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Perceptions of governance and social capital in Ghana's cocoa industry

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ABSTRACT

Governance and social capital are significant components in the management and operation of agricultural value chains. We explore these related concepts by examining the regulator (COCOBOD) farmer dyad within the (Ghanaian) cocoa value chain, using unique survey and interview data from 300 Ghanaian cocoa farmers. Utilising this data, we construct multi-scalar and multi-dimensional measures of both governance and social capital, before exploring this dyad using multivariate analysis. Alongside our interview data, our results confirm a positive relationship existing between perceptions of good governance and social capital, although governance perceptions differ across the different cocoa growing regions. Our results point towards industry bodies as conduits for facilitating wider stakeholder participation, enhancing social capital and shared values, and fostering consensus within (agricultural) value chains and socio-economic development.

1. Introduction

Analyses of governance are particularly important in the context of development and there is now consensus 'good governance' is associated with improved socio-economic outcomes, ranging from poverty alleviation (see Kaufman et al. (1999a,b, 2007)) to facilitating knowledge diffusion and technical advance (see Sacchetti (2004)). Research has also postulated a key facet of 'good governance' is social capital (which arises from social relationships) and enhancing the latter may lead to more inclusive governance related outcomes (Putnam, 1993; Sacchetti, 2004, 2013). This is particularly relevant in the case of agriculture, where both governance and social capital are now recognised as significant components in understanding the operation of agricultural value chains and how these may be better managed to benefit the poor (see DFID, 2008; Webber and Labaste, 2010). For instance, recent work has explored the multiplicity of relationships existing along agricultural value chains, with a particular emphasis upon addressing (problems associated with) power asymmetries existing between farmers and (multinational) traders (see Lyon, 2000; Ponte and Gibbon, 2005; Rifin, 2015).

Governance, itself, is a multi-faceted concept existing at various societal levels. In defining the governance process, the United Nations (UNDP, 1997, p.2) suggest it '*comprises the complex mechanisms, processes and institutions through which actors articulate their interests, mediate their differences and exercise their legal rights and obligations*'. This is an encompassing perspective, but one which is closely aligned to Granovetter's (1985) view of governance structures being embedded within social relationships and institutions, including the market, firms, the state, networks, and communities of shared interests.[1] Social capital has also been widely interpreted, although a generic view is it is a collective resource arising from (and shaped by) social relationships among (networked) actors (see Adler and Kwon, 2002; Payne et al.., 2011; Westlund and Kobayashi, 2013). Both social interaction and institutional arrangements co-determine the nature of governance and the efficacy of contemporary governance systems (see Le Gales and Voelzkow, 2001, p.6–7).

In this paper, we explore the governance-social capital nexus within the context of the Ghanaian cocoa industry. The sector remains the main income source for the rural poor, with cocoa

[1] A narrower (and more macro orientated) definition is provided by Kaufmann et al. (1999a, p.1), who define governance as being the '*traditions and institutions by which authority in a country is exercised*'. Their focus is very much upon the nation state, particularly the processes by which '*governments are selected, monitored and replaced*', and the ability of government(s) '*to formulate and implement sound policies*' and finally '*the respect of citizens and the state for the institutions that govern economic and social interactions*'. However, the overwhelming majority of socio-economic relations are governed below the nation state, at both meso and micro levels and thus the UNDP definition primarily informs our analysis.

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production organised around small-holdings of farmers (rather than large scale plantations). The overall strategic management of the sector is organised through the Ghanaian cocoa board (COCOBOD) and its regional offices. Unlike in neighbouring cocoa producing countries, COCOBOD is the sole legal buyer of all of the cocoa produced by Ghana's farmers, and thus has an important impact upon the welfare of farms and their communities (see Fold, 2002; Leiter and Harding, 2004; Santos and Vigneri, 2007). The governance of the value chain and the extent to which Ghanaian farmers engage in the governance process is thus of critical importance for socio-economic development.

Our study explicitly focuses upon this governance process and the relationship between COCOBOD and Ghanaian farmers. In doing so, we examine a specific and critical juncture within the (Ghanaian) cocoa value chain – the regulator-farmer dyad – at a level of detail not previously considered in other (agricultural) value chain studies and largely from the farmers' perspective; how they perceive the governance of COCOBOD and the factors influencing their perspective. This facilitates a novel opportunity to allow the 'voices' of (smaller) farmers to be heard in the governance of the value chain (see also Webber and Labaste, 2010). The study offers several additional features. The analysis draws upon unique interview and survey data – relating to social capital and perceptions of governance (of the industry regulator, COCOBOD) - from 300 cocoa farmers across Ghana's six cocoa growing regions. In offering a novel contribution, the collated survey data is used to construct both multi-scalar and multi-dimensional measures of both governance and social capital, thus capturing more information on these concepts. We explore the links between these constructs by first drawing upon the interview data (to set the context) and then by applying multivariate analysis to our survey data.

The remainder of the paper is set out as follows. In Section 2, we briefly review the literature on governance and social capital within the context of agriculture (and the value chain). Section 3 discusses our methodological approach. In Section 4, we provide some background information on the Ghanaian cocoa industry, before drawing upon our interview data to explore governance and social capital within the sector. Section 5 then utilises the survey data to specify and estimate a formal model exploring this relation, before presenting our econometric results. Finally, Section 6 concludes.

2. Governance, social capital and the agricultural value chain

2.1. Governance and dimensions of social capital

The link between social capital and 'good governance' originates from the work of Robert Putnam (1993). In a seminal piece, he argued 'good governance' – defined in terms of stable and effective institutions – in the Northern and Central regions of Italy resulted in better delivery of public services and general social well-being as compared to the South of Italy, where governance structures were perceived to be ineffective due to a lack of social cohesion and organisation. These (Northern and Central) regions also experienced much wider socio-economic success and again this has, in part, been, attributed to their (relatively diffuse and open) socio-economic governance structures (see Becattini, 1990). At the macro level, Kaufman et al.'s (1999a, 2007) study of 178 nations for the World Bank found that several (perception based) dimensions of governance were positively correlated with GDP per capita, concluding better governance is essential for ensuring economic growth.

Since Putnam (1993), both 'good governance' and 'social capital' have become part of the development lexicon and significant criteria in the allocation of international aid (see Knoll and Zloczysti, 2012). It is therefore important to delineate what constitutes 'good governance' and 'social capital', before exploring further how the concepts are related. In this regard, the notion of 'good governance' has become associated with (institutional) structures facilitating the (wide) participation of stakeholders (exercising 'voice') in decision-making, while also ensuring transparency and accountability in the allocation of resources and legitimacy for rules and regulations (UNDP, 1997). The World Bank Institute (2006) also assesses 'good governance' in terms of 'the quality of administration', 'the control of corruption' and the 'effectiveness (and efficiency) in the delivery of services'. These characteristics of 'good governance' are often considered at national levels, but they are also relevant in evaluating governance at sub-national and indeed micro (i.e. relating to specific institutions) levels of authority (see Robledo et al., 2008).

Social capital also has several dimensions (see Adler and Kwon, 2002). Nahapiet and Ghoshal's (1998) three inter-related (and re-enforcing) dimensions of social capital: structural; relational; and cognitive are particularly instructive. The structural dimension is the loci of actors within a formal or informal (social and/or business) network, and the extent to which the network's governance structure facilitates participation and social interaction (Nahapiet and Ghoshal, 1998, *p.244*). The presence of network ties and social interaction among actors is important, since these may stimulate the relational dimension of social capital. This is defined in terms of the nature of links between actors; in particular the level of 'trust', 'reciprocal exchange' and 'goodwill' arising from social interaction and hence the degree of embeddedness within the network (see also Granovetter, 1985, 2005). Finally, both social interaction and relational social capital may also manifest in a cognitive dimension, specifically in the formation of a set of collective goals/values or a 'shared vision' which may emerge within the network (Nahapiet and Ghoshal, 1998; see also Tsai and Ghoshal, 1998).

Nahapiet and Ghoshal's (1998) framework can be usefully employed to explore the theoretical links between 'social capital' and 'good governance'. Sacchetti and Sugden (2003, 2009) have argued 'open' and 'inclusive' governance structures – within institutional contexts – facilitate greater participation and a wider articulation of 'voice' by relevant stakeholders. They suggest this improves the governance process, since greater deliberation among a wide set of stakeholders is more likely to ensure strategic choices (such as those relating to resource allocation) better reflect the wider 'public interest' (see also Sacchetti, 2013). In this regard, Sacchetti and Sugden have in mind Pretty's (1995) notions of functional and/or interactive participation, whereby actors deliberate and learn from each other, build consensus and formulate action plans for specific projects, and thus have a degree of influence over strategic decisions affecting their local development paths.[2] Similarly, in their study of business associations in 'developing economies', Donor and Schneider (2000) also emphasise the importance of participation and intensive (and extensive) mediation between members (firms) in building consensus over collective actions (see also Annen, 2003). This process also enhances transparency (and accountability) within an institution, while the emergence of 'trust' and 'reciprocity' through social interaction sustains legitimacy (among actors) for collective activities and can ensure compliance with established rules and/or social norms (Jessop, 1998; Axelrod, 1997). Thus 'inclusive' governance structures may facilitate and, in turn, are strengthened by social interaction, participation and

[2] Pretty (1995) outlines a typology of participation, ranging from manipulative participation (where actors may have representatives on boards, but hold no power) and consultative (where actors are consulted on decisions, and their views may/may not be taken on board) to the more influential functional and interactive types of participation mentioned here. In some cases, actors collectively assume greater (local) control over socio-economic development through self-mobilisation (Pretty, 1995, *p.1252*).