WORKING PAPER
Volume 2009 Number 318

An African Success Story: Ghana's Cocoa Marketing System

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January 2009

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First published by the Institute of Development Studies in January 2009

ISSN: 1353 6141 ISBN: 978 1 85864 573 5

A catalogue record for this publication is available from the British Library.

Available from:
Communication Unit
Institute of Development Studies
at the University of Sussex
Brighton BN1 9RE, UK
Tel: +44 (0) 1273 915637
Fax: +44 (0) 1273 621202
E-mail: bookshop@ids.ac.uk
Web: www.ids.ac.uk/ids/bookshop

Typeset by IDS, Brighton UK. Printed by RPM Print & Design, Chichester UK.
IDS is a charitable company limited by guarantee and registered in England (No. 877338).

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Summary

Ghana's cocoa marketing system has performed impressively over the past decade. Cocoa production has reached record high levels. Farmers receive a relatively large share of export earnings. Product quality is world renowned, and it regularly exceeds the most stringent international standards. Exports are handled professionally and efficiently. International loans are repaid reliably. Internal marketing is relatively uncorrupt and effective. This is a home-grown success story, under the stewardship of a state-run marketing board – the Cocobod – which manages almost all aspects of the internal cocoa marketing process and maintains a monopoly on cocoa exports. Given the dismal history of African commodity marketing boards in general, and of Ghana's cocoa marketing board in particular, this success demands explanation. It was not the result of radical transformation but of relatively subtle changes in the system that maintained the undoubted benefits of a centralised monopoly while minimising its damaging consequences. Success resulted from (1) building on the underlying strength of certain elements in the system, notably quality control and export management, (2) an episode of well-directed reform, and (3) effective policies and organisational structures that protected the farmers' share of the cocoa revenues over time and inhibited the Cocobod returned to the politicisation it suffered in the past. The case accords with the much-touted but oft-neglected lesson that both context and institutions matter for organisational performance. In particular, complementary contexts and institutions can produce valuable synergies. More substantively, it suggests that poorly performing organisations in Africa may be turned around without radical measures.

Keywords: cocoa; cash crops; agriculture; marketing boards; Ghana; Weberian bureaucracy; state-owned enterprises; privatisation; African success.

Tracy Williams is a Policy Analyst at the Bill and Melinda Gates Foundation USA, and she has an MA from the Institute of Development Studies, in Governance and Development.

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Acknowledgements

This paper is published by the Development Research Centre for the Future State, a project funded by the Department of International Development (DFID) UK, and based at the Institute of Development Studies UK. Since 2000, the Future State DRC has been working together with a number of international partnerships through research institutes in various countries. The main focus of the Future State DRC is to help reduce poverty, promote development and increase the rate of economic growth by helping to increase state capacity, i.e. by making public authority more effective, more accountable and more responsive.

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Abbreviations

CMB	Cocoa Marketing Board
CMC	Cocoa Marketing Company
CPC	Cocoa Purchasing Company
CPP	Convention People's Party
ERP	Economy Recovery Program
FOB	Free-on-Board
GIMPA	Ghana Institute of Management and Public Administration
LBC	Licensed Buying Company
PBC	Produce Buying Company
PNDC	Provisional National Defence Council
PPRC	Producer Price Review Committee

1 Introduction

What lessons does Africa have to offer? For many, they are the cautionary tales of the difficulties that can hamper development efforts. This is not surprising given Africa's portrayal in media: a story of crisis on multiple fronts. Though the shades vary across the continent, the litany of ills is similar: endemic poverty, destabilising violence, disease, famines, technical incapacity, and an underlying culture of patrimonialism and corruption that squanders resources and hampers development across the spectrum. Yet, in many ways, the real story in Africa today is much more optimistic than this common portrayal would suggest. Africa's economic growth has been on an increasing trend over the past decade and now exceeds five per cent a year, no small feat given Africa's economic collapse and stagnation of previous decades (Arbache and Page 2007).

There have also been successes on the micro-level, and this paper examines one of them. The subject of this study is Ghana's cocoa marketing[1] system, which has demonstrated impressive performance over the past decade. Cocoa production has reached record high levels, farmers receive a relatively generous share of revenues, product quality is world-renowned and regularly exceeds international standards, exports are handled professionally and efficiently, international loans are reliably repaid, and internal marketing is relatively uncorrupt and effective. This case is also notable in that it is a home-grown success story. Ghana's cocoa marketing system is controlled by the Ghanaian government, under the stewardship of a marketing board – the Cocobod[2] – which manages almost all aspects of the internal cocoa marketing process and maintains a monopoly on cocoa exports.

A curious aspect of this story is that it strikes a major contrast from Ghana's historical cocoa sector, which was notorious for its dysfunction – particularly, massive inefficiency and rampant politicisation – in the 1960s and 1970s. Even more curiously, Ghana's cocoa sector has achieved its current 'success' while maintaining a great deal of continuity with this disreputable past. Fundamental features of the cocoa industry are largely unchanged. The government continues its tight control of internal cocoa marketing and its monopoly on cocoa exports. Cocoa farming in Ghana continues to be dominated by smallholder farmers. The cocoa tree still requires long-term investment, which in the past made smallholder farmers easy targets for taxation. Cocoa remains a key revenue-generating industry in Ghana, and hence, remains an enticing target for rent seekers. Cocoa

1 The term 'marketing' encompasses all stages of the marketing chain, including storage, processing, packaging, and transport, as in Hubbard and Smith (1996: 2).

2 For the sake of simplification, the name Cocobod will be used to refer to the Ghanaian cocoa marketing board after 1984 (when it has been the Cocoa Board, or Cocobod for short), as well as in a general sense, and cocoa marketing board (CMB) will be used to refer to the historical boards which existed prior to 1984. In actuality, the name changed frequently, as follows (see Amoah 1998: 21–2, 29): pre-1947, Gold Coast Cocoa Marketing Board; 1957–1961, Ghana Cocoa Marketing Board; 1961–1965, Ghana Agricultural Produce Marketing Board; 1965–1970, State Cocoa Marketing Board; 1970–1984, Ghana Cocoa Marketing Board; 1984–Present, Ghana Cocoa Board (Cocobod).

marketing continues to be embedded in Ghana's cultural, economic, and political context. Finally, features of the system that have always worked relatively well – namely, quality control and export management – have continued to work well through the ups and downs in the rest of the sector.

This case study offers many specific insights into what made this success possible, and it also provides three broader lessons. First, as a premise, it suggests that success stories are useful learning tools. Second, it provides evidence that system 'turnaround' may not need to be as radical as some may think: in some cases, relatively subtle changes – even with large continuities – can shift a system from an unproductive equilibrium to a successful one. Finally, it reaffirms the much-touted but oft-neglected lesson that both context and institutions matter. In particular, it indicates that the proper matching of institutions with complementary contexts can lead to valuable synergies.

As a final prefacing note, this story is not as unusual as 'Afro-pessimists' may imply, nor as perfect as the optimists may hope. Conditions across the continent are improving, as noted above, and Ghana itself is seen as a success within Africa, both in terms of its political stability and economic accomplishments. Taken in this light, Ghana's cocoa marketing system is simply an instance in a series of positive trends. Yet, Ghana's cocoa sector falls far short of perfection. Within the past year, the Cocobod has faced accusations of skimping on bonus payments to farmers and cocoa spraying services (Laven 2007). There are also worries about child labour as well as concerns about the long-term sustainability of the sector as a whole. Yet the accomplishments of Ghana's cocoa sector are very real, and the contrast from its dysfunctional history is stark.

Much of the data for this study comes from approximately 40 interviews conducted in London and Accra, Ghana during 2006, which took place in semi-structured, confidential sessions. Nearly half of those interviewed were current or former Cocobod employees, while the rest included academics, farmers, buying agents, journalists, consultants, donors, and government officials, among others. The range of interviewees helped to minimise the risk of bias, and the strong degree of consensus that emerged from the interviews provided confidence for the findings.

The study begins in Part 2 by exploring the unlikely nature of Ghana's cocoa marketing success. Part 3 outlines the aspects of the system that demonstrate its success. Part 4 provides a framework for understanding marketing boards as institutions with both the potential to support agricultural systems and the power to exploit them – in the case of cocoa, both of these tendencies are augmented even further. This background provides a basis for understanding the success of Ghana's modern day cocoa industry as arising from three factors (presented in Parts 5, 6, and 7, respectively): (1) the maintenance of elements that always functioned well (i.e. quality control and export management), (2) productive reforms that snapped the cocoa marketing system out of its exploitative state and set it on a better track, and (3) the installation of institutions (some distinctly Weberian in nature) that countered the exploitative tendencies associated with structural features of the cocoa industry and rectified the problems of previous institutions. The study concludes with some reflections on context and institutions.

2 The Cocobod's unlikely success

Ghana's cocoa industry enjoys competent stewardship under the Ghanaian government through the Cocobod, which oversees the cultivation, evaluation, transportation, and eventual export of the cocoa crop, valued at over US$1bn in the 2003/04 season (IMF 2005). Each step in the process benefits from the capacity and resources necessary to carry it out: credit markets finance up-front costs; farmers have the knowledge and incentive to produce high quality cocoa; officials have the expertise and motivation to grade cocoa quality accurately; warehouses and roads enable the storage and transport of cocoa; traders use the tools of international finance to sell the cocoa on the world market; and government structures coordinate the links of the chain to shepherd the cocoa from farm to international buyers. Ultimately, cocoa production is high, cocoa quality is impeccable, exports are professional and efficient, farmers are well paid, and the Cocobod's international partners – including its buyers and creditors – are eminently satisfied.

There are many reasons why this is an unlikely success. First, one might think that Ghana's cocoa industry would be especially prone to corruption because of its status as a substantial revenue generator. Though Ghana's dependence on cocoa has declined since the mid-1970s, when it was sometimes over 75 per cent of Ghana's foreign exchange earnings (Kofi 1994: 34), cocoa is still very important to the economy. It is by far Ghana's dominant export crop, with cocoa revenues constituting about one-third of export revenues (IMF 2005: 10). Though gold has overtaken cocoa as the country's main foreign exchange earner in absolute terms, foreign exchange from cocoa is more accessible to the government; foreign exchange from gold is largely foreign-controlled and often remitted abroad, while cocoa revenues flow through government channels because of the government's marketing control and export monopoly (Oduro 2000: 180; Bank of Ghana 2003: 25). The corresponding logic is that cocoa resources might be more likely to trigger corruption, along the lines of the 'resource curse' theory, which suggests that natural resource industries are especially prone to politicisation and rent-seeking (Rosser 2006). Though the resource curse tends to apply most strongly to commodities like oil, which generate large rents and are of strategic value, the underlying logic applies to any industry that concentrates resources in government hands. Jonathan Frimpong-Ansah describes Ghana's post-independence cocoa industry as one such example, where cocoa-derived financial surpluses fuelled corruption and other dishonest practices (1991: 13). On a similar vein, some suggest that Cote d'Ivoire's cocoa resources have enabled corruption and conflict, similar to the role played by diamond wealth in other parts of Africa (Global Witness 2007).

Second, the Cocobod is suspect as an African governance institution. Africa governments have long been associated with a cavalcade of unsavoury labels that are all variants on the same theme, including patrimonialism (and its progeny, neopatrimonialism), clientelism, corruption, and patronage politics. While the reputations of African governments have improved over the past decade, shortcomings in African governance – from corruption to incapacity – are still prevalent (Kaufmann, Kraay and Mastruzzi 2005; Hyden 2006; Gyimah-Boadi 2004: 22; van de Walle 2003; Mbaku 2007). Third, the success of Ghana's cocoa sector is a surprise because it contradicts common views on the proper roles of states and markets. Neoliberal orthodoxy emphasises the key role of markets in promoting efficient and effective outcomes, yet in the case of Ghana's cocoa marketing system, it is state interference – not free markets – that has facilitated success.

Two other elements warrant more detailed discussion. First, this success goes against a long and tainted history of state-controlled marketing boards in Africa. Second, it goes against the infamous history of Ghana's cocoa marketing sector itself. In other words, Ghana's cocoa marketing system has overcome both the more systematic problems encountered by marketing boards through Africa, as well as the specific ills that plagued its own history. In light of these histories, which are discussed in greater depth below, the current success of Ghana's cocoa marketing board is especially surprising.

2.1 The rise and fall of marketing boards

The British set up crop marketing boards in West Africa during World War II, motivated by commodity price and access concerns (Bauer and Yamey 1968: 143; Williams 1953: 46). After the war, the preservation of marketing boards was justified primarily on the grounds of price stabilisation for chronically volatile world prices (Cullinan 1999: 7; Hubbard and Smith 1994: 33). The boards spread throughout the developing world, supported both by statist Keynesian philosophies dominating the international scene and the nationalist and socialist tendencies of many newly-independent governments (Shepherd and Farolfi 1999: 2; Tangri 1999: 19–21). The impact of the marketing boards on these burgeoning countries was substantial: in the words of Robert Bates, they sometimes came to be 'the wealthiest and economically most significant single units in their respective economies' (2005: 13).

While their actions were justified in terms of price stabilisation, the marketing boards generally used their powers simply to siphon resources away from the agricultural sector. By setting farmer payments substantially below world prices, the marketing boards effectively levied a tax on farmers (Bates 2005: 18; Killick 1990: 11), which discouraged farm production and dampened farmer income. Meanwhile, the surpluses the government accrued were rarely used to stabilise prices; instead, they generally funded industrialisation and development projects, primarily for urban populations, and provided patronage resources for those in power (Bates 2005: 15–18, 121; Bauer and Yamey 1968: 167–9; Hubbard and Smith 1994: 33; ul Haque 2004: 8; Tollens and Gilbert 2003: 303–4).

The marketing boards became not only the means for collecting patronage resources but also the vehicle for distributing them. Jobs within the agricultural marketing system became rewards for party loyalty, and the marketing boards soon became bloated, costly, and underqualified as a result. With time, the marketing boards developed reputations for being institutions of egregious inefficiency that exploited farmers and discouraged agricultural production (Bates 2005: 27; Hubbard and Smith 1994: 33; Shepherd and Farolfi 1999: 7).

Though the World Bank and IMF initially supported the state-run marketing boards, their support waned with the strengthening of free market, 'neoliberal' tendencies in the international arena and the growing evidence of marketing board inefficiency (Hubbard and Smith 1996: 18; Varangis *et al.* 2002: 1–4; Lele and Christiansen 1989: 6; Farazmand 2002: 7–8). As part of structural adjustment, the World Bank and IMF sought to abolish the marketing boards and build, in the words of Michael Hubbard and Marisol Smith, a 'vibrant, competitive private agricultural marketing sector, with direct state intervention only in cases of clear market failure' (1996: 10; also World Bank 1994: 11–12; Konadu-Agyemang 2001: 2). International pressure instigated a wave of privatisations, and by the end of the 1990s, virtually all marketing boards in Africa had been either fully or partially privatised.

Yet, the results of these reforms could hardly be deemed a resounding success. While liberalisation produced some positive outcomes, such as initial increases in producer prices and improved promptness of payment (Shepherd and Farolfi 1999: iii), even World Bank assessments found the results of reform to be, at best, mixed (Akiyama *et al.* 2003: 15–28; also Tiffen *et al.* 2004: 13; ul Haque 2004: 18–19). The vibrant and competitive private sector envisioned rarely emerged and, more crucially, the privatisation process neglected the transfer of important and positive roles being fulfilled by the state – such as quality control, input provision, extension, credit, and research and development – to private actors (Daviron and Gibbon 2002: 145–6; Cullinan 1999: 32–3; Hubbard and Smith 1996: 8–9, 33–4; Shepherd and Farolfi 1999: 6, 61, 64; Poulton *et al.* 2005: 167; ul Haque 2004: 15).

Quality concerns became especially pressing after liberalisation (LMC 1996: 92; Shepherd and Farolfi 1999: 13; AIDE 1995: 2). Quality reputations – and correspondingly, price premiums for quality – are generally linked to an origin, such as a country (Cullinan 1999: 20). Without universal quality controls, private actors can exploit an origin's reputation by marketing sub-par product for the premium quality price. This creates a vicious downward cycle in product quality as the entry of sub-par product into the market erodes the origin's quality reputation and reduces the price premium for its produce. In turn, this diminishes the incentive for all parties to protect the quality of their product. The result can be quality collapse, which was the outcome after cocoa market liberalisations in Cameroon, Nigeria, and Cote d'Ivoire (de Jong and Harts-Broekhuis 1999: 98; Varangis *et al.* 1990: 36–7; Fold 2002: 229).

The widely-acknowledged policy implication of this history was that simply removing the state from marketing systems was not the solution, contrary to prior neoliberal assumptions (Cullinan 1999: ix, 9; Akiyama *et al.* 2003). By retaining a state-controlled marketing board, Ghana's cocoa marketing system avoided these pitfalls of privatisation, though it still needed to grapple with the very real shortcomings that made the marketing boards such obvious targets for privatisation in the first place. As noted above, Ghana's own cocoa marketing board had been a paradigmatic example of marketing board dysfunction. This history is detailed further in the section below.

2.2 The history of Ghana's cocoa marketing system

Ghana's cocoa marketing board was part of the initial British marketing boards and became an independent unit, called the Cocoa Marketing Board (CMB),[3] in 1947. At Ghana's independence in 1957, the country was the world's largest cocoa producer. It was also a relatively prosperous nation compared with the rest of Africa, largely because of its strong cocoa production and the relatively high world prices for cocoa (Woods 2004: 232–3; Frimpong-Ansah 1991: 44). Promising beginnings soon gave way to disappointment, however. As was the case with many marketing boards, Ghana's political elites chronically exploited the cocoa industry and its revenues from independence until the 1980s to pursue industrialisation, redistribute resources, and bolster patronage networks, with price stabilisation so far down the list of priorities as to be inconsequential (Herbst 1993: 20; Frimpong-Ansah 1991: 144; Woods 2004: 230–1; Bates 2005: 4-6; Dzorgbo 2001: 134–5).

Overtaxation and politicisation of the cocoa sector began under Ghana's first president, Kwame Nkrumah. Nkrumah justified overtaxation on the grounds that cocoa wealth should benefit the entire population, by providing government revenue for industrialisation, stemming inflation, and promoting economic diversification (Frimpong-Ansah 1991: 84). Subsequent governments continued the overtaxation practice (Bulir 2002: 421; Frimpong-Ansah 1991: 141–2; Deaton and Miller 1995: 29). Between this taxation and rampant inflation, Ghana's cocoa farmers became some of the lowest paid in the world. From independence to the early 1990s, Ghanaian cocoa farmers received about 30 to 50 per cent of the free on board (FOB)[4] price versus producer prices of 60 to 80 per cent in Brazil, Malaysia, Cameroon and Cote d'Ivoire (Bulir 2002: 421–2; Commander *et al.* 1989: 103; Dzorgbo 2001: 240).

The cocoa revenues motivated and facilitated the second major offense of Ghana's cocoa marketing system: politicisation, which began as early as 1952. In that year, Nkrumah's pre-independence government set up the Cocoa Purchasing Company (CPC), a government-sponsored cocoa buying company that quickly became a political tool for Nkrumah's Convention People's Party (CPP). The CPC served to provide patronage resources for party loyalists and a political vehicle in Ghana's cocoa producing Ashanti regions, where Nkrumah's support was most tenuous (Frimpong-Ansah 1991: 86; Austin 1964: 172–3; Dzorgbo 2001: 161; Woods 2004: 232–3; Gyimah-Boadi 1989: 225). In 1957, the CPC was liquidated after an investigation revealed corruption within its ranks (Bing 1968: 171–2; Kotey and Gyekye 1974: 14–15; Arhin 1985: 43), but that did not end the practice of overt politicisation in the cocoa sector. In 1961, Nkrumah created the state-funded United Ghana Farmers' Council (UGFC) and gave it a monopoly over cocoa purchasing within Ghana. According to Frimpong-Ansah, the UGFC fuelled patronage activities and effectively became the 'political arm of the CPP in

3 Again, the name Cocobod will be used to refer to the Ghanaian cocoa marketing board after 1984 (when it has been the 'Cocoa Board'), as well as in a general sense, and cocoa marketing board (CMB) will be used to refer to the historical boards which existed prior to 1984.

4 FOB is the world price minus transportation costs to destination (Amoah 1998: 201).

the cocoa industry' (1991: 86). A central manifestation of politicisation in the cocoa sector was overemployment, as cocoa marketing jobs became a reward for political loyalty. In 1985, well over 100,000 government employees worked in the cocoa sector. These numbers were inflated further by the existence of nearly 25,000 'ghost' workers on the cocoa wage roll (Commander *et al.* 1989: 111).

Though Ghana's post-independence history was characterised by political turmoil and instability, the CMB was consistently tarnished by politicisation and overemployment during the decades following independence (Amoah 1998: 31; Arhin 1985: 41, 49; Gyimah-Boadi 1989: 235). The CMB developed a unique notoriety within Ghana, and even within Africa. Though other state-owned enterprises in Ghana were corrupt and inefficient, Jeffrey Herbst asserts that 'none can claim quite the extravagance of waste that the Cocoa Board achieved' (1993: 63), to which Tony Killick concurs, citing the 'notoriously exorbitant cost levels' of the cocoa marketing board (1990: 16; also Dzorgbo 2001: 245). Robert Bates singles out Ghana's cocoa marketing board for special mention in his landmark book, *Markets and States in Tropical Africa*, as providing 'the best evidence' of the tendency to inefficiency through overemployment and employee benefits in Africa (Bates 2005: 27–8).

Largely due to its exploitative antics in the cocoa sector, the Ghanaian government became, in the words of Frimpong-Ansah, a 'vampire state' (1991: 48), depleting the country's economic lifeblood to support patronage networks for political elites. Decades of overtaxation, corruption, and inefficiency drove down producer prices and, correspondingly, production. In the 1983/84 season, the farmer's share reached a low of 29 per cent of the FOB price (Tiffen *et al.* 2004: 13; LMC 1996: 73), coinciding with a record low production of 159,000 tons.[5] Ghana had gone from being the world's leading cocoa producer, with a peak production of 557,000 tons in 1964/65, to being a distant third behind Cote d'Ivoire and Brazil (Woods 2004: 235). While this decline was exacerbated by crop diseases, insufficient inputs, ageing cocoa trees, unfavorable weather, and inadequate infrastructure (Osei-Akom 2001: 143), most scholars agree with Ales Bulir's assertion that 'the most important factor adversely affecting the cocoa sector was the government's policies' (2002: 436; also Shepherd and Onumah 1997: 18; Woods 2004: 233–5; Amoah 1995: 47; Osei-Akom 2001: 143; Bateman *et al.* 1990: I; Dzorgbo 2001: 241). By the early 1980s, the cocoa industry was on the brink of collapse, along with the Ghanaian economy as a whole.

The vicious cycle was broken beginning in 1983, when the government of Ghana, under the leadership of Jerry Rawlings' Provisional National Defense Council (PNDC), initiated one of the most comprehensive structural adjustment programmes carried out anywhere in Africa, known as the Economic Recovery Program (ERP). Widely regarded as one of Africa's most successful economic reform efforts (Tangri 1999: 47; Aryeetey and Tarp 2000: 344; Brydon and Legge 1996: 1; Hutchful 1995), the ERP addressed the general imbalances in Ghana's macroeconomy and spelled major change for the cocoa sector. The crux of the

5 The low recorded production level was also due to increased smuggling of cocoa out of Ghana (Bulir 2002).

cocoa rehabilitation efforts was to increase producer prices by freeing up resources from the inflated cocoa public sector (Osei-Akom 2001: 143; Commander *et al.* 1989: 115–6). To this end, the staff and costs of the CMB, renamed Cocoa Board (Cocobod for short) in 1984, were drastically reduced. Some of the reductions in staff came from the divestment of non-essential roles, such as building roads, processing cocoa, and running plantations (Keeling 1989). Other retrenchments eliminated tens of thousands of 'ghost' workers and unnecessary staff, as well as some high-ranking officials (Gyimah-Boadi and Rothchild 1990: 244–5). Under the reforms, the Cocobod's wage roll went from over 100,000 employees in 1985 to about 60,000 by 1986. The staff reductions continued after the main drive of the reforms, with the Cocobod going from 10,400 employees in 1995 to 5,140 in 2003 (Cocobod 2000: 52).

After the reforms, production began a clear increasing trend (see Figure 3.1), and the Cocobod made a much needed return to profitability (Gyimah-Boadi and Rothchild 1990: 250; Waldmeir 1985). To this day, the Cocobod has maintained its slim figure (Tiffen *et al.* 2004: 13). Ghana's cocoa farmers have also gotten an increasing share of cocoa revenues over time (currently 70 per cent of the FOB price), in line with the reforms' original objectives.

Another important change introduced during the reforms was the opening of the internal marketing system to private competition in 1992/93, following almost 15 years of a government monopoly on internal purchasing under the Produce Buying Company (PBC) (Shepherd and Onumah 1997: 41). With the listing of the PBC on the Ghana stock exchange in 2000, Ghana's internal cocoa buying system officially became fully liberalised, with privately-owned Licensed Buying Companies (LBCs) conducting the internal purchase and transport of Ghana's cocoa. However, this change did not mark a major break from the past, as historically Ghana had both competitive and monopsonistic internal buying practices. According to J.E.K. Amoah, a longtime Cocobod official and now a scholar of Ghana's cocoa sector, these past internal marketing systems were uniformly tarnished by rent-seeking and politicisation, whether run by private or state actors (1998: 69).

How did Ghana's cocoa marketing system come to be so successful given the evident obstacles, including the histories above? The obvious answer is that the economic reforms overhauled the detrimental parts of the system while preserving the effective parts. While this answer is appealing in its simplicity, it offers no insight into *why* this reform was successful when so many reforms in Africa have failed. It also does not explain why such success has not been more common in Africa, in Ghana, in cocoa marketing systems, in crop marketing systems, or in other government-run enterprises, whether in Ghana or further afield.

Despite the exceptional nature of Ghana's cocoa industry, there are very few in-depth studies of it to date. One of the most comprehensive is Andrew Shepherd

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4 Indeed, anthropologists have been amongst the fiercest critics of participatory methodologies, and many remain sceptical about participation in development (see Richards 1995; Mosse 2001; Cornwall and Fleming 1995).

and Gideon Onumah's 1997 work, 'Liberalised Agricultural Markets in Ghana: The Role and Capacity of Government', which was written at a time when liberalisation of Ghana's cocoa sector was still on the World Bank agenda. The main limitation of this study, and the few other sources (e.g. Amoah 1998; ul Haque 2004), is that it is largely descriptive and does not seek to answer the larger questions of 'how' and 'why' behind the cocoa industry's success. This study attempts to address these gaps.

3 Cocoa marketing in Ghana today

Cocoa is critically important to the Ghanaian people. According to a 2005 report, there were around four million cocoa growers in Ghana of a total population of about 20 million (EGEVAL 2005: Annex 6, 27). The share of the populous involved in the cocoa sector in some capacity is much larger. According to one source, the cocoa sector accounted for about 60 per cent of Ghana's total employment in 2006 (Commodities Now 2006). Cocoa also has a unique importance in Ghana, as compared to other West African cocoa producers. While Nigeria has oil and Cote d'Ivoire has a more diversified agricultural base, Ghana has since independence relied on gold and cocoa. Of those two, cocoa is the only one that is firmly under state control. Ghanaian policymakers and scholars believe that cocoa will remain a key sector in Ghana's economy for the foreseeable future (ISSER 2005: 105; Baah-Wiredu 2006).

Ghana's cocoa industry is managed by the Cocobod, a state-run marketing board. The head of the Cocobod is the Chief Executive, a political appointee with a four-year renewable term. The Cocobod is under the jurisdiction of the Ministry of Finance. Its Head Office, located in Ghana's capital, Accra, is the central coordinating body for the Cocobod's offices across the country.

The cocoa marketing process begins with the farmers and ends with government export, with the Cocobod overseeing each step along the way. When the harvest is complete, farmers sell their cocoa to Licensed Buying Companies (LBCs), privately owned and operated businesses regulated by the Cocobod and responsible for purchasing the cocoa at a guaranteed nationwide price floor (the 'producer price') and for transporting it to one of three takeover points to sell at a fixed price to the Cocobod for export.[6] Since LBC's face a price floor for farmers and a fixed sale price from Cocobod, they do not operate under a traditional dynamics of an unfettered market – they effectively receive a set amount of revenue per quantity of cocoa delivered (de Jong and Harts-Broekhuis 1999: 102). According to interview sources, LBCs maximise their revenues under this system by turning over cocoa quantities as quickly as possible and maximising their cocoa volumes. LBCs generally compete for access to a farmer's cocoa by offering services and inputs rather than higher prices (Laven 2005; LMC 1996: 79; Ghana Ministry of Finance 1999: 44).

6 A small share of the cocoa is also sold for domestic use.

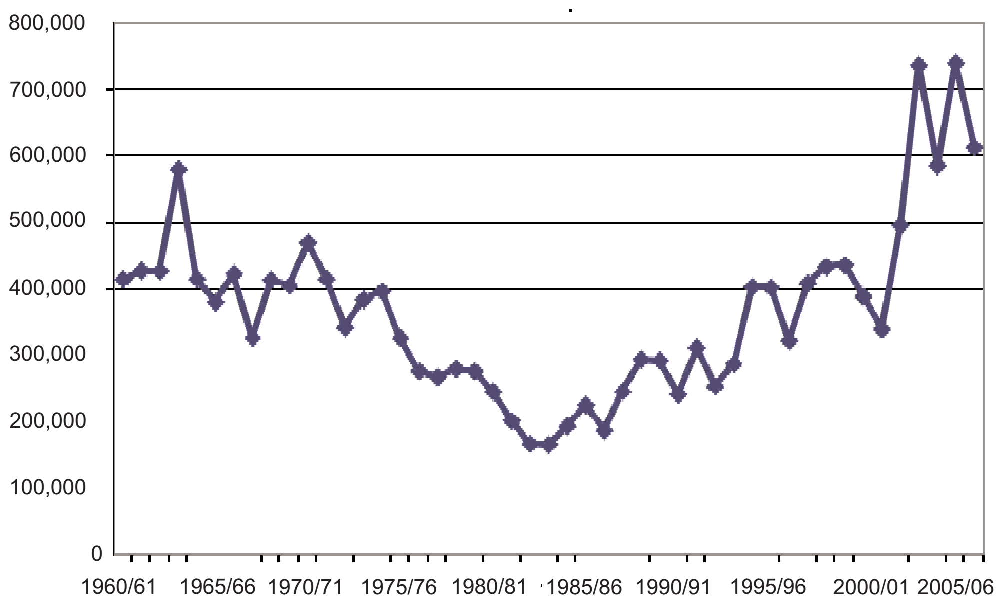
Quality control is the responsibility of the Cocobod's Quality Control Division (QCD). Quality checks happen both at the farm level and before the cocoa is exported. Exports are handled by the Cocoa Marketing Company (CMC), a wholly-owned subsidiary of the Cocobod. The CMC sells the cocoa on international markets, often through forward contracts that may be sealed even before the cocoa harvest occurs.

The success of Ghana's cocoa industry can be seen along six dimensions: (1) high levels of cocoa production, (2) generous revenue-sharing with farmers, (3) consistently high cocoa quality, (4) professional and efficient management of cocoa exports, (5) lack of corruption, and (6) a strong credit record. Each is detailed below.

3.1 High levels of cocoa production

Cocoa output hit a record high of 740,458 tons in 2005/06 (Commodities Now 2006), up from a previous record of 736,911 metric tons in the 2003/04 season (ISSER 2005: 114). This represents almost a doubling from the 2000/2001 season (Baah-Wiredu 2006) and a vast improvement over the meager levels of the late 1970s and early 1980s. As shown in Figure 3.1, cocoa production has been gradually rebounding since the early 1980s, in line with the general 'turnaround' in Ghana's cocoa marketing system. Currently, Ghana is the world's second largest producer of cocoa, after Cote d'Ivoire.

Figure 3.1 Ghana's cocoa production in metric tons, 1960/61–2006/07



Sources: FAOSTAT (2006) (1960/61–2003/04); Cocobod (2004/05); Commodities Now (2005/06); Siddiqi 2008 (2006/07)

3.2 Generous revenue sharing with farmers

From 2001 to 2006, producer prices have increased nearly threefold in nominal terms, or about 30 per cent in real terms (Baah-Wiredo 2006). Ghana's high levels of cocoa production and its generous revenue-sharing with farmers are closely related to each other: farmers grow more cocoa because they are paid more. The farmers' 'producer price' has been rising steadily since the 1980s and currently stands at about 70 per cent of the FOB price.[7]

The 70 per cent mark is not unusually high compared to other cocoa marketing systems, where many farmers earn 60–80 per cent of the FOB price (Bulir 2002: 421–2). However, Ghana's increasing producer price stands in sharp contrast to the falling producer prices in many of the liberalised cocoa economies. Cote d'Ivoire's producer price, for example, was much higher than Ghana's directly after its liberalisation, but after liberalisation it fell to about 41 per cent of the FOB price (Mull and Elkins 2002: 20; also ITC 2001: 28; ul Haque 2004: 9; Calkins and Ngo 2005: 11).[8]

Since Ghana's producer price target is pegged to world prices, the government does not engage in explicit price stabilisation. However, the government has demonstrated a reluctance to cut the nominal value of the producer price, even when world prices have fallen. For the 2004/05 season, farmers received about 73 per cent of the FOB price – above the formal target of 70 per cent – because the producer price was maintained at nine million cedis per ton though world prices fell (ISSER 2005: 88).

3.3 High standard of cocoa quality

Ghana's cocoa has always enjoyed an unparalleled reputation for quality in international markets and it regularly exceeds international guidelines. Due to its high quality Ghanaian cocoa sells at a premium price, which is currently about 10 per cent higher than the average world price (Sibun 2008). This premium derives from three sources: climatic conditions that are especially conducive for growing cocoa, appropriate farmer practices, and effective quality control. Climatically, most West African countries are on equal footing, enjoying the conditions necessary to grow high quality cocoa. Therefore, Ghana's superior quality is due to its effective farm practices and quality control system.

3.4 Efficient marketing abroad

Because of the Cocobod's export monopoly, all cocoa sales abroad are under the

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7 The producer price was raised to 1,200 cedis per ton for the 2007/08 season, an increase of 26.4 per cent in nominal terms over the previous price (EIU March 2008).

8 Due to high world cocoa prices in the current year, however, Cote d'Ivoire's producer price has risen to a comparable level to that of Ghana, has put pressure on the Cocobod to raise its producer price even more to forestall smuggling into Cote d'Ivoire. See Kpodo (2008).

direct control of the Cocoa Marketing Company (CMC), a wholly-owned subsidiary of the Cocobod. The CMC is widely regarded by its customers to be a lean, efficient, and honest organisation, and it has a long history of fulfilling its contracts in a professional and satisfactory manner, unlike many of its counterparts in the rest of West Africa (Shepherd and Onumah 1997: 19, 34; Amoah 1998: 67–8; LMC 1996: A112, 42; Ghana Ministry of Finance 1999: 58).

3.5 Lack of corruption

Given the tainted history of African governments, as well as the notoriety of Ghana's own historical cocoa marketing system, it is notable that Ghana's cocoa marketing system today is not seen as being corrupt. This makes Ghana's cocoa industry unusual not only in Africa but also in Ghana itself. The 2007 Corruption Perceptions Index by Transparency International gave Ghana a score of only 3.7 out of 10 (10 being least corrupt), and according to that index, corruption worsened between 2004 and 2006. Robert Rotberg writes that, despite Ghana's relative success in Africa, 'Ghanaians generally assume that corruption is omnipresent' (2007).

The level of corruption in the Cocobod is difficult to establish with any degree of certainty, given corruption's secretive nature and the varying degrees between valid rewards for service and outright corruption. However, respondents from both inside and outside of the Cocobod – including representatives from the EU and IMF, former Cocobod employees, and academics – were nearly unanimous in describing the Cocobod as uncorrupt. A Ghanaian journalist interviewed for this paper maintained that he had not heard about any serious corruption in the Cocobod since at least the mid-1990s.

3.6 Strong credit record

Ghana's Cocobod has established a solid reputation in international credit markets due to its excellent repayment record. The Cocobod began borrowing from abroad during the 1993/94 season because of the expense and insufficiency of domestic credit (Bank of Ghana 2003: 14; LMC 1996: A127; Ghana Ministry of Finance 1999: 36). By 1998, international banks were actively competing to lend funds to the Cocobod, an unusual situation for a developing world organisation at the time, with the Cocobod's loan described as 'the jewel of African trade finance business' (*Euroweek* 1998). The Cocobod's consistently strong reputation has guaranteed it cheap credit over the years (Commodities Now 2006).

Are things today really as good as they seem? A relatively recent episode in Ghana's cocoa marketing history provides some compelling evidence on this count. The story began in the early 1990s, when total privatisation of Ghana's cocoa marketing system was one of the World Bank's top priorities, in line with its broader agenda to privatise all of Africa's state-controlled marketing boards (Shepherd and Onumah 1997: 19).

Under World Bank pressure, Ghana's internal cocoa marketing system was liberalised in 1992/93, breaking the erstwhile monopoly of the state-run PBC. This was not sufficient for the World Bank, however, which in 1995 insisted that the Cocobod was ‘a high-cost government monopoly’, whose inefficiencies, over-taxation of farmers, and limited marketisation necessitated full-scale reform, including full liberalisation of the export market (World Bank 1995). To aid its case, the World Bank enlisted the services of the consultancy LMC International, which was commissioned by the World Bank and the Ghanaian government in 1996 to evaluate Ghana’s cocoa marketing system.

Instead of finding evidence to support the World Bank’s position, however, LMC International found the Cocobod to be a generally functional organisation that performed important roles in supporting and regulating the cocoa industry. Moreover, the CMC was found to be especially laudable, having fulfilled its contracts with integrity and efficiency for 30 years without default and having earned the praise of many international stakeholders in the cocoa industry. The conclusion of the report was that Ghana’s cocoa marketing system should not be liberalised.

The LMC International report played a pivotal role in preserving the government’s role in the cocoa industry. A contributor to the report conveyed its impact in an interview, saying: ‘If I go to heaven and they ask me what good I’ve done in life, it will have been to assist in the stopping of the complete liberalisation of the Ghanaian cocoa marketing system’. Copies of the report are preserved in the Cocobod to this day with great pride.

Though the LMC International report found the Cocobod to be somewhat inefficient compared with privately-run systems (LMC 1996: 43, 71), the Cocobod has continued to make efficiency improvements. Paul Monnier of Natixis, a French Bank, reported in 2006 that the ‘levels of efficiency have continued to improve markedly’ in Ghana’s cocoa sector (Commodities Now 2006).

Ghana’s ‘old-fashioned’ marketing board system now serves as a model for its liberalised neighbours. In 2005, Nigeria sent a delegation to Ghana to learn about how its cocoa marketing system works (Oredein 2005). Meanwhile, other West African cocoa producers have faced various difficulties over the years. For example, Cote d’Ivoire’s cocoa sector has contributed to violence and corruption (Global Witness 2007), Nigeria’s sector suffers from neglect and unreliable data reporting (Reuters, ‘Lack of Credible Data Could Hurt Nigerian Cocoa’ 2007a; Reuters, ‘Nigeria: Cocoa Output up 18 pct/yr to 400,000T in 2006’ 2007b), and Cameroon’s cocoa sector has suffered from low prices and general neglect since liberalisation (Nfinn 2005; Pearce and Schneider 2000).

4 Pros and cons of marketing board centralisation

A striking feature of Ghana’s cocoa marketing system is that the differences between the historical and the modern-day equilibria are rather subtle, while the outcomes of the two have been very different. Both systems are characterised by a government-controlled marketing board, an export monopoly, and strong government control over internal marketing. More 'structural' elements of Ghana's cocoa sector, such as the nature of the cocoa tree and the predominance of smallholder cocoa farmers, have also remained largely unchanged.

How have such similar arrangements produced such different outcomes? The answer to this question has two parts. First, some of the outcomes did not change so much. Elements of the system that were already operating well – specifically, quality control and export management – have continued to operate well, as discussed in Part 5. The dreadful reputation of Ghana's past cocoa marketing boards followed from their chronic overtaxation of farmers, politicisation, and wasteful overemployment, factors which eventually drove the cocoa sector to ruin despite effective quality control and export management systems.

The second part of the answer relates to the dichotomous nature of marketing boards, which is the subject of this section. In short, marketing boards can fulfill important roles to support agricultural markets, but they also have the power to exploit those markets. The cocoa sector presents higher stakes on both ends of this dichotomy, as discussed below.

Ghana's historical equilibrium was one where the cocoa marketing board's exploitative features outweighed the benefits of centralisation. The modern-day equilibrium leverages the benefits of centralisation without succumbing to the deficiencies of the past. The result is a system that appears similar in form but functions very differently. The rest of this section examines these pros and cons of marketing boards and the particular application of those aspects Ghana's cocoa sector.

4.1 Marketing boards: benefits and difficulties

Marketing boards can solve many of the difficult coordination issues confronted in agriculture. First, agriculture suffers from a time inconsistency problem. Farmers do not collect revenues until after the harvest, but they need to make investments long before the harvest, during planting and cultivation. Marketing boards can ameliorate this problem using credit allocation and other methods to ensure resources are available to the sector when needed.

Second, marketing boards can provide important services – including quality management, disease control, and plant research – which benefit from central coordination. Central coordination of disease control is particularly important, as diseases can resurge and spread if not treated universally and completely. In Ghana, the government periodically coordinates mass sprayings of cocoa farms to prevent disease, which has likely contributed to the large increases in production in recent years (T'Sas 2008). Plant research is an area that can confront typical 'public good' issues: farmers can theoretically fund plant research on their own, but if research findings benefit everyone, then farmers have the incentive to free-ride off the effort of others. The result is sub-optimal levels of investment. The Ghanaian government ameliorates this problem in Ghana's cocoa sector by supporting research through the Cocoa Research Institute of Ghana, a subsidiary of the Cocobod. Marketing boards can also offer a range of other services, from supporting the development of input markets to investing in the basic infrastructure of the value chain. In Ghana's cocoa sector the Cocobod helps to fulfill many of these roles.

The obvious problem with marketing boards is that they centralise power and control, and that power can often be a temptation for those able to abuse it. There is also an inherent tension between a marketing board's ability to support an agricultural sector and its incentive to exploit it. If the marketing board does its job well and boosts industry revenues, the potential rents available for exploitation also increase. Therefore, positive outcomes of marketing board coordination can augment incentives for exploitation.

Historically, agricultural marketing boards tended to succumb to their flaws instead of living up to their virtues. However, dismantling the marketing boards wholesale – as occurred under privatisation – created other problems, as valuable coordination roles were lost.

4.2 Marketing boards in the cocoa sector

In the case of cocoa, the opposing aspects of marketing boards are amplified: a variety of structural elements in the cocoa sector make coordination even more valuable, while some of those same elements make cocoa more susceptible to exploitation, as discussed below.

4.2.1 Beneficial coordination

Five structural characteristics of cocoa make the sector particularly well-suited to the sort of coordination that marketing boards can provide:

1. Cocoa requires a *long time horizon,* as production happens years after planting;
2. Cocoa is a crop where *quality matters;*
3. Cocoa farming is dominated by *smallholder farmers;*
4. Cocoa is an *export crop;* and
5. Cocoa prices on world markets tend to be *volatile.*

These characteristics describe Ghana's cocoa industry both historically and presently, and they are features inherent to the cocoa crop (quality, long time horizon), the labour-intensive requirements of its cultivation (smallholder farmers), and the realities of the global cocoa economy (export crop, volatile prices).

To begin, cocoa compounds the time inconsistency problem faced in all agriculture. Cocoa is a tree crop. Once planted, the tree takes three to five years to bear fruit and then is economically productive for about 25 years. Therefore, farmers do not realise returns until years after initial investments are made. Marketing boards can provide farmers with a variety of valuable supports from the time of planting until the cocoa trees become economically productive (Shepherd and Onumah 1997: 6).

Second, quality matters in the cocoa industry, with quality cocoa receiving a price premium on world markets. Coordinating quality control, especially among smallholder producers, is a difficult exercise for which centralised control is useful. In addition, since cocoa quality is generally attributed to geographic origin (as noted above), quality control is most effective when done universally, as country-wide reputations can be ruined by pockets of poor quality produce.

Third, Ghana's cocoa economy is dominated by smallholder farms, which exacerbates many of the coordination challenges simply because there are so many actors in the system. Consolidating farms would not be an ideal solution, as cocoa cultivation benefits from smallholder farming that allows for the labour-intensive practices required to produce high quality cocoa (LMC 1996: A107; Tollens and Gilbert 2003: 304; ITC 2001: 34; ul Haque 2004: 3).

Fourth, export centralisation (via a monopoly) carries a few benefits. Export centralisation simplifies the quality control problem by providing a single point of exit for final quality checks. In addition, centralising exports makes it easier to sell cocoa through forward contracts, as cocoa can be sold in bulk quantities on the basis of country-wide production estimates. Selling forward, in turn, has the advantages of providing greater flexibility, more stable and often higher prices, more reliable balance of payments planning, the ability to secure trade finance, greater flexibility in shipping, and reduced risks in setting farmer prices (LMC 1996: 36, A118–19; Amoah 1998: 93).[9] Finally, centralising exports gives the exporting country greater countervailing power in price negotiations, which has become increasingly important in cocoa as international buyers have consolidated into powerful units (Tiffen *et al.* 2004: 21–3).

Finally, price variability also benefits from central coordination. Cocoa is a typical commodity in that it faces volatile world prices (ul Haque 2004: 13). Marketing boards can have a valid role to play in helping farmers ride through price fluctuations, especially vital given the crop's long time horizon.

4.2.2 Susceptibility to exploitation

Although these features can make central coordination beneficial for the cocoa sector, they can also increase the likelihood of exploitation. First, the foreign exchange generated by cocoa exports can be tempting for corrupt governing elites. Second, smallholder farmers can suffer from collective action problems, making it difficult for them to coordinate a response to unfair treatment. This becomes especially relevant given the third factor, the long-term nature of the cocoa tree, which locks farmers into cocoa production for many years, unlike annual plants that allow farmers to make planting decisions year-on-year. This makes it more difficult for cocoa farmers to abandon their crop, even if prices fall. Thus, marketing boards can cut prices without risking a corresponding drop in cocoa supply.[10] Finally, volatile prices give marketing boards an excuse to lay

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9 After the liberalisation of cocoa marketing boards elsewhere, Ghana was the only major cocoa producing country selling forward, as others lacked the required coordination and reliability, and therefore had to sell in the more volatile spot market (LMC 1996: 11, 86; Fold 2002: 246).

claim to crop revenues, as they can justify their actions as price stabilisation. Together, these factors make the cocoa sector particularly vulnerable to marketing board exploitation.

In Ghana, cocoa farmers became easy targets for exactly these reasons. The tragedy of the situation was that it came about not from an intention to destroy the cocoa sector, but because of an unfortunate set of incentives. Government agents likely understood that leveraging the benefits of central control would lead to a better outcome for farmers and government officials alike. Such a system would have spurred cocoa production, increased cocoa revenues, and quite possibly even resulted in higher overall tax revenues for the government (Frimpong-Ansah 1991: 147). However, once the exploitative dynamic was established, it created a self-sustaining equilibrium that eventually strangled the industry into collapse.

4.3 Understanding the success of Ghana's cocoa industry

Understanding the current success of Ghana's cocoa sector requires us to answer three questions:

1 Why have some things – specifically, quality control and export management – always worked well?

2 Why were the reforms successful in achieving genuine and productive change in areas not working well?

3 How has today's system overcome the flaws of the past as well as the structural difficulties that make the cocoa sector susceptible to exploitation?

Together, the answers to these questions explain not only *why* today's cocoa marketing system performs so well, but also *how* Ghana's cocoa marketing system was able to migrate from a counterproductive to a successful equilibrium, keeping the benefits of centralised control intact. The next three sections present the answers to the questions above.

5 Persevering performances: quality control and export management

Two areas of Ghana's cocoa marketing system have always functioned relatively well: product quality control and export management. In both cases, the strong performance has had a long history and has been accompanied by supportive institutional structures. These successes were notable within the wider context of dysfunction in Ghana's historical cocoa marketing system, but both areas likely benefited from characteristics that have naturally driven them toward strong performance, a point explored further at the end of this section.

10 While cocoa supply would probably drop, reflecting less cultivation and potentially smuggling, it would not be as elastic as the supply of annual crops.

5.1 Quality control

Attention to cocoa product quality has long been a feature of Ghana's cocoa marketing system. The chocolate company Cadbury helped to initiate this attention to quality when it first became involved in Ghana's cocoa sector at the start of the twentieth century. Cadbury valued cocoa quality, and it not only paid farmers a premium for quality cocoa, but it also provided technical assistance to farmers to help them produce quality cocoa (Ghana Cocoa Marketing Company (UK) 2006). Farm-level knowledge is crucial for quality product, as the farmer's practices are the main determinant of cocoa quality (LMC 1996: A107; Tollens and Gilbert 2003: 304).

While this arrangement helped to develop quality know-how among Ghana's farmers, the maintenance of Ghana's top-tier cocoa quality over the decades must also be attributed to its strict quality control systems. Today, the lynchpin of this system is the Cocobod's Quality Control Division (QCD), which is responsible for grading the quality of Ghanaian cocoa and preventing low-quality cocoa from entering the system. Quality guidelines are clearly laid out by both national and international standards (ITC 2001: 130), and the Cocobod only buys cocoa of the top two grades.[11] All other cocoa is either rejected or purchased at a heavy discount. In the past, LBCs have been paid only half as much for substandard cocoa (LMC 1996: A106; Shepherd and Onumah 1997: 42). Rejections of low quality cocoa are common,[12] and any rejected cocoa must be 'reconditioned' by the LBC at its own expense before being resold to the Cocobod. Therefore, LBCs have a strong incentive to perform their own quality checks.

One of the main dangers of quality control systems is that quality control officers will be bribed to accept poor quality products. Because the LBC business model is one where greater profits come from shipping the greater quantities of cocoa, LBCs therefore have a clear incentive to coax quality control officers into overlooking cocoa that does not meet quality standards. Such practices would pose obvious problems to the system as a whole: if lower quality cocoa makes it into the export stream, Ghana's entire reputation for quality would be put in jeopardy and the price premium currently enjoyed would be threatened.

In order to prevent this type of corruption, the QCD checks the cocoa twice: first at the upcountry depot and later at the ports before shipment. All graded cocoa is sealed with information showing the farming society of origin and the quality control officer who graded it (Amoah 1995: 63; Bank of Ghana 2003: 10). Because cocoa quality generally remains constant from farm to port (ITC 2001: 51), any quality discrepancies found when the cocoa reaches the port can be attributed to the original quality control officer who graded the cocoa. Any offending officer can then be swiftly reprimanded, with the common punishment said to be instant dismissal. Before the reforms quality control functioned in a

11 Though 'virtually all' of the cocoa Ghana produces is of grade I standard (ITC 2001: 10).

12 By one account from the 2004/05 main crop season, 'only 15 per cent of cocoa purchased by the PBC [by the sixth week] had been accepted by the quality control division, compared with 53 per cent for the same period the previous year' (Kpodo 2006).

similarly effective way, the main difference being that there was an even greater number of checks – five as opposed to only two today.

This transparent quality control process also serves an important information role. Because cocoa is graded early in the marketing chain and identified by farming society, farmers are motivated to present high quality cocoa and are also instantly aware (and penalised, by not being able to sell their cocoa) when their cocoa is sub standard (Shepherd and Onumah 1997: 46; Bank of Ghana 2003: 10). By contrast, in other cocoa producing countries cocoa is generally graded much later in the chain and not always traced back to its origin, giving farmers little information about their cocoa's quality and few incentives to improve it (ITC 2001: 33; Bank of Ghana 2003: 10).

5.2 Export management

While the Cocobod's admirable quality control system can be traced to its history and institutional practices, the reasons behind the success of export management are less obvious. The British, who initially set up the CMC in London in 1947, may deserve some credit for its solid performance. The early CMC served as an overseas training base for skilled Ghanaians who would eventually take control of managing Ghana's cocoa exports (Amoah 1998: 78). In 1961, Nkrumah replaced the British-run CMC with an all-Ghanaian one, in line with his broader policy of Africanising the public sector, and he moved its main operations to Accra (though the CMC still keeps an office in London) (Amoah 1998: 78). Despite this change, its meritocratic traditions apparently remained. According to current and former CMC employees, even those who were present at the low periods of the cocoa industry in the late 1970s and early 1980s, the CMC has always recruited according to qualifications and has provided intensive training to its employees. New CMC employees are first trained on the job in Accra for two years and then are sent overseas for additional training at the international trading houses.[13] This type of intensive training is reportedly not common in other cocoa producing countries and may partially explain why the CMC performs much better than its other West African counterparts.

How did the CMC escape the politicisation and over-employment that infected the rest of the cocoa industry in the post-independence decades? One potential answer, posited by a retired longtime Cocobod employee, is that the government had an incentive to ensure that key positions in the Cocobod were filled by competent people who would be able to keep the technical aspects of the system functioning, even though the state-operated sector as a whole grew bloated and under-qualified through politicised hiring elsewhere. If this hypothesis is true, then politicised over-employment long overshadowed the accomplishments of this select few. Given the instability of Ghanaian politics for the past 30 years, including eight separate regimes from independence in 1957 to Rawlings' second coup in 1981, the CMC technocrats could well have learned to carry out their business independent of the ever-changing political winds.

13 This practice may have been in place since 1961, according to CMC employees.

Another possible explanation is that CMC officials are oriented externally, interacting primarily with international buyers, which may make them less susceptible to corrupt impulses back home. CMC traders also have a great deal of discretion in their day-to-day business and a high degree of autonomy from the rest of the Cocobod (Shepherd and Onumah 1997: 68–9). This autonomy would have helped to insulate the CMC from the historical ills of the cocoa sector more broadly.

Practices within the CMC also help to keep it honest and transparent. For example, all CMC trades must take place in a specific trading room located in the main Cocobod building. This not only forces traders to make sales in front of their co-workers, but also prevents other Cocobod employees, including high-ranking officials, from selling cocoa clandestinely to further corrupt aims. In addition, there is a structured bid writing system for the CMC under which prices must be offered and accepted in a certain order, which purportedly makes discrepancies easy to spot (Amoah 1998: 97–9). Finally, the CMC's earnings are based on its performance; it receives 0.5 per cent of its sales as a commission to cover its costs. This amount is acknowledged to be a low-cost benchmark for external marketing (LMC 1996: 82; Ghana Ministry of Finance 1999: 59).

5.3 Quality control and export management as promoting food behaviour

From a broader vantage point, it is not so surprising that quality control and export management are the parts of the sector that have always been relatively successful. Just as some of features of the cocoa sector enable exploitation, quality control and export management arguably promote transparency and honesty.

In order to garner a quality premium, the quality control system needs to work: quality control officers must grade cocoa accurately, and farmers must be paid only when they produce cocoa of acceptable quality. In other words, information needs to be accurate and transparent in order to achieve the desired outcomes. The association between origin and quality reputation makes the quality control system even more important, since the proverbial bad apple can harm the whole barrel, damaging a quality reputation and price premium. Ghana's strong quality may have been established by its particular history, but it has been maintained through institutions that facilitate transparent and accurate information flows, enforced by a government that values the quality premium. The fact that five checks were needed historically whereas only two are in place today may indicate that the dysfunctional system of the past required a more intensive quality control structure, though the desired outcomes were still achieved.

Export processes do not necessarily require the same stringent integrity, as is apparent from the rampant corruption in many export industries. But selling cocoa on international markets does require knowledge of international trade and finance as well as the ability to enter and keep contracts with international parties. These activities require technical capacity and credibility, which are impossible to earn without some level of competence and transparency.

Thus, both of these areas of the cocoa sector have inherent forces driving them toward effective practices (though, indeed, good performance is never a guarantee). For this reason, they are very different from other areas of the sector – such as price-setting and hiring – where discretion is more easily justified and dishonest practices are more difficult to detect.

6 Successful reforms

Having explained the aspects of the system that were always characterised by solid performance, the next task is to understand how the dysfunctional aspects of the system were successfully changed. The cocoa sector's problems were fairly apparent, from rampant overtaxation to bloated employment rolls. The reforms were remarkable because they managed to address these difficult problems and prevent the system from relapsing into its previous destructive ways. How did the reforms manage to produce genuine, sustainable change? How did that change overcome the structural characteristics of the cocoa sector that make it susceptible to exploitation?

It is not difficult to identify factors that support genuine reform, such as strong leadership, local ownership, and political will. Ghana had all three of these during its reform, but the important question is *how*. Reforming Ghana's cocoa sector was not destined to be easy, especially given the patronage-dependent vested interests within the cocoa industry resistant to change (Shepherd and Onumah 1997: 40). Fortunately, a number of factors converged at a key moment in time to create an enabling context in which the reforms could take place. The pre-eminent factor was economic crisis, which came to a near breaking point in the early 1980s. Another factor was the strong and determined leadership of Jerry Rawlings, who was motivated and well-positioned to carry out genuine reform. A third factor was local ownership (and accordingly, support), as the reforms were primarily devised by Ghanaians. A fourth factor was the importance of the cocoa industry, which put cocoa at the center of the agenda and united the Ghanaian government and international players in undertaking a thorough reform of the sector. A fifth factor was international support. A sixth factor was the lack of any serious opposing pressures. This confluence of enabling factors providing a setting in which genuine reform could take place to fix a set of obvious problems.

6.1 Economic crisis

Many scholars adhere to the school of thought that Ghana's economic crisis was of such epic proportions that the government had little choice but to implement dramatic and genuine reform. The economy was ravaged by rampant inflation, a serious drought, and the unexpected expulsion of 1.2 million Ghanaians from Nigeria. Aryeetey and Harrigan describe the crisis as 'nothing short of an unmitigated economic disaster' by 1983 (2000: 11; also Tangri 1999: 47; Frimpong-Ansah 1991: 95; Bawumia 1998: 50; Commander *et al.* 1989: 103; Ninsin 1989: 11; Boafo-Arthur 1999: 48; Jonah 1989: 113–4). Under this logic, the country's leaders were able to override political considerations and embrace genuine reform on the basis of sheer economic need. Some scholars further hypothesise that the very survival of Rawlings' new government was on the line and that it would have been overthrown had it not been able to bring the country out of its economic troubles (Frimpong-Ansah 1991: 112; Tangri 1999: 49).

As Herbst points out, however, other African governments have faced economic crisis and merely 'limped by' (1993: 30–1). E. Gyimah-Boadi and Richard Jeffries concur, noting that 'economies can always sink lower, and, where regimes are only concerned with immediate political survival, frequently do' (2000: 44). African history has shown that cycles of politicisation and patronage networks are difficult to disrupt, even in the face of crisis (Shepherd and Farolfi 1999: 63; Tangri 1999: 6). Hence, while economic crisis helped to motivate reform, it should not be taken as a sufficient factor.

6.2 Strong and motivated leadership

In some ways, Jerry Rawlings was an ideal leader to push for serious economic reform. He was a strong and charismatic leader. He also sought to enact major change ('revolutionary transformation') after his second coup in 1981 (Gyimah-Boadi and Rothchild 1990: 245). Part of his agenda was to tackle corruption and economic inequality, and he had a track record of action on those counts. Rawlings initiated high profile anti-corruption campaigns in both 1979 and 1981 to purge government officials suspected of corruption or wrongdoing (Gyimah-Boadi and Rothchild 1990: 245–6; Ahiakpor 1991: 587). Rawlings also had a capable party (the PNDC) governing beneath him, which had the essential capacity needed to devise and implement policy (Shepherd and Onumah 1997: 64; Boafo-Arthur 1999: 49).

Perhaps most crucially, however, Rawlings wanted the reforms to be successful. According to Gyimah-Boadi and Jeffries, his 'genuine concern to engineer economic recovery' led him to turn to the international financial institutions and structural adjustment as a means to end the economic crisis, in contrast to his prior adherence to populist ideology and rhetoric (2000: 44; also Shepherd and Onumah 1997: vi). Rawlings was also well-positioned to implement the hard economic choices required under a structural adjustment plan. Having taken power by force, Rawlings had relative autonomy. He was not directly responsible to an electorate or to any of the existing vested interests within the public sector (Sandbrook and Oelbaum 1997: 612; Tangri 1999: 49; Shepherd and Onumah 1997: 69). For all of these reasons, and notwithstanding his many flaws, Rawlings provided the leadership and political will needed to enable genuine economic reform.

6.3 Local ownership

Unlike most cases of structural adjustment in Africa, Ghanaians retained a remarkable degree of ownership over the reforms. The structural adjustment programme was designed by the Ghanaian government – notably the Finance Minister, Dr Kwesi Botchway – rather than the World Bank and IMF, which resulted in a strong degree of commitment from the Ghanaian government (Frimpong-Ansah 1991: 153; Herbst 1993: 57). Thus, rather than diluting state authority, the reforms helped to solidify Ghanaian control over the macroeconomy in general and the cocoa sector in particular. To this day, Ghana's cocoa sector does not rely on financial support, technical assistance, or oversight from international bodies.[14]

6.4 The importance of cocoa

While economic crisis and strong and capable leadership may have been enough to guarantee reform, the cocoa sector became central to the reform process because of its importance to the economy. The failure of the cocoa sector had been a key component driving the overall economic decline (as described above), and addressing the crucial sector's problems was essential to get the broader economy back on track. Cocoa also remained a key source of government revenue and foreign exchange, both of which would be needed for economic rehabilitation (Osei-Akom 2001: 143).

6.5 International support

International parties played a productive role in Ghana's reforms. In addition to providing financing and monitoring (Herbst 1993: 36), outside actors also played a useful role in the retrenchments. For example, consultants from the World Bank, as well as the Ghana Institute of Management and Public Administration (GIMPA), helped to review manpower requirements and qualifications to prevent re-politicisation in the Cocobod (Nunberg 1989: 9–10; Shepherd and Onumah 1997: 46; Appiah-Kubi 2001: 204). Some current Cocobod employees also credit the World Bank and IMF with generally having pushed the reforms in the right direction, such as encouraging the fair and open process through which LBCs apply for licenses and pressuring the Ghanaian government to increase producer prices.

6.6 Limited opposing pressures

A final factor facilitating the success of the reforms was that the reconstructed cocoa marketing system faced few, if any, major opponents. The donor-supported severance packages forestalled any severe resistance from the main losers of the reform (those losing their patronage-based jobs in the cocoa sector (LMC 1996: A62)) and the reforms created a cocoa marketing system in which the main stakeholders, including farmers and the government, were ultimately better off. The new cocoa sector also struck a balance between newfound efficiency and

14 As of 2005, the only major donor substantially involved in Ghana's cocoa sector was the EU (EGEVAL 2005: 148), which worked entirely through the Cocobod to implement its various cocoa sector programmes.

maintenance of state control, satisfying, for the time being, both the international financial institutions (e.g. the World Bank) and the Ghanaian nationalists.

7 The role of institutions in the cocoa sector's success

While productive reform shifted the cocoa sector from a dysfunctional to the functional equilibrium, institutions[15] have protected those outcomes to the present. The institutions of the current cocoa marketing system have two major differences from the past incarnation, discussed in the two sections below. First, new institutions have productively addressed some of the difficult structural aspects of the cocoa sector outlined in Part 4 above. Second, institutions in the form of organisational structures and practices have helped to keep the Cocobod lean and efficient. Together, these improvements averted a return to the bad habits of the past, namely overtaxation and politicisation.

7.1 Overcoming structural susceptibilities of the cocoa sector

A keystone of the reforms was the government's commitment to increase the farmers' share of cocoa revenues over time, which was central to addressing the cocoa sector's natural susceptibilities to exploitation. This commitment took the shape of a set trajectory, which served to 'institutionalise' producer price increases over time (Bawumia 1998: 57; Herbst 1993: 81; Varangis *et al.* 1990: 38). The benefits of a set trajectory were two-fold. First, it removed the government's discretion to set prices under the guise of price stabilisation, preventing the classic overtaxation of the past. Second, the long-term price trajectory complemented the long-term nature of the cocoa tree, giving farmers confidence that their investments in planting and cultivation would provide sufficient returns in the future.

Obviously, a danger was that the government would renege on its promise to increase producer prices. Fortunately, that did not happen, due to the institutionalisation of a collaborative price-setting process and other natural government incentives, as discussed below, which served to promote government adherence to the price trajectory.

7.1.1 Collaborative price-setting

As part of the reforms, the Rawlings government instituted a collaborative price-setting process in 1984, known as the Producer Price Review Committee (PPRC). The PPRC is responsible for determining the division of cocoa revenues between the various parties involved in Ghana's cocoa industry (Amoah 1998:

15 'Institution' is broadly defined to encompass practices as well as organisational structures.

149–51). It convenes academics and all major stakeholders – including farmers, hauliers, LBCs, the government, and the Cocobod – at least once a year to allocate the cocoa revenues for the following season (Fold 2002: 231).

The PPRC follows a structured and technically-based process that takes into account projections of cocoa revenues and the costs of the various cocoa marketing agents along the value chain. The end result is a division of the predicted FOB cocoa price into percent shares for various participants in the marketing chain, from the farmers through to the Cocobod. Though one might predict that consensus would be elusive among so many competing interests, a former chairman of the PPRC asserted that the technical basis of the negotiations and their focus on cost breakdowns would facilitate consensus. This statement was supported by various Cocobod, government, and LBC representatives, all of whom all agreed that the PPRC was a fair and open process where everyone had a right to speak and where all parties were generally satisfied with the outcome.[16] Such positive reports should not be taken at face value, but they are given credence by the generous producer prices, a competitive internal marketing system,[17] and the general effectiveness of the industry.

In addition to promoting collaboration and technical due diligence, the PPRC also enhances the transparency of Ghana's cocoa industry, providing all parties with the information of roughly how much revenue they will be getting before the season starts. This openness minimises disagreements once the cocoa revenues arrive, and it gives farmers a clear understanding of what their cocoa is worth early in the season.

When cocoa revenues arrive in Ghana, they are deposited into the Cocobod's account at the Bank of Ghana. The Bank of Ghana takes a commission, and the Cocobod distributes the rest of the revenues to the various parties in accordance with the PPRC determinations. If revenues exceed what is expected, the surplus is supposed to be shared between the government and the farmers. From 2001 to 2004 and 2006 to 2008, farmers received bonuses in line with this policy (Gyan-Baffour 2007; *Accra Mail* 2008). If there is a loss, it is supposed to come out of the government share.[18]

The PPRC process represents a marked difference from the pre-PPRC era, when farmers and internal buying companies had no say in determining the division of

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16 The only severe disagreement was from the Ghana Cocoa Coffee and Shea Nut Farmers Association (GCCSFA), which said that it was only brought in for final approval after the prices had been set and had no power to change things or voice their opinions. The political dynamics in Ghana make it difficult to ascertain the validity of this concern, as the GCCSFA is seen as an NDC organisation and the current government in power is NPP. According to sources, non-GCCSFA farmers are involved in the deliberations, and the process has not squeezed the farmer income; to the contrary, the producer price has remained a high share of the FOB price in recent years.

17 In the current 'privatised' era, there are around 18 active LBCs of around 28 total (Kpodo 2005), and competition is intense. A 2006 survey reported that there are slightly more than three LBCs per cocoa farming village each year (Teal *et al.* 2006: 19).

18 Under this policy, it is clearly to the government's advantage to underestimate the FOB price. This study does not investigate this issue further, but given these incentives, it is not surprising that farmers have frequently received bonuses.

cocoa revenues (Amoah 1998: 152). While farmers are not a dominant voice in the PPRC discussions, it seems reasonable to infer that the process gives them a venue for protecting their share and a space to coordinate collective action, should the need arise.

7.1.2 Reinforcing government incentives

The government has had at least three incentives to support producer price increases in the time since the reforms. First, the producer price increases have helped to boost cocoa production to record levels, which benefits the government by stimulating the economy and providing foreign exchange and tax revenues. Second, higher producer prices support the health of the cocoa sector. In particular, the government hopes that high producer prices will induce young people into the cocoa growing business, which is currently dominated by elderly farmers (Ghana Ministry of Finance 1999: 8; Osei-Akom 2001: 143). Third, higher producer prices provide political benefits. Given the large share of Ghanaians involved in the cocoa industry, cocoa interests have noticeable political weight in democratic politics. The producer price is frequently an issue of discussion of Ghana's main political parties.[19] Thus, Ghana's democracy has helped to protect the producer price increases over time. Finally, the Ghanaian state is less reliant on cocoa revenues than it used to be, making the cocoa coffers a less tempting resource. Cocoa export taxes have declined as a share of government revenue as other sources – notably the value-added tax (VAT)[20] – have increased.

7.2 Organisational structure of the Cocobod

The Cocobod's organisational structure provides evidence for why the sector has retained its lean and depoliticised character after the reforms. The discussion below, which relies heavily on the accounts of Cocobod employees, examines the Cocobod Head Office as an informative and limited system for evaluation. Specifically, it examines the Cocobod's political autonomy and its employee professionalism.

7.2.1 Political autonomy

While the past cocoa marketing board was heavily politicised, the current Cocobod enjoys a great amount of autonomy from politics, even though the government is linked to the Cocobod through a variety of structures. The government appoints the Cocobod's Chief Executive, a conspicuously political appointment, and the Cocobod lies under the jurisdiction of the Ministry of Finance. In addition, the Cocobod's Board of Directors includes representatives

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19 For example, see EIU (November 1996:17–18, 23).

20 After a disastrous attempt to introduce VAT in 1995 (Shepherd and Onumah 1997: 37), the Ghanaian government succeeded in 1998 and since then, VAT has become a substantial portion of government revenue.

from the Ministry of Finance and the Bank of Ghana. Yet these government connections have not led to counterproductive interference, for a variety of reasons.

First, the Chief Executive is generally a newcomer to the cocoa industry (for example, the current Chief Executive, Isaac Osei, was formerly Ghana's High Commissioner in the United Kingdom). Moreover, the Chief Executive has often been removed from the position before finishing the slated four-year term.[21] This is in stark contrast to the continuity of the Cocobod technocrats, including the Cocobod's three Deputy Chief Executives, who have commonly risen through the organisation and have substantial experience in the industry. One Cocobod employee maintained that Chief Executives have learned to stay silent rather than say something in ignorance that could adversely affect the cocoa markets.

According to Cocobod sources, most of the directors on the Board also lack technical knowledge of the cocoa industry. The Board fashions general policies guiding the Cocobod, but it leaves the expert Cocobod personnel to carry out the specifics. The Cocobod needs the Ministry of Finance to approve its loans and budget, but both Ministry and Cocobod officials confirmed that the Ministry gives the Cocobod full autonomy to carry out its business. One journalist remarked that one cannot call the Ministry of Finance to find out what is going on in the Cocobod because they rarely know.

Most believe that the government stays out of Cocobod business because it lacks technical knowledge and does not want to be held responsible for ruining the critically important cocoa industry by interfering. If the Cocobod's performance were to deteriorate, this implicit autonomous mandate could be revoked, as the government has enough formal oversight to take charge. However, the Cocobod and its qualified technocrats have shown that they are capable of running the industry. In other words, the Cocobod has earned its autonomy through capability.[22] Therefore, the technical nature of cocoa marketing has made it easier for Cocobod technocrats to earn autonomy. And autonomy, in turn, makes it easier for Cocobod employees to fulfill their tasks effectively, on the basis of technical knowledge rather than political imperatives.

7.2.2 Employee professionalism

There are strong indications that Cocobod personnel fit the mold of depoliticised technocrats, distinguishing them from the political hires of the past. Shepherd and Onumah maintain that 'the technical capacity of Cocobod's core management personnel is high' (1997: 64), and my interactions with Cocobod personnel support that view. This professionalism seems to stem from the Cocobod's meritocratic and careerist style of recruiting, training, and promoting employees.

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21 There have been nine Chief Executives from 1981–2006. Interviewees suggested that most of the removals have been due to political reasons.

22 I thank Mick Moore for pointing out this connection between the Cocobod and 'autonomous revenue authorities', in line with the work of Julia Strauss (2008).

Meritocracy in the Cocobod begins with recruitment. The Human Resources (HR) department conducts the hiring for all departments in the Cocobod's Head Office using a standard procedure of advertising positions with clear educational requirements, shortlisting interviewees, and hiring based on the interview process. Hiring into the Cocobod can be very competitive, and an HR representative estimated that it is not uncommon to have 100 applications for one spot.

Training is taken seriously, and employees are sometimes sent on short courses overseas for training. By one estimate, Cocobod employees do about one training programme a year, and before someone reaches the top level in the Cocobod, they have likely been on at least two or three training courses abroad. The Cocobod also has a policy of allowing some employees to take paid leave in order to get a masters degree abroad. All of the CMC traders interviewed had taken this opportunity (on top of undertaking the rigorous CMC training regimen), as had most of the high-ranking Cocobod officials. The overseas training policy reputedly began under Nkrumah during his drive to develop indigenous expertise in the cocoa marketing system. This was an economic move as well as a nationalist one, as it was cheaper to train Ghanaians than to hire foreigners.

The careerist outlook of Cocobod personnel is cultivated through the organisation's hiring and promotion policies. Cocobod employees are recruited young, and they tend to stay in their careers for a long time, further specialising in their field and slowly working their way up the ranks of the defined hierarchy.[23] The Cocobod's general policy is to hire people straight out of university, preferably with no job experience but already specialising in a related field through the course of their education. When a job vacancy arises, the Cocobod's policy is to promote internally, in line with the careerist mindset. If there are no suitable internal candidates, only then will the Cocobod recruit externally. While promotion is also said to be based on meritocratic considerations, workers are only supposed to be promoted at most once every three years to prevent them from moving up the chain too quickly.

While it is rare for people to come into the Cocobod in the middle of their career, it is also rare for people to leave the Cocobod for reasons other than retirement, making turnover figures very low according to HR estimates. All of the high-ranking Cocobod officials interviewed had been with the organisation for well over two decades. Employees are also rarely fired, making Cocobod jobs safe ones.

Careerism carries a variety of benefits, especially in organisations prone to politicisation. In addition to encouraging technical specialisation, careerism also promotes employee loyalty: employees are less likely to abuse their job for advantage in other pursuits or in future careers because their career is seen as a lifelong commitment. Careerism has these clear benefits as long as it is coupled with meritocracy to ensure that jobs are allocated to qualified personnel in the first place.

23 Cocobod employees tend to remain in the same department and become more and more specialised in what they do, though sometimes management level personnel are deliberately rotated to give them broader experience.

Salary is another important variable in this story. In most African countries, low salaries contribute to public sector corruption (Klitgaard 1997: 489; Gould 2001: 766). Ghana is no different: 80 per cent of public officials surveyed in Ghana regarded low salaries as the leading cause of corruption in a 2000 survey (CDD-Ghana 2000: 3, 22). By contrast, salaries at Cocobod are reputedly good. While none of the Cocobod employees interviewed were willing to reveal their salary, the general consensus both within and outside of the Cocobod was that its salary levels are much better than those of the ministries.[24]

7.2.3 The Cocobod as a Weberian organisation?

In the early twentieth century, Max Weber, one of the fathers of organisation theory, helped to solidify the dominance of the hierarchical, professional, and rules-based bureaucracy as the norm for public administration. Weber's description of the bureaucracy is part of a broader literature on organisational effectiveness that shares many commonalities, and hence, many so-called 'Weberian' principles are taken as essentially-good organisational practice (for example, see Hall 1963; Olowu and Adamolekun 1999: 89; Wilson 1989: 334–5; Riggs 2001: 817–19).

Notably, the Cocobod shares many similarities with the Weberian bureaucracy (see Weber 1946: 196–216). Weberian bureaucrats are recruited in a meritocratic manner and developed into technical experts through intensive training. They are careerists who become more and more specialised as they work their way up the ranks of the hierarchy, making those at the top of the organisation the most knowledgeable and experienced in their field. Weber suggests that the careerist mentality makes employees loyal to their careers and stops them from abusing their positions for political or personal gain. Weberian bureaucrats also receive a secure and sufficient salary, making them less tempted to exploit their office for alternative sources of income. Within this system, technical knowledge overrides political considerations. On this count, Weber wrote: 'Under normal conditions, the power position of a fully developed bureaucracy is always overtowering. The "political master" finds himself in the position of the "dilettante" who stands opposite the "expert", facing the trained official who stands within the management of administration' (1946: 232).

Scholars of development studies may be surprised to find that the Cocobod's organisational structure shares so many similarities with the Weberian bureaucracy. Weberian structures were the prototype by which most colonial-era bureaucracies were set up (Perez 1991: 642; Garcia-Zamor 2001: 716; Haruna 2001: 39), but these structures often collapsed into patrimonialism and inefficiency. Many saw the Weberian structures themselves at fault and blamed the careerist tendencies and rigid hierarchies for stifling incentives and inhibiting success. However, as others have noted, these failures were often due to a 'distortion of the Weberian model of bureaucracy', not the Weberian model itself (Garcia-Zamor 2001: 716, also Evans 2005: 32).

24 One interviewee guessed that the Cocobod salaries were at least twice those in the ministries.

The classic Weberian bureaucracy does have shortfalls, notably its prioritisation of rules and objectivity over flexibility and efficiency. As a Weberian-leaning organisation, the Cocobod may benefit from moving more in the direction of incentivisation and flexibility. For example, the Cocobod has no incentive to cut costs, as any profit is turned over to government (LMC 1996: A137), though this is a common problem of government bureaucracies worldwide (Wilson 1989: 116). Another potential critique is that the Cocobod's rigid, rules-based nature may hamper its ability to adapt to changing circumstances internally or abroad. Finally, there could be benefits from some limited liberalisation of the export market, as long as secure quality control and other coordination structures remain in place. If able to export directly, farmer cooperatives and other groups would have more of an opportunity to build a brand, implement cost-cutting strategies across the value chain, and define a market niche, such as fair trade or organic.[25] In the future, there may be productive space for the government's role to shrink as farmers and other cocoa stakeholders develop their own marketing capacities and are able to provide the services that are now performed by the centre. But room for improvement notwithstanding, the Cocobod's Weberian character since the reforms has generally served the industry well.

7.3 Controllable vs uncontrollable factors

One of the broader lessons emerging from this study is the importance of matching institutions to context, or in a similar vein, manipulating 'controllable' variables to account for 'uncontrollable' factors. A key example is the lock-in of the producer price trajectory (a controllable policy), which complemented the long-term nature of the cocoa tree (an uncontrollable context). The reforms provide another example. The confluence of economic crisis and strong political leadership was essential for the success of the reform. These factors aided the reform efforts, but they could not have been created. The reform of Ghana's cocoa marketing system also had uncontrollable factors against its favour, from an inauspicious history to a culture of politicisation, but these detrimental factors hardly prevented effective reform any more than the beneficial factors guaranteed success. Uncontrollable factors determine the degrees of freedom, but controllable factors give policymakers tools to take advantage of opportunities within those degrees.

Another example is the Cocobod's organisational structure. A key characteristic of cocoa marketing is that many of the processes are observable. It is relatively easy to see short-term *outputs*: for example, if cocoa is of acceptable quality, if it has been purchased and delivered for the appropriate prices, if it has been sold abroad for a good price relative to world price trends, and if farms have been sprayed with insecticides. While other outputs of the Cocobod's work, such as cocoa research and crop and price forecasting, are more difficult to observe, in these cases there are generally observable *outcomes*: it is relatively easy to

25 Ghana already has some niche cocoa, though the market is constrained because of the government's export monopoly.

observe whether production levels are rising, price forecasts are accurate, diseases are effectively controlled, or hybrid cocoa varieties are yielding as much cocoa as predicted.

The existence of quantifiable and observable outputs and outcomes makes the industry particularly suited to bureaucratic, technical management. The QCD is a paradigmatic example, where clear rules and a rigid hierarchy are appropriate for managing the observable processes of quality control. Such tasks are fundamentally different from ones where outputs and outcomes are difficult to observe, and which may therefore need different management structures. Arturo Israel uses the term 'specificity' to define how well a task can be defined, measured, or monitored (1987). Low specificity tasks that lack easily measured outputs or outcomes, such as counseling or teaching, rely on personal discretion and are much more difficult to manage through rules and chains of authority. In such cases, incentivisation and professionalisation may be more appropriate than hierarchical, rules-based structures based on training and careerism.

By contrast, cocoa marketing naturally has high specificity, and in the Ghanaian case, that specificity has even been augmented further in some cases. For example, because the Ghanaian government only buys cocoa of the top two quality grades, cocoa becomes an especially standardised product. Also, uniform nationwide pricing takes price discretion away from field agents and makes the payment process easy to standardise.

While tasks can be made more standardised and observable to some extent, limits are imposed by what Israel calls the 'intrinsic nature of the activity' (1987: 49). In view of such limitations, management practices and structures must be suited to the tasks. The Cocobod demonstrates this complementarity beautifully. Some areas of Ghana's cocoa marketing enterprise are not suited to rules and hierarchy, particularly the CMC, where traders are required to make sales decisions using their best judgment. In this case, the structures follow a different mould, a commission-based system that gives agents a high degree of autonomy and discretion, though they are coupled with more rigid rules to provide transparency and accountability, as well as thorough technical training. Meanwhile, QCD officers are kept in line by strict rules and recordkeeping arrangements appropriate to the highly standardised process of cocoa quality grading. Permitting discretion in the QCD would be disastrous, just as taking it away would be in the CMC.

8 Conclusion

Contrary to some perceptions, Africa does have success stories to share. Ghana's cocoa marketing system is one example, a home-grown industry that underwent the transition from being notoriously politicised and inefficient to being an example of success. The change did not require a complete overhaul; the cocoa marketing system has retained many of its characteristics intact – most notably, government control. Rather, success depended on leveraging the beneficial aspects of marketing board coordination while using appropriate institutions to counter those that were potentially detrimental.

While some parts of the system have always performed well, achieving success in the whole system depended on a wide array of factors, some of which were controllable and others of which had to be taken as given. Reforms played a pivotal role in initiating the turnaround, though they depended on a narrow window of opportunity in which economic crisis and strong leadership, among other factors, created a context conducive to effective reform. The results of those reforms have been maintained because of institutions – such as policies, practices, and organisational structures – that complement the underlying context of the cocoa sector, from the nature of the cocoa tree to aspects of the marketing process.

Ghana's cocoa marketing system stands as evidence of what African organisations can accomplish, despite the historical 'failures' of crop marketing boards, Weberian bureaucracies, and even African governments wholesale. In this new century, development practitioners will need to think beyond generalisations. They will need to devote more deliberate attention to matching projects and reforms to specific contexts, seeing not only countries but also specific sectors and individual organisations as entities with characteristics and contexts that present particular opportunities and constraints.

In this process, the wheel should not be constantly reinvented. The development field has already accumulated an enormous store of knowledge. The next step is to start piecing it together, finding patterns in the data and beginning to understand how to apply those patterns to new problems. A start would be to look deeper into the successful stories that do exist, especially those in unlikely settings, and try to improve our understanding of what makes for success.

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