

Agreement on The ROC—Central American Economic Development Fund

Whereas the Republic of China wishes to further strengthen its relations with the Government of Belize, the Republic of Costa Rica, the Republic of El Salvador, the Republic of Guatemala, the Republic of Honduras and the Republic of Nicaragua (hereinafter called the Central American countries);

Whereas the Republic of China has expressed its interest in becoming a member of the Central American Integration System (hereinafter called SICA);

Whereas the Central American countries wish to further cement their relations with the Republic China through expanding and deepening the economic, trade and investment cooperation between them;

Whereas the Republic of China and the Central American countries both realize one of the means to achieve such cooperation is to establish a long-term Republic of China-Central American Economic Development Fund (hereinafter called the Fund) for the benefit of the Central American countries;

Whereas the Republic of China has made a loan (US\$50,000,000) to Central American Bank for Economic Integration (hereinafter called CABEL) for the development of small and medium enterprises in the Central American countries, and CABEL has decided to make a contribution to the Fund in an amount equivalent to two percentage points of the interest spread between its borrowing and lending rates under this Loan;

Now therefore, the parties hereto hereby agree as follows:

Article I: Establishment

The parties hereto agree to establish the Fund in Taipei, Republic of China or in another location to be determined by the Board of Directors referred to in the Article V of this Agreement (hereinafter called the Board).

Article II: Objectives

The objectives of the Fund include the provision of financial and other resources to the Central American countries for the promotion and deepening of the economic, trade and investment cooperation between the Republic of China and the Central American countries through specific projects and programs listed in Article IV of this Agreement.

Article III: Financing of the Fund

- (a) The Republic of China agrees to make a contribution of US\$20 million per annum for a period of 12 years with the first payment on September 1, 1998 and the last payment on September 1, 2009.

- (b) The cumulative amounts made by the CABEL referred to in the preamble of this Agreement shall reach an estimated amount of US\$4,850,000 by year 2009.
- (c) The Republic of China and each of the Central American countries shall have the right to make further contributions to the Fund on terms and conditions to be determined by the Board.

Article IV: Use of the Proceeds of the Fund

- (a) Unless otherwise agreed by the parties hereto, only the earnings of the Fund shall be used. The contributions made by the parties hereto shall be maintained in perpetuity.
- (b) The use of earnings of the Fund shall be limited to the financing of the specific projects and programs listed below:
 - (1) Projects and programs for sharing macro and micro economic development experiences between the Republic of China and the Central American countries.
 - (2) The design, study and preparation of projects and programs for regional economic and trade integration and development in the Central American countries.
 - (3) Feasibility studies for social-economic development projects and programs in the Central American countries
 - (4) Policy and institutional development for macro and sector reforms, including but not limited to, the improvements in trade, investment and taxation systems
 - (5) Enhancing capacity building for the public sector.
 - (6) Scholarship programs for studies in the area of economic development and their relevant training in the Republic of China.
 - (7) Financing the operation of the Central American Trade Office in Taipei.
 - (8) Management costs for the Fund.
 - (9) Any other items to be determined by the Board referred to in Article V of this Agreement.

Article V: Administration of the Fund

- (a) There shall be a Board of Directors consisting of a Director from each party to this Agreement and a representative of the General Secretariat of SICA. The Chairman of the Board shall be the Foreign Minister of the Republic of China and the Ministers of Foreign Affairs of the Central American countries shall be the members of the Board.
- (b) The Board shall meet every six months. The Chairman of the Board may call special meetings on a need basis.
- (c) There shall be a Secretariat to be located in the International Cooperation and Development Fund of the Republic of China (hereinafter called ICDF) with a Secretary of the Fund and a support staff (to be drawn from ICDF's existing staff).

The Secretary of the Fund shall be appointed for a period of five years and with experience and qualification acceptable to the Board.

- (d) Unless otherwise agreed by the Board, the proceeds of the Fund shall be managed by ICDF through a special account.

Article VI: Process for the Selection of Projects

The parties agree that the following process shall be followed for the selection of projects:

- (a) Each year the Secretariat of the Fund shall estimate the resources available for use and inform the Director of each country.
- (b) Any member of the Board shall have the right to submit project proposals to the Secretariat of the Fund indicating the project content, executing agency, implementation schedule and, if necessary, a cost benefit analysis.
- (c) The Secretary of the Fund shall submit project proposals to the Board for its approval. Disbursement shall be made by ICDF on behalf of the Fund in accordance with the disbursement procedures of ICDF

Article VII: Reporting Requirements

The Secretariat of the Fund shall submit to the Board an annual report on the status of the Fund.

Article VIII: Accounting and Auditing

The Fund shall adopt the accounting system of ICDF and the financial statements of the Fund shall be audited annually by an acceptable outside auditor.

Article IX: Miscellaneous Provisions

- (a) Procedures for the operations of the Fund shall be prepared by the Secretariat of the Fund and submitted to the Board of its approval.
- (b) The Board shall have the power to dissolve the Fund and make appropriate disposal of the resources of the Fund.
- (c) The Board shall make its own governing rules and regulations. All decisions made by the Board shall be unanimous.
- (d) Unless otherwise designated by the relevant member of the Board of the Central American countries, the representative of each Central American country accredited to the Republic of China shall attend the meetings on behalf of the said relevant member of the Board.

Signed in Taipei, Republic of China, this 3rd day of July, 1998, in the Chinese, English and Spanish languages, all texts being authentic.