

# 4

## Organizational Management



## Financial Management

The objective of the TaiwanICDF's financial management is to ensure stable returns and to provide the capital needed for the organization's sustainable operations. With financial stability the priority, the organization pursues reasonable returns through its diversified assets allocation and well-controlled risk.

### Fund Utilization

The TaiwanICDF's fund balances (the Fund) come predominantly from its founding fund, donated fund, and accumulated earnings. The funds can be used only to finance investments, loans, and credit guarantees for development projects. An uncommitted portion of the Fund 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. The TaiwanICDF's Fund utilization as of the end of 2007 is shown in the chart below. Investment and lending for development projects accounts for about 41% of total assets. The organization obtains its income from its operating revenues (loan interest payments, investment revenues, and guarantee fees) and non-operating income and gains. These revenues are used to support operational and administrative expenses for the following year. In 2007, the average interest rate on lending projects stood at 3.5%, while the return on the uncommitted portion was the same figure.

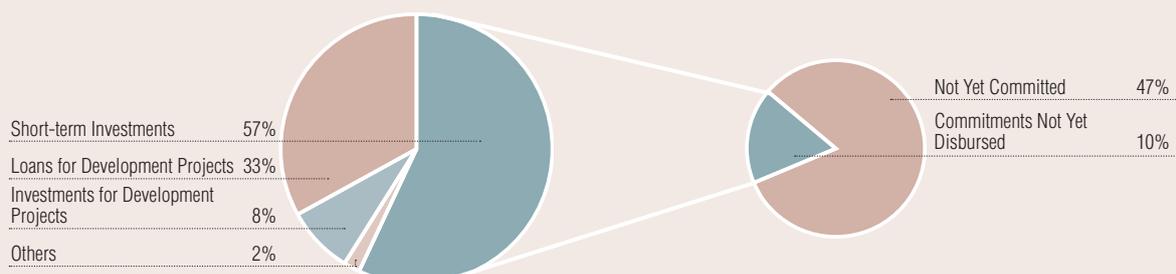
### Management of Developmental Investment and Lending Projects

As of December 31, 2007, the TaiwanICDF was involved in 12 developmental investment projects, with the balance of investment amounting to US\$39.09 million. The agency was also operating 71 lending projects, with commitments amounting to about US\$527.02 million. Accumulated disbursements of loans stood at US\$415.59 million, equivalent to 90% of net commitments, while total principal repayments were US\$230.45 million, translating to 56% of all funds extended. As of the end of 2007, allowances for bad debts of US\$6.7 million were made, according to the regulations for the TaiwanICDF's "Dealings with Past-Due/Non-Performing Loans and Bad Debts."

### Management of Uncommitted Portion

The uncommitted portion of the Fund is used in short-term investment in adherence with the organization's Guidelines on Fund Management and other internal controls. The TaiwanICDF engages in investment analysis, including portfolio allocation, and deciding instruments of investment and amounts, based on current and expected economic trends and the business environment. The short-term investment proposals are vetted by the Financial Management Committee, after which investments are made. In 2007, rates on commercial paper were low in comparison to time deposits. In addition, bond

Fund Utilization in 2007



yields were weaker than anticipated. As a result, the TaiwanICDF increased its weighting of time deposits during the year, while modestly reducing its bond holdings. For the year as a whole, the return on short-term investment was 3.5%, which was slightly higher than the return of 2.9% in 2006. The allocation of short-term investments as of the end of December is depicted in the chart overleaf.

## Prospects

The American sub-prime mortgage crisis has caused turbulence in the banking market and has led

to a tightening of credit. This, coupled with the rise in international crude oil prices, is expected to trigger a slowdown in worldwide economic growth in the coming year. The TaiwanICDF will further diversify its short-term investment portfolio and manage its investments in a flexible manner in an attempt to maintain stable revenues and ensure security and liquidity. In addition, the TaiwanICDF also adjusts its foreign currency assets based on currency value and interest spread between the NT dollar and foreign currency deposits. This will help the organization pursue stable returns on its invested assets.

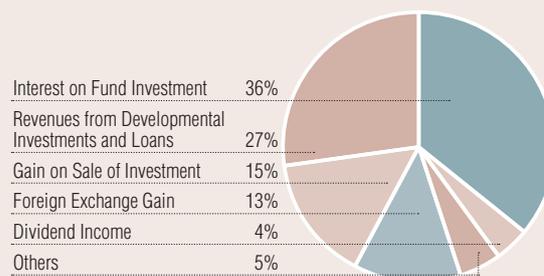
## Accounting Management

The TaiwanICDF's Fund interest, investment returns and loan interest income, along with revenues from contracted projects, support the organization's annual operations. Excluding the founding and donated fund, the organization uses its income to cover operational and administrative expenses as well as grants for humanitarian assistance. As for income derived from government-contracted projects, the TaiwanICDF receives funds from the MOFA to be used in managing overseas missions and services. In 2007, it was also contracted by the EPA to carry out the Central America Environmental Technology Cooperation Project. The Council of Agriculture also contracted the TaiwanICDF to carry out projects to upgrade the agricultural products of Pacific Allies, and host the Forum on Building the Constructive Fishery Partnership between South Pacific Countries and Taiwan. Lastly, the TaiwanICDF is contracted by the OCAC to carry out the training program for Overseas Compatriot Servicemen.

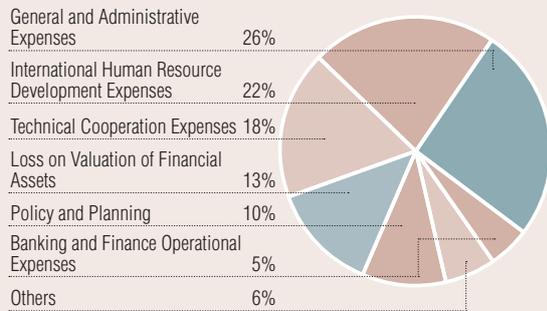
In 2007, revenue from government-contracted projects was NT\$1.44 billion (US\$44.5 million), 99% of which was associated with the MOFA's international technical cooperation projects

(overseas technical and medical missions, and Taiwan Youth Overseas Service ), with the rest coming from other government agencies. After carrying out the aforementioned contracted projects, a small portion was left as surplus. Meanwhile, revenue (excluding contracted revenue) was NT\$622.73 million, which was a rise of 10.34% from NT\$564.36 million in 2006. Expenditures (excluding expenses for commissioned projects) for 2007 amounted to NT\$359.32 million, against NT\$440.88 million in 2006. For the year as a whole, net income stood at NT\$263.47 million, against net income of NT\$131.62 million in 2006. This amount was significantly higher than the budgeted figure of NT\$131.85 million. The revenue and expenditures

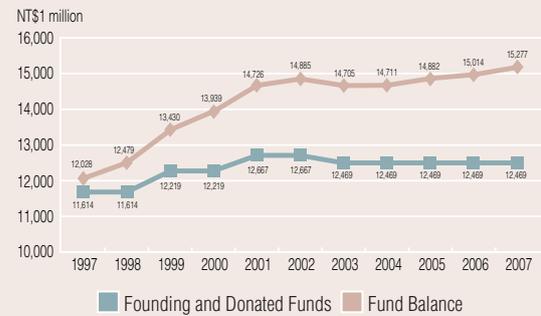
**Income Revenue Distribution in 2007**



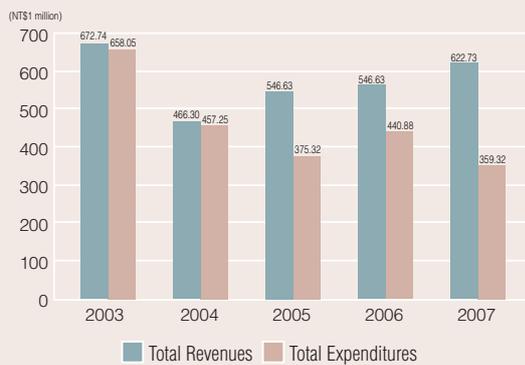
### Expenditures Distribution in 2007



### Fund and Fund Balance Trend Chart



### Revenue and Expenditures Chart for 2003-2007



associated with the Fund for 2007 and for the period between 2003 and 2007 are indicated in the three charts above:

### Fund Utilization and Balance

As of the end of 2007, the Fund had a Fund Balance of NT\$15.28 billion (including founding and donated funds of NT\$12.47 billion and accumulated earnings of NT\$2.81 billion), which was a rise of 1.75%, or NT\$263.47 million, from the end of 2006. Historical fluctuations in the Fund Balance are shown in the chart above.

In 2007, the TaiwanICDF's total assets stood at

NT\$15.51 billion, including current assets of NT\$6.41 billion, long-term loans and investments of NT\$8.22 billion, fixed assets of NT\$9.06 million, and other assets of NT\$868.12 million. The organization's total liabilities stood at NT\$227.5 million while the total Fund Balance stood at NT\$15.28 billion.

### Budget Execution

In 2007, the TaiwanICDF was contracted by the MOFA to carry out international technical cooperation operations, which included implementation of overseas technical and medical missions, 15 contracted programs, training for servicemen in the Taiwan Youth Overseas Service and contracted seminars. The total budget for these contracted projects was NT\$1.486 billion, while the actual amount used was NT\$1.431 billion, equivalent to a utilization rate of 96.27%. The actual amount used for overseas missions was NT\$1.152 billion, translating to a utilization rate of 98.56%.

Of the TaiwanICDF's Fund, expenditures for operational expenses amounted to NT\$289.41 million, compared with a budget plan of NT\$449.07 million, translating to a utilization rate of 64.45%. The above chart shows budgeted expenditures and actual spending in 2007.

## Public Relations Initiatives

Since its inception in 1996, the TaiwanICDF has employed a variety of channels to publicize and promote its activities. The main purposes of the organization's public information campaign are to increase public understanding of its operations and development cooperation in general, and to reinforce transparency and accountability, in keeping with the principles of development institutions worldwide.

### 1. Web-site and New Media

Since 2000, the TaiwanICDF has maintained a Web site in Chinese and English, which provides information on the organization's history, different areas of operations, and updated country-specific pages, detailing the background and progress of projects in partner nations. Other features include an events section, press releases, online versions of current and past annual reports, and information on the International Workshops and International Higher Education Scholarship Programs. Meanwhile, in February 2002, the organization began issuing monthly electronic newsletters, with updates on projects, articles on the TaiwanICDF's operations and activities, and the latest international development issues.

### 2. Publications

In addition to its annual report, which is available in English, Chinese, and Spanish, the TaiwanICDF publishes books, brochures, and leaflets on its work. These range from academic analysis and case studies in journals, to personal accounts from people who have been involved with the Taiwan Youth Overseas Service, TaiwanICDF Overseas Volunteers, and technical missions.

In 2007, the TaiwanICDF updated its "Overview of International Development and Cooperation." This book serves as a starting point for discussion of international development cooperation issues. This past year, other publications included an in-depth account of the organization's antimalaria drive in São Tomé and Príncipe, and a brochure documenting the

achievements of the TaiwanICDF MMMs.

### 3. Mass Media

In 2007, the TaiwanICDF continued its cooperation with the print and electronic media, running a series of features and reports. For example, it worked with Sinorama magazine on a feature about international development cooperation, and held a series of symposiums with the Economic Daily News on the global configurations and partnerships involving Taiwan's industry. It also collaborated with the English-language daily Taiwan News on a series of articles for the e-newsletter.

The TaiwanICDF also produces short promotional films, using experienced directors and well-known public figures. These infomercials depict the work of volunteers and servicemen in Taiwan's partner countries, and are broadcast on television and in local movie theaters. As well as these shorter promos, the organization produces documentary features, which are broadcast domestically and internationally. At time of press, the TaiwanICDF was cooperating with the MOFA, and the Government Information Office, on production of a documentary and an introductory film on Taiwan-led cooperation in Africa, Latin America, and the Pacific. The films were scheduled for completion in 2008.

### 4. Events and Activities

#### (1) Forums

In 2007, the TaiwanICDF worked with the industrial and academic sectors to hold a number of forums and international symposiums, including the Taiwan Oceanic Affairs and Marine Law International Seminar held in cooperation with National Taiwan Ocean University, and the 2007 IPSF World Conference held in cooperation with the Pharmaceutical Students' Association Taiwan. Lectures and discussions on a wide range of topics helped to foster an exchange of ideas between people of various nationalities and institutions, with the events reported in local print media.

## (2) The 2007 Youth Camp

Twelve undergraduate and post-graduate students were dispatched to Guatemala in two groups to experience TaiwanICDF operations on site. The participants, who had been selected as the top bloggers in the TaiwanICDF's "Discover the World through Blogging" competition, came through a series of interviews and evaluations. The students gained firsthand experience of the day-to-day duties and activities of the TaiwanICDF's overseas experts and took part in basic practical instruction, giving them an insight into the philosophy and methodology behind the organization's assistance efforts. To document the Youth Camp's experiences, the TaiwanICDF published a book entitled "Discovering Guatemala – A Blogger's Adventure with the TaiwanICDF," which

is a compilation of images and text from the students' visit to Central American nation.

## 5. Education Drive

A corollary of the primary goal of increasing public awareness is the desire to nurture a new generation of talent with expertise in international affairs. To this end, the TaiwanICDF strengthened its presence on university campuses and interacted with more students than ever over this past year. The aim has been to provide a forum for discussion of international development, and cultivate an interest in such work. Meanwhile, plans are underway to make international development a topic on higher education curriculums in Taiwan.

# Administration and Information Management

The key tasks facing the TaiwanICDF's administrative management include operational expansion, keeping in tune with the trend of knowledge management, and establishing humanistic management. At the same time, it is seeking to reduce organizational risks and to improve operational synergy via inter-departmental cooperation. In 2007, the TaiwanICDF's administrative management continued to focus on making the best use of existing human resources, supported by ICT, in order to create an innovative, integrated and efficient working environment for staff that conforms to internal and external requirements.

## 1. Innovative Operations

### (1) Creation of Audio-Visual Conference System

Real-time information and effective communications are critical elements in successful decision-making. Different time zones and geographic distances affect the capacity of the TaiwanICDF to coordinate with overseas missions. In an effort to improve communications and reduce expensive international telecommunications costs, the

TaiwanICDF in 2007 established an international audio-visual conferencing system and selected 10 missions in nine countries in Latin America to test it, as communications infrastructure and maintenance personnel permits. The TaiwanICDF will expand this system to other areas and missions to boost communication efficiency.

### (2) Introduction of Online Document Approval System

To raise administrative efficiency in the processing of documents and to reduce the use of paper, the TaiwanICDF in 2007 applied the government's Electronic Signature Law and National Archives Administration regulations in its operations. The TaiwanICDF's Enterprise Information Portal (EIP) features an online document approval system, which is compatible with the online certification system. The TaiwanICDF began implementing the system in June and it was operational by the end of October. As of the end of the year, it helped the TaiwanICDF to reduce its use of paper in documents by about 40%. In addition, the introduction of an online viewing function has

helped to significantly cut back on the storage space required to archive documents. This has also reduced the amount of manpower and time required for the circulation of documents.

### **(3) Implementation of Technical Mission Performance Management Plan**

In order to enhance the working output of the overseas missions, The TaiwanICDF, based on its management regulations and system, reviewed and reappraised its performance evaluation standards and procedures, bonuses and incentive system, and connected its staffs performance with their career plans. This five-stage performance appraisal system, which features seven performance grades and 19 award levels, was established in 2007. The TaiwanICDF is also drafting an “Individual Development Plan” to better integrate performance and on-the-job training.

### **(4) Development of Scholarship Project and Property Management Information System**

The TaiwanICDF in 2007 completed the development of a scholarship project system under its EIP to manage the organization’s International Higher Education Scholarship Programs and related information. The system went online in May, and by October data on 21 courses of study at 13 universities, and the 319 students who have received scholarships since the inception of the programs, had been entered into the system. This makes it easy for users to look at data on students from various regions or countries and to share information, while at the same time reducing manpower costs required in filing large amounts of documents. In 2007, the TaiwanICDF also developed a brand new property management information system on the EIP platform, which successfully replaced the original database, thus increasing the efficiency of property management, boosting access to data sharing, and reducing system maintenance costs.

## **2. Integrating Internal and External Resources**

### **(1) Strengthening Information Security**

The TaiwanICDF in 2007 established a Security

Operation Center to improve the quality of information safety. Dedicated personnel monitor the flow of information on the organization’s network round-the-clock. In the event of any threat or security breach, the center will notify the organization’s Information and Communication Security Team within five minutes to instigate the protection mechanism. Within 24 hours, all malicious software attacking the system will be removed and efforts will be made to trace the source of the attack and bar it from threatening the system again. A vulnerability assessment scanning system scans the network on a regular basis in an attempt to uncover any gaps in security and prevent a zero day attack. Drills are held on what to do when the system comes under attack by hackers and to spot and repair any weaknesses, ensuring information security. Lastly, the TaiwanICDF holds information security lectures to strengthen data security awareness among employees. It also sends out notices as needed, to remind staff not to fall prey to Internet scams.

### **(2) Accounting Voucher System**

The TaiwanICDF has already adopted an e-form and online approval and verification for its procurement operations. However, the production and issuance of vouchers still requires the input of procurement data into the accounting system. As a result, in 2007 the TaiwanICDF completed an accounting voucher operational platform, enabling the data already entered into e-forms to be automatically transferred to the accounting system. This alleviates time and manpower required to enter the data a second time in the accounting system, and it also raises the accuracy of information.

### **(3) Procurement Management Information System**

In order to ensure the efficient provision of goods and equipment to overseas missions, all procurement applications for 2007 were completed by June. The establishment of this management platform integrates operational procedures and information, and categorizes types of procurements, pricing, and delivery schedules. As a result, procurement budgets

are also rapidly and accurately drawn up, boosting convenience to all overseas missions.

#### **(4) Expansion of EIP Service Levels**

The TaiwanICDF has also continued to integrate information systems over the past year. In addition to establishing a souvenir procurement and application/receipt system, the organization included overseas mission procurement and property management systems in the EIP platform, facilitating management of procurements by overseas missions and the drafting of property reports. This not only shrinks the lag in information between the TaiwanICDF and overseas missions, but also raises operational and management efficiency.

### **3. Human Resource Cultivation and Development**

#### **(1) TaiwanICDF Scholarship Programs for Future Overseas Personnel**

The TaiwanICDF in 2006 joined with National Taiwan University and National Chung Hsing University to found the TaiwanICDF Scholarship Programs for Future Overseas Personnel. The aim of the program is to cultivate young people with potential, and have them join international development and cooperation activities, helping the youth expand their international perspective. Five master's degree students were accepted into the scholarship program in its first year. Two have completed their military service and in 2008 will be dispatched to two overseas missions. A second group of six graduate students was accepted into the program in 2007.

#### **(2) Training Project for Returned Overseas Servicemen**

To further train young men who have completed their Youth Overseas Service to become formal staff of overseas missions, the TaiwanICDF initiated a program to train returned Taiwan Overseas Servicemen in 2006. Six servicemen were accepted into the program in its first year and completed their training and passed an entrance examination in 2007. The young men now have credentials as technicians and

have been dispatched to six missions. In 2007, three discharged servicemen, with expertise in agronomy, horticulture, and husbandry, were accepted into the program and began five months of training in the field in three countries. These individuals were set to be dispatched to overseas missions in April 2008.

#### **(3) Overseas Mission Personnel Training**

Over the past year, the TaiwanICDF has adjusted training methods for the staff of its overseas missions. In the past, the TaiwanICDF allowed staff to decide on the area in which they would specialize and receive training. This system has been changed to one that focuses on centralized training on the basis of expertise and status within the organization. In 2007, the TaiwanICDF held training courses for mission leaders, staff involved in production, and marketing management. A total of 88 people participated in these three courses. Topics included "The Future Development of the TaiwanICDF and Overseas Missions," "Project Cycles," "Creating Teams and Communication," and "Agribusiness Management," and courses were designed to fit the needs of the staff attending. For instance, courses attended by mission leaders emphasized leadership skills and organization management, while those focusing on farming production and marketing stressed how to develop market distribution networks and create advantages for brand value. The production management course emphasized topics such as agricultural product quality and cultivation management. Specific case examples were studied and discussed, while practical training was also provided to boost the dissemination of knowledge and exchange of experience.

A training evaluation mechanism is also being established to monitor the results of training and judge the substantive operational benefits achieved. This involves six stages: Curriculum, lessons learnt, final exams, the ability to apply what has been learnt, response and performance, and knowledge management. The evaluation not only scores staff's performance during training, but also after they have returned to their missions, which eventually will feed back to annual performance evaluation.

## 4. Introduction of ISO Quality Management Certification

### (1) Recruitment and Selection

The TaiwanICDF introduced the ISO900:2000 quality management certification system in 2007 to improve its recruitment and selection operations. Verification of the system was completed in the middle of July and the TaiwanICDF formally received international certification in September. The goal of the system is to find the right people for the right jobs at the right time. The introduction of the international quality management system helps to systemize recruitment and standardize related operations and documentation. It is hoped that the end result will be an improvement in the quality of personnel, raising operational performance.

### (2) Cashier Operations

In January 2007, the TaiwanICDF began preparing for ISO9001:2000 quality management system certification, to improve the quality and efficiency of its transactions. Verification was completed in June and formal certification received in September. Focusing on accuracy, efficiency, and service, the establishment of this quality management system helps the organization better understand the needs of its staff, raising the service quality of the TaiwanICDF's payment and securities custody.

## 5. Improving Health and Insurance Benefits for Overseas Mission Staff

The TaiwanICDF sends its technicians to developing countries throughout the world to carry out international cooperation. Some of these nations feature unstable domestic situations, with political unrest at times posing security risks. The TaiwanICDF has increased insurance for staff and their family members in these potentially volatile regions. By increasing the number of people insured and the coverage offered, the TaiwanICDF has reduced its premium expenses and has simplified administrative procedures. In addition, as the quality of medical care offered in these countries varies, the TaiwanICDF has

signed a contract with Tri-Service General Hospital to help provide health care for its staff. This replaces the previous system in which staff underwent physical exams in countries where they were stationed. It also provides for a more comprehensive examination and more accurate results, enabling the TaiwanICDF to achieve the twin goals of providing preventive medicine for its employees, and overcoming medical shortcomings in partner countries.

### Outstanding Personnel and Missions in 2007

TaiwanICDF Outstanding Personnel	
Best Supervisor	Administration and Management Department Director Chen Ai-chen
Best Staff Members	Banking and Finance Department Ms. Kuo Mei-yun
	Administration and Management Department Ms. Wen Hsi-chen
Distinguished Staff Member	Technical Cooperation Department Mr. Yen Ming-hong
Outstanding Missions & Personnel	
Best Mission	Technical Mission in Nicaragua
Distinguished Mission	Technical Mission in São Tomé and Príncipe
Best Mission Leader	Technical Mission in Swaziland Mission Leader Yeh Chang-ching
Distinguished Mission Leader	Technical Mission in Indonesia Mission Leader Lee Ching-shui
Best Mission Personnel	Technical Mission in Indonesia Technician Huang Chih-hsien
	Technical Mission in Burkina Faso Technician Tsai Ming-yi
	Technical Mission in Guatemala Expert Lin Shih-hsun
Distinguished Mission Personnel	Technical Mission in the Marshall Islands Technician Lin Yu-hung
	Technical Mission in Swaziland Technician Lin Chun-heng
	Technical Mission in Honduras Technician Liu Yin-min

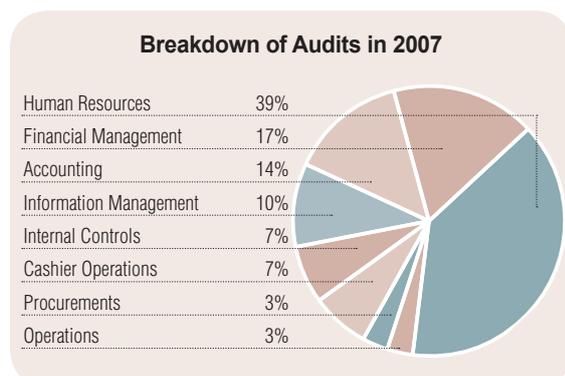
## Auditing

The focus of 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 of all financial and accounting information; (3) Measuring the effectiveness of methods to protect the organization's assets; (4) Assessing whether the organization's assets have been employed economically; (5) Examining whether the results of operations and projects conform to previously set objectives and have achieved the desired results; (6) Examining the projects implemented by overseas missions and the special funds held by each mission, along with missions' accounting and payment operations.

### Audits

A total of 29 audits were carried out in 2007, with 16 mandated by the Board of Directors and Supervisors, and another 13 extraordinary audits ordered by high-ranking managers. The main concern of the audits was to examine risk factors and whether internal controls were being respected.

The audits for 2007 were as follows: 11 were related to operations, five to procurements, four to cashier operations, three to human resources, two each to internal controls and information, and one each to accounting and financial affairs. A breakdown of these audits is shown in the following chart.



### Results of Audit Work

In 2007, the audits yielded a total of 102 suggestions: 69 on operations, 12 on procurements, nine on internal controls, four on financial affairs, three on information, two each on accounting and human resources, and one on treasury. The breakdown of suggestions is shown in the chart below.



The results and suggestions of the audits in 2007 will strengthen the TaiwanICDF's internal controls as well as inter-departmental examination, boost risk awareness among employees, ensure the safety of the organization's assets, and guarantee the reliability and accuracy of financial and operational information.