EDCF Approaches to Support ‘Inclusive Development of Partner Countries’

- Economic Development Cooperation Fund of Korea -

October 8, 2013
1 Korea’s ODA Overview
2 EDCF Program
3 EDCF Project Cycle
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1. Korea ODA Overview
1 Korea’s ODA Overview

**Volume and Allocation**

- ODA volume shows a **steady increase**
  - (1987) US$ 20m → (2012) US$ 1,551m
  - ODA/GNI: (1987) 0.02% → (2012) 0.14%

- **Sustained growth** despite two major crises

- **Still small amount**
  - DAC $128 bn vs. $1.6 bn (2012)
1 Korea’s ODA Overview

Korea’s ODA Governance Structure

International Development Cooperation Committee (Chaired by PM)

Ministry of Strategy and Finance
- (Bilateral) Concessional Loan
  - Key implementing agency
  “Korea EXIM Bank” (EDCF)
- (Multilateral) IFIs

Ministry of Foreign Affairs
- (Bilateral) Grant
  - Key implementing agency
  “KOICA”
- (Multilateral) UN...

Coherent, coordinated ODA programs while utilizing expertise of relevant ministries
2. EDCF Programs
2 EDCF Programs

Economic Development Cooperation Fund (EDCF)

Established on June 1, 1987

Form: Bilateral ODA Concessional loans

Purpose 1: Help developing countries achieve industrial growth & economic stability

Purpose 2: Share Korea’s development experience and knowledge

Purpose 3: Strengthen bilateral economic cooperation and encourage sound development in partner countries
2 EDCF Programs

EDCF has supported 294 projects in 51 countries (the end of 2012, accumulated)

(As of December 31, 2012)

- **Commitment**: US$ 8.5bn
- **Disbursement**: US$ 3.6bn
- **Withdraw**: US$ 0.5bn
- **Loan Balance**: US$ 3.1bn

(Unit: US$ bn)
Mainly focus on Asia, expanding its assistance into Africa and the other countries as a regional diversification strategy.

Economic infrastructure (Transportation, water management, energy, etc) and Social infrastructure projects continued.
## 2 EDCF Programs

### Countries

(Million US$, the end of 2012, accumulated)

<table>
<thead>
<tr>
<th></th>
<th>Country</th>
<th>Commitments</th>
<th>Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Vietnam</td>
<td>1,670</td>
<td>43</td>
</tr>
<tr>
<td>2</td>
<td>Philippines</td>
<td>645</td>
<td>18</td>
</tr>
<tr>
<td>3</td>
<td>Bangladesh</td>
<td>584</td>
<td>17</td>
</tr>
<tr>
<td>4</td>
<td>Indonesia</td>
<td>512</td>
<td>18</td>
</tr>
<tr>
<td>5</td>
<td>Sri Lanka</td>
<td>476</td>
<td>23</td>
</tr>
<tr>
<td>6</td>
<td>Cambodia</td>
<td>378</td>
<td>12</td>
</tr>
<tr>
<td>7</td>
<td>Tanzania</td>
<td>364</td>
<td>10</td>
</tr>
<tr>
<td>8</td>
<td>Angola</td>
<td>222</td>
<td>7</td>
</tr>
<tr>
<td>9</td>
<td>Jordan</td>
<td>237</td>
<td>7</td>
</tr>
<tr>
<td>10</td>
<td>China</td>
<td>236</td>
<td>22</td>
</tr>
<tr>
<td>11</td>
<td>Pakistan</td>
<td>206</td>
<td>6</td>
</tr>
<tr>
<td>12</td>
<td>Mozambique</td>
<td>192</td>
<td>6</td>
</tr>
<tr>
<td>13</td>
<td>Ghana</td>
<td>182</td>
<td>5</td>
</tr>
<tr>
<td>14</td>
<td>Lao PDR</td>
<td>161</td>
<td>9</td>
</tr>
<tr>
<td>15</td>
<td>Nicaragua</td>
<td>150</td>
<td>7</td>
</tr>
<tr>
<td>16</td>
<td>Mongolia</td>
<td>139</td>
<td>9</td>
</tr>
<tr>
<td>17</td>
<td>Bolivia</td>
<td>137</td>
<td>4</td>
</tr>
<tr>
<td>18</td>
<td>Uzbekistan</td>
<td>132</td>
<td>6</td>
</tr>
<tr>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td>29</td>
<td>Myanmar</td>
<td>85</td>
<td>6</td>
</tr>
</tbody>
</table>

*Brunei Darussalam, Malaysia, Singapore & Thailand are not Korea’s Concessional Loan ODA partner countries.*
## EDCF Programs

### EDCF Terms & Conditions

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loan Amount</strong></td>
<td>Up to 100% of total project cost</td>
</tr>
<tr>
<td><strong>Interest Rate</strong></td>
<td>0.01%~2.5% per annum (5 income group)</td>
</tr>
<tr>
<td><strong>Repayment</strong></td>
<td>Up to 40 years</td>
</tr>
<tr>
<td><strong>Grace Period</strong></td>
<td>Max 15 years</td>
</tr>
<tr>
<td><strong>Repayment Method</strong></td>
<td>Semi-annual payment</td>
</tr>
<tr>
<td><strong>Interest Payment</strong></td>
<td>Semi-annual payment</td>
</tr>
<tr>
<td><strong>Guarantee</strong></td>
<td>Guaranteed by central government or central bank</td>
</tr>
<tr>
<td><strong>Currency</strong></td>
<td>Korea won (or USD, EUR in special case)</td>
</tr>
</tbody>
</table>
## EDCF Terms & Conditions

<table>
<thead>
<tr>
<th>Category</th>
<th>Income Level (per capita GNI ’12)</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Least Development Countries</td>
<td>0.01%</td>
</tr>
<tr>
<td>2</td>
<td>Not more than $1,025</td>
<td>0.05%</td>
</tr>
<tr>
<td>3</td>
<td>$1,026 ~ $1,945</td>
<td>0.1%</td>
</tr>
<tr>
<td>4</td>
<td>$1,946 ~ $4,035</td>
<td>0.15%</td>
</tr>
<tr>
<td>5</td>
<td>$4,036 ~ $7,035</td>
<td>0.2%</td>
</tr>
</tbody>
</table>
2 EDCF Programs

EDCF Policy Direction (4 pillars)

Increasing EDCF Volume
- Commitment (’17): 1,700bn Won
- Disbursement (’17): 1,200bn Won
  (1,200bn / 580bn in 2012)

Enhancing Effectiveness; CPS
- Increase aid effectiveness by CPS
  (Country Partnership Strategy)
- Co-financing with MDBs
  (World Bank, ADB, etc)

Green Growth
- Up to 42% of Total EDCF
- Advantages in Interest rate & Repayment / Grace Period

Catalyzing Private Investment
- Public-Private Partnership Loan
  with favorable Condition
- Guarantee to Commercial Lender
To better utilize EDCF financial resources for supporting SOC projects, EDCF is diversifying its financing instruments from stand-alone Project Loan to Sector Loan, Program Loan, Co-financing with MDBs and Public-Private Partnership Loan including Guarantee Program.

- Introducing new instruments such as sector loans and program loans to enhance the effectiveness of EDCF’s development activities
- Co-financing with MDBs and combining the ODA loan with the official export credit from the Korea Eximbank enable to support large scale infrastructure projects
- Providing funds for PPP projects and introducing Guarantee Program to catalyze private sector investment in infrastructure projects

### Types of Financing Instruments

- **EDCF Project Loans**
- **EDCF Sector Loans, Program Loans**
- Co-financing with MDBs, Mixed Credit
- Public-Private Partnership Loan, EDCF Guarantee Program
2 EDCF Programs < Public Private Partnership >

EDCF PPP Loan – funds for Partner Government’s equity investments or subsidies to SPCs
EDCF Guarantees – covering sovereign risk of projects

EDCF Loans and Guarantees for financing PPP

- Partner Government
  - Loan
  - Guarantee
- Private Investors
  - Equity
- Project Company
  - Equity
  - Loan
- Commercial Bank
EDCF introduced Guarantee Program in 2012 to catalyze for private financing by mitigating critical government performance risks in developing countries.
3. EDCF Project Cycle
3 EDCF Project Cycle

1. CPS, Program Mission & Policy Dialogue
2. Project Preparation & Loan Request
3. Appraisal
4. Pledge(commitment), A/G, A/R (F/A) & Loan Agreement
5. Project Implementation (Employment of Consultants, Procurement, Disbursement)
6. Monitoring & Evaluation

Project Cycle
4. EDCF Project Cases
(Case: Transport, Road)

- NW Provincial Road Improvement
- Hanoi-Haiphong Expressway
- Rach Gia Bypass
- Vinh Thinh Bridge

Map showing regions of Vietnam, Laos, Thailand, Cambodia, and China.
(Case: Transport, ITS)

Establishment of ITS in Santo Domingo (Dominican Rep.)

- Traffic Management Center
- Signal Control System (100 site)
- Vehicle Detection System (VDS; 38 site)
- CCTV (38 site)
- Various Message Sign (14 site)
- Signal Violation Enforcement System (6 site)
- Communication System (116km)

- Targeted Outcomes
  - Improving Traffic Speed by 10%
  - Reducing Energy Consumption by 12%
  - Reducing Traffic Accidents by 10%

- Approved in 2011 (USD 36 mil.)
(Case: Water)
(Case: e-Government)

14 EDCF e-Government Projects, totaled USD 408 mil.

- Korea’s Best Practice
  - e Procurement
  - e Customs Clearance
  - e Tax Service
  - e Civil Works
  - National Data Center, etc.

- Customs clearance (Dominican Rep., USD 23mil.)
- Immigration Info. Sys (Dominican Rep., USD 25mil.)
- Integrated Trunked Radio System for National Police (Indonesia, USD 40mil.)
- National Data Center (Angola, USD 35mil.)
- Government Information Data Center (Vietnam, USD 100mil.), etc.
(Case: Impact Evaluation)

Sri Lanka Road Rehabilitation Project

Road condition before the Rehabilitation

Road condition after the Rehabilitation

Examples of Difference in Difference (DD) method

Ratnapura Household Income

DD Impact = (P_{A2} - P_{A1}) - (P_{B2} - P_{B1})
= (2000 - 1700) - (1850 - 1750) = 200 (in millions)
Thank You!