



4

Administration

The worldwide environment is changing, and encouraging us all to face new challenges — to adopt new ways of thinking and take action toward realizing future achievements.

The TaiwanICDF will continue to increase its levels of professionalism and ensure that it is fully prepared for engagement in development work. It will also nurture the cooperative value it offers to partners, building a sound foundation from which to work together in the field of post-crisis development.

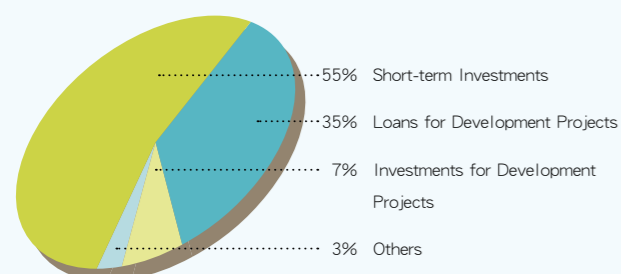
Financial Management

The objective of the TaiwanICDF's financial management is to realize stable returns and provide the capital needed for the organization's operations and administration, while ensuring the security of assets and achieving the organization's mission. The foremost consideration for the organization's financial management is stability and financial self-sufficiency. As a result, a prudent attitude is adopted toward the management of asset allocation, and the organization pursues reasonable returns at a limited risk.

Fund Utilization

The TaiwanICDF's Fund Balances come predominantly from its founding fund, donated fund, and accumulated earnings. The Fund Balance and donated fund are used to engage in investments, loans, and credit guarantees for development projects. An uncommitted portion of the Fund Balances is set aside and invested in various financial instruments, such as bank deposits, time deposits, short-term bills, bonds, and equity assets, in an effort to boost returns and add flexibility in short-term and long-term utilization. Investment and lending for development projects comprises about 42% of total assets, while about 55% is devoted to financial investments. The organization obtains its income from its operating activities (i.e. revenues from investment, lending and credit guarantee operations, as well as revenues from contracted projects) and non-operating income and gains. These revenues are used to support operational and administrative expenses. In 2008, revenues on developmental investment projects was 2.35%, while the average lending rate (not including small farmholders' financing schemes) was 3.22%, which ensures the integrity and availability of the organization's operations. Financial investments yielded 1.31% in 2008, having been temporarily affected by shocks in the capital market.

Fund Utilization (2008)



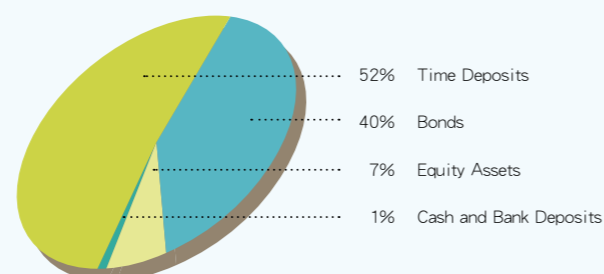
Investments, Loans and Credit Guarantee Projects

As of December 31, 2008, the TaiwanICDF was involved in 13 developmental investment projects, with the balance of investments amounting to US\$29.81 million and NT\$124 million. The organization was also managing 74 developmental lending projects, with commitments amounting to US\$474.71 million. Accumulated disbursements of loans stood at US\$433.18 million, equivalent to 91% of net commitments, while total principal repayments amounted to US\$245.16 million, translating to 57% of all funds extended. In cooperating with local banks, the TaiwanICDF has provided credit guarantees on five projects, with accumulated guarantees amounting to US\$1.925 million and NT\$174.53 million. Four of those projects have now concluded; outstanding credit guarantees amount to NT\$990,000. As of the end of 2008, allowances for bad debts of NT\$216.88 million were made (covering receivables, long-term loans and collections), in compliance with the regulations for the TaiwanICDF's "Dealings with Past-Due/ Non-Performing Loans and Bad Debts." The coverage ratio stood at 21%.

Management of Uncommitted Portion

Management of the uncommitted portion of the Fund Balance is executed in accordance with the TaiwanICDF's "Guidelines on Fund Management," and other internal controls. The department proposes financial management strategies based on economic trends and the contemporary business environment, and investment decisions are made after approval from the Financial Management Committee. In 2008, the international financial crisis also made impact on the TaiwanICDF's non-operational income and gains: The net value of the organization's investments in stock markets fell by 13.41%, amounting to NT\$132.8 million in losses for the year, although the return rate outperformed the domestic

Investment Management (2008)



stock market index. Due to changes in international financial conditions and interest rate cuts by the central bank, income from time deposits was lower than had been budgeted. In order to maintain levels of returns during 2009, the organization increased its weighting in bonds during 2008; while in order to minimize exposure to currency fluctuations, it reduced its positions in foreign currency. Overall, returns on financial assets fell from 3.46% in 2007 to 1.31% in 2008, largely under the influence of the global financial crisis.

Prospects

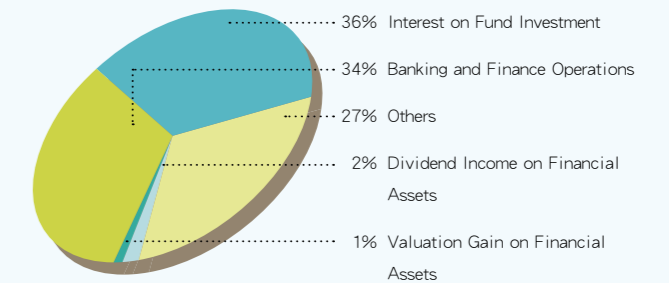
The economic outlook for 2009 remains pessimistic and many uncertain factors cloud financial management. Worldwide interest rates are expected to remain low. The TaiwanICDF will focus on maintaining a steady income in order to support its various operations, and security and liquidity will continue to be the foremost consideration in its financial management. Therefore, the organization will gradually raise the allocation of fixed income assets to achieve stability in returns. Given the increasingly marginal difference in interest rates between foreign currency deposits and NT dollar time deposits, as well as excessively volatile foreign exchange rate fluctuations, the TaiwanICDF plans to maintain its present strategy toward foreign exchange management. This will help to minimize exchange rate risks, and help the organization pursue stable returns on assets invested and its long-term cash flow.

Accounting Management

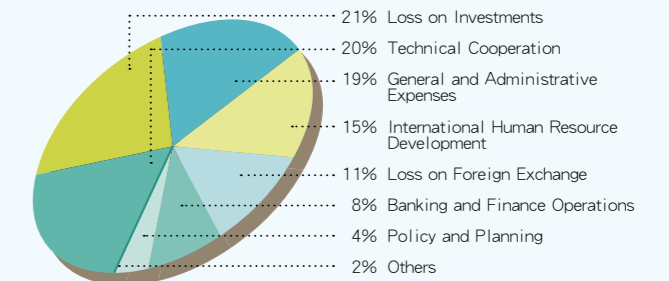
The TaiwanICDF's revenues are derived mainly from Fund interest and loan interest income, along with revenues from contracted projects. As for revenues derived from government-commissioned projects, the TaiwanICDF receives funds from MOFA to be used in managing overseas technical and medical missions and services. In 2008, it was also contracted by the Environmental Protection Administration (EPA) to carry out the Central America Environmental Technology Cooperation Project.

In 2008, revenue from government-contracted projects was NT\$1.525 billion, 99.77% of which was associated with MOFA's international technical cooperation projects (including overseas technical and medical missions), with the remainder coming from the EPA. In response to international food shortages, NT\$61.3

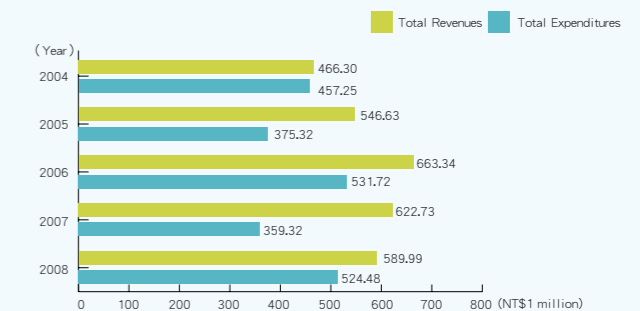
Fund Revenues (2008)



Fund Expenditures (2008)



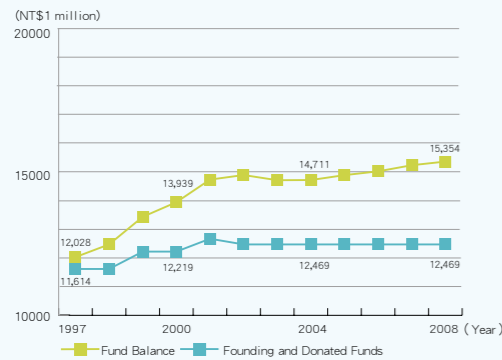
Revenues and Expenditures (2004-8)



million of MOFA-contracted funds were set aside and re-allocated to projects that increased the output of food-stuffs in five countries facing the most severe problems.

In 2008, operating revenues (excluding revenue from contracted projects) and non-operating income and gains amounted to NT\$590 million, 16.87% over the budgeted amount. Interest on fund investments comprised the largest share (36%), then revenues from banking and finance operations (34%), other revenues (27% [mainly through the recovery of previous bad debts from lending projects]), dividend income on financial assets (2%), and valuation gain on financial assets (1%). Expenditures for 2008 amounted to NT\$524.48 million, an increase of 45.96% against NT\$359.32 million in 2007. For the year as a whole, excess of revenue over expenses stood at NT\$65.64 million, a decrease against NT\$264.37 million in 2007. This decline was largely due to the

Fund and Fund Balances (Since 1997)



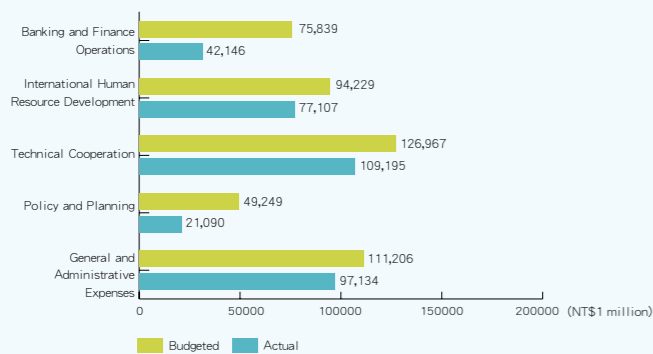
global financial crisis, which triggered a steep decline in world stock markets. The Taiwanese stock market was no exception, and discretionary investments showed losses. In 2008, losses on the sale of investments amounted to NT\$111.69 million. U.S. dollar and euro exchange rates also exhibited enormous volatility throughout the year, generating foreign exchange losses amounting to NT\$55.52 million.

Fund Utilization and Balance

As of the end of 2008, the Fund had a Fund Balance of NT\$15.34 billion (including founding and donated funds of NT\$12.47 billion and accumulated earnings of NT\$2.87 billion), which was a rise of 0.43%, or NT\$65.64 million, from the end of 2007.

In 2008, the TaiwanICDF's total assets stood at NT\$15.74 billion, including current assets of NT\$6.89 billion, long-term loans and investments of NT\$7.96 billion, fixed assets of NT\$15.34 million, and other assets of NT\$864.77 million. The organization's total liabilities stood at NT\$392.81 million while the total Fund Balances (funds and accumulated earnings) stood at NT\$15.34 billion.

Budgeted and Actual Expenditures (2008)



Budget Execution

In 2008, the TaiwanICDF was contracted by MOFA to carry out international technical cooperation operations amounting to NT\$1.23 billion, of which NT\$1.12 billion was budgeted toward operating expenses for overseas technical and medical missions. In addition, the TaiwanICDF was especially contracted to carry out 14 projects amounting to NT\$234.78 million, including the Technical Assistance Project to Reduce the Digital Divide in São Tomé and Príncipe, the Caribbean Information and Communication Technology Project, and the Cooperation Project to Strengthen Environmental Sustainability through GIS in Nicaragua. NT\$59.88 million was also directed toward the training of servicemen in the Taiwan Youth Overseas Service. The utilization rate of the budget for these contracted projects was 93.25%.

Of the TaiwanICDF's Fund Balances, operating expenses (excluding expenses for contracted projects) amounted to NT\$346.67 million, compared with a budget plan of NT\$457.49 million, translating to a utilization rate of 75.78%.

Human Resource Management

The TaiwanICDF places importance on recruiting and employing personnel dedicated to development work with an international perspective. In order to maintain the organization's competitiveness and stay abreast of international trends, the TaiwanICDF designed a series of internal knowledge-management activities in 2008, directed toward two themes: firstly, equipping personnel with basic expertise in delivering foreign assistance; and secondly, building knowledge related to contemporary trends in international development. In order to achieve these objectives, the TaiwanICDF is building a learning-oriented environment that enables the organization and its staff to grow together. In 2008, the organization also engaged in initiatives to strengthen its internal regulatory framework, aiming to establish a regulatory system, and comply with strict policies relating to managerial oversight. This will make the organization's operations more transparent, responsible and accountable.

Strengthening Institutional Capacity

In line with its efforts to become a learning-oriented organization, the TaiwanICDF is committed to providing personnel with a range of training programs. Internal training courses have covered topics of increasing

concern in the field of international cooperation, such as climate change, the food crisis, the global financial crisis, and Aid for Trade. These have been matched by training courses for staff at management level, and orientation courses for new staff, all of which have assisted personnel to improve their knowledge and capacity for work. In total, 3,900 training hours were undertaken in 2008, at an average of 39 training hours per staff member, of which nearly 600 training hours comprised lectures delivered by well-known experts on special topics, intensive and in-depth training in key fields for groups of employees, and initiatives to augment relevant knowledge bases. As a whole, this training is boosting awareness of mainstream international cooperation topics among staff, thereby helping the TaiwanICDF to conduct its work.

In order to boost the knowledge and capabilities of employees, the TaiwanICDF holds a variety of courses on topics such as project management; financing, accounting and auditing; human resources, administrative regulations, and conference negotiation skills. Other coursework offered focuses on boosting skills that are relevant to conducting practical operations, such as advanced language training, while an advanced managerial skills course is conducted for staff at management level. Similarly, orientation classes help new staff to understand the organization's daily operations.

Advancing Knowledge on Developmental Topics

Food Security

The TaiwanICDF is committed to boosting the ability of its partner countries to become self-sufficient in grain production. In light of the food crisis that emerged in the first half of 2008, the organization designed a series of courses addressing knowledge related to food security. Relevant experts were invited to explain the causes and the trends of recent problems, and to explain the means to mitigate the impact through breeding, adjusting the production/ harvest season, and improving cultivation techniques. Other issues discussed included the need to address the effects of climate change and its impact on water resources, which effects crop yields, in turn. The contribution of this knowledge has influenced the TaiwanICDF to reflect current trends and adjust the focus of its agricultural cooperation projects. The organization has resumed the plowing of fallow areas in partner countries, which has expanded the supply of grain. This is increasing partners' ability to become self-sufficient

in food production, and reducing the impact of the food crisis on these developing nations.

Moreover, through some of the courses conducted for personnel stationed in overseas missions, the TaiwanICDF has introduced knowledge related to boosting food output while fostering environmental sustainability. One new course covers organic farming, introducing natural resource recycling and concepts in environmental sustainability. In addition, practical courses are held to teach production methods for making organic compost. Managers working in related areas attend all of the classes, and will incorporate what they have learned into the appraisal and planning of their projects. Once implemented, these projects will ensure that grain yields are increased and resources are used in the most effective manner, thereby reducing harm to the environment, and achieving sustainable growth.

Environmental Sustainability

The issue of excessive emissions of carbon dioxide and other greenhouse gases is a topic of increasingly critical concern to the international community, generating much discussion on environmental sustainability. The development of the Clean Development Mechanism (CDM), for example, is one of the means to reduce greenhouse gas emissions under the Kyoto Protocol, and one area of great potential for cooperation. The TaiwanICDF has also begun to engage in research with the academic community on the possibility of applying for carbon financing with cooperative partners, particularly in Central America. The TaiwanICDF is keen to learn more about the development of new tools for carbon trading.

In 2008, the TaiwanICDF was more active in sending personnel to attend seminars on environmental protection and conservation, so that the organization gains a greater awareness of the latest trends relating to environmental assistance, such as the CDM. Data in a recent report released by the United Nations Environment Programme showed that over 4,200 projects are now operating under the CDM around the world, and that solar energy, geothermal energy and tidal energy are gradually being developed as renewable energy sources. The TaiwanICDF is presently introducing solar energy projects to its partner countries, and to facilitate the implementation of these projects, the organization has invited specialists to deliver lectures on the fundamental principles of energy materials and renewable energy. Topics discussed have covered the introduction of new

products and technology in the field of solar energy, comparing the energy efficiency of products, and calculating the resulting reduction in carbon emissions. This information will serve as a reference as the TaiwanICDF continues to introduce environmental initiatives throughout partner countries.

Aid for Trade

Aid for Trade is an innovative assistance model that is bringing resources together from across the international community. Aid for Trade initiatives will form an important part of Taiwan's foreign assistance work in the future. In April and September of 2008, the TaiwanICDF cooperated with AITIC, holding Aid for Trade seminars in Guatemala and Taipei. In addition to introducing Aid for Trade as a new trend in international development cooperation, many staff from the TaiwanICDF participated in the seminar and exchanged opinions with other participants on Aid for Trade. This enhanced the understanding of the subject among TaiwanICDF staff, and is providing a reference in the design of future operations.

Prospects

The TaiwanICDF devotes significant resources toward the training and education of personnel, in order to ensure the organization's sustainability and prevent "knowledge depreciation" from impacting its long-term development. Personal growth and development help to foster organizational development. The TaiwanICDF has built up a large library that includes resources for education and training in the three topics described above, so that staff have access to the latest information on global development topics. The knowledge acquired can be readily applied to carrying out projects in the field. In future, the TaiwanICDF will continue to follow international trends and employ comprehensive human resource training projects to realize the ultimate objectives of enhancing employee competence and organizational strength.

Strengthening Regulatory Frameworks

In 2008, the TaiwanICDF continued to bolster its internal regulatory framework in order to boost its efficiency, and raise the quality of the organization's development assistance operations. The TaiwanICDF is working to compile, formulate and amend organizational and operational regulations, in order to minimize the possibility of

legal problems arising during the course of its operations. This will enable the organization to carry out projects in a more transparent and accountable manner, reflecting core objectives and the focus of its operations, and highlighting the benefits and efficacy of various projects.

Re-compilation of the TaiwanICDF's Internal Regulations

In 2008, the TaiwanICDF re-compiled its regulations to better rationalize the organization's regulatory system, and provide a clear procedural and regulatory framework through which the organization will conduct its development operations. This will make internal governance more efficient and effective, enhancing public trust in the organization, and boost its mandate to carry out development work.

Strengthening and Revising Internal Regulations

Organizational Regulations

Strengthening and revising the rules and regulations of the organization have aided its development, and met the needs of internal governance and supervision. This year, the TaiwanICDF enacted or revised regulations associated with the management of personnel in overseas technical missions, the management of fixed assets, the management of goods, and the use and custodianship of

Outstanding Personnel and Missions in 2008

TaiwanICDF Outstanding Personnel	
Best Supervisor	Administration and Management Dept. Division Chief Wu Tai-sheng
Best Staff Members	Technical Cooperation Dept. Mr. Wang How-chang Administration and Management Dept. Mr. Liu Ding-zone Accounting Office Liu Liang-yin
Outstanding Missions and Personnel	
Best Mission	Technical Mission in Nicaragua
Distinguished Mission	Technical Mission in Fiji
Best Mission Leader	Technical Mission in Honduras Mission Leader Huang Tien-shin
Distinguished Mission Leader	Technical Mission in Swaziland Mission Leader Yeh Chang-ching
Best Mission Personnel	Technical Mission in Tuvalu Technician Lee Song-pey
	Technical Mission in Swaziland Technician Lin Chun-heng
	Technical Mission in El Salvador Technician Su Hsien-tsang
Distinguished Mission Personnel	Technical Mission in Kiribati Expert Wu Kung-chu
	Technical Mission in Burkina Faso Expert Tsai Ming-yi Technical Mission in Honduras Technician Hung Hsin-jui

special accounts under specific projects. In addition, the TaiwanICDF also drew up rules governing the issuance of the Overseas Mission Development Cooperation Award, which will be awarded in future to recognize excellence or special contributions made by staff members in overseas missions, helping to boost team morale.

Procurement Regulations

In 2008, the TaiwanICDF enacted rules governing the accounting practices of overseas technical missions, as well as their labor services, and construction-related procurements. These regulations are aimed at raising the transparency and legality of procurements, and ensuring that all procurements by overseas missions adhere to related regulations. Regulations set forth standardized procedures in procurements and factor in local considerations affecting the work of overseas missions.

Minimizing Legal Risks

The TaiwanICDF is committed to ensuring the legality of all of its technical assistance operations. Overseas missions must comply with labor and tax regulations in the hiring and employment of personnel who assist that mission on the ground, and in related operations. To assist overseas missions to be aware of legal risks in the countries in which they are located, the TaiwanICDF established procedures to help missions conduct self-examinations that ensure full compliance with local labor and tax laws. Moreover, each mission will ensure that the employment of every locally hired employee conforms to the relevant local regulations. This will help missions and the TaiwanICDF to control legal risks and make certain that the organization's practices in self-governance are sound.

Auditing

Audits

A total of 25 audits were conducted in 2008, which assisted the Board to supervise the organization's operations, ensure effective management, and confirm the integrity of assets. Fifteen audits were mandated by the Board of Directors and Supervisors, while another 10 extraordinary audits were ordered by high-ranking managers. The main concern of the audits was to examine the allocation of personnel and assets, and to investigate regulatory compliance.

The focus of the TaiwanICDF's auditing operations

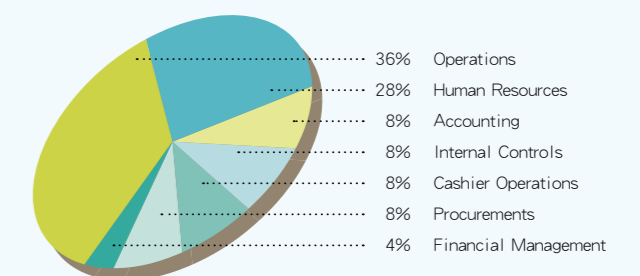
includes: (1) examining internal operations and determining whether all procedures abide by TaiwanICDF policies, regulations and procedural guidelines; (2) examining the reliability and accuracy of all financial and operational information; (3) examining whether the TaiwanICDF's assets are being utilized effectively and are correctly documented; (4) examining whether the results of operations and projects conform to previously set objectives and have achieved the desired results; and (5) examining the results of projects implemented by overseas missions and assessing the accuracy and management of the special accounts that exist for various projects, including accounting and payments.

The audits for 2008 were as follows: Nine were related to operations, seven to human resources; two each to internal controls, procurements, cashier operations and accounting; and one for financial affairs.

Audit Suggestions

In 2008, the audits yielded a total of 106 suggestions: 70 on operations, 18 on human resources, eight on financial affairs, four on accounting, and six on procurements.

Audits (2008)



Audit Suggestions (2008)

