Agricultural Commercialization Clusters (ACC) Initiative

Briefing document

October 2015
Agenda

Origin of the Agricultural Commercialization Cluster (ACC) concept

Lessons from international case studies and similar initiatives in Ethiopia

Design of the Agricultural Commercialization Cluster (ACC) initiative

Commodity and cluster identification

Key progress and current status
Geographic focus, an important evolution in the agricultural transformation agenda in Ethiopia

Systems + Value Chains + Geographically Focused Clusters
Many countries have used geographically focused approaches to integrate interventions to transform their economy.

Commodity value chain focused geographic clusters provide a strategic, market-driven platform to implement multiple, priority interventions in a manageable and tailored way.

Such approaches have been used to drive agricultural transformation and rural industrialization in various different forms in Asia, Latin America and Africa.

- Export processing zones
- Special economic zones
- Free trade zones
- Industrial zones / corridors
- Development corridors
- Agro-processing / Food parks
- Agricultural growth corridors
- Agro-clusters
- Innovation / technology clusters

"An agro-based cluster is simply a geographic concentration of producers, agribusinesses and institutions engaged in the same agricultural or agro-industrial sub-sector, that interconnect and build value networks when addressing common challenges and pursuing common opportunities."

- FAO Study on Agro-Clusters in Developing Countries
Extensive stakeholders consultation has been conducted to develop and refine the Agricultural Commercialization Clusters approach

- In-depth review of Ethiopian and international experience in 10+ countries
- National and Regional workshops to review experience with similar initiatives in Ethiopia including Economic Growth Corridors, identify key challenges, and develop cluster approach
- 2-day Regional Workshops in each region (Oromia, Amhara, Tigray & SNNPR) with public, private sector and NGOs stakeholders
- Numerous follow-up discussions with Federal Stakeholders and Regional Senior Leadership on the approach, cluster mapping, governance, implementation structures
- Consultation with large domestic and international buyers
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Lessons from international case studies identify critical elements and success factors for design and implementation of cluster approach (1/2)

### Critical success factors

<table>
<thead>
<tr>
<th>Bridging public &amp; private sector</th>
<th>Ownership &amp; governance structure</th>
<th>Execution and program management</th>
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<tbody>
<tr>
<td>✓ Importance of <strong>appropriate platforms</strong> and discussion forums to effectively engage all public, private and NGO partners in both the design and execution of the concept</td>
<td>✓ Creating the <strong>right incentives</strong> and <strong>enabling environment</strong> to facilitate increased investment from the private sector</td>
<td>✓ <strong>Rigorous performance management</strong> approach with clear targets and empowered program management at all levels, with robust decision-making and reporting</td>
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<td>✓ Focus on <strong>market requirements</strong> and strengthening <strong>backward and forward linkages</strong> as well as supporting <strong>service providers</strong></td>
<td>✓ <strong>Strong political leadership</strong> and <strong>ownership</strong> at the <strong>highest level of government</strong> at both the Federal and Regional level</td>
<td>✓ <strong>Building capabilities</strong> throughout the effort, from leadership to front line</td>
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<td>✓ <strong>National level alignment</strong> on <strong>objectives</strong> and <strong>priorities</strong> and selection of <strong>commodities</strong></td>
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Regions in Ethiopia have tried to take forward the Economic Growth Corridor concept with important learnings and some results on the ground.

Main findings from engagement at National and Regional level

Currently, implementation is not progressing as per EGC plans in all regions.

Some initial progress was made
- Commodity and geography prioritization
- Identification of implementing organizations
- Basic and agro-processing Infrastructure improvements
- Mobilization of community leaders
- Creation of new institutions including Technical Committees, research groups

Some areas have started to refocus on more targeted initiatives for priority commodities

Key challenges identified by Regions in implementation

Strategy and approach
- Lack of common understanding of EGCs across and within regions and sectors
- Low specialization and diversification
- Low focus on markets, value addition
- Limited value chain approach
- Difficulty of prioritization

Implementation modalities and resources
- Unclear institutional arrangements
- Poor alignment and integration with other programs and activities
- Insufficient financial resources
- Major infrastructure gaps
- Poor market linkages
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ACC aims to commercialize smallholder agriculture to contribute to four key Goals

### ACC Objectives

1. **Increase incomes of small-holder farmers**
   - **Timely and easy access to quality input (seeds, fertilizers, finance, technological inputs, irrigation)**
   - **Reduction in post harvest loss with developed storage facilities and use of technology**
   - **Economies of scale at play for input distribution and output aggregation**

2. **Increase exports, substitute imports and developed domestic market**
   - **Improved quality of output and declining cost of production with easy and timely access to quality inputs**
   - **Market driven output production**

3. **Increased industrialization**
   - **Direct market linkages like out-grower schemes, VC alliances, enablers (market information, quality standards)**
   - **Favorable environment for private sector to invest in value addition, input development and supply, distribution**
   - **Investments expanding the employment, capacity-building and training opportunities**

4. **Create off-farm employment opportunities**

### Three key ACC drivers to achieve the objectives

1. **Increased farm productivity through**
   - Timely and easy access to quality input (seeds, fertilizers, finance, technological inputs, irrigation)
   - Reduction in post harvest loss with developed storage facilities and use of technology
   - Economies of scale at play for input distribution and output aggregation

2. **Enhanced production competitiveness**
   - Improved quality of output and declining cost of production with easy and timely access to quality inputs
   - Market driven output production

3. **Improved linkages amongst VC actors with greater role of private sector**
   - Direct market linkages like out-grower schemes, VC alliances, enablers (market information, quality standards)
   - Favorable environment for private sector to invest in value addition, input development and supply, distribution
   - Investments expanding the employment, capacity-building and training opportunities
ACC Framework emphasizes the need for comprehensive approach to agricultural transformation along with key policy enablers for its success

**Overarching strategy**
- ACC vision and objectives
- Transformation journey
- Archetypes of clusters and approach for interventions

**Sector/commodity specific strategies**
- End-market analysis
- Vision and targets
- Current value chain challenges
- Interventions and implementation plans
- Impact assessment
- Required enablers and systemic interventions

**Enabling sectors, policies and institutions**
- Regulation (labor, capital), incentives and trade policy
- Business environment and doing business
- Infrastructure (hard and soft)
- Skills and capability building
- Institutional reforms/public services (e.g. R&D)

**Effective Implementation**
- Integrated regional planning
- Performance management
- Governance
- Financing
- Actor engagement and communication
- Capacity building
- Change management and risk mitigation
Commercialization requires moving to a strongly market-driven, end-to-end value chain approach.
ACC’s vision is to support agricultural led growth and transformation in Ethiopia across Value Chain components

I. Overarching Strategy

Enabling policies (infrastructure, access to finance, admin, incentives etc.) across the value chain

Note: Targets for the end-state goal to be added by compiling all cluster strategies target and vision
Ethiopian context calls for governance structure with strong linkage between a National Coordination Team and Regional ACC Secretariats.

**Members**
- MOA
- RBOA's
- ATA (Secretariat)
- EIAR
- MoT
- MOI
- MOWE
- MOFED

**Prime Minister**

**Agricultural Transformation Council**

**Unit Lead**

**National ACC Coordination & Capacity-building Unit**

- Amhara ACC Secretariat
- Oromia ACC Secretariat
- SNNP ACC Secretariat
- Tigray ACC Secretariat

**Industry Advisory Group**

**Note:** Focal points in Federal Ministries and Agencies support the National ACC Coordination and Capacity-building Unit.
.... Strong Regional ownership and implementation capacity that effectively provides multi-stakeholder coordination and oversight

Design of ACC concept - Governance and Implementation structure

- Industry Advisory Group
- Regional President
- Regional ACC Council Members
- ATA
- MoA
- Secretariat Lead
- Regional ACC Secretariat
- Stage 1 ACCs
  - ACC #1
    - ACC Coordinator
    - Value Chain Alliance
  - ACC #2
    - ACC Coordinator
    - Value Chain Alliance
- Stage 2 ACCs
  - ACC #3
    - ACC Support Team
    - Value Chain Alliance
  - ACC #4
    - ACC Support Team
    - Value Chain Alliance
At Cluster level Value Chain Alliances will drive activities with ACC Support Team providing problem-solving support and accurate reporting.

Multiple VC Alliances may be required in a cluster based on commodities prioritized.

Cluster Support Team focused in five main areas, requires professional staffing:

1. Planning and day-to-day program management and coordination with implementing partners.
2. Real time problem solving, date collection and performance management.
3. Escalating issues and needs to Regional and Federal levels, as well as upward reporting.
4. Facilitation of private sector investments and ongoing problem-solving support.
5. Engagement directly with Zonal Head (from primary zone) to ensure strong coordination with national strategies at local level.

Value Chain Alliance provide multi-stakeholder platform for coordination, integration and accountability of value chain actors.

Critical members of Value Chain Alliance:
- Local public bodies, technical experts, NGOs
- Input suppliers and other service providers
- Producers, Cooperatives and Unions
- Intermediaries, Processors and Exporters
- Professional Associations
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Key progress and current status
Clusters & commodities identified using a 3-step process involving rigorous analysis by ATA and extensive consultation with experts & RBoA(1) Technical Committees

**Step 1: Prioritize commodities**
1. Production potential and smallholder farmer coverage by commodity
2. Size of export/import substitution and domestic market opportunity
3. Ethiopia’s comparative advantage in the international market by commodity
4. Strategic drivers by commodity at regional or national level

**Output**
List of priority commodities for the region

**Step 2: Identify candidate clusters for each commodity**
1. Woredas with high production potential and production system for prioritized commodities
2. Woredas with sufficient natural resource endowment
3. Groups of woredas that meet cluster size and initial scale requirements

**Step 3: Prioritize clusters by commodity and prioritize overall**
1. Potential production by commodity
2. Basic infrastructure by cluster
3. Value addition capacity by cluster, including aggregation & storage, processing, links to transport & market proximity
4. Access to markets by cluster
5. Presence of institutions and ongoing initiatives in the cluster

**Output**
List of potential clusters for each priority commodity identified in step 1
List of regional clusters with an internal order of priority for each crop

(1) RBoA: Regional Bureau of Agriculture
The Commodity and cluster identification process was completed and 31 ACCs identified across the four main regions for implementation during GTP2 period.
In the current planting season, the focus will be on initiating efforts in a small number of clusters and priority commodities, testing and learning for next years.

Example: Clusters and commodity value chains prioritized in Oromia Region
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- Established ACC governance structure at Federal and regional level
- Supported the identification and mapping of clusters and priority commodities
- Further prioritization of 16 ACCs to start implementation for learning and piloting in 2015
- Large-scale Regional Orientations and Planning sessions
- Consultation with large domestic and international buyers
- Supported the preparation of evidence based cluster and woreda level planning
- Integration of cluster plans with respective regional Bureau plan
- Launched implementing the cluster plans by aligning ATA’s ongoing programs and regional initiatives with the cluster approach
- Supported the establishment of commodity specific platforms and value chain alliances for selected clusters and commodities
- Finalized drafting of the National ACC Framework