

## Establishing clusters: agro-industrial clusters and food parks

### The Proposition

Clustering in agro-industry represents an effective means of mobilizing synergies among potential cluster partners in order to enhance and sustain the sector's competitiveness. For agro-industrial clusters to be successful, the public sector must assume a more assertive and pro-active role than is presently the case in most developing and transition economies.

### Rationale and recommended response

A cluster is simply a geographic concentration of producers and institutions that are engaged in the same industry and which, through collaboration, generate efficiencies and competitive advantage for the individual partners and for the cluster as a whole.

Clusters also stimulate innovation and accelerate the adoption of new ideas and processes. They lead to the greater availability of, and enhanced access to, business information and specialized inputs – physical, technical and legal (such as those relating to certification). They generate important local externalities, such as a skilled labour pool.

Indeed, the promotion of clusters has become a key feature of industrial policy in many countries, developed and developing. Yet, in the majority of developing and transition economies, agro-industrial clusters have not achieved a significant level of success.

The principal reason may be that public policy has failed to recognize the special requirements of the agro-industrial sector, and particularly how to involve the small-scale producer. A change in approach is, therefore, required.

Public policy should recognize, first and foremost, that in the agro-industrial sector, clusters are unlikely to naturally evolve and that they must, therefore, be "induced". The role of government is to play a central role in the inducement process and to catalyze the process, facilitate it and, to some extent, bankroll it, at least in the first 'priming the pump' stage.

Secondly, public policy should recognize that for the cluster to be successful, its members must "buy in" to the process and be "empowered" to assume leadership from the onset.

Thirdly, public policy must recognize that

special competencies are required to manage the inducement process and that some form of public-private sector partnership will, therefore, be required.

### Focus of the debate

**1** Is clustering an effective way to increase competitiveness in the agro-industrial sector and, if so, why have the levels of uptake and success been so low? Does the sector have special requirements? If so, what are they? Have public sector efforts to promote clustering adequately addressed these special requirements and what lessons can be drawn from national experiences?

**2** Who should be the focus of any agro-industrial clustering programme? The agro-processor? The farmer? The large-scale agri-business company? From the standpoint of competitiveness and business development, what are the specific advantages of agro-industrial clustering for food producers and food processing and marketing enterprises?

**3** What are the key ingredients of a successful cluster promotion programme? What level of direct involvement should the public sector have at the various stages of cluster development? Should public policy seek to "pick winners"? What subsidies and incentives would be relevant in this context?

**4** What types of public-private sector partnerships are most effective in the promotion and development of agro-industrial clusters? Are there practical examples of "good practice" from which public policy-makers can develop national models?



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