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An African Success Story: The Case of Ghana's Cocoa Marketing Industry
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Introduction

Over the past decade, Ghana's state-run cocoa marketing board -- the Cocobod -- has achieved record levels of production, good returns for farmers, exceptional product quality, professional export management, an excellent credit record, and relatively incorrupt and effective internal marketing. This contrasts with the situation in the 1960s and 1970s, when the Ghana cocoa marketing board became notorious for inefficiency and corruption, contributing significantly to wider economic decline. This paper explores how success was achieved and sustained, not through radical restructuring or privatisation, but through smaller steps that matched institutions to context, and retained the benefits of centralised control while constraining destructive exploitation. A key lesson for policymakers is the need to match reform efforts to constraints and opportunities in a specific context.

The Pros and Cons of Marketing Boards

Marketing boards have the potential to solve many difficult coordination problems in the agricultural sector. These are especially acute in the cocoa sector, which requires long time horizons; is dominated by smallholders; requires strict quality control (to achieve premium prices on world markets); and stands to benefit from centralised management of exports, and of price volatility. But (as historical experience in Africa amply demonstrates), centralised government control and monopoly power over exports also make marketing boards very susceptible to inefficiency and corruption. Structural features of the cocoa sector make it particularly prone to exploitation: it generates substantial foreign exchange revenues that encourage rent seeking; and smallholders are vulnerable because they find it difficult to organise effective collective action, and become locked into cocoa production because of the long-term nature of their investment. In the 1960s and 1970s, the Ghana cocoa marketing board effectively imposed a heavy tax on farmers by paying them well below export prices, using the resulting surplus to bolster the ruling party's patronage networks, fund industrialization and development projects, and redistribute resources to supporters. The result was falling production, widespread smuggling, and an inefficient and bloated bureaucracy.

Against this background it is therefore remarkable that turnaround was achieved and sustained without fundamental restructuring: the government continues to control internal cocoa marketing (through setting cocoa prices for farmers and regulating privately owned Licensed Buying Companies (LBCs)) and to monopolise cocoa exports. The Chief Executive of Cocobod is a political appointee. Elsewhere privatisation broke the exploitative control of marketing boards, but also dismantled their valuable coordination functions. In the case of Cocobod, the benefits of centralised control were retained, and the potential deficiencies constrained. How did this happen?

Explaining Success

Firstly, Ghana enjoyed a long history of effective quality control and export management in the cocoa sector. Quality control is supported by institutional arrangements that facilitate transparency and provide accurate local information about quality and origin. This system serves to limit corruption and gives farmers incentives to improve product quality. Export management has retained a tradition of merit-based recruitment and intensive professional training, and specific practices that facilitate monitoring. More broadly, both functions inherently require a measure of effective practice.

Secondly, reforms initiated by the Rawlings government in the early 1980s, as part of a broader structural adjustment programme, succeeded in changing dysfunctional aspects of the system. The key was to increase producer prices by freeing up resources through drastic reductions in staff and other costs. A number of factors converged to make reform possible: a major economic crisis; strong and determined leadership; local ownership of reform; the fact that cocoa was a key economic sector and source of government revenue; international support for retrenchment of staff; and the lack of effective opposition, while key stakeholders (including farmers and government) stood to benefit from reform.

Thirdly, specific institutional arrangements have protected and sustained the reforms, by controlling structural factors that facilitated over-taxation and politicisation. Government tied its own hands by making a public commitment to increase farmers' share of cocoa revenues over time, supported by a collaborative price setting mechanism which involves farmers, LBCs, hauliers, government and the Cocobod. This has subjected the price-setting process to stakeholder input, and given farmers confidence that long-term investment in cocoa would produce worthwhile future returns. Government benefits because higher producer prices boost production and protect the long-term health of the sector, bringing increased tax revenue as well as political benefits.

It is less clear how the Cocobod has managed to retain a significant degree of autonomy, given the heavy politicisation of the previous cocoa marketing board. Part of the explanation is that the technical knowledge necessary to sustain the industry rests with permanent Cocobod staff, most of whom have risen through the organisation, supported by systems of merit-based recruitment, promotion and specialist training. Cocobod thus displays many features of a Weberian bureaucracy, and has arguably earned its autonomy through technical capability – which government has a strong interest in sustaining. Clear rules and a structured hierarchy are well suited to cocoa marketing which involves tasks with high levels of 'specificity' – i.e. they can be defined, measured and monitored.

Implications for Policymakers

Success stories of this kind are of interest not because they are directly replicable, but because they provide insights into factors that contributed to success in one setting and could have wider relevance. In this case, success depended on quite nuanced changes to leverage the beneficial aspects of marketing board coordination while using appropriate institutions to counter the potential downside. The broader lesson is the importance of matching institutions to context – a key example being the lock-in of the producer price trajectory that complemented the long term nature of investment by farmers. Development practitioners need to pay more attention to matching reform efforts to particular contexts, and to the constraints and opportunities presented by specific sectors and organisations within them.

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