

UNIVERSIDAD ESAN



An Analysis of the Governance Structure of the Fine Flavour Cocoa Value Chain for Trinidad and Tobago

Tesis presentada en satisfacción parcial de los requerimientos para obtener el grado de Magister en Administración

por:

Karlene Francois

1600888

Programa de la Maestría en Administración - IMBA

Lima, 21 de abril de 2017

EXECUTIVE SUMMARY:

Value chain analysis helps to determine how and on what level a country participates in the length and breadth of business processes involved in the production of a good or service. Through this analysis, the question of in the distribution of rent to the various actors in a value chain arises. This study seeks to examine the relationship between the degree of income equality of the actors in the value chain for fine flavour cocoa and the type of governance structures that exist within the pre and post-harvest segments of the chain.

The objectives of the study were as follows:

- I. What are the different steps in the value chain?
- II. Who are the actors involved in these processes and what do they actually do?
- III. What are the flows of product, information and knowledge in the value chain?
- IV. What is the volume of products, the number of actors, and the number of jobs involved?
- V. Where does cocoa originate from and where does it go?
- VI. How does the value change across the chain?
- VII. How does the added value along the chain relate to the transformation/process in that particular point of the chain?
- VIII. What types of relationships and linkages exist?
- IX. What types of (business) services are feeding into the chain?

In order to find the answers to these questions, this thesis is laid out in the following format. Chapter I outlines the introduction of the topic, the research question and objectives and gives the context and justification for the choice of commodity and country.

Chapter II explores the conceptual framework behind value chain analysis, the history of Trinidad and Tobago's role in the cocoa value chain and it's economic context. Chapter III follows examining the theoretical underpinnings of value chain research. By focussing on the two main areas that impact income distribution; governance and institutions, this section highlights the theory and empirical analysis of the global market to set the context for Trinidad and Tobago's role in the industry. To complement this framework, the political economy is dissected to show the interrelationship between global value chains, institutions and governance and how they influence a country's ability to participate in or upgrade along the chain.

The research methodology is outlined in Chapter IV. Combining a qualitative and quantitative approach, the economic significance of cocoa in Trinidad and Tobago is discussed. Critical to this analysis as well is the collection of participatory and pricing data in order to determine

rent retention by each actor in the chain. By tracing the evolution of Trinidad and Tobago's participation in the chain, the changes in the governance structure are ascertained to understand its impact on participation and income generation.

The analysis in Chapter V reveals the impact of the governance structure on rent retention. It firstly maps the global chain in terms of producers and consumers of cocoa then indicates the geographical distribution and type of actors present in Trinidad and Tobago. Findings indicate a significant difference between the global pace of change and the domestic pace with respect to the coordinating mechanism. The implications of this are discussed with respect to its effect on domestic actors in the chain's segments.

Following this, the level of participation by different actors in the chain are compared to determine their level of domestic value share based on the level of value added. Chapter VI concludes the paper addressing the findings and how they can aid domestic actors in the chain with respect to their income earning potential.