

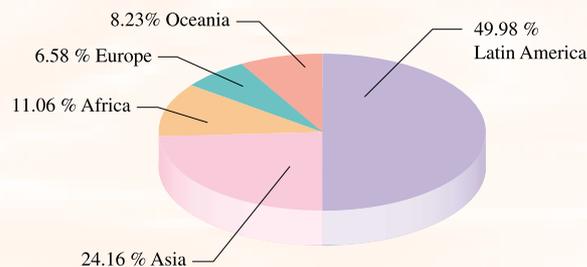
INVESTMENT AND LENDING SERVICES

The ICDF's investment and lending activities seek to achieve the objective of creating wealth by stimulating economic activities in partner countries. The focus during the 1999 fiscal year was on eliminating poverty by fostering the development of the private sector. Besides continuing to implement ongoing projects, the ICDF was also providing timely emergency relief to the Central American countries stricken by Hurricane Mitch, responding to the needs of countries that have recently established diplomatic ties with the ROC, and preparing an economic aid package for Macedonia.

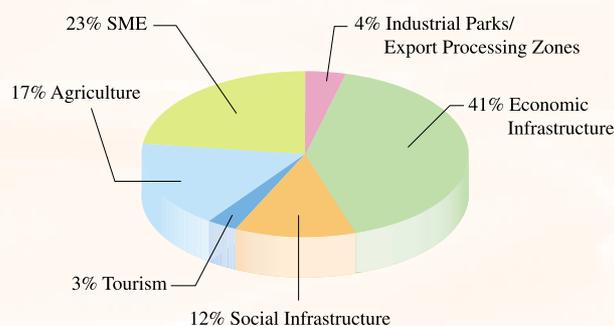
The ICDF's assistance and funds preferentially go to countries with diplomatic ties with the ROC, followed by countries that plan to establish ties, and finally by countries with no official ties but strong trade connections. Up to 1999, 36 loan programs were signed, entailing US\$380.29 million in loan commitments. As the fiscal year ended, negotiations were proceeding on another seven programs totaling US\$33.3 million, and three investment programs worth US\$5.4 million were in the planning stage.

The Central and South American region received the highest proportion of the loans, with 49.98 percent of the total committed amount going to this region. The most prevalent use of the loans was for construction of economic infrastructure: 41 percent of the total committed amount was spent on this type of program.

Geographical Distribution of Approved Loans



Program Distribution of Approved Loans



Core Programs

These programs were signed during the 1999 fiscal year:

- a rural credit project for the Solomon Islands,
- an SME relending loan for Poland,
- a private sector project for Macedonia,
- a loan program for small farmers in the East Caribbean countries of Grenada and St. Christopher,
- the Guatemala Emergency Recovery Project,
- the Honduras Emergency Recovery Project,
- the Nicaragua Emergency Recovery Project, and
- the Burkina Faso Rural Credit Project.

Programs for which commitments have been made and that are awaiting signing include:

- a loan program for small farmers in Dominica and St. Vincent,
- a garment factory investment project for Burkina Faso,
- an SME relending project for Senegal,
- microlending and potable water supply programs for Haiti,
- the El Salvador Emergency Recovery Project,
- an equity investment in the Latin American Development Co. Ltd., and
- an SME equity investment fund in Macedonia.

Commissioned Programs

The ICDF provided technical services to assist MOFA in carrying out the following programs:

- an assessment of aquaculture and animal feed plant projects in Malawi, and
- a feasibility study and planning work concerning five construction projects in São Tomé and Príncipe.

Newly Added Operations

Hurricane Mitch Emergency Recovery Program

Hurricane Mitch caused severe damage throughout the Central American region during October 1998, with Honduras and Nicaragua bearing the brunt of the hurricane's attack. In order to help the stricken countries rebuild their homelands and revive their economies, the ICDF sent two teams of specialists to the four countries of Nicaragua, Honduras, El Salvador and Guatemala to carry out emergency reconstruction projects.

Loans of US\$6 million each were made to Nicaragua and Honduras, and US\$4 million each to El Salvador and Guatemala. These loans are to help the Central American countries repair homes in stricken areas and restore agricultural activities.

Contract signing procedures for the loans to Nicaragua, Honduras and Guatemala had been completed by the end of June 1999.

Investment and Loan Programs for Macedonia

Following the ROC's establishment of diplomatic ties with the European nation of Macedonia, the ICDF sent two teams to that country to perform planning work and begin preparations to assist in the development of the private sector.

An ICDF technical mission is now in place; a US\$12 million private sector development program and a US\$2 million equity investment program are being implemented; a loan agreement for US\$12 million has been signed; and the equity investment program is being actively prepared.

Cooperative Programs with International Organizations

Formal channels for cooperation with the West African Development Bank were established this year. The ICDF participated in a Central American hurricane relief donors' conference convened by the Inter-American Development Bank, and worked with various international organizations to arrange aid for Macedonia and Kosovo.

The ICDF will continue to strengthen its cooperative programs with the Asian Development Bank, the Inter-American Development Bank, and the European Bank for Reconstruction and Development to develop opportunities for further cooperation.

Promoting Investment Operations

Although, due to lack of manpower and funding, the ICDF did not actively promote equity investment projects in the past, it conducted several such projects in fiscal 1999.

The first direct investment project was an equity investment of US\$100,000 in Haiti's Micro-Credit National Program, and the contract for a US\$2 million SME investment fund project for Macedonia (SEAF/Macedonia) was ready for signing as the fiscal year ended.

As for the joint special investment fund with the European Bank for Reconstruction and Development, the ICDF expects to participate in the privatization of Lithuania's Drobe Company, and is seeking feasible investment projects in Macedonia.

Overview of 1999 Approved Lending Programs

Rural Credit Project for Burkina Faso

Loan amount: US\$2.5 million

Period: 25 years

The goal of this program is to help Burkina Faso develop its rural economy by increasing agricultural production and encouraging rural women to participate in commerce and industry.

Loans to farmers and women will be coordinated with an NGO vocational institution, and moral authority buttressed by peer pressure will be used to ensure a high rate of repayment.

Rural Credit Project for the Solomon Islands

Loan amount: US\$2 million

Period: 15 years

The contract for this loan was signed on 10 February 1999. The objective of this program is to promote rural development in the Solomon Islands and raise rural standards of living by providing agricultural loans to farmers, microenterprises and agricultural extension households selected by ROC technical missions.

SME Relending Loan to Poland

Loan amount: US\$20 million

Period: 10 years

The program consists of a US\$19.5 million SME revolving fund and US\$500,000 for technical assistance. Since this is the ICDF's first loan program in Eastern Europe, it is hoped that sharing the developmental experiences of SMEs in Taiwan will help Poland and, at the same time, foster the extension of the ICDF's services to this region.

Contract signing was executed by a representative of the International Commercial Bank of China and the chief executive of the Polish Ministry of Industrial Development in January 1999.

SME Relending Project in Senegal

Loan amount: US\$4 million

Period: 20 years

Senegal hopes to use the developmental experience of SMEs in Taiwan as a model for growth. This program will provide short-, mid-, and long-term loans to small businesses, alleviating the problems of lack of funds and collateral among SMEs.

In conjunction with the country's economic development and export policies, the revolving fund will help increase lending to SMEs by Senegalese financial institutions. Anticipated results include increased productivity and improvement of the financial environment for SMEs.

Micro-Credit National Program in Haiti

Loan amount: US\$100,000 equity investment and US\$1.9 million financing

Period: 25 years

SMEs and microenterprises are a major driving force behind economic development in Haiti, and Haiti has very great needs for microlending funds. The ICDF is therefore providing technical assistance and assisting Haiti to establish an organization that will collaborate with local and international financial institutions to establish such a fund.

The new, professionally managed organization will offer commercial microlending services and perform loan analysis to meet a broad range of needs, and will also help train loan officers. It is anticipated that 10,000–20,000 persons will receive microloans within a five-year period.

Small Farmholders' Financing Scheme for Four East Caribbean Countries

Loan amount: US\$100,000

Period: 3 years

This program seeks to boost the effectiveness and long-term results of ROC technical missions working in the East Caribbean region. The technical missions and the respective departments of agriculture will jointly select farmers to participate in the horticulture, livestock or aquaculture extension projects, and a list of the participating farmers will be given to the loan-giving bank or NGO.

The ICDF will establish a revolving fund of US\$100,000 in the name of the technical mission at a local bank. The fund will be used to provide loans to farmers for the purchase of agricultural machinery or materials such as fertilizer and seeds. This program will help farmers to increase their income and improve their standard of living.

Institute of Female Entrepreneurs in Haiti

Donation: US\$200,000

Under this program, signed on 14 January 1999, the ICDF is donating US\$200,000 to Haiti to assist in the establishment of an Institute of Female Entrepreneurs. The funds will be used for a feasibility study of the organization and to pay its initial operating expenses. The institute expects to improve the economic power of Haitian women by finding ways to ease barriers to their entering the labor market, encouraging women's participation in handicrafts training, and assisting in training women so that they will be able to receive loans.

Country	Program	Total Cost (US\$)	ICDF Loan (US\$)
Burkina Faso	Rural Credit Project	2,500,000	2,500,000
Solomon Islands	Rural Credit Project	2,000,000	2,000,000
Poland	SME Relending Loan	20,000,000	20,000,000
Nicaragua	Hurricane Mitch Emergency Recovery Project	26,000,000	6,000,000
Honduras	Hurricane Mitch Emergency Recovery Project	8,460,000	6,000,000
Guatemala	Hurricane Mitch Emergency Recovery Project	4,800,000	4,000,000
Four East Caribbean Countries	Small Farmholders' Financing Scheme	400,000	400,000
Macedonia	Private Sector Development Program	12,000,000	12,000,000

Country	Program	Total Cost (US\$)	ICDF Loan (US\$)
Haiti	Micro-Credit National Equity Investment Loan	2,000,000	2,000,000
Senegal	SME Relending Project	4,000,000	4,000,000
El Salvador	Hurricane Mitch Emergency Recovery Project	6,760,000	4,000,000
Macedonia	SEAF Equity Investment Fund	—	2,000,000
Latin America	Latin American Development Co. Ltd.	3,300,000	3,300,000
Dominica and St. Vincent	Small Farmholders' Financing Scheme	200,000	200,000