
	40.Akontombra
	41.Bonsu Nkwanta
	42.Juaboso
	43.Sefwi Bekwai
	44.Anhwiaso
	45.Sefwi Asawinso
	46.Sefwi Wiaso
	47.Debiso
Western South	48.Asankrgwa
	49.Manso Amenfi
	50.Samreboi
	51.Agona Amenfi
	52.Diaso
	53.Dunkwa
	54.Enchi
	55.Dadieso
	56.Bogoso
	57.Tarkwa
	58.Takoradi
	59.Wassa Akropong
Central	
	60.Assin Fosu
	61.Twifo Praso
	62.Asikuma
	63.Agona Swedru
	64.Assin Breku
	65.Nyinase
	66.Cape Coast
Volta	
	67.Hohoe

APPENDIX 3D THE RESEARCH TEAM AT WORK IN EASTERN REGION



The Researcher leading FDGs at different locations (a village and a town) in Eastern Region (25/02/09)



Research Assistants interviewing Cocoa farmers in Eastern Region (24/02/09)



06/03/09



24/02/09



28/03/09

The vehicle used for the research enabled me to go to every location (town, village and hamlet).

Source: Author

APPENDIX 3E

STRUCTURED INTERVIEW QUESTIONS FOR COCOA FARMERS

This questionnaire will be used for academic purposes only. You are assured of total confidentiality and anonymity.

Please tick in the bracket on your right, the option that best describes the respondent's view on the question.

Farm characteristics and farm input

- 1. How long have you been farming?
 - (a) 0-5years
 - (b) 6-10years
 - (c) 11-15years
 - (d) More than 15years

 - 2. How did you become a cocoa farmer?
 - a) My parents were cocoa farmers so I took after them.
 - (b) The producer price of cocoa was attractive.
 - (d) Because I became unemployed during the privatization exercise.
 - (f) Other specify.....
-

- 3. Were you farming before 1993?
 - (a) Yes
 - (b) No please go to question 11

- 4. If Yes what was the size of your farm in 1993?
 - (a) 0-5 acres (i.e. 0-2 hectares)
 - (b) 6-10 acres (i.e. 2.1-5 hectares)
 - (c) 10-15 acres (i.e.5.1-7 hectares)
 - (d) More than 15 acres (more than 7 hectares)

5. How did you acquire the land for your farm?

- (a) It is a family land.
 - (b) I bought it.
 - (c) I rented it.
 - (d) Other specify.....
-

6. Which type of cocoa did you plant on your farm before 1993?

- (a) Local breed
- (b) Hybrid (Improved breed)
- (c) Combination

7. Did you use fertilizer on your farm before 1993?

- (a) Yes
- (b) No

8. If "No" why?.....

9. If "Yes", how will you describe the price at which you bought it?

.....

10. How did you obtain the fertilizer you used at the time (i.e. before 1993)?

.....

11. What is the size of your current cocoa farm?

- (a) 0-5 acres (i.e. 0-2 hectares)
- (b) 6-10 acres (i.e. 2.1-5 hectares)
- (c) 10-15 acres (i.e.5.1-7 hectares)
- (d) More than 15 acres (more than 7 hectares)

12. How did you acquire the land for your farm?

- (a) It is a family land.
 - (b) I bought it.
 - (c) I rented it.
 - (d) Other specify.....
-

13. Which type of cocoa have you planted on your farm?

- (a) Local breed
- (b) Hybrid (Improved breed)
- (c) Combination

14. Do you use fertilizer on your farm?

- (a) Yes
- (b) No

15. If "No" why?.....

16. If "Yes", how will you describe the price at which you buy it?
.....

17. How do you obtain the fertilizer you use on your farm?
.....

Farm management system

18. What type of farming are you engaged in?

- (a) Mechanical
- (b) Manual
- (c) Both Manual and Mechanical
- (d) Other specify.....

19. If mechanical what type of equipment do you use?
.....

20. If manual what type of tools do you use?

21. Are the tools available on the market when you need them?
 (a) Yes ()
 (b) No ()
22. If you were farming before 1993, were the tools available when you needed them?
 (a) Yes ()
 (b) No ()
 (c) Don't know ()
23. Is the government giving you any incentives to increase your yield?
 (a) Yes ()
 (b) No ()
24. If "Yes" what type of incentives?

Pests management

If s/he started farming after 1993 please go to question 32

25. Did you have problems with pests when you were farming before 1993?
 (a) Yes ()
 (b) No ()
26. If "Yes" what type of pests did you usually encounter?

27. Did you spray your cocoa farm against pests?
 (a) Yes ()
 (b) No () Go to qt 37
28. If "Yes" who sprayed the farm?
 (a) Myself ()
 (b) Government officials ()
 (c) Other () specify.....

How often did you spray your farm?

- (a) Only when I detect infested trees ()
 (b) Once a year ()

(c) Other () specify.....

29. What type of pesticides and concentration levels did you use?
.....

30. If you did not spray your farm why?
.....

31. Do you currently have problems with pests on your cocoa farm?

(a) Yes ()

(b) No ()

32. If "Yes" what type of pests do you usually encounter?
.....

33. Do you spray your cocoa farm against pests?

(a) Yes ()

(b) No ()

34. If "Yes" who sprays the farm?

(a) Myself ()

(b) Government officials ()

(c) Other () specify.....

35. How often do you spray your farm?

(a) Only when I detect infested trees ()

(b) Once a year ()

(c) Other () specify.....

36. If you spray your farm yourself what type of pesticides and concentration levels do you use?
.....

37. If you don't spray your farm why?
.....

38. Are you aware of recent concerns on the international market that cocoa from Ghana contains higher levels of pesticides?

(a) Yes ()

(b) No ()

Government Extension Officers

If s/he started farming after 1993 please go to question 44

39. Were you rendered services by COCOBOD extension officers?

(a) Yes ()

(b) No ()

40. If "No" why?.....

41. If "Yes" what type of services did you get from them?
.....

42. Did you find the services of the extension officers useful and beneficial?

(a) Yes ()

(b) No ()

43. Are you currently rendered any services by government agriculture extension officers?

(a) Yes ()

(b) No ()

44. If "No" why?.....

45. If "Yes" what type of services do you get from them?
.....

46. Do you find the services of extension officers useful and beneficial?

(a) Yes ()

(b) No ()

Post harvest management of cocoa

47. What type of fermentation do you undertake?
.....

48. How long do you ferment your cocoa for?
.....

49. If you were farming before 1993 how long were you fermenting your beans at that time?
.....

50. How do you dry your cocoa for sale after harvesting?

(a) Open sun drying ()

(b) By mechanical means ()

(c) Other () specify.....

51. How long do you usually dry a batch of cocoa for?
.....

52. If you were farming before 1993 how long were you drying a batch of cocoa at that time?
.....

53. How do you ensure producing the right quality of cocoa for the market?
.....

54. Are you paid a premium for producing quality cocoa?

(a) Yes ()

(b) No ()

55. If "Yes" by whom?.....

Cocoa Purchases

56. Which company/companies do you sell your cocoa to?
.....

57. Why?

58. Have you had cause to stop selling your cocoa to any of the LBCs before?

(a) Yes ()

(b) No ()

59. If "Yes" why?

60. Which of the buying system do you prefer?

(a) Single buying system ()

(b) Multiple buying system (i.e. LBCs) ()

61. Why?

The Producer Price of Cocoa

62. Which best describes your view on the annual producer price government pays per a bag of cocoa?

(a) Very attractive ()

(b) Attractive ()

(c) Neutral ()

(d) Not very attractive ()

(e) Not attractive ()

63. Does the annual increase of producer price encourage you to increase your output?

(a) Yes ()

(b) No ()

64. If "No" why?

65. What is your annual output of cocoa?
.....

66. How do you increase your output?
- (a) By expanding my farm in terms of acreage ()
 - (b) By using fertilizer to increase output per acreage ()
 - (c) Other () specify.....

67. If you were farming before 1993 what was your annual output of cocoa?

68. How did you increase your output at that time?
- (d) By expanding my farm in terms of acreage ()
 - (e) By using fertilizer to increase output per acreage ()
 - (f) Other () specify.....

69. Does the annual producer price increase by government enhance your income in real terms?
- (a) Yes ()
 - (b) No ()

70. If “No” why?
- (a) The increase is usually a small amount which does not match increases in input prices. ()
 - (b) I can hardly afford my basic needs ()
 - (c) Government keeps a greater amount of the world cocoa price and gives farmers only a small amount. ()
 - (d) Other () specify.....

71. Do you monitor the price of cocoa on the world market?

- (a) Yes ()
- (b) No ()

72. If “Yes” by what means?

- (a) Radio ()
- (b) Television ()
- (c) Newspapers ()
- (d) Internet ()
- (e) Other () specify.....

73. Instead of the annual increase of producer price would you prefer to be paid the going world market price at any point in time?

(a) Yes ()

(b) No ()

Meeting Basic Needs

(Educating your children)

74. Do you have any children in school?

(a) Yes ()

(b) No () Please proceed to either qt 78 or 84

75. If “Yes”, are you able to pay their school fees out of the income you earn from cocoa?

(a) Yes ()

(b) No ()

76. How many children do you have in school?

77. If you were farming before 1993 were you able to pay your children’s school fees at that time

(a) Yes ()

(b) No ()

78. If No why.....

79. Has any of your children ever benefited from the Cocobod educational scholarship?

(a) Yes ()

(b) No ()

80. Do you receive any incentives from any organization to educate your children?

(a) Yes ()

(b) No ()

81. If “Yes” which organization?

82. Please state the incentive(s).....

(Health needs)

83. Does your income from cocoa enable you to meet the health needs of you and your family at any point in time?

(a) Yes ()

(b) No ()

84. If “No” why?

(a) No government clinic/hospital so use expensive private clinics ()

(b) Medical bills are very high ()

(c) Other () specify.....

85. If you were farming before 1993 were you able to meet the health needs of you and your family at that time?

(a) Yes ()

(b) No ()

86. If No why.....

87. Have you registered with the National Health Insurance scheme?

(a) Yes ()

(b) No ()

88. If “No” why?

(a) Can not afford the registration amount ()

(b) I am not aware of the scheme ()

(c) Other () specify.....

(Providing daily family meals)

89. How many square meals per day are you able to provide your family?

(a) 1 ()

(b) 2 ()

(c) 3 ()

(d) Other () specify.....

90. If you were farming before 1993 how many square meals per day were you able to provide your family at that time

- (a) 1
- (b) 2
- (c) 3
- (d) Other specify.....

(Housing)

91. Do you have your own house?

- (a) Yes
- (b) No

92. If “No” how do you meet your accommodation needs?

- (a) By renting a room/house
- (b) Live in a family house
- (c) Other specify.....

(Providing clothes for family)

93. How often are you able to buy clothes for your family?

- (a) Whenever necessary
- (b) Only when I sell my cocoa
- (c) Other specify.....

94. If you were farming before 1993 would you say you are now in a better position to provide the above basic needs than you were at that time?

- (a) Yes
- (b) No
- (c) Don't know

Credit facility

95. Do you have access to a credit facility?

- (a) Yes
- (b) No

96. If “Yes” where do you access it?

- (a) The Bank
- (b) Private creditors

(c) Other () specify.....

97. If from the bank when did you first have access to such a facility?

(a) 0-5years ago ()

(b) 6-10years ago ()

(c) 11-15years ago ()

(d) More than 15years ago ()

105. If you were farming before 1993 did you have access to credit facility?

(a) Yes ()

(b) No ()

106.If “Yes” where did you access it?

(a) The Bank ()

(b) Private creditors ()

(c) Other () specify.....

107.Are you able to save some of the income you earn from the sale of your cocoa?

(a) Yes ()

(b) No ()

108.If “Yes” where do you save?

(a) Bank ()

(b) Private individuals (Susu collectors) ()

(c) Other () specify.....

109.If “No” why?

(a) The income is not enough to meet my basic needs ()

(b) I don't see the need to save. ()

(c) Other () specify.....

110.If you were farming before 1993 were you able to save at that time?

(a) Yes ()

(b) No ()

111. If “Yes” where did you save?

(a) Bank ()

(b) Private individuals (Susu collectors) ()

(c) Other () specify.....

- 112.If “No” why?
- (a) The income is not enough to meet my basic needs ()
 - (b) I don’t see the need to save. ()
 - (c) Other ()
specify.....

- 113.Would you say you were able to save before 1993 more than you are able to do now?
- (a) Yes ()
 - (b) No ()

114.If Yes why.....

115.If No why.....

Training

116.Have you had any training to assist you improve upon your farming skills?

- (a) Yes ()
- (b) No ()

117.If “Yes” who organised the training for you?

- (a) Government ()
- (b) Multinational Company (MNC) () specify.....
- (c) A fair trade NGO () specify.....
- (d) Other () specify.....

118.When and what was the form of the training?

.....

Assistance from Multinational Companies (MNCs) in the cocoa industry

119.Have you received any assistance from any of the cocoa MNCs (i.e. Cargill, Nestle, Cadbury Schweppes etc) operating in Ghana?

- (a) Yes ()
- (b) No ()

120.If “Yes” please specify the company/companies and the type of assistance you have received.

.....

121.Has your village/community received any assistance from any MNC?

(a) Yes ()

(b) No ()

122.If “Yes”, what was the form of assistance?

.....

Special Projects

123.Has your village/community been provided with basic amenities like schools, electricity, potable water, roads, clinics/hospitals, etc) by the government to enhance your wellbeing?

(a) Yes ()

(b) No ()

124.If “Yes” what are the projects and when were they provided?

.....

Transportation

125.How do you transport your cocoa to the buying centre?

(a) By hiring a vehicle ()

(b) By carrying it ()

(c) It is bought at the farm gate by the LBCs ()

(d) Other () specify.....

126.Do you have any roads linking your village/community to your district capital or near by town/city?

(a) Yes ()

(b) No ()

127.How long does it take you to travel to the town/city?

(a) 0-3hrs ()

(b) 4-6hrs ()

(c) More than 7hrs ()

Financial Institution

128.Do you have a bank in your village/town?

(a) Yes ()

(b) No ()

- 129.If “Yes” when was it established?
 (a) 0-5years ago ()
 (b) 6-10years ago ()
 (c) More than 10 years ago ()
- 130.If “No” how far away is the nearest bank from this village/town?
 (a) 0-5miles ()
 (b) 6-10 miles ()
 (c) More than 10 miles ()

Communication

- 131.Do you have a communication centre in your village where you can receive and make telephone calls?
 (a) Yes ()
 (b) No ()
- 132.Do you have your own private telephone?
 (a) Yes ()
 (b) No ()
- 133.If “Yes” which type of telephone do you have?
 (a) Mobile/Cell phone ()
 (b) Land line ()
 (c) Both land line and mobile ()
- 134.Do you have an internet cafe in your village/community?
 (a) Yes ()
 (b) No ()

Now to assist me classify your answers statistically, may I ask you a few questions about yourself and your family.

Demographic

- 135.Sex
 (a) Male ()
 (b) Female ()
- 136.What is your age?
 (a) 18-30 years ()
 (b) 31-45 years ()

- (c) 46-60 years
 - (d) 61years and above
137. What is the highest level of education you have completed?
- (a) No formal education
 - (b) Primary education
 - (c) Secondary education
 - (d) Above secondary
138. What is the size of your family?
- (a) Children b/n the ages of 0-10
 - (b) Children b/n the ages of 11-20
 - (c) Children more than 20 years
139. Do you have your children assisting you on your cocoa farm?
- (a) Yes
 - (b) No
140. If "Yes" when?
- (a) Every day
 - (b) When on vacation
 - (c) Other specify.....

Farm Labour

141. Do you hire labour to work on your cocoa farm?
- (a) Yes
 - (b) No
142. If "Yes" what is the age group that you hire?
- (a) 0-17years
 - (b) 18-35years
 - (c) 36-52years
 - (d) Above 52years
143. If they are below 18 years do you usually obtain the consent of their parents/guardians?
- (a) Yes
 - (b) No

144. What other costs do you incur on your farm?
.....

Cocoa farmers' co-operative society

If s/he started farming after 1993 please go to question 147

145. If you were farming before 1993 did you belong to any cocoa farmers' co-operative society in your community?

- (a) Yes
- (b) No

146. If "No" why?

147. Do you have any cocoa farmers' co-operative society in your community?

- (a) Yes
- (b) No

148. If "Yes" are you a member of the co-operative society?

- (a) Yes
- (b) No

149. If "Yes", how do you choose your leaders?
.....

150. Do you benefit in any way as a member of the co-operative society?

- (a) Yes
- (b) No

151. If "Yes" what are some of the benefits?

152. If "No" why?

153. Do you participate in democratic elections (i.e. electing your assembly man, MP, President etc)?

- (a) Yes
- (b) No

154. If "No" why?

155. Is the farmer on the Committee which fixes the producer price chosen by cocoa farmers?

(a) Yes ()

(b) No ()

156. Are cocoa farmers consulted by government when taking decisions that affect them?

(a) Yes ()

(b) No ()

157. Would you say you now have a better say in the affairs of government than before when everything was imposed on you from Accra?

(a) Yes ()

(b) No ()

158. Have you eaten chocolate before?

(a) Yes ()

(b) No ()

(c) Don't know what it is ()

159. Do you buy chocolate for your children?

(a) Yes ()

(b) No ()

160. How do you see the future of the cocoa industry in Ghana?

.....

APPENDIX 3 F

FOCUS GROUP DISCUSSIONS (FDGs) AND THEIR LOCATIONS

Name	Classification	Classification	Region
Tontroh	Rural Town		Eastern
Tiwiah		Rural Village	

Pankese	Rural Town		
Akotekrom		Rural Village	
Akonfere		Rural Village	Ashanti
Atwitwiso	Rural Town		
Kotokuom		Rural Village	
Nagodi		Rural Village	
Nerebehin		Rural Village	
Nyinawusu		Rural Village	
Poano	Rural Town		
Nyameadom		Rural Village	
Yamfo	Rural Town		B/Ahafo
Nsuatreh	Rural Town		
Mahame		Rural Village	
Fawohoyedin		Rural Village	
Ayomoso		Rural Village	
Asuohyam		Rural Village	Western
Manso Amenfi	Rural Town		
New Yakasi	Rural Town		
Bonsu Nkwanta	Rural Town		
Dadieso	Rural Town		
Debiso	Rural Town		
Nyinawusu		Rural Village	
Samreboi	Rural Town		
Bogoso	Rural Town		
Obengkrom		Rural Village	
Total	13	14	

APPENDIX 3 G

Topics for Farmers' Focus Group Discussion

1. Annual review of the cocoa producer price.

2. Ability to meet basic needs like children's education, food, health, housing etc.
Compare this time to the period before liberalization.
3. Provision of basic amenities like roads, water, electricity, clinics/hospitals, schools etc., before and after the reforms.
4. Assistance from Agric Extension Officers, before and after reforms.
5. Form of assistance from cocoa MNCs (Cargill, ADM, Barry Callebaut, Nestle, Cadbury Schweppes) if any.
6. Membership of Cocoa Farmers' Associations e.g. cooperative societies- benefits derived.
7. Political Empowerment- participation in district assembly activities, national elections, membership of political parties, standing for elections etc. How do they make their voices heard?
8. Any plans to be entrepreneurs to add value to their cocoa beans?
9. Views on the internal marketing system –role of the licensed buying companies (LBCs).
10. Transportation and Communication facilities in their community. Using Mobile Phones to enhance their business and social life.
11. What specific improvements could be made to raise production? What will be needed for such improvements to be implemented?

APPENDIX 3H -THE RESEARCH TEAM AT WORK IN ASHANTI REGION



06/03/09



05/03/09



06/03/09

The Researcher and the 2 Assistants administering questionnaire in Ashanti Region



The Researcher leading a FGD at Poano (Rural Town) in Ashanti Region (06/03/09)



The Researcher flanked by his 2 Assistants after completion of work in Ashanti Region (11/03/09).

Source: Author

APPENDIX 3I

Questionnaire for License Buying Company (LBC) Officers

This questionnaire will be used for academic purposes only. You are assured of total confidentiality and anonymity.

Please tick in the bracket on your right the option that best describes your view on the question.

1. How long has your company been buying cocoa in Ghana?
 - (a) 0-5years ()
 - (b) 6-10years ()
 - (c) 11-15years ()
 - (d) More than 15years ()

2. When did your company start buying cocoa from this village?
.....

3. Why did your company decide to purchase cocoa from this village?
 - (a) Because it is closer to a city/town ()
 - (b) Because it is closer to the hub of the company's operations ()
 - (c) Because a lot of cocoa is produced in this area ()
 - (d) Because of lower transport cost ()
 - (e) Other () specify.....
.....

4. How many LBCs do you compete with in this village for the purchase of cocoa?
.....

5. How will you describe the competition with these LBCs?
 - (a) Fierce ()
 - (b) Competitive ()
 - (c) Fairly competitive ()
 - (d) Not competitive ()

6. Do you pay the famers any premium for producing quality cocoa?
 - (a) Yes ()
 - (b) No ()

7. Do you provide the farmers with any incentives?
 - (a) Yes ()
 - (b) No ()

8. If "Yes" what are the incentives you provide them?

-
9. How do you ensure that the cocoa you purchase are of the quality required?
- (a) Reject poor quality beans brought for sale ()
- (b) Educate farmers about the quality we require ()
- (c) Farmers are aware of the quality required ()
- (d) Other () specify.....
10. How do you pay the farmers?
- (a) By Cash ()
- (b) By Cheque ()
- (c) By Bankers draft ()
- (d) Other () specify.....
11. Why do you think the farmers sell to your company?
- (a) Because the purchasing officer is a relation ()
- (b) Because of the incentives we provide them ()
- (c) Because we are the only company buying cocoa in this village ()
- (d) Other () specify.....
12. Do you sometimes buy beans which are not thoroughly dried?
- (a) Yes ()
- (b) No ()
13. If “Yes” why?
14. Has the liberalisation of the internal marketing of cocoa led to stealing of cocoa in the cocoa communities?
- (a) Yes ()
- (b) No ()
15. Have bought any stolen beans before?
- Yes ()
- No ()
16. If Yes why? -----
17. In your view have the activities of the LBCs brought about improvement in the internal marketing of cocoa in Ghana.
- (a) Yes ()
- (b) No ()
18. If “Yes” what are the benefits the farmer has derived from the operations of the LBCs?.....
19. If “Not” why?
20. How do you find the role of Cocobod in the internal marketing of cocoa?
- (a) Important ()
- (b) Not Important ()
- (c) Other () specify.....

APPENDIX 3J –INTERVIEW WITH PURCHASING CLERKS (PCs)



04/03/09



19/03/09

The Researcher (K.Ofosu-Asare) interviewing PCs of different LBCs at their Cocoa Depots



The Researcher interviewing a PC at a Farm gate with his truck full of cocoa bags at the background (04/03/09).

Source: Author

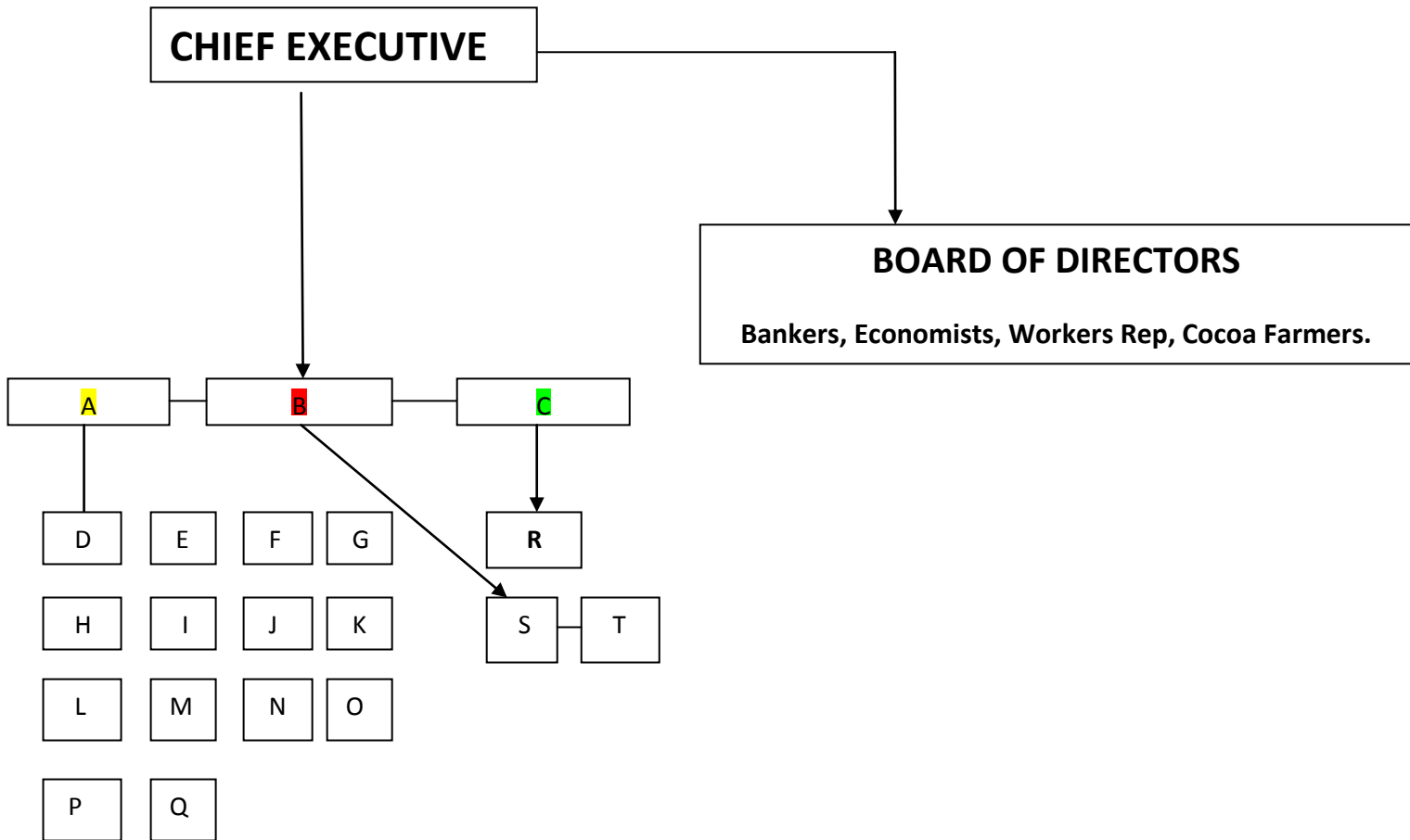
APPENDIX 3K

Licensed Buying Companies (LBCs) Registered with Cocobod in 2008/2009

1. Produce Buying Company (PBC)
2. Akuafo Adamfo Marketing Co. Ltd (AAMC)
3. Transroyal Ghana Ltd. (TGL)
4. Armajaro Ghana Ltd. (AGL)
5. Chartwell Ventures Ltd (CVL)
6. Adwumapa Buyers Ltd (ABL)
7. Olam (Gh) Ltd. (OLAM)
8. Kuapa Kokoo Ltd. (KKL)
9. Royal Commodities Ltd (RCL)
10. Diaby Company Limited (DCL)
11. Federated Commodities Ltd. (FCL)
12. Cocoa Merchants (Gh) Ltd. (CMGL)
13. Allied Commodities Ltd. (ACL)
14. Farmers Alliance Company (FAC)
15. West African Exchange Company (WAECO)
16. Sompakokoo Co. Ltd (SKL)
17. Dio Jean Company (DJC)
18. Sika Aba Buyers ((SABL)
19. Fereday Company Ltd (FDCL)
20. Evadox Company Limited (EVL)
21. Ghana Co-operative Marketing Association (GCMA)
22. CDH Commodities Limited (CDHCL)
23. Duapa Buyers Company Limited (DBCL)
24. Yayra Glover Limited (YGL)
25. Abapa Golden Limited (AGL)
26. Abofo Buyers Limited (ABL)

GHANA COCOA BOARD

THE STRUCTURE



NOTE

A = DEPUTY CHIEF EXECUTIVE- FINANCE AND ADMINISTRATION

B = DEPUTY CHIEF EXECUTIVE -AGRONOMY

C = DEPUTY CHIEF EXECUTIVE- MARKETING AND OPERATIONS

NOTE

A = DEPUTY CHIEF EXECUTIVE- FINANCE AND ADMINISTRATION

B = DEPUTY CHIEF EXECUTIVE -AGRONOMY

C = DEPUTY CHIEF EXECUTIVE- MARKETING AND OPERATIONS

DEPUTY CHIEF EXECUTIVE- FINANCE AND ADMINISTRATION

D = Human Resources Department

E = Audit Department

F = Finance Department

G= Medical Department

H= Legal Department

I= Intelligence Services Department

J= General Service Department

K= Public Relations Department

L= Security Service Department

M= Procurement Department

N= Scholarship Department

O= Information Communication and Technology

P = Estate Department

Q= Transport Department

DEPUTY CHIEF EXECUTIVE- MARKETING AND OPERATIONS

R= Research, Monitoring and Evaluation Department.

COCOA MARKETIG COMPANY LIMITED (a subsidiary for marketing)

DEPUTY CHIEF EXECUTIVE -AGRONOMY

S = CODAPEG UNIT (*Supply of fertilizers and insecticides*)

T = HI-TECH UNIT (*Free Mass Spraying of cocoa*)

OTHER SUBSIDIARIES UNDER DCE - AGRONOMY

1. COCOA RESEASRCH INSTITUTE AT TAFO

2. COCOA SWOLLEN SHOOT VIRUS DESEASES CONTROL (CSSVD)

3. SEED PRODUCTION UNIT (SPU)

4. QUALITY CONTROL COMPANY LIMITED (QCC LTD)

Cocoa Production/Producer Price from 2001/02 to 2007/08 Kufuor's Administration (NPP).

Year (Cocoa Season)	Total Production (Tonnes)	% of Ghana's World Production	Producer Price \$/Tonne	FOB \$/Tonne (Achieved)	% Share of Producer Price in FOB	% Increase of Share of Producer Price in FOB	% Decrease of Share of Producer Price in FOB
2000/01	389,772	13.66	496.3 *(3,475,000)	987.15	50.74	0.48	
2001/02	340,563	11.88	576.3 (4,384,000)	1,160	49.68		1.06
2002/03	496,846	15.68	996.5 (8,500,000)	1,901.96	52.39	2.71	
2003/04	736,975	20.83	1,006.8 (9,000,000)	1,623.73	62	9.61	
2004/05	599,318	17.75	1,000 (9,000,000)	1,447	69	7	
2005/06	740,458	20	992.6 (9,000,000)	1,487.92	66.7		2.3
2006/07	614,531	16.5	1,009 (9,150,000)	1,668	60.5		6.2
2007/08	680,781	19.4	1,290.3 (12,000,000)	1,900	67.9	7.4	

Source: Compiled by Author using Ghana Cocoa Board figures. *Figures in brackets indicate the cedi equivalent.

Appendix 6B Summary of CODAPEC Activities for 2007 and 2008

No.	Activity	2008	2007	% Change
1	Estimated Hectarage (Black Pod)	1,039,725	1,021,637.85	1.8
2	Estimated Hectarage (Capsid)	1,705,115	1,605,495	6.2
3	No. of Gangs (Black Pod)	2,771	2,721	1.8
4	No. of Gangs (Capsid)	3,122	3,072	1.6
5	No. of Mechanics	303	290	4.5
6	Hectarage Sprayed (Black Pod)	976,332.3	935,249.8	4.4
7	Hectarage Sprayed (Capsid)	1,660,998	1,485,578	11.8
8	No. farms Sprayed (Black Pod)	255,094	208,997	22.1
9	No. farms Sprayed (Capsid)	479,489	418,324	14.6
10	No. farms Covered (Black Pod)	240,576	196,829	22.2
11	No. farms Covered (Capsid)	457,575	405,190	12.9
12	Tonnes of Fungicides Distributed (Regular Gang)	1,195.88	1074.85	11.26
13	Tonnes of Fungicides Distributed (Direct to Farmers)	503	-	-
14	Litres of Insecticides Distributed (Regular Gang)	1,172,920	787,069	49.0
15	Litres of Insecticides Distributed (Direct to Farmers)	365,304	87,200	318.9
16	Stock of Fungicides (Tonnes)	470.11	505	(6.9)
17	Stock of Insecticides (Litres)	220,668	18,809	1,073.2
18	Premix fuel Distributed	3,159,000	3,037,500	4.0
19	Pneumatic machines Distributed	2,750	7,895	(65.2)
20	Motorized machines Distributed	4,553	2,109	115.9
21	Stock of Pneumatic machines	6,357	1,199	430.2
22	Stock of Motorized machines	3,900	553	605.2
23	Overall Distributed	25,330	-	-
24	Wellington Boots Distributed	26,480	-	-
25	Respirator Gas Filters Distributed	26,500	-	-
26	Filter Cartridge Distributed	25,270	-	-
27	Pair of Hats Distributed	26,450	-	-
28	Pair of Gloves Distributed	-	-	-
29	Safety Goggles Distributed	27,800	-	-

Source: Compiled by Author from CODAPEC (COCOBOD) Records

APPENDIX 6C Basic Facilities in Cocoa Farming Communities



A Bridge linking a Rural Town (18/03/09) A Bridge linking a Rural Village/Hamlet

(18/03/09)



A Road to a Hamlet (18/03/09)

A Feeder Road to a Rural Town (20/03/09)



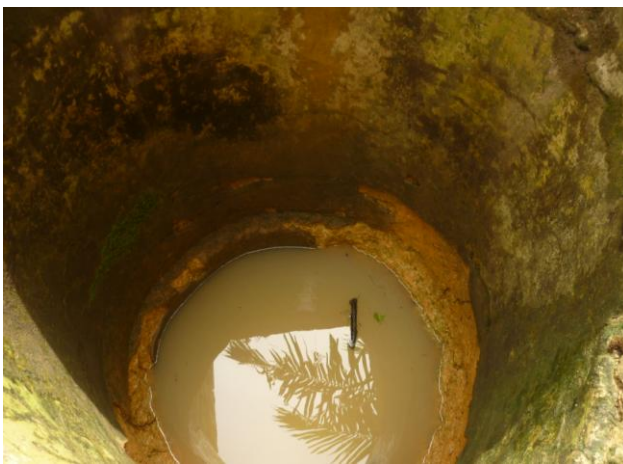
Tarred Road in a Rural Town (06/03/09) A Feeder Road in a Rural Village (22/03/09)



A School Building in a Rural Village
21/03/09



Farmers on board a vehicle (Rural Village)
25/02/09



A Well in a Rural Hamlet (Only Source of Water)
28/03/09



A Borehole in a Rural Village
25/02/09



Farmers Erecting an Electric Pole (Rural Village)
03/03/09



Rural Town with Electricity
(29/03/09)

Source: Author (Kwaku Ofofu-Asare)

Appendix 6D Communication Facilities in Cocoa Farming Communities



22/03/09



23/03/09



20/03/09

Farmers Using Mobile Phones in Rural Town, Hamlet & Village



A Communication “Centre” in a Rural Village (24/03/09)



23/03/09



20/03/09

Farmers in Rural Town/ Village Making Phone Calls at Com. “Centres”



A Mast of a Phone Company (MTN) in a Farming Community (21/03/09)

Source: Author (Kwaku Oforu-Asare)

Appendix 6E Purchasing Officers Drying Cocoa Beans



19/03/09

A Purchasing Clerk Explaining to the Researcher the Need to Re-dry the bought Cocoa Beans



Rural Village (28/03/09)



Rural Town 29/03/09

Purchasing Clerks -drying Cocoa Beans in a Rural Village &Town

Source: Author (Kwaku Ofose-Asare)

Appendix 6F Production Cost for Cocoa Farming Activities Before Reforms (1992/93 Season)

<u>Labour</u>	<u>Man days</u>	<u>Cedis/Acre</u>
Weeding	7	17,500
Capsid Control	1	2,500
Black Pod Control	2	5,000
Other Operations	10	25,000
Sub Total (1)		50,000
<u>Inputs</u>		
Insecticides (Capsid) ⁵³		2,525
Fungicide (Black Pod)		4,100
Fuel mixture		5,000
Fertiliser		3,100
Cutlass		25,000
Hook		10,000
Prunner		2,000
Drying Mat		10,000
Mistblower		8,000
Knapsack		1,000
Sub Total (2)		<u>68,725</u>
Grand Total		120,725

(Exchange Rate 881.93 Cedis = US\$1) (\$136.89)

Sources: Ministry of Food and Agriculture; ISSER; Respondents; Ghana Cocoa Board.

*NB: The largest cost in all the activities of cocoa farming is labour.

⁵³ Insecticide is used to control capsid which causes the swollen shoot and the fungicide to control the Black pod disease.

**Appendix 6G Production Cost for Cocoa Farming Activities After Reforms
(2007/08 Season)**

<u>Labour</u>	<u>Man days</u>	<u>Cedis/Acre</u>
Weeding	7	350,000
Capsid Control	1	50,000
Black Pod Control	2	100,000
Other Operations	10	500,000
Sub Total (1)		1,000,000
<u>Inputs</u>		
Insecticides (Capsid) ⁵⁴		261,702
Fungicide (Black Pod)		168,000
Fertiliser		147,300
Cutlass		50,000
Prunner		2,000
Hook		30,000
Drying Mat		56,000
Mistblower		40,000
Knapsack		7,000
Sub Total (2)		<u>762,002.88</u>
Grand Total		<u>1,762,002.88</u>
	(Exchange Rate 9,300 Cedis = US\$1)	(\$189.46)

Sources: MOFA; Respondents; Ghana Cocoa Board.

*Labour is the highest cost component of the farmer.

⁵⁴ Insecticide is used to control capsid which causes swollen shoot and the fungicide to control the black pod disease.

APPENDIX 7A

INTERVIEW WITH PROFESSOR ERNEST ARYEETAY, DIRECTOR, INSTITUTE OF STATISTICAL, SOCIAL AND ECONOMIC RESEARCH, UNIVERSITY OF GHANA DURING THE RESEARCHER'S FIELD TRIP TO GHANA IN JUNE 2009

Interviewer: Kwaku Oforu-Asare, PhD Student, University of Westminster, London.

Qt.1 In your view has Ghana benefited from the trade liberalisation policy or some of the IMF policies it has since 1983 adopted especially in the cocoa sector?

Ans: Well you can look at it from two angles: where will Ghana have been if it had not accepted or adopted the trade liberalisation; what would have happened to imports, what would have happened to exports; that is one way of looking at it. The second way of looking at trade liberalisation is that, was it implemented the way it should have been and therefore can everything that has happened to Ghanaian trade be attributed to liberalisation? Now when I go back to the first question: where would Ghana have been had Ghana not pursued liberalisation. The first that comes into mind is we would have imported less and exported less. Is it better or not? The difficulty in answering that question comes from the fact that you have to place it within the context of the political economy of the time. Before the reforms we had shops that literally were empty because there was nothing to sell with prices that were very very low. We had low prices with nothing to sell therefore nothing to buy. With liberalisation all the controls were removed so goods came in freely, high tariffs, and the high tariffs maintained even though some of them were lowered as result of the liberal policies they still quite remained high so prices of imported goods remained very very high. I do remember back in the 1980s when we did a survey of consumers asking them what they thought about liberalisation they always said well these days you go to the shops there are goods there to buy but we can't buy them because they are too expensive. Then you go to the wealthier households and they said now things are better you can buy what you want; so whether it was good or bad depended on which socio-economic group or class you were dealing with. For the poor it wasn't a good thing for the non poor it was a good thing. Now if I look at the totality of the economy itself one thing that is obvious to me is that it has grown considerably, expanded considerably as a result of liberalisation, as result of the fact that many different things came into the system. Whether it can be sustained into the future is really the most important question. There is no doubt in my mind that it was appropriate that Ghana should

have more liberal trade policies but I believe that liberal trade policies can not be taken in isolation there are other things that you need to do in order to benefit from your liberal policies properly. Liberal policies allow you to trade freely but they don't necessarily allow you to produce the things that you are going to trade so you need a much more pro active supporting structural sort of policies that would remove the obstacles to production and allow your suppliers to respond to the incentives. So there are areas where the supply response was large, cocoa for example. If you look at the production figures within 5 years of liberalisation Ghana's export jumped. Farmers who had converted their cocoa farms to cassava farms or plantain farms came back to cocoa so cocoa volumes jumped but this couldn't be sustained for a long period largely because the roads were still bad, largely because fertilizer prices were still very very high you know. So what do you do in order to maintain the momentum that is coming from the increase for the price of cocoa? There are many studies that have been done I remember one done by Fosu on supply response cocoa supply response following trade liberalisation I don't know if you have come across it you might want to look for it, and studies done by Yegbeni and others on Agriculture supply response to what extent was Agriculture able to respond appropriately to the liberal reforms and so these are things that you might want to look at and many of those kinds of studies have been done over the last 20 years. So in my view the biggest mistake we made was our reforms not having gone far enough with assisting the reforms with a proper industrial policy. If we had a proper industrial policy or agricultural policy it would have informed what kind of things are going to be produced to take advantage of the new opportunities. So you realise with the reforms supply response has not been the best that is why you find that to date imports are always growing much much faster than exports. I believe to export in the light of things like AGOA (African Growth and Opportunity Act), in the light of all other initiatives and so on, have been quite limited largely because we have not built the capacity to take advantage of these opportunities. That is what I can say about trade liberalisation.

Qt 2. In line with the IMF's recommendation for an increase in the percentage of the fob price for cocoa farmers, Ghana has been increasing the producer price annually. Do you think that Ghana has adopted the right approach by increasing the cocoa producer price annually and are you also very happy with the percentage of the fob price given to farmers. In your view has that contributed to the increase in production?

Ans: I am not sure of whether the IMF has had anything to do with the setting of the producer price. The decision to increase the producer price or fix the producer price as a percentage of the fob price is one that was taken by the Ghana government back in the 1980s. It was a decision based on the realisation that for a long time farmers were getting smaller and smaller share of the fob price of cocoa so by agreeing that the producer price should go up by 70%, that was a decision made by the Ghana government with the view to ensuring fairness and providing incentives to farmers to produce more and more cocoa. Now is it right for a country to bind itself that way? Today when I look back I am quite sure there are many people who regret that decision to bind ourselves that way. But let's face it, I mean if we are able to produce and market cocoa efficiently we should be able to work within that margin of 30% of the fob price, we should be able to do that and I believe that there is enough evidence that the response in the entire cocoa industry has been quite positive. We saw how about 6-7 years ago cocoa output jumped very significantly in response to new technologies like the Hi-tech cocoa that was introduced; we saw how the mass spraying and other things yielded, so what it means to me is that how much cocoa farmers will produce is a function of not just the price that they are being paid but also the overall environment for production. The incentives available through mass spraying, new technology, extension services and so on with the involvement of the private sector in the market or in the buying of cocoa the burden that was imposed on the State before going round looking for this or that, so I think that the cocoa sector has seen a lot of improvement in the last two decades.

I made reference to the IMF because John Toye (1991; one time IMF Rep) alluded to the fact that the IMF insisted that Ghana increased the producer price from the outset.

It wasn't the IMF, everybody was talking about the producer price being too low. Ghanaians wrote about it, it was about 30% or whatever. Clearly when you see your farmers moving from cocoa to cassava you should get worried. What is unusual is that the Ghana government pledged a particular percentage at that time and that was more or less guaranteeing price and it came at a time when we were moving away from guarantee prices. So there are people now who are studying whether the guaranteeing of a price has improved, I know of somebody who is working on a comparison of Ghana and Cote d'Ivoire. In Cote d'Ivoire they don't have a guaranteed price, the price is determined on the marketing conditions, they have these private buyers also and they negotiate the price so once the price is negotiated the government announces what the price is going to be for a particular year. They have their

own difficulties so it will be good to see how the different pricing mechanisms in different countries impact on production. The IMF was basically telling the Ghana government so long as you cheat your farmers you can't expect them to produce much, but the IMF did not tell the Ghana government make it 70%.

Qt 3. Another concern is that cocoa farmers are being over taxed and also the operational cost of the Marketing Board (i.e. COCOBOD) is very high. Do you think that these two factors impact on the percentage of the fob price paid to farmers in Ghana?

Ans: I am not at all of the view that cocoa farmers are over taxed. The issue of export taxes on cocoa has arisen because other farmers don't pay such taxes so people always compare cocoa farmers with other food crop farmers for example who don't pay any such taxes so the burden is really felt by those who are involved in exports i.e. cocoa and these days even pineapple. Others will like to see either less tax being paid or other farmers paying taxes or more taxes. I don't see any particular burden that is imposed on cocoa farmers as a result of the taxes that they pay, the tax is really paid at source when the cocoa is being bought from you then some tax is imposed it. The government receives a lot of revenue and takes out its share and then pays out the farmers. Is the rate too high? I haven't really seen any study that suggests that it is too high. It may be higher than what is paid in other countries but the government I know has argued over the years or COCOBOD has argued about what it costs to do the mass spraying, what it costs to bring technology, what it costs to do the roads and so on, provide infrastructure that cocoa farmers need and that is what the tax money is used for. Unless one can argue that the tax money is far higher than what it costs to provide these services. It is very difficult to make that point.

From what I observed on the field most of the roads to the cocoa growing areas are really in bad shape, farmers did not have the basic amenities like potable water etc. I think these are factors that have influenced others to conclude that cocoa farmers are being over taxed because they are not benefitting from basic amenities, some of the places are inaccessible, they are sleeping in darkness (i.e. have no electricity) etc. From my point of view I think this is why people are arguing that cocoa farmers are being over taxed.

Qt4. Now let's talk about globalisation, do you think Ghana has taken advantage of this process especially in the cocoa sector to be competitive in the global market?

Ans: I know globalisation is definitely a major phenomenon in the world's economic relations. There are many ways in which Ghanaians have benefitted from globalisation. Today we can sit here and have access to information from all over the world that is globalisation. Today we can have much better access to the world's capital; banks are able to borrow, individuals are able to borrow outside etc. even though the current crisis takes away some of the benefits. Today Ghanaians are able to find employment any part of world. Of course it has imposed a number of other challenges on us. The brain drain is a major challenge that it has imposed, capital flight is a major area in which we have to be concerned, the fact that with a very free environment for trading we are overwhelmed with cheap imports from other parts of the world through what they call dumping is a major problem. Now what Ghana has not benefitted significantly from is the fact that we have not built the structures that allow us to use very effectively the resources of other countries. A good example is the fact that markets are developing all over the place for various goods and manufactured items and yet we are not able to enter those markets because our supply response is weak. That is a huge problem. The fact that technology for producing goods is well known, it is on the internet it is every where and yet our farmers can not access them because of poor education, poor equipment and poor resources so that is a major area in which we are not taking advantage. Today the act of or the science of producing food in abundance is very well known, biotechnology makes it easy and yet we can't take advantage of it why because we can't teach our farmers how to apply the new technologies. That is where clearly not only Ghana but many other African countries have not taken advantage of globalisation the same way the Asians have. The Asians saw new markets all over the world and they took advantage of them. They saw new technologies, new knowledge and they took them modified and used them to feed the world we haven't, so the world provides technology, the world provides new knowledge and we don't take it. We use little bits of it for our individual purposes but we can't capitalise on what the world has, you know. If you look at our export of labour what do we send out we send out our best doctors and then import Chinese labour, construction labour. Clearly, it would have been great to send people with limited skills to go and acquire skills and come back as the Phillipino nurses do, we don't, we send out our best doctors and they remain there. We haven't got the strategy to confront the world we still

believe that the world is there for us, in the world anything at all can happen but countries strategise, they strategise on what they want from the world's markets, what they want from the world's economies and then they build structures and make arrangements to take advantage of all these .If you want to export manufactured items to Europe or America it is not going to happen because you have a strong desire to do it without doing anything about it. It is going to happen because you have a strategy that says let me give these 100 exporters XYZ and demand from them KYP so you do it. But every year we do our budget and announce what incentive or what taxes have come down or gone up and so and so forth and expect the private sector to respond but that private sector is quite weak and can't always respond. That is why we don't get as much from globalisation as others do.

Qt5. It was interesting you mentioned technology because during my survey I realised that we are still sticking to the old tradition of cocoa farming, there has not been any serious significant adaptation of new technologies and as you mentioned the farmers are not that literate. What do you think we need to do to modernise our cocoa farming to take advantage of some of the benefits exiting in the global market?

Ans: This is a very difficult question; I mean clearly the farmers need exposure. Farmers can do something because you've taught them. Now so long as you have your farmers on average illiterates there is a limitation to what you can teach them. You have an extension service that is completely broken down, you have a situation where people with capital don't go into agriculture. So long as that situation exists it will be very difficult to introduce new more valuable technology in agriculture into cocoa. So the first thing you need to do is to encourage people with capital to go there and for that to happen you want to be seen to remove things that are seen to be risky, the things that are seen to make it difficult to go into serious farming, you want to remove them. You want to deal with the road situation; you want to deal with energy, you want to deal with irrigation and all those kind of things in agriculture. Once you do that then you will begin to see more private capital going into agriculture. Then you will find many of the older farmers being displaced and replaced by their younger may be children or relatives but you need new capital and knowledge to come into farming. I don't believe that you can go into the next century just working with the same kinds of technology or the same approach to farming that is why you find today not only in Ghana but in many developing countries they talk about modernising agriculture. What they mean is not necessarily bring in machines but having new thinking about how best to get

more out of labour, how best to get more out of the capital, what new ideas can one bring into agriculture. It means therefore that farmers must be better educated so government by all means must focus a lot on education, education, education in rural areas and in urban areas.

Q16. Considering all the challenges you have identified how does the future look like for the cocoa industry the mainstay of the Ghanaian economy?

Ans: I think cocoa has a fairly bright future, what cocoa requires is fewer people working on it, higher productivity. If you look at the way cocoa is produced in places like Indonesia and Malaysia it is obvious that modern technology is being used, modern technology is been used in the clearing of the land around cocoa trees, modern technology is been used when it comes to spraying of diseases and so on , modern technology is been used even in the harvesting of cocoa, in the drying of cocoa for example, we have traditionally used the sun to dry our cocoa which gives it a nice flavour which is very much liked but also in the process the possibility of introducing new diseases is very, very high. What we need to do is to do more research into seeing how this can be taken care of. We need to pay more attention to cocoa research and once that takes place you can be sure that the farmers will respond appropriately, you will get more and more people going into cocoa farming, people with more knowledge and people with more capital going into cocoa farming. The price is a good incentive but the infrastructure situation is not the best and even though we have seen improvement in that area it is obvious that a lot more could be done, a lot more could be done. The difficulty with providing infrastructure for the cocoa growing areas is that, it is a huge part of the country- part of Eastern Region, part of Ashanti Region, part of Brong Ahafo Region and part of Western Region. It is a huge area, so to say that you are going to go into cocoa growing areas is to say that you are providing infrastructure for the whole of Ghana anyway, you are providing infrastructure for the whole of Ghana and that is the difficult part, where do you start from that is why you find pockets of places are much better developed. But I think cocoa will be a major part of the Ghanaian economy for a long time to come, what will probably happen is that may be probably in the next decade you will see other sectors begin to compete more with cocoa so will be taking market shares from cocoa. They will be taking market shares from cocoa in terms of contribution to GDP but the over all volume of cocoa that is being produced is likely go up and not likely to come down therefore farmers will still continue to derive income. We have to move from cocoa into other things and use fewer labour for planting, harvesting etc, so that incomes will go up.

APPENDIX 7B COCOA FARMERS NURSING COCOA SEEDLINGS



06/03/09



24/03/09



07/03/09



28/03/09

Farmers in different cocoa communities nursing cocoa seedlings at their backyards

Source: Author (Kwaku Ofosu-Asare)

APPENDIX 7C

INTERVIEW WITH CHRIS JACKSON (Economist & World Bank's Representative in Ghana –Personal Views) DURING THE RESEARCHER'S FIELD TRIP TO GHANA IN APRIL 2009.

Interviewer: Kwaku Oforu-Asare, PhD Student, University of Westminster, London.

Qt 1. What have been the roles of IMF and World Bank in determining the annual producer price of cocoa in Ghana? In 1983 when Ghana went to the IMF/World Bank for assistance one of the conditions was that the producer price of cocoa should be increased every year to entice cocoa farmers to grow more cocoa. Are the IMF and World Bank supervising Ghana to ensure that it conforms to this requirement?

Ans: I certainly know that we don't have a discussion with government stipulating what the price should be now. As I say I am not familiar with the contents of those programmes during the time of ERP (Economic Recovery Programme) but I do know that we recommended to government that they increased the producer price to farmers to try and precipitate supply response and increase incentives for production but now we don't have any formal engagement with the government on the cocoa sector at present. So we don't have that kind of dialogue with the government, they have a political commitment now to ensure that at least 70% of the fob price goes to the farmers that is significantly higher than it was at the time of the ERP and I think the production figures show that it has been a successful policy reform in terms of production and incomes but we don't kind of look over the government and make sure that they reach that 70%, that's not something we do.

Qt2. Would then say that this has enhanced the income of the cocoa farmer?

Ans: It would seem to, I mean the evidence to which I am familiar with, you look at the production data and clearly there has been a massive increase in production. If you look at the rural poverty data from the living standard survey you see that poverty rate in rural areas has fallen significantly some of the fastest areas have been in the Western Region which is cocoa areas and amongst social economic groups poverty has fallen the fastest among cocoa farmers. So the evidence suggests that poverty has fallen significantly and that seems to be associated with the reform in the sector.

Qt3. One of the IMF and W. Bank's recommendations was that the marketing of cocoa should be internally liberalised. Would you say this has also gone a long way to enhance the socio-economic well-being of the farmer?

Ans: My sense is that complete liberalisation has not worked if you look at what is happening in Cote d'Ivoire and other countries and the partial liberalisation in Ghana actually hasn't really been liberalisation at all. My understanding of the arrangement with the local licensed buying companies (LBCs) is that the prices they offer the farmers is fixed, the price they sell to CMC (Cocoa Marketing Company) is fixed so the only thing that has been liberalised is the transportation logistics between the local buying stations and the CMC warehouses. So I'm not really sure that it is a meaningful liberalisation at the level of the structure of the cocoa economy. Having said that clearly the current arrangements are delivering in terms of linking producers to the markets and I don't know if you have read the World's Development Report on Agriculture for 2008 but you can quote that as being the Bank's policy and in it there is a clear statement that we were too perhaps dogmatic in arguing for complete liberalisation in the 1980s and there is now a recognised role for some kind of institutions to help link smallholders to markets and what we see in Ghana is, that institution is there, that marketing structure is there and is solving the smallholder problem. So there is been liberalisation of transport and logistics but not liberalisation of prices really but that has not been to the detriment of farmers the way this reforms have taken place and the pricing in particular seem to have been to the benefit of farmers.

Qt4. What would you have recommended to be done to enhance the well-being of the cocoa farmer if you were in the position to do so?

Ans: Well I am not at all familiar with the sector to make recommendations but I think if you work on the basis that COCOBOD and that marketing structure is delivering a marketing service to the farmers which is essential for them to reach these complex global markets and I think that is key, they are delivering a service. The question then is, can they deliver that service more cheaply and in so doing pass a greater portion of the fob price to farmers? And that will be my question. You know, at the moment about 30% actually it is more if you look at the realised producer price, about 40% of the realised producer price goes into the administration of the scheme plus the tax to the Ministry of Finance. Now I am not aware of any analysis that has

looked into the Cocobod activity and said that can you deliver the mass spraying more efficiently and more cheaply, can you deliver the swollen shoot effort more efficiently and more cheaply, and if you were to do that kind of value for money analysis you may find opportunities where COCOBOD could deliver the same service as a marketing structure a bit more cheaply and this is important in the following way: With the advent of oil it is likely that Ghana could have some Dutch disease type impact so Ghana's competitiveness could suffer in the medium term and it is incumbent I think on the cocoa sector to start identifying those efficiencies so if they face this problem because of Dutch disease effects they have already seen the areas where COCOBOD can deliver the same service for less and then instead of squeezing farm gate proceeds the loss competitiveness or efficiency is swallowed up by a more efficient COCOBOD structure. So I think that something that needs to be looked to prepare the sector for this competitive threat from oil discovery.

Qt5. On the whole apart from the annual increases in income in what other ways have the smallholder farmer benefited from the IMF and World Bank's reform measures in Ghana?

Ans: What can I say, I mean clearly the fact that macroeconomic stability has returned to Ghana is a huge benefit, the fact that inflation has diminished significantly although it has gone up in recent months, but I think we know that the people who pay the most from that instability or from inflation are poor rural households so the fact that those reform programmes and don't forget they were government programmes and not IMF or World Bank programmes that were supported by the IMF and the World Bank, but those measures brought back good macro stability and that clearly benefited households. The fact that Agriculture growth rate has been 4.5% or 5% every year for the last 10 years or so clearly shows what a powerful impact restoring macroeconomic stability can have on poor rural household and smallholders. So to me if you look at that record I'm not sure whether that growth would have been possible if the economy was stumbling from crisis to crisis as it was in the early 1980s.

Qt6. Now Chris as someone who is a bit familiar with the cocoa industry in Ghana what would say are some of the challenges facing the cocoa industry since the introduction of the reforms and how are they being addressed or how best do you think they could be addressed?

Ans: I would say two major challenges. One is that the yield is still very low. So the efforts to increase productivity of existing farmers, CRIG does a great job it is a world renowned research centre but the challenge of getting those technologies, new varieties and improved varieties to farmers still remains a challenge. Part of it is the restructuring of the extension service some time back and the transfer of the extension responsibility to the Ministry of Food and Agriculture (MOFA) which is not a wrong thing in itself but no resources were transferred with it so Ministry of Agriculture had a new obligation without any money. So obviously observers said that was not working, so how do we increase yields remains a perennial problem. The second is how can we encourage greater domestic processing of cocoa? And here there seems to be somewhat of contradiction in the government policy. On the one hand government is saying through COCOBOD we want to get most revenues as possible as we can from the production of cocoa beans which stipulates they get sold to the highest bidder or sell at higher prices which is basically selling beans on the world market. The contradiction is then is that to encourage processing in Ghana because of the structure of the processing system it is much expensive to do processing near the producing country than near the consuming market as you know. So those additional costs need to be offset somehow and the obvious way to offset them is to allow processors to have access to lower grade beans at a discount but COCOBOD still wants to sell those beans on the world market at a higher price so there is this contradiction in government policy between maximizing revenues to COCOBOD and maximizing the degree of processing and employment domestically and that needs to be resolved because at the moment the processors are having a real tough time and the future prospect of processing, further processing and further downstream processing is not obvious to me at all. The basic economics are not in its favour so if the government wants to support and encourage processing and employment generation it needs a coherent approach to that.

Qt7. Chris it is interesting you mentioned the issue of extension officers because while on the field the farmers complained that since the transfer of the extension wing to MOFA they have not been benefiting from the services of the extension officers as they used to. Therefore do you think it will be prudent to reverse that policy and transfer the extension officers back to COCOBOD?

Ans: I'm not sure the answer is where they are which institution they are formally in, there is a problem of extension across all crops in Ghana. The extension service does not deliver what it should do and that needs to be remedied. I don't think just transforming or transferring extension to COCOBOD is necessarily the right answer. As I say when the responsibility was transferred to MOFA the resources did not transfer with it so of course there is going to be difficulties, you are asking MOFA to do three times as much with the same resources and you just can't do that. So the alternative is for COCOBOD to pass on some money of what they have retained to MOFA, the 30% defacto tax that it retains to MOFA, passed some of the money to MOFA to manage the COCOBOD extension officers transferred to it, so I don't have the answer but passing them back to COCOBOD I don't think will be dealing with the problem.

Qt8. I am sure you might have been interacting with Cocobod officials, how do you find their supervisory role in the cocoa sector?

Ans: Actually because we don't have an official role in the cocoa sector my interaction with COCOBOD is minimal. So I can't really comment on that.

Qt9. Now you touched on the issue of value-adding and the contradiction of wanting revenue from the sale of the beans and at the same time wanting to create jobs by encouraging domestic processing of the beans. But I am sure the IMF and the World Bank will be interested in Ghana adding value to the beans to become more competitive in the global market and also to become a middle income country. In this situation what in your view is the best way out?

Ans: It is a policy choice. If the economics in the cocoa industry indicate that it is cheaper to process the beans here (Ghana) than in Holland, then it is a public policy choice. Do you forego some export revenue on the export of beans and provide employment by encouraging foreign investment for processing that is a public policy choice Ghanaian policy makers will have to make. There is no right answer to that one but it will seem consistent with Ghana's stated ambition to become a middle income country and to transform its economic structure away from just primary products production into value-addition, higher processing, manufacturing and higher sharing manufacturing industry but it is ultimately a public policy choice for government to make.

Qt10. What do you think Ghana should do to attract more foreign direct investment (FDI) inflow in the cocoa sector?

Ans: I certainly think that macroeconomic stability does attract FDI inflow and the evidence suggests that. It is an increasingly competitive world, Ghana is competing against an increasing number of African countries which have these investment opportunities with stable environment and macroeconomic stability conditions and so the bar has been raised in terms of attracting foreign investment. Ghana has done a good job, the macroeconomic stability they have had over the last decade or more has been very influential in attracting FDI and the numbers show but still that is a challenging business. If you look at the World Bank's business report there are still obstacles to private sector investment but it has done a good job and could do better to FDI. But in general those policies that enhanced macroeconomic stability and low inflation have been important factors in attracting FDI inflows. Yes.

Qt11. Some writers like Stiglitz, Ismi and others have come out to say that the IMF and World Bank's recommended development policies have made developing countries worse off. But considering Ghana's experience and what you just said how would you react to such an accusation?

Ans: I mean it is certainly the case that every economic reform generates losers and winners. If anybody stood up and said every reform that the IMF and World Bank supported or initiated by a government on its accord generated only winners I wouldn't believe that so in that sense there are adjustment cost both between different groups and over time but I think Ghana's record shows that it has been a very successful reformer and perhaps some of the worse consequences Stiglitz rightly identifies is less applicable to Ghana's concept than in other countries that have gone through reforms.

Qt12. What is your assessment of the global economic melt down on Ghana's cocoa sector?

Ans: That is a good question. We are trying to assess, we've done a couple of things obviously we are looking at what is happening to global commodity prices and we have seen that cocoa is holding up much well. So we don't see much evidence so far of imminent collapse of cocoa prices. The other main area where Ghana could be hurt is COCOBOD's ability to raise money to pre-finance or for advance purchases through its syndicated loans. It borrows you know, about \$1 billion a year to pre-

finance the following season and the advanced purchases of the local buying companies. And one major threat is that if credit dries up and COCOBOD is not able to secure those loans to finance the existing mechanism that would be a major problem, at moment we hear that credit is still available to COCOBOD, it is a credible borrower on the international market. The lending institutions look on COCOBOD as a favourable client so we are not aware of any major threat to the financing arrangement but we are watching it closely because that is where I think it is going to hurt, the drying up credit to those lending operations.

Qt13. In view of the problems like poor quality beans production besetting countries like Cote d'Ivoire, Nigeria and Cameroon which have fully liberalised their marketing boards as was recommended by the IMF and World Bank, and what you know of Ghana (i.e. partially liberalised COCOBOD) but producing quality beans, what in your view would be the best way out for these cocoa producing countries?

Ans: That's a good question; I'm not sure there is a single answer. I also don't think that a comparative analysis for example between Ghana and Cote d'Ivoire would be right to conclude that all of Cote d'Ivoire's problems are just because it fully liberalised. Cote d'Ivoire has had other problems including a war but the governance system there is very bad. They way they "liberalised" ,the liberalised environment has been abused obviously not a good situation to be in. So I don't think it is as simple as having a State marketing company or not. The solution has to be found to reflect the kind of local conditions. But clearly there is the need to develop institutional mechanisms that link smallholders to markets and assuming that would involve the government getting out and leaving the playing field to the private sector, that assumption doesn't hold and that is the lesson I think we've learnt. So there is the need for some kind of public-private partnerships which provides efficient incentives for private investment in marketing schemes and investing and linking smallholders to markets without going so far to provide monopolistic markets or abuse of profit positions or the kind of para-statal corruption and mismanagement that we have seen in the past. I think the area that has seen the most progress is the cotton sector in Africa. Lets say for example an ad hoc arrangement that a private company has been granted a local monopoly in a given region to generate enough certainties to engage with smallholder farmers but because that is reviewed every year and it is local rather than national and there is a certain amount of competition, it keeps the arrangement

from been heavily biased in favour of one side or the other. But they are very ad hoc and very difficult to generate but ultimately we've got to understand what are the policy objectives and not to be dogmatic about whether there should be a para-statal or there shouldn't but think through these kind of innovative arrangements between the State and the private sector and the multinationals, the commodity trading companies to try and put these kinds of things in place.

APPENDIX 7D Jobs Created Under the Mass Spraying (CODAPEC) Black Pod & Capsid Programmes-2008

Black Pod	Number	Total Wages Per Month (GH Cedis)	Total Wages (June-Oct) (GH Cedis)
Gang Supervisors	2,771	138,550	692,750
Sprayers	27,710	1,246,950	6,234,750
Mechanics	140	9,800	49,000
Sub Total	30,621	1,395,300	6,976,500
Capsid			(Aug-Dec)
Gang Supervisors	3,122	156,100	780,500
Sprayers	18,732	842,940	4,214,700
Mechanics	164	11,480	57,400
Sub Total	22,018	1,010,520	5,052,600
Grand Total	52,639	2405820	12,029,100

Source: Compiled by Author from CODAPEC (COCOBOD) Records, 2009.