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## Administration

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## 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 revenues and working capital to sustain the operation of development projects and administration of our organization, enabling 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 lending and investment 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 and exchange-traded funds, 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 instruments are used to fund technical cooperation projects on a non-reimbursable basis, as well as operational expenses.

As of December 31, 2012, the total outstanding amount for investment and lending development projects comprised 38 percent of total fund balances, while 62 percent was allocated to financial investments. Accounting for commitments made but still outstanding, investment and lending development projects comprised 54 percent of total fund balances, while 46 percent was allocated to financial investments. During the year, long-term lending and investments denominated in U.S. dollars yielded returns of 1.92 percent. Financial investments yielded 1.66 percent. The overall rate of return for capital investments, including foreign exchange gains and losses and other income and expenses, was 1.44 percent.

### Management of Long-term Lending and Investments

As of December 31, 2012, the TaiwanICDF was committed to 13 lending and investment projects, for which the balance of investments stood at US\$46.58 million and NT\$240 million. The organization was also overseeing 83 lending projects with commitments

amounting to US\$490.95 million and €56.55 million. Accumulated loan disbursements stood at US\$457.75 million and €20.84 million, equivalent to 85.43 percent of net commitments; total principal repayments stood at US\$336.55 million, equivalent to 58.95 percent of all funds extended.

At the end of 2012, allowances for bad debts of NT\$124.33 million were made (covering receivables, long-term loans and collections) in compliance with the organization's provisions on long-term loans, receivables, overdue payments and other asset classes and reflecting the quality of certain assets. In 2012, the rate of return on lending and investments fell to 1.92 percent from 2.34 percent in the previous year.

### Management of Uncommitted Funds

The financial investment of the uncommitted portion of the Fund is designed to increase the efficiency with which funds are used and thereby increase the TaiwanICDF's revenues. Investments in non-capital instruments focus mainly on fixed-income assets, supplemented by long-term holdings of equities.

The TaiwanICDF's fixed-income assets include bonds and fixed deposits. With bonds denominated in foreign currencies earning higher yields than those denominated in NT dollars, layout during the past year mainly involved purchases of foreign currency bonds, which allowed for a stable increase in income at diversified risk.

In addition, having made a number of short-term trades involving equity assets in previous years, during 2012 we adjusted our investment strategy for this asset class toward holdings of long-term, available-for-sale assets. We also allowed for the replacement of assets yielding volatile capital gains with those yielding fixed dividend incomes and expanded other sources of income under relatively safe conditions for our assets.

In terms of managing foreign exchange, the past

year saw us negotiate a foreign exchange hedging facility with financial institutions and sign financial commodities trading contracts, which allowed us to hedge via a number of financial instruments (such as options or swaps) under a mechanism through which we cap foreign

currency positions. This reduced the risk associated with fluctuations in exchange rates. Overall, yields on financial investments, including exchange gains and losses and other gains due to the recovery of bad debt, fell to 1.66 percent from 2.55 percent in the previous year.

## Accounting Management

The TaiwanCDF'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 interest from lending operations mainly support routine operations, including technical assistance projects, humanitarian assistance, scholarship programs and workshops. It also supports the TaiwanCDF's own administrative, management and general 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 2012, operating revenues and non-operating income and gains amounted to NT\$1.46 billion, of which NT\$1.16 billion was allocated for commissioned projects, an increase of 0.36 percent from 2011. Revenue generated through the use of the Fund was NT\$300.32 million, a decrease of 41.34 percent from 2011, of which interest on fund investments comprised the largest share (51%), followed by revenues from lending and investment operations (38%) and gains on sales of investment (cash dividends) (2%), with other revenues representing the remaining share (9%).

Expenditures for 2012 were NT\$1.54 billion, of which NT\$1.16 billion was for commissioned projects. Expenditures made through the use of the Fund were

NT\$377.85 million, a decrease of 7.52 percent from 2011.

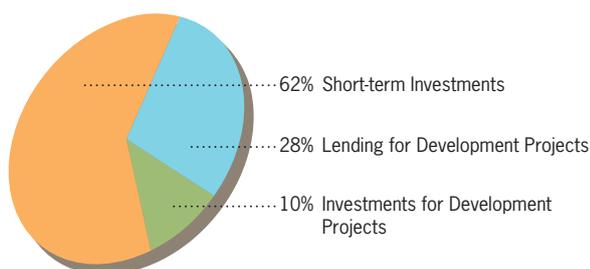
Expenditures exceeded revenue by NT\$77.53 million during 2012, representing a difference of NT\$180.94 million from the NT\$103.41 million excess of revenue over expenditures in the previous year. This was mainly due to the 2011 loan for the construction of the Menen Hotel in Nauru being reclassified as a non-performing loan/bad debt, as well as losses on foreign exchange relative to the previous year.

### Fund Utilization and Balance

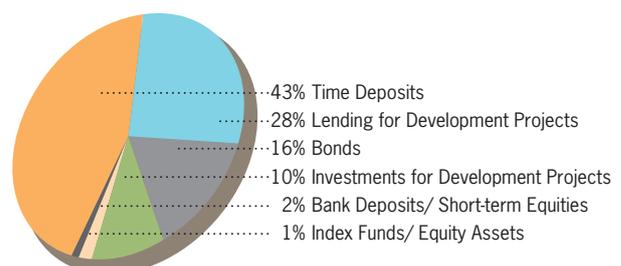
As of December 31, 2012, the net balance of the Fund was NT\$15.83 billion (including founding and donated funds of NT\$12.47 billion, accumulated earnings of NT\$3.35 billion and unrealized gains on financial instruments of NT\$2.26 million). This represented a decrease of 0.4 percent, or NT\$62.79 million, from the end of 2011.

As of December 31, 2012, total assets stood at NT\$15.98 billion, of which current assets comprised the largest share (51.15%), followed by long-term loans and investments (48.74%), fixed assets (0.1%) and other assets (0.01%). The organization's total liabilities were NT\$155.34 million and the total balance of all funds (the Fund plus accumulated earnings) was NT\$15.83 billion.

**Figure 11 Fund Utilization (2012)**



**Figure 12 Investment Management (2012)**



## Budget Execution

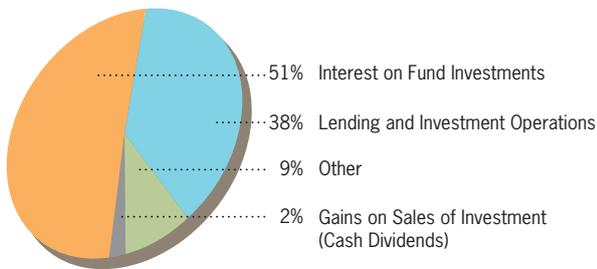
In 2012, MOFA contracted the TaiwanICDF to carry out overseas operations worth NT\$1.23 billion, of which NT\$826.09 million was budgeted for operating expenses at overseas technical and medical missions. A budget of NT\$107.14 million was also allocated to four projects relating to specific overseas missions and NT\$47.25 million was allocated to training and continuing education in Taiwan for technical personnel from our partner countries. We were also contracted to implement 18 projects worth NT\$207.86 million, including 2012

Satellite Monitoring of Forest, Natural Resources and Mitigation of Natural Disasters in Nicaragua and Honduras using GIS and RS; and the International Higher Education Scholarship Program.

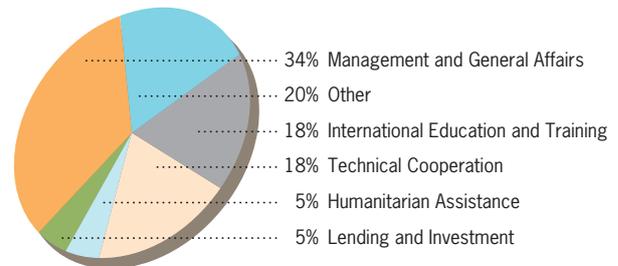
Overall, the total budget for MOFA-commissioned projects was NT\$1.16 billion, equal to an implementation rate of 94.01 percent.

Operating expenses (excluding expenses for contracted projects) amounted to NT\$303.71 million. This compares with a budgeted plan of NT\$468.53 million, equal to a utilization rate of 64.82 percent.

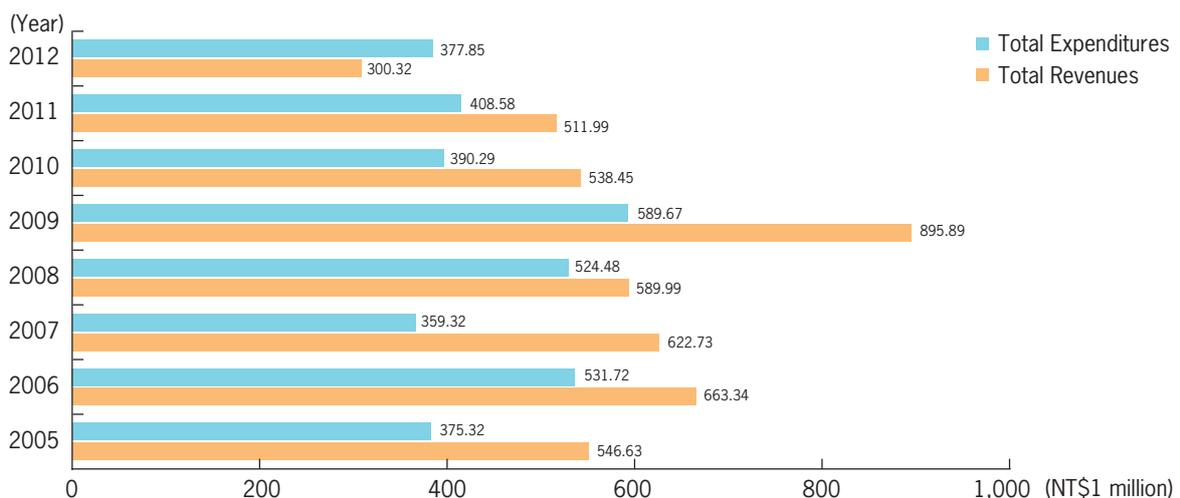
**Figure 13 Fund Revenues (2012)**



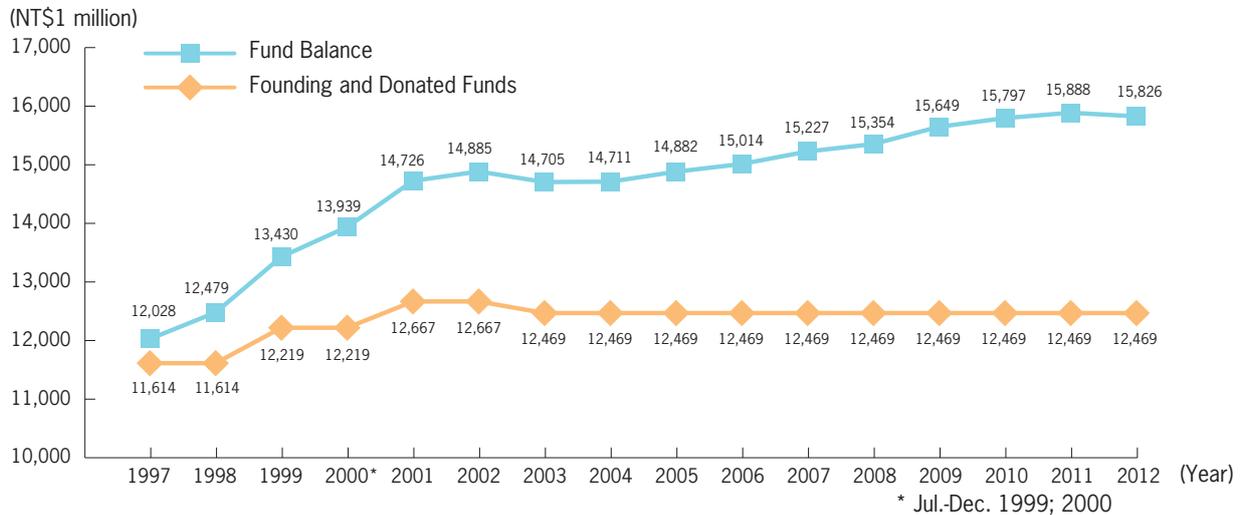
**Figure 14 Fund Expenditures (2012)**



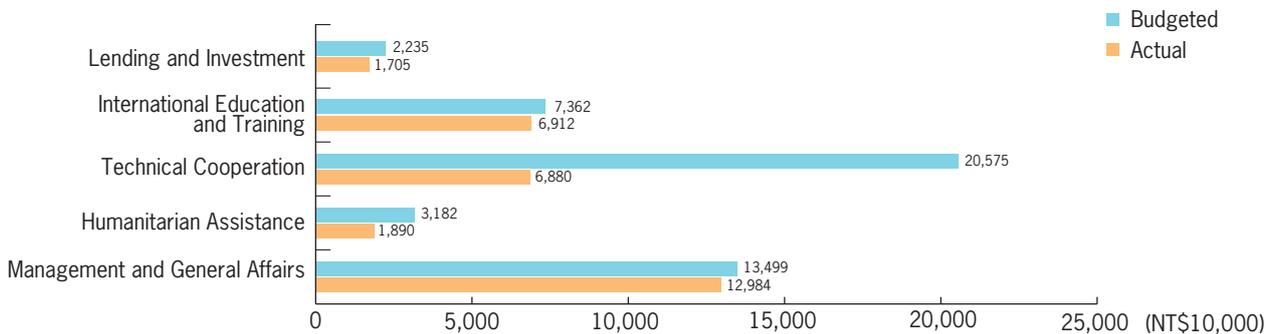
**Figure 15 Revenues and Expenditures (2005-2012)**



**Figure 16 Fund Utilization (2012)**



**Figure 17 Budgeted and Actual Expenditures (2012)**



## Human Resources

### Upgrading Human Resources in Pursuit of Sustainable Development

Since 2011, after fulfilling all of our requirements for new positions at the TaiwanICDF, we now employ approximately 100 personnel at our Taipei headquarters and 176 personnel at overseas missions. As expected, much of our original human resources requirements were fulfilled by this process of recruitment itself, having diversified the collective range of professional specializations shared by our domestic and overseas staff.

In 2012, we took a more active approach to

operations, establishing a more professionally oriented, schematized human resources management system. Firstly, we introduced competency models to improve the effectiveness with which we planned personnel selection, orientation, education, training, and development of employees' potential. Secondly, we introduced a system that models and estimates human resources needs. By conducting a scientific analysis of employee data, we laid the foundation for our objective to become the best partner for sustainable development by 2022.

## **Diversifying Education and Training, Strengthening Capacity Building**

The TaiwanICDF is a learning organization and we place a great deal of emphasis on nurturing and developing talent. In recent years, in line with our general program of transformation and reform, we have been putting more effort into personnel training than ever before, hoping to smooth the strategic direction that the organization takes and focusing on standards of staff capacity building. The results of a survey conducted for us by a human resources consultancy revealed that during 2010 and 2011, we provided personnel with an average of 43.5 hours of training per person per year. This is significantly higher than the average of 30.8 hours provided to the Taiwanese workforce across all sectors of industry.

In terms of planning training activities, in 2012 we focused on capacity building for those stationed at our overseas missions by selecting a group of 41 personnel who showed outstanding potential and bringing them back to Taiwan to participate in a one-month Reserve Overseas Project Management Training Program. This program enhanced their ability to define projects' core issues, develop project content and plan a work schedule. With regards to domestic employees, we planned a diverse, year-round selection of courses designed to enhance knowledge. These included an introductory workshop on agriculture and basic and advanced classes on a project design and monitoring framework. To sharpen colleagues' language and communication skills, we also organized multi-level French and Spanish classes, as well as English writing classes.

Furthermore, to increase awareness and understanding of the TaiwanICDF for new recruits, we organized a New Recruits Shared Knowledge Camp where new employees had a chance to learn about the organization's vision and strategy over a short period of time. Meanwhile, to improve the effectiveness of management and communication between the various ranks of the organization, we organized a meeting between the Secretary General and 11 of the TaiwanICDF's division chiefs. Direct communication between executives

provided a first-hand illustration of the organization's strategic direction. In addition, the meeting drew upon the experience of high-level executives to arrive at a more sophisticated understanding of the functions that management-level personnel must possess.

## **Promoting Secondment, Implementing International Standards**

In 2011, we established a secondment program to allow us to gain deeper insights into trends in international development assistance and build exchange opportunities with international organizations. Over the past year, we continued to dispatch outstanding members of staff to the Asian Development Bank (ADB), the EBRD and the Central American Bank for Economic Integration (CABEI). The program provides colleagues with the chance to understand best practices, acquire project management capabilities and gain experience in project implementation, assisting the development of our own organization through cooperation with major international organizations.

## **Constructing a Friendly Workplace, Pursuing Better Ways to Work**

In striving to reform our organization, we understand that human resources are our most valuable asset and represent a source of virtually limitless value. We have put a great deal of thought into protecting and enhancing the welfare of our staff and creating a friendly working environment, with the goal of having our employees work in comfort and generating greater value for the organization. To establish a receptive, pleasant working environment, we continue to maintain an Internet café where staff can take time out to peruse books and periodicals over free coffee. We have also set up a breastfeeding room to respect female colleagues' need for privacy and comfort. We also bring in professional medical institutions at regular intervals to offer flu vaccinations to all personnel free of charge and we have signed a childcare contract with a nearby nursery to address colleagues' childcare concerns.

### Auditing

In order to strengthen corporate governance and associated duties and responsibilities at the TaiwanICDF, the 63rd Board Conference approved the reassignment of the Auditing Office. Starting from January 1, 2013, the office will report directly to the Board of Directors. Auditing operations at the TaiwanICDF are designed to strengthen risk management and safeguard the security of assets at the organization. Auditing assists the Board of Directors and the Board of Supervisors in examining the effectiveness of internal controls and measuring and appraising 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 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 2012

A total of 33 audits were conducted in 2012, including 33 cases allocated by either the Board of Directors or Board of Supervisors, and two 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 internal controls.

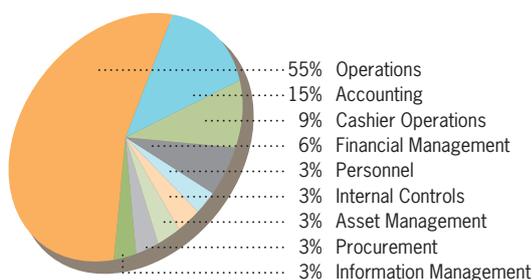
Audits for 2012 were as follows: 18 related to operations; five to accounting; three to cashier operations; two to financial management; and one each to asset management, procurement, information management, personnel and internal controls.

#### Results of Audits

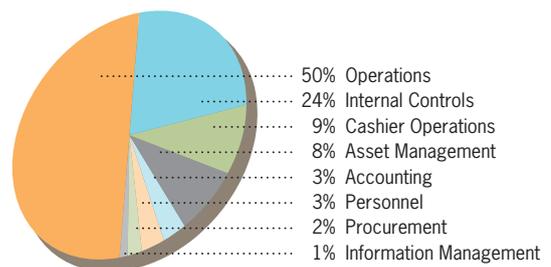
In 2012, audits yielded a total of 89 suggestions: 44 on operations; 21 on internal controls; eight on cashier operations; seven on asset management; three each on accounting and personnel; two on procurement; and one on information management.

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.

**Figure 18 Audits (2012)**



**Figure 19 Audit Suggestions (2012)**



## Public Communications

We strive for transparency and innovation in our public communications. We focus as much as possible on pragmatism and the importance of environmental protection in our publications and promotional materials.

We have developed a number of sustainable, innovative approaches to enhancing the transparency of public information and project-related data, as well as assisting external parties to gain rapid and timely access to such information. In 2012, we made the best use of green technologies and the availability of online platforms to disseminate our ideas. We continued to use our website as our official base, but also used social networks and external sites such as YouTube and Facebook to promote our operations and publicize TaiwanICDF activities.

In terms of this year's multimedia productions, we organized a short film event that allowed users to submit their own videos dealing with global issues. We also launched a new TaiwanICDF app. By working through mass media, Internet and mobile phone platforms, we are drawing young people into the field of international development assistance and expanding public support for development aid. Additionally, to ensure that we work sustainability and in line with international trends, we have paid particular attention to ensuring that we offer online versions of any printed materials we produce. The printed copies we do produce are recyclable and produced in limited runs using environmentally friendly printing practices.



◀ Dr. Liu Chun-hao leads a seminar as part of the TaiwanICDF's Remake the Future, Show Your Dream event. By using Internet and mobile phone platforms and organizing lectures and other activities, the organization's more creative approach toward communications is drawing increasing numbers of young people into the field of international development assistance.