



Economic Development
Cooperation Fund



KOREA
Sharing Hope Sharing Future

Economic Development Cooperation Fund

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<Abbreviations>

EDCF : Economic Development Cooperation Fund
 Korea Eximbank : The Export-Import Bank of Korea
 MOEF : Ministry of Economy and Finance
 MOFA : Ministry of Foreign Affairs
 ODA : Official Development Assistance



I. Overview of EDCF

1. Background

The Economic Development Cooperation Fund (EDCF) was established by the government of Korea on June 1, 1987, with the purpose of promoting economic cooperation between Korea and developing countries. Drawing on Korea's own development experiences over many years, EDCF assists developing countries by providing financing to help them achieve economic development.

The Fund Management Council is the highest policy-making authority of EDCF. The direction of EDCF operations and the assumption of principal policy-making responsibilities rest with the Ministry of Economy and Finance (MOEF).

Entrusted by MOEF, the Export-Import Bank of Korea (Korea Eximbank) is responsible for managing EDCF operations such as project appraisal, loan agreement execution, loan disbursements, and project evaluation.

2. Korea's Role in Development Cooperation

On January 1, 2010, Korea joined the OECD Development Assistance Committee (DAC), which is a unique international forum of many of the largest providers of aid, including 31 members.

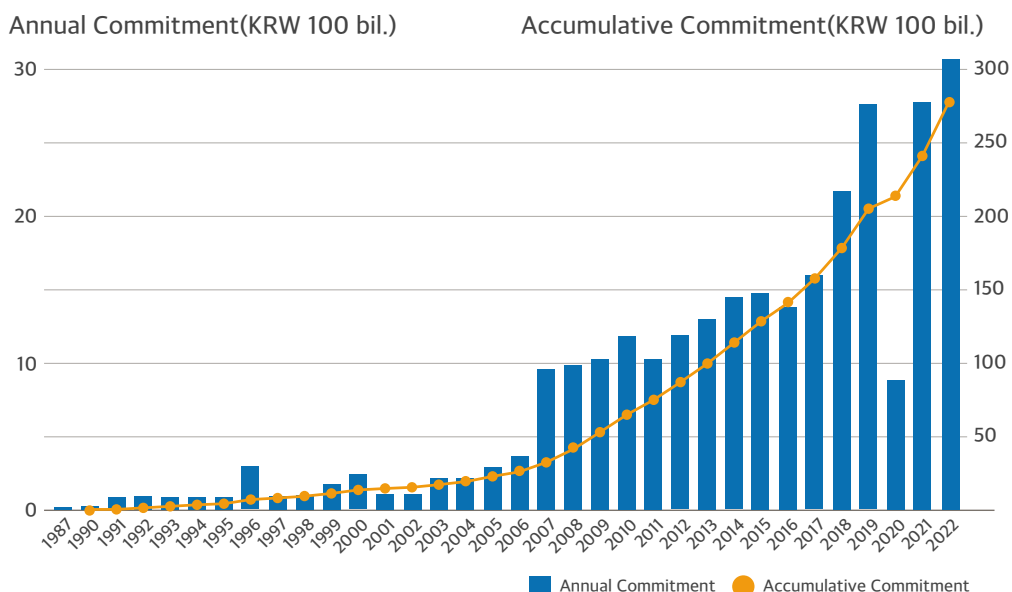
Being the 24th member of the DAC, Korea is the second Asian country after Japan to have joined the committee. As the first country in the world that transformed from a Least Developed Country to a DAC member country, Korea now looks forward to making greater contributions to global development agenda. Today, Korea is the 15th largest ODA provider in the world; it offered a total of USD 2,873 million in ODA in 2021, accounting for 0.16% of its GNI (Gross National Income).



3. Volume of EDCF

EDCF took further steps to more effectively promote development cooperation with partner countries, aiming to eradicate poverty in developing countries, a daunting challenge facing the international community. In 2022, EDCF loan commitments for the year reached KRW 3,084 billion (USD 2,410 million), including commitments for large-scale infrastructure projects in sectors such as transportation and water resource development, reaching a cumulative loan commitment of KRW 27,693 billion (USD 22,964 million) as of December 31, 2022.

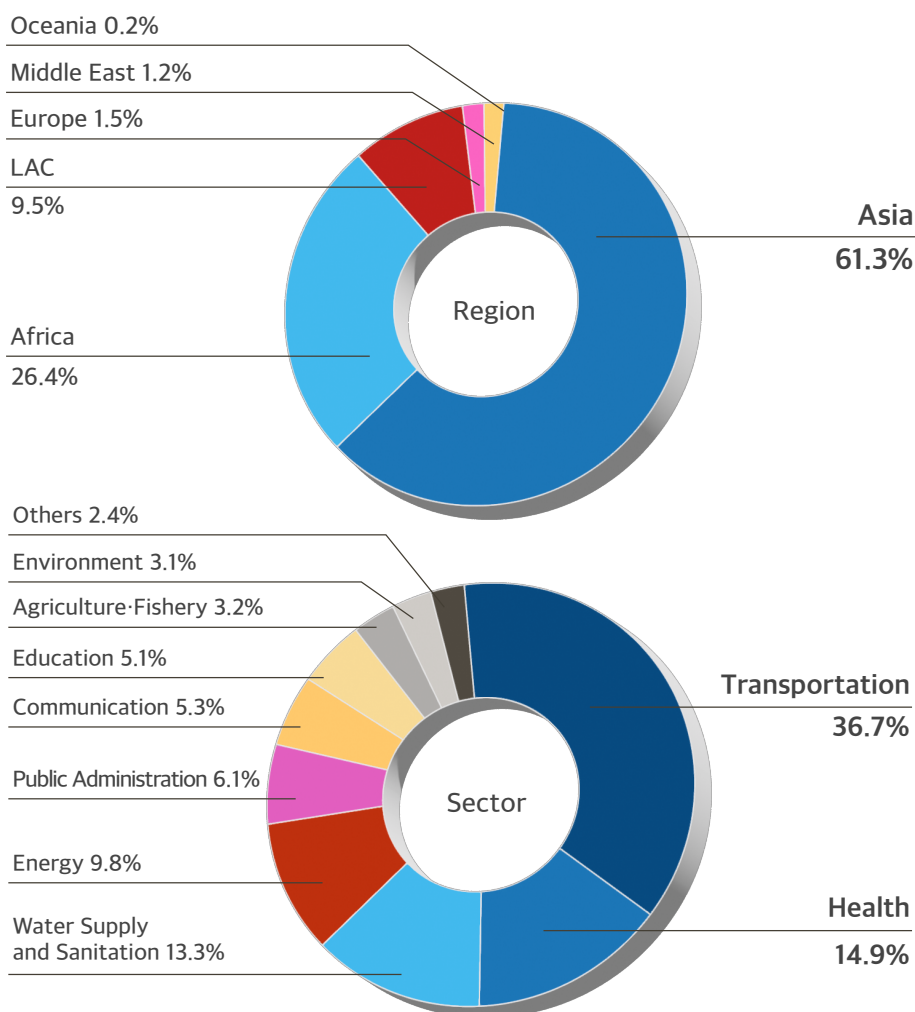
◆ 1987-2022 Annual Commitment and Accumulative Commitment



4. Commitments by Region/Sector

The largest portion of commitments by the end of 2022 was extended to Asia, reflecting Korea's close economic and diplomatic ties with the region. Loan commitments to Asian countries accounted for 61.3% of total EDCF loans. Africa took second place, receiving 26.4% of total commitments.

In terms of sectoral distribution, EDCF committed 36.7% of total cumulative for transportation, 14.9% for health, 13.3% for water supply and sanitation, 9.8% for energy, 6.1% for public administration, 5.3% for communication and 5.1% for education.



5. Green EDCF Program

EDCF has introduced the “Green EDCF Promotion Strategy” to contribute to international net-zero targets and to support partner countries’ responses to climate change. In this regard, EDCF reflects factors for addressing climate change in all projects and has been diversifying its projects by utilizing program loans and cooperating with other ODA agencies. Furthermore, EDCF has been expanding its assistance for climate change with various MDBs.

EDCF provides incentives for Green projects, offering preferential terms such as lowering interest rates and conducting feasibility studies (F/S) on a grant basis. Through these efforts, EDCF’s climate change-related projects accounted for 37% of its total commitments as of the end of 2022.

6. Participation in ADB’s Future Carbon Fund

Upon the request of the Asian Development Bank (ADB), the Ministry of Economy and Finance of Korea (MOEF) signed the Participation Agreement with ADB on November 13, 2009. As a result, the Ministry committed USD 20 million in EDCF loans to the Future Carbon Fund (FCF).

The FCF is a trust fund established and managed by ADB on behalf of fund participants. It is a component of ADB’s ongoing Carbon Market Initiative (CMI) which provides financial and technical support for Clean Development Mechanism (CDM) projects.

With its contribution, the Ministry serves as a leading participant of the FCF together with the Swedish Energy Agency (Sweden), the Ministry for Foreign Affairs of Finland, and Participatie Maatschappij Vlaanderen (PMV) of the Flemish Region of Belgium.

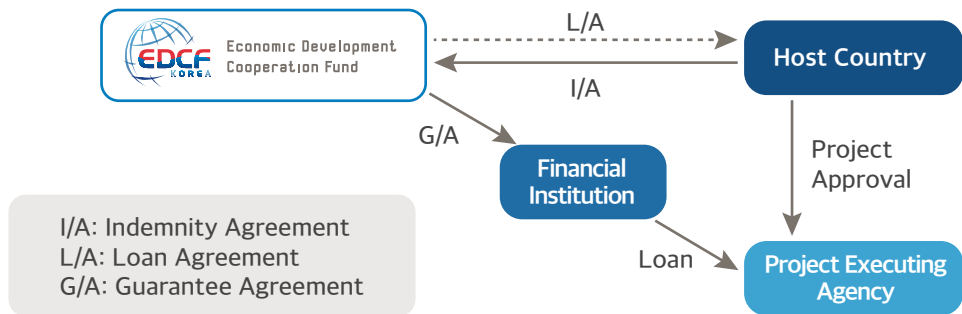
7. EDCF Guarantee Program

EDCF launched the Guarantee Program in 2013 to catalyze private sector investments in emerging-market infrastructure projects by mitigating critical government performance risks that private lenders are reluctant to assume. EDCF's extensive experience with ODA loans and its close partnerships with developing countries make it well positioned to assume such risks.

While offering protection to private lenders against critical political risks, the EDCF Guarantee Program also allows developing countries to mobilize sufficient private sector financing through improved access to international debt and capital markets to meet their development needs.

- Guarantee requirement: Counter guarantee from the host government
- Eligible institutions: Financial institutions with good credit ratings and local financial institutions
- Types of risk guaranteed: Political risks
- Examples of political risk: Expropriation, currency inconvertibility or nontransfer, political violence or terrorism, etc.
- Guarantee period: Same as the term of the loan
- Eligible countries: Countries with limited access to commercial finance among EDCF partner countries
- Amount of guarantee: Up to US \$100 million
- Applicable currency: Korean won, US dollar, Euro, Local currency
- Fee: Up to 0.5% of the guaranteed amount

◆ Concept of EDCF Guarantee Program



► Meeting with Ministry of Finance of Kenya for Establishment of Kenya Advanced Institute of Science and Technology Project



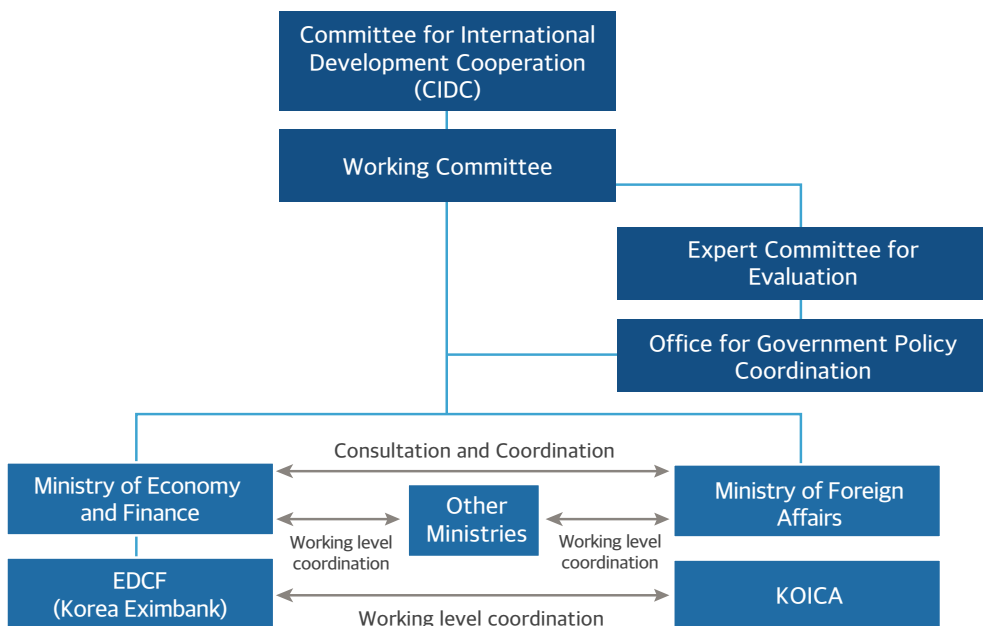
► Construction of Photovoltaic Power Plants Projects in Mozambique

8. Operational System

Operational System of ODA in Korea

The Ministry of Economy and Finance (MOEF) and the Ministry of Foreign Affairs (MOFA) are the two principal ministries responsible for Korea's ODA. While MOEF is primarily responsible for bilateral loans, capital subscriptions and concessional lending to multilateral financial institutions (including the World Bank Group, IMF, and ADB), MOFA is responsible for bilateral grants and grants to international development institutions (such as the UN and related agencies).

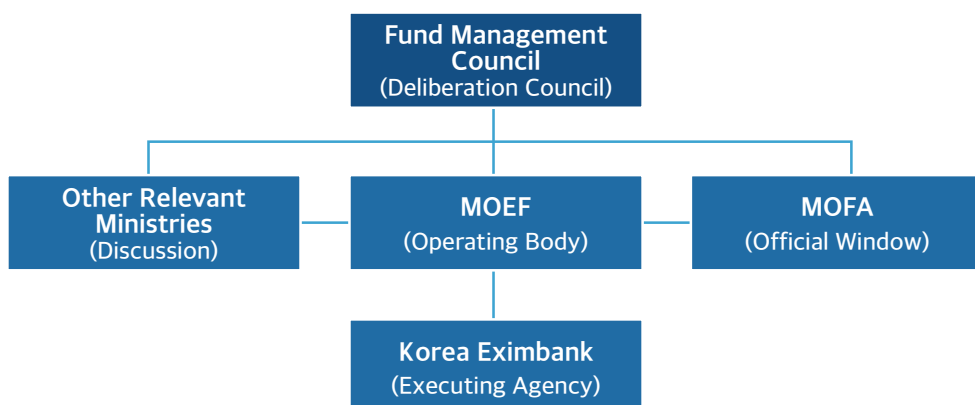
To systematically manage ODA policies of Korea, the Committee for International Development Cooperation (CIDC) was set up in 2006. The CIDC establishes Korea's ODA policies through the systematic cooperation and participation of government departments such as MOEF, MOFA, local government authorities, and ODA execution agencies. The Committee is composed of 30 members including the chair of committee (Prime Minister), ministers of relevant government departments, and external experts. It deliberates on and coordinates major ODA policies, mid-term master plans and project evaluation.



Operational System of EDCF

Korea Eximbank, entrusted by the Korean government, manages EDCF and conducts a range of measures including comprehensive appraisal and monitoring of EDCF projects, establishment of loan agreements and their evaluation.

Policy Direction	Main Duties
Fund Management Council (Deliberation Council)	<ul style="list-style-type: none"> - Deliberation on key policies - Deliberation on EDCF operational programs and review of financial statements
MOEF (Operating Body of Fund Management)	<ul style="list-style-type: none"> - Drafting EDCF operational programs and financial statements - Preparing principal policies concerning operation and management - Loan approval
MOFA (Official Window)	<ul style="list-style-type: none"> - Acceptance of loan requests - Execution of inter-governmental agreements
Korea Eximbank (Executing Agency)	<ul style="list-style-type: none"> - EDCF operation and management - Preparation of appraisal reports - Loan negotiations - Execution of loan agreements - Loan disbursements - Completion evaluation & ex-post evaluation



II. EDCF Loans

1. Types of Loans

- **Development Project Loan** : This loan provides funds for infrastructure projects, for example, to build roads, railways, hospitals, vocational training centers, water supply facilities, and sewerage plants under the economic development plans of the concerned developing country.
- **Public-Private Partnership Loan** : This loan provides funds for the governments or corporations of developing countries to conduct Public-Private Partnership projects.
- **Program Loan** : This loan provides funds to the governments of developing countries to assist them in pursuing comprehensive sectorial or thematic development plans.
- **Sector Development Loan** : This loan provides funds to the governments of developing countries to assist in their specific sector development and related subprojects with simplified procedures.
- **Equipment Loan** : This loan provides funds to procure equipment and other materials needed for the projects under the national development plans on specific sectors or specific regions of the developing country.
- **Loan to International Development Finance Institutions** : This loan provides funds to international development finance institutions which contribute to the economic development and welfare of developing countries.
- **Private Sector Loan** : This loan provides funds to local corporations (private sector) in developing countries that conduct ODA-eligible projects.
- **Private Sector Two-Step Loan** : This loan provides funds to make sub-loans to local corporations (private sector) through the financial institutions of the partner country for the implementation of ODA-eligible projects.



- **Project Preparation Loan** : This loan provides funds to the governments of developing countries to assist studies (F/S, detailed design, etc.) undertaken in preparation for development projects or for their pilot implementation.

2. Compact Loans

Compact Loans refer to the small-sized EDCF loans of up to USD 7 million. They are designed for more effectively financing development projects in partner countries by speeding up the project cycle from loan request and project appraisal to loan approval and procurement. These loans can take the form of a Development Project Loan or Equipment Loan. General terms and conditions of a Compact Loan are as follows:

- **Loan Amount:** Up to 100% of total project cost (USD 7 million and less)
- **Interest Rate:** No interest
- **Repayment Period (including a grace period):** A period not exceeding the concessionality level of the EDCF standard terms for each recipient country
- **Procurement Method:** Competitive bidding or limited competitive bidding among small and medium-sized enterprises (SMEs) of the Republic of Korea that meet the criteria specified by Korea Eximbank on behalf of the Korean government

3. Co-financing with MDBs

EDCF has been increasing co-financing with the MDBs (Multilateral Development Banks) to meet the growing demands of recipient countries for large-scale development projects and policy reforms. EDCF co-financing refers to any arrangements under which EDCF provides financing in partnership with MDBs for a particular project or program.

The advantages of co-financing with MDBs are:

- i. Enhancing, together with the MDBs, the impact of development assistance on recipient countries;
- ii. Bridging the financing gap of large-scale development projects;
- iii. Enhancing donor coordination and harmonization;
- iv. Reducing time and cost for project identification, formulation, and preparation; and
- v. Enabling better project implementation review and completion evaluation.

4. Mixed Credit

Mixed Credit provided by EDCF is a concessional loan extended to developing countries, which combines the ODA loan extended by the Korean government (EDCF loan) with the official export credit provided from Korea Eximbank. The same procedures of a standard EDCF loan are applied to mixed credit.

Advantages for partner countries are:

- More favorable financing terms than those of standard export credit
- Building capacity to finance large-scale development projects

5. Terms and Conditions

EDCF currently classifies partner countries into four categories, according to the groups of the OECD DAC list of ODA recipients by GNI per capita.

EDCF Country Group

Group I : Least Developed Countries (LDCs) identified by the UN

Group II : Low Income Countries excluding LDCs identified by the UN

Group III : Lower Middle Income Countries excluding LDCs identified by the UN

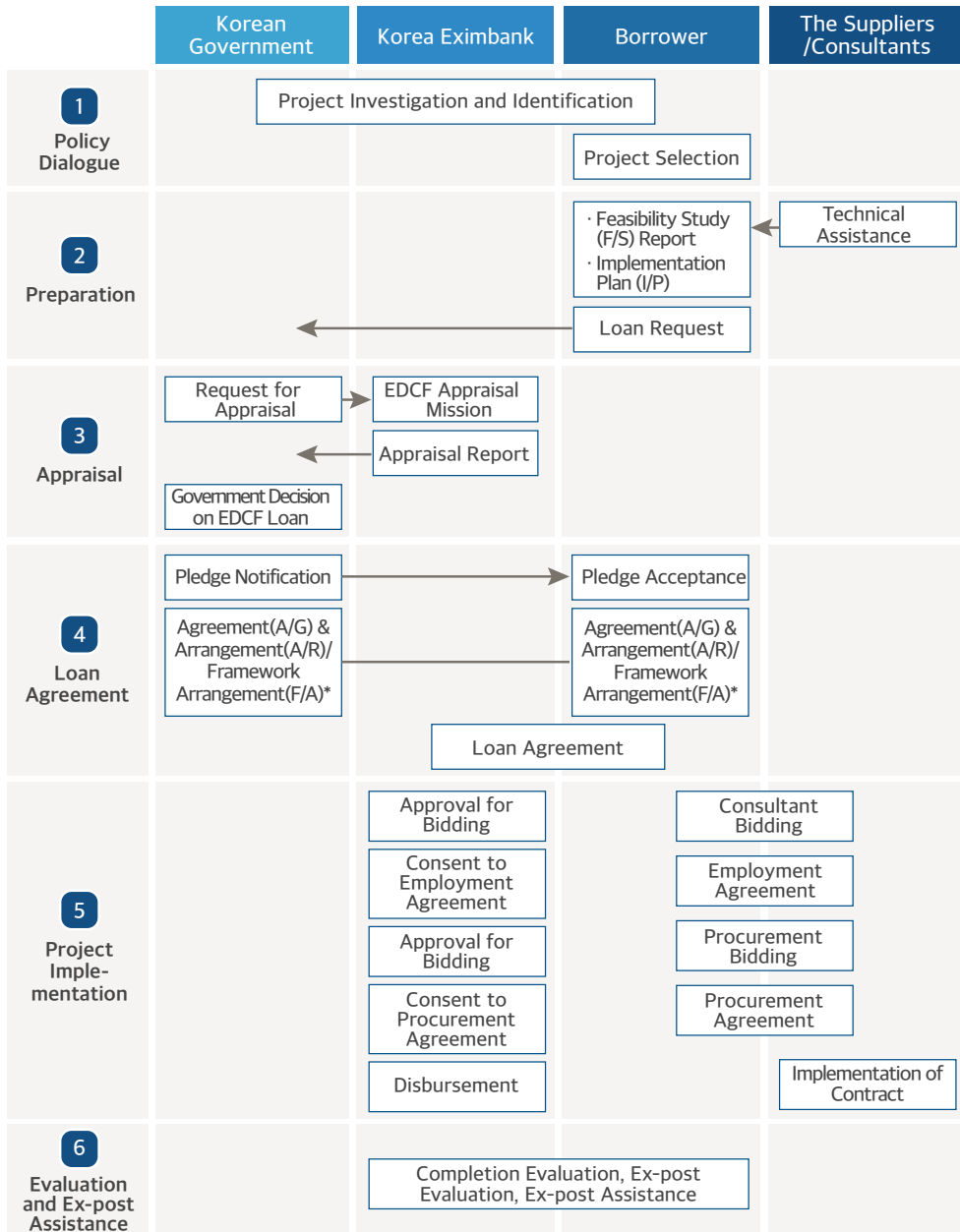
Group IV : Upper Middle Income Countries excluding LDCs identified by the UN

Interest rates and repayment period including the grace period can be adjusted but must not exceed the concessionality levels of standard EDCF terms and conditions.

Loan Amount	<ul style="list-style-type: none">- Up to the total project cost (excluding general management expenses, taxes and utility costs, land acquisition costs, compensation costs, and other indirect costs)- The coverage ceiling ratio will be 85% of the total project cost for untied loans provided to countries other than Least Developed Countries.
Interest Rate	0.01~2.5% per annum (Interests will not be charged for consulting services provided by Korean firms.)
Repayment Period	Up to 40 years, including a grace period of up to 15 years
Repayment Frequency	Semi-annual

III. Project Cycle

1. EDCF Loan Procedure



*If the two governments sign a Framework Arrangement, they are allowed to omit an Arrangement for an individual project.



2. Policy Dialogue

Most partner countries draw up multi-year development plans to set their development objectives and strategies. These plans include envisaged development projects ranked in terms of their importance in development and investment priorities.

The government of a developing country must identify and prepare projects that are not only feasible, but consistent with the country's development plan and strategy.

To determine a project's feasibility, the economic and technical soundness of the project must be closely examined. Feasibility studies may be carried out either by the government of a developing country or multilateral organization such as the World Bank and ADB, or with technical assistance from donor countries.

If the government of a developing country requires assistance in preparing for a project which will be financed with EDCF loans, it may also request Korea Eximbank or the Korean government to help carry out preparations. In such cases, the partner country may request support by harnessing the Project Preparation Facility* on a grant basis.



* For further information, please refer to “Project Preparation Facility” on page 26 of this brochure.

A feasibility study should provide all data necessary for making project decisions, including the economic, financial, technical and environmental effects of the project.

A project under an EDCF loan should comply with the project eligibility provision under the OECD Arrangement as Korea is a member of the OECD. Specifically, the project must pass the commercially non-viability* test in order to be eligible for the EDCF loan.

* To qualify as commercially non-viable, a project with appropriate pricing determined on market principles, must lack the capacity to generate a cash flow sufficient to cover the project’s operating costs and to service the capital employed.



► National Cambodia-Korea Vocational Training School Project in Cambodia



► Vam Cong Bridge Connecting Road Construction Project in Vietnam

3. Project Preparation

In this phase, the partner country makes preparations for the feasibility study (F/S) of the candidate project to receive the EDCF loan. While preparing the F/S, the partner country can utilize the EDCF Project Preparation Facility on a grant basis.

Loan Request

The partner country requesting the EDCF loan to implement a project should submit documentation including loan request, feasibility study results, and implementation plans to the Korean government. Such requests are forwarded to the Minister of Foreign Affairs through the Korean embassies in partner countries. The Minister of Foreign Affairs notifies the Minister of Economy and Finance of the request.

Partner Country	MOFA	MOEF	Korea Eximbank
<ul style="list-style-type: none">- Loan request- Feasibility study (F/S) report	<ul style="list-style-type: none">- Korean embassy in the partner country- Minister of MOFA	<ul style="list-style-type: none">- Minister of MOEF	<ul style="list-style-type: none">- Consultation with the partner country



► Vocational Training Centers Establishment Project in Tanzania

4. Project Appraisal

After receiving the loan request, MOEF makes a preliminary decision on whether to extend the EDCF loan, based on its review of the project's contribution to industrial development or to the economic stabilization of the borrowing country. If the project is deemed suitable, MOEF then requests that Korea Eximbank appraise it.

An appraisal involves a detailed review of the feasibility study of the project. It is through this appraisal process that Korea Eximbank judges whether the project is consistent with its own operational policies and programs, and whether it is suitable for financing.

In addition to the above, Korea Eximbank sends an appraisal mission to the country to conduct on-site surveys, collect information and hold discussions with officials of the prospective partner country.

Korean Government's Decision on EDCF Loan

Korea Eximbank completes the appraisal report and submits it along with its opinion to MOEF. Then, MOEF confirms the economic, financial and technical soundness of the project based on Korea Eximbank's appraisal report. After consulting with the ministries concerned, MOEF makes the final decision on the loan request and notifies the borrowing country of the result through MOFA.



► 21st Century Uzbekistan-Korea Friendship Children's Hospital Project

Agreements and Arrangements between Governments

An Agreement is concluded between the Korean government and the borrowing country's government, introducing the basic framework of the EDCF loan and outlining the responsibilities of both parties. Once signed by both parties, this Agreement remains in force for a minimum of ten years.

The two governments also sign an Arrangement for an individual project, stating the basic financing terms and conditions. As long as the Agreement is in force, only an Arrangement needs to be signed for any new EDCF loan. If the two governments sign on the Framework Arrangement, they are allowed to omit an Arrangement for an individual project.

The Agreement and Arrangement are promises by the Korean government that it will do all in its power to realize the loan.



► Before, Mekong River Integrated Management Project in Laos



► After, Mekong River Integrated Management Project in Laos

5. Loan Agreement

Prior to drafting a Loan Agreement, Korea Eximbank sends the partner country a legally binding questionnaire to determine the legal background pertaining to the loan. Legal answers to the questionnaire should be prepared by the Minister of Justice or someone in the position to provide objective and authorized answers.

When loan negotiations are completed and the specific terms and conditions are agreed upon, a Loan Agreement is signed between Korea Eximbank and the partner country. The Loan Agreement becomes effective as soon as condition-precedent documents such as evidence of authority, specimen signatures, and legal opinions are submitted by the partner country and accepted by Korea Eximbank.

6. Project Implementation

Once the Loan Agreement is signed, the project is implemented by the Project Executing Agency (PEA) according to the agreed schedule and procedures.

Employment of Consultants

Korea Eximbank strongly urges the partner country to hire consultants during project implementation. During this period, a consultant is generally employed to prepare detailed engineering designs and draft bidding documents, undertake or assist in the evaluation of bids, supervise the construction of civil projects, and carry out other specified project activities.

Consultants are to be hired in accordance with the Guidelines for the Employment of Consultants under the EDCF Loan.

Korea Eximbank conducts mid-term reviews, including on-site visits, to assess the progress of the project throughout the implementation period.

Procurement

The partner country is responsible for the implementation of the project, while Korea Eximbank is responsible for supervision. The PEA prepares the specifications, and evaluates bids for the procurement of goods and services for the project.

Korea Eximbank reviews this activity to ensure that the procurement guidelines have been followed.

The procurement method acceptable to Korea Eximbank is Competitive Bidding among Korean suppliers. Nonetheless, Limited Competitive Bidding, Shopping or Direct Contracting can also be employed under certain circumstances in accordance with the Guidelines for Procurement under the EDCF Loan.

Disbursement

Disbursements under the loan are made according to the procedures stipulated in the Loan Agreement. In principle, disbursements are made only when the funds are needed in line with the progress of the project, up to the amount of the loan, and within the period specified in the Loan Agreement.

The Commitment Procedure, Reimbursement Procedure and Direct Payment Procedure may be adopted as the mode of payment in accordance with the Disbursement Procedures under the EDCF Loan.



► South Amman Wastewater Treatment Project in Jordan

7. Evaluation

The primary purpose of project evaluation is to improve the quality of EDCF assistance by incorporating lessons learned and recommendations drawn from similar projects in the past while ensuring accountability and transparency by providing evaluation results to various stakeholders. In this context, Korea Eximbank conducts completion evaluation and ex-post evaluation.

Completion Evaluation

Completion evaluation is carried out by each respective EDCF representative office or operations department on all projects once the project has been fully implemented. The project is assessed using the international evaluation criteria (Relevance, Efficiency, Effectiveness, and Sustainability), based on an on-site visit and review of Project Completion Report (PCR) provided by the PEA. The PEA should submit the PCR within six months after the project completion date or such later date as shall be agreed upon between the PEA and Korea Eximbank.



► Maritime Infrastructure Establishment Project in Senegal



► Investment Program to Support the Energy Matrix Transition in Ecuador



► Government ICT Infrastructure Project in Angola

Ex-post Evaluation

Two years after the completion evaluation, Korea Eximbank performs ex-post evaluation, which is carried out by an independent evaluation unit, to assess the projects based on the international evaluation criteria (Relevance, Coherence, Efficiency, Effectiveness, Impact, and Sustainability). The lessons learned and recommendations drawn from the ex-post evaluation benefit the partner country by improving its capacity to prepare, implement, and maintain development projects.

In order to ensure the long-term sustainability of the project, if necessary and requested by the partner country, Korea Eximbank may provide the Ex-post Assistance Facility to the partner country to help deal with the issues and problems arising from the completed project.

IV. Special Supporting Facilities for EDCF Loans

Special Supporting Facilities are designed to facilitate and expedite the entire EDCF loan process from project identification and preparation to the implementation and maintenance phases after project completion. These activities are carried out by the consultants employed and dispatched by the EDCF. There are three types of facilities as follows:

Project Preparation Facility

During the preparation stage of a development project, the borrowing country may face difficulties in coming up with a well-prepared feasibility study, largely due to financial and technical limitations. Under such circumstances, EDCF can support the borrowing country through the Project Preparation Facility made available for use by the borrower for the following activities in the project identification and preparation stages.

- Pre-feasibility studies
- Project cost estimation
- Establishment of project scope
- Feasibility study on economic, financial, and technical soundness
- Analysis of the economic and social impact of the project
- Environmental studies





Project Implementation Facility

The Project Implementation Facility was created to provide assistance to on-going projects to ensure the smooth implementation of EDCF projects and achievement of their goals. These assignments are carried out by the consultants and experts hired by the EDCF with its own budget. The followings are the examples of activities under the Project Implementation Facility.

- Preparation of bidding documents
- Procurement/Inspection
- Technical assistance during implementation
- Dispatching consultants to analyze project delay, etc.
- Drafting the Progress Report and Project Completion Report

Ex-post Assistance Facility

The Ex-post Assistance Facility is provided to maximize the effectiveness of aid after project completion. Through this facility, shortcomings including procurement-related issues get identified to ensure the project's long-term sustainability in terms of managerial, operational and financial soundness.

- Dispatching experts for facility maintenance
- Provision of spare parts to replace or upgrade outdated ones



▶ EDCF Annual Workshop for High-level Government Officials from Partner Countries

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Ministry of Economy
and Finance



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