

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.



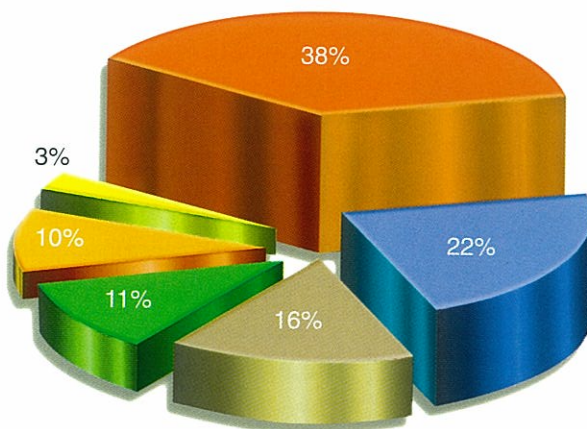
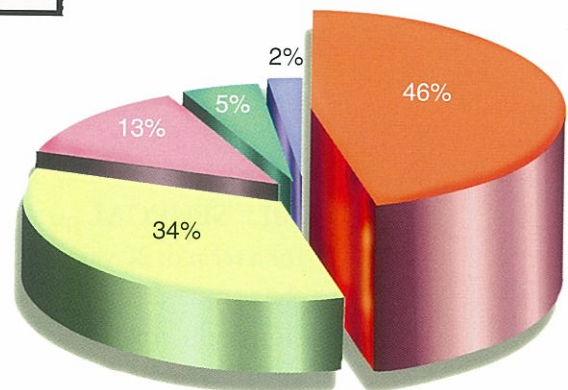
VIII. KINGDOM OF SWAZI-LAND — A loan of US\$4 million for construction of an international highway between Mbadane-Ngwenya and Luyengo-Sicununusa. The term will be 20 years, with a grace period of five years. The highway project is co-financed with the Africa Development Bank.

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.

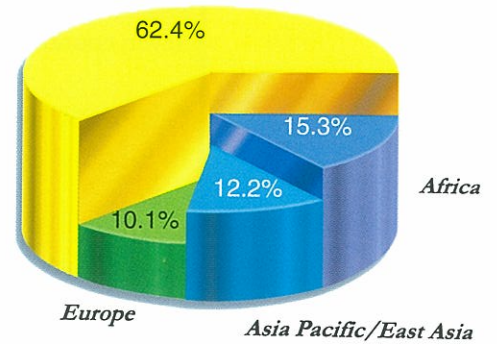
SUMMARY OF 1997 TECHNICAL COOPERATION PROGRAMS

| <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 |

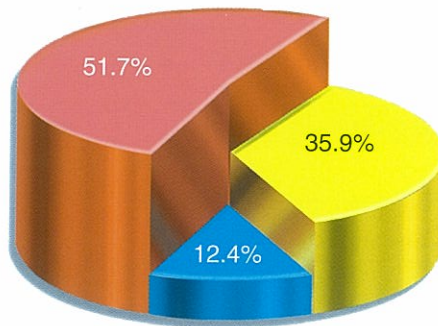
TECHNICAL COOPERATION

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

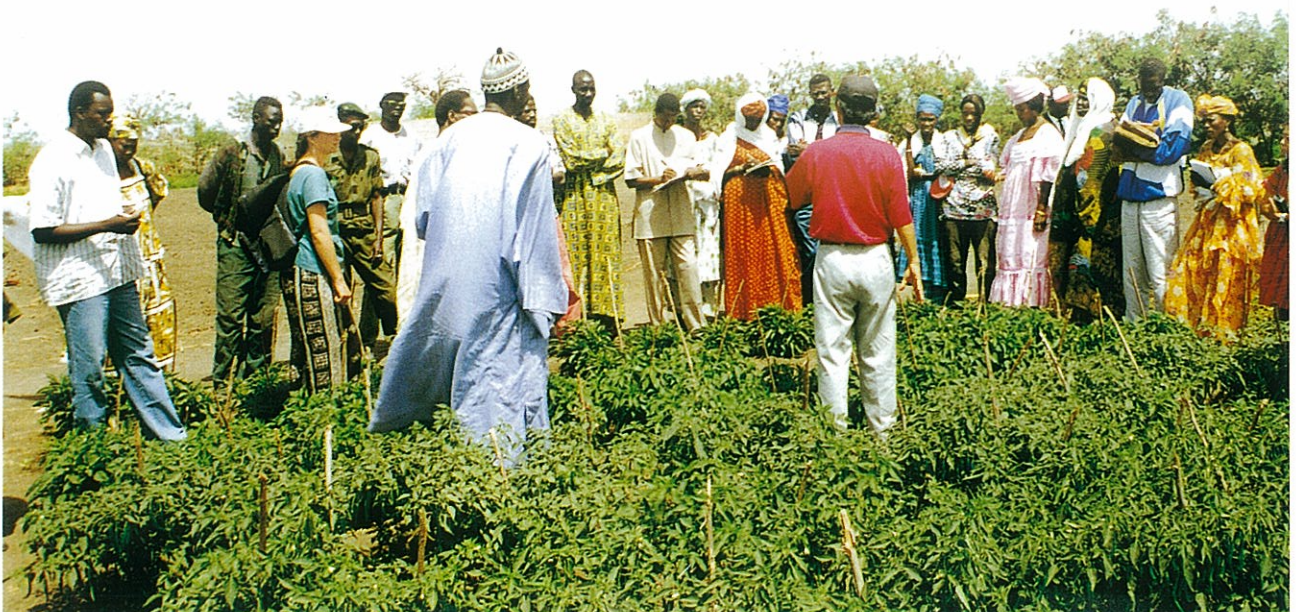
The ICDF Overseas Volunteer Program offers opportunities to qualified people to serve in developing countries. It is similar in nature to the Peace Corps of the United States and the Japan Overseas Cooperation Volunteers. The first five ROC volunteers left for Swaziland in December 1996. Agreements for 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.