

REPUBLIC OF CHINA (TAIWAN)

Even though a signatory to the Paris Declaration, participation of Taiwan in the 2006 Paris monitoring survey was limited, with only 1 entry (Burkina Faso). Because of this restricted coverage, results cannot be relied upon to be representative and are thus not reported.

1) QUANTITY OF AID

1.1. Current/Recent Quantity Performance:

	2006	as % of GNI
ODA Net Disbursements	513.0	0.14%

Source: OECD/DAC database, table 1.

In 2006, Taiwan's net ODA stood at US\$ 513 million, up 22% from US\$ 421 million in 2004. For 2006, this represented 0.14% of Taiwan's GNI.

1.2. Future Quantity Intent

Taiwan does not have any formal plan/strategy to change its ODA levels in future years. However, it has recently stated that "*there is still room for growth in official funding*" (ICDF, 2007a, p53), implying that it does plan to increase its aid in future years.

2) KEY AGENCIES/MECHANISMS

2.1 Bilateral Agencies and Structures

Ministry of Foreign Affairs (MOFA)

The Ministry of Foreign Affairs is in charge of foreign policy. Aid is an important part of Taiwan's efforts to get diplomatic recognition by other countries in the face of mainland China's 'One China Policy'. The International Cooperation and Development Fund (ICDF) falls under the auspices of MOFA.

International Cooperation and Development Fund (ICDF, 2007a and 2007b)

The International Cooperation and Development Fund (ICDF) is responsible for Taiwan's aid programme. Founded in 1996, its overall aim is "*to share the 'Taiwan Experience' of growth and opportunity and make the world a safer, more prosperous, and inclusive place to live*". ICDF's Board consists of 13 Directors, including the Chairman (the Minister of Foreign Affairs) and the Central Bank, Ministry of Economic Affairs, national industrial and commercial groups, and universities. ICDF has its own resources, but also implements projects on behalf of other Government agencies, including MOFA and the Bureau of Foreign Trade. It is also commissioned by MOFA to operate 34 technical and medical missions in 29 countries.

Taiwan Export-Import Bank (EXIM, no date)

Taiwan's EXIM Bank provides the standard services of an export-import bank: export insurance, credit services, guarantee services and relending facilities. It is fully

owned by the Government of Taiwan. It is unclear how much of Taiwan's export credits qualify under the OECD's Development Assistance Committee ODA definition.

Taiwan International Health Action (Taiwan IHA, 2006)

The recently (2006) founded Taiwan International Health Action (IHA) is a good example of the manner in which Taiwan seeks cooperation with multilateral institutions and NGO's to bypass the difficulties it faces with the standard bilateral channels. It pulls together the resources of various Government departments and the private sector, aiming to create an organisation dedicated to 'medical care without borders', and increase its diplomatic recognition and international standing.

Emergency Response Fund

In February 2006, ICDF and the US NGO Mercy Corps established the Emergency Response Fund, to help Taiwan rapidly disburse aid for humanitarian purposes (Mercy Corps facilitates disbursement). Each organisation contributed US\$ 5000,000 toward the creation of the fund, with the first disbursements in 2006 to refugees from the Sri Lankan conflict (ICDF (2007a, p47).

2.2 Key Policies and Legislation

There is no single document outlining Taiwanese aid policies. Information can best be gleaned from MOFA's bi-annual Foreign Policy Report and the ICDF Annual report.

Foreign Policy Report (MOFA, 2007)

The rationale for foreign aid is stated as part of Taiwan's diplomatic goals: "promoting mutual interests and co-prosperity have always been a part of our diplomatic goals". The latest report (October 2007) also states that "via cooperation, Taiwan aims at helping its allies, making them realize that Taiwan is truly their good friend".

ICDF Annual Report (ICDF 2006, 2007a)

ICDF's 2006 annual report identifies priorities for Taiwanese aid:

- furthering Taiwanese diplomatic interests
- following international best practice such as the MDGs
- as a recent 'development graduate', helping other countries find their own development paths, with therefore a premium on ownership and tailoring resources to fit the needs of each of its partner countries.

ICDF's 2005 annual report (p64-65) sets out a vision of Taiwan's aid based on 5 goals: (i) Expanding cooperative partnerships, (ii) Boosting the role of Taiwan's Private Sector, (iii) Expanding dialogue with the public, (iv) Establishing an international cooperation knowledge base, and (v) Forging an integrated platform for foreign assistance resources.

3) RECIPIENT COUNTRIES AND ALLOCATION CRITERIA

3.1. Recipient Countries

The Taiwanese authorities do not give a geographical breakdown of ODA. However, the DAC reports that its strongest regional focus has been on Africa, followed by Latin America, the Caribbean, Central and South-East Asia and the Pacific (DAC, 2007, p105). The following table gives a breakdown according to the different types of aid/sectors in which Taiwan is active. Totals are not available for the different types, and it should be kept in mind that not all of these expenditures qualify as ODA (eg the 'banking & financing projects' include equity investment by ICDF).

	Banking & Financing projects*	Overseas Mission & Related Project Expenditures	Technical Assistance Expenditure	International Humanitarian Assistance
Latin America & Caribbean	61%	41%	42%	24%
Asia-Pacific	28%	15%	34%	59%
Africa	13%	42%	24%	17%
Europe	8%	-	-	-

Source: ICDF (2007a), data are for 2006, except for the Banking & Finance column which covers data aggregated for the total of loans given out since ICDF's birth in 1996.

*includes equity investment.

Countries Receiving Taiwanese Aid

<u>Africa (5)</u>	Burkina Faso*, Sao Tome & Principe*, Gambia*, Swaziland*.
<u>Asia (including Middle East) (13)</u>	Azerbaijan, Cambodia, India, Indonesia, Kyrgyz Republic, Mongolia, Myanmar, Sri Lanka, Tajikistan, Thailand, Vietnam, Bahrain and Saudi Arabia.
<u>Pacific (9)</u>	Tuvalu*, Solomon Islands*, Papua New Guinea, Kiribati*, Philippines, Fiji, Marshall Islands*, Nauru* and Palau*.
<u>Latin America & Caribbean (14)</u>	Chile, Ecuador, Paraguay*, Peru, Panama*, Belize*, El Salvador*, Honduras*, Nicaragua*, Guatemala*, Haiti*, Dominican Republic*, St Vincent & the Grenadines* and St Christopher & Nevis*.
<u>Europe (6):</u>	Lithuania, Bulgaria, Georgia, Romania, Belarus, Moldova

Source: ICDF website (www.icdf.org.tw) and ICDF (2007a).

*Countries with diplomatic relations with Taiwan.

ICDF has aid programs in 47 countries (see table below). In the countries where Taiwan is not officially recognized (with Costa Rica breaking diplomatic ties with Taiwan in June 2007, and Malawi in January 2008, Taiwan has now 23 'allies'). Taiwanese aid is often disbursed through projects co-funded/channelled with/through NGO's and multilateral institutions (see also section 4.3). Taiwan also tries to channel aid to Tibet via the Taiwan-Tibet exchange foundation (e.g. aid programmes in the Indian province of Orissa for Tibetan refugees).

3.2. Allocation Criteria

3.2.1. Pre-selection criteria

Taiwan's pre-selection criteria are highly influenced by its efforts to establish diplomatic relations with foreign countries. The statutes of the ICDF (ICDF, 2007c) state that the Fund may only provide Technical Assistance & Cooperation to:

- *Friendly or developing countries which*
 - *Have diplomatic relations with the Republic of China (ROC)*
 - *Do not have diplomatic relations with the ROC, yet intend to cooperate with the ROC in economic development and to improve substantive relations.*
- *Any non-governmental organization as designated by the friendly or developing countries as referred to in the foregoing item.*
- *International organizations or agencies or any organization or corporate body designated by these international organizations or agencies.*

Allied countries get the bulk of Taiwanese aid, but Taiwan also delivers aid to ‘non-allied’ states. Taiwan does not have a policy of only engaging with LICs or LDCs, although in principle those are the countries getting most of its aid.

3.2.2. *Allocation criteria:*

It is not clear what exact allocation criteria are for those countries receiving Taiwanese aid. Depending on the diplomatic gains it is making, it might be that aid will be (re-) allocated to countries/regions to consolidate those gains. For example, the 2006 ICDF annual report, encouraged by the success of Taiwan’s mobile medical missions (MMMs) in the South Pacific, indicates that MOFA commissioned the ICDF to intensify cooperation efforts with respect to that region.

4) AID POLICIES

4.1. Concessionality

A considerable share of Taiwanese ODA is provided in grants (but the proportion is not known), and some in loans (but the concessionality levels are not publicly available).

According to HIPCs, Chad (which used to recognise Taiwan) and Sao Tome & Principe receive all of their Taiwanese aid in grants.

4.2. Types of Assistance

Taiwan provides relatively little balance of payments or budget support, with its bilateral aid being projects and technical assistance. However, Sao Tome has indicated that it was provided with budget support.

Taiwan is not a member of the Paris Club and has not provided any debt relief to Heavily Indebted Poor Countries (HIPCs). Full debt relief to HIPCs would cost Taiwan around US\$ 300 million, making up about 9 percent of total expected HIPC Initiative debt relief from non-Paris Club creditors (IDA and IMF, 2007, p4-5).

Taiwan has a long history of supplying developing countries with technical assistance. Its TA policy states it should be designed to fulfil the needs of partner countries (ICDF, 2007c). ICDF operates several overseas TA missions, including the Mobile Medical Missions (MMM) and the Youth Overseas Service Program. HIPC analysis of the degree to which Taiwanese TA is based on government priorities, with the Gambia and Sao Tome & Principe indicating high levels of country leadership. HIPCs assess its achievements in terms of capacity-building as lower, with only the Gambia assessing that more than 50% of Taiwanese TA effectively builds capacity.

4.3. Channels of Assistance

The OECD/DAC reports that the bulk of Taiwanese ODA is provided through bilateral channels (DAC, 2007, p105). Among HIPC, Malawi, Nicaragua and Sao Tome & Principe indicate that almost all aid is recorded on budget, though others suggest some off-budget aid for individual projects.

Taiwan is not a member state of any major international organisation, and therefore does not make formal contributions. As discussed above it has developed innovative ways of delivering aid through or with NGOs and multilateral institutions.

4.4. Sectors and Projects

Taiwan focuses its aid on the sectors in which it made accelerated progress in recent decades: agribusiness, SME development, ICT and health care. HIPC appreciate particularly the inclusion of productive and ICT sectors, and as a result indicate that in most countries Taiwanese aid goes to priority sectors and projects (best practice of almost 100% in Sao Tome & Principe).

4.5. Flexibility

Publicly available documentation does not discuss any BoP/budget support. However, HIPC (especially Sao Tome at 30-40% but also Nicaragua and the Gambia) indicate that Taiwan has been flexible in helping to fill deficits.

4.6. Predictability

DAC's Development Cooperation Report notes that the ICDF operates with a 3-year rolling programme, with the ICDF Board yearly approving "medium-term international cooperation strategies and core projects" for the next three years. However, ICDF TA programmes, which are managed via Taiwan's embassies or representative offices, work with a yearly time-frame (ICDF, 2007c). HIPC indicate a similar division, with Nicaragua and Sao Tome & Principe analysing that around two-thirds of commitments are made on a multi-year basis.

HIPC also indicate that Taiwanese aid is disbursed largely on schedule in the intended fiscal year (virtually 100% in the Gambia, and more than 75% in other countries).

4.7. Conditionality

Apart from maintaining diplomatic relations and support Taiwan in UN votes, Taiwan does not insist on any economic or political conditions, so HIPC do not experience any delays as a result.

4.8. Policy Dialogue

Taiwan does not engage in macro or sectoral policy making, and HIPC do not see it as significantly engaged in the policy dialogue. They also indicate that none of its aid commitment or disbursement decisions are linked to those of the BWIs.

5) AID PROCEDURES

5.1 Conditions Precedent

According to HIPCs, Taiwan requires very few conditions precedent, especially in the in Gambia, where it needs only a legal opinion. It does sometimes establish PIUs, but prefers to integrate these rapidly into national structures. In addition, it asks for very little counterpart funding (nil in the Gambia and Sao Tome & Principe). Overall, HIPCs assess that conditions precedent are not onerous, and cause virtually no delays in project execution in the Gambia, Malawi and Sao Tome & Principe. More information on Taiwan's conditions precedent is currently being assembled.

5.2 Disbursement Methods

HIPCs assess that a sizeable part of Taiwanese aid is disbursed as cash in advance (as high as 75% or more). Delays linked to disbursement methods are therefore reasonable with best practice in the Gambia, Malawi and Sao Tome & Principe (less than 3 months). More information on Taiwan's disbursement methods is currently being assembled.

5.3 Disbursement Procedures

According to HIPCs, Taiwan makes relatively high use of recipient government public financial management (reporting, accounting and auditing) procedures, with only evaluation done by Taiwan in the Gambia, Malawi and Sao Tome & Principe. More information on Taiwan's disbursement procedures is currently being assembled.

5.4 Procurement Procedures

ICDF retains a high degree of discretion in selecting suppliers, and most Taiwanese assistance remains tied (except budget support), or is executed by suppliers or organisations from allied countries, or cofinancing NGOs. Most HIPCs indicate that almost all Taiwanese aid is tied, but Nicaragua and Sao Tome & Principe indicate a high degree (75%) of untying. Delays related to procurement procedures are on average kept in check. Amongst HIPCs best practice can be found in the Gambia and Sao Tome where delays are in general less than 3 months. More information on Taiwan's procurement procedures is currently being assembled.

5.5 Coordination

Partly because of its difficulties establishing formal relations with other countries and membership of international organisations, Taiwan is one of the more advanced donors in coordinating with others. Two of the five pillars of ICDF's vision are heavily linked to cooperation with other aid entities.

As a result, in 2006, the ICDF was cofinancing projects with the European Bank for Reconstruction and Development (EBRD), Central American Bank for Economic Integration (CABEI), Asian Development Bank (ADB), and Inter-American Development Bank (IDB). In these projects, beneficiary countries often have no diplomatic relations with Taiwan. Similarly, ICDF works with international NGOs including the Mercy Corps (a global emergency fund), Food for the Poor (in Honduras), ActionAid (the Gambia) and World Vision (Honduras). Finally, Taiwan has cooperated with bilateral DAC donors such as Canada (in Honduras) and Germany (in Nicaragua).

On the other hand, in most countries, Taiwan conducts very few joint missions or analytical reports, though it sometimes participates in formal aid coordination structures.

Key Sources (*All internet-based sources accessed on 3 April 2008*)

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