

Country Name	National Industry Cluster Capacity Enhancement Project (NICCEP)
Republic of the Philippines	

I. Project Outline

Background	<p>The Department of Trade and Industry (DTI) of the Government of the Philippines (GOP) had been taking a proactive role in adopting the industry cluster approach as a means to support the development of micro, small and medium enterprises (MSME). Based on the request of GOP, JICA provided technical assistance in the implementation of the Davao Industry Cluster Capacity Enhancement Project (DICCEP) from 2007 to 2010 with DTI as the lead agency in cooperation with local government units (LGUs), other national agencies, academe and industry associations. DICCEP was evaluated highly as one of the best practices of industry cluster enhancement activities in the Philippines, winning a Good Practice Award from the National Economic and Development Authority (NEDA) in 2010. The award was based on the criteria that include the achievement of results, innovativeness, reliability, sustainability and social acceptability. Encouraged by this experience, DTI decided to replicate the industry cluster approach developed in DICCEP to the rest of the country and requested JICA for technical assistance.</p>										
Objectives of the Project	<p>Through designing and practicing practical and sustainable operational workflows in DTI that promote or mainstream the industry cluster approach, establishing pilot models of industry cluster approach in Luzon, Visayas and Mindanao Regions (except for Davao) and establishing models of the upgraded industry cluster approach in Davao Region to provide lessons and best practices for other regions, the project aimed at developing a national capacity of DTI to intensify and extend the industry cluster approach, thereby replicating the approach nation-wide as a tool of industry development.</p> <ol style="list-style-type: none"> Overall Goal: Industry cluster approach is replicated nation-wide as a tool of industry development. Project Purpose: To develop a national capacity of DTI to intensify and extend the industry cluster approach that is sustainable and replicable for the purpose of industry development 										
Activities of the Project	<ol style="list-style-type: none"> Project Site: the whole country Main Activities: (1) Design and practice DTI's operational workflows for promoting the industry cluster approach; (2) Conduct trainings/workshops to enable core members of industry clusters from private sector, public sector and academes in Luzon, Visayas and Mindanao Regions (except for Davao) to plan and implement activities to strengthen industry clusters; and (3) Conduct periodical workshops to assist planning for upgraded activities to further strengthen industry clusters in Davao Region and assist establishment of necessary organizations required for implementation of above activities etc. Inputs (to carry out above activities) <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Japanese Side</td> <td style="width: 50%;">Philippine Side</td> </tr> <tr> <td>1) Experts: 4 persons</td> <td>1. Staff Allocated: 49 persons</td> </tr> <tr> <td>2) Trainees Received: 65 persons</td> <td>2. Project office</td> </tr> <tr> <td>3) Local operation cost: cluster activities, trainings and travel expenses etc.</td> <td>3. Local operation cost: cluster activities, trainings/workshops and travel expenses etc.</td> </tr> </table> 			Japanese Side	Philippine Side	1) Experts: 4 persons	1. Staff Allocated: 49 persons	2) Trainees Received: 65 persons	2. Project office	3) Local operation cost: cluster activities, trainings and travel expenses etc.	3. Local operation cost: cluster activities, trainings/workshops and travel expenses etc.
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Project Period	February 2012 – March 2015	Project Cost	(ex-ante) 199 million yen, (actual) 248 million yen								
Implementing Agency	Department of Trade and Industry (DTI)										
Cooperation Agency in Japan	UNICO International Corporation										

II. Result of the Evaluation

<Special Perspectives Considered in the Ex-Post Evaluation>

- Continuation status of project effects (Indicators 1 (Number of regions where the Regional Development Council (RDC) or Economic Development Committee (EDC) of RDC recognizes industry cluster approach as an useful tool for industry development.) and 2 (Number of industry cluster organizations representing the industry clusters under NICCEP which commit themselves to continue cluster approach for their development.) of Project Purpose) can be checked and consolidated by the achievement level of Indicator 2 of Overall Goal (Activities are sustained and intensified in the NICCEP assisted industry clusters.). Thus, in the ex-post evaluation, continuation status of project effects (Indicators 1 and 2 of Project Purpose) was not confirmed separately but consolidated with Indicator 2 of Overall Goal.

1 Relevance

<Consistency with the Development Policy of the Philippines at the Time of Ex-Ante Evaluation and Project Completion>

The project was consistent with the Philippines' development policies such as "the expansion of the industry cluster development" as set forth in "the Philippine Development Plan (PDP) (2011-2016)", "the Micro, Small and Medium Enterprise Development Plan for 2011-2016" and "the Philippine Export Development Plan (PEDP) for 2014-2016".

<Consistency with the Development Needs of the Philippines at the Time of Ex-Ante Evaluation and Project Completion >

The project was consistent with the Philippines' development needs for the promotion of the industry cluster approach at the times of both ex-ante evaluation and project completion.

<Consistency with Japan's ODA Policy at the Time of Ex-Ante Evaluation>

The project was consistent with Japan's ODA policy as stated in the Country Assistance Program for the Philippines (2008) (which included "aid to help promote foreign direct investment" and "aid in the "software" areas such as improving management and maintenance capacity").

<Evaluation Result>

In light of the above, the relevance of the project is high.

2 Effectiveness/Impact

<Status of Achievement of the Project Purpose at the time of Project Completion>

The Project Purpose had been achieved by the time of project completion. Among 24 target clusters¹, the RDC in 22 clusters (except for tourism cluster in Region IV-B and health and wellness cluster in the National Capital Region (NCR)) approved the industry cluster approach as an useful tool for industry development (Indicator 1). The above 22 clusters determined to continue cluster approach (Indicator 2). Inter-cluster collaboration was observed between tourism and coconut clusters, between tourism and mining clusters and between mango and durian clusters in Davao, and between coconut cluster in Davao and the gifts, decors, and housewares (GDH) cluster in Visayas. Moreover, information exchange and coordination for common issues were observed between wearables and homestyles (W&H) cluster in Bicol and GDH cluster in Visayas (Indicator 3). The Mid-term National Cluster Activity Plan (2015-2016) was prepared by DTI and “Cluster Management and Operations Manual: Experiences, Lessons and Good Practices” was under preparation (Indicator 4).

<Continuation Status of Project Effects at the time of Ex-post Evaluation>

Project effects have partially continued to the time of ex-post evaluation. DTI has consolidated similar clusters in several regions into eight national priority clusters (coffee, cacao, processed fruits and nuts (PFN), W&H, bamboo, rubber, palm oil and coco coir). While cluster-specific meetings, conferences, training seminars, trade fairs and product promotion have been conducted, inter-cluster interaction and collaboration among the above eight national priority clusters have generally not been conducted. However, there are two exceptional cases. One case is the formation of the Bahandi Producers Association in Eastern Visayas (BPAEV) (in Region VII) wherein products included in their trade fairs are from different clusters such as GDH, processed foods, PFN and W&H among others, thereby creating an opportunity for different clusters to interact whenever they conduct various activities such as trade fairs and product promotion. Another case is that the Visayas ICT Cluster (VICTOR) has assisted other clusters through IT-enabled marketing strategies (Indicator 3). Implementation of the above Mid-term National Cluster Activity Plan (2015-2016) has been completed, and DTI initiated the Industry Cluster Enhancement (ICE) Program in 2017 which adopted the NICCEP activities and implemented it in eight national priority clusters. In addition, the above “Cluster Management and Operations Manual: Experiences, Lessons and Good Practices” has been finalized, distributed and utilized among DTI Regional and Provincial Offices and other government agencies (Indicator 4).

<Status of Achievement for Overall Goal at the time of Ex-post Evaluation>

The Overall Goal has been achieved by the time of ex-post evaluation. Two clusters (milkfish cluster and abaca cluster in Region VIII) have been established after project completion and activities for industry cluster development such as planning workshops, trainings and seminars on product development and marketing, trade fairs and product promotion have been conducted (Indicator 1). Among eight national priority clusters, five clusters (coffee, W&H, bamboo, rubber and palm oil) were assisted by NICCEP. DTI has continued industry development activities in these eight clusters such as cluster meetings, trainings and seminars, planning workshops, trade fairs and product exhibitions under the ICE Program, and particularly, trade fairs and product exhibitions have been conducted more regularly than during project implementation both domestically and abroad (Indicator 2). As a result of experimental studies with a local university, Pampanga Furniture Industry Foundation (PFIF) in Region III has shifted its design and production of bamboo products from engineered bamboo to pole bamboo, and PFIF has promoted furniture from Pampanga through the publication of brochure called “One Pampanga”. In Region VIII, DTI has strengthened BPAEV to bring together MSMEs in different clusters including processed foods, PFN and W&H, thus involving a wide range of stakeholders in different layers of value chain (Indicator 3).

<Evaluation Result>

Therefore, the effectiveness/impact of the project is high.

Achievement of Project Purpose and Overall Goal

Aim	Indicators	Results
(Project Purpose) To develop a national capacity of DTI to intensify and extend the industry cluster approach that is sustainable and replicable for the purpose of industry development	1. A number of regions where the RDC or EDC of the RDC recognizes industry cluster approach as an useful tool for industry development	Status of the Achievement: achieved (Project Completion) 22 clusters out of 24 clusters in total recognized industry cluster approach as an useful tool for industry development.
	2. A number of industry cluster organizations representing the industry clusters under NICCEP which commit themselves to continue cluster approach for their development	Status of the Achievement: achieved (Project Completion) 22 clusters out of 24 clusters in total determined to continue cluster approach.
	3. Development of communications among different industry clusters and relevant participants	Status of the Achievement: mostly achieved (partially continued) (Project Completion) Inter-cluster collaboration, information exchange and coordination for common issues were observed among different clusters. (Ex-post Evaluation) Cluster-specific meetings, conferences, training seminars, trade fairs and product promotion have been conducted among eight national priority clusters. In addition, BPAEV has been formed, creating an opportunity for different clusters to interact whenever they conduct various activities, and VICTOR has assisted other clusters through IT-enabled marketing strategies.
	4. Existence of the efficient workflows for promoting/mainstreaming the industry cluster approach	Status of the Achievement: mostly achieved (continued) (Project Completion) The Mid-term National Cluster Activity Plan (2015-2016) was prepared and “Cluster Management and Operations

¹ 24 clusters include 16 clusters that received support starting from NICCEP and 8 clusters in Davao that received support starting from the DICCEP period.

		Manual: Experiences, Lessons and Good Practices” was under preparation. (Ex-post Evaluation) Implementation of the above Mid-term National Cluster Activity Plan (2015-2016) has been completed, and “Cluster Management and Operations Manual: Experiences, Lessons and Good Practices” has been finalized and utilized among DTI and other government agencies.
(Overall Goal) Industry cluster approach is replicated nation-wide as a tool of industry development.	1. Organizations are established and activities for industry development are initiated beyond NICCEP assisted industry clusters.	(Ex-post Evaluation) achieved Two clusters have been established after project completion and activities for industry cluster development have been conducted.
	2. Activities are sustained and intensified in the NICCEP assisted industry clusters.	(Ex-post Evaluation) achieved DTI has continued industry development activities in eight national priority clusters under the ICE Program as well as in different regional priority clusters, and trade fairs and product exhibitions have been conducted more regularly than during project implementation both domestically and abroad.
	3. Upgraded activities (*) to strengthen industry clusters in Davao are replicated in other clusters.	(Ex-post Evaluation) achieved Upgraded activities have been observed in Region III and VIII.

* Upgraded activities mean any activity corresponding to at least one of the following factors:

1) Involve wider range of stakeholders in the different layers of value chain for collaborative activities targeting industry cluster development themes from a broader network; 2) Implement new study/research to develop the micro enterprise, strengthen competitiveness and realize innovation; 3) Aim for creation of regional brand; and 4) Dissemination of the result of the pilot/demo project and ensure achievement of the result

Source: Project Completion Report, questionnaire surveys and interviews to DTI-Bureau of Small and Medium Enterprise Development (BSMED), DTI-Regional Offices and industry clusters

3 Efficiency

The project cost exceeded the plan, while the project period was within the plan (ratio against plan: 125%, 100%, respectively) due to additional budget allocation required for four clusters that were badly affected by super-typhoon Haiyan in 2013. The outputs of the project were produced as planned. Therefore, the efficiency of the project is fair.

4 Sustainability

<Policy Aspect>

The needs for industry cluster development are stated in “PDP (2017-2022)” and “the DTI’s Strategic Directions of MSME Development Plan for 2017-2022”.

<Institutional Aspect>

After project completion, functions of the National Project Management Office (NPMO) have been taken over by the Regional Operations Group (ROG) of the DTI Central Office, which is responsible for developing and monitoring of eight national priority clusters, while those of the Satellite Project Management Office (SPMO) have been taken over by the Business Development Division in the Regional Offices and the Industry Development Unit in the Provincial Offices. According to DTI, the number of staff from central to local levels in DTI is sufficient to promote and mainstream the industry cluster approach nationwide². In addition, 44 cluster advisors and 76 cluster coordinators (19 at the regional level and 57 at the provincial level) were trained under the project³, and 37 cluster advisors and 18 cluster coordinators at the regional level were confirmed to be still working⁴. According to DTI, the number of cluster advisors and cluster coordinators is also sufficient to promote and mainstream the industry cluster approach nationwide.

<Technical Aspect>

The majority of project counterparts (C/Ps) still work in DTI. The skill level of staff from central to local levels in DTI is judged sufficient to promote and mainstream the industry cluster approach as evidenced by continued trainings and seminars on product development and marketing, trade fairs and product promotion etc. in various cities. The skill level of cluster advisors and cluster coordinators are also generally sufficient to promote and mainstream the industry cluster approach, however, results of interviews in the regions revealed that more advanced trainings are needed by cluster coordinators to respond to technical and managerial requirements of more advanced clusters. However, a training mechanism including structured on-the-job-training (OJT) to disseminate and improve knowledge and skills of DTI staff on industry cluster management has not been established in DTI, and results of interviews could not ascertain its definitive reasons.

<Financial Aspect>

For national priority clusters, PhP 19 million was allocated in 2015/2016 and PhP 41 million was allocated in 2017. In addition, budget has been allocated for other clusters not included in the national priority from the regular SME program (the budget amount differs in each region). According to DTI, it has sufficient amount of budget to continuously promote the industry cluster approach except for budget for trainings for DTI staff, since a training mechanism has not been established yet.

<Evaluation Result>

Therefore, the sustainability of the effects through the project is fair.

5 Summary of the Evaluation

The project achieved the Project Purpose and the Overall Goal: inter-cluster collaboration was developed and most clusters determined to continue the industry cluster approach, and activities for industry development have been initiated beyond NICCEP assisted clusters as

² The number of staff in DTI was not available, however, according to DTI, at least one coordinator is assigned for each industry cluster from central to local levels within DTI.

³ Cluster advisors are DTI officers who took the cluster advisor training. To be advisors of DTI, one has to have participated in the planning stage and the implementation stage of cluster activities as a cluster coordinator, and completed the cluster coordinator training program. Cluster coordinators are core players of clusters who have taken the cluster coordinator training and have had participated in the planning stage of cluster activities. Cluster coordinators can be from DTI, other government agencies, the academe and/or the private sector.

⁴ The number of cluster coordinators at the provincial level was not available.

well as having been sustained and intensified in the NICCEP assisted clusters. For sustainability, some problems were found such as the lack of a training mechanism in DTI, while no particular problem was observed in terms of the policy and institutional aspects. As for efficiency, the project cost exceeded the plan.

Considering all of the above points, this project is evaluated to be satisfactory.

III. Recommendations & Lessons Learned

Recommendations for Implementing Agency:

- As stated above, a training mechanism has not been established in DTI. DTI should (1) review existing training programs in DTI, (2) make a request to those in charge of training programs to include modules for OJT on industry cluster operations and management including monitoring of impacts on industry clustering, and (3) revise/upgrade the manual produced by NICCEP based on experiences of training implementation.
- As stated above, inter-cluster interaction and collaboration among different industry clusters have not been observed than expected. Thus, DTI should (1) re-evaluate needs for collaboration/communication among different clusters (ICT cluster might have greater potential for inter-cluster collaboration activities to help out other clusters), (2) identify possible areas for collaboration among different clusters, and (3) initiate activities such as business matching, forums and national/regional trade fairs.

Lessons Learned for JICA:

- As stated above, a training mechanism including structured OJT to disseminate and improve knowledge and skills of DTI staff on industry cluster management has not been established in DTI. Continuous capacity building of DTI staff is very important for sustainability of project effects, and thus involvement of the DTI training division (Philippine Trade Training Center) should have been considered under the project. When implementing similar projects in future, trainings/OJT programs should be institutionalized through a human resource division or a training division of an implementing agency.



Bamboo Cluster - Various furniture made from bamboo displayed at the DTI Regional III Office in Pampanga



Cacao Cluster - Cacao nursery at Cacao Academy, a learning site owned and managed by an officer of the Cacao Industry Development Association in Mindanao (CIDAMI)