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## **Introduction**

Oil and cocoa stand as strategic export sectors in Ghana's economy. The government's Ghana Shared Growth and Development Agenda (GSGDA) indicates that these sectors together represented around 40% of total merchandise exports in 2014 (see Table 1).<sup>1</sup> Accordingly, the GSGDA makes clear that the government prioritises oil and cocoa in terms of private sector development (PSD) conducive to employment creation and taxation generation. All efforts will be taken, according to the GSGDA, to ensure the success of PSD efforts within the oil and cocoa commodity chains. In particular, there is emphasis on need for enhanced forms of foreign direct investment (FDI) to bolster productive capacity in the sectors, and to usher in technological transformations.

Meanwhile, the GSGDA has been enthusiastically embraced by the country's main trade and development partners, including the European Union (EU). The most recent National Indicative Programme (NIP), signed between the Ghanaian government and the European Commission, indicates that the EU will provision Ghana with necessary PSD capacity building to support economic and social prosperity through export growth.<sup>2</sup> Moreover, the EU has promised to provide further PSD assistance to mitigate certain risks associated with a free trade deal being negotiated between Europe and the West African region – the Economic Partnership Agreement (EPA). The EU's pledge to an Economic Partnership Agreement Development Programme (EPADP) will target PSD activities in those priority sectors (such as oil and cocoa) identified by West African governments in their individual national development plans (such as the GSGDA). These trade and aid ties are themselves underpinned by Ghana's membership of the African, Caribbean and Pacific (ACP) bloc, which signed the ACP-EU Cotonou Agreement in 2000.

The article – in the context of the commitments made by the EU – examines the capacity of the Ghanaian oil and cocoa sectors to contribute to sustainable development. In particular, it explores whether European companies' FDI does offer a boon to job creation and economic prosperity. Moreover, it considers whether EU Aid for Trade towards PSD initiatives are likely to enhance pro-poor business growth. In so doing, the article queries certain policy rationales associated with a free market approach to sustainable development. Indeed, the article underscores certain areas in which EU trade and aid interventions in the oil and cocoa sectors may in fact undermine pro-poor SDG objectives. The conduct of European companies, in particular, is not something which may automatically lend itself to the normative objectives of sustainable development. The discussion is structured as follows. The first section provides background context in terms of the current position of the oil and cocoa sectors. The second section examines the oil sector in the context of EU companies' FDI - as well as policy initiatives led by the EU and its member states vis-à-vis sector regulation. The third section considers the condition of the Ghanaian cocoa sector in the context of EU PSD objectives. The article concludes with a summary of key lessons in terms of the EU's contribution to Ghana's sustainable development via PSD activities in oil and cocoa.

## **Oil and cocoa in Ghana's pursuit of sustainable development**

The most recent figures from Ghana's Statistical Service indicate that cocoa bean and oil exports constitute the second and third most important commodities respectively in terms of export earnings (see Table 2 and Table 3).<sup>3</sup> Both sectors' importance is also repeatedly underscored in the GSGDA, which emphasises that the government intends to support PSD objectives to augur economic development and job creation as part of sustainable development (see Table 1).<sup>4</sup> In particular, the

government highlights the potential of *cocoa agro-processing* – combined to oil extraction – as key areas for industrial development. The GSGDA remarks that:

For the attainment of the accelerated job creation and economic transformation... the Industry Sector will continue to play a pivotal role, growing at an average annual rate of 13.2% over the period 2014-2017. The anticipated drivers in this sector include agro-processing, especially by increasing the share of cocoa processed locally... [and the] development and production of oil and gas from the Jubilee, TEN and Sankofa-Gye Nyame Fields.<sup>5</sup>

Importantly, this outlook is maintained in other leading development plans. For instance, the Ministry of Trade's Medium Term Strategy (2014-2017) similarly focuses on value addition and industrialisation. It underscores the need to meaningfully support agro-processing activities in sectors such as cocoa. In addition, it emphasises the need to 'promote value addition in the extractive industry to facilitate local economic development'. It highlights the need to improve the 'development' performance of key extractive industries, including oil.<sup>6</sup>

#### **INSERT TABLE 17 AND TABLE 28 HERE**

In addition, the European Commission – as a leading trade and development partner under the Cotonou Agreement – recognises the importance of oil and agro-processing for Ghana's achievement of sustainable development. The most recent NIP confirms that Ghana's middle income status is based largely on its 'crops such as cocoa... and more recently [on] oil and gas'.<sup>9</sup> Moreover, the NIP commits the EU to the promotion of Ghana's 'sustainable and inclusive growth, with a particular focus on rural development'.<sup>10</sup> Interestingly, however, the EU also emphasises that Ghana's signing of an EPA free trade deal is essential for its long-term economic wellbeing. The European Commission points to how an EPA would secure low tariff access for Ghana's cocoa products (and other agricultural goods) into European markets (see Table 2).<sup>11</sup> This is in apparent contrast to the Generalised System of Preferences (GSP), to which Ghana would default if it failed to fully implement an EPA. This picture is complicated by the fact that Ghana initialled a unilateral and interim EPA with the EU at the end of 2007. It has, however, now agreed to a full regional EPA, as per the Heads of Government of the Economic Community of West African States' (ECOWAS) communication of July 2014.<sup>12</sup> As of December 2016, the terms of this regional EPA had gone into provisional effect in Ghana and Ivory Coast, while pending application in other West African states.<sup>13</sup> The lack of full regional implementation of the EPA deal (even by January 2017, the time of writing), does leave Ghana, however, in a potential legal 'limbo' with regards to sustained low tariff market access to Europe. Uncertainty with regard to the EPA is of major concern to cocoa producers, explored in the third section of the article.

Importantly, the EU has doubled down on its PSD pledges following the United Nation's (UN) agreement on the Sustainable Development Goals (SDGs). The UN SDGs under Goal 8 on *Decent Work and Economic Growth* highlights the need for donors to give additional Aid for Trade and PSD assistance to facilitate economic prosperity in developing countries. In response, the European Council emphasises the pro-poor contributions of the business community to job creation and social prosperity within the post-2015 era:

Private sector-led economic growth is the principle creator of jobs and as such contributes to poverty reduction. The private sector should be fully engaged in the implementation of the Post-2015 Agenda... Creating a conducive and stable business environment for the private sector and investments is key, including level playing fields for competition, as are accountable and efficient institutions.<sup>14</sup>

Furthermore, the European Parliament has recently endorsed a resolution on PSD (April 2016). The parliament noted the benefits of FDI, if properly regulated, in developing countries. Interestingly, however, it also sounded some alarm as to the potential impact of EPAs, and the need for sufficient Aid for Trade monies to go towards competitiveness building.<sup>15</sup>

In this context, it is highly relevant to now examine the capacity of the oil and cocoa sectors to contribute to sustainable development in Ghana – with the assistance (or lack thereof) of the EU. As the recent NIP states, the EU is currently Ghana's most important export market 'worth EUR 3 billion or 42.9% of total Ghanaian export... followed by China (6.5%)'.<sup>16</sup> Moreover, for the reasons laid out above, the cocoa and oil sectors are particularly interesting to examine given their strategic significance. Additionally, they have received relatively sparse attention within academic discussions on PSD and sustainable development in Ghana – in stark comparison with gold.<sup>17</sup> The following sections therefore examine the capacity of oil and cocoa to contribute to sustainable development through export growth in Ghana. They also problematize the role of the EU as a trade and aid partner. The selection of Ghana, meanwhile, enables the article to examine a middle-income ACP country that has regularly been viewed as a 'donor darling'.<sup>18</sup> It allows us to consider the success (or lack thereof) of EU PSD interventions in an African country that has been relatively praised for its willingness to abide by donor free market rationales.

### **Oil extraction and sustainable development in Ghana: the EU as a pro-poor protagonist?**

The discovery of oil in the Jubilee field off Ghana's coast in 2007 has heralded opportunities – and challenges – for sustainable development in this strategic ACP state. As mentioned, the government's own GSGDA now prioritises oil as a key sector for development of extractive industries. There is also much emphasis in this document that oil must not become another enclave economy (as arguably has become the case with the Ghanaian gold sector).<sup>19</sup> Namely, the oil sector must make linkages with other areas of the economy in order to ensure that prosperity is shared throughout Ghana. The GSGDA, in this context, has emphasised that Ghana should aspire to the processing of oil, and not merely to the export of crude oil to refineries in Europe and beyond.<sup>20</sup> It is clear from the initial exports of crude oil, however, that this resource alone has potential for extremely large export earnings vis-à-vis the broader Ghanaian economy. As Table 2 indicates, crude oil has grown to impressive export values from initial extraction in 2010 (after preparations which started in 2007). As emphasised in the GSGDA – as well as the EU-Ghana NIP – these revenues are expected to increase as other oil fields come online (in addition to extractive activities in the Jubilee field).

One of the most crucial policy elements in terms of aligning Ghana's oil extraction to sustainable development objectives has been the government's – and donors' – emphasis on the need for adequate regulation of the proceeds derived from this commodity. In particular there has been much focus placed upon Ghana's joining the Extractive Industries Transparency Initiative (EITI).<sup>21</sup> This development platform emphasises the need to utilise oil proceeds for sustainable development:

A country's natural resources, such as oil, gas, metals and minerals, belong to its citizens. Extraction of these resources can lead to economic growth and social development. However, poor natural resource governance has often led to corruption and conflict. More openness and public scrutiny of how wealth from a country's extractive sector is used and managed is necessary to ensure that natural resources benefit all.<sup>22</sup>

Notably, the EITI places expectations upon both oil companies and local governments to publish reliable statistics regarding oil production, values, and sharing arrangements. This is in response to the so-called 'resource curse' in which developing countries (in particular) have been seen to experience increased corruption and civil strife after the discovery of oil deposits (for example, in Nigeria after the initial discovery of oil in the 1950s).<sup>1</sup>

Importantly, the Ghanaian government agreed to partake in this EITI platform, completing full validation in 2010.<sup>23</sup> As a result, a Ghana Extractive Industries Transparency Initiative (GEITI) was established with headquarters in the capital, Accra. The EU, meanwhile, has been a vocal advocate of such transparency commitments. Notably, the recent NIP highlights 'Governance, Public Sector Management and Accountability' as one of its two priorities for facilitating sustainable development in Ghana. The NIP thus makes clear that EUR 75 million will be made available for support to public sector management.<sup>24</sup> It emphasises that one of the key expected results from such aid support is that 'transparency in the management and use of revenues from natural resources, including extractive industries (mining, oil and gas) is increased'.<sup>25</sup> EU member states, for their part, have taken a leading role in encouraging the Ghanaian government to abide by EITI norms. The UK Department for International Development (DFID) has in fact recently pledged £14 million for an oil and gas-specific transparency initiative, known as the Ghana Oil and Gas for Inclusive Growth (GOGIG) platform. This will operate from 2015 to 2019 and aims to achieve 'enhanced policy and regulatory coherence across the oil and gas sector'; 'improved revenue management'; and 'enhanced sector oversight by facilitating cooperation between government and accountability actors'.<sup>26</sup> The particular interest in the UK in the equitable use of Ghana's oil monies towards sustainable development owes

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<sup>1</sup> It is not within the scope of our current discussion to provide a detailed review of the literature on the resource curse. See van der Ploeg (2011) for an extensive introduction and overview. It is useful to note here, however, that recent contributions to the resource curse debate have emphasised that there is no element of 'predestination' or inevitability with regards to the curse unfolding in states blessed with large quantities of natural resource wealth. In particular recent examinations by the Effective States and Inclusive Development (ESID) network have explored the political economy of oil extraction in Uganda. They have found that the authoritarian, centralised negotiating style of President Yoweri Museveni has in fact helped to secure better revenue sharing arrangements than has occurred in states such as Ghana (see for instance Asante and Mohan 2015 and Hickey et al 2015). This focus on institutional setups is also found in Brunnschweiler and Bulte (2008) who argue that the concept of the 'resource curse' itself might be misguided, given the potentiality for African governments to positively utilise resource abundance for national growth strategies. This focus on the institutional setup of African regimes ties into the broader debates about the potential linkage between authoritarianism and developmental states (for instance in Rwanda, as explored by Booth and Golooba-Mutebi 2012) Indeed, there is evidence that regime structure impacts upon the agency of African governments to negotiate fairer extractive arrangements, and, more broadly, to manage relations with foreign investors and donors in a fashion that augments locally owned development plans. It is important to note, therefore, that while European oil companies do push to maximise their own profits (often with the assistance of EU institutions, and the acquiescence of governments such as found in Ghana) nevertheless there is emerging debate in the literature as to how African regime structure and elite agency might overcome, or avoid altogether, the 'resource curse'.

in part to the presence of Anglo-Irish company, Tullow Oil, in the extraction of the commodity in this ACP country.

It is important to recognise, however, that the role of the EU (via the NIP) and EU member states' own development agencies (such as UK DFID) do not necessarily translate into the tangible achievement of pro-poor UN SDG objectives in Ghana. Despite European donor commitments to the principles of shared prosperity and sustainable development there are in fact certain grounds upon which to doubt whether EU trade and aid interventions are assisting (rather than jeopardising) poverty reduction. Notably, there is much concern that EITI instruments – as strongly endorsed by the EU institutions – do more to shift focus onto developing country governments, than to hold foreign corporations (often those headquartered in EU member states) to account for regressive extractive processes. Bazilian et al emphasise here that EITI schemes do not require individual companies to disclose their revenue sharing arrangements with governments such as that of Ghana.<sup>27</sup> Instead only aggregate corporate data is disclosed to the public domain. This undercuts transparency criteria and veils potential inconsistencies (and injustices) associated with extractive company behaviours in the Global South. More broadly, Maconachie and Hilson explain that donors such as the EU may utilise such schemes 'in deflecting criticism' from their own conduct (and that of their corporate entities) while 'shifting the focus of the resource curse debate towards developing world governments'.<sup>28</sup>

Meanwhile, in the specific case of Ghana, the GEITI – as well as the UK DFID sponsored GOGIG platform – have supported regressive legislation within the Ghanaian parliament. In particular, there is domestic civil society concern from groups such as Fair-Trade Oil Share Ghana that these sector bodies (with support from the EU Commission and the EU member states) have lent legitimacy to the Oil Exploration and Production (E&P) bill.<sup>29</sup> This act recently passed through the Ghanaian legislature and has introduced a situation in which the Energy Minister is now able to circumvent competitive tendering processes with regards to production in newly discovered oil fields.<sup>30</sup> Moreover, civil society groups such as the Ghana Institute of Governance and Security lament that the E&P bill has failed to remedy the lack of a formal oil Production Sharing Agreement (PSA). This is despite the fact that a PSA would do much to gain a fairer proportion of oil revenues for the Ghanaian government, rather than for foreign investors such as Tullow Oil.<sup>31</sup> Consequently, concerns have been raised that European aid monies have been channelled towards platforms such as the GEITI and GOGIG as a means of gaining policy influence within Ghana with respect to oil and gas production arrangements. Sceptics of the E&P bill conclude that aid monies have done more to entrench the corporate interests of European companies such as Tullow Oil than to remedy the 'resource curse' (or merely lack of equitable revenue sharing) within Ghana.<sup>32</sup>

Furthermore, these concerns about the contributions of the EU to sustainable development via pro-poor PSD activities in the oil sector in Ghana are amplified when attention is turned to the alleged conduct of companies such as Tullow Oil. Alarming, this company was implicated in high profile corruption allegations in Uganda, a state which shares many parallels to Ghana as a newly oil-rich ACP member.<sup>33</sup> To confuse matters, representatives of another oil company – Heritage Oil – appeared to accuse Tullow Oil of bribery in the Ugandan sector.<sup>34</sup> As a result, the Ugandan President, Yoweri Museveni, demanded an apology from Tullow Oil for the embarrassment caused to his government during this episode. An apology was indeed received by Museveni, although Tullow Oil have denied any wrong-doing.<sup>35</sup> Nevertheless, this incident does raise potentially serious concerns

about the situation of European companies, such as Tullow Oil, in Ghana. This is particularly the case since – as the EU-Ghana NIP itself recognises – the Ghanaian political system remains vulnerable to graft and corruption issues. There is therefore the possibility that the aforementioned E&P law, and its loophole allowing the Energy Minister to bypass standard tendering practices, might encourage predatory behaviour on the part of oil companies. This would potentially enhance foreign corporate profits (and the wealth of individual ministers) while denying the Ghanaian people a fair share of their sovereign natural resource wealth. This is again underscored by the lack of a formal PSA in Ghana, a fact that the E&P law did not redress.

In similar terms, there is also concern that foreign companies such as Tullow Oil have successfully agreed ‘stabilisation clauses’ with the Ghanaian government that now compel it to compensate the company for any profit losses associated with stricter social or environmental regulations.<sup>36</sup> Rather than support pro-poor forms of PSD in conjunction with the UN SDGs, this EU headquartered company (at least for the time being, prior to UK Brexit) is therefore understood by certain civil society activists to lock-in regressive models of extraction in sub-Saharan Africa. Platform London, for instance, claims that:

Tullow's website gives the impression that the company is big on transparency. Yet for five crucial years, Tullow refused to publish the contracts they signed with the Ghanaian government to develop the Jubilee oil field. The contracts were effectively signed in secret without meaningful public or political debate. As a result they included "stabilization clauses" which lock-in weak social and environmental regulations at the time the contract was made. If Ghana passes new laws that set higher standards, it will have to compensate Tullow for the cost of compliance.<sup>37</sup>

This civil society group also point to the environmental resource repercussions of oil extraction undertaken in Ghana by Tullow Oil. Namely, that fishing has been compromised by exclusion zones that now surround the offshore oil platforms. This is seen as deleterious for local fishing livelihoods, as well as for wider food security in this middle income ACP country.<sup>38</sup> Meanwhile – in the context of lost fishing livelihoods – there is concern that oil companies are not enabling Ghanaian citizens to benefit from skilled employment in this commodity sector. While Tullow Oil (and its US competitor Kosmos) claim that 80% of generated employment has gone to local people, this often reflects low-skilled and poorly paid forms of jobs. The Africa Europe Faith and Justice Network, for instance, states that Ghana’s:

government should be looking at the kinds of jobs the Ghanaians employed in the industry are occupying. Ghanaians should not be [only] employed providing support services like driving, controlling traffic on the roads and selling food to labourers... the oil companies operating in the country are mainly using imported expertise and equipment.<sup>39</sup>

Moreover, there is broader concern that European oil companies – including the Anglo-Irish firm Tullow Oil as well as France’s Total S.A. – are utilising Ghana as a de facto haven for tax evasion purposes. Due to a variety of tax treaties between these EU member states and this ACP country, oil companies can give ‘loans’ to their subsidiaries in Ghana as a means of reducing their overall corporate tax burden. This situation appears to be unresolved despite (or perhaps because of) the

passing of the aforementioned E&P bill. The director of the African Centre for Energy Policy (ACEP) has explained the complicated practices by which this situation arises:

if they [European oil companies] are operating in a [European] country that has double tax treaty with Ghana and the withholding tax on cross-border loans is higher [within Europe], what they do is to lend to countries where the tax is lower [thus countries such as Ghana]... most of the companies ... Tullow Oil from the UK... Total Oil from France... [they will pay] rent to their subsidiaries in Ghana where the withholding tax on the interest that Ghana will pay to them is eight per cent instead of lending to corporations within France, within the UK, or in Italy [where the withholding tax is higher].

It is necessary to also note that the EU's pursuit of an EPA in West Africa will not tangibly benefit the oil sector in this ACP site of PSD activities. Given the fact that Ghana remains reliant upon the export of unrefined crude oil, it will not gain a tariff advantage in this commodity line via the signing of a free trade agreement.<sup>40</sup> Moreover, the EU's promised Aid for Trade monies under the transitional EPADP vehicle appears to offer Ghana less than the amount of lost tariff revenues which it will incur upon the implementation of an EPA. Therefore, the EPADP does not offer any additional 'new' monies for support to PSD and upgrading in sectors such as oil (or cocoa). It merely provides a short-term compensation for finances which will be lost to the Ghanaian treasury through tariff dismantling upon products entering this ACP country from EU member states. Overall, therefore, there are several grounds upon which to contest the EU's ostensible contributions to sustainable development through PSD activities in priority ACP sectors such as Ghanaian oil. Rather than provide opportunities for pro-poor growth, there appear to be circumstances in which European corporations gain from extractive activities while failing to equitably share revenues with host developing countries. EPAs – and the EPADP – meanwhile do not appear a boon for pro-poor UN SDG objectives.

### **Cocoa sector and sustainable development in Ghana: Europe as benevolent partner?**

The cocoa sector stands as a significant source of employment and income revenue in Ghana, as emphasised by the government in the recent GSGDA. This is demonstrated in the quantitative data in Table 3 which indicates that cocoa produce (including beans, butter and paste) generated around EUR 324.5 million for Ghana's economy in 2015 alone.<sup>41</sup> This is a strong and growing Ghanaian sector. Moreover, in recent years the global market for raw cocoa and cocoa products has shown significant growth with, for example, global sales of chocolate confectionary crossing the landmark figure of \$100 billion for the first time in 2011. This growth has been accompanied by predictions that consumer demand will soon outpace supply.<sup>42</sup> New markets for cocoa consumption in Asia are a key factor in these predictions of the ongoing strength of the sector. It is the EU, however, which remains the world's largest cocoa consuming region, with its trade with West Africa being the most significant inter-regional trade in global cocoa markets. The majority of Europe's imports of cocoa and cocoa products originate from West Africa, which has framed the importance placed on the levels of tariffs and other terms of access to the European market within the EPA negotiations.

#### **INSERT TABLE 3 HERE WITH ENDNOTE <sup>43</sup>**

Traditionally the trade between the EU and Ghana has been reliant on the export of raw cocoa beans for processing in Europe, predominantly in Netherlands where the world's largest processors Cargill and ADM are located, as well as in Germany, Belgium and France. The dominant position of Cargill and ADM accounts for the Netherlands' status as the biggest single processing



country. This pattern of trade and production accounts for the EU's position as the world's leading importer of raw beans and exporter of processed cocoa. It is also the most important trade partner for Ghana, and the leading destination for its exports, of which raw and processed cocoa represents 43.5%.<sup>44</sup>

The Ghanaian cocoa sector is marked by a clear division between the types and scales of economic actors involved in production, marketing and processing within the overall value chain. Raw cocoa is predominantly produced by smallholder farmers, often operating as rural collectives. In 2008 it was estimated that there were 700,000 cocoa farmers in Ghana.<sup>45</sup> The Ghana Cocoa Board (Cocobod) now estimates that 'approximately 800,000 farm families spread over six of the ten regions of Ghana' are employed in the production of raw cocoa.<sup>46</sup> The state has retained control of the sector, in spite of an era of liberalisation in line with Washington Consensus led Structural Adjustment Policies. The government organisation, the Ghana Cocoa Board (Cocobod) plays a central role in production, research, the development of the sector, internal and external marketing and quality control. It performs these tasks alongside a number of subsidiary organisations such as the Cocoa Research Institute, the Seed Production Unit, the Quality Control Division, and the Cocoa Marketing Company (CMC) Limited.<sup>47</sup> The CMC, a wholly owned subsidiary of the Ghana Cocoa Board, has the sole responsibility for the sale and export of Ghanaian cocoa beans and some processed cocoa products.<sup>48</sup> In contrast to the state controlled market for cocoa beans, cocoa processing has mainly been undertaken by a few largescale transnational agro-processing companies located both in Ghana and abroad.

Importantly, the dominance of Ghanaian cocoa-processing by a small number of largescale transnational corporations (TNCs) reflects the structure of the global sector, which is characterised by high market concentration. <sup>49</sup> The 'big four' companies - Barry Callebaut, Cargill, ADM and Blommer Chocolate Company - controlled 50% of world market grindings in 2006, with that share now standing at approximately 61%. <sup>50</sup> In part this structure is driven by the nature of the industry as 'capital-intensive with high sunk costs' which encourages mergers, acquisitions while deterring new entrants.<sup>51</sup> The Ghanaian Cocoa Processing Company, a limited company whose two major shareholders are the Ghana Cocoa Board and the Government of Ghana, is a minor operator in the Ghanaian processing sector and reported a loss of \$16.3 million in the 2013-14 financial year.<sup>52</sup>

Significantly, the structure of production and trade of the Ghanaian cocoa sector has been recognised as posing constraints in relation to possible levels of returns to the broader economy. This has prompted an array of policy responses. Indeed, the Ghanaian government has emphasised the need to support domestic processing as a means of value addition and job creation. This seeks to promote the transition of the domestic sector from the production and export of raw cocoa beans to higher levels of industrialisation. This was evidenced in the 2012-2016 Country Strategy Paper (signed between the EU and Ghana) which identified a need to develop agricultural production and agro-processing, particularly via improved agricultural processing technology.<sup>53</sup> The government's GSGDA platform also underscores the need to attract enhanced FDI into processing to bolster employment opportunities, and to ensure that Ghana moves beyond the sole export of unprocessed agricultural produce. These initiatives echo the thinking of key actors in the EU. A recent European Parliament resolution in April 2016, for example, emphasised that developing countries should focus upon value addition and agro-processing activities to create skilled, decent jobs. Crucially, the European Commission also regards the EPA as providing 'incentives for new investments and job creation in Ghana',<sup>54</sup> as well as providing opportunities for the development of the business environment and the diversification of productive sectors.<sup>55</sup> However as demonstrated by the current fortunes of the Cocoa Processing Company, the potential for domestic cocoa-processing

capacity in Ghana to challenge the dominance of largescale TNCs in the processing sector is questionable.

Moreover there is much concern (particularly within the cocoa sector in Ghana itself) that the uncertainties associated with the EU's EPA in the West African region may undermine processing opportunities. For example, neighbouring Nigeria defaulted to the GSP upon its refusal to sign an interim EPA by the original deadline of December 2007. At time of writing in January 2017, the regional West African EPA is yet to be fully applied in Nigeria. This underscores pre-existing consternation in Ghana that the regional trade agreement may in fact be stillborn due to non-ratification in key constituent countries (despite preliminary application in Ghana itself as of December 2016).<sup>2</sup> Accordingly, Nigerian cocoa processors have faced higher tariffs upon entry into EU member states, effectively making them less competitive as compared to other ACP countries (such as Ghana) that had acquiesced in 2007 to the terms of EU free trade arrangements. There is currently concern in Ghana, that should the regional West African EPA collapse, then its own processors will default to the GSP and therefore face additional competitive pressures when exporting goods into the EU market. Furthermore, the promises of the European Commission to furnish agricultural production, including cocoa, with Aid for Trade monies under the NIP – as well as the EPADP – is met with scepticism on the part of local business stakeholders. This is underscored by the fact that the EPADP merely cushions the impact of lost tariff revenues (upon EPA implementation), and do not therefore represent 'new' money per se for agricultural investments.<sup>3</sup>

Meanwhile, Ghanaian officials' focus upon domestic cocoa processing as part of a sustainability agenda is accompanied by a focus on securing levels of supply required to meet current and future demand. As part of this long-term outlook, officials have identified the need to redress existing social and environmental concerns within the sector. Recent government policies include initiatives to tackle issues such as the ageing farming population in the rural hinterland, as well as the deterioration of existing cocoa trees, often as a result of disease. For example, the government's Ghana Strategy Support Programme (GSSP) included technical and social support to impoverished smallholders, with an eye to long-term sustainability.<sup>56</sup> This has been accompanied by the transnational Africa Cocoa Initiative, which has brought together the World Cocoa Foundation (WCF), the US Agency for International Development (USAID) and the Dutch Sustain Trade Initiative (IDH) in a multi-agency programme that commits to improve cocoa yields. European and US headquartered corporations have also developed their own strategies to address commercial concerns (in relation to predicted shortfalls in supply), as well as civil society critiques relating to the social and environmental costs of production. For example, Nestle's *Cocoa Procurement System*, Cargill's *Cocoa Promise Scheme* and Barry Callebaut's *Cocoa Horizons* all promote sustainable cocoa sourcing as part of a Corporate Social Responsibility (CSR) agenda aimed at environmental protection and the elimination of child labour.<sup>57</sup> Similarly, FairTrade programmes and sustainability certification schemes within EU countries (and beyond) have encouraged European consumers to favour cocoa produce that prioritises greater incomes for smallholder producers.<sup>58</sup> This has been matched by

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<sup>2</sup> Please see Langan and Price (forthcoming) for more detail on this consternation within the Ghanaian cocoa sector with regards to the ambiguous status of the region-wide EPA (given the refusal of states such as Nigeria to fully ratify and implement the free trade deal). This relates to the authors' own fieldwork in Ghana, and Nigeria, which explored the views of business stakeholders involved in cocoa production and processing, as well as the Ghanaian Limited Buying Companies who act as intermediaries between producers and Cocobod.

<sup>3</sup> For reasons of space and remit it is not possible to expand on the interview data in this current article; again please see Langan and Price (forthcoming) for more detail.

European governments, such as that of Germany and Netherlands, actively adopting sustainable cocoa consumption initiatives.

The European Commission itself, for its part, has placed specific focus on the need to combat child labour within ACP-EU trade networks. This has gained particular policy resonance since the conclusion of the UN SDGs, given their emphasis on decent work objectives and child welfare. A staff working document issued by the European Commission on child labour issues highlighted the case of Ghanaian cocoa (as well as that of Ivory Coast) as being prone to forms of unjust labour in its supply chain.<sup>59</sup> This policy emphasis has also been adopted by the European Parliament which issued a 2011 resolution calling for the EU institutions to redress labour injustices in developing country trade links. In response to such concerns, the European Cocoa Association (ECA) and CAOBISCO (the European confectionary body) issued a joint statement which recognised ongoing problems in West African cocoa production. In the case of Ghana, in particular, these European corporate bodies noted that a ‘public certification process is underway’ to discourage use of children in value chains.<sup>60</sup>

With parallels to the oil industry, however, there are several grounds on which to question whether the EU is meaningfully supporting sustainable development via ‘pro-poor’ PSD activities in the cocoa sector. In relation to livelihoods and social prosperity, for example, the 2015 Cocoa Barometer warns that incomes are not sustainable for cocoa farmers, who are operating in conditions of extreme poverty. Farmers earn as little as 84 cents a day and gain around 6.6% of the total proceeds of chocolate production, down from 16% in 1980.<sup>61</sup> Accordingly, young farmers are not replacing the old due to low pay and ongoing precarity in the system (despite the onset of the multi-stakeholder initiatives mentioned above). In addition, there are concerns that donor and government initiatives aimed at increasing cocoa production – when combined to high rates of adult out-migration – might unwittingly exacerbate child labour.<sup>62</sup> While child labour in Ghana’s cocoa sector fell between 2008/9 and 2013/14 (see Table 4), this could be jeopardised by increased cocoa production if donor and government authorities are not sufficiently cognisant of the issue. This is particularly worrying since the tasks in which children continue to be engaged are recognised by both the Ghanaian government and the International Labour Organisation as being among the ‘worst forms of child labour’. This is made clear in a recent report by Sudwind and Global 2000 on *Bittersweet Chocolate* which details ongoing problems in the Ghanaian and Ivorian cocoa sectors:

children can be found working on many different tasks related to cocoa farming. They use machetes and other dangerous tools to remove cocoa pods from trees and to crack them open. They carry heavy loads of cocoa beans from the field to drying racks, they are exposed to dangerous chemicals such as pesticides and fertilizers and often endure long hours in the sun. <sup>63</sup>

European chocolate companies and retailers continue to make large profits while child labour and low pay remain endemic within their cocoa supply chains.

**INSERT TABLE 4 HERE WITH ENDNOTE<sup>64</sup>**

Moreover, Maconachie and Fortin argue that such donor and government initiatives can possibly have negative impacts on the gendered division of labour. Namely, that they might unwittingly intensify the burden on women who remain marginalized in the sector due to social

norms and structural barriers.<sup>65</sup> Typically it is women who often do most of the physical agricultural work, lack land rights, and combine agricultural work with caring and domestic responsibilities (while male family members sell the crops and control household financial resources).<sup>66</sup> This of course does not detract from the need to address the issue of cocoa supply and production demands. It does, however, call for much greater gender sensitivity as to how donor and government initiatives aimed at increasing production are felt within local communities. This point is made convincingly by Marston who states that:

Many of the existing programs have tended towards community development in cocoa communities without understanding the links of female beneficiaries to their supply chains. Programs that focus on supporting and enabling women's contribution to the productivity, quality and sustainability of the cocoa supply chain have been fewer.<sup>67</sup>

Accordingly, donors such as the EU must do much more to meaningfully work with the Ghanaian government to tailor appropriate programmes to ensure genuine gender justice in cocoa supply chains (while also dealing with the problem of ongoing use of child labour).<sup>68</sup>

In addition, despite the current policy focus of the GSGDA and EU institutions on agro-processing for job creation and social prosperity, there has only been limited graduation from primary production to value added processing activities within Ghana.<sup>69</sup> Where there has been growth in 'origin grindings', this has been dominated by European and US agro-processing companies who often import skilled labour, rather than train local citizens.<sup>4</sup> Meanwhile, these largescale TNCs have benefitted from generous tax exemptions for their investments into local processing capacity, for example in the 'Free Zone' of Tema near Accra (namely, an export processing zone – EPZ). The Ghanaian government has not therefore benefited from significant taxation revenues from this FDI presence, nor have sizeable numbers of local skilled jobs been created. Moreover, there is concern that the expansion of European and US corporate activity in the Ghanaian cocoa sector has undermined the position of existing domestic processors, such as the Cocoa Processing Company. In response, public-private strategies have been developed such as a joint venture between the state owned Cocobod and the German grinding company Host-Hammester, although these remain at an early stage of development.

It is important to note, furthermore, that the above concerns raised in the context of the Ghanaian cocoa sector are mirrored in terms of the structure of global agro-processing supply chains more broadly. Haigh succinctly characterises this as the 'corporate takeover' of African food systems as part of North-South trade networks - a takeover which he argues is facilitated by leading donor states as well as certain host African governments.<sup>70</sup> Often buttressed by the strategic channelling of donor aid monies to host countries, largescale corporations (such as the 'big four' cocoa processors) have successfully accessed land resources at the expense of small scale farmers and food security on the continent.<sup>71</sup> The intensification of corporate activity in sub-Saharan African, moreover, has been pursued in order to secure long-term supply – as well as companies' ongoing profitability:

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<sup>4</sup> Such largescale agro-processing companies are keen to develop domestic processing capacity to integrate their internal supply chain, shipping and production, reflecting the horizontal and vertical concentration that is increasingly characterising the global cocoa value chain.<sup>4</sup> This has been facilitated by technological innovation and financial incentives. While traditionally high grade beans were exported for processing abroad, technological developments now allow low quality beans to be processed into an exportable value added product at origin, which is then exported for further processing abroad

securing supplies of cash crops for export is one of the reasons multinational companies are so keen to increase their activities in Africa. For example, global cocoa traders and processors are predicting a one million ton shortage of cocoa in 2020. This is due to climate change and a shortage of cocoa farming as a result of low prices, urbanization and competition for land from alternative crops and mining.<sup>72</sup>

This concern about the corporate takeover of agro-processing supply chains with regards to African countries is echoed by many other actors. For instance, Elizabeth Mpofu, the General Coordinator of the international peasant movement, La Via Campesina, similarly argues that TNCs are pursuing avenues in African countries for industrial farming, appropriating land and other resources while poorly remunerating workers, ignoring social issues (such as child labour and gendered injustice in cocoa production) and avoiding full taxation (often through gaining EPZ status as occurs in the Ghanaian port town of Tema).<sup>73</sup> Such critiques have prompted activist and advocacy networks, such as the pan-African Alliance for Food Sovereignty in Africa, to coalesce in opposition to what they regard as the corporate industrialisation of African agriculture<sup>74</sup>

Altogether, therefore, the Ghanaian government's and EU donor's common emphasis on the contributions of PSD, increased cocoa yields and the expansion of processing activity to pro-poor sustainable development goals must be problematized. Rather than spurring genuine forms of pro-poor economic growth, policies aimed at enhancing production while paying inadequate attention to workers' incomes, taxation revenues and social concerns (surrounding gendered inequalities and child labour) might exacerbate ill-being in Ghana. Moreover, it appears that it is largescale European headquartered agro-processors who have been best placed to maximise the benefits of the relationship between the EU and Ghana. While the Ghanaian state has maintained a high level of control of its cocoa sector, it faces ongoing pressures for increased liberalisation from the EU via the EU-West Africa EPA which commits Ghana to a twenty year process of free market reform. This, accompanied by a concomitant threat that Ghanaian cocoa might suffer the fallout from a default to the GSP, creates much uncertainty in relation to the future sustainable development of the sector.

## **Conclusion**

The case studies demonstrate the centrality of two main commodities, oil and cocoa, to the Ghanaian economy. Unsurprisingly both sectors have been targeted as key drivers of future economic development and employment creation, particularly through a shift from the production of raw commodities to higher levels of value added activities. In the context of the global sustainability agenda represented by the UN SDGs in the post-2015 consensus, the development of these key sectors is continually framed in terms of pro-poor growth and poverty alleviation (allied to environmental concerns). As such they have become central to state-led strategies, such as the GSGDA, as well as ACP countries' development partnerships with corporate investors and donor partners. This is particularly the case in relation to the EU-Ghana relationship. However, while there is a strong discursive emphasis on pro-poor growth and poverty alleviation via PSD activities in (EPA) free market conditions, the case studies reveal the potential limitations of this policy approach.

While the European Commission's policy communications – and NIP funding frameworks – emphasise the social gains of PSD in developing countries in terms of job creation and taxation revenues, the case studies demonstrate that it is often large-scale EU headquartered enterprises that have predominantly benefitted from FDI and PSD rather than local peoples. In both case studies it has been European corporations with links to key states such as the UK, Netherlands, Germany and France, that have leveraged their positions in global supply chains and that have influenced policy

decisions (such as the oil E&P bill) to generate larger surpluses. In contrast, Ghanaian citizens – especially cocoa smallholders and fishermen (denied access to resources by oil activities) - continue to face precarious conditions on very low incomes, reflecting an inequitable share of the gains within Ghana-EU trade networks. While there has been a move towards initiatives to rebalance the position of Ghanaian economic actors, for example via policy focus on redressing child labour in cocoa or creating skilled jobs in oil, there remain significant questions as to the success of these strategies. In addition the returns to the Ghanaian economy from these sectors have been severely limited by tax exemptions and opaque relationships between corporate actors (such as Tullow Oil) and domestic government.

Moreover, it is important to re-emphasize that future relations between the EU and Ghana will be conditioned by the EU-West Africa EPA. While the EPA has been provisionally applied in Ghana since December 2016, nevertheless this region-wide deal might still yet unravel due to the continuing reluctance of key ECOWAS members – Nigeria and Liberia – to implement its terms. It will be important to monitor, assuming the region-wide EPA does not collapse, how tariff dismantling and lost tariff revenues will impact the Ghanaian government amidst its attempt to achieve the GSGDA. It is notable here that EU aid monies for PSD initiatives are not ‘additional’ or ‘new’ – but rather provide a short-term cushion for monies lost through free market liberalisation and tariff reductions. It remains questionable, therefore, whether EU aid budgets will meaningfully spur enhanced forms of ‘pro-poor’ PSD within Ghana. Meanwhile, the economic significance of export-orientated sectors such as oil and cocoa will continue to grow – particularly as import-competing sectors struggle after liberalisation in a post-EPA environment. ‘Sustainable development’, in these conditions, would appear a very significant challenge, one which the Ghanaian government may well fail to attain.

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## FIGURES

**Table 1: Cocoa and gold as strategic sites of PSD and exports in Ghana's economy (2010-13)**

Share of Total Merchandise Exports (%)	2010	2011	2012	2013
Cocoa Beans	20.07	15.14	16.18	11.72
Crude Oil	-	21.77	21.96	28.25
Gold	29.79	23.32	19.25	22.71

**Table 2: Ghana's main export earnings in Cedis Million (2011-2015)**

Commodity	2011	2012	2013	2014	2015
Gold bullion	5,111.7	8,947.7	8115.8	12416.8	14605.0
Cocoa beans, superior quality raw beans	3,127.7	3530.4	2694.3	5787.4	10146.6
Petroleum oils and oils obtained from bituminous minerals, crude	4325.8	6613.7	5885.9	12807.1	9822.8

**Table 3: Ghana's cocoa exports to the EU, and tariffs under EPA or GSP arrangements (2015)**

Export produce	Total value million EUR	Tariff rates under EPA	Tariff rates under GSP
Cocoa paste	191.8	0%	6.1%
Cocoa butter	101.3	0%	4.2%
Cocoa powder	31.4	0%	2.8%

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**Table 4: Ghanaian cocoa production and child labour (2008/09 and 2013/14)**

Ghana cocoa survey period	2008/09	2013/14
National cocoa production (tonnes)	0.66	0.90
Children, 5-17 years old, in total population (million)	2.16	2.24
Child labourers in cocoa production (million)	0.95	0.92
Children in hazardous work (million)	0.93	0.88