

Subic Bay Industrial Park Project

When the United States Navy departed from its base at Subic Bay in 1992, the Philippine people were left with a desolate facility, mass unemployment, and other economic and social problems resulting from the departure of this major employer. With determination, however, Subic Bay was transformed into a superior free port.

The Subic Bay Industrial Park (SBIP) project began as part of a Philippine government initiative to increase economic cooperation between the Republic of China and the Philippines. When the Philippine government approached the ROC government for assistance in transforming Subic Bay into a major industrial zone, the ROC government agreed to participate in the venture.

The ROC government's assessment of Subic Bay as a suitable site for investment was based on its well-maintained public facilities, including an airport and excellent harbor, as well as the willingness of the Philippines government to put into effect the special economic conditions needed to make it a successful commercial port. In August 1992, during a ministerial-level economic cooperation meeting, the ROC and Philippine governments signed a memorandum of understanding for the development of Subic Bay Industrial Park. It was agreed that the ICDF would provide long-term, low-interest loans to help the Philippines achieve its objectives.

The Philippine government passed the Bases Conversion and Development Act to convert the base into a Special Economic and Free Port Zone. In July 1994, the Subic Bay Metropolitan Authority (SBMA) and the ROC's United Development Corporation (comprising the China Development Corporation and Century Development Corporation) formed a joint venture, SBDMC, Inc., to administer, develop and market the SBIP. Planning and development of SBIP were undertaken jointly by LKN, an engineering management consultant company from Singapore, and various experienced construction firms from the ROC.

The Result

In just a few years, the developers have completed the initial phase of development, including construction of a 147.5-megawatt power plant to supply the area's electricity needs, the building of a water filtration plant and waste water processing system, and the establishment of the Subic Telecommunications Company—a joint venture between AT&T (USA) and PLDT of the Philippines—to meet the park's telecommunications

needs. Numerous public facilities have been constructed, including more than 100 factories, shops and storage facilities, as well as villas, swimming pools, a golf course, international hotels, restaurants, a hospital, banks and a duty free shop. The SBIP's excellent facilities have made it one of the most advanced regions in the Philippines. The Industrial Park has even become a showcase for tourism in the Philippines.

By the end of the 1998 fiscal year, 65.01 hectares of the 87.8 hectares of land offered for rent had been leased, and 74 percent of the available developed space had been contracted for occupation by 24 investors (23 Taiwanese, one Filipino). Most of the investors that have already set up operations at SBIP are well-known high-tech electronics and electrical enterprises. Their presence is attracting interest from other investors and has spurred a boom in hospitality, tourism and service industries in the region.

As investor interest in the project rises, Phase II, which will occupy an area of 47.91 hectares, is becoming increasingly attractive. The ICDF has agreed to provide a commercial loan to assist SBDMC in its objective of adapting the SBIP to investors' needs and making it an even more successful commercial operation.

The total cost of the SBIP project is estimated at around US\$1 billion. This massive investment is expected to bring huge benefits to the local economy and to contribute immensely to the social development of the region. According to the SBDMC, when the project is completed by the year 2000, it will generate around 30,000 quality jobs and an annual production value of US\$2.5 billion. The project is expected to have the effect of increasing the per capita GNP of the Subic Bay area to US\$8,333—six times the current average per capita GNP of the Philippines.

With several of the investors in Phase I already engaged in mass production, it is possible to assess some of the reasons for the remarkable success of the SBIP project. Among these are: (1) the significant manufacturing benefits provided to locators by the excellent location; (2) the Philippine government's full support of the project and its willingness to designate the area as a Special Economic and Free Port Zone; (3) the existence of numerous special investment privileges that are expected of special economic zones; and (4) the broad management experience of SBDMC and its use of specialized foreign organizations to carry out engineering planning and construction.

Vegetable Farm Microlending in Senegal

The ICDF's work in Senegal has focused on assisting smallholding farmers to become involved in specialized vegetable production, following a recommendation to that effect made by an ROC appraisal mission that visited the country in March 1996.

Following negotiations with the Senegal government, the ICDF established a program of microloans for vegetable farmers. The microloans project was formally initiated in January 1997 with the signing of the "Fonds Sino-Sénégalais pour le Développement des Cultures Maraichères dans la Zone de Diamniadio" by the ROC ambassador to Senegal and the secretary general of Senegal's Economic Development Fund.

The funds are directed by the ROC ATMs and allocated to farmers who are deemed capable of making beneficial use of the funds. One of the objectives is to help Senegal increase its fruit and vegetable exports. Currently, Senegal produces between 100,000 and 150,000 tonnes of fruit and vegetables each year but exports only 4,500 tonnes of these. However, Senegal still needs to import between 25,000 and 35,000 tonnes of produce, in particular, onions and potatoes.

The appraisal mission found that a serious handicap is the lack of a specialist organization in Senegal responsible for effectively operating and developing vegetable farming projects. Inadequacy of credit has also hindered vegetable farmers from increasing fruit and vegetable production. Thus the motivation for establishing the vegetable gardening loan fund.

The objectives of the program are to: (1) develop 200 hectares of land for vegetable farming in the Diamniadio region; (2) improve the production techniques and production capacity of local vegetable farmers; and (3) increase the income of the farmers in Diamniadio.

Division of Responsibilities

The ROC ATM is responsible for supervising the project and inspecting techniques by approving on-site inspections and loans; supervising the use of funds and giving technical guidance; and checking the time scale of loans by participating banks.

The Gardening Division of the Senegal Ministry of Agriculture is responsible for assisting the program, including the distribution and collection of application and registration forms, and official documents.

The Economic Development Fund of Senegal is responsible for supervising the efficiency of loan granting procedures; providing 75 percent collateral to the participating banks; and opening an account with Citibank for the vegetable gardening loan fund and depositing within that account the initial US\$200,000 for the farmers' loan fund.

Citibank is responsible for appropriating part of the small farmers loan fund to various participating banks for onlending.

The bank appointed by the Senegal government is responsible for ensuring that debtors open an account at one of the participating banks and deposit 10 percent of the loan value themselves, pay handling costs of CFA10,000 Francs (around US\$20) and provide 25 percent collateral; and handling loan repayment, including interest at six percent per annum. Individual loans, for a maximum of US\$4,000, must be repaid within one year.

Project Results

To date, loans amounting to CFA51,801,170 (around US\$10,000) have been disbursed to 46 farmers to cultivate a total of 82.6 hectares. On average each farmer has received credit of US\$2,000. According to a recent report, this enables them to earn a net income of US\$2,500 for each hectare cultivated—two to three times higher than what was achievable in the past. Within the first six months, approximately 51 percent of loans had been repaid.

The results of the program have been so good that, on 16 April 1998, the ROC Ministry of Foreign Affairs and the Senegal government signed an agreement to expand the small farmers' vegetable gardening loan program. The amount of the fund was raised to US\$1 million and the area under assistance was extended to include Ziguinchor, Kolda, St-Louis, Thies, Dakar and other areas. Loans will be extended for rice farming, floriculture and aquaculture production, as well as vegetable farming. With the technical guidance and supervision available from the ROC ATMs in Senegal, the ICDF expects even more significant results in the coming year.

Bagré Dam Project in Burkina Faso

In February 1994, the ROC resumed diplomatic relations with the West African state of Burkina Faso and the government promised to send an ATM to that country. In preparation for this, the ROC sent an appraisal mission to Burkina Faso to assess the scope of agricultural cooperation needed.

Based on the aspiration of Burkina Faso to become self-sufficient in rice production, it was agreed that the ROC's first program of assistance was to help Burkina Faso increase rice production to meet domestic needs. According to agricultural statistics provided by the Burkina Faso government, the nation consumes 70,000 tonnes of rice a year but produces only 40,000 tonnes a year, resulting in a shortfall of 30,000 tonnes.

The ROC initiated agricultural cooperation with the Republic of Burkina Faso several decades ago and its efforts have been highly successful. Back in 1967, Operation Vanguard undertook a large-scale paddy rice production and development project in Houet province of Burkina Faso. Through the hard work of the ROC ATM, the enthusiastic participation of local farmers, and the close cooperation of the ROC and Burkina Faso governments, two harvests were achieved in one year, with a yield of 1,260 tons of rice from each harvest of a five-hectare area.

The ROC's transfer of superior production techniques to the people of Burkina Faso has meant that even after 30 years, rice production in the area is still producing excellent results. Now history is being made at Bagré Dam. When completed in the year 2000, this project is expected to be a showcase of Sino-African technical cooperation.

The ICDF undertook a careful analysis and on-site inspection of the geographical environment, irrigation equipment and farming organizations of each area. It subsequently agreed with the government of Burkina Faso on a five-year program, with the goal to increase annual rice production by 30,000 tonnes within that period. The program included a project to irrigate 1,000 hectares at Bagré for rice paddies, as well as projects to help expand upland rice production to 5,000 hectares and paddy rice to 3,000 hectares. Each of the three projects is expected to increase annual rice production by 10,000 tonnes, thus achieving the target of 30,000 tonnes.

The ROC ATM began work on the Bagré Dam project in July 1995 under the leadership of former mission leader Mr. Chun-hsiung Liu and the current leader, Mr. Tuan-lien Shen. Specialists in hydraulics and agricultural experts were brought in and there was close cooperation between the ATM, government officials, local workers and farmers' organizations. So far, 550 hectares of wasteland have been developed and 8.5 kilometers of canals have been constructed.

The division of labor in these agricultural cooperation projects has been carefully planned. For instance, during the second year of the project to expand dryland rice production, 500 hectares of land were cultivated. After careful consideration by the ROC ATM and local agricultural agencies, it was decided that 300 hectares would be given over to highland dry rice production and 200 hectares to low-level ground dry rice production. The area encompassed by the project covers 400 hectares in the central-east area, 20 hectares in the central area, 50 hectares in the western area, and 30 hectares in the Bagré Dam area.

One of the main reasons for the successful implementation of the project has been the willingness of the Burkina Faso government to support the project fully and to cooperate with ICDF initiatives, not to mention the hard work of the ROC personnel involved.

Once the ROC side has completed the initial development stage, it will hand over the project to local farmers. The ATM will help organize farming groups and will provide project information and equipment, including seeds, fertilizer and pesticides, to approved groups. In addition, it will teach Burkina Faso farmers how to utilize wasteland efficiently and how to reuse resources and equipment provided by the ATM.

Some details of the project: The ROC ATM will provide approximately 21.6 metric tons of high-land dry rice seed FKR33, 11.4 metric tons of low-level land dry rice seed FKR19, and 22.5 metric tons of urea fertilizer. The Burkina Faso government will provide 22.5 metric tons of phosphate fertilizer. Low-level land dry rice is to be cultivated in the central-east area, with the ATM funding additional labor costs at US\$150 per hectare. The ATM will provide technical guidance and will train project extension personnel and some farmers.

The management section of the Ministry of Agriculture and Livestock of the Burkina Faso government will provide personnel to act as project promoters, and will carry out on-site work. The ministry will also undertake the transportation and distribution of agricultural resources, with the ATM helping to cover some of the fuel costs. The Burkina Faso side has undertaken to store and return the seeds and fertilizer

SME Development Program in Central America

To help the Central American nations accelerate their economic development, the ICDF has developed a four-year technical cooperation plan—The Small and Medium Enterprise (SME) Technical Assistance Program in Seven Central American Nations.

Through this project, the ROC hopes to share its more than four decades of experience in economic development, to help establish SMEs and to promote regional economic development. It also hopes that this program of technical cooperation will help forge stronger relations between the ROC and its diplomatic allies in Central America.

The SME technical assistance program was formally proposed by the ROC during the Fifth Joint Meeting of Central American and ROC Foreign Ministers in 1995. In September and October 1995, the ICDF sent an appraisal mission to Central America to carry out an assessment of the region and, in particular, the state of SME and industrial development. Out of this came a formal program which was launched in May 1997.

The aim of the Central American SME technical assistance program is to share the ROC's unique experience in job creation, export expansion and income distribution so that more SMEs can be created in the region. The program will focus particularly on the need to strengthen and build an institutional system for helping SMEs to improve their operations. In addition, it will address the transfer of technology and the establishment of management systems to upgrade production. The ICDF has already sent experts to Central America to provide professional guidance on these matters.

The Central American SME technical assistance program can be divided into three sections: policy study seminars, capacity building and industrial advisory services. These are explained below in more detail.

The Central American SME technical assistance program is intended to speed up the development of SMEs, with the ultimate aim being to eliminate poverty by spreading wealth more evenly among the population. The policy study seminars conducted by the ICDF have helped the governments of the Central American nations to realize the importance of SMEs to the regional economy. For its part, capacity building is directed at improving the functions of local governments in providing a more direct and realistic form of assistance to the SMEs of each nation. Finally, the ICDF's industrial advisory services allows specialists from the ROC to engage in closer technical exchange and interaction with industrialists from the seven nations in Central America.

Policy Study Seminars

After more than 40 years of rapid economic development, the Republic of China has accumulated a store of valuable experience, which it is willing to share with Central America. The first two years of the Central American SME program include 12 policy study seminars, to introduce the ROC's general economy, the policies and operations behind it, and the results achieved.

As of 30 June 1998, six policy study seminars had been conducted, including diverse topics such as applying for ICDF-backed SME loans through the Central American Bank for Economic Integration; the setting up of general quality control systems; the formulation of industrial development policies; and a review of the institutions available for foreign trade promotion.

Capacity Building

The Central American nations have begun to focus on using SMEs to boost the overall economic development of the region, and on extending trade within and outside the region to spur regional economic growth. To help in realizing these goals, the ICDF is providing technical consultants to assist Central American governments in establishing an overall economic climate in which industrial development and regional economies can thrive. At the same time, it is hoped that this assistance will encourage the Central American governments to begin playing a more active role in helping SMEs develop, so that the goal of more even distribution of wealth can be achieved.

Through the program, ROC experts have traveled to Costa Rica, Panama, Belize, Nicaragua, Honduras and various other nations to provide guidance in capacity building.

Industrial Advisory Services

In many cases, Central American SMEs lack the techniques, production methods, marketing and management skills to improve their productivity and competitiveness. The ICDF has access to experts who can offer general guidance and help to create strategies to meet the development needs of particular industrial fields.

Industrial advisory services offered to the Central American nations include the drawing up of strategies to strengthen existing enterprises, as well as direct advice on reorganizing and operating industrial and financial institutions. In the past year, specialists from relevant fields have been sent to Costa Rica, Nicaragua, Belize and other nations to provide advice on various industries, including heat treatment, textiles, animal husbandry, food processing, and the bamboo and wood industry.