



Financial Management

The ICDF is a non-profit organization that derives most of its income from interest on long-term lending and short-term investments, which are often influenced by global economic conditions. In terms of expenses, the ICDF has many multi-year projects that should be funded by a stable income flow. Annually budgeted project expenditures should ideally not be impacted enormously by economic fluctuations, as uncertainty in funding will affect the full achievement of project goals. As a result, the primary goals of fiscal management are to maintain steady income flows every year and increase the funds available for project use.

The ICDF has adopted a two-pronged approach to achieve the aforementioned goal. First, in an effort to reduce risk of erosion of the Fund, the ICDF carefully selects long-term investment or lending projects. Supervision is carried out periodically during the implementation of these projects to discover any potential problems as early as possible. The ICDF also sets aside bad loan reserves for the loan portfolio and adopts sovereign risk management strategies to avoid any erosion on the net worth of the Fund.

Secondly, the ICDF has to reduce the impact of fluctuations in the financial markets on the returns from its base capital. It builds up balanced portfolio and risk management strategies that can ensure stable income and a significant level of cash, which meet operational needs. To strengthen credit risk controls in 2003, the ICDF amended guidelines governing the management of its funds. The new requirements call for a specific credit rating level for investments and institutions where funds are placed. In the future, the asset quality controls will be implemented through a financial asset management system to ensure a strong financial environment at the ICDF.

Instruments that provide fixed returns dominate the ICDF investment portfolio, with only a small portion of funds invested in stocks. Based on assessments of capital need, the ICDF invests in products with different dates of maturity. This practice also helps limit investment risk and raise returns. Fixed income investments primarily generate stable interest income which help the ICDF avoid risks inherent in interest rate fluctuations.

The weak global economy in recent years has seen interest rates fall to unprecedented lows. To compensate for lower interest income, the ICDF has placed a portion of its investment funds in reverse floating interest rate bonds. Amended fiscal management guidelines have increased investment flexibility and, in the future, even more financial products will be included in the ICDF portfolio. This should further diversify market risks and allow the ICDF to hold the most appropriate investment portfolio for its current needs.

The following details the utilization of ICDF funds, income and expenditures:

Fund Utilization

As of the December 31, 2003, the accumulated amount of ICDF loan contracts are US\$474,973,000. Of this, US\$347,175,000, or 73 percent, has already been disbursed to borrowers. The un-disbursed funds are held mostly in bank deposits, short-term bills or bonds. The board has approved NT\$500 million for investing in stocks or mutual funds in an effort to raise investment returns.

Income and Expenditures

Income

The ICDF's income comes from interest on long-term lending and investments. In 2003, interest on long-term loans amounted to NT\$248,461,695, while income from financial operations stood at NT\$266,487,384. Other income and returns amounted to NT\$92,781,765. Altogether, income for the year stood at NT\$607,730,844, which was used to fund various ICDF operations and management expenses.

Expenditures

In 2003, the ICDF expenditures related to its investment and lending operations totaled NT\$126,667,238. In addition, the ICDF activated NT\$89,204,359 in technical cooperation expenditures, NT\$85,215,114 in education and training expenditures, NT\$49,027,969 in operations planning expenditures, NT\$90,012,567 in general and administrative expenditures, and NT\$152,912,527 in other expenses and losses. Total expenditures for the year totaled NT\$593,039,774, with an end of the year budget surplus of NT\$14,691,070.

ICDF FY 2003 Income and Expenditures

Unit: NT\$1

Category	Amount
Income	
Interest Income from Long-term Lending	248,461,695
Financial Operations Income	266,487,384
Other Income and Returns	92,781,765
Total Income	607,730,844
Expenditures	
Investment and Lending Expenditures	126,667,238
Technical Cooperation Expenditures	89,204,359
Education and Training Expenditures	85,215,114
Operations Planning Expenditures	49,027,969
General and Administrative Expenditures	90,012,567
Other Expenses and Losses	152,912,527
Total Expenditures	593,039,774
Surplus	14,691,070