







# 3

## Administration

### Financial Management

Financial management at the TaiwanICDF aims to safeguard funds and assets and pursue stable returns. These objectives are designed to support the operations of our various aid programs 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 its founding fund, donated fund, and accumulated earnings.

The Fund is used to engage in overseas development projects relating to investments, lending or credit guarantee operations. To enhance overall fund utilization and increase sources of revenue, an uncommitted portion of the Fund is set aside and invested in foreign exchange and capital markets through a spread of financial instruments including time deposits, bank deposits, short-term investments, bonds and equity assets.

Accumulated earnings are gained from interest and revenues accrued from projects relating to investments, lending or credit guarantee operations. Such earnings are used to fund our administrative expenses as well as our international cooperation operations, including technical cooperation, humanitarian assistance, scholarships and training.

As of December 31, 2010, investment and lending in favor of development projects comprised 35 percent of total assets, while 65 percent was allocated to financial investments. During the year, return on long-term investments and lending was 3.28 percent; the average lending rate was 3.41 percent, where applicable. Meanwhile, financial investments yielded returns of 1.61 percent and aggregate return on assets, including exchange gains and losses and other income and expenses, was 3.09 percent.

## Management of Long-Term Lending and Investments

As of December 31, 2010, the TaiwanICDF was committed to 12 investment projects, with the balance of investments standing at US\$37.86 million and NT\$124 million. The organization was also overseeing 81 lending projects, with commitments amounting to US\$497.44 million. Accumulated loan disbursements stood at US\$439.42 million, equivalent to 88.34 percent of net commitments. Meanwhile, total principal repayments stood at US\$291.96 million, equivalent to 58.69 percent of all funds extended.

At the end of 2010, allowances for bad debts of NT\$121.16 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.

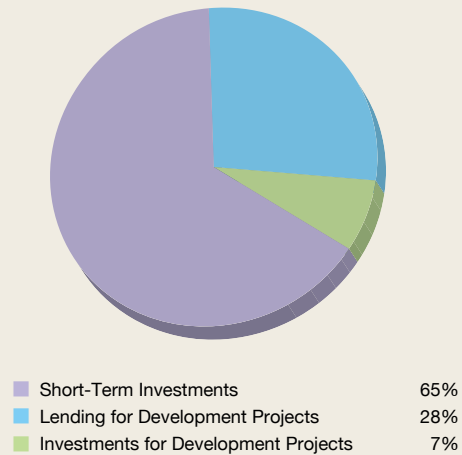
## Management of Uncommitted Funds

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

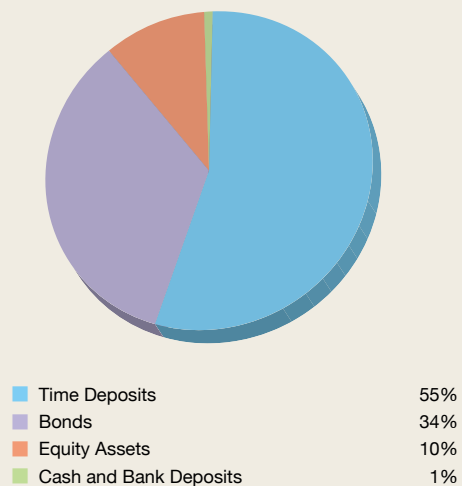
In 2010, the global economy continued to recover from the global financial crisis of 2008, although the rate of growth posted by emerging countries, particularly in Asia, exceeded that of industrialized countries. Markets around the world also reacted to the impact of the European Sovereign Debt Crisis and the second round of quantitative easing, or "QE2," in the United States, as a result of which the U.S. dollar continued to depreciate, while various Asian currencies appreciated. Elsewhere, governments in many Asian countries sought to curb domestic inflation by adjusting interest rates. In Taiwan, the Central Bank of the Republic of China raised rates three times during 2010, for a total of 0.75 percent. There was abundant capital on Taiwanese bond markets and turnover remained low.

During 2010, rises in market interest rates had a bearing on the allocation of the uncommitted portion of the Fund. Time deposits continued to represent the largest share of allocated funds, followed by bonds, of which holdings of short- to medium-term maturities were gradually

## Fund Utilization (2010)



## Investment Management (2010)



increased. In 2010, Taiwanese stocks started high and remained range-bound throughout the year, for which reason investments in equities yielded returns of 3.03 percent. As of December 31, 2010, financial assets had yielded an average return of 1.61 percent over the year.

## Prospects

In future, financial management at the TaiwanICDF will continue to focus on maintaining stable sources of income by which to fund operations, with an emphasis on security and liquidity. With the trend for rising interest rates looking set to continue into the future, we anticipate the need to reduce holdings in time deposits and increase holdings in bonds gradually throughout the coming year.

## Accounting Management

The TaiwanICDF's revenues are derived mainly from Fund interest, interest on loans, returns on investments and revenue from government-commissioned projects. Fund interest, interest on loans and returns on investments are primarily channeled to fund routine operations, including various technical cooperation projects, humanitarian assistance, scholarship programs and workshops. These funds also support the TaiwanICDF's administrative, management and general expenses. The majority of funding for government-commissioned projects is received from MOFA for administering overseas technical and medical missions.

In 2010, operating revenues and non-operating income and gains amounted to NT\$538.45 million, decreasing by 39.89 percent from NT\$895.77 million in the previous year. Revenue from lending and investment operations (including returns on investment and lending interest) comprised the largest share (34%), followed by interest on fund investments (24%) and gains on sales of investments (11%), with other revenues representing the remaining share (31%).

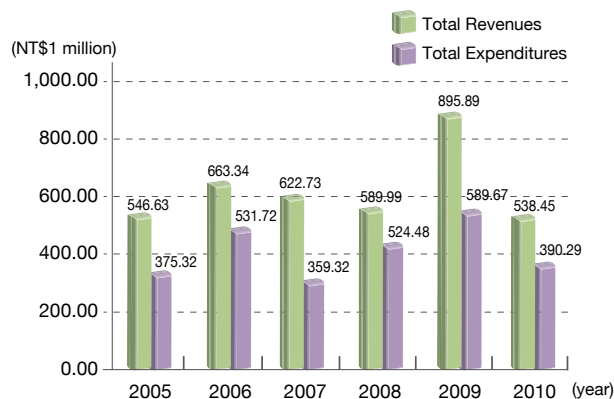
Expenditures for 2010 were NT\$390.29 million, decreasing by 34.24 percent from NT\$593.5 million in the previous year. Excess of revenue over expenses was NT\$148.16 million, down by NT\$158.06 million from NT\$306.22 million in 2009. This was mainly due to losses on foreign exchange, precipitated by the appreciation of the New Taiwan dollar during 2010. Stocks also performed worse than anticipated and returns on investments were lower than they had been in the previous year. However, loans from the first phase of the Subic Bay Industrial Park Development Project in the Philippines were successfully recovered during 2009.

### Fund Utilization and Balance

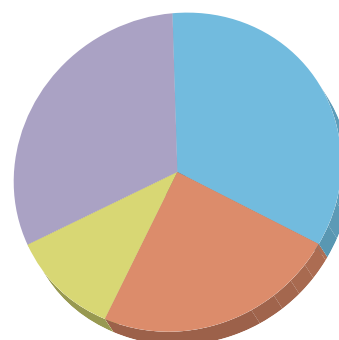
As of December 31, 2010, the net balance of the Fund was NT\$15.79 billion (including founding and donated funds of NT\$12.47 billion and accumulated earnings of NT\$3.32 billion). This represented an increase of 0.95 percent, or NT\$148.16 million, from the end of 2009.

As of December 31, 2010, total assets stood

### Revenues and Expenditures (2005-2010)

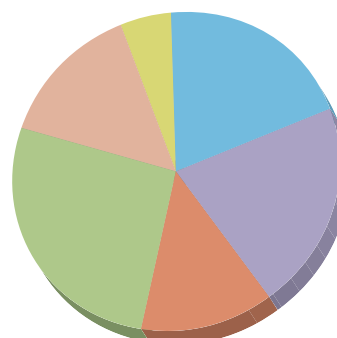


### Fund Revenues (2010)



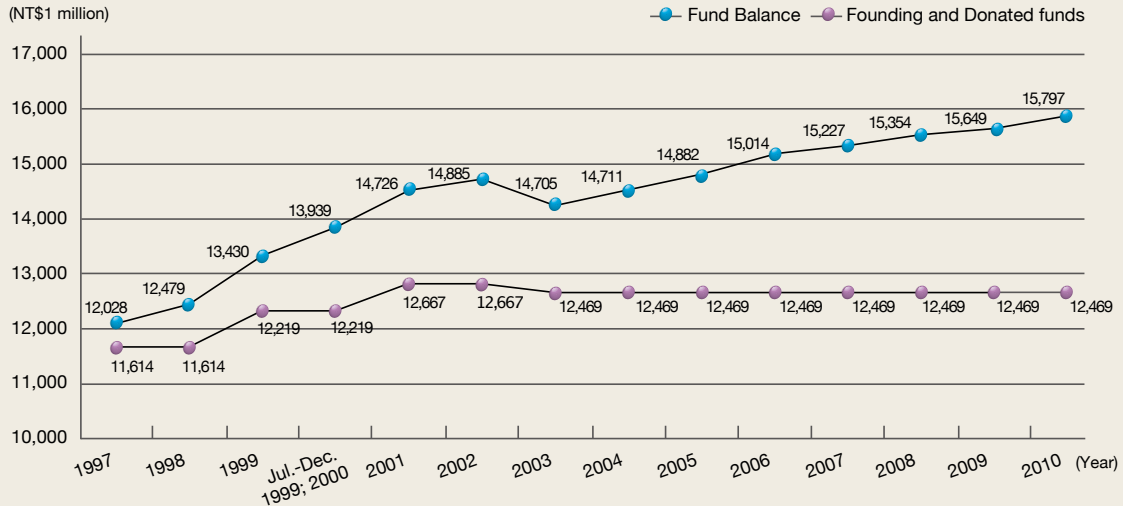
Lending and Investment Operations	34%
Interest on Fund Investments	24%
Gains on Sales of Investment	11%
Other	31%

### Fund Expenditures (2010)



Management and General Affairs	27%
Technical Cooperation	21%
International Education and Training	20%
Humanitarian Assistance	13%
Lending and Investment	5%
Other	14%

## Fund and Fund Balances (Since 1997)



at NT\$15.96 billion, including current assets of NT\$8.06 billion, long-term loans and investments of NT\$7.88 billion, fixed assets of NT\$20.39 million and other assets of NT\$2.59 million. The organization's total liabilities were NT\$167.41 million and the total balance of all funds (the Fund plus accumulated earnings) was NT\$15.80 billion.

### Budget Execution

In 2010, MOFA contracted the TaiwanICDF to carry out overseas operations worth NT\$1.34 billion, of which NT\$1.06 billion was budgeted for operating expenses at overseas technical and medical missions. A budget of NT\$94.59 million was also allocated to four projects relating to specific overseas missions and NT\$57.21 million was allocated to training and continuing education in Taiwan for technical personnel from our partner countries. We were also contracted to implement 12 projects worth NT\$80.20 million, including the Torbeck Rice Production and Marketing Project, and the International Higher Education Scholarship Program. NT\$50.08 million was also allocated to training servicemen in the Taiwan Youth Overseas Service.

Overall, the total budget for MOFA-commissioned projects was NT\$1.34 billion, of which NT\$1.29 billion was applied to the actual implementation of projects, equal to an implementation rate of 96.24 percent. Of this share of funding applied to implementation, 96.4 percent, or NT\$1.02 billion, was allocated toward

the operation of overseas technical and medical missions.

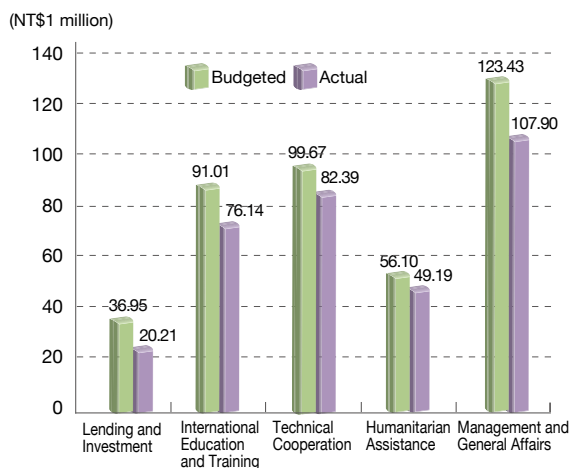
Operating expenses (excluding expenses for contracted projects) amounted to NT\$335.83 million. This compares with a budgeted plan of NT\$471.60 million, equal to a utilization rate of 82.48 percent.

## Advancing Human Resources

As the dedicated foreign aid organization representing the interests of the government of the Republic of China (Taiwan), we have a responsibility to comply with government foreign policy and actively enhance our professional image. To this end, we have transformed our leadership and driven strategic innovation among our staff, which is strengthening institutional capacity and enhancing both our image among the international development community and the performance of the aid we provide.

On July 2, 2010, the Board of Directors approved a host of reforms to our organizational structure, which were then submitted to MOFA for reference. Shortly thereafter, we created an independent Personnel Office to coordinate the management of all affairs relating to human resources at the TaiwanICDF. The office is also charged with personnel education and training, which, at this stage of organizational transformation, is one of our highest priorities.

## Budgeted and Actual Expenditures (2010)



### Strengthening Organizational Capacity Through Education and Training

To ensure that employees at the TaiwanICDF possess the right combination of interdisciplinary and professional skills and can accumulate practical experience of our overseas projects, we have stationed project managers in our partner countries and given them the task of monitoring and appraising project implementation. Once acquainted with the relevant cross-cultural issues, these project managers will then provide training to overseas staff, which will raise our capacity to define, appraise, negotiate and implement work in accordance with the project cycle.

Furthermore, to enrich knowledge on core issues relating to overseas development assistance and to strengthen associated management practices, we launched eight professional training programs and workshops during 2010: a Workshop on Management by Objectives; a Workshop on TVET; an Introduction to Agriculture Workshop; Orientation and Training for New Personnel; a Workshop on Performance Management and Review for Managers; a Workshop on Work Planning for New Personnel; Orientation and Training for New Mission Leaders; and Job Description and Personal Development Planning. We also boosted foreign language proficiency among our staff by running English, Spanish, French and Japanese courses.

We intend to integrate the personal plans and career objectives of our employees with our wider foreign aid strategies. The systematic

training opportunities provided to date have allowed colleagues to gain further knowledge, skills and capabilities as required in their roles — an approach that will bring the TaiwanICDF's strategic objectives and the individual objectives and responsibilities of our staff progressively closer, until we achieve the optimum division of labor throughout the organization.

### Personnel Rotation: Advancing Diversified Development of Human Resources

To achieve our mission of “progress, development and humanity,” we have established a professional, innovative business model designed to build capacity and nurture interdisciplinary skills among TaiwanICDF personnel.

In 2010, we placed particular emphasis on personnel rotation and knowledge exchange. A number of highly respected personnel from our technical missions were invited to return to Taiwan and work at our headquarters, where they are now sharing the benefits of their experience “in the field” with office employees. Equally, Taipei-based staff were encouraged to gain practical, on-site experience of project management by taking up a number of short-term placements at our overseas missions, each lasting from three to six months. Altogether, these measures have strengthened the breadth and depth of project management skills and inspired mutual exchange of knowledge between domestic and overseas colleagues. In this way, we have nurtured a project-oriented outlook among our staff, which supports our wider intentions to “localize” our operations and transfer projects on to local stakeholders.

### TaiwanICDF Mission Leaders' Conference 2010-11

At the TaiwanICDF, we understand the need to work within an international framework and encourage newer, ever more professional approaches toward our operations. For this reason, we hosted a two-week TaiwanICDF Mission Leaders' Conference 2010-11 across the new year to boost exchange and forge consensus among mission leaders. The event comprised four components: lectures, field trips and observation,



case studies and medium- to long-term project planning.

The conference program focused on discussion of our core business and a series of case studies, through which mission leaders were able to gain a better understanding of cross-cutting development issues within the context of recent reforms to our organization. Mission leaders were encouraged to accelerate transformation at the TaiwanICDF by adopting a results-oriented approach to project work and establishing clear-cut management objectives.

### Transforming, Reforming Performance Management

To support further business transformation and upgrading following our recent period of organizational reforms, we revised a number of policies and regulations throughout 2010. We have now published guidelines relating to the evaluation, promotion and rotation of personnel; and set clear-cut standards regarding remuneration, bonuses and expense allowances for overseas staff.

These measures reconfirm our commitment to the welfare of our staff and will guarantee that everybody receives appropriate benefits, training and support for development. Meanwhile, our newly established, formal system for employee appraisal will improve performance management and nurture professional growth at the TaiwanICDF.

### Public Relations and Promotional Activities

To mark recent changes at the TaiwanICDF, our Public Relations Office has produced a

new-look website in Chinese and English, an introductory film in four languages and a number of publications. We intend to underpin our reforms by presenting a better professional image to the outside world and by strengthening the visibility of our organization.

Earlier in the year, we raised awareness of Taiwan's endeavors in international cooperation and development during Africa Week — a multimedia experience including videos, cultural artifacts, lectures and dance performances. The event introduced the Taiwanese public to the rich histories, traditions and culture of friendly African nations and also showcased our own achievements in bringing technical, medical and humanitarian assistance to these partners.

In December, we took part in celebrations to mark the centennial of the Republic of China by hosting another major exhibition, Impressions of International Cooperation and Development, in Kaohsiung. Through a series of large-scale displays, light boxes, discussion sessions and hands-on activities, the exhibition examined Taiwan's continuing support for the MDGs and highlighted the progress and achievements of Taiwan's foreign aid work over the past fifty years.

### Auditing

The primary purposes of auditing at the TaiwanICDF are to assist the Board of Directors and the Board of Supervisors to monitor the operations of our organization, and to provide managers and departments with constructive suggestions on how to improve operational efficiency and performance. Audits also aim to make fund management more effective and ensure that operations are conducted transparently and systematically.



Key auditing operations at the TaiwanICDF include: (1) Examining internal operations and determining whether procedures have followed relevant policies, regulations and procedural guidelines; (2) examining the reliability and accuracy of financial and operational information; (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 results as anticipated; and (5) making onsite visits to overseas missions, to examine the results of projects, and assess the accuracy and management of the special accounts that exist for various projects — including accounting and payments, and the accuracy of accounting and cash operations.

### Audits in 2010

A total of 35 audits were conducted in 2010, including 25 cases allocated by either the Board of Directors or Board of Supervisors, eight extraordinary audits conducted at the request of senior management and two cases authorized by MOFA. The contents of these audits represented issues of concern to senior management and auditing units, and focused on risks and operational controls.

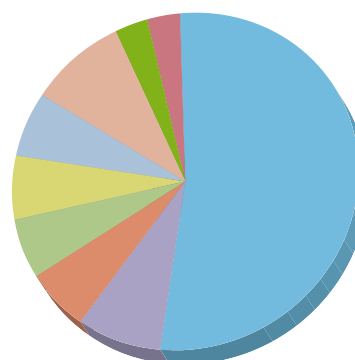
Audits for 2010 were as follows: 19 related to operations, three each to asset management and procurements; two each to accounting, financial management, cashier operations and information management; and one each to personnel and internal controls.

### Results of Audits

In 2010, audits yielded a total of 118 suggestions: 48 on operations, 26 on asset management, 11 on accounting, nine on cashier operations, eight on internal controls, seven on procurements, six on information management and three on personnel.

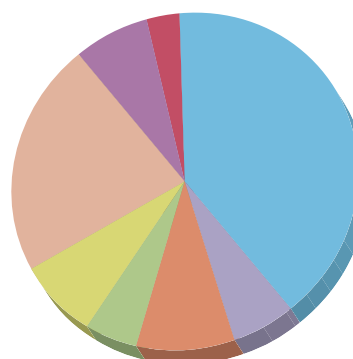
Audits and subsequent conclusions were aimed at strengthening internal controls and communication between departments, raising colleagues' awareness of risks, guaranteeing the safety of organizational assets, and ensuring the reliability and accuracy of financial and operational information.

### Audits (2010)



Operations	53%
Asset Management	9%
Procurements	8%
Accounting	6%
Financial Management	6%
Information Management	6%
Cashier Operations	6%
Internal Controls	3%
Personnel	3%

### Audit Suggestions (2010)



Operations	40%
Asset Management	22%
Accounting	9%
Cashier Operations	8%
Internal Controls	7%
Procurements	6%
Information Management	5%
Personnel	3%