

# 4 Administration



**2011** saw us maintain the pace of organizational reforms initiated in the previous year, with the work of various management teams dedicated to human resources management, financial management, accounting management, public communications and auditing continuing to yield advances in process re-engineering, systems integration, staff training, risk management, financial integrity, and internal and external communications. These measures have had a positive, transformative effect on our operations and underpinned efforts to enhance our projects, all in common pursuit of tangible aid benefits.

At the TaiwanICDF, we enhance aid effectiveness by employing a variety of management mechanisms, for which we are constantly striving to make further advances. A variety of management practices are designed to raise the efficiency of procedural controls and internal communications in such a way that the operations of our whole organization become more efficient. By building capacity and providing training programs for our personnel, we cultivate project management skills that strengthen human resources development, thereby enhancing the overall competitiveness of our organization and staff.

## Human Resources

Our Personnel Office was established as a distinct unit within the TaiwanICDF on July 12, 2010 and has since been responsible for supporting our medium- to long-term strategies by planning for and developing our organization's own human resources. The office's activities complement our organizational strategies, actively enhancing the quality of human resources and strengthening the tangible effects of Taiwan's cooperation and assistance.

### Upgrading Project Management

To respond to the daily expansion of our aid operations and put the project cycle into practice, we have actively recruited professionals with specialties such as international public health and medicine, investment and financial analysis, law, project management, human resources planning, accounting and general administration. For the most part, recruitment and staffing has now been completed.

Throughout the past year we have strengthened the competencies we need in

our project managers and other foreign aid professionals by conducting a foundation course in business documentation, a presentation skills workshop, a workshop on writing official documents and an introductory workshop on agriculture. In addition to holding English, Spanish and French courses, we have also provided new hires with pre-service orientation and training, variously enhancing the quality of human resources at the TaiwanICDF.

Furthermore, to promote exchange between the TaiwanICDF and related international organizations, and to deepen understanding of the overall professional development and operational strategies at such international organizations, international NGOs or non-profit organizations, we have made special arrangements for personnel to take part in secondment programs. Learning from such agencies is raising our own capacity for project management and will allow us to conduct further personnel exchanges with international organizations while working to the same professional standards.

### Training Project Managers

In response to ongoing reforms at the TaiwanICDF, and to facilitate the transformation of foreign aid projects, in 2011 we cultivated the talent of our project managers by holding a number of conferences and training courses. These included a two-week TaiwanICDF Mission Leaders' Conference 2010-11 held in Taiwan, during which we promoted a change in direction among mission leaders and offered practical understanding and support by examining and discussing core operations and case studies. Furthermore, during two one-month Reserve Overseas Project Management Training Programs, 17 experts and technicians normally based overseas returned to Taiwan to study modern management theories and

practices, which helped to build capacity in managing future projects.

Moreover, by introducing pre-deployment training for all of our newly recruited overseas project managers, we have accelerated the process of understanding and integration, shortening the time that new employees need to adjust to the TaiwanICDF and its working culture. As part of this plan we are providing professional and technical training to personnel before sending them overseas, which strengthens coordination and communication in project management. And by implementing a project cycle and ensuring that project managers are well versed in such concepts, we are building and upgrading project managers' capacity to implement and manage their projects.

## Financial Management

Financial management at the TaiwanICDF aims to safeguard funds and assets and pursue stable returns. These objectives are designed to support our operations and generate sufficient funds to sustain the management and administration of our organization, which enables us to pursue our ultimate mission of facilitating sustainable development at conservative and reasonable risk.

### Fund Utilization

The TaiwanICDF's fund balances (the Fund) are derived predominantly from two sources: the founding fund and donated fund; and accumulated earnings.

The Fund is used to engage in international cooperation and development operations, such as long-term investment and lending projects. An uncommitted

portion of the Fund is set aside and invested in a portfolio of financial instruments including bonds, bank deposits, short-term investments, time deposits, exchange-traded funds and equity assets, so as to increase sources of revenue.

Annual earnings derived from interest and revenues accrued from long-term investment or lending projects or other financial investments are used to fund technical cooperation projects on a non-reimbursable basis, as well as operational expenses.

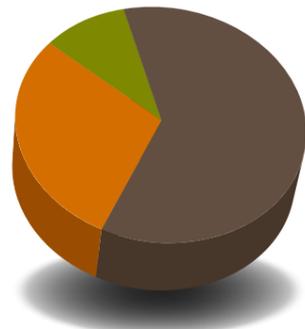
As of December 31, 2011, the total outstanding amount for investment and lending development projects comprised 39 percent of total fund balances, while 61 percent was allocated to financial investments. During the year, long-term investments and lending denominated in U.S. dollars yielded returns of 2.34 percent; financial investments, including foreign exchange gains and losses and other income and expenses, yielded returns of 2.84 percent. The overall rate of return for all capital investments was 2.55 percent.

### Management of Long-term Lending and Investments

As of December 31, 2011, the TaiwanICDF was committed to 13 lending and investment projects, for which the balance of investments stood at US\$46.51 million and NT\$230 million. The organization was also overseeing 82 lending projects with commitments amounting to US\$496.74 million and €56.55 million. Accumulated loan disbursements stood at US\$441.15 million and €20.84 million, equivalent to 81.69 percent of net commitments; total principal repayments stood at US\$312.78 million, equivalent to 54.23 percent of all funds extended.

Figure 9 Fund Utilization (2011)

Short-term Investments	61%
Lending for Development Projects	29%
Investments for Development Projects	10%



At the end of 2011 allowances for bad debts of NT\$124.33 million were made (covering receivables, long-term loans and collections) in compliance with the organization's statute on Dealing with Past-Due/Non-Performing Loans and Bad Debts, and in reflection of the quality of certain assets.

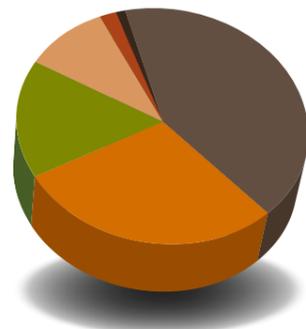
### Management of Uncommitted Funds

The financial investment of the uncommitted portion of the Fund is made in accordance with the TaiwanICDF's Guidelines on Fund Management and related internal controls.

The decision by an international credit rating agency to downgrade the United States' sovereign debt rating in early August 2011, as well as the continued deterioration of European debt, resulted in significant volatility in the global financial markets in the second half of the year. Furthermore, the U.S. Federal Reserve announced a policy to maintain low interest rates until mid-2013, while the response of certain countries to the European debt crisis could precipitate an economic downturn. Prevailing monetary

Figure 10 Investment Management (2011)

Time Deposits	42%
Lending for Development Projects	29%
Bonds	16%
Investments for Development Projects	10%
Bank Deposits/ Short-term Equities	2%
Index Funds/ Equity Assets	1%



policies are also leaning toward further rate cuts and similar easing trends. Under such circumstances, the TaiwanICDF's asset allocation has focused on fixed-income assets, with bonds, deposits and similar financial instruments given preferential weighting.

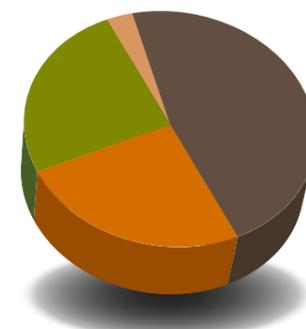
In terms of foreign exchange risk management, during 2011 we formulated a hedging strategy for foreign currencies, as well as introduced mechanisms to cap certain holdings, aiming to minimize exposure to exchange rate fluctuations and associated risks. Overall, yields on financial investments, including exchange gains and losses and other gains due to the recovery of bad debt, dropped slightly to 2.55 percent from 2.94 percent in the previous year.

### Accounting Management

The TaiwanICDF's revenues are derived predominantly from interest accrued on the Fund, interest from lending operations and funding for government-commissioned projects. Interest accrued on the Fund and

Figure 11 Fund Revenues (2011)

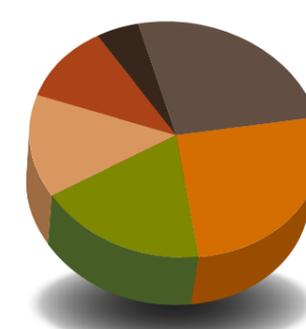
Lending and Investment Operations	25%
Interest on Fund Investments	25%
Gains on Sales of Investment (Cash Dividends)	3%
Other	47%



interest from lending operations mainly support routine operations, including technical assistance projects, humanitarian assistance, scholarship programs and workshops, as well as the TaiwanICDF's own administrative, management and general

Figure 12 Fund Expenditures (2011)

Management and General Affairs	26%
International Education and Training	18%
Technical Cooperation	15%
Humanitarian Assistance	11%
Lending and Investment	4%
Other	26%



expenses. MOFA provides the majority share of funding for government-commissioned projects to support the operation of overseas technical and medical missions, and specially commissioned projects.

In 2011, operating revenues and non-

Figure 13 Revenues and Expenditures (2005-2011)

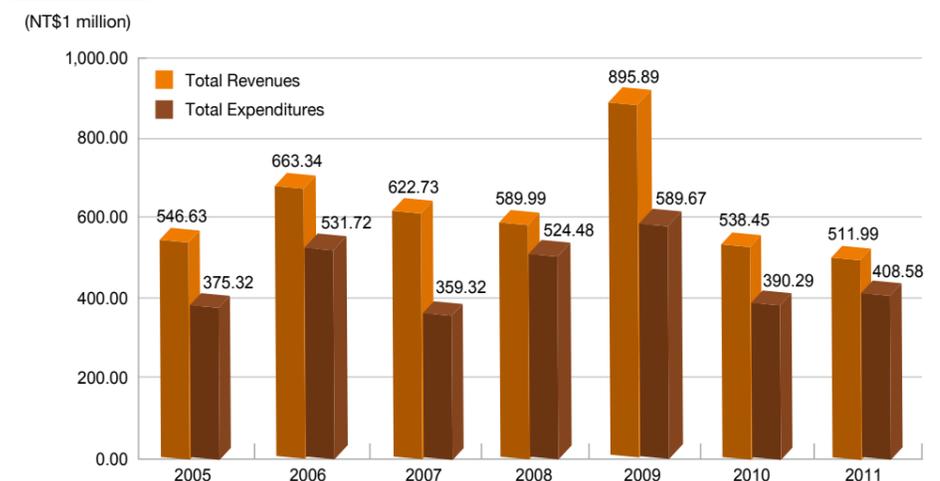
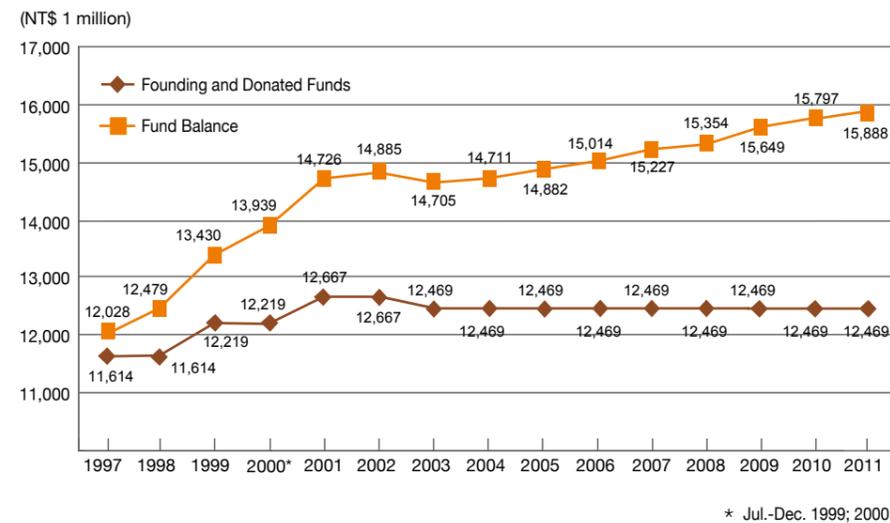


Figure 14 Fund and Fund Balances (Since 1997)



operating income and gains amounted to NT\$1.67 billion, of which NT\$1.16 billion was for commissioned projects, a decrease of 10.63 percent from 2010. Revenue generated through the use of the Fund was NT\$511.99 million, a decrease of 4.92 percent from 2010, of which revenues from lending and investment operations and interest on fund investments each comprised the largest share (25%), followed by gains on sales of investment (cash dividends) (3%), with other revenues representing the remaining share (47%).

Expenditures for 2011 were NT\$1.57 billion, of which NT\$1.16 billion was for commissioned projects. Expenditures made through the use of the Fund were NT\$408.58 million, an increase of 4.69 percent from 2010.

Excess of revenue over expenditures was NT\$103.41 million, a decrease of NT\$44.75 million from the previous year. This was mainly due to the unexpected underperformance

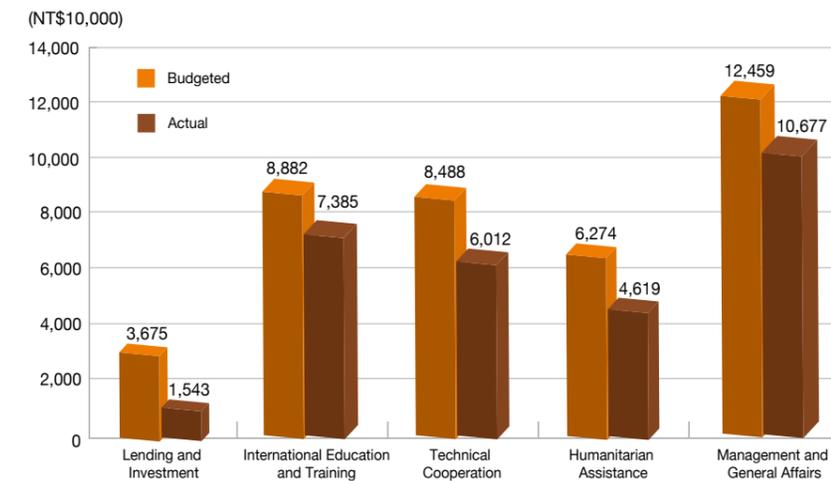
of certain stocks, which led to losses on investments; and unscheduled disbursements to certain lending projects, which reduced the amount of interest accrued on the Fund.

### Fund Utilization and Balance

As of December 31, 2011, the net balance of the Fund was NT\$15.89 billion (including founding and donated funds of NT\$12.47 billion and accumulated earnings of NT\$3.42 billion). This represented an increase of 0.58 percent, or NT\$90.92 million, from the end of 2010.

As of December 31, 2011, total assets stood at NT\$16.04 billion, of which long-term loans and investments comprised the largest share (52.81%), followed by current assets (47.06%), fixed assets (0.11%) and other assets (0.02%). The organization's total liabilities were NT\$148.92 million and the total balance of all funds (the Fund plus accumulated earnings) was NT\$15.89 billion.

Figure 15 Budgeted and Actual Expenditures (2011)



### Budget Execution

In 2011, MOFA contracted the TaiwanICDF to carry out overseas operations worth NT\$1.30 billion, of which NT\$986.92 million was budgeted for operating expenses at overseas technical and medical missions. A budget of NT\$120.06 million was also allocated to four projects relating to specific overseas missions and NT\$46.46 million was allocated to training and continuing education in Taiwan for technical personnel from our partner countries. We were also contracted to implement 11 projects worth NT\$96.27 million, including the Torbeck Rice Production and Marketing Project and the New Hope Village Residents Resettlement Project in Haiti, and the International Higher Education Scholarship Program. NT\$48.77 million was also allocated to training servicemen in the Taiwan Youth Overseas Service.

Overall, the total budget for MOFA-commissioned projects was NT\$1.16 billion, equal to an implementation rate of 89.08 percent. Of the share of this funding applied to implementation, 90 percent, or NT\$888.26 million, was allocated toward the operation of overseas technical and medical missions.

Operating expenses (excluding expenses for contracted projects) amounted to NT\$302.36 million. This compares with a budgeted plan of NT\$397.78 million, equal to a utilization rate of 76.01 percent.

### Public Communications

The operations of the TaiwanICDF are subject to public oversight. Successfully promoting international development assistance is more than just a matter of internal consensus, or of building professional discourse and operational

mechanisms. To obtain recognition and support, we must also reform certain practices and orientations by engaging in mass communication with the community.

With respect to internal communications, we are helping personnel to improve aid-related professional knowledge by collating material generated from analysis and discussion raised during the implementation of previous projects. We have compiled this information into a series of handbooks that were distributed to staff, as well as others outside the organization. In 2011 we compiled five handbooks dealing with rice production, fruit trees, ICT, industrial zones and our International Higher Education Scholarship Programs.

In terms of external communications, at MOFA's invitation we co-hosted and participated in Love from Taiwan, an exhibition at Sun Yat-sen Memorial Hall that showcased the achievements of Taiwanese NGOs and their involvement in the international community. Tying together information on the MDGs and the Paris Declaration's guidelines for action, our booths, display stands, multimedia exhibits and videos presented the development context for the TaiwanICDF's own involvement in foreign aid affairs. In addition to raising awareness of the TaiwanICDF among the visiting public, we also provided recruitment information to those looking to work with us overseas.

Furthermore, to highlight reforms to technical cooperation and the project implementation framework that we are putting into practice, a film crew visited a number of Taiwan Technical Missions during the past year to shoot on location, resulting in a new documentary called Dreams Begin With Change. In the past, our approach toward promotional films tended toward the tragic and the heroic, whereas our newer documentary clearly and rationally conveys how our work

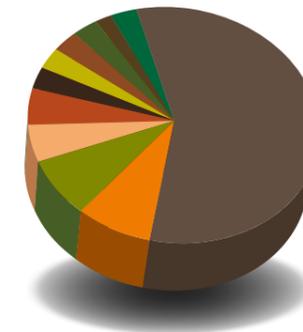
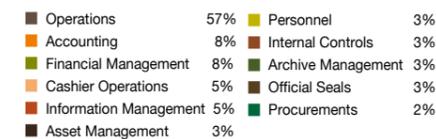
upholds the spirit of ownership and managing for results. Having already been broadcast on a local Taiwanese television network, as well as posted on our website and Facebook, the film is also being produced in a series of foreign language editions, which will promote our operations and help to broaden our influence.

## Auditing

In order to strengthen risk management and safeguard the security of assets, auditing operations at the TaiwanICDF are designed to assist the Board of Directors and the Board of Supervisors to examine the effectiveness of internal controls, and measure and appraise the efficiency and effectiveness of operations management. Audits provide managers and departments with timely suggestions on improving any such matters under investigation and follow-up measures are implemented accordingly. This safeguards the effectiveness of fund management and ensures that operations are conducted transparently and systematically.

Key auditing operations at the TaiwanICDF include: (1) Examining the reliability and accuracy of financial and operational information; (2) examining internal operations and determining whether procedures have followed relevant policies, regulations and procedural guidelines; (3) examining whether assets are being utilized effectively and are correctly itemized; (4) examining whether completed operations and projects met their intended objectives and achieved the results anticipated; (5) making onsite visits to overseas missions to examine the status of internal controls, as well as the performance of projects under implementation; (6) performing field appraisals of the status and results of projects in the post-implementation stages of the

Figure 16 Audits (2011)



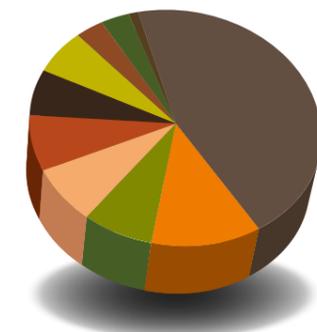
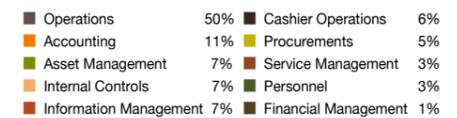
project cycle, and identifying reasons for the successes and failures of projects, to facilitate the promotion and implementation of follow-up projects; and (7) examining the progress and performance of the organization's annual work plan to ensure that its objectives are realized efficiently and effectively.

### Audits in 2011

A total of 37 audits were conducted in 2011, including 34 cases allocated by either the Board of Directors or Board of Supervisors, and three extraordinary audits conducted at the request of senior management. The content of these audits, representing issues of concern to senior management and auditing units, focused on risks and operational controls.

Audits for 2011 were as follows: 21 related to operations; three each to accounting and financial management; two each to cashier

Figure 17 Audit Suggestions (2011)



operations and information management; and one each to asset management, procurements, personnel, internal controls, archive management and official seals.

### Results of Audits

In 2011, audits yielded a total of 147 suggestions: 73 on operations, 16 on accounting, 11 on asset management, 10 each on internal controls and information management, nine on cashier operations, eight on procurements, five on service management, four on personnel and one on financial management.

Audits and subsequent conclusions were aimed at strengthening internal controls and communication between departments, raising colleagues' awareness of risks, guaranteeing the safety of the organization's assets, and ensuring the reliability and accuracy of financial and operational information.