

Process and Lessons of International Development Cooperation Through Multi Industry Cluster Project

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Abstract

The focus of this study is to examine efficient ways of promoting the project and implications in international development cooperation project with analysis of participants' organizations and roles. This study would like to share the lessons and experiences from main issues of each phases of international development cooperation project through Feasibility Study for Philippines Multi-industry Cluster Project.

The specific goals of this study are as follow.

The first, consideration on the roles of Korea and Philippine government in the process of international development cooperation project based on demands and needs of recipient country. The second, examining the strategic countermeasures for main issues in the process of cooperation between agencies; recipient country, Department of Agriculture and planning team of donor country, F/S Team. The third, reviewing the model and the project structure in order to secure the realizability of the project in planning level of implementation strategy and examining the political tasks and strategic proposals in order to attract private investments.

The implication of this study shows the model of win-win strategy for both recipient country and donor country in international development cooperation with presentation of packaged strategic approach from the establishment of regional plan to the establishment of specific plan for project area. It could be benchmarked as a successful case in international development cooperation, presenting the project model which private investment cooperation could be made in international development cooperation through the establishment of specific implementation strategy after master plan.

Key Words: *international development cooperation, public private partnership, country partnership strategy, multi industry cluster, private investment cooperation*

1. Introduction

International development cooperation has begun in earnest from the Marshall plan, the European recovery program by US, after the end of World War II. International development cooperation has consistently progressed as global public goods with a view to effectively handle and solve the issues based on poverty such as population, disease, environment, terrorism, etc. and to achieve MDGs (Millennium Development Goals) with vision of mankind for anti-poverty.

Korea was one of the poorest countries in the world but has achieved present economic success in the last half century. It is one of the few successful cases in international development cooperation. Korea, the only one case switched from recipient country to donor country, has served as a member of OECD DAC (Development Assistance Committee) since January 2010. Korea has reinforced international development cooperation in various field such as education, public health, public administration, agriculture and fisheries, industrial energy, environment, gender, ICT, human rights, climate change, etc. and will expand her ODA (Official Development Assistance) up to 0.25% of GNI by 2015.

Learning lessons from her own experiences of rapid economic development, Korea is establishing assistance advancing strategy for expanding role of Korea in international society. But there is a danger that this might be a unilateral aid from donor country. Therefore, there are necessities of establishing demand based CPS (Country Partnership Strategy) and promoting demand based knowledge sharing program which provides experiences of development with packaging both of them for harmonious liaison.

The securement of sustainability and realizability of development cooperation is also needed with win-win strategy for both recipient country and donor country. For example, direct investments of private enterprises would be made through Korea in recipient country's position and development of market in public private partnership and private level would be linked in donor country's position. The most important point is the cooperation of various participants in international development cooperation project.

The focus of this study is to examine efficient ways of promoting the project and implications in international development cooperation project with analysis of participants' organizations and roles. This study would like to share the lessons and experiences from main issues of each phases of international development cooperation project through Feasibility Study for Philippines Multi-industry Cluster Project.

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2. Outline and Main Issues of Philippines MIC Project

2.1. Background and Objective of MIC Project

As one of the largest agrarian countries throughout the world, agriculture in the Philippines accounts for 15% of the GDP and 1/3 of the whole population are engaged in agricultural activities. This is because the country has rich natural resources and good climate conditions that create competitive agricultural environment. Notwithstanding, agricultural development is lagging behind in the global market owing to low productivity, insufficient investment, inefficient land use pattern and underdeveloped technology in agriculture-related fields such as irrigation, post-harvest storage and processing, *etc.*

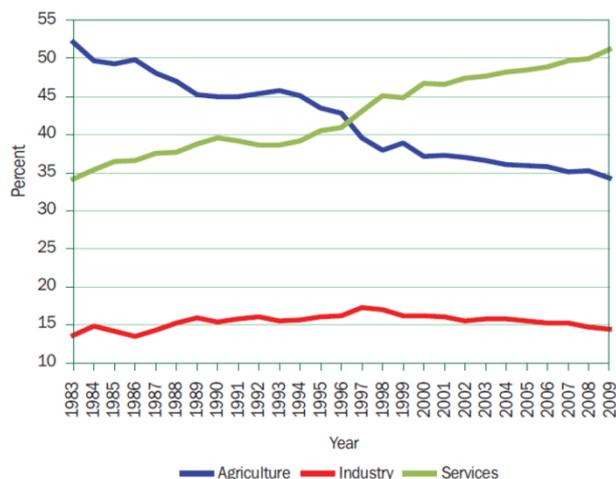


Figure 1. Sectoral Share of Total Employment

In this project, we suggested to develop Multi-industry Cluster (MIC) based on agricultural production in the Philippines, which is a good way to utilize existing

agriculture-centered industry of the nation and effectively attract foreign investment. The MIC development can be a stimulus to increase the productivity and competitiveness of Philippines agriculture and other related industries, and to respond to the challenges that the Philippines farming villages are facing, which include unemployment, underemployment and poverty.

The MIC shall contribute to economic development including increase of rural incomes, generation of employment, promotion of food security, and alleviation of rural poverty in the Philippines through the successful implementation of the project. So, the project objective was to seek an effective model of MIC which aims to establish agro-based industries (agro-processing, agro-manufacturing, *etc.*), renewable energy (ethanol, biomass power, hydro and wind power, *etc.*) and other eco-tourism industries considering regional industrial development potential and infrastructure conditions in the Philippines.

Especially the development of MIC was expected to be a symbol of favorable relationship between Philippines and Korea in memory of the 60th anniversary of amity in 2009. The technology and capital of Korea and labor and resources of Philippines are in an inter-complementary relationship and will be a win-win strategy for the two countries.

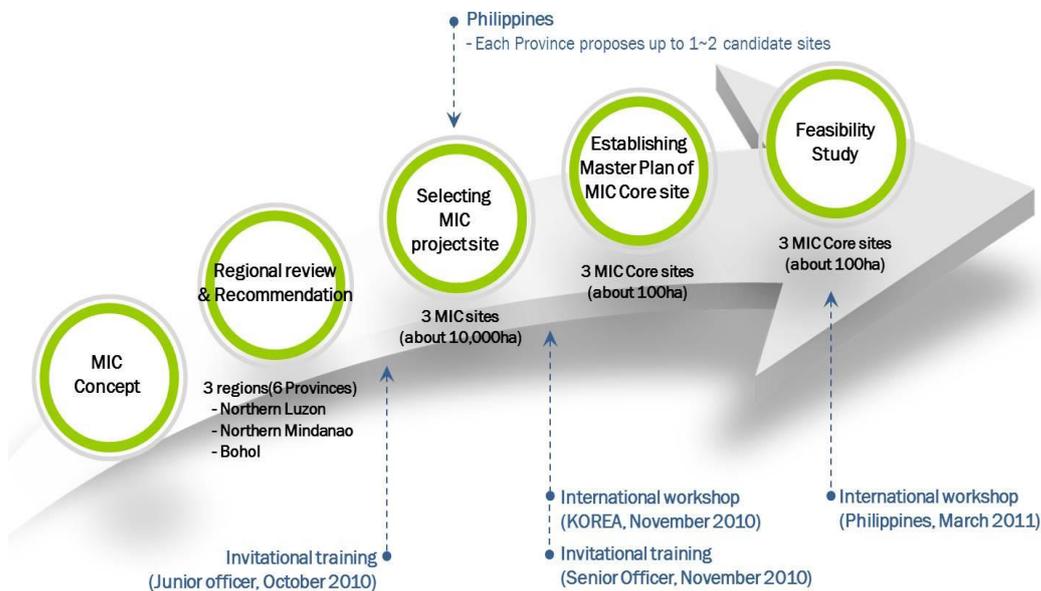


Figure 2. MIC Project Flow

2.2. Main Issues if MIC Project

The main issues in MIC project can be classified into three parts according to progress phase. The first issue was appropriate project selection from various international development cooperation projects in the preparation phase. The MIC project must be helpful to recipient country based on demand and needs and it must be mutually beneficial as a win-win strategy in respect of sustainable and efficient cooperation. After choice of cooperation project, the scope of MIC project should be limited and recorded as a result of discussion.

The second issue was collaborative planning with partners – Korea embassy, Korea International Cooperation Agency, F/S study team (experts group), Department of Agriculture in Philippines, local government, *etc.*, – in the implementation phase. F/S study team set up MIC concept and makes an effort Philippines officer to understand MIC concept. And then we established regional planning based on MIC concept and seek pilot site to make MIC among several province.

The third issue was strategy making to induce investment and to push ahead with

development in selected pilot site. Each government wants this project is not plan for plan but action program. And to conclude, MIC development is in progress after end of master plan.

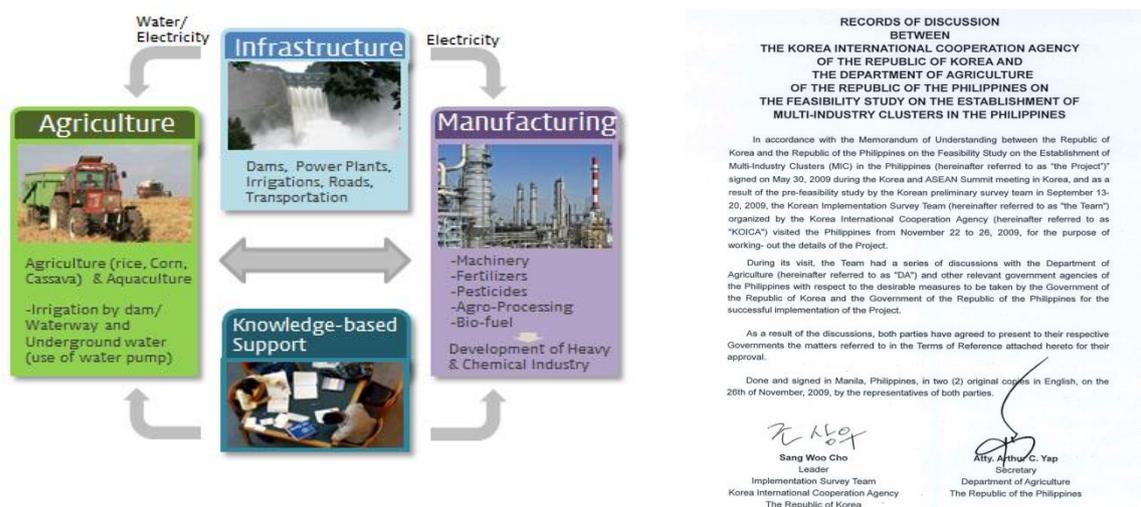
3. Process of Project Selection as a Win-Win Strategy

The securement of sustainability and realizability of development cooperation is needed with win-win strategy for both recipient country and donor country. In a recipient country position, the government of the Philippines has long acknowledged both its imbalanced development status and potential of the country's agriculture and related industries as the growth engine. It is expected that the competitiveness of the agriculture sector would bring the increase of household income and expanded employment opportunities as well as positive impacts on related industries. In a donor country position, the government of the Korea has recognized the necessity of overseas expansion of the private enterprise and food security to respond against instability of the grain market.

Regarding this issue, the government of the Philippines made the official request to Korea International Cooperation Agency (KOICA), an organization affiliated with the Korea Ministry of Foreign Affairs and Trade, in May 2009, and two countries signed on Memorandum of Understanding (MOU) through ASEAN Summit Talk in May 2009. Followed by KOICA's site survey, 'Terms of Reference (TOR)' was prepared in 'Records of Discussion (R/D)' and signed in the Philippines on November 26, 2009.

Table 1. Project Process in Preparation Phase

Date	Contents
May 2009	Acceptance of official call-for document for development proposal
May 2009	Korea-ASEAN Summit (MOU agreement)
Sep. 2009	Preliminary survey by KOICA
Nov. 2009	KOREA-PHILIPPINES economic cooperation forum
Nov. 2009	Implementation discussion and R/D agreement
Feb. 2010	Official selection of consultant team



Ms. Bernadette Romulo-Puyat (Undersecretary of DA)

[Figure 3] Korea-Philippines Economic Cooperation Forum (5 Nov 2009)

The economic cooperation forum had been held in Nov 2009 in order to boost concern for the MIC project of international development cooperation of Korea-Philippines and its efficient access. The scope of the project for realization of MIC had been adjusted through forming mutual consensus.

Although this task applies to the fundamental conception and the feasibility study which is the first step of entire MIC process, we set up the range of the project contemplating durability of economic cooperation which brings intergovernmental cooperation to substantive private sector investment by establishing a road map for the specific areas such as preliminary study including feasibility study, set up of business structure, land development construction as an execution and operation.

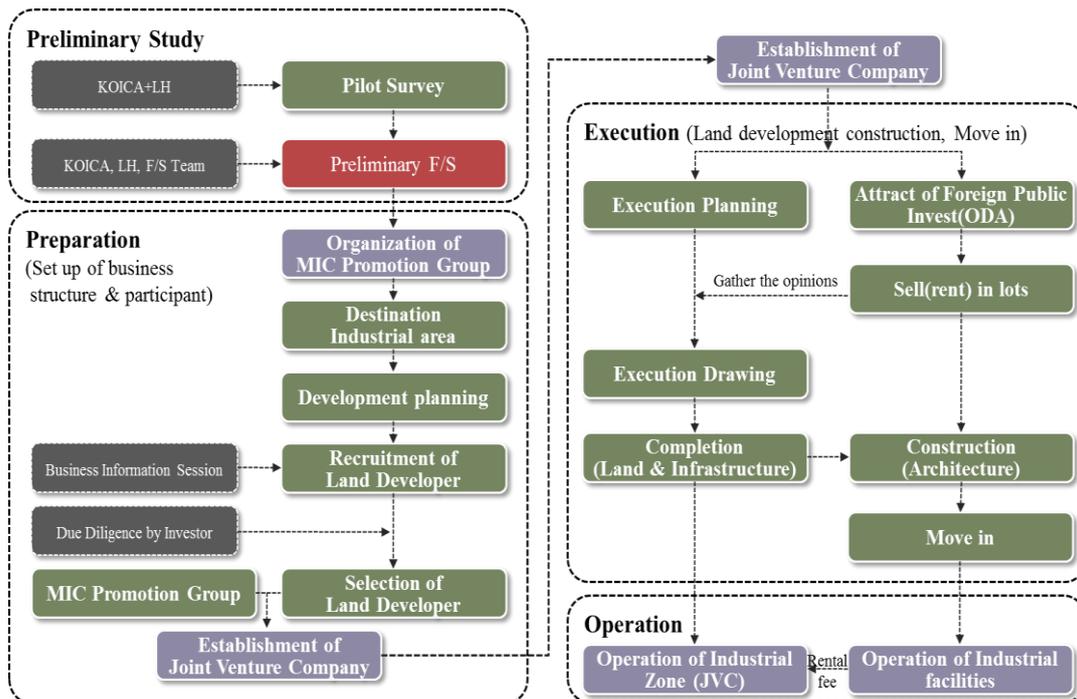


Figure 5. Recommended Successful MIC Roadmap by F/S Team

We established a regional master plan contemplating medium and long term development of the region, and drew various detailed assignments which are required for regional development. We adopted detailed scope and methodology of the task which suggests assignments for sustainable development of the region, not for one-time project, through strategic approaches which lead MIC by private sector investment as a pilot project for realization of regional master plan. This program has been so organized that Philippine government can attract grand aides and credit assistance from international organizations or Korean government and sustainable investments from private sector. This program has been reflected in medium and long term development plan of the Philippines government (MTPDP) in order to boost realization of the project.

In addition, we tried to deliver on Korean experiences to Philippine officials with training session and included the process which we attract various investment companies and promote the project to international organizations through workshops into the scope of the task.

Table 2. Project Work Scope

Item	Activities
Survey and Evaluation	<ul style="list-style-type: none"> - Detailed site survey and evaluation on the candidate sites - Review of the existing document on policies, plans, laws, etc. - Recommendation and determination of the best candidate site
Concepts Design and Feasibility Study	<ul style="list-style-type: none"> - Creation of the optimal development model for MIC - MIC schematic development plan - Development direction for related industries - Public facilities development plan - Presentation of future industry development - Feasibility study and implementation plan - Master plan for the pilot project
Training of Philippine Officials and Personnel	<ul style="list-style-type: none"> - Detailed planning of training program including lectures, field and case studies and seminar - Training of Philippine officials and personnel in Korea
International Workshop	<ul style="list-style-type: none"> - Conduct of workshop in both Korea and the Philippines - Invite officials, specialists, scholars and researchers from both countries as panelists

4. Process of Planning Cooperation with Partners

All the activities had been carried out in cooperation with ‘Department of Agriculture (DA)’ of the government of the Philippines and related Filipino inter-agencies like below figure. So consensus building of all project participants was very important process as well as assertive cooperation.

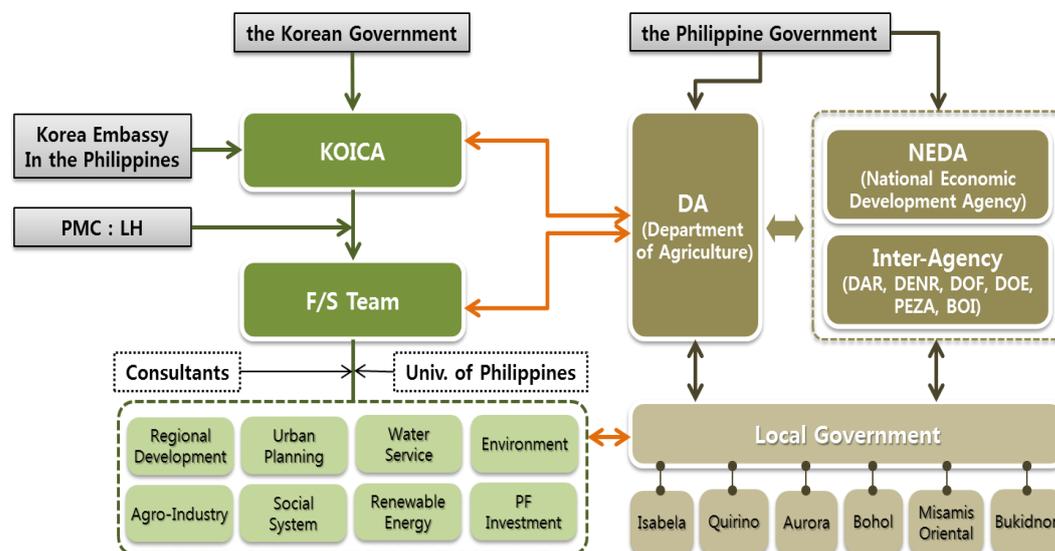


Figure 6. Participants of MIC Project

The feasibility study and concept plan project on the establishment of MIC encompassed several large processes like Figure 7. Among several processes, this study focuses on MIC concept, site evaluation & selection, strategic plan for execution in respect of consensus building and mutual cooperation.

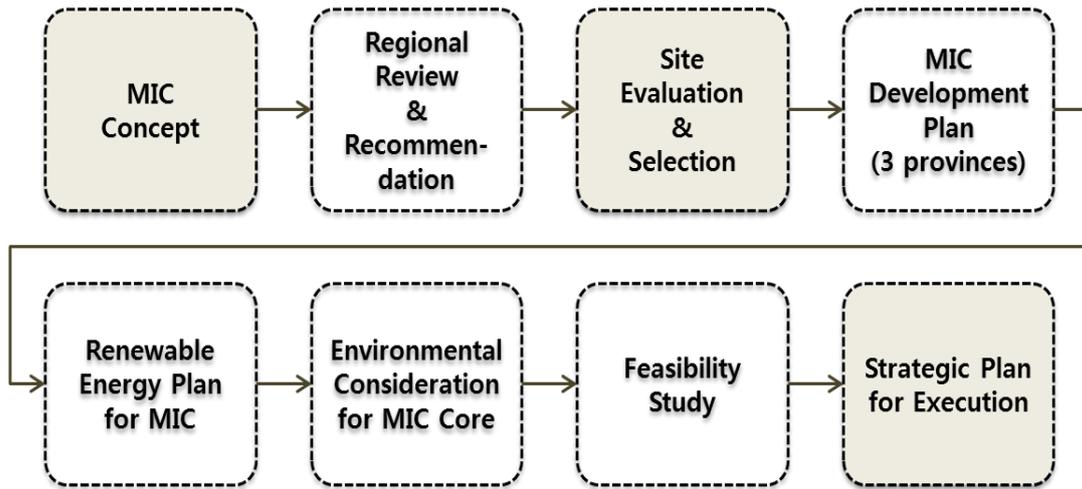


Figure 7. Process of MIC Project

4.1. Consensus Building: Defining MIC Concept

The first step of consensus building was defining suitable MIC concept in the Philippines situation. MIC was briefly defined economic eco system based on cluster theory and MIC shall help the farmers and industry in the surrounding area; foster the development of agriculture, agribusiness and related business network; and lead the overall growth of the region. And MIC core can be catalyst of MIC development as supportive core. MIC core, which is functioned as an industrial park, is defined as an effective measure to drive the overall growth of the industry cluster, triggering the development of agribusiness and related business network.

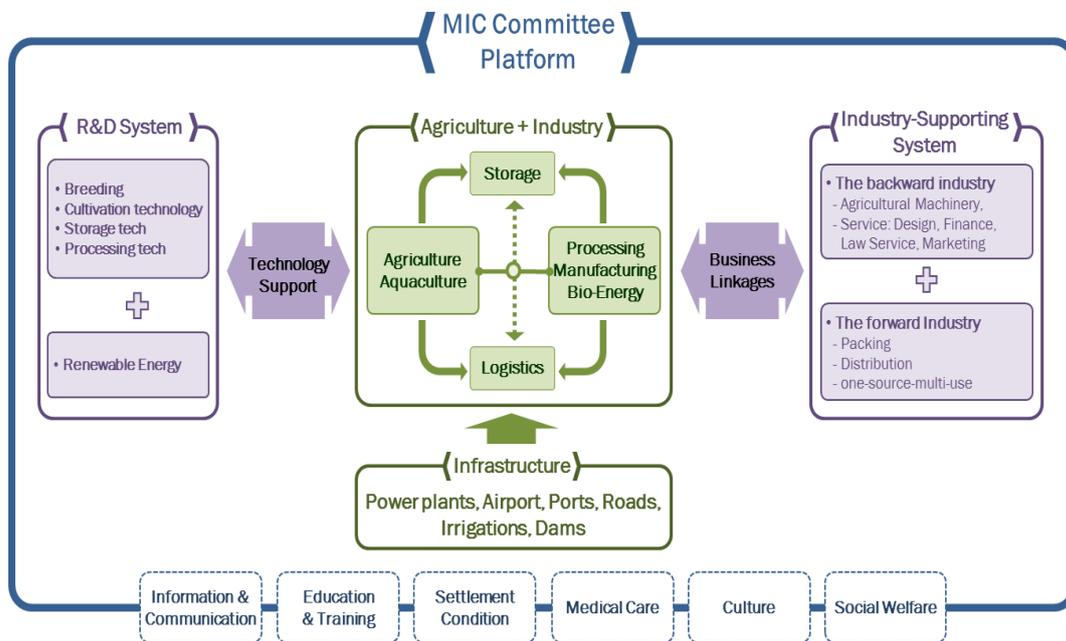


Figure 8. Elements of MIC

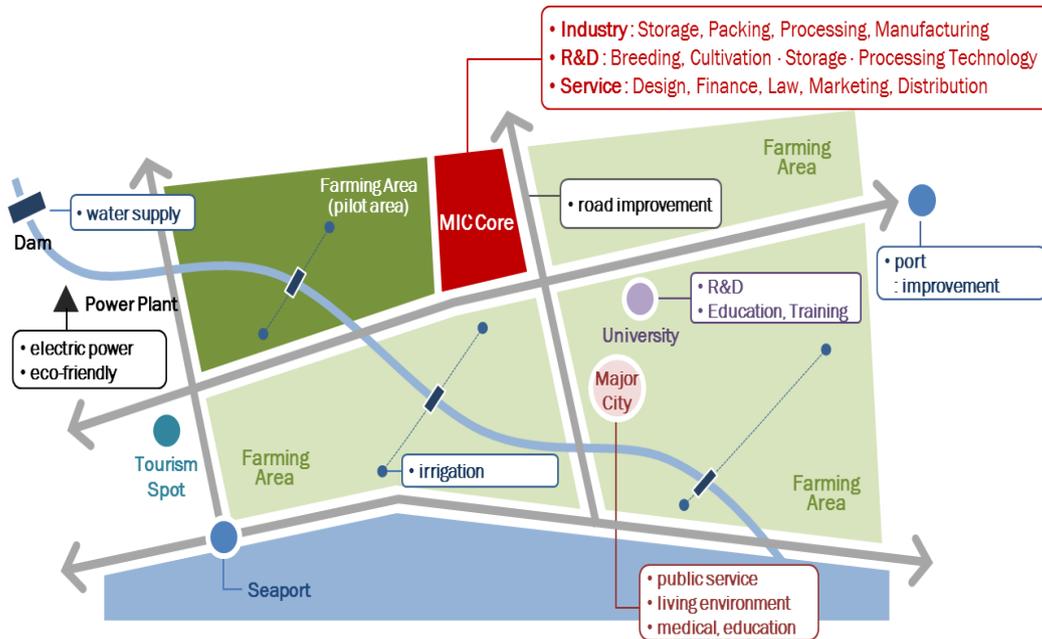


Figure 9. MIC Prototype

4.2. Mutual Cooperation: Site Evaluation & Selection for MIC

This process is to examine and evaluate the proposed candidate sites for MIC and farming development initiative of the Philippines and also find the best places. The whole process consists of 4 steps; proposal of candidate site, selection of evaluation criteria, set-up of evaluation sheet, set-up of evaluation model & selection of the best places.

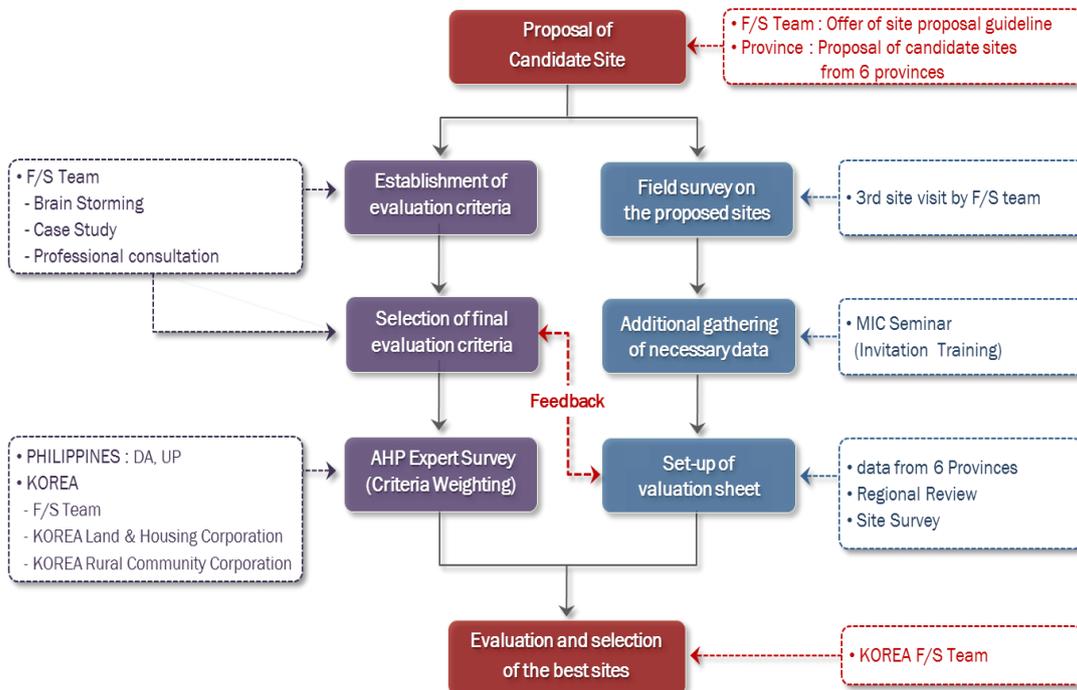


Figure 10. Site Evaluation and Selection Process

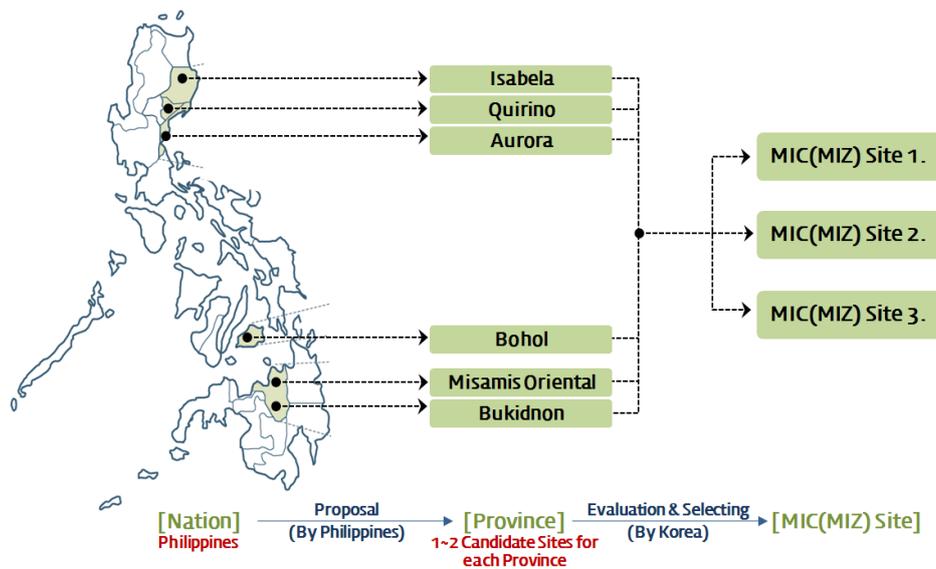


Figure 11. Philippine MIC Site Selection Process

At the site proposal step, candidate sites for MIC core were proposed by 6 provinces of the Philippines. In order to make consistent regional dataset of the proposed sites and the hinterland region, F/S team submitted site proposal guideline in advance and the local government of the Philippines gathered relevant regional data based on the guideline. In this step, mutual cooperation of all participants was essential. So F/S team visited DA and local provinces to enlighten their officials and it took several months.

At the selection of evaluation criteria step, criteria had been reviewed several times by professional discussion and consultation to select final evaluation criteria. Moreover AHP (Analytic Hierarchy Process) survey was performed by Korean and Philippine experts to determine the weight value of each evaluation criterion in an objective manner. Because it was obvious each criteria had different degree of significance in ranking the sites that the evaluation result could be distorted with no weight on the criteria.

Table 3. Weighting Result of Evaluation Criteria

Categories		Items					Final Weight	Rank	
Categories	Weight	Items	Weight	Spatial range of evaluation					
				Province	Farming Area	MIC Core			
Locational condition	0.537	Elevation of MIC site (Core & farming)	0.057		●	●	0.031	16	
		Slope of MIC site (Core & farming)	0.120		●	●	0.064	10	
		Availability of irrigation facilities	0.118		●		0.063	11	
		Distance to airport from MIC site	0.128		●		0.069	8	
		Distance to bulk carrier port from MIC	0.092				●	0.049	14
		Distance to container terminal from MIC	0.121				●	0.065	9
		Distance to major road from MIC site	0.167				●	0.090	1
		Distance to electric power network	0.154				●	0.083	2
		Distance to major city from MIC	0.132				●	0.071	7
Socio-economic condition	0.269	Wage of agricultural employees	0.168	●			0.045	15	
		Educational background	0.053	●			0.014	18	
		Number of universities	0.034	●			0.009	19	
		Ownership of proposed farming area	0.071	●			0.019	17	
		Ownership of proposed MIC core site	0.290		●		0.078	3	
		Average rental cost of farming area	0.215		●		0.058	12	
		Submission of full data in time	0.285				●	0.077	4
Agricultural	0.194	Frequency of typhoon damages	0.367	●			0.071	6	

condition	Productivity of major crops	0.371	●		0.072	5
	Capacity of irrigation facilities	0.262	●		0.051	13

At the step of establishment of evaluation sheet, F/S team visited both the proposed sites and the local government offices to develop the mutual understanding of the condition for the cluster development. The final evaluation sheet was built upon the regional data gathered by F/S team, the data submitted by 6 local governments of the Philippines on the site proposal process, and finally, the data from actual field survey by F/S team.

At the step of evaluation and selection of the best sites, the evaluation model of 5 scale classification was built based on the evaluation sheet and gathered regional data of the proposed sites. The evaluation process was followed by the selection of 3 final best sites for MIC development initiative.

4.3. Governance and Investment: Strategic Plan for Execution

Many related MIC players need to have distinguished roles to make the whole MIC task systematically so that it will be possible to achieve certain goals by each term. The roles of each player are summarized by terms below.

Table 4. Roles of MIC Player by Term

Player	Short Term(~2015)	Mid Term(2015~2020)	Long Term(2020~2025)
Private Invertor	- Operation of a pilot business at a smallest scale	-Participation in the local farmer community -Business localization	-Introduction of the pilot busines to other areas
Local Government	- MIC promotion group - Investment on info-service Resettlement plan	-Establishment of PR center and regular public meeting -Securing an outstanding workforce	-Establishment of a local institution in agriculture to share know-how and information
Central Government	- Attracting foreign aid for follow-up core project - Launching MIC Committee	-Invest gov't and foreign aid funds on priority fields -Establishment of integrated national investment info system	-Long-term support and promotion programs

As local governments and inter-agencies of the central government are main players to implement MIC as well as attract investment as hosts, it is required to establish promotion entities from public organizations and set up a hierarchy framework to drive MIC-related policies and programs efficiently as shown below.

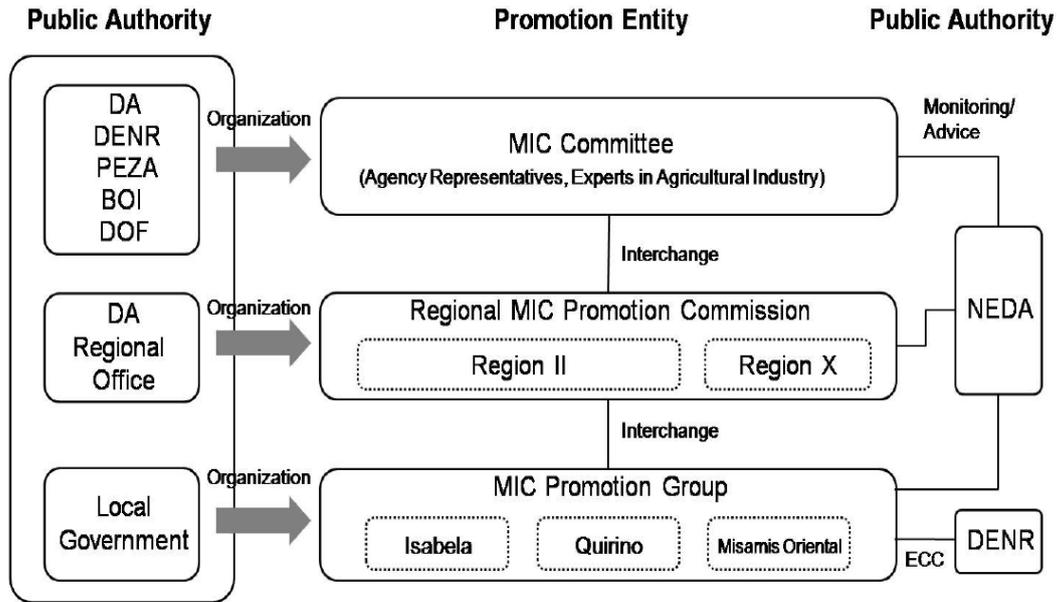


Figure 12. Policy Promotion System

Especially the ‘MIC Promotion Group’, which is an executive local organization, is important as it is a practical body directly supporting investors and deeply involved in contract matters. Followed by establishing the MIC promotion, the MIC promotion group and higher promotion entities need to find what project they have to promote and what funding (private and public) source they need to use in order to achieve early implementation of MIC.

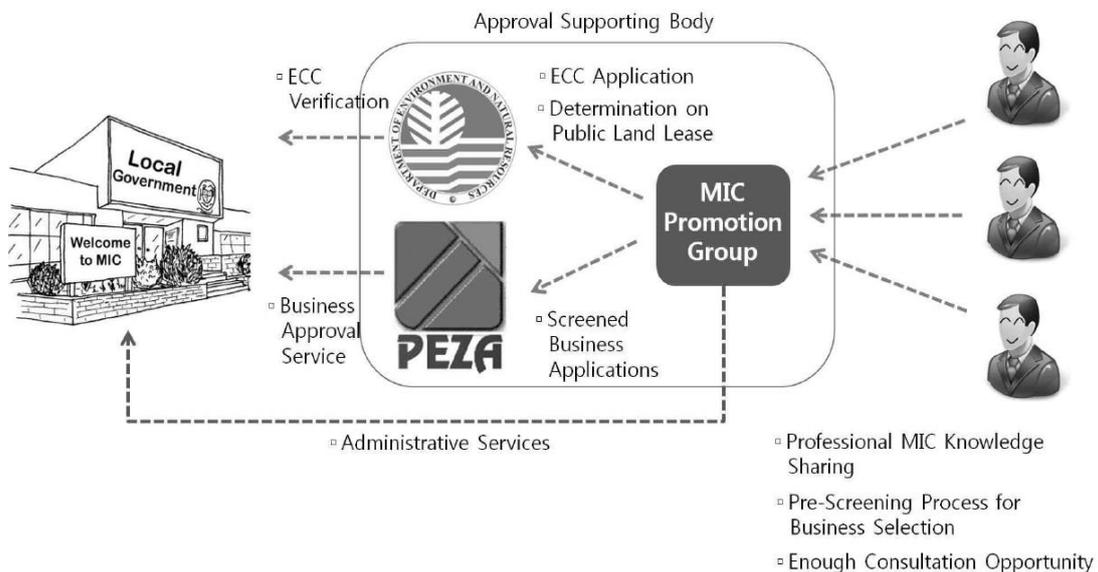


Figure 13. MIC Business Promotion Process with the New Proposed System

With the exception of the investment of the master developer, there is the necessity of investment from various ways such as ODA and governmental funding in many related fields in order to complete MIC Core. To attract the master developer securing hinterland farming area and prior funding for relevant infrastructure provision are essential. Therefore it is necessary for MIC promotion bodies to know potential funding sources for

facilities that are planned on the master plan of MIC Core so that it is possible to prepare what the private sector needs by the public sector or two sectors approach jointly.

Table 5. Potential Funding Source for Prime Development Projects

Categories	Item	Priority Facility	Funding Source		
			ODA	Public	Private
MIC core	Manufacturing	Processing facility of corn, rice, livestock, fertilizer plant, agricultural machinery	○	○	○
	Distribution & Storage	Systematic product distribution Space for corn, rice, high valued fruits	○	○	○
	R & D	Agriculture science institution, Test farm	○	○	-
	Support	Education center & Business center	○	○	-
	Residence	Apartment, Hotel, Resort	-	-	○
Farming	Agriculture	Demo Farm, Dairy Farm	○	○	-
	Irrigation	Irrigation Reservoir, Irrigation canal	○	○	-
Infra	Transportation	Road construction, Access road to MIC site	○	○	○
	Energy	Renewable Energy Plant	○	○	○
Etc.	Plan	Regional Development Plan	○	○	-

5. The Outcome of MIC F/S Project

After completing framework and preliminary feasibility study of MIC project, Korea-Philippines EDCF consultative meeting and Korea-Philippines PPP¹ forum under the auspices of the Korean government were held in Manila, Philippines, in June, 2011. The meetings were evaluated that they became opportunities invigorating Philippines EDCF.

Especially, Korea-Philippines PPP forum was held for invigorating the entry of Korean companies to Philippines infrastructure projects. The Philippine government requested Korean companies to participate in road, railway, airport and water industry in the forum. Over 30 Korean companies which attended the forum had individual business meetings with project implementing agencies. The forum became a good chance to find business opportunity for the Korean companies which didn't have enough local information and network.

As Korea-Philippines win-win strategy found a shape like mentioned above, we regard that MIC project was successful. The project got linked to follow-up task as we expected.

¹ PPP(Public-Private Partnership)

A government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. Private sector companies raise fund for project and government guarantee their operations.



6. Conclusion

The population of Korea reached 50 million in June, 2012. The countries which had over \$20,000 GDP per capita and 50 million populations were only US, Japan, Germany, UK and Italy before Korea had them.

Unlike the impressive figures, there are lots of difficulties in our industries. Some manufacturing industries are reorganized to high value added businesses but some are dying as conventional industries. It is natural that industrial structure changes in the process of economic development, but it is sorry to leave existing facilities and know-how behind.

Developing countries are vast markets which need such land development know-how and existing manufacturing facilities and technologies. Korean low technologies can create infinite value in developing countries. Globalization and economic development of China for last 10 years are expediting economic development of many developing countries with the ASEAN as the center. The institute of ADB is forecasting that investment for infrastructure projects will reach \$41 trillion in the world, especially, \$8 trillion in Asian market.

International development cooperation project is an important item for entering such vast market. Development cooperation for industrial complex as a symbol of economic development of Korea can enter the market and it can be linked with energy, logistics, information infra and housing construction. The experiences through the international development cooperation project mentioned in this study have a great implication to us.

The implication of this study shows the model of win-win strategy for both recipient country and donor country in international development cooperation with presentation of packaged strategic approach from the establishment of regional plan to the establishment of specific plan for project area. It could be benchmarked as a successful case in international development cooperation, presenting the project model which private investment cooperation could be made in international development cooperation through the establishment of specific implementation strategy after master plan.

