

INTERNATIONAL COOPERATION AND DEVELOPMENT FUND

REPUBLIC OF CHINA



ANNUAL REPORT
1 JULY 1996 – 30 JUNE 1997

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SUMMARY OF ICDF ACTIVITIES

ACTIVITIES	FISCAL YEAR 1997							ACCUMULATED 1990-1997						
	ASIA		CENTRAL AMERICA		SOUTH AMERICA		TOTAL	ASIA		CENTRAL AMERICA		SOUTH AMERICA		TOTAL
LOANS														
Number		2	1	1	3			9	11	2	1	2	25	
Amount (\$'000)		17,070	7,500		24,570			128,875	131,570	19,330	7,500	42,482	329,757	
Disbursements (\$'000)	21,199	5,354	2,500	250	29,303			78,708	72,354	3,500	0	35,468	190,030	
TECHNICAL ASSISTANCE														
TRAINING														
Number of courses					17								154	
Number of attendants	80	83	35	41	280			1,243	609	318	360	464	2,994	
Recipient countries	15	15	10	9	61			28	16	11	13	27	95	
VOLUNTEER PROGRAM														
Countries served				1	1									
Number of volunteers				5	5									
CONSULTANT ADVISORY PROGRAM														
Countries served	1	1	1		3			1	2	2			5	
Person-months provided	20	6	2		28			26	139	24.5			190	
EQUIPMENT GRANTS														
Number	1	2		1	4			3	2	1			6	
Amount (\$'000)	200	120		200	520			1,610	1,100	100		200	3,010	
SPECIFIC STUDIES														
Number		2	1	1	5			5	5	2	1	1	14	
Amount (\$'000)		30	110	110	270			1,190	3,890	920	110	430	6,540	

(i) Fiscal years run from July 1 to June 30 of the following year.

(ii) Accumulated data include operations of the former IECDF.

FOREWORD



Since the late 1950s, the government of the Republic of China (ROC) has been offering international assistance through technical cooperation programs, while establishing friendly relations with countries in Africa, the Middle East, Central and South America, East Asia and the Asia Pacific region.

In the 1980s, as a result of its considerable economic achievements and a favorable international trade balance, the ROC government intensified its lending and cooperation programs. Over the years, the Committee of International Technical Cooperation (CITC) and the International Economic Cooperation Development Fund (IECDF) accumulated invaluable experience as they demonstrated solid achievements in bilateral cooperation.

As the cooperative ventures became more complex and diverse, and the international society began to look to the ROC for more help, the International Cooperation and Development Fund (ICDF) was founded to consolidate and manage these initiatives. This marked a new stage in the ROC's international cooperation program.

Despite the fact that we have achieved many important objectives in technical cooperation, we are not complacent about those accomplishments. We recognize that, although we rank as a developed country, the percentage of our GNP dedicated to international assistance lags behind that of other developed countries, and we are exploring ways to increase the level of involvement.

The ROC finds itself in a unique situation internationally. We need a showcase through which to display the dignity of our nation, and to achieve that we require the friendship and support of other nations. International cooperation is one of the ways through which we demonstrate that we merit such friendship and support. In no way can this be written off simply as 'dollar diplomacy.' In performing our obligations to developing and newly industrializing nations, we are fulfilling the responsibilities that fall upon the shoulders of all developed nations.

The ICDF is the principal medium through which the ROC intends to fulfill its responsibility to assist people throughout our global society to improve their standard of living and well-being. We trust this first annual report of the ICDF will help readers to understand some of the ways in which the Republic of China is responding to international needs and, in the process, will encourage them to support us more resolutely.

A handwritten signature in black ink that reads "John H. Chang". The signature is written in a cursive, flowing style.

John H. Chang, Chairman of ICDF

HISTORICAL PERSPECTIVE

It was in 1959 that the ROC, itself struggling valiantly to achieve economic progress on the island of Taiwan, first began to offer assistance to other countries. The first case was an agricultural technical mission sent to Vietnam. This was soon followed by 'Operation Vanguard,' through which technical cooperation was extended to African countries, laying a strong foundation of friendship with the African continent that continues to this day. Soon, countries in East Asia and the Asia Pacific region, as well as Central and South America and other parts of the world, were requesting assistance from the ROC.

In 1960, the Committee of International Technical Cooperation (CITC) was set up to dispatch and oversee the work of the overseas technical missions. This was followed by the establishment of the International Economic Cooperation Development Fund (IECDF) in 1988, under the supervision of the Ministry of Economic Affairs. In 1990, the Ministry of Foreign Affairs (MOFA) also began to make available an annual budget—the International Humanitarian and Relief Fund—for assistance to disaster areas.

As the Republic of China on Taiwan grew in economic strength, it channeled more of its resources to developing countries. To maximize efficiency, the government decided to consolidate its assistance programs, which were administered by various government ministries and departments, into one organization. The IECDF was reorganized and renamed as the International Cooperation and Development Fund (ICDF), effective 1 July 1996.

The legislation making possible the establishment of the ICDF, an independent corporate entity under the supervision of the Ministry of Foreign Affairs, was passed by the Legislative Yuan on 19 December 1995 and promulgated by President Lee Teng-hui on 15 January 1996.

MISSION

From its inception, the ICDF was intended to be a transparent and professional corporate body. It would report to the Legislative Yuan, thus be subject to public scrutiny. It was given a structure analogous to that of a private sector organization, and local entrepreneurs were invited to join the public sector policy makers on the board of directors.

The mission of the ICDF is to assist developing countries in their economic growth, in ways that neither abuse their natural resources nor destroy their culture. The assistance takes the form of small-scale lending programs, educational training, technical cooperation and volunteer assistance missions.

The ROC is happy to share with other countries some of the knowledge and unique experience that it gained through the 'Taiwan Experience' as it transformed its economy from agricultural to industrial over less than four decades. Some of that knowledge is transferred through agricultural, fishery, handicraft or industrial programs that help improve rural communities; training courses that impart to foreign nationals some of the experience of the ROC's vigorous small- and medium-sized enterprises; and loans to international development institutions that channel the funds through micro-loans to small farmers and business owners. In other cases, concessional loans are made to the developing countries for infrastructure projects, such as irrigation works, highways, industrial parks and export processing zones.

An important focus in the past has been on agricultural and fishery technical missions. These will continue, for they have demonstrated how even modest development of agriculture and aquaculture can help to reduce poverty substantially by maximizing the productivity of existing resources.

MERGER WITH CITC

Preparations for the merger between the CITC and the ICDF as of 1 July 1997 began in the second half of 1996. The staff of the ICDF and the Economic and Trade Affairs Department of the Ministry of Foreign Affairs (MOFA), to which CITC had previously reported, worked closely together to ensure a smooth transition. Dr. Sung-ching Hsieh, who had served as Executive Secretary of the CITC, was appointed Deputy Secretary General of the ICDF.

In the many years that the CITC has been active in different parts of the world, ROC specialists in agriculture, forestry, fisheries and livestock farming have worked industriously to develop and export varieties and species that are suited to the climatic and other conditions in the host countries. Since 1980 the Taiwan Provincial Department of Agriculture and Forestry has provided assistance in these areas.

In addition to conducting demonstrations and training on location, the ROC has consistently invited friendly countries to send their people to the island of Taiwan for professional training, exchange of experience and transfer of technology in a wide variety of areas.

Supervision of the programs abroad has been conducted by the CITC itself and specialists from the Ministry of Foreign Affairs, the Council of Agriculture, and other governmental and non-governmental organizations.

As of 1 July 1997, 47 ROC technical assistance missions, comprising 383 members, were working overseas in cooperative projects focusing on agriculture, fishing, animal husbandry, handicrafts, transportation service and medical care.

ORGANIZATION

BOARD OF DIRECTORS

The legislation setting up the International Cooperation and Development Fund, passed by the Legislative Yuan, provides for a Board of Directors of 11 to 15 persons. As will be seen below, the slate of directors constitutes an impressive list of senior governmental ministers, scholars and entrepreneurs. One third of the directors must fall within the latter two categories.

The duties of the Board of Directors of ICDF are to shape policy, approve specific projects and lending operations, oversee the annual budget allocation, appoint and dismiss senior management, and attend to all other important affairs.

The Board of Directors comprises the following members:

John H. Chang

Minister of Foreign Affairs — Chairman, Board of Directors

Chien-jen Chen

Deputy Minister of Foreign Affairs

Douglas Tong Hsu

Chairman, Far Eastern Group

Chin-yen Kao

Chairman, Chinese National Federation of Industries

Jeffrey L.S. Koo

Chairman, Chinese National Federation of Industry and Commerce

Tso-kwei Peng

Chairman, Council of Agriculture

Yuan-dong Sheu

Governor, Central Bank of China

Vincent Siew

Legislator

Ming-hsien Sun

National Policy Advisor

Hung-mao Tien

President, Institution for National Policy Research

Chao-yang Tsai

Minister, Transportation and Communications

Cheng-wen Tsai

Minister Without Portfolio

Chih-kang Wang

Minister of Economic Affairs

You-theng Wang

Chairman, General Chamber of Commerce of the ROC

BOARD OF SUPERVISORS

A Board of Supervisors, appointed by the Executive Yuan, oversees the activities of the Board of Directors and is responsible for controlling all financial matters.

The Board of Supervisors is composed of:

Tuan Wei

Director General of Directorate General of Budget, Accounting and Statistics — Chairman, Board of Supervisors

Ching-fu Hsu

Chairman, Department of Political Science, National Taiwan University

Yu-chin Ko

Legislator

MANAGEMENT

The charter of the ICDF provides for the appointment of a Secretary General and two to three Deputy Secretaries General, appointed by the Chairman with the approval of the Board of Directors. The Secretary General may, with the approval of the Chairman, appoint one Assistant Secretary General.

The first Secretary General of ICDF, who assumed office on 1 July 1996, is Mr. Ping-cheung Loh. Mr. Loh served in various senior management positions with the World Bank over a 30-year period.

The Deputy Secretaries General are Mr. Shing-chiang Wu (Economic and Trade Affairs Department, MOFA); Mr. Neng-jong Lin (Commission of Investment, Ministry of Economic Affairs); and Mr. Sung-ching Hsieh.

The Assistant Secretary General is Mr. John C.C. Lai, a career diplomat.



*Secretary General Ping-cheung Loh
with José María Figueres Olsen,
President of Costa Rica.*

DEPARTMENTS

The ICDF has the following departments:

POLICY, PLANNING AND PROGRAMMING

Created on 1 July 1997, this department has the responsibility to advise on policy issues and to prepare and supervise the implementation of the work programs of the ICDF. An important task will be the integration of all of the ICDF's activities, including supervision and post-evaluation. It will also serve as the communicator and external voice of the ICDF.

TECHNICAL COOPERATION

This department oversees all technical assistance, including agricultural and fishery missions and medical cooperation programs. Included in its responsibilities are the dispatching of overseas service missions; the providing of overall direction to small and medium enterprise (SME) assistance projects and programs for capacity building; international disaster and humanitarian relief; and procurement matters.

INVESTMENT AND LENDING OPERATIONS

Projects related to investment and lending operations in the different sectors are the responsibility of this department.

EDUCATION AND TRAINING

This department is responsible for all education and training programs, including scholarships and the Overseas Young Entrepreneur Training Program.

ADMINISTRATION AND MANAGEMENT

Personnel administration, document management and matters relating to the board of directors fall within the responsibilities of this department.

FINANCE AND ACCOUNTING

This department encompasses all normal functions and responsibilities traditionally assigned to such departments, including compilation of yearly budgets, preparation of financial statements, loan disbursements, keeping of statistical records and general financial management.

ICDF OBJECTIVES AND STRATEGIES

A program of international cooperation strategies and medium-term operations was approved by the directors and supervisors at their second meeting. The programs for 1997 are described in the following pages.

GOALS AND OBJECTIVES

Countries to which priority attention will be paid by the ICDF are, first, those with which the ROC has diplomatic relations; second, those with which the ROC hopes to establish diplomatic relations; and third, countries with which the ROC has trade and economic relations.



Lending operations will be focused in those sectors which would enhance trade and economic activities with the ROC. Attention will also be paid to improving the infrastructure and social development of the recipient countries.

In order to ensure prompt and effective implementation of assistance and disaster relief programs, the ICDF has established a three-year rolling work program.

An extensive business operation system—for loans, investments, technical cooperation, contributions, donations, etc.—is being set up in accordance with the ICDF regulations.

An important initiative is the development of a human resources plan to correspond to the needs identified in the core operation program. The creation of a comprehensive personnel administration and information management system is under way.

Also under way is the formulation and implementation of a program supervision system, to ensure that projects are carried out efficiently and effectively.

STRATEGIES

In order to ensure that the most appropriate programs are selected to address specific development needs, the ICDF is evaluating a wide range of options to suit the circumstances in recipient countries. The rolling operation program will be reviewed each year to ensure that the projects included reflect the best choices for international cooperation.

COOPERATION WITH AFRICAN COUNTRIES

Cooperation with African countries with which the ROC enjoys diplomatic relations will be intensified. The following are some examples of active programs.

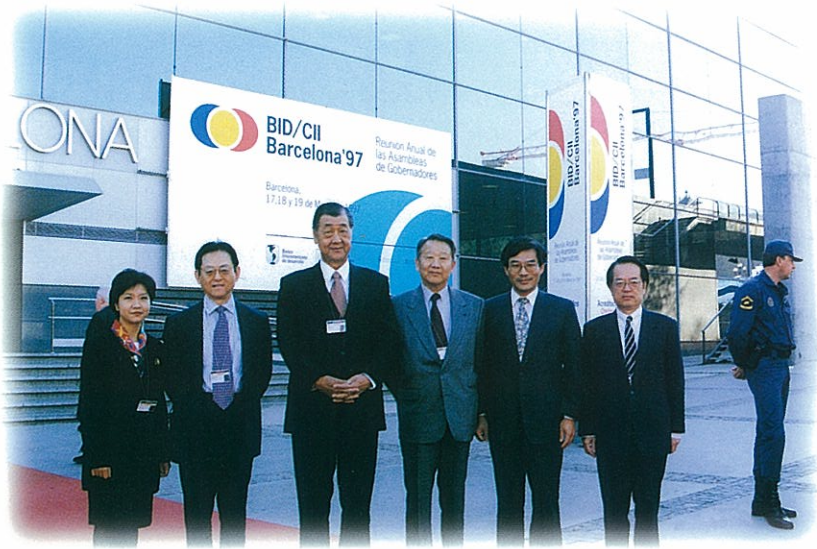
- Micro-credit project for small farms in the Republic of Senegal
- Lending for road construction in the Kingdom of Swaziland
- Feasibility study for the 'KuBuTa' Dam in the Kingdom of Swaziland
- Dispatch of ICDF Overseas Volunteers to the Kingdom of Swaziland
- Small-scale industrial vocational training project for Burkina Faso
- Capacity building project for the government of the Republic of The Gambia

COOPERATION WITH CENTRAL AND SOUTH AMERICAN COUNTRIES

Cooperation with the Central and South American countries remains at a high level, including concessional loans and assistance for the development of small and medium enterprises, infrastructure and training activities.

Vocational training project in Burkina Faso.





Representatives of the ICDF and the Central Bank of China attended the IADB board meeting in Barcelona.

COOPERATION WITH INTERNATIONAL ORGANIZATIONS

An important initiative under way is the strengthening of cooperation with international institutions, so as to widen and expand the effects of the concessional loans being granted by the ROC to the various countries. Meetings at senior levels have been held with the Inter-American Development Bank, and it has been decided to continue to hold these meetings regularly.

The ICDF also participated in the OECD Conference on 'Sharing New Approaches to Development Cooperation' held by the OECD-DAC in Mexico. At that meeting, the ICDF staff circulated articles about the ROC's international cooperation program and exchanged experiences with representatives from several of the participating countries.

Earlier this year, the Secretary General and members of the ICDF staff participated in the 1997 annual governors' meeting with the Central American officials of the Inter-American Development Bank in Barcelona. Topics on the agenda included the Central American Economic and Trade Development Fund and the issue of the ROC's participation in the Central American Common Market.

Senior ICDF staff also participated in the annual governors' meetings of the European Bank for Reconstruction and Development in London, the Asian Development Bank in Fukuoka, Japan, and the Central American Bank for Economic Integration in Tegucigalpa, Honduras.

FOCUS OF INTERNATIONAL COOPERATION

As the ICDF assumed responsibility for all lending commitments undertaken by its predecessor the IECDF, it became apparent that the commitments had virtually exhausted the available resources for future lending. Pending replenishment of resources, the ICDF will therefore concentrate its future activities on assistance to small and medium enterprises; reduction of poverty; women's development; and cooperation with non-governmental organizations (NGOs).



SMALL AND MEDIUM ENTERPRISES

Small and medium enterprises have played an important role in the economic development of the ROC. It is logical, therefore, that this unique experience should be a focus for cooperation with other countries facing similar challenges as they begin to evolve into competitive, market-based economies. Among the countries which shared the ROC development experience in 1996 were Belize, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

Entrepreneurs in developing countries need access to credit to develop their businesses, but there is a major gap in financing available to them. The banking institutions prefer to deal with larger customers and, even when credit is available, the requirements (e.g. collateral, minimum deposits, high service charges, etc.) can be onerous. The medium- or long-term financing offered by the ROC to intermediate financial institutions for relending to the SMEs makes it possible for the entrepreneurs to put into practice the new knowledge imparted to them through seminars and technical assistance programs. The loans fulfill the needs of the SMEs, yet require them to compete for the funds on the basis of project viability and creditworthiness.

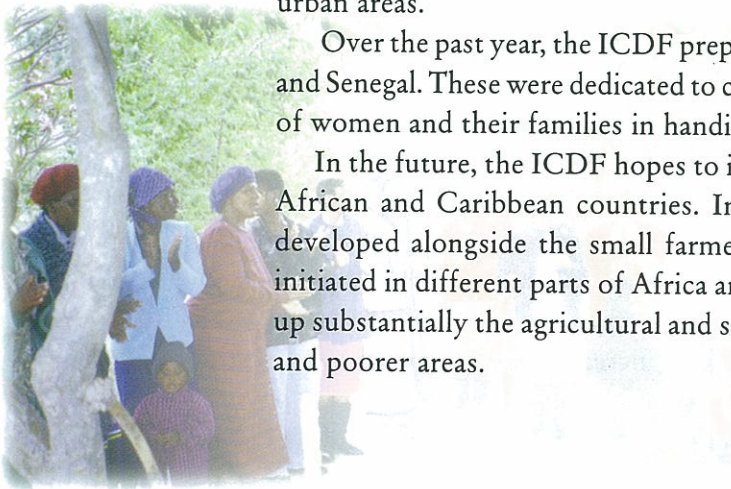
In addition to providing funds for long-term loans to SMEs, the ICDF also sends experts and specialists to other countries to offer assistance in developing appropriate policies, institutions and business management systems. The experts and specialists may help to plan import substitution or export-oriented industrial products; advise on marketing, accounting or warehouse management; provide management guidance through seminars and training courses; set up quality control systems; offer technical guidance in specific industries; or generally assist the recipient country to establish technical advisory centers in order to promote the long-term development of the SMEs in targeted industries.

PROGRAMS FOR ALLEVIATION OF POVERTY AND WOMEN'S DEVELOPMENT

Grassroots programs are important in many of the countries which the ROC is assisting. These programs incorporate methodology and operating procedures similar to those of the international development organizations, which in recent years have devoted much attention to empowering women. The programs help women—who are often in a weak position but who bear a heavy financial burden—to improve their productivity and enhance their meager income by participating more fully in the activities of production. There is solid evidence that investing in women is good business and enhances the quality of growth in both rural and urban areas.

Over the past year, the ICDF prepared micro-lending projects for South Africa and Senegal. These were dedicated to creating or enhancing the productive activities of women and their families in handicrafts, small businesses and small farms.

In the future, the ICDF hopes to identify and prepare similar projects in other African and Caribbean countries. In many cases the women's projects can be developed alongside the small farmers' micro-credit operations that have been initiated in different parts of Africa and Central America. These can help to build up substantially the agricultural and small business production capacity in remote and poorer areas.



COOPERATION WITH NGOs

The work done by the ROC's technical missions is impressive and, although the financial costs are relatively low, the demands on staff are high. One of the challenges is for the local people to apply their newly acquired knowledge and sustain development after the missions leave. The micro-lending programs offered by the ROC therefore support the contributions of the technical missions with necessary input and supplies, and make it possible for the recipient countries to sustain the progress achieved in agriculture, aquaculture or industry.

Non-governmental organizations (NGOs) can be useful partners in development and can even be critical to success. In most cases the NGOs are private, non-profit and service-oriented organizations. Their flexibility allows them to support community projects that are initiated and funded by external organizations, and they are particularly good at building awareness and promoting cohesion among women. The ICDF is eager to work alongside NGOs that have a good record of success.

An example of cooperation with NGOs in 1996 and 1997 is the small farms project in the Republic of Senegal, where work is proceeding under the guidance of an NGO, the ACEP. The ICDF intends to continue to work with such NGOs as it helps the less-developed countries to establish their own NGOs and execute women's small loan projects.

PROJECT ADMINISTRATION

LOAN APPROVALS 1996 – 1997

I. **BELARUS** — Relending program of US\$7.5 million for small and medium enterprises, for a term of 15 years, with a grace period of five years. The purpose of this loan is to provide capital to the SME owners in order to help them develop their businesses. This relending project is co-financed with the European Bank for Reconstruction and Development.

II. **HONDURAS** — Loan of US\$10.7 million to the Quimistan Valley Irrigation Project for a period of 25 years, with a grace period of five years. The concessional loan will be used for the construction of an extensive irrigation system over an area covering more than 2,000 hectares, including dams, ditches, associated irrigation works and connective roads. The objectives of the project are to pursue self-sufficiency in food, to increase rural family income and to generate foreign exchange through exports and import substitution.

The loan will be supported by a substantial technical assistance component. ROC specialists will establish a demonstration farm from which they will train small farmers in livestock husbandry and new agricultural technology, for example cropping methods that multiply yields considerably. The additional crops will generate increased income for the farmers.

III. **PANAMA** — Fort Davis Export Processing Zone Project, loan of US\$6.58 million. This project is for construction at the former US Forces base of the Panama

Canal Zone. Thirty percent of the work has already been completed, and it is expected that the project will be operational by September 1997.



Fort Davis Export Processing Zone project, Panama.

IV. CENTRAL AMERICA — A loan of US\$50 million to CABEI for lending to small and medium enterprises. A principal purpose of the loans, which will be for a term of 10 years with a grace period of three years, is to alleviate development constraints faced by SMEs in the region due to lack of long-term financing. In the initial stage a maximum of US\$10 million has been earmarked for each of the five countries involved: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. There is provision for redistribution of the funds, should any one of the countries not be in a position to utilize the total amount set aside for it.

V. PANAMA — A loan of US\$10 million for lending to small and medium enterprises for a period of 10 years, with a grace period of three years. The expectation is that the loans to the SMEs will, by encouraging the expansion of such businesses, increase production and create more employment opportunities.

VI. DOMINICAN REPUBLIC — A loan of US\$10 million directed to small and medium enterprises, with a term of 10 years and a grace period of three years. The purpose of this program is to assist the development of the manufacturing and exporting businesses.

VII. SENEGAL — A loan of US\$1 million for micro-lending to small farmers for a term of 20 years, with a grace period of five years. The funds will help overcome the farmers' lack of access to credit and serve as a catalyst for profitable expansion of the area under rice cultivation, horticulture and aquaculture in such locations as Saint-Louis, Dakar and Casamance.



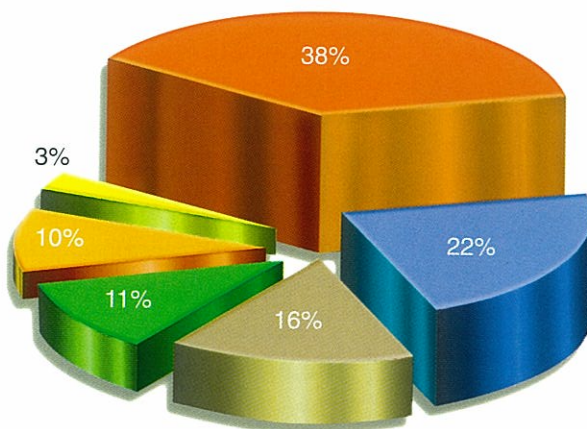
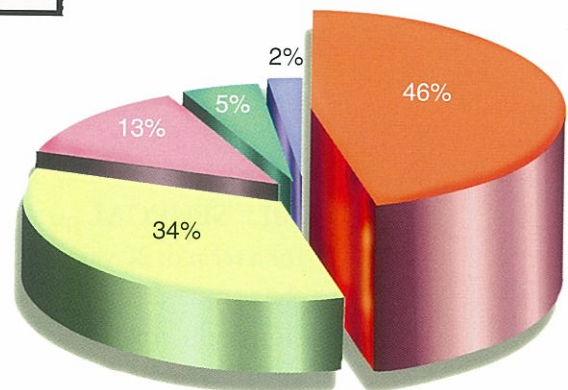
VIII. KINGDOM OF SWAZI-LAND — A loan of US\$4 million for construction of an international highway between Mbadane-Ngwenya and Luyengo-Sicununusa. The term will be 20 years, with a grace period of five years. The highway project is co-financed with the Africa Development Bank.

Micro-loans help small farmers increase the productivity of their farms, for new as well as the most basic crops (as seen in this scene from El Salvador).

SUMMARY OF LENDING OPERATIONS

At the end of June 1997, 25 of the approved loan projects were under implementation. Out of a total loan amount of US\$330 million, US\$190 million had been disbursed. During the year two projects were cancelled: the Vietnam Industrial Park Development Revolving Fund project and the Niger Public Housing Loan.

AREA	NUMBER OF PROJECTS	LOAN AMOUNT (US\$MILLION)
Central America	13	150
Asia Pacific	7	113
Africa	2	42
Oceania	2	15.2
Europe	1	7.5



LOAN DISTRIBUTION BY SECTOR	
Infrastructure	38%
Small & medium enterprises	22%
Industrial processing zones	16%
Agriculture	11%
Social infrastructure	10%
Tourism	3%

TECHNICAL COOPERATION PROGRAMS

The ICDF's technical cooperation activities in the past year have concentrated on three major areas: consulting services to small and medium enterprises; assistance to governments of developing countries for capacity building; and feasibility and other special studies.

Consulting services to SMEs cover a wide range of practical topics, from business management and accounting systems to warehouse management and quality control programs. Examples of such technical cooperation programs in different countries are described throughout this report.

On the macroeconomic side, capacity building is oriented toward the special needs of the governments in the recipient countries as they strive to improve their administrative infrastructure and their public sector human resources. Examples of technical cooperation in this field are donations of computers and other equipment, assistance in constructing facilities and the provision of consultants in required fields.

Feasibility studies before projects are undertaken, as well as evaluation programs during and following implementation, are a critical facet of the ICDF's technical cooperation. A special effort is being made to identify and select the most competent experts in the various fields. The experience and knowledge gained through the intensive studies of successful initiatives will be invaluable in planning future programs.

SMEs IN SWAZILAND

A SME development program with many features similar to that conceived for Central America (described on page 23) is being undertaken in the Kingdom of Swaziland. In that African country, special attention will be paid to industries such as textiles, food processing, wood and building materials.

The ICDF is also providing a wide range of consulting services to support the development of SMEs, including 30 person months of assistance. Four consultants and their assistants will be located in Swaziland.

A total of six four-week seminars will be offered to 25 participants in each session. The seminars will cover relevant subject matter in management, accounting, marketing and investment. These activities will be sponsored by the ICDF.

CENTRAL AMERICA COMMODITY PACKAGING/DESIGN CENTER

This two-year project, for which approximately US\$700,000 has been budgeted, will involve seven Central American countries: Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. The objective is to improve the packaging quality and technical skills of Central American companies, with a view to establishing quality standards for commodity packaging that will make Central American products more attractive to export markets.



Project planning meeting in the Dominican Republic.

The ICDF will donate testing equipment for commodity packaging, provide operators and training programs for that equipment and, in each of the participating countries, sponsor post-training seminars conducted by specialists from the ROC.

This program will be headquartered in El Salvador and operated by the Committee of Technology for Central American Progress (CTCAP) and the Chemical and Engineering School of the University of El Salvador.

THE NIEN-HSING TEXTILE CASE

In Central America, one very successful enterprise has been selected for intensive study to determine its applicability to the region as a whole. That is the Nien-Hsing Textile Co., Ltd.



An industrious workroom at the Nien-Hsing factory in Nicaragua.

In 1994 the Nien-Hsing company invested US\$5 million in a garment factory in Nicaragua, employing 3,000 people. By 1997 the factory had 5,000 employees. The objective of the study is to identify the principles and practices that have made this investment successful, with the hope that similar sound investment and management practices can be applied to other investments in Central America and elsewhere.

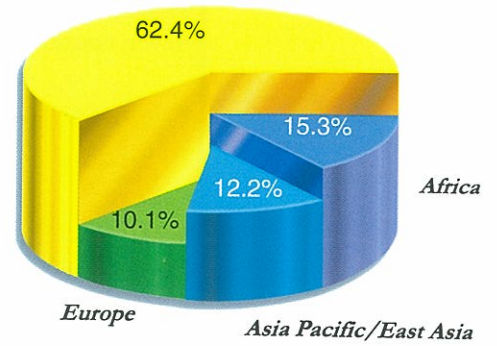
SUMMARY OF 1997 TECHNICAL COOPERATION PROGRAMS

<i>Country/Area</i>	<i>Program</i>	<i>Status</i>
CENTRAL AMERICA		
Regional	• Vegetable cooperation program	In progress
Seven countries	• Packaging equipment program	Under preparation
	• SME advisory groups	In progress
Guatemala, Honduras, El Salvador	• Northern Central America railroad corridor, preliminary economic and technical review	In progress
Guatemala	• Vocational training capacity building project	In progress
Nicaragua	• Nien-Hsing investment case study	Completed
	• SME advisory groups	Completed
Dominican Republic	• SME advisory groups	In progress
Haiti	• SME advisory groups	In progress
Bahamas	• Seashell technical training	Completed
EAST CARIBBEAN SEA		
Five countries	• Study on development of seashell processing industry	Completed
SOUTH AMERICA		
	• Standardization Bureau Business Development advisory services	Completed
Paraguay	• Technical cooperation training center	Completed
	• Donation of equipment to training center	In progress
	• Preliminary study on Asuncion New Town	Completed
Argentina	• Advisory services, external trade development	In progress
Central African Republic	• Equipment for agricultural development	Under preparation
WESTERN AFRICA		
The Gambia	• Gambia government capacity building	Under preparation
Burkina Faso	• Training center for small businesses	Under preparation
SOUTHERN AFRICA		
Swaziland	• SME advisory groups	In progress
South Africa	• Feasibility study on ROC-RSA cooperation in petrochemical industry	Completed
Outer Mongolia	• Vocational training program	Completed
	• SME advisory groups	In progress
Vietnam	• Ho Chi Minh City Nah Be vocational training program	Under preparation
	• Forestry planning in Kien Giang province	Under preparation
Poland	• Privatization of state-owned enterprises and investment opportunities for ROC investors	Completed
	• SME advisory groups	Under preparation
	• Urban planning	Under preparation

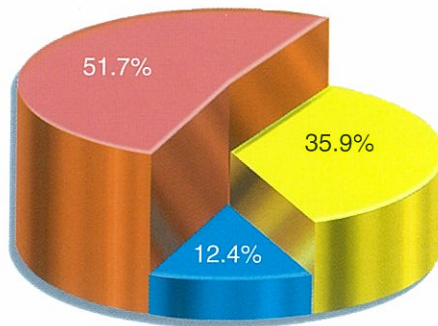
TECHNICAL COOPERATION

By Geographic Area

Central and South America



Distribution of Budget



TYPE OF PROJECT	US\$	% OF TOTAL
SME Advisory Groups	2,302,000	51.7%
Capacity Building Projects	1,600,000	35.9%
Studies	550,000	12.4%

Evaluating some aspects of the Northern Central America railroad corridor, in San Salvador, El Salvador.



EDUCATION AND TRAINING PROGRAMS

ECONOMIC DEVELOPMENT SEMINARS AND VOCATIONAL AND TECHNICAL TRAINING PROGRAMS

Ten economic development seminars, with 30 participants each, will be held in 1997. In the fields of vocational and technical training for computer, electronics and machinery tools, about 60 persons will be developed as trainers; these, in turn, will train additional trainers in their countries.



Currently 349 persons are undergoing training in 62 factories in the ROC. The results are mixed and the program is under careful review.

OVERSEAS YOUNG ENTREPRENEUR TRAINING PROGRAMS

The purpose of the Young Entrepreneur Training Programs is to help young people (under the age of 28) learn industrial techniques and managerial skills in the ROC which they can use to start up their own businesses when they return home.

Over 600 people from Indonesia and the Philippines have started training in the ROC, in four separate groups. The first group of 71 persons finished their training on 21 May 1997.



The first contingent of ROC Volunteers, in Swaziland.

OVERSEAS VOLUNTEERS

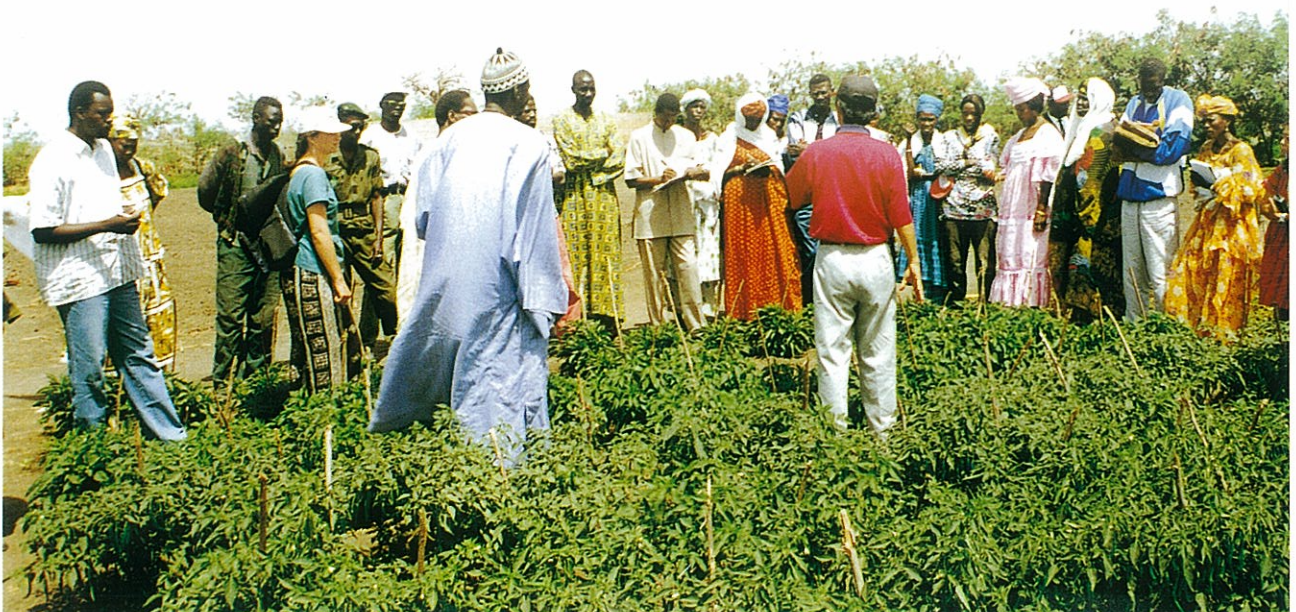
The ICDF Overseas Volunteer Program offers opportunities to qualified people to serve in developing countries. It is similar in nature to the Peace Corps of the United States and the Japan Overseas Cooperation Volunteers. The first five ROC volunteers left for Swaziland in December 1996. Agreements for similar volunteer programs have been signed with Malawi, Costa Rica and Honduras and discussions are under way with other countries.

MICRO-LENDING AND TECHNICAL ASSISTANCE IN AGRICULTURE AND AQUACULTURE

Over the past decade, programs sponsored by the international development organizations have focused on agricultural development and alleviation of poverty. This followed the recognition that in many countries the poor were excluded from participating in economic opportunities that would allow them to improve their living conditions. Global trends saw a shift from funding of major construction and infrastructure projects to programs focused on the reduction of poverty.

The ICDF is following these global trends by funding projects that are designed to create greater income opportunities for the poor and improve their access to basic social services. In preparing its projects, the ICDF is involving users from the outset. At the same time it is careful to coordinate its activities with those of other bilateral and multilateral funding agencies, with which it is ready to work and to share information to achieve the desired goals.

Increasingly, the international organizations are seeking assurance that the projects which they are funding will encourage private sector development and be environmentally sustainable. It has been proven that an integrated approach attains development goals and achieves poverty reduction much more quickly and efficiently than isolated programs.



FOCUS ON CENTRAL AMERICA

Through a multifaceted program that strengthens economic cooperation with Central America, the Republic of China is helping the countries of that region to achieve their vision of the future.

The ICDF is closely involved in all of the stages, in some cases in the preparation and planning and in other cases in the actual implementation of the projects also.

Included in this wide-ranging program are:

- A **Loan of US\$50 million**, with a maximum of US\$10 million to each of five Central American countries, for channeling to SMEs;
- A **Central American Economic and Trade Cooperation Development Fund**, designed to enhance Central American competitiveness in exports;
- A **Regional Commodity Packaging Inspection Center** to be established in El Salvador;
- A **Central American Vegetable Research Center**, being established with the support of the ROC's Asia Vegetable Center, the Central American Bank for Economic Integration and the American Agriculture Cooperation Center;
- A regional **Vocational Training Program**, which focuses on educating trainers who can train others in their countries;
- An extensive program of **Regional Seminars**; and
- **Project Evaluation** and the provision of **Construction Technology** for industrial parks, as well as **Surveys** identifying potential areas of investment in Central America for ROC companies.

COOPERATION WITH MULTILATERAL DONORS

CO-FINANCING

The ICDF is working with a diverse list of bilateral and multilateral international development and aid institutions. Among these are:

- **CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION**
A concessional loan of US\$50 million will be channeled through the Central American Bank for Economic Integration to the countries of Central America for their development of SMEs. Other projects are under implementation and new projects are being planned in the Central American countries.
- **ASIAN DEVELOPMENT BANK**
The ICDF is cooperating with the Asian Development Bank in the Papua New Guinea Urban Water Supply Project (for which disbursements are under way) and the Philippine Water Supply Project (for which loan funds have yet to be disbursed).
- **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT**
Currently the ICDF is cooperating with the European Bank for Reconstruction and Development in Belarus. Future cooperation between the ICDF and the EBRD will concentrate on assistance to East European countries.
- **AFRICA DEVELOPMENT BANK**
The ICDF is working with the Africa Development Bank on a highway project in the Kingdom of Swaziland, and is looking for more ways to cooperate with this institution.
- **INTER-AMERICAN DEVELOPMENT BANK**
The ICDF is co-financing a highway project with IADB in Belize and is planning to co-finance another project in Panama. Regular biannual consultations are being held between the IADB and the ICDF.

OTHER INTERNATIONAL COOPERATION ACTIVITIES

CENTRAL AMERICAN VEGETABLE RESEARCH AND TECHNICAL COOPERATION PROJECT (REDCAHOR)

The objective of this project is to establish cooperative and research activities in Central America to develop agriculture in general and enhance the quality of vegetables in particular. Activities will include the collection and classification of vegetables; the protection of rare vegetable species; the improvement of varieties; the development of preventive measures and cures for blight; and the commercialization of the indigenous crops of Central America.

OECD FORUM FOR DIALOGUE BETWEEN SENIOR OFFICIALS OF DAC MEMBER COUNTRIES AND OTHER COUNTRIES WITH PROGRAMMES OF COOPERATION

The ICDF has been participating in the Development and Aid Committee of the OECD. In January 1997 ROC representatives made a presentation on their country's international assistance policies to the Non-DAC Members meeting in Mexico City, Mexico.



The ICDF's Chairman, John H. Chang, and Secretary General Ping-cheung Loh in Honduras in July 1997.

MANAGEMENT AND ADMINISTRATION

PROJECT SUPERVISION AND EVALUATION

Over the past year, the management of the ICDF has developed a comprehensive system to evaluate the cost-effectiveness of programs and projects which it is funding. A stringent system of supervision has been set up to ensure that all activities are achieving their intended objectives.

Projects supervised and inspected on location by the ICDF staff included the Highway No. 5 Project and the Small and Medium Enterprise Project in Vietnam; the Manila South Area Water Distribution Project; the Indonesia Rural Cooperative and Credit System Project; and the Paraguay Oriental City Industrial Park Project.

Supervision is critical, but so is post-evaluation. Once projects are completed, they will be carefully evaluated to assess how efficiently and cost-effectively they have achieved their objectives. Project evaluation not only helps to improve the design and execution of future activities, but also demonstrates proper stewardship of the funds entrusted to the ICDF. Indicators of development effectiveness will help the ICDF to design high quality projects for future investment.

FINANCIAL MANAGEMENT

The ICDF has an authorized capital of NT\$30 billion (about US\$1.1 billion), of which NT\$11.6 billion (about US\$422 million) has been paid in. The capital comes from government budgets, interest on funds in hand, donations and other sources.

By 30 June 1997 the ICDF had committed approximately US\$330 million and received repayment of US\$7.5 million.

In 1997 interest from loans, government bonds and bank deposits is estimated at NT\$602,273,273 (about US\$21.9 million).

Loans are funded from the capital of the ICDF, while technical assistance and management costs are covered by interest earned on the capital or cash in hand.

ADMINISTRATION

PERSONNEL MANAGEMENT AND DEVELOPMENT

In every field, well-trained professional staff are essential. At the ICDF, the professional skills of staff at all levels are being strengthened through in-house programs and external education and training.

Investments are being made in the ICDF's human resources as selected managers are sent to leading international management and business schools, to gain new skills or upgrade their capabilities. An ICDF director-level manager is currently studying 'evaluation and management of investment projects' at Harvard Business School, while another ICDF specialist has just completed a six-month on-the-job training program at the Asian Development Bank.

The ICDF is offering expanded opportunities for education to its staff and an aggressive program of in-house training is in place to raise professional standards and skills across the board. Employees are taking advantage of the language training courses, learning how to improve their computer skills, and acquiring new ideas and inspiration from eminent scholars and internationally renowned guest lecturers such as Mr. Shahid Husain, former senior vice president of the World Bank.



MANAGEMENT INFORMATION SYSTEMS

Workers need good tools. Prime among them in this Information Age is access to key information technology.

Following a decision made in September 1996 to upgrade the computer and information management systems at the ICDF, new hardware and software applications have been installed and considerable progress has been made in networking. In late 1997 the focus will shift to global network integration and the development of a sophisticated information retrieval system, and an ICDF homepage will be active by early 1998.

The homepage will provide visitors with a detailed introduction to the ICDF audit functions and a comprehensive databank of information on cooperative projects in various countries; seminars and training programs; assessments of investment environments around the world; case studies of relevant projects; and lists of human and financial resources in the fields in which the ICDF has the greatest interest.

The ICDF's computer system is being designed by Acer, with a development program that includes (1) system establishment hardware and software (systems analysis, software design, programs, testing, constructing and transferring documents); (2) training of personnel; and (3) systems maintenance and service.

OUTLOOK

With the merging of the ICDF and CITC, effective 1 July 1997, an intensive evaluation of all functions has been undertaken. In some areas, there was duplication of personnel and functions, which we have eliminated. Our challenge now is to integrate the staff of both organizations in the most effective way possible as we strive to accomplish our objectives to the best of our collective abilities. As noted in our management review, we are now in an excellent position to entrench project supervision and instill cost-effectiveness in everything we do.

The work that faces the ICDF is tremendously exciting. As citizens of the Republic of China, we find ourselves in the enviable position of being respected for the achievements of our government and entrepreneurs in accomplishing the 'Taiwan Economic Miracle.' That economic miracle is the subject of case studies in business schools and the dream of developing and newly industrialized countries around the world.

Who better than the entrepreneurs of the ROC to teach others about the skills and knowledge required to establish successful small- and medium-sized businesses? Who better than the scientists and specialists of the ROC to help countries with similar climatic and soil conditions to multiply the production of their arable lands and water resources manyfold? The scientists and specialists of the ROC are renowned for the contributions they have made to the science of agricultural cultivation, the creation of new seed varieties, the breeding of livestock and the establishment of hatcheries and aquaculture where none thrived before.

The citizens of the ROC are eager to contribute their talents and experience in many areas. They are genuinely altruistic but they especially want to be accorded the respect that they deserve in the international arena. As they make friends around the world in introducing the formulae that have made the Taiwan Experience possible, their hope is to be recognized for what they are.

With a global community that is becoming ever more closely interconnected, and the economic liberalization that is taking place in so many parts of the world, the ICDF is happy to have the opportunity to work side by side with friendly nations that truly want to achieve a more prosperous society for their citizens.

One of the challenges of the ICDF is to obtain larger and regular replenishments of its resources for development assistance activities. With the success that we are seeing in the countries in which our people have contributed their expertise, we believe that the provision of larger resources for development assistance is a wise investment that the ROC needs to make. Our ambition is to introduce the Taiwan Experience to every friendly country in the world where it has applicability.



Ping-cheung Loh, Secretary General

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have examined the balance sheets of International Cooperation and Development Fund as of June 30, 1997 (Foundation Year), and the related statements of income, changes in equity and cash flows for the years then ended. Our examinations were made in accordance with auditing standards generally accepted in the Republic of China and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of International Cooperation and Development Fund as of June 30, 1997 (Foundation Year), and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China applied on a consistent basis.

Clock & Co.,

July 28, 1997



CLOCK & CO., CPAs
正風聯合會計師事務所

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BALANCE SHEET

30 June 1997

NT\$'000

Assets	11,726,155	LIABILITIES & EQUITY	
Assets	11,726,155	Liabilities	8,208
Current Assets	7,137,184	Current Liabilities	7,140
Cash on Hand	407,604	Accounts Payable	7,140
Bank Deposits	407,409	Other Liabilities	1,068
Cash Balances	195	Deposits Received	1,068
Short-term Investments	6,575,939		
Time Deposits	4,601,575	Equity	11,717,947
Marketable Securities	1,974,364	Funds	11,614,339
Accounts Receivable	148,379	Initial Funds	11,614,339
Interest Receivable	143,197	Reserves & Surplus	103,608
Accounts Receivable	5,181	Accumulated Surplus	0
Prepaid Account	5,262	Surplus End of Period	103,608
Prepaid Expenses	4,258		
Inventory	1,004		
Long-term Investment & Lending	4,571,991		
Long-term Lending	4,791,991		
Lending (Commitment)	9,068,318		
Less Undisbursed	4,276,327		
Provision for Bad Debts	350,000		
Long-term Investments	130,000		
Fixed Assets	16,770		
Information Equipment	3,146		
Accumulated Depreciation	1,209		
Communication & Transportation Equipment	1,571		
Accumulated Depreciation	754		
Other Equipment	1,285		
Accumulated Depreciation	746		
Remodeling/Reconditioning of Buildings	13,477		
Accumulated Depreciation	0		
Other Assets	210		
Deposits to Suppliers			
Intangible Assets	176		
	34		
Total	11,726,155	Total	11,726,155

INCOME STATEMENT
1 July 1996 – 30 June 1997
NT\$'000

Operating Revenues		167,345
Income from Investment & Lending	167,345	
Operating Expenses		508,561
Investment & Lending	379,439	
Technical Cooperation	91,393	
General & Administrative Expenses	37,729	
Operating Income		-341,216
Non-Operating Revenues		445,277
Interest from Capital	434,928	
Adjustment Items	3,281	
Other Non-Operating Revenues	70	
Gain from Foreign Exchange	6,998	
Non-Operating Expenses		454
Adjustment Items	196	
Other Operating Expenses	209	
Loss from Foreign Exchange	49	
Non-Operating Income		444,824
Net Income		103,608

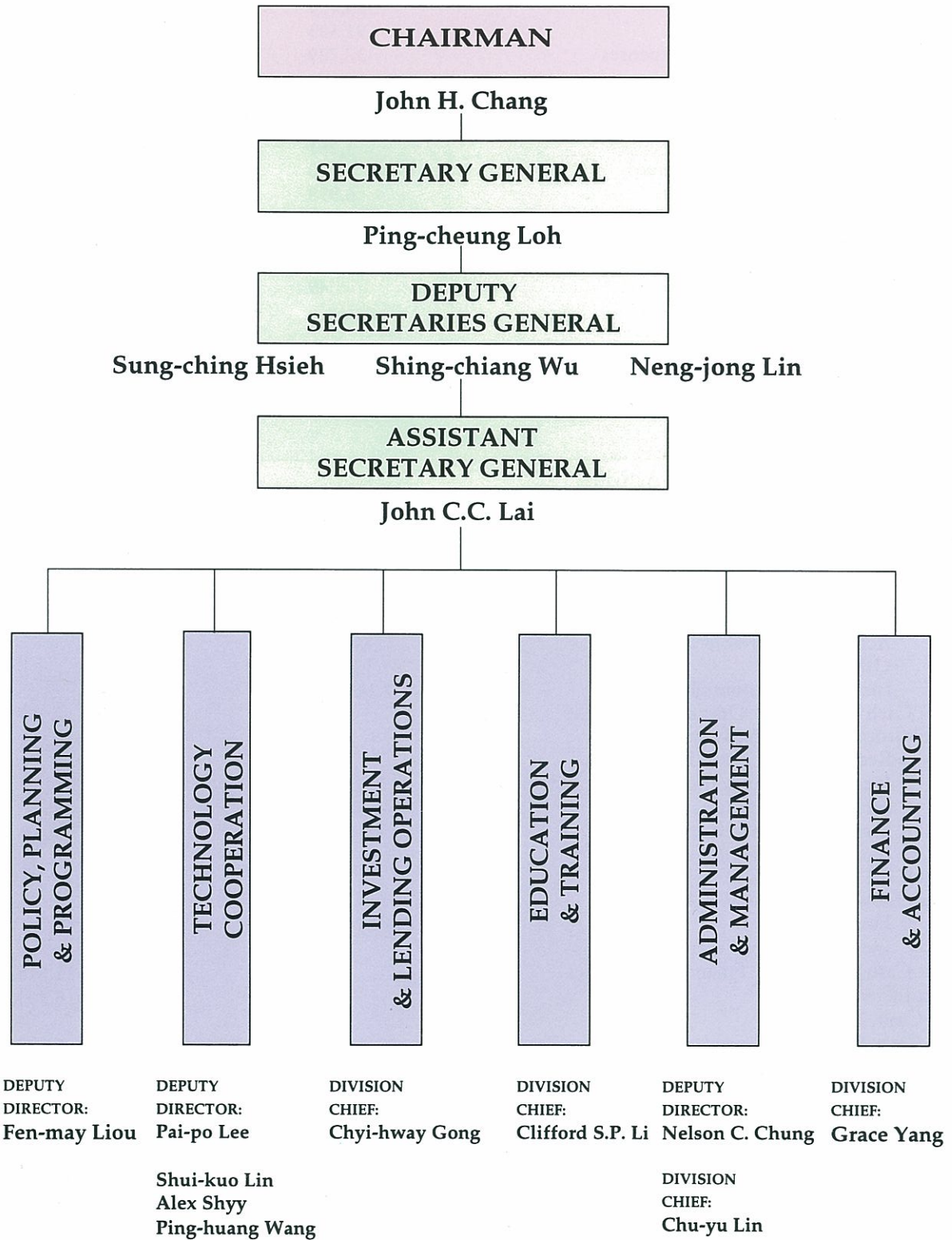
STATEMENT OF CASH FLOWS
1 July 1996 – 30 June 1997
NT\$'000

Net Cash Flow from Operating Activities		
Net Income	103,608	
Adjustment for Difference Between Income Flow and Cash		
Add: Depreciation Expenses	643	
Provision for Bad Debts	350,000	
Receipts from Property Sale	139	
Accounts Receivable	(148,379)	
Other Assets	(5,262)	
Increase in Accounts Payable	7,140,501	
Net Cash Provided by Operating Activities		307,889
Cash from Investing Activities		
Receipts from Sale of Fixed Assets	51	
Increase in Long-term Investment & Lending	(4,921,900)	
Increase in Fixed Assets	(17,602)	
Increase in Deposits to Suppliers	(176)	
Increase in Intangible Assets	(34)	
Net Cash Used for Investing Activities		(4,939,752)
Cash Flows from Financing Activities		
Funds Increase	11,614,338	
Increase in Deposits from Suppliers	1,068	
Net Cash Provided by Financing Activities		11,615,406
Net Increase in Cash		6,983,543
Cash, 1 July 1996		—
Cash, 30 June 1997		6,983,543

CHANGES IN EQUITY
1 July 1996 – 30 June 1997
NT\$'000

Funds	11,614,339		11,614,339
Accumulated Surplus		103,608	103,608
Total	11,614,339	103,608	11,717,947

ORGANIZATIONAL STRUCTURE





CHAIRMAN
John H. Chang



**SECRETARY
GENERAL**
Ping-cheung Loh

DEPUTY SECRETARIES GENERAL



Sung-ching Hsieh



Shing-chiang Wu



Neng-jong Lin



**ASSISTANT
SECRETARY
GENERAL**

John C.C. Lai



**POLICY, PLANNING
& PROGRAMMING**
DEPUTY DIRECTOR:
Fen-may Liou



TECHNOLOGY COOPERATION
DEPUTY DIRECTOR:
Pai-po Lee



Shiu-kuo Lin



Alex Shyy



Ping-huang Wang



ADMINISTRATION & MANAGEMENT
DEPUTY DIRECTOR:
Nelson C. Chung



DIVISION CHIEF:
Chu-yu Lin



**INVESTMENT &
LENDING**
DIVISION CHIEF:
Chyi-hway Gong



**EDUCATION &
TRAINING**
DIVISION CHIEF:
Clifford S.P. Li



**FINANCE &
ACCOUNTING**
DIVISION CHIEF:
Grace Yang

This English report is an abridged version of the International Cooperation and Development Fund's Annual Report 1 July 1996 – 30 June 1997. For a copy of the official (Chinese) version, please contact the ICDF.

Published by

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August 1997

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