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The effect of a cocoa price increase on school enrollment in Côte d'Ivoire

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Abstract

As the world's leading cocoa producer, Côte d'Ivoire's economy is highly dependent on the crop, which is a vital income source for many smallholder farmers. However, cocoa production in Côte d'Ivoire is also under scrutiny due to the occurrences of child labour, while many children at the age of obligatory schooling do not go to school. The literature presents an ambiguous picture of the underlying drivers of school enrollment. Earlier studies in Côte d'Ivoire (1980s/90s) suggest negative price and rainfall shocks reduce schooling due to lower income (dominating income effect), while recent evidence from Ghana indicates higher prices lower enrollment, as the opportunity cost of children's time increases (dominating substitution effect). We study the relationship of cocoa prices and school enrollment by analysing a policy that increased the nominal minimum farmgate price in Côte d'Ivoire by 21 % from the 2019/20 to 2020/21 cocoa season. Using data from national surveys, we create two pseudo-panels of individual school enrollment for two consecutive years. We estimate the causal effect of the price increase on children's school enrollment using a Difference-in-Differences (DiD) framework. Our model takes into account heterogeneous effects across gender and age groups, aiming to provide a clearer understanding of school enrollment and household labour trade-offs. A small but significant positive effect of the price increase on school enrollment supports the dominance of the income effect also in the recent Côte d'Ivoire context. This suggests that cocoa farmers remain income constraint and consistently higher available income may improve overall school enrollment.

Keywords: Cocoa value chain, development economics, education, household decision-making

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