Uncovering smallholder heterogeneity

An analysis of diverging livelihood trajectories and outcomes of engagement in tree-crop value chains in Ghana

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Chapter 3

Policies and institutions guiding value-chain collaborations: opportunities and constraints

3.1 Introduction

Against the agricultural policy environment promoting VCCs with smallholders growing high-potential crops, this chapter provides a typology of value chain collaborations (VCCs) in Ghana's cocoa and oil palm sectors. It also assesses the opportunities and constraints of including smallholders in these VCCs. It addresses the following research questions:

1. How do Ghana's agricultural, smallholder, and tree-crop policies promote smallholder engagement in VCCs?
2. Which types of value chain collaborations can be found in Ghana's cocoa and oil palm sectors, and what are their scope and actor constellations?
3. How do formal and informal institutions mediate smallholders' inclusion in the different forms of VCC?
4. How do these institutions interact in creating opportunities and constraints to smallholders' inclusion in or exclusion from VCCs?

The analysis in this chapter is based on data from a policy review, key informant interviews with experts and prominent actors involved in VCCs, and focus groups with smallholders and other local actors (see Chapter 2).

In this chapter, I first review Ghana's agricultural, smallholder, and tree-crop policies to analyse how Ghana's government promotes smallholders' integration into VCCs (see 3.2). Second, I present a typology of VCCs with examples and indicate their scope and the types of actors involved (see 3.3). Third, I zoom in on the institutions that determine how smallholders are included in VCCs, distinguishing between formal institutions (see 3.4) and informal institutions (see 3.5). Fourth, in the discussion, I look at the implications of different VCC types and institutions and the interplay between different institutions in creating opportunities for and constraints to smallholders' inclusion in VCC (see 3.6). Section 3.7 answers the research questions and discusses the implications for smallholders' inclusion.

3.2 The policy background to VCCs

This section examines how Ghana's agricultural, smallholder, and tree-crop policies envision smallholders' engagement in VCCs.

3.2.1 VCCs in Ghana's overall development agenda since 2010

Nationally, the agricultural policies align with Ghana's overall development agenda. At the start of this study, this was the Ghana Shared Growth and Development Agenda (2010 to 2013) (GoG/NDPC 2010). It targeted agriculture as an area for intervention and to receive greater investment. The major intervention for the sector was the promotion of linkages between smallholders, industry and markets to achieve an annual 6% growth. Organic cocoa production was targeted for strategic markets, while consideration would be given to using part of the oil revenues for developing the oil palm sector in the southern part of the country (GoG/NDPC 2010).

The GSGDA II (2014-2017) envisaged the commercialization of the agricultural sector as the basis for economic growth through a value-chain development approach that helps smallholders transition to market-oriented entrepreneurs. In this approach, partnerships with the private sector are the key tool, involving public agencies, research, financial agencies and institutions, cooperatives and farmer-based organizations (FBOs) (GoG/NDPC 2014:58). These partnerships were deemed necessary to generate funds to build capacities in innovation and technology, develop trade markets, and minimize risk and losses to all stakeholders (GoG/NDPC 2014, p. 58). To achieve this, the policy strongly embarked on commercial farming through agricultural plantations and estates such as nucleus farmer-outgrower schemes, block farming, and public-private partnerships (PPPs). Such partnerships were expected to enhance agro-processing, storage, marketing, agricultural infrastructure (irrigation, roads) and services (credit, extension, etc.) (GoG/NDPC 2014, p. 59). In this way, the GSGDA II aimed to address low productivity, weak management along the value chain and limited extension services to farmers and to transition agriculture from subsistence to business-oriented activity (GoG/NDPC 2014, p. 58).

The Coordinated Programme of Economic and Social Development Policies 2017-2024 (CPESDP) – An agenda for jobs (GoG 2017) underlies the current medium-term development policy framework (GoG/NDPC 2021). The CPESDP embarks on five pillars of "growth and development", of which "transforming agriculture and industry" is one (GoG/NDPC 2014:3). The *Planting for Food and Jobs* campaign (MoFA 2017) is key to achieving this agricultural transformation. Remarkably, the CPESDP is less explicit about partnerships with smallholders than the Ghana Shared Growth and Development Agenda GSGDA II (2014-2017) preceding it. The CPESDP mentions public-private partnerships (PPPs) for water services provision, youth vocational training, road transportation, irrigation infrastructure, and urban infrastructure. Concerning the agricultural sector, PPPs are mentioned in relation to the *One District, One Factory* policy that aims to establish at least one medium- to large-scale factory in Ghana's 216 districts. Although the policy does not abandon the idea of contract farming and PPPs to enhance public service delivery, market access, and value-chain integration, the focus is primarily on job creation for youth and women. Reference to value chains and partnerships with local communities is only made with regard to the fisheries and aquaculture sector.

3.2.2 VCCs in agricultural policies

Sectoral agricultural policies have consistently focused on increasing agricultural growth and productivity by transforming smallholder agriculture (see Table 3.1). The agricultural modernization agenda is captured in the Food and Agriculture Sector Policy (currently FASDEP II) and associated strategies and programmes such as the Cocoa Sector Development Strategy (CSDS 2011), the Programme for the Promotion of Perennial Crops in Ghana (MoFA 2006), the President Special Initiative (PSI) for oil palm (Asante 2012), the Oil Palm Master Plan (MoFA 2011a) and the Tree Crop Policy (MoFA 2012). The modernization agenda consistently follows a commercial market-driven approach that centres on collaboration with the private sector and other actors. In policies such as the Food and Agricultural Sector Development Policy – FASDEP I and II (MoFA 2002 and 2007), the Medium-Term Agricultural Sector Investment Plan (METASIP) (MoFA 2010), and the Ghana Agricultural Sector Investment Programme (GASIP) (RoG 2014) collaboration and business agreements with the private sector and other actors were seen as fundamental to facilitating an effective smallholder integration into value chains and high-value markets. Agricultural commercialization was prioritized and seen as a route to produce globally competitive crops through private sector investment (MoFA 2007; 2010).

The implementation investment framework for the FASdEP, the Medium-Term Agriculture Sector Investment Plan (METASIP 2011-2015), sought to improve food and nutrition security, rural incomes, increased integration in international markets, and sustainable management by developing commercial smallholder agriculture. The mission was to halve poverty by 2015 under the Millennium Development Goals (MDGs) through an annual sustained 6% growth in the agricultural sector under a pledged annual investment of 10% from the national budget. This aligned with pledged targets for local and international agreements such as the Ghana Shared Growth Development Agenda (GSGDA), the Economic Community of West African States (ECOWAS)'s Agricultural Policy (ECOWAP) and the New Partnership for Africa's Development (NEPAD)'s Comprehensive Africa Agriculture Development Programme (CAADP) by 2015 (MoFA 2007; 2010). METASIP envisaged raising about GHC 132 million (US$ 92.3 million) to recover costs for goods and services provided through public-private partnerships (PPPs) that include FBOs. It proposed significant investment in PPPs to reduce the cost of capital and stimulate market-oriented investments. Similarly, The Ghana Agriculture Sector Investment Programme (GASIP 2015-2021) (RoG 2014) envisaged providing an institutional basis for long-term engagement and financing sector investments in private sector-led pro-poor agricultural value chain development. VCCs figure prominently in the programme, again focusing on contract farming through agreements between FBOs and agribusinesses.

Table 3.1 Agricultural policies and their vision on VCCs and other partnerships

Policy	Overall aim	Aims re. smallholders	Vision on partnerships
Food and Agriculture Sector Development Policy (FASDEP) II (MoFA 2007)	Modernize the agricultural sector through a value chain approach, prioritizing value addition and market access to transform the economy for food and nutrition security, employment, and poverty reduction	• Integrate smallholders in markets via outgrower and nucleus schemes • Improve smallholders' access to inputs, credit, technology, planting material, extension, and markets • Increase capacity to expand farm sizes through nucleus farmer-outgrower schemes • Organize smallholders in farmer-based organizations (FBOs)	• Encourage partnership and collaboration with the private sector and civil society for policy implementation and review • Improve extension services and encourage cost recovery through public-private partnerships
The Ghana Shared Growth and Development Agenda (GSGDA I 2010-2013) (GoG/NDPC 2010)	Structural economic transformation before 2020 through industrialization based on modernized agriculture and sustainable exploitation of Ghana's natural resources	• Improve food and nutrition security through a comprehensive national food and nutrition policy • Reduce the vulnerability of smallholders by promoting irrigation • Train outgrowers in good agricultural practices • Transform smallholder production into viable enterprises • Enhance farmer groups and farmer-based organizations (FBOs) for increased knowledge, skills, resource access, and stronger bargaining power in marketing • Focus on cocoa, dawadawa (African locust bean tree seeds), shea-nut, oil palm, and cotton	• Link smallholders in staple and horticulture sector to the industry through nucleus-outgrower and block farming schemes and contract farming • PPPs involving the private sector and civil society organizations are considered a key strategy to solve societal and economic issues, including in the agricultural sector
Ghana's National Policy on Public-Private Partnerships (PPP) (RoG 2011)	Facilitate and accelerate infrastructural development and public service delivery by joining public funds with private resources through PPPs	• None	• Use public-private partnerships (PPPs) for quality, cost-effective, timely provision of public infrastructure and services in Ghana

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Policy	Overall aim	Aims re. smallholders	Vision on partnerships
Medium-Term Agriculture Sector Investment Plan (METASIP) 2011-2015 (MoFA 2010)	Accelerate agricultural growth by at least 6% annually and halve poverty by 2015	• Forge linkages between smallholders and agribusiness • Facilitate access to input, research, technology, markets, and other essential services • Support food and nutrition security and livelihood diversification	• Invest in public-private partnerships to reduce the cost of capital and stimulate market-oriented investments • Increase efficiency by mobilizing farmers in FBOs
Tree Crops Policy (MoFA 2012)	Develop a competitive and sustainable tree-crop subsector; provide targeted support to tree-crop value chains	• Promote outgrower scheme models for smallholders • Develop FBOs and value chain committees • Support rural employment through small-scale farming and processing	• Promote public-private partnerships to enhance private investment in the tree-crop sector and secure access to land by smallholders • Promote nucleus farmer-outgrower schemes for the sustainable development of the tree-crop sector • Support local tree-crop enterprises through investment partnerships • Develop a specific Charter for public-private collaboration to define the roles of the government of Ghana and private companies in outgrower schemes
The Ghana Shared Growth and Development Agenda (GSGDA II 2014-2017) (GoG/NDPC 2014)	Transform the economy for quality jobs, mainly in industry, public infrastructure, and services, and value addition in the agricultural, mining, and natural resource sectors	• Capacity building to improve agricultural productivity, notably in food-crop production, cocoa and oil palm • Transform smallholders into commercial/entrepreneurial farmers • Mobilize farmers into farmer-based organizations (FBOs) and cooperative arrangements to improve production and marketing • Subsidies for improved technologies, particularly for women • Reduction of risks through an insurance scheme	• Expanding the nucleus farmer-outgrower schemes that link smallholders to a nucleus farm or agricultural estate that provides improved seeds, technical support, and marketing services for selected staples, cash crops and vegetables • PPPs for infrastructural development (e.g. mechanization services and storage and irrigation facilities)

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Policy	Overall aim	Aims re. smallholders	Vision on partnerships
The Ghana Agriculture Sector Investment Programme (GASIP 2015-2021) (RoG 2014)	Investment for private sector-led pro-poor agricultural value chain development	• Target smallholders and resource-poor rural people, women, youth (15-24 years) and young adults (25-34 years) • Formalize agribusiness agreements with smallholders to access factor and output markets • Support value chains that show evidence of increased financial return for smallholders, youth and women • Link smallholders to commercial value chains • Create an enabling environment for smallholders to participate in profitable and climate change-resilient agricultural value chains	• Facilitate agreements between agribusinesses ('value chain drivers') and FBOs for secured market linkages through subsidies to leverage private investments, provision of public goods, and enabling infrastructure to reduce risk • Institutionalize mechanisms to leverage private and public investments in value chain development
Coordinated Programme of Economic and Social Development Policies 2017-2024 (CPESDP). An agenda for jobs: Creating prosperity and equal opportunity for all (RoG 2017)	Creating opportunities for all Ghanaians, safeguarding the natural environment, ensuring a resilient built environment, maintaining a stable, united and safe country, and building a prosperous nation	• No specific reference to smallholders, but the policy focuses on market-focused development, public investments in supporting infrastructure and credit, yield improvement programmes, post-harvesting investments through the One District, One Factory initiative, promoting business-oriented farming among the youth, and creating employment through the Planting for Food and Jobs programme	• Develop PPPs for the One District, One Factory programme • Introduce a nucleus farmer-outgrower scheme for the aquaculture sector.
Planting for Food and Jobs (PFJ) (MoFA 2017)	Modernize the agricultural sector to improve food and nutrition security, create employment opportunities, and reduce poverty	• Motivate farmers to use subsidized inputs and improved (certified) seeds • Motivate farmers to use input and output markets • Provide extension services • Provide marketing support • Use ICT for efficient targeting of farmers	• Improve the marketability of food by building strong linkages among value-chain actors (producers, intermediaries, public agencies, and private food and feed companies)

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Policy	Overall aim	Aims re. smallholders	Vision on partnerships
Investing for Food and Jobs (IFJ) (2018-2021) (MoFA 2018b)	Transform and modernize Ghana's agricultural sector to catalyse the rural economy through flagship programmes, including; (i) Planting for Food and Jobs, (ii) Aquaculture for Food and Jobs, (iii) One Village, One Dam, (iv) One District, One Warehouse, and (v) Planting for Export and Rural Development	• Provide incentives for smallholders to form FBOs for more efficient access to knowledge and service packages and credit • Improve smallholder access to mechanization and agricultural equipment for increased productivity • Create an enabling environment for smallholder-inclusive value chains and enhance smallholders' capacity to engage in upgraded commodity value chains • Enhance smallholders' access to financial resources • Promote contract farming arrangements with smallholders	• Facilitate and promote public-private-producer partnerships for marketing inputs and outputs, extension service delivery, and irrigation development • Link smallholders and commercial producers to industry • Foster partnerships between governments, development partners, private sector actors, civil society organizations, academia and smallholders to ensure the implementation of sustainable development goals
National Medium-Term Development Policy Framework (2022-2025) (GoG/NDPC 2021)	A prosperous, safe, stable and united country with opportunities for all Ghanaians, a protected natural environment and a resilient built environment, and improved development outcomes at all levels	• Boost production and productivity of smallholders by linking them to outgrower and nucleus schemes for better access to inputs and markets • Improve access to land for women, youth and migrant farmers • Capacity building in integrated pest management (IPM) and safe pesticide and fertilizer use • Promote local industries that process production from smallholders	• Public-private partnerships figure prominently in the policy document across all sectors for economic and social development • For the agricultural sector, the focus is rather on integrating smallholders in outgrower and nucleus schemes

Sources: RoG 2011; 2013; 2014; 2017; MoFA, 2007, 2010, 2012, 2017, 2018b; GoG/NDPC 2019; 2014; 2021.

The Investing for Food and Jobs (IFJ) policy (MoFA 2018b) reflects a broader vision of VCC and sees a role for more complex arrangements involving actors 'beyond the chain', such as government agencies, development partners, civil society organizations, and academia. It targets smallholders organized in farmer-based organizations (FBOs) to improve their access to services, credit, input and output markets, and irrigation development and enhance smallholder-inclusive value chains.

3.2.3 Types of VCCs in Ghana's policies

Recurrent instruments about VCCs in Ghana's development and agricultural policies include public-private partnerships (PPPs), nucleus farmer-outgrower schemes, and, to a lesser extent, block farming. PPPs have figured prominently in Ghana's development policies since FASDEP II (MoFA 2007). To provide legal and institutional backing, the Government of Ghana launched a PPP policy in 2011 to facilitate and accelerate infrastructural development and public service delivery by joining public and private funds and sharing risks. Since then, PPPs have been proposed to address a broad range of societal and economic issues, including solid waste, water and natural resource management, infrastructural development, and health care, among others (GoG/NDPC 2010; 2014; 2021). PPP proposals also appear as policy instruments in the agricultural sector to improve extension services for farmers (MoFA 2007), stimulate market-oriented investments (MoFA 2010), develop the tree-crop sector (MoFA 2012), develop agricultural value chains (RoG 2014), and for irrigation development, marketing of inputs and outputs, and technical advice (MoFA 2018b).

The focus on nucleus farmer-outgrower schemes is more specific to the agricultural sector. The concept was already mentioned in the METASIP (MoFA 2010), but its implementation goes back to the 1990s when these schemes were piloted in the oil palm and rubber sector (MoFA 2012). An Outgrower and Value Chain Fund (OVCF) was also established in 2011 to provide funds for outgrower operations but with smallholders in associations (MoFA 2011b; Interview 2016). A nucleus farmer-outgrower scheme is a contractual arrangement between a well-resourced large farmer (the nucleus farmer) and smallholders, whereby the first provides inputs, training, technical advice, and a marketing channel, and the latter some inputs and labour (Akubira & Tangonyire 2020). They target high-value commodities, with oil palm amongst the most promoted crop for this type of value-chain collaboration. Oil palm cultivation received a major boost under the 2002 President Special Initiative (PSI), under which smallholders planted about 10,000 hectares (Angelucci 2013). The Oil-Palm Masterplan was launched in 2016, promoting massive oil palm cultivation through arrangements between nucleus farmers and outgrower smallholders. Under these schemes, smallholders would develop about 150,000 hectares of oil palm (MoFA 2011a). The Tree Crops Policy (MoFA 2012) also proposes nucleus farmer-outgrower schemes, combined with PPPs, to deal with the sector's low productivity, poorly organized value chains, low degree of processing, and deficient infrastructure, assuming that these VCCs enhance the sustainable development of the tree-crop sector[30] and farmers' food and nutrition security. In the oil palm sector, this has resulted in projects like the Buabin Oil Palm Outgrower Project (BOPOP) that linked smallholders with the private company Twifo Oil Palm Plantations (TOPP) (MoFA 2006).

The block farming model is the third proposal recurring in different policies but seldom implemented in the tree-crop sector. It was initiated in 2009 as a part of MoFA's Youth in Agriculture Programme (YIAP) which aimed to encourage the entry of young people into farming. The block farming programme made state land or land from chiefs or private owners available to youngsters interested in farming. The land was issued in blocks, but by clustering them, inputs and technical support could be easily made available. The scheme provided mechanization services, inputs and extension services that had to be repaid with a share of the production after harvesting (MoFA n.d.[31]; Owusu & Tsamenyi 2017).

In conclusion, content analysis of Ghana's development and agricultural policies reveals a modernization and growth- and market-oriented agenda to be realized through PPPs for agricultural sector development and a preference for nucleus farmer-outgrower schemes to link smallholders organized in FBOs to businesses and value chains. In the following section, I look at how VCCs developed in practice.

3.3 A typology of VCCs

This section presents a typology of VCCs based on an overview of VCCs in Ghana's Eastern, Ashanti and Central Regions. A VCC (see 1.2.1) is understood as a cooperation between actors within a value chain, often involving actors beyond the chain, such as government agencies, NGOs and certification bodies, and going beyond a mere buying-selling relation as in ordinary value chain relationships. Moreover, a distinction should be made between VCCs in the cocoa and oil palm sectors. These sectors have different institutional contexts (see 1.3), with implications for the types of VCCs in each sector in terms of actor constellations, the functions that private actors are allowed and willing to perform, and the scope of operations.

Here I build on the distinction between conventional and advanced VCCs made by Deans et al. (2018), adding an extended VCC category as a modality between them. *Conventional or basic VCCs* focus primarily on buying and selling cocoa but go beyond

30 The Tree Crops Policy (MoFA 2012) targets cashew, citrus, cocoa, coconut, coffee, dawadawa (locust bean seeds), kola, mangoes, oil palm, rubber and shea nut.

31 https://mofa.gov.gh/site/programmes/youth-in-agriculture, accessed 24 October 2022.

ordinary buying-selling exchanges in value chains as buyers dedicate part of their resources to building personal relations of trust and loyalty with the farmer. This may include, for instance, offering advance payments before cocoa is harvested or dried for sale or providing incentives such as cutlasses, Wellington boots, or 'Christmas bonuses' like rice, sardines, cooking oil, etcetera. Such personal relationships sometimes prevent smallholders from engaging in more complex, less personal partnerships like advanced VCCs.

Extended VCCs go beyond this and may include institutionalized inputs and credit schemes by licensed buying companies. The relations established through basic and extended VCCs help the purchasing clerks gain a stronger position vis-a-vis the LBC for which they work and increase their income because they work on commission; hence their income depends on the number of bags bought.

Advanced VCCs are targeting objectives 'beyond the value chain', including alternative livelihoods for smallholders, capacity building, and implementing sustainability standards. This form of VCC usually involves certified cocoa production, for which companies and producers receive a price premium.

Regarding the actor constellations in cocoa VCCs, I distinguish between (i) *private-producer* VCCs between purchasing clerks affiliated to a licensed buying company and smallholders; (ii) *public-private* VCCs (usually referred to as public-private partnerships or PPPs) between COCOBOD and licensed buying companies and their international affiliate buyers; and (iii) *public-private-producer*-partnerships (PPPPs or 4Ps). The latter are collaborations between government agencies, companies, non-governmental organizations (NGOs), certification bodies and other actors that explicitly target producers to realize a common objective while sharing resources, risks and responsibilities (Thorpe & Maestre 2015). Examples of such shared objectives are climate-smart cocoa production or sustainable livelihoods. Table 3.2 presents the typology of VCCs, including their scope and actor constellations. It shows that the more diverse the actor constellations in the VCC, the broader its scope of operation.

In Chapter 1 (see 1.3.3), I noted already that Ghana's oil palm sector is entirely privatized and that smallholder and outgrower schemes are the dominant forms of VCC. Both schemes involve an arrangement whereby the oil palm company provides seedlings and inputs (on credit), financing and technical assistance, whereas the smallholder provides their labour. The two schemes differ in terms of who provides the land: in a smallholder scheme, 'smallholders' cultivate oil palm on a portion of the company's nucleus estate or land acquired by the company, while 'outgrowers' cultivate oil palm outside the nucleus estate on their own land or as a long-term tenant (minimally 25 years) on land belonging to a third party (Väth & Kirk 2011). Independent smallholders are private farmers who self-manage and finance their farming activities, whereas farmers in smallholder or outgrower schemes have their farms attached to, managed, supervised, and/or financed by the processor under their partnership. These collaborations often include other actors such as NGOs, certification bodies, financial institutions, and public actors.

Table 3.2 Types of VCCs and actor constellations in the cocoa sector of the Eastern, Ashanti and Central Regions in Ghana

Actor constellation	Scope of operation		
	Basic VCC	Extended VCC	Advanced VCC
Private-producer VCC	LBCs/PCs and smallholders engage in a buying-selling relationship based on trust, loyalty, and incentives	LBCs/PCs and smallholders (and sometimes input dealers and credit providers) engage in buying/selling and input, service and (sometimes) credit provision	LBCs/PCs, foreign buyers, certification bodies and smallholders (and sometimes NGOs) engage in certified cocoa production, capacity building and livelihood programmes
Public-private partnerships (PPPs)	(not identified)	Chocolate manufacturing companies, LBCs and government (COCOBOD or PBC[32]) engage in buying/selling and input, service and (sometimes) credit provision	LBCs/PCs, smallholders, and certification bodies (and sometimes NGOs) engage in certified cocoa production, capacity building, and livelihood programmes
Public-private-producer partnerships (PPPPs/4Ps)	(not identified)	(not identified)	LBCs/PCs, smallholders, farmer organizations, government agencies, NGOs, input providers, etc., engage in certified cocoa production, capacity building and livelihood programmes

Key: COCOBOD = Ghana Cocoa Board; LBC = licensed buying company; NGOs = non-governmental organizations; PBC = Product Buying Company (former COCOBOD division); PC = purchasing clerk; PPP = public-private partnership; PPPP/4P = public-private-producer partnership; VCC = value chain collaborations.

Source: Fieldwork 2016.

[32] The Produce Buying Company (PBC) is partly privatized with government still being the key stakeholder. Among cocoa farmers and other LBCs, PBC is still seen as government representative in the buying of cocoa.

Processors set the terms and conditions of VCCs in the oil palm sector, defining the standards and requirements. However, the VCCs differ in actor constellations and scope of operation. Using the same categories of actor constellations as in the cocoa sector (except the public-producer VCC, which was not observed in the oil palm sector), *private-producer* VCCs occur between processing actors – artisanal, medium- or large-scale mills – and independent smallholders. Similar incentives as those used in the cocoa sector are employed in the oil palm VCCs – in the case of independent smallholders to encourage them to sell to a particular processor and in the case of smallholder or out-grower schemes to ensure adherence to the agreement. PPPs and 4Ps occur between independent smallholders, smallholders or outgrowers and medium- and large-scale processing companies.

Similar to the cocoa sector, in terms of scope, I identify three VCCs – basic, extended, and advanced VCCs. *Basic VCCs* in the oil palm sector are *private-producer VCCs* involving independent smallholders, artisanal processors and, occasionally, local and regional buyers of processed palm oil. Especially for artisanal processors who do not have their own oil palm farms, smallholders serve as the main entry point into the processing chain. This kind of collaboration is created and sustained based on trust relations and incentives such as harvesting and buying on-the-spot, advance and on-the-spot payments, gifts such as processed palm oil and soap, and, occasionally, emergency credit. The relationship between the processor and smallholders may be very personal and is characterized by high involvement in the farmer's life, such as attending funerals. For medium- and large-scale actors, incentives may include Christmas or sales bonuses during festive occasions, such as food items, cash, and advance and on-the-spot payments for independent smallholders who sell to them. *Extended VCCs* are usually established by medium- and large-scale processors and include credit and inputs provision to independent smallholders or in smallholder and outgrower schemes. *Advanced VCCs* occur in smallholder and outgrower schemes and go beyond buying-selling and service provision to include capacity building and organization of smallholders, providing technical expertise and promoting sustainable production. Outgrower and smallholder schemes in advanced VCCs include establishing new farms, thus introducing new smallholders into the oil palm value chain. Table 3.3 provides an overview of the different types, showing that the public sector is much less present in oil palm VCCs than in the cocoa sector. Appendix 13 presents a complete overview of the VCCs identified in the study area.

3.4 Formal institutions

This and the following section analyse which institutions govern the different types of VCC and how they determine smallholders' inclusion in VCCs. I thereby distinguish between formal and informal institutions. Formal institutions are operationalized as explicit or formalized rules that structure social interactions, which may be stipulated in a contract or (formal) oral agreement between the actors involved. Informal institutions are implicit 'rules of the game' and norms embedded in VCCs that structure collaboration among actors in VCC (North 1990; Hodgson 2006; Casson et al. 2010). For both types of institutions, I analyse (i) the conditions of smallholders' access to the VCC, (ii) the responsibilities of the parties in the VCC, and (iii) the risks and benefits associated with smallholders' engagement in the VCC.

Table 3.3 Types of VCCs and actor constellations in the oil palm sector of the Eastern, Ashanti and Central Regions in Ghana

Actor constellations	**Scope of operations**		
	Basic VCC	**Extended VCC**	**Advanced VCC**
Private-producer partnerships	Artisanal processors (Kramers) and smallholders engage in a buying-selling relationship based on trust and personal relations	Medium/large-scale companies and smallholders engage in a smallholder or outgrower scheme involving inputs and services provision (investor) and labour (farmer) within the estate (smallholder scheme) or outside of it (outgrower scheme)	Medium/large-scale companies, foreign buyers, smallholders and organic/ certification bodies engage in certified, sustainable production.
Public-private-producer partnerships (PPPPs/4Ps)	Not identified	Not identified	Government and donor agencies, medium-/ large-scale companies and other private actors, smallholders, farmer organizations, NGOs and certification bodies engage in capacity building and promoting sustainable production.

Source: Fieldwork 2016.

3.4.1 Formal institutions in basic VCC

Private actors – licensed buying companies, their purchasing clerks, and oil palm processors – engage in basic VCCs to increase or sustain access to cocoa or fresh fruit bunches (FFBs). Both parties depend on each other as entry points to the value chain, but a 'battle for suppliers' can be observed among purchasing clerks and small-scale oil palm processors, which shape the institutions that govern the relationship. In the section on informal institutions, I show how relations of trust and reciprocity are used in basic VCCs (see 3.5.1). Consequently, smallholders do not have to meet any formal entry requirement besides having produce to sell. For the smallholders, this open inclusion is the main advantage of this type of VCC that caters to both their production and non-production needs (see 3.4) without having to meet any specific requirements or enforceable conditions:

> "We cocoa farmers suffer a lot in the off-season, and he [the PC] gives credit whenever you need it so that you can pay when you bring your cocoa in the main season. The PC is very good. He has been helping me with my children's school fees" (Awo, January 2017).

Neither does basic VCC enforce any responsibilities. Smallholders' only 'responsibility' is to be loyal to the buyer in sending their produce. However, smallholders can decide how much they sell to that buyer and want to be loyal to that buyer. Thus, it is not uncommon to find smallholders in multiple basic VCCs with purchasing clerks affiliated with different licensed buying companies in the same community:

> "I divide my yield among PBC and Cocoa Merchant because PBC is for the government.[33] Selling to their PC puts me ahead of other farmers to get access to the mass spraying, and I also sell to Cocoa Merchant because they pay cash and give cutlass for every bag of cocoa sold" (Yaa, March 2016).

Buyers in basic VCCs also buy small quantities (from 1 kg of undried cocoa) and cocoa below the COCOBOD minimum standards. This is locally referred to as *Abinkye*; cocoa beans that are usually discoloured or do not have a good mixture of what will be considered to meet the COCOBOD standards. In contrast with the fixed cocoa price set by COCOBOD, these inferior qualities are traded at a negotiated price with the farmer. Such low-standard cocoa is later sold to local processors or mixed with beans that meet the standard as long as the permitted residue level is not reached. Kramer processors also buy from smallholders what the medium and large-scale processors reject as small bunches, loosened fruits, inappropriate variety or unripe FFBs at a negotiated price. This saves the smallholders losses that they would otherwise have incurred without such relations:

33 Although actually privatized, farmers and other LBCs consider the Produce Buying Company still as a government actor liaised with COCOBOD.

> "In oil palm, we don't waste anything. If we do not process the fresh fruit bunches that the companies reject, the Kramer women buy it to be assured of produce in the lean season when the FFBs are scarce" (Danso, FGD, April 2016).

Risks in basic VCCs are primarily for the buyer as they depend on smallholders' goodwill to be loyal and committed to them:

> "There are high risks for the PC. This relationship is more about money (physical cash for emergencies) and, on rare occasions, credited inputs[34], so when farmers default on payment by diverting the cocoa to other PCs, our PC will have to pay that money himself or go to jail. On many occasions, this has happened, and many PCs are on the run" (Oduro, April 2016).

This relation can also be detrimental to smallholders as they can lose their autonomy over their land or farm:

> "I had two plots of cocoa, but the big one (2ha) I used it as '*awowa*' to get GHS 10,000 from the CMB purchasing clerk for my daughter, who was going to the nursing training school. I will get the farm back after five years or more, depending on the PC" (Akwasi, February 2017).

Another risk for smallholders is associated with the excessive interest on credits that may lead to the loss of one's farm;

> "The PC gives loans during the off-season, but I don't usually go for it because he [PC] charges 100% interest when the main season opens"(Richard, February 2017).

3.4.2 Formal institutions in extended VCC

In the cocoa and oil palm sectors, extended VCCs are run as institutionalized input and/or credit schemes that require farmers to register and sign a contract that designates the company as the only buyer. In the cocoa sector, the smallholder signs a contract with an LBC:

[34] "Credited inputs" is the term commonly used in Ghana for advanced inputs such as fertilizer, pesticides, knapsack sprayers, farm boots and cutlasses, which need to be repaid with an equivalent value of the harvest.

> “We [Armajaro Company Limited) started an input scheme last year because farmers complained that they were not receiving sufficient inputs from the mass spraying/fertilizer exercise. This scheme has reduced farmers’ bitterness against the government exercise” (Antwi, July 2016).

Cocoa farmers who want to supplement inputs received under the government Cocoa Disease and Pest Control (CODAPEC)/Hi-Tech programmes (see the footnote in **1.3.2)** and those unable to benefit from the programmes depend on extended VCCs as often they do not have money when it is time to apply the required inputs:

> “The government has made inputs available to us, but it is not sufficient, and access is limited. About two-thirds of us never sprayed our farms because we didn’t have the money to buy the inputs. Now that the government said spraying is free for us, not all of us get our farms sprayed. I do not see any benefits of the programmes. We go to the LBCs to credit inputs” (FGD, April 2016).

However, most cocoa farmers become dependent on the input programmes and fail to supplement the quantities or do not apply inputs at all when the programmes delay or do not come. Farmers blame the government for failing to take complete control of their spraying:

> “I know LBCs give credited inputs and equipment to its farmers, but I depend on the government. I have 9 acres but always receive inputs for about 5 acres. I always wait for the government inputs, it’s not enough, but I can’t supplement; I have oil palm to take care of” (Francis, March 2017).

On the other hand, licensed buying companies feel left out of government input programmes. Although they have a representative on the programme task force, the Produce Buying Company (PBC) always makes decisions of which they are not even aware:

> “We [Olam] receive the information from our PCs who are in contact with farmers of the commencement of the government input distribution program. We are not involved in the process at the district level. Some PCs are members of the spraying gangs in the communities, but it is not an official LBC appointment” (Grace, July 2016).

Some smallholders also showed a lack of interest in collaborating with licensed buying companies in extended or advanced VCCs because the COPADEC/Hi-Tech programme provides the inputs for free.

The contract in the oil palm sector is usually between independent smallholders and medium- or large-scale companies. For all contractual extended VCCs, smallholders must meet criteria that include owning at least 2 acres of productive farmland. Extended VCCs can also be informal without written contracts being involved. Purchasing clerks or artisanal processors in extended VCCs may also act as brokers of inputs and credit for smallholders. In the cocoa sector, this is achieved by using the funds advanced by the LBC to buy cocoa on their behalf or through connections with their LBC directors (District Officers; DOs), input dealers, and credit providers in the community. While these are usually oral agreements, they are generally witnessed by a third party when extensive credits are involved.[35] Smallholders have responsibilities in extended VCCs, whether these are contractual or not. In all cases, smallholders must sell their cocoa to the company or the buyers involved to service their debt:

> "The farmers are the ones who benefit a lot. They get access to the inputs they cannot afford to buy because these are used at the beginning of the season when they have already spent their cocoa money, they pay when they sell their cocoa to us [FedCo]" (Ntadu, July 2016).

Smallholders face several risks in extended VCCs as they often do not get the expected yields to pay their credit in full:

> "The PC takes record of the amount of fertilizers given to me with the corresponding debt. He then deducts the amount when I harvest and sell the cocoa to him. This is difficult because yields are low" (Nti, February 2017).

The risk for the purchasing clerks and the LBC is that smallholders must repay their credit and the value of advanced inputs when they sell their produce in the cocoa season. However, smallholders can divert their crops to other purchasing clerks and not service their debt.

[35] In the Ghanaian context, however, such an agreement is not equivalent to a signed contract that can be taken to court if one does not comply with it.

3.4.3 Formal institutions in advanced VCC

Advanced VCCs in the cocoa sector aim at value addition targeting speciality cocoa while addressing concerns 'beyond the chain' such as climate resilience, livelihood improvement and sustainable production. I identified three main standards that advanced VCCs with farmers in the cocoa sector target – traceability, verification and certification of conventional or organic cocoa involving four schemes: the Rainforest Alliance, Fairtrade, UTZ[36] and Organic certified, through which smallholders fetch premiums.[37] Advanced VCCs concentrate on developing farmers' entrepreneurial capacity and community development where donors and the international community are involved.

In the oil palm sector, advanced VCCs have long been run as outgrower and smallholder schemes by medium and large-scale processors. Recently, PPPs such as the Roundtable on Sustainable Palm Oil (RSPO) and the African Palm Oil Initiative (APOI) have been implemented, and multi-stakeholder collaborations developed sustainability standards for certified palm oil production and trading.[38] I also identified one medium-scale processing company involved in organic-certified palm oil production that requires smallholders to meet organic Fairtrade standards in return for a premium.

In all cases, except smallholder schemes that give smallholders access to company lands, farmers must register with at least 2 acres of productive oil palm or cocoa farm or at least 5 acres of a continuous stretch of land in outgrower schemes. In smallholder and outgrower schemes involving the establishment of a new oil palm farm or plantation, buyers support farmers in land preparation, seedling provision and planting, advance payments for farm maintenance, and technical advice on farm management, the cropping system and the schedule of farming practices. In outgrower schemes, the buyer supervises the management of the farm, while in smallholder schemes, the farm is managed by the buyer, turning the farmers into *de facto* labourers.

Oil palm farmers in advanced VCCs are usually bound to a single buyer who commonly buys at the farm gate at an agreed price without a premium, and the money is paid in the farmers' bank account at the end of every month.[39] If bound to a single buyer, oil palm farmers are unable to enjoy price hikes during the lean season when FBBs are scarce, and competition among buyers results in higher prices for independent

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[36] The Rainforest Alliance and UTZ are now merged under Rainforest Alliance (http://www.rainforest-alliance.org/article/rainforest-alliance-utz-merger, accessed 25 July 2017).

[37] Companies deal with premiums in different ways. Farmers dealing with companies such as Cocoa Abrabopa and Armajaro receive a share of the premium between GHS 5-25 per bag of cocoa, while in the case of the PBC-Touton collaboration, the premium goes into a social development fund (Interviews 2016).

[38] According to Proforest (2018), four oil palm companies in Ghana have achieved RSPO certification by January 2018. https://www.proforest.net/news-events/news/twifo-oil-palm-plantation-ghana-achieves-rspo-certification-11300/

[39] The FFB price per ton differed among companies in the Central and Eastern Regions.

smallholders. Price increases in such arrangements only occur when the company revises the prices after negotiation with smallholder representatives.[40] In the organic certification scheme with independent smallholders in which the buyer pays a premium, smallholders are allowed to sell to any buyer but lose their premium if they choose to do so.

Contracts in outgrower and smallholder schemes in the oil palm sector are for at least 15-25 years and can only be terminated if smallholders can service their debts on credited inputs and maintenance allowances. Smallholders who intend to exit abruptly must pay the whole sum at once, including the interest, or leave their farms under bond to the company until the debt is paid. Farms that are 25 years or above cannot be replanted without the permission of the buyer:

> "The farm is 26 years old and needs to be replanted, but GOPDC has to give me the permission, and I heard we can't do that even in the next two years" (Edward, February 2017).

Inputs and credit to outgrower farmers end 3-4 years after planting, and farmers must enter into a complementary input scheme with the buyer or seek finance elsewhere such that most farmers have at least two different debts to settle at every sale:

> "By the agreement, TOPP take ¼ of the income to pay your credit (for making the farm). After this, if you have also credited inputs (outside the four years credit support), you will have a personal agreement with them [TOPP], and they also deduct this from your money depending on the percentage you agreed on" (James, January 2017).

Smallholders engaging in advanced VCCs are usually organized in informal farmer groups such as labour and knowledge-sharing groups (*Nnoboa*) or farmer field schools.[41] There are also a few organized farmer groups, such as the Kuapa Kooko farmers Union (KKFU), Oil Palm Outgrowers Association (OPOA) and Cocoa Abrabopa. Participation in these groups is mandatory, and farmers must attend regular meetings where they receive training and extension services offered by lead farmers, buyers or their representatives.[42] Farmers also receive input packages on credit every season that cover their full farm maintenance regimes and are obliged to follow sustainable farming

[40] Most companies offer farmers a stable price scheme where prices are occasionally reviewed upwards but it can take many years before prices are adjusted.

[41] A farmer field school is an approach whereby groups of farmers (usually about 30) are trained in a field-based setting (http://www.fao.org/agriculture/ippm/programme/ffs-approach/en/, accessed 22 July 2017).

[42] Cocoa companies usually use the farmer business schools concept, whereas a company such as Armajaro has tasked commercial officers to train the farmers, using demonstration farms and lead farmer approaches.

practices and pass auditing to meet additional certification standards such as those for organic cocoa. Smallholders are bound to only one buyer who buys at the COCOBOD price in the case of cocoa, with an additional premium in the case of certified production.

In the cocoa sector, smallholders must service the whole debt every season before they can access another credit for the new season. They can only break the contract with licensed buying companies if they have paid off all their input and credit debts. This affects smallholders with low yields, as the LBC may take all their income to service their debts:

> "I had a bad experience with the company [Cocoa Abrabopa]; the price of the credited inputs is much higher than the market price. It becomes very difficult for me to pay the cost of the inputs within the given time. I have incurred debt that I am struggling to pay. So instead of Cocoa Abrabopa [good livelihood], we have changed the name to Cocoa Abrabosei [livelihood destroyer]" (Nti, February 2017).

Smallholders in both sectors are also engaged in weeks of compulsory training and farmer schools, especially in the off-season, and many claim that these do not lead to increased productivity and income while disrupting their engagement in other farming and non-farming activities. For this and other reasons stated above, some smallholders opt out even though they meet the entry requirements for VCC engagement:

> "I was in Cocoa Abrabopa but lost all my money at the end of every season. The cocoa did not yield the quantity they told me, and they blamed me for not following their instructions. I didn't want them to seize my farm; if you are unable to pay, they can seize your farm till they get their money. I don't want any trouble, so I left" (Kwabena, January 2017).

> "I know about the Buabin Oil Palm Outgrower…I didn't join because the conditions were not clear to me. The services were going to be provided until the tree starts to fruit but what after that? So I decided that if I can do it on my own after the 4 years, then I could do it all" (Adama, January 2017).

In summary, whereas many advanced VCCs claim to support smallholders' livelihoods, the formal terms of engagement tend to be exclusionary for the poorest farmers without land and create risks of indebtedness and, especially in the oil palm sector, of losing autonomy over land if farmers are unable to repay the advanced inputs.

3.5 Informal institutions

In this section, I particularly focus on how relations of trust and reciprocity, land tenure rights and gender norms affect farmers' engagement in VCCs.

3.5.1 Relations of trust and reciprocity

To sustain continual access to smallholders' produce, basic VCCs build on non-obliging acts of reciprocity – a mutual exchange where the buyer offers incentives, and the smallholder is willing to commit to the buyer. This is guided by open terms of engagement that allow all farmers who have cocoa or oil palm to sell and are willing to sell to the same buyer to access the incentives. Whereas this helps sustain the trust and gain the loyalty of the farmers who sell to them, incentives are also used to attract new farmers:

> "We buy the FFBs from farmers who can also sell to the big companies. For this reason, we always pay a little higher than the companies and buy any variety and standard. I also offer ready cash and loans to farmers when they need them. Farmers are always willing to sell for ready cash, which is the only reason I am still in business" (Jane, March 2016).

However, a continual commitment on the buyers' part may not increase or even sustain their access to smallholders' produce. Similarly, the implicit expectation of reciprocity may result in farmers becoming attached to these relations and impede them from moving to extended or advanced VCCs that are more beneficial to them in terms of meeting both their production and non-production needs (as also observed in Deans et al. 2018). However, the same trust and reciprocity relations may help farmers move on. Interviews indicated that farmers are more willing to engage in extended and advanced VCCs with licensed buying companies in cases where they already have an established relationship with the company's purchasing clerk.

3.5.2 Land tenure rights

Land conflict is among the rising risks of VCCs with smallholders (Nsamba-Gayiiya & Kamusiime 2015), but the question is how and why land rights affect VCCs. There are at least three ways to access land for smallholder cocoa and oil palm farmers: family land, a land-sharing arrangement, and outright land purchase from landowners. Family lands are mainly for farming, and access is through lineage, inheritance or gift. While according to custom, all family members have access to the land by lineage (Odhiambo 2015), the inheritance systems affect who has access, how much land can be accessed, and what type of crops can be planted. Who inherits the land or farm depends on whether the community practices a matrilineal or patrilineal inheritance system. In the three study areas, a matrilineal inheritance system prevails. This means that family members can inherit from their uncles on the mother's side but not from their fathers. However, in both forms of inheritance, males are favoured over females in accessing land (Knudsen & Fold 2011; Lambrecht 2016; Ferrara & Milazzo 2017; Gyapong 2021). However, marriage makes it easier for women to access land, especially if it belongs to their spouse (Lambrecht 2016). While most landowners or people who inherit land can decide what to grow on it, using inherited land for tree-crop farming is often prevented as tree crops are perennial crops, and a tree-crop farm is considered the personal property of the one who establishes it. Therefore, some families prevent planting tree crops on lands inherited through lineage as the larger family can be denied access to the land if the owner leaves the property to their children (Evans et al. 2015). If family members want to farm tree crops on family land, they must do so under a tenure arrangement with the family. In such a case, half of the land is kept as the extended family's property, and the other half goes to the one who made the farm. Alternatively, where farmers keep the farm, a portion goes to the extended family at their demise.

The '*Y⊃manky3*' (let us do and divide) land-sharing arrangement allows landless smallholders and landowners to access land for cocoa and oil palm farming. I identified two forms in my study area: *abunu* and *abusa*. Abunu is "dividing into two parts" of either the farm or produce. Abusa is the "dividing into three parts" and applies to the farm produce. This also happens in the cocoa sector under a different scenario called '*Nhweso⊃*' (caretaking) (see Chapter 4).

Land purchase for farming giving the buyer a freehold title (i.e. outright ownership that can be inherited by descendants) is a relatively recent phenomenon (Asaaga & Hirons 2019). Whereas land was usually obtained through inheritance and sharecropping, in recent times, farming land is increasingly bought from traditional leaders and family clans with allodial (permanent customary) rights (Knudsen & Fold 2011; Asaaga & Hirons 2019).[43] Such land deals often lead to conflicts as family members of the selling party often do not recognize the transaction (Gyapong 2021). Women face challenges purchasing such land, as they are often required to prove the consent of their husbands or bring a male family member during land negotiation or registration (Lambrecht 2016).

3.5.3 Gender norms

Gender plays an important role in tree-crop farming (Laven 2010) and affects VCCs (Nsamba-Gayiiya & Kamusiime 2015). The focus group discussions with farmers revealed that cocoa and oil palm farmers are predominantly male. This is due to the land

[43] The tendency towards increasing commodification of customary land because of expanding tree-crop production has also been observed in South Africa (Olofsson 2021).

tenure rights where women have little or no access to land and are not accepted for land-sharing arrangements:

> "It is our culture; women do not inherit land from the family; they can only have it if their mothers had it. Women must get married and depend on their husbands. They must farm their husband's lands. These days they are given land in some families, but even when you give them, they register it in their husband's name and farm it with their husbands" (Mensah, March 2016).

Traditionally, this is also due to hierarchical gender relations within the household. Although men and wives establish and work on cocoa and oil palm farms together, men are considered the heads of the family, farm owners, and decision-makers. Women, however, have autonomy over the food crops intercropped with the tree crops or grown on other lands. Tree crops are considered a man's crop that requires considerable strength in land preparation, harvesting, and maintenance. Women are considered too weak to perform these tasks and can only play a role in nursing and planting seeds, weeding, gathering, transporting the harvest and post-harvest activities:

> "Women are weak; they cannot farm cocoa or oil palm. They cannot make a cocoa or oil palm farm on their own, and if they inherit it, they have to give it to caretakers. Women who want land for abunu or abusa must come with their husbands or a mature male (brother or partner), or else, she alone will be denied" (FGD, April 2016).

The next section discusses the implications of these formal and informal institutions for farmers' inclusion in VCCs.

3.6 Discussion: opportunities and constraints to inclusive VCC

This section discusses the opportunities and constraints to inclusive VCC created by the policy environment (see 3.6.1), the type of VCC (see 3.6.2), formal institutions (see 3.6.3) and informal institutions (see 3.6.4). Section 3.6.5 looks at the impacts in an integrated manner.

3.6.1 An enabling policy environment?

At the start of data collection for this chapter in 2016, the policy environment was conducive for VCCs as value chain collaborations and other types of partnerships involving smallholders figured prominently in Ghana's agricultural policy landscape. Although promoting smallholder partnerships through contract farming and outgrower schemes still prevails, current policies focus more on employment generation for the youth and public-private partnerships for infrastructural development and public service delivery. This shift could be partly due to the failure to achieve commercially viable smallholder farming due to infrastructural and service delivery constraints (GoG 2017). Thus, Ghana's Public-Private Partnership Bill (2013) and PPP Act (Act 1039, 2020) promote PPPs to provide infrastructure and service delivery as a fundamental prerequisite for economic growth and development. Some argue that the government excludes PPPs in the agricultural sector altogether (Bonsi et al. 2016). However, the policy review showed that the government still promotes outgrower schemes but focuses on farmer-based organizations rather than individual smallholders. This is exclusionary and inadvertent given that no strong farmer-based organisations[44] exist in these sectors at the moment and the fact that most VCCs do not look at such FBOs as part of the collaboration (Bitzer 2011; Laven & Boomsma 2012; Interviews 2016). The strong focus on contract farming and outgrower schemes also implies that PP(P)Ps and other collaborations in the agricultural sector are left to the whims of the private sector without proper facilitation and monitoring to defend smallholders' interests by the government, civil society organizations, and other brokers (see 7.6.2).

3.6.2 Typology of VCCs

VCCs are emerging as supply strategies for buyers in the cocoa and oil palm sectors, with stark differences between VCCs regarding smallholders' autonomy of choice to engage in them and the terms of inclusion and exclusion (see 3.3-3.4). Sector- and context-specific conditions determine the range of actors involved and the scope of operations.

Ghana's cocoa sector is well-regulated by the Ghana Cocoa Board (COCOBOD). VCCs within this sector emerge as spontaneous strategies for licensed buying companies and their purchasing clerks to control their supply on which their success in the sector depends (Laven & Boomsma 2012). This is also true in the open segment of the oil palm sector, where VCCs are conditional to the buyers' functioning. Oil palm processing companies partner with smallholders to supplement raw materials from their estates to meet their total capacity, and in some cases, they depend entirely on smallholders to meet their processing capacity (MoFA 2011a).

Regarding the actors, VCCs in the cocoa sector are more private-led than public-led, with the majority limited to farmers and private buyers to whom they are connected. Because of this, mostly value chain actors are part of these VCCs, with limited

[44] Farmer-based organizations are lacking in the cocoa sector (Laven & Boomsma 2012). Although government requires farmers to form community farmer-based cooperatives to receive the subsidized fertilizers, this is very ad hoc without the necessary empowerment to assert a collective voice. In the oil palm sector, though there is an outgrower farmers association, smallholders only become members after engaging in an outgrower scheme where exclusion had already taken place due to the terms of engagement.

participation of actors 'beyond the chain', such as NGOs or public agencies. They tend to include only commercially viable smallholders (the so-called 'low-hanging fruit' (Crane et al. 2014:140). In a strongly private-led VCC sector like the oil palm sector, where strong involvement of the government and brokers is lacking, smallholders have limited choice and room to manoeuvre, as being in one extended or advanced VCC impedes them from engaging in other VCCs. Smallholders in basic VCCs in the oil palm sector cannot join extended and advanced VCCs due to restrictions embedded in formal and informal institutions, such as the obligation to sell exclusively to the company in the VCC. In the oil palm sector, engaging in an advanced VCC often means farmers are locked in such a partnership for 15-30 years or exit with huge debts.

The involvement of public actors does not fundamentally change smallholders' benefits from VCCs (Thorpe & Maestre 2015). However, a strong government role can ensure that VCCs reach a broader group of smallholders, especially the poorest and marginalized ones (Laven 2010). In all three districts of the study area, the government's cocoa mass spraying programme had reached between 80-95% of cocoa farmers. However, it was also evident that such a mass attempt without an effective strategy to integrate key private actors can render private initiatives impossible and create over-reliance on free provisions from the government. Scholars have argued that this may deprive farmers of a pluralistic support system with greater benefits and the potential to enhance growth (Laven & Boomsma 2012; Manteaw et al. 2014). This study suggests that dependence on public sector support has made cocoa farmers less receptive to sustainable practices and innovations associated with certification.

In formalized – extended and advanced – VCCs, there is a need for simultaneous engagement of public and private actors and brokers who defend farmers' interests to ensure that smallholders are included on equitable terms and play a role in designing and implementing VCCs. There is a general lack of social actors such as non-governmental, farmer-based, and civil society organizations in the VCCs studied. This depicts an overall lack of watchdog observers and brokers, vital in monitoring contract enforcement and pursuing farmers' interests. In some cases, purchasing clerks in the cocoa sector perform that role. In such cases, they act both as representatives of the private actor in the VCCs and as intermediaries between farmers and buying companies (Kooijmans 2016). This study revealed that the central role of purchasing clerks determined smallholders' willingness to engage in extended and advanced VCCs (see also next section). In the oil palm sector, where private-led VCCs prevail, such brokers are missing, resulting in fewer benefits and larger risks for the smallholders involved (Barrett et al. 2012; Bitzer et al. 2013).

The scope of VCCs determines the benefits and risks for smallholders. Basic VCCs offer landless and less well-off smallholders a readily available avenue to access credit and inputs without being bound to contracts. However, personal bonds with a particular buyer could impede smallholders from accessing more beneficial extended and advanced VCCs in the cocoa sector (c.f. Deans et al. 2018) or exclude them from extended and advanced VCCs in the oil palm sector. In terms of sustainable production, this is detrimental as extended and advanced VCCs invest in building the long-term capacities of the farmers involved by giving access to land in smallholder schemes, inputs, credit, extension services and training in farming practices and innovations. Particularly in the cocoa sector, advanced VCCs build farmer groups to strengthen smallholders' capacity in sustainable and more efficient farmer practices and their asset base by providing access to credit and farming inputs. In these forms of VCC, relations often move beyond 'top-down' service provision by giving smallholders a say (Laven & Boomsma 2012; Deans et al. 2018). Unfortunately, these benefits are accessible almost exclusively to smallholders with greater access to land, credit, labour, and incomes, who appear as the 'low-hanging fruit' (see Chapters 4 and 5). Whether smallholders in extended and advanced VCCs are indeed better off depends on the boundaries set by formal institutions that define responsibilities and the contractual terms of smallholders' engagement in VCCs. It is to these formal institutions and their impact on opportunities and constraints that I turn now.

3.6.3 The role of formal institutions in VCC

The study revealed that formal institutions such as contracts define the conditions of smallholders' inclusion in VCCs (see 3.4). However, the same institutions also offer smallholders the opportunity to engage in VCCs selectively. There are stark differences between VCCs regarding specific institutional arrangements, and these institutions narrow the target group and define expectations and benefits (Barrett et al. 2012; Bolwig et al. 2010). With huge transaction costs involved in collaborating with smallholders in extended and advanced VCCs (UTZ Certified 2015), formal terms and conditions in VCCs are defined in a way that favours viable commercial smallholders with farms or access to land. These formal institutions define smallholders' access to credits and inputs, innovations, guaranteed markets, specified product prices and premiums. Formal institutions are also meant to guide the behaviour of actors, setting the 'rules of the game' and ensuring that parties fulfil their responsibilities. Evidence shows that smallholders' behaviour in extended and advanced VCCs is partly controlled by the premium price and incentives they receive for participating in training and adhering to instructions. Smallholders who receive no premiums, as in the RSPO, have shown reluctance to comply with best practices. Adhering to these terms can curtail risks for the buyer, such as diversion of contract produce and manipulation of contract terms, creating incentives for buyers to create more VCCs (Manley 2016).

VCCs cannot include all smallholders (Vorley et al. 2012), and the inclusion of some smallholders will lead to some form of exclusion of others (Hopes & Clancy 2011). Evidence has shown that smallholders' engagement tends to decrease with the increasing complexity of institutional arrangements (Bitzer et al. 2009), particularly for landless and less well-off farmers (see 3.5). Criteria such as education, ownership, access to land, or having a productive farm and physical strength automatically exclude smallholders who may be considered a risk for the companies involved in such VCCs. Even though VCCs in the cocoa sector include as many smallholders as want to join, it is still evident that the terms of inclusion exclude young farmers, very old farmers with older farms, and caretakers. These groups can only engage in basic VCCs, where they risk losing control over their farm when they become indebted to a PC. In the oil palm sector, where advanced VCCs usually integrate new farmers into the chain, landless farmers and women constrained by land are often excluded, as land ownership is the main requirement for inclusion. Thus, for marginalized farmers, the landless and women, formal institutions in VCCs become high barriers to entry that they cannot cross, while those able to engage may face high risks such as loss of autonomy over their land and production.

3.6.4 The role of informal institutions in the VCC

The findings showed that relations of trust and reciprocity, informal tenure rights, and gender norms create incentives as well as disincentives for smallholders' engagement in VCCs (see 3.5). With farm ownership of or access to land as the most important criteria for VCC engagement, smallholders having access to land through informal tenure arrangements are disadvantaged. Whether in a matrilineal or patrilineal inheritance system, women have limited or no access to land (Tsitaka 2009), whereas inheritance also ensures that farmlands are divided among all eligible family members (Gyasi 1994). Such systems, however, constrain many farmers, especially in tree-crop farming. Women may not even own land to invest in tree-crop farming, while others receive small and fragmented plots that are not profitable for tree-crop farming (Laven 2010; see 3.5.2; Chapter 5). Thus, cocoa farming in Ghana is characterized by a gender bias due to land constraints that women face. The few women in the cocoa sector have smaller farm sizes and lower yields than male cocoa farmers (Laven 2010). Although women engage with their husbands in establishing cocoa farms, they are mainly considered owners of the food crops intercropped with the cocoa. Male caretakers usually manage female-owned farms.

The land-sharing agreements – *abunu* and *abusa* – serve as the primary source of land for landless farmers, those without suitable fertile lands, and smallholders who want to expand their farms (see Chapter 5). However, such arrangements are not accessible to women due to gender norms that define tree-crop farming as a man's job requiring strength that women do not have. Similar restrictions apply to young people (18-35), especially unmarried ones. These are considered irresponsible, unable to settle into jobs, and are therefore excluded from land-sharing arrangements. Land and farm owners prefer migrants and males who are considered eager to accomplish, hardworking, accountable, and easy to handle for land tenure arrangements. Thus, informal institutions restrict women and young people in their ability to enter the cocoa and oil palm value chains, leading to fewer female farm owners being targeted for inclusion in VCCs.

3.6.5 Institutional interplay

The effect of institutions on smallholders' inclusion in VCCs is magnified when formal and informal institutions interact. Farm or land ownership remains the most important condition for VCC engagement, creating opportunities for some smallholders and constraints for others. The criterion of 2 acres of farm or land size as a requirement constrains women and those who, by inheritance, lack access to land or have small and fragmented farm sizes. For most men, the *abunu* land arrangements enable them to access land for engagement in VCCs, while prevailing norms exclude women and young farmers from such arrangements. This is even more problematic in advanced VCCs in the oil palm sector that integrate new farmers into the value chain (Nsamba-Gayiiya & Kamusiime 2015). In the Buabin Oil Palm Outgrower Project (BOPOP), land ownership issues delayed the implementation of the VCC project for two years, and land tenure arrangements are a recurrent source of conflict among landowners, outgrowers, buyers and financial institutions involved in the VCC. Farmers who enter outgrower schemes in advanced VCCs are not allowed to share the farms under *abunu* land arrangements, while the VCC also affects the sharing of proceeds in *abusa* arrangements. VCCs deal exclusively with farm owners, thus constraining the engagement of caretakers, women, migrants and emerging or absentee farmers. This affirms that informal contextual institutions constrain the engagement of many smallholders in VCCs, thus limiting their access to land and farm requirements.

3.7 Conclusion

This chapter analysed the opportunities and constraints to smallholders' engagement in VCCs, focusing on the enabling and constraining policies and institutions and how different kinds of VCCs determine the nature of smallholders' inclusion in and exclusion from VCCs. First, I conclude that the policy environment since 2016 has been gradually shifting focus from the explicit promotion of VCCs with individual smallholders to employment creation for youth and partnerships with FBOs and smallholder engagement in contract farming and outgrower schemes. The role of the government is increasingly confined to public-private partnerships for infrastructural development and public service delivery. This shift can be detrimental for smallholders, given the growing dominance of private sector-led VCCs. Second, VCCs in the cocoa and oil palm sector differ in actor constellations. The Ghanaian government plays a vital role in the cocoa sector, but the private sector is leading in VCCs in both sectors. Third, VCCs also differ in their scope of operations. They range from a buying-selling relationship based on relations of trust and loyalty, with small incentives for smallholders willing to sell and remain loyal to the buyer in basic VCC, to additional input, credit and service provision in extended VCC and goals 'beyond the chain' related to livelihoods and sustainable and 'climate smart' landscapes in advanced VCCs. The broader the scope, the more complex the actor constellations and institutions associated with the VCC. Fourth, the different types of VCC offer opportunities for entry and greater benefits for some smallholders.

Especially in the cocoa sector, the institutional arrangements surrounding VCCs give farmers the opportunity for multiple VCC engagements, increasing their benefits and reducing the risks of inclusion. However, this is possible only for relatively better-off smallholders. In the oil palm sector, such multiple engagements are impossible, as a smallholder engaged in a basic VCC is not permitted to enter an extended or advanced VCC without giving up the relationship with the previous buyer. Fifth, it became clear that different types of VCCs engage different groups of smallholders. For instance, basic VCCs are more accessible for marginalized smallholders such as landless, female, and emerging farmers. Extended and advanced VCCs target the most viable farmers. The more complex the institutional arrangements that condition smallholders' engagement in VCCs, the lower the participation of less well-off farmers. In these cases, formal institutions (the terms and conditions of VCC engagement) exclude farmers without or insufficient land or keep them adversely included without any say over their land if they cannot repay the credited inputs and become indebted. Sixth, informal institutions create constraints on land ownership based on gender norms and age, reinforcing the formal terms and conditions that limit the inclusion in VCCs of farmers without land or tenure security, such as women and young emerging farmers. Lastly, VCC institutions condition responsibilities and benefits. Each type of VCC presents its risks, and the fact that basic VCCs have a low threshold does not mean there are no risks for the landless and poorer smallholders.

Overall, I conclude that the effects of institutions on smallholders' entry into and engagement in VCC are diverse: while they create opportunities for some smallholders, they create constraints for others, and they may result in adverse inclusion when smallholders become indebted or lose their autonomy over land or their farm. Whereas not all smallholders can be included in a VCC, for a clearer understanding of who is included, excluded or adversely included, further research is needed into differences among smallholders' capacities and aspirations and the incentives that drive them to engage and possible outcomes. This further analysis of differences between smallholders is presented in the next chapters.