

EDCF

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Development
Partner

1987~2007 • History Book



EDCF Your Development Partner 1987~2007

EDCF

MINISTRY OF STRATEGY AND FINANCE
THE EXPORT-IMPORT BANK OF KOREA

MINISTRY OF STRATEGY AND FINANCE

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PROLOGUE

The Government of Korea established the Economic Development Cooperation Fund (EDCF) on June 1, 1987 with the purpose of promoting economic cooperation between Korea and developing countries.

Drawing on Korea's own development experience over the years, the EDCF assists partner countries by providing funding for their industrial development and economic stability.

The financial resources of the EDCF consist of contributions and borrowings from the government as well as its own operational profits.

As of December 31, 2007, the EDCF had raised a total KRW 2,117 billion through these resources, for a cumulative loan commitment of KRW 3,188 billion, while its disbursements from those funds stood at KRW 1,773 billion.

The EDCF offers two types of loans: (1) loans to foreign governments, government agencies, and other eligible organizations to support the economic development of developing countries; and (2) loans to Korean firms for overseas investment projects. Thus far, most of the loans have been extended to foreign governments for their development projects.

The highest policy-making authority of the EDCF is the Fund Management Council, which is composed of 12 members, most of whom are ministerial-level government officials. The direction of EDCF operations and the assumption of principal policy-making responsibilities rest with the Ministry of Strategy and Finance (MOSF), which also coordinates policy matters with other relevant ministries.

Entrusted by the MOSF, the Export-Import Bank of Korea (Korea Eximbank) is responsible for the administrative operation of the EDCF, including appraisal of project, execution of the loan agreements, and loan disbursements. Other duties include principal/interest payments collection, project supervision, and ex-post evaluation of project operations.

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LIST OF ACRONYMS

ADB	Asian Development Bank
AfDB	African Development Bank
CABEI	Central American Bank for Economic Integration
CCSP	Country Cooperation Strategy and Program
CRIK	Civil Relief in Korea
DAC	Development Assistance Committee
EBRD	European Bank for Reconstruction and Development
EDCF	Economic Development Cooperation Fund
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Inter-American Development Bank
IMF	International Monetary Fund
JBIC	Japan Bank for International Cooperation
KAIST	Korea Advanced Institute of Science and Technology
KOICA	Korea International Cooperation Agency
KSP	Knowledge Sharing Program
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MOFAT	Ministry of Foreign Affairs and Trade
MOSF	Ministry of Strategy and Finance
NGO	Non-governmental Organization
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PCR	Project Completion Report
PEA	Project Executing Agency
PMU	Project Management Unit
PPP	Public-Private Partnership
TDC	Technology Development Center
UN	United Nations
UNDP	United Nations Development Programme
UNKRA	United Nations Korean Reconstruction Agency
WFP	World Food Programme
WTO	World Trade Organization

MESSAGE FROM THE MINISTER OF STRATEGY AND FINANCE

In just half a century, Korea has made a remarkable economic transformation from being a least developed country into the world's 13th largest economy. Its per capita income rose from USD 79 in 1960 to USD 20,045 in 2007. Korea, once a recipient country, is now supporting developing nations as a donor country. The major driving force behind such exceptional economic development was the right combination of the government's export-oriented economic development strategy, entrepreneurship, and talented and diligent human resources. At the same time, aid received from the international community significantly contributed to the nation's dynamic growth.

Approximately 80 percent of the aid from the international community was in the form of loans. These loans laid the very foundation for Korea's economic growth as they helped to finance a variety of development and construction projects which established Korea's key infrastructures and backbone industries such as the Seoul-Busan expressway, POSCO, and Korea Advanced Institute of Science and Technology (KAIST). Furthermore, in the process of managing the loan, the nation was able to develop and strengthen its fiscal management capabilities.

Recognizing the responsibility to return what we received to the developing nations, Korea established the Economic Development Cooperation Fund (EDCF) in 1987 to share the nation's development achievements with the global society. Over the past two decades since its inception, the EDCF has extended concessional loans totaling KRW 3.19 trillion to 172 projects in 43 countries. These loans helped recipient countries to build not only the economic infrastructures in the field of transportation, communication, and energy but also social infrastructures in the education and public health sectors, all of which play a pivotal role in the socio-economic advancement of developing countries.

The Korean government's efforts to provide a helping hand for the economic growth of developing countries will continue. Korea will further expand its support through the EDCF to establish infrastructure in developing countries and offer them



assistance packages that link the EDCF loans with the Knowledge Sharing Program (KSP) which has been implemented since 2004 to share our economic development experience with the developing countries.

"EDCF, Your Development Partner" is a record of the EDCF's history and it also represents the reaffirmation of our commitment to join the global efforts to combat poverty as a responsible member of the international community.

A handwritten signature in black ink, which appears to read "Man-Soo Kang". The signature is fluid and cursive.

Man-Soo Kang
Minister of Strategy and Finance

MESSAGE

FROM THE CHAIRMAN AND PRESIDENT OF THE EXPORT-IMPORT BANK OF KOREA

The EDCF, Korea's bilateral loan aid program, has just passed its 20th anniversary since being established in 1987. Looking back, we have come a long way in helping the industrial development and economic stabilization of developing countries and strengthening the economic cooperation with partner countries. Building on our past achievements, the EDCF now stands to open a new chapter and leap forward to becoming an advanced donor agency through change and innovation.

As of last year, EDCF assistance reached the total amount of KRW 3.19 trillion, supporting 172 projects in 43 countries. Our aid efforts mainly concentrated on helping developing countries build their social and economic infrastructure, which contributed to boosting the economic development and improving the status of welfare in those countries. The sustainable growth of our partner countries achieved through the sharing of our development experience and know-how has become a barometer of the EDCF's commitment to become a development partner for international cooperation.

Korea knows well through firsthand experience of the invaluable role development assistance plays in a nation's development. The once-recipient country underwent remarkable economic transformation during the past four decades to achieve a per capita income of USD 20,000 in 2007. Although the strong leadership and strategy of the Korean government to pursue export-driven growth and industrialization led the development, another significant contributor to the astonishing growth was the development assistance approximating USD 30 billion from the international community. In particular, concessional loans from bilateral development agencies and MDBs injected into building the necessary social and economic infrastructure laid the very foundation for Korea to overcome poverty and grow into the 13th largest economy in the world.

Hence, in recognition of the importance of concessional loans, the Korean government has consistently scaled up the volume of EDCF assistance, and in line with the government's policies, the Export-Import Bank of Korea has also strengthened EDCF operations as one of its core businesses along with its export credit and Inter-Korean Cooperation Fund operations.



Efforts have also been made recently to tune our assistance programs accordingly with the changing international ODA environment towards enhancing aid effectiveness. We have diversified the type of aid modalities like co-financing with MDBs to meet the various needs of developing countries, and also improved the effectiveness of our aid program in line with the global standards.

In spite of all our past achievements, however, the EDCF recognizes that there are still many challenges and goals lying ahead of us. As the Korean government signed the Paris Declaration, the EDCF will work towards coordinating and harmonizing its aid efforts with other donors and align our ODA strategies with partner countries' development strategies.

Against this backdrop, I believe the publication of "EDCF, Your Development Partner" is both timely and meaningful as it not only provides us with the opportunity to reflect upon the EDCF's past footsteps, but more importantly, presents us with a blueprint for the EDCF's future strategies in this shifting ODA environment.

I sincerely hope that this publication containing the past, present, and future of the EDCF will help to raise the international donor community's awareness of our operations and also provide an opportunity to share our development cooperation efforts with our partner countries.

Dong-Soo Chin

Chairman and President
The Export-Import Bank of Korea

EDCF HISTORY AT A GLANCE



Jun. 1987
Establishment of the EDCF



Dec. 1987
Approval of the first EDCF loan : Padang By-Pass Project, Indonesia



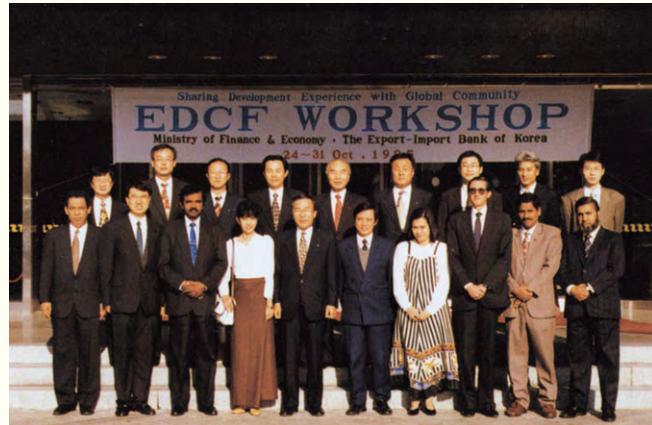
Jul. 1997
Conclusion of the Framework Arrangement for Cooperation between the Korea Eximbank and KOICA



May. 1989
Conclusion of the first Loan Agreement: Passenger Coach Purchase Project, Nigeria



Feb. 1992
Completion of the first EDCF-financed project: Misamis Oriental Telephone Expansion and Modernization Project, The Philippines



Oct. 1995
Hosting of the first EDCF Workshop for Government Officials from Nine Partner Countries

1980

1990

2000



Dec. 2004
First Grant Assistance for the Ex-post Assistance : The 2nd Misamis Oriental Telephone Expansion and Modernization Project, The Philippines



Feb. 2005
Signing of the Memorandum of Understanding between the Korea Eximbank and the Inter-American Development Bank



Nov. 2006
Signing of the Memorandum of Understanding between the Korea Eximbank and JBIC



Jul. 2006
The first Consultation between Korea Eximbank and JBIC on International Development Cooperation



Jul. 2007
Hosting of the EDCF International Conference in Commemoration of its 20th Anniversary



Dec. 2007
Approval of the first Untied Loan. Toliara Province Road No.35 Rehabilitation Project, Madagascar



1



2



5



6



Asia

- 1. Modi Khola Hydroelectric Project, Nepal
- 2. Procurement of Equipments of Combined Cycle at the Ba Ria Power Plant Project, Viet Nam
- 3. Internet Information Network Expansion Project, Bangladesh
- 4. Mudanjiang-Jixi Highway Construction Project, China
- 5. Luang Prabang National University Establishment Project, Laos
- 6. Ratnapura-Bandarawela Road Rehabilitation Project, Sri Lanka
- 7. National Road No.3 Rehabilitation Project (Phase II), Cambodia



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Africa

- 1. LPG Cylinder Manufacturing Plant Project, Ghana
- 2. Agriculture Modernization Project, Angola
- 3. Establishment of a Technology Development Center Project, Kenya
- 4. Road Maintenance Equipment Renewal Project, Kenya
- 5. The Fisher Boat Building Project, Angola
- 6. The Buipe-Bolgatanga Petroleum Pipeline Project, Ghana
- 7. Locomotive Modernization Project, Nigeria
- 8. Olympic Stadium Construction Project, Tunisia



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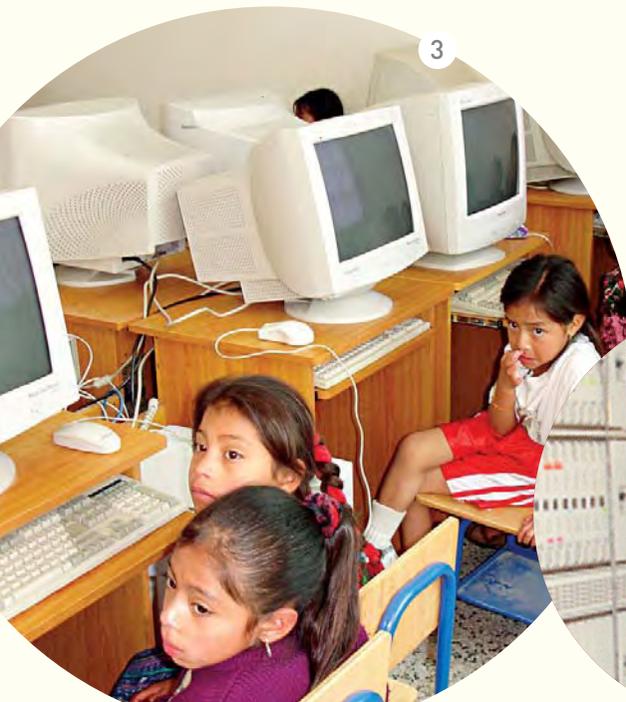


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Latin America

- 1. Direccion General de Aduanas Computerization Project, Dominican Republic
- 2. Medical and Health Services Modernization Project, Panama
- 3. Educative Informatics Highway Project, Guatemala
- 4. Rural Telecommunication Ecuador-Korea Project, Ecuador
- 5. The Potable Water Supply Expansion Project for Santo Domingo de los Colorados, Ecuador
- 6. Rural Power Distribution Improvement Project, Honduras

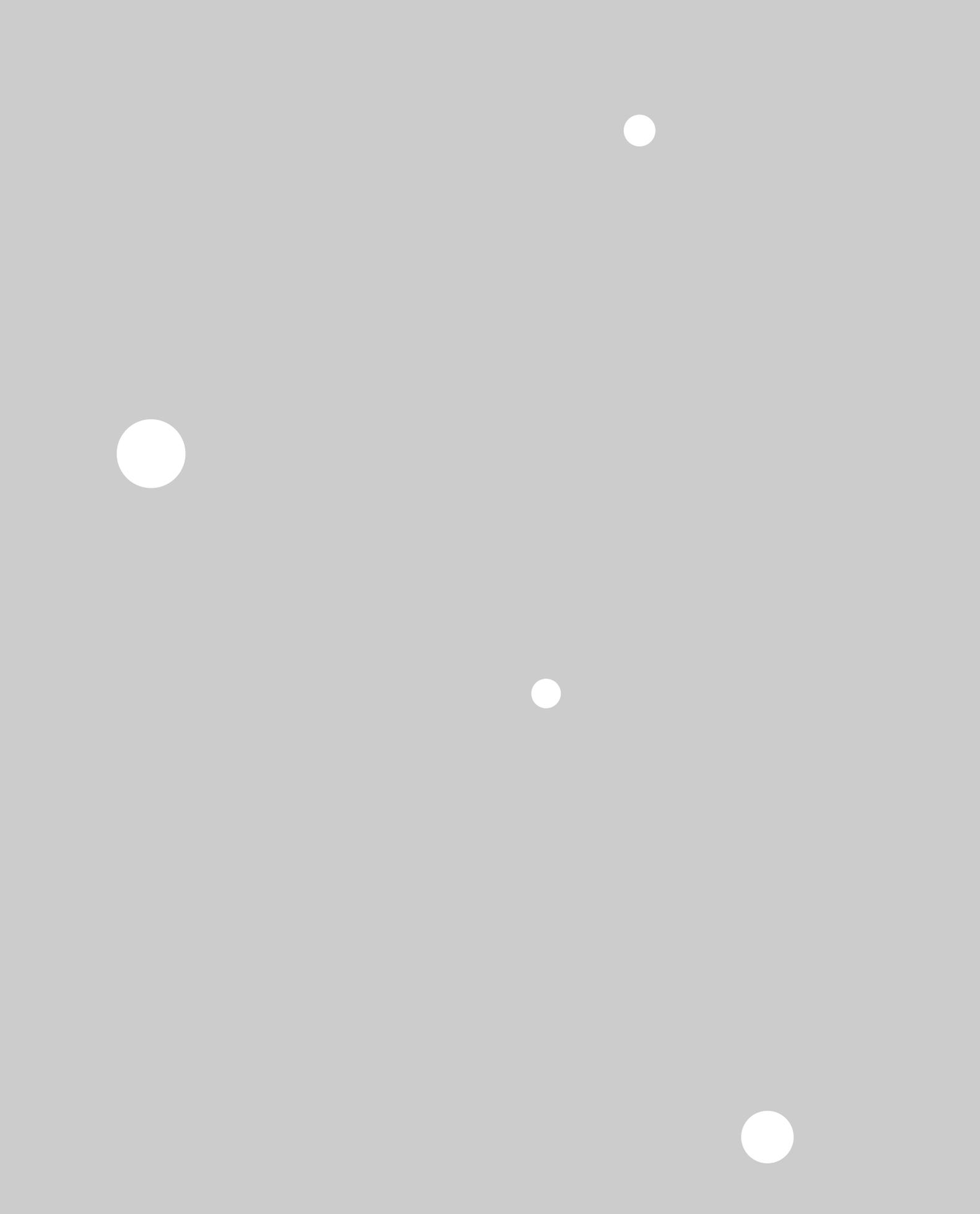




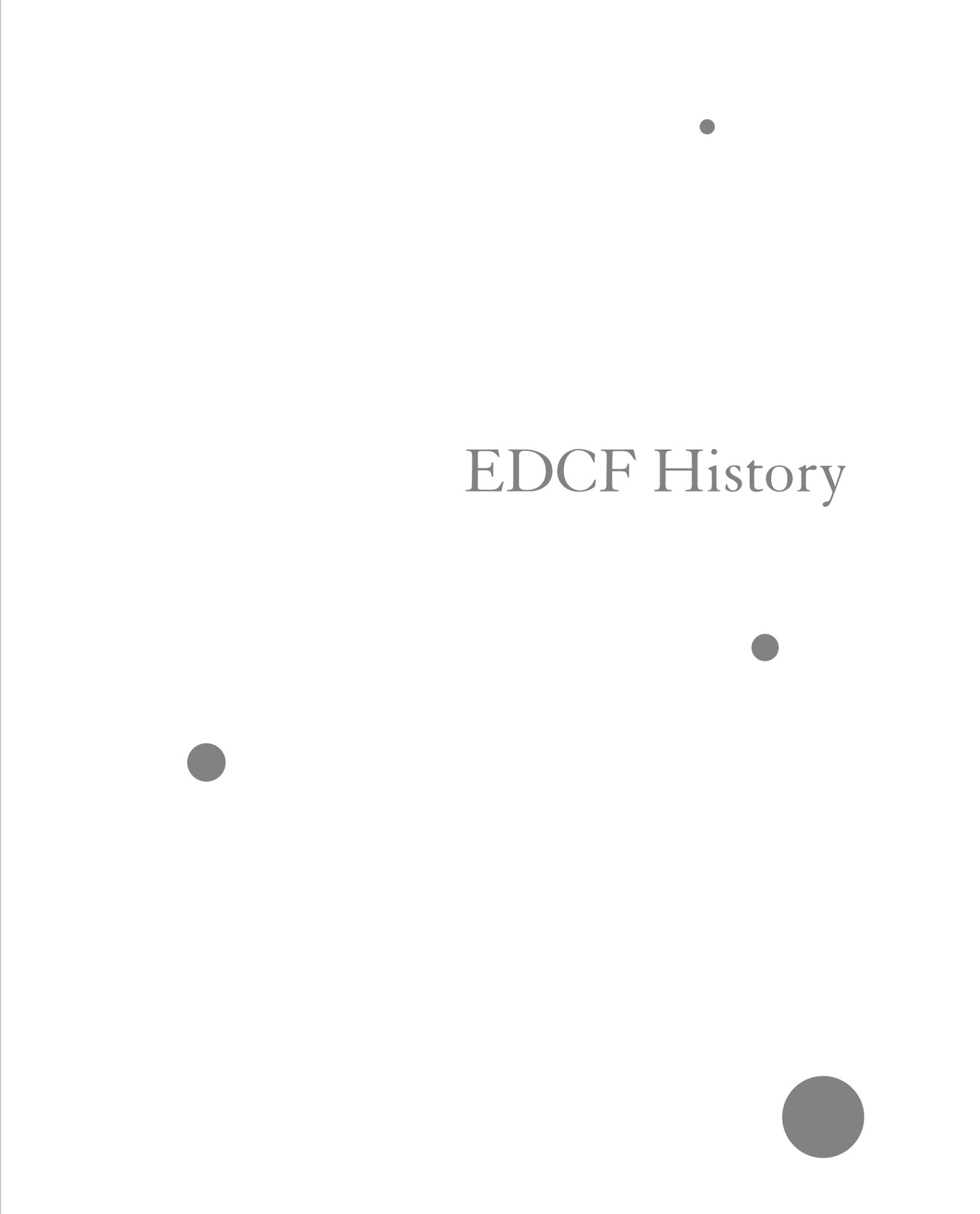
Eastern Europe

- 1. Prahova Telecommunication Network Modernization Project, Romania
- 2. Gaziantep Water Supply Modernization Project, Turkey
- 3. Hospital Modernization Project, Bosnia-Herzegovina
- 4. Dunaferr Steel Modernization Project, Hungary
- 5. Rijeka Port Modernization Project, Croatia
- 6. Alba and Buzau Provinces Telecommunication Network Modernization Project, Romania
- 7. Opole Province Telecom Network Project, Poland





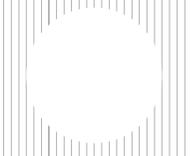
EDCF History





CHAPTER 1

THE PAST OF EDCF



THE ROLE OF ODA IN KOREA'S ECONOMIC DEVELOPMENT

1

1.1. KOREA, A MAJOR RECIPIENT OF ODA

Volume and trend

Korea began receiving aid from the international community right after the country ended its 35-year suffering under the Japanese colonial rule in 1945. Since then, Korea has written a successful history as a model recipient. The aid that Korea received from advanced donor countries and international institutions for the period of 1945 through 1999 amounts to USD 33.1 billion in total. This can be broken down into bilateral aid of USD 11.8 billion and multilateral aid of USD 21.3 billion, accounting for 36% and 64% of the total aid received, respectively. In terms of aid type, grants represent 21% and loans 79%.

Grants were mainly provided as an emergency aid to supply essential items such as medicines and foods for the people to survive from the devastations of the Korean War. By contrast, concessional loans mostly focused on the financing of infrastructures, which were significant for the reconstruction of the nation. The Seoul-Incheon expressway, Seoul-Busan expressway and Soyang River Dam, are good examples of the outcome of concessional loans.

Aid Inflow* to Korea (1945-1999)

(USD million)

Type	Bilateral	Multilateral	Total
Loan	5,709(21.8%)	20,527(78.2%)	26,236(100.0%)
Grant	6,077(88.2%)	815(11.8%)	6,892(100.0%)
Total	11,786(35.6%)	21,342(64.4%)	33,128(100.0%)

* Including ODA and OOF

Major donors to Korea

The aid inflow to Korea has increased at a consistent pace, reaching its peak in 1981, and then showed a downtrend. Grants increased rapidly to its height of USD 380 million during 1945 through 1957, and then showed a consistent downturn. In contrast, Korea saw a dramatic increase in loans along with the implementation of the government's Five-Year Economic Development Plan in 1960s, and a consistent uptrend until the end of the 1980s, when Korea developed a solid base to achieve further economic growth on its own. Since then, the amount of loans Korea received decreased until the Asian financial crisis broke out in 1997 and the amount of loans spiked again.

Until 1999, bilateral aid from the U.S. and Japan made up over 90% of Korea's total bilateral aid received: of the bilateral loans, 56.4% was from Japan, and 36.5% from the U.S., while of the bilateral grants, 64.2% was from the U.S. and 22.3% from Japan. When it comes to multilateral aid to Korea, concessional loans from the IBRD accounted for 69% of multilateral aid mainly due to the huge amount of loans from the IBRD during the Asian financial crisis. Of the multilateral grants, 71% was from the Civil Relief in Korea (CRIK) and the United Nations Korean Reconstruction Agency (UNKRA), which provided aid to Korea from 1945 to 1960.



Seoul-Busan Expressway

Aid Received by Donor Country (1945-1999)

(USD million, %)

		Total		Loan		Grant	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
Bilateral	U.S.A.	5,982.1	50.8	2,082.7	36.5	3,899.3	64.2
	Japan	4,571.1	38.8	3,217.8	56.4	1,353.3	22.3
	Germany	887.5	7.5	307.1	5.4	580.3	9.6
	France	96.9	0.8	-	-	96.9	1.6
	Saudi Arabia	96.6	0.8	96.6	1.7	-	-
	Austria	52.7	0.4	-	-	52.7	0.9
	Netherlands	18.5	0.2	1.7	0.0	16.8	0.3
	Others	80.7	0.8	-	-	77.3	1.2
	Sub-total	11,786.0	100.0	5,712.9	100.0	6,076.6	100.0
	Multilateral	IBRD	14,818.9	69.4	14,818.9	72.2	-
ADB		5,594.8	26.2	5,592.1	27.2	2.8	0.3
CRIK		457.4	2.1	-	-	457.4	56.1
UNKRA		121.8	0.6	-	-	121.8	14.9
IDA		115.6	0.5	115.6	0.6	-	-
WFP		98.5	0.5	-	-	98.5	12.1
UNDP		69.1	0.3	-	-	69.1	8.5
Other UN Agencies		63.6	0.3	-	-	63.6	7.8
Others		1.9	0.0	-	-	1.9	0.2
Sub-total		21,341.5	100.0	20,526.5	100.0	815.0	100.0
Total	33,127.5		26,235.8		6,891.7		

Source: Ministry of Strategy and Finance of Korea

1.2. KOREA'S ECONOMIC DEVELOPMENT AND ODA

Korea suffered chaos and extreme poverty caused by a sequence of events in history such as independence from the Japanese rule and the Korean War. The nation's industrial productivity plunged to a level as low as that of the 1940s and at the same time, the investment essential for national reconstruction was utterly enervated by the continued lack of funds, which was attributable to the low annual savings rate of 4%.

Even though foreign aid managed to keep Korea's economy afloat after the Korean War, economic ineffectiveness continued under the vulnerable economic circumstances including chronic inflation. Social and economic disorder following Korea's independence generated sky-high inflation, culminating in various harmful effects on the economy such as waste of resources, speculation, and instability of the people's livelihoods.

Furthermore, the consumption-oriented economic structure exacer-

bated the nation's long-standing current account deficit. During the period of 1945 through 1961, the approximate USD 3 billion foreign aid to Korea helped protect Korea from falling into an economic collapse, and offset enormous fiscal deficit for the nation.

Key Economic Indicators before Economic Development

Year	Growth rate (%)	Inflation (%)	Per capita income(USD)	Export (USD million)	Import (USD million)
1954	5.6	30.0	70	24.2	243.3
1955	4.5	65.4	65	17.6	341.4
1957	7.6	20.7	74	21.5	442.1
1959	3.9	2.9	81	19.2	303.8
1960	1.2	11.3	79	31.8	343.5

Source: Bank of Korea

Economic stabilization through grants

Before Korea began to put its economic development plan into force, the nation's economy depended entirely upon foreign aid, and grants apparently contributed to the nation's economic stability. The contribution of grants to post-war economic stability becomes quite obvious as seen through the fact that the foreign aid to Korea for the period of 1953 to 1960 accounted for nearly 8% of the nation's GDP. That aid enabled the nation to achieve stable GDP growth in real terms up to as much as 5% per annum from 1953 to 1957.

Share of Grants against GDP(1953-1960)

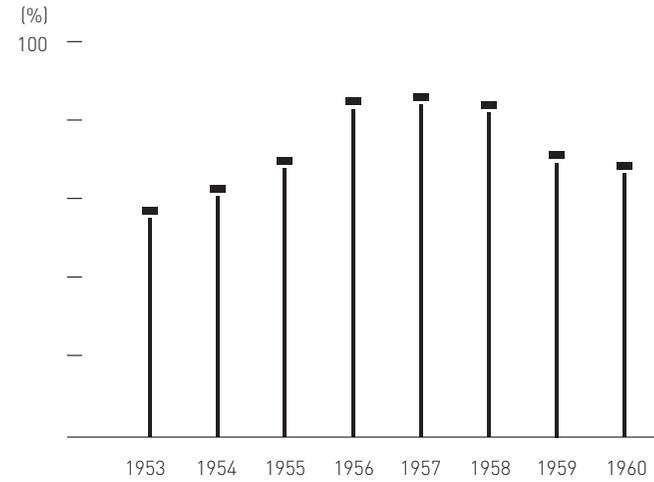
(USD million, %)

	1953	1954	1955	1956	1957	1958	1959	1960
Grant	194	153	237	327	383	321	222	249
Grant/GDP	7.3	4.2	10.3	10.8	9.8	7.8	5.1	6.4

Source: Bank of Korea

The aid financed 70-80% of the nation's import of raw materials, agricultural products and other items, which were desperately in need. With a shortage in foreign exchange reserves caused by the sluggish exporting business, Korea heavily depended on foreign aid in importing its required resources.

Share of Grants against Nation's Import(1953-1960)



Before the 1960s, grants were dedicated to procuring raw materials and intermediate products as well as filling the shortage of funds required for buying consumer goods. Such products of the primary industry covered more than 76% of total grants Korea received. Consequently, grants failed to make a considerable contribution to stimulating the investment required for building

up the base on which the nation's economy could grow on its own. The aid flow into industrial and economic infrastructures and technical assistance accounted for merely 23% and 1%, respectively.

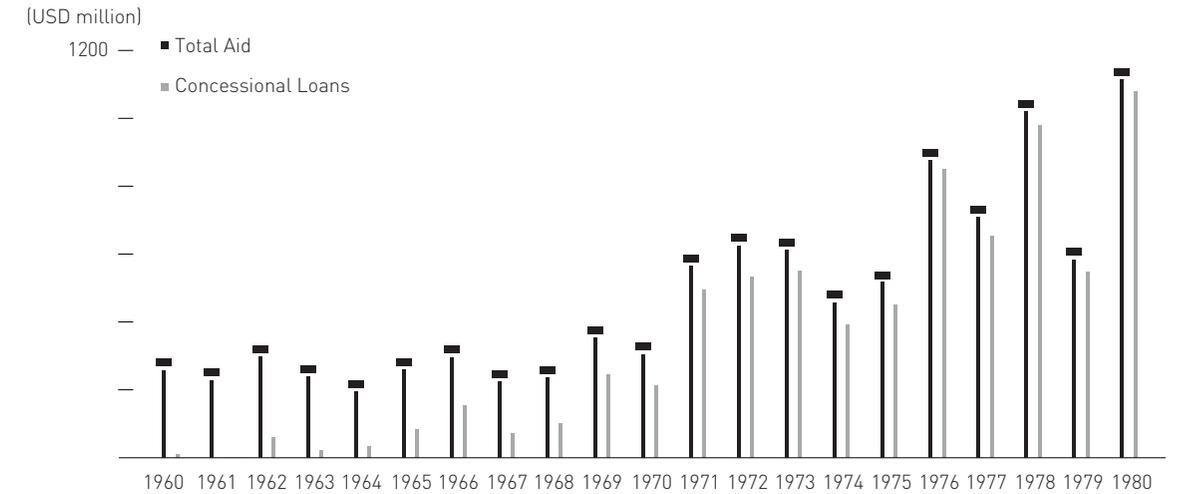
While grants played a significant role in creating post-war economic stability by supplying commodities in need from a short-term perspective, they did not succeed in facilitating investment in social overhead capital required for building a foundation for long-term economic growth.

Economic growth through concessional loans

At the beginning of the 1960s, the Korean government established its economic development plan to overcome poverty and create a self-supporting economic environment. As Korea started to implement the economic development plan, the flow of concessional loans to Korea began to increase from 20% of the total aid received during the 1960s to over 90% during the 1970s. As much as 80% of foreign concessional loans to Korea were provided in the form of project aid and directly contributed to the strengthening of capital investment.

Especially, a large share of concessional loans flowed into economic infrastructure development projects, which were significant in constructing a solid economic growth base.

Trend of Concessional Loans and Total Aid to Korea(1960-1980)



Furthermore, the successful utilization of concessional loans led to the introduction of commercial loans from abroad with the nation's enhanced credit rating supported by strengthened economic resilience and improved industrial productivity. Once funding from the international capital market was made available, Korea was able to grow independent from foreign aid and establish a strong foundation for the economy to stand on its own.

Korea's track record of economic development demonstrates that concessional loans played a pivotal role in establishing a solid ground for sustainable economic growth by satisfying the demand for capital goods. In comparison, grants helped the nation to procure primary industrial goods under the devastated post-war economic circumstances.

THE LAUNCHING OF EDCF

2

2.1. ECONOMIC SITUATION OF DEVELOPING COUNTRIES IN THE 1980s

During the 1980s, economic changes, which were caused by the world's economic recession, rise of protectionism, and price decline in primary products, brought poor progress in the economic development policy and the increase of foreign debt to developing countries. This made developing countries suffer from economic contraction and hardships.

In addition, the development and income gap between developed and developing countries widened as developing countries grew at a slow rate of 2.6% annually between 1980 and 1985.

Annual Economic Growth Rate

	1962-1972	1973-1979	1980-1985
Developed Countries	4.9%	2.8%	2.0%
Developing Countries	6.3%	5.2%	2.6%

Source: World Bank, World Development Report, 1985.

Another factor adding to the economic hardship was the increasing pressure over the foreign debt developing countries received since the 1970s to spur economic development. Foreign debt of developing countries, which recorded only USD 68 billion in 1970, increased ten times to USD 686 billion in 1985. Along with that, a significant rise in debt-service ratio (DSR) was witnessed from 14.7% to 19.7%.

Foreign Debt of Developing Countries

	1970	1975	1980	1985
Total Foreign Debt (USD billion)	68	204	430	686
Debt/GDP (%)	14.1	18.1	20.9	33.8
Interest/GDP (%)	0.5	0.8	1.6	2.8
DSR (%)	14.7	13.6	16.0	19.7

Source: World Bank, World Development Report, 1985.

Since developing countries could not show their ability to make a breakthrough in the economic circumstances, the idea was spread that new institutional frameworks and attempts were needed to solve the economic problems in developing countries. With rising concerns over the increasing development gap between the more advanced developing countries and late developers, as well as between the developing and developed countries, developing countries came to realize that cooperation for self-help among developing countries was very crucial.

2.2. WHY THE EDCF?

Raised awareness on governmental cooperation in various forms

As a developing country, Korea had constantly expanded cooperation with other developing countries in various fields such as trade and investment. Developing countries were one of Korea's most important economic cooperation partners in the 1980s as they took up one third of the nation's trade volume, half of foreign investment, and the absolute majority of Korean companies' overseas construction businesses.

Since governments of developing countries are in charge of drafting and carrying out economic development plans, they play a very important role in facilitating the development of a nation. Therefore, forging cooperative ties on a governmental level is both crucial and effective in facilitating economic cooperation and exchange between countries. It was within this context that the EDCF was established, based on general consensus, to play a mediating role as a form of inter-governmental cooperation.

Complying with cooperation requests and boosting south-south cooperation

As developing countries implemented their own economic development plan, development demand for the expansion of infrastructures, import substitution, investment on infant industries, and food production increased sharply. However, in most cases, they did not have enough resources and skills to meet those demands.

To overcome these obstacles, governments strived to attract foreign capital and introduce technologies. Late-developing countries looked to the inflow of capital and technologies from other forerunners such as Korea, which possessed the necessary development experience and skills gained through their own rapid economic growth.

Unfortunately, Korea did not have the effective means or financial resources to satisfy their needs at that time. Although there were several attempts by Korea to provide aid through programs such as the international development exchange program since 1982 or technical cooperation in construction sector in 1984, the amount of aid provided was too small to meet the recipients' demands. Korea's ODA amount totaled USD 93.2 million at the time and excluding the contributions of USD 79 million to multilateral development banks (MDBs) such as IBRD and ADB, the amount dropped to a mere USD 14 million.

As such, the need for the establishment of an economic development cooperation fund was brought up in order to facilitate economic exchange with developing countries and to comply with the requests of developing countries to provide capital and technical skills to assist economic growth.

The establishment of the EDCF was based on reciprocal necessity, in that Korea supports the economic development of developing countries, expands economic exchange with them, and contributes to south-south cooperation by providing capital as well as the necessary facilities and technologies.

2.3. ESTABLISHMENT OF THE EDCF

Based on a national consensus, the Korean government designated Ministry of Finance the operating body for the EDCF and prepared the institution of a new law.

The EDCF Law approved by the National Assembly was promulgated on December 26, 1986 and the Ministry of Finance set to work, formulating the rules and preparing for the establishment and management of the fund. After the Enforcement Decree of the EDCF was enacted on April 23, 1987, the operational bylaw was passed and principal policies were deliberated in the first Fund Management Council on May 29, 1987.

In 1987, the Ministry of Finance entrusted the task of operating the EDCF to the Export-Import Bank of Korea (Korea Eximbank) and the bank established the EDCF Department in June the same year. Also, the Korean government made a contribution of KRW 15 billion to the EDCF on July 1, 1987. With this, Korea entered into a new era of development aid as a donor country.



1.2 Establishment of the EDCF in June 1987

DEVELOPMENT PATH OF EDCF

3

3.1. LAYING THE FOUNDATION OF THE EDCF (1987-1992)

Commencing the operation

Soon after obtaining the government's funding of KRW 15 billion, the EDCF received loan requests from eight developing countries through the Ministry of Foreign Affairs of Korea on 15 projects amounting to USD 120 million in 1987. Among them, the EDCF decided to support the Padang By-pass Project in Indonesia and the Passenger Coach Purchase Project in Nigeria in December of the same year. The projects amounted to USD 13 million and USD 10 million, respectively.

Demand for EDCF assistance began to rise after 1990, but the lack of structured research and studies on recipient countries' development strategies made it difficult for the EDCF to find the most effective means of development assistance that were in harmony with the recipient's strategies. As a result, there were some challenges in identifying the appropriate projects to support.

The early stages of development assistance

After the loan commitment of KRW 18 billion (USD 23 million) was made in 1987, the EDCF kept a low profile for three years until 1990 as the trade balance worsened and the Korean government's will for ODA weakened. However, as another ODA agency, the Korea

International Cooperation Agency (KOICA), entered the scene to provide bilateral grant and technical assistance in 1991, national awareness on the necessity of ODA improved. Although the assistance commitment amount was small at the time, prospects to expand EDCF operations began to gain greater recognition.

From 1987 to 1990, 34.6% of the EDCF's loan commitments went to Asia, followed by Eastern Europe (29.1%), and Africa (25.9%), showing a relatively even distribution among regions except for Latin America, where no assistance was made during this period. By sector, economic infrastructure projects took up 53.9%, more than half of the assistance.

3.2. EXPANSION OF THE EDCF (1993-1996)

The shifting global economic order and the EDCF

With the advent of the World Trade Organization (WTO) and other changes in the global economic environment in the early 1990s, Korea began to pursue neo-liberalism: striving to ease regulations, open up its trade market, and join globalization. In an effort to tune its economic framework in line with the changing global environment, Korea also entered the Organisation for Economic Co-operation and Development (OECD). Korea's joining of the OECD brought dramatic changes to EDCF operations since tied aid practice was put under the tight regulation of the OECD Arrangement.

In 1993, the new government announced its outward policy to strengthen partnership with developing countries in parallel with the entering of the OECD. The government's ODA policy focused on increasing Korea's ODA volume to 0.2% of the GNP by the end of the 1990s, which was the minimum level set by the OECD Development Assistance Committee (DAC) at the time. Supported by the government's strong ODA drive, the amount of



The National Assembly Agrees to Ratify Korea's Entering of the OECD in 1996

EDCF loan commitments skyrocketed to a record KRW 303 billion in 1996.

Meanwhile, the Soviet Union's collapse at the end of 1991 contributed to strengthening Korea's relationship with socialist countries making a transition into market economy. Until the end of 1996, KRW 79 billion was committed to Viet Nam and KRW 74 billion to China, making them the second and third largest EDCF recipient country, respectively. By the end of 1996, the EDCF assisted seven countries that transformed into market economies. The total loan amount to these countries reached KRW 304 billion, constituting 43% of the EDCF's total accumulated commitment, and these countries emerged as new partner countries for the EDCF.

Reforming the EDCF operation procedures

In order to reinvigorate EDCF operations, the Korean government drafted a comprehensive reform plan in April 1995. First, the number of priority partner countries was reduced from eight to five. Second, the EDCF's support projects were categorized into three business sectors. Third, a goal was set to reduce the time consumed in going through the stage of receiving loan requests to the stage of providing loan commitments, from 30 months down to 18 months. Various measures were hence introduced to simplify the loan procedures.

Also, the EDCF exerted coordinated efforts with KOICA in supporting development projects. To enable a seamless connection in the process leading from KOICA's feasibility studies or engineering works to the EDCF's loan commitment, the two ODA agencies closely cooperated from the project preparation stage of initial project identification. These efforts allowed the elimination of possible causes for project delay, and helped the projects to proceed smoothly.

In the meantime, the Korean government decided to ease the terms and conditions of the EDCF loan in April 1996. The previous interest rate of 2.0-5.0% was decreased to the advanced donor level of 1.0-5.0%, while the repayment period of 10-25 years including a grace period of 5-7 years was extended to 10-30 years with a 5-10 year grace period. Furthermore, the EDCF provided preferential terms and conditions for strategic countries.

One more feature during this period was the beginning of the EDCF Workshop. The first EDCF workshop was held in October

1995. Government officials from partner countries were invited and had the opportunity to enhance their understanding of Korea's ODA and EDCF policy and to share knowledge on Korea's development path.

Lastly, the annual consultation meeting with MDBs was strengthened. In 1995, a total of 28 co-financing projects in seven countries were reviewed together with the ADB, IBRD, and AfDB. Furthermore, the first mixed credit was approved in December 1996 for the Laguindingan Airport Development Project in the Philippines, under the cooperation of the export financing division of Korea Eximbank and Nordic Investment Bank. This opened a new chapter for the EDCF as its source of funding was diversified compared to the previous cases where the lack of adequate funding limited the support of large-scale infrastructure projects.

3.3. CONTRACTION OF EDCF OPERATIONS (1997-2002)

The Asian financial crisis and suspension of government funding

The overall Korean economy in 1997 struggled as a large number of Korean firms recorded low profits and went bankrupt as a result of their excessive investment and overly aggressive business practices. In addition, as the current account balance continued to record a minus level, international credit rating agencies degraded Korea's credit rating, fostering a foreign capital exodus from Korea and resulting in a national liquidity crisis. The incident nearly led Korea to a moratorium but the nation was able to avoid it with the USD 10 billion emergency capital injection from the IMF and G8. Consequently, the government capital subscription to the EDCF was suspended for five years from 1998 to 2002.

Temporary setbacks in EDCF operations

The EDCF loan commitment was drastically decreased due to the suspension of the government's capital subscription. To make matters worse, the exchange rate hike caused the Korean won denominated EDCF loan to face project cost overrun. As a result, many partner countries who could not bear the counter funding back then, called for the modification of project scope or loan cancellation.

The aggregate commitment volume showed large fluctuations as it peaked to KRW 303 billion in 1996, drastically dropped to KRW 95 billion in 1997, hiked up to KRW 243 billion in 2000 and then decreased again to KRW 145 billion in 2002. The accumulated commitment amount between 1997 and 2002 was KRW 908 billion, averaging down to approximately KRW 151 billion on an annual basis, which was higher than the annual average amount of KRW 135 billion recorded during the period between 1993 and 1996.

By region, Asia benefited the most between 1997 and 2002, taking KRW 651 billion, 71.7% of the accumulated total, and a relatively even distribution was witnessed among eastern Europe, Africa, and Latin America, constituting 8.8%, 9.2%, and 9.4%, respectively. By sector, transport & storage topped the list with 27.6%, followed by energy 11.9%, and communications 9.5%. It is noted that assistance to overall economic infrastructure projects diminished to 49% during this period while support for the social infrastructure sector increased with the health sector representing 21.0%, water supply & sanitation 12.8%, and education 8.3%. Meanwhile, the accumulated loan disbursement increased to KRW 813 billion despite unfavorable external factors. In the year 2000, the disbursement amount exceeded KRW 200 billion for the first time since the EDCF's foundation.

3.4. MAKING A GREAT LEAP FORWARD (2003-2007)

Scaling up the assistance volume

The United Nations International Conference on Financing for Development, better known as the 2002 Monterrey Conference held in March 2002 declared that advanced nations will expand the ODA level up to 0.7% of the GNP in order to meet the Millennium Development Goals (MDGs). Furthermore, in May 2005, the DAC High Level Meeting of OECD stated through the Paris Declaration that every endeavor will be made to enhance aid effectiveness.

Meanwhile, the Korean government finally proclaimed in late 2002 that Korea was officially over with the financial crisis. Despite the downward trend of international trade conditions, Korea maintained an annual 10% export growth rate since 2003 and became the world's 13th largest trading country in 2004.

As Korea's status in the international community enhanced over time, there were increasing voices, both domestically and internationally, to reshape its ODA strategy and policies in proportion to its economic size, mainly regarding the scale up of ODA volume. In 2004, Korea's ODA/GNI was 0.06%, only a quarter of the OECD DAC average of 0.26%, which was below the level of Portugal and Greece whose per capita income was similar to Korea's.

The increasing public awareness on ODA gained momentum with the occurrence of two catastrophic events, which took place consecutively: Tsunami in 2004 and the massive earthquake in Pakistan in 2005. Triggered by the numerous NGOs advocating the expansion of Korea's ODA, the Korean government, led by the Sustainable Development Committee, an advisory group to the President, started to seriously look into this issue from 2003 as the ODA funding sources became available in line with the continued current account surplus. Later in October 2005, a comprehensive ODA reform plan prepared by the Office of Government Policy Coordination was revealed. The plan aimed to increase the ODA volume significantly and to utilize the ODA strategically to enhance Korea's status in the international community, and strengthen economic cooperation with developing countries.

Since the 2002 Monterrey Conference, the accumulated EDCF loan commitment continued to expand, reflecting the international community's strong will to boost up aid. The amount recorded KRW 172 billion between 2003 and 2006. During this period, the portion of commitment to Asia slightly dropped to 58.1%, easing the uneven distribution among regions, while the support to Latin America increased to 12.9% due to the summit meeting between Korea and Latin America in 2005 and the Korean president's state visit.

Loan disbursements peaked in 2002 with the amount of KRW 205 billion but then slipped to an annual average of KRW 150 billion between 2003 and 2006. Contrary to the gradual increase in loan commitments, in 2006, the disbursement record remained low due to the prolonged project implementation period caused by the introduction of mandatory competitive bidding procedures which aimed to enhance transparency of procurement procedures.

Establishment of advanced development assistance system

The EDCF has initiated various reform measures, one of which was a proactive project identification mechanism. The mechanism includes regular policy dialogues with counterpart governments, especially those of priority countries, to identify prospective projects and prepare project formation. Since 2003, a total of 57 policy dialogues were held in 26 partner countries and as a result, 35 projects in 13 countries were identified and assisted.

In the end of 2005, the EDCF also introduced the Country Cooperation Strategy and Program (CCSP) with the intention of expanding its commitment amount to priority countries of high development cooperation prospects such as Viet Nam and Indonesia. Meanwhile, projects with high development prospects but little preparation were identified and given technical assistance such as conducting feasibility studies or project design.

In the meantime, the EDCF tried to enhance project efficiency by simplifying the operation process. In this context, the EDCF Information System was established, which sets a standard time limit for each operational step and connects its electronic system with the government's, making it possible for the relevant authority to check the status of the project in real time.

In January 2006, the Korean government founded the Medium Term EDCF Operation Strategy and Plan 2006-2009 in order to enhance aid effectiveness and improve its operation. It basically lays out major objectives and targets on improving Korea's image and establishing a long-term stable relationship with key developing countries. The operation principles are to strengthen the ownership of developing countries in line with the EDCF's strategies to meet the MDGs.

In terms of project evaluation, the EDCF made it mandatory to conduct ex-post evaluation for all loan projects, starting from 2007. It will contribute to improving the aid effectiveness, transparency, and accountability by providing the results and lessons learned to the interest parties.

CHAPTER 2

THE PRESENT OF EDCF

ODA POLICY

1

1.1. KOREA'S ODA POLICY

In 2005, the Korean government announced the Comprehensive Plan for Improving ODA of Korea and set up a target to reach an ODA/GNI ratio of 0.1% by 2009. The plan reflects the government's efforts to expand ODA volume in line with the MDGs and to harmonize ODA-related policy makings.

The Commission on International Development Cooperation chaired by the Prime Minister of Korea was launched in January 2006 with the purpose of reviewing governmental policies and plans on development cooperation. In 2007, the ODA Mid-term Strategy 2008-2010 was approved by the commission, which set the primary objective of Korea's ODA as contributing to the achievement of the development goals and building institutional capacities of developing countries in order to reduce poverty and achieve sustainable development in those countries.

As the year 2010 is the mid-point of reviewing the MDGs, the mid-term strategy makes it its first priority to concentrate on actively participating in the mid-term review and achieving the mid-term goals. The strategy also calls for attention towards improving the basic human needs of least developed countries such as those in sub-

Saharan Africa by expanding Korea's ODA. Support will also be substantially increased to areas such as human resources development, healthcare, governance improvement, information technology, and rural development as part of an effort to eradicate poverty and achieve socio-economic development.

The strategy also aims to align Korea's development cooperation policies with other national strategies to maintain consistency and induce synergy effects. It also plans to expand the involvement of the private sector including the civil society in various ODA projects so as to utilize their expertise and raise public awareness. Especially, when conducting grass-roots level projects in countries with no official diplomatic relations, the Korean government will increase the participation of non-governmental organizations that have much field experience. The strategy also plans to encourage monitoring and evaluation by the civil society, which, in turn, will enhance transparency and accountability. The ODA white paper will be produced as well to publicly announce the results of development assistance and utilize those results to improve Korea's ODA practices.

Meanwhile, despite the 20-year history in development assistance, Korea still has no high-level policy statement governing its ODA. As of today, there are two legislative acts, the Economic Development Cooperation Act (enacted December 26, 1986) and the Korea International Cooperation Agency Act (enacted January 14, 1991), which only broadly state the development objectives. As such, the government began the task of drafting a policy statement called the Policy Statement of Korea's International Development Cooperation, which is set as a long-term task. It will include Korea's ODA philosophy and objectives, detailed policy priorities, and implementation plans. The final version of the policy statement will be drafted by the end of 2008 reflecting the results of the discussion held at the third meeting for the Commission on International Development Cooperation held in January 2008.

The meeting suggested Korea's ODA philosophy as securing the basic needs for all mankind and thereby contributing to the world's peace and co-prosperity. Also, Korea's ODA objectives was set as contributing to poverty reduction and sustainable development of the international community.

1.2. EDCF POLICY

As specified in the EDCF Act, the EDCF was established “in order to support industrial development and economic stability of developing countries and to stimulate economic cooperation between these developing countries and the Republic of Korea including the increase of economic exchange between them.” In line with this objective, the Basic Principles of the Management of the EDCF, approved by the Fund Management Council in 1987, guides the EDCF as follows: First, in the early stages, the EDCF will focus more on supporting sectors through which great economic impacts can be achieved from the cooperation with partner countries, and later on, its support will shift more towards meeting the development needs of countries through aid. Second, regional allocation will be based on strategic and cooperative needs rather than simple distribution by region. Third, efforts will be made to enhance aid effectiveness by utilizing technical assistance elements such as assistance for feasibility studies.

In 2006, the Korean government established the Medium Term EDCF Strategic Management Plan 2006-2009 to enhance mid-term predictability and to more effectively utilize the EDCF. The plan was revised every year and the latest plan, revised in 2008, consists of the following goals for 2008 to 2012:

First, the EDCF will increase its assistance volume in accordance with the government’s ODA expansion plan. In this regard, increased contributions from the governmental budget account are planned as well.

Second, in line with the principle of ‘focusing strategy’, the EDCF will select priority partner countries with high development cooperation prospects where aid effectiveness can be maximized with the limited financial resources. Based on the partner country’s development plan, the EDCF will provide goal-oriented and results-based development assistance and enhance aid effectiveness by staying in tune with the partner country’s development strategy and by harmonizing aid with other donor countries.

Third, the EDCF will be committed to global issues such as climate change and food crisis, and within this context, concentrate especially on sectors in which Korea has a comparative advantage. By carrying out these commitments, the EDCF will help Korea to bolster its position as

an established member of the international community.

Fourth, the Knowledge Sharing Program, which was designed to share Korea’s development experience gained from its rapid economic growth and social development with developing nations, will be further developed to meet the socio-economic and development needs of developing nations, thereby providing a more customized set of contents. The EDCF’s loan programs will also become more synchronized with other grant assistance programs of various governmental agencies and ministries.

Fifth, the EDCF will increase its support for public-private partnership (PPP) projects to provide more customized services that meet the various demands and project-specific needs in which the private sector is believed to be relatively more experienced. Meanwhile, to improve aid effectiveness, the EDCF will gradually increase the proportion of untied aid, which is currently 3%, with the aim of reaching the level of other advanced donors.

Finally, the plan for 2008-2012 also suggests that the EDCF strengthen its cooperative ties with the MDBs through co-financing, and work closely with bilateral aid agencies of developed countries through MOUs as well as joint research, studies, or evaluations. Expanding the CCSP and encouraging more Framework Arrangements that commit assistance three to four years in advance are also recommended to improve aid predictability.

ODA SYSTEM

2

2.1. IMPLEMENTATION SYSTEM OF KOREA'S ODA

Korea's ODA takes two forms: bilateral and multilateral aid. Bilateral aid consists of loans and grants. Of those, bilateral loans are the EDCF loans and bilateral grants include both grant aid and technical cooperation. Multilateral aid consists of grants, capital subscriptions, and concessional lending to multilateral agencies.

The Ministry of Strategy and Finance (MOSF) is primarily responsible for bilateral loans, capital subscriptions, and concessional lending to multilateral financial institutions including the World Bank Group, the IMF, and the ADB. The Ministry of Foreign Affairs and Trade (MOFAT) is primarily responsible for bilateral grants and grants to international development institutions such as the UN and related agencies.

Bilateral ODA

■ Bilateral loans

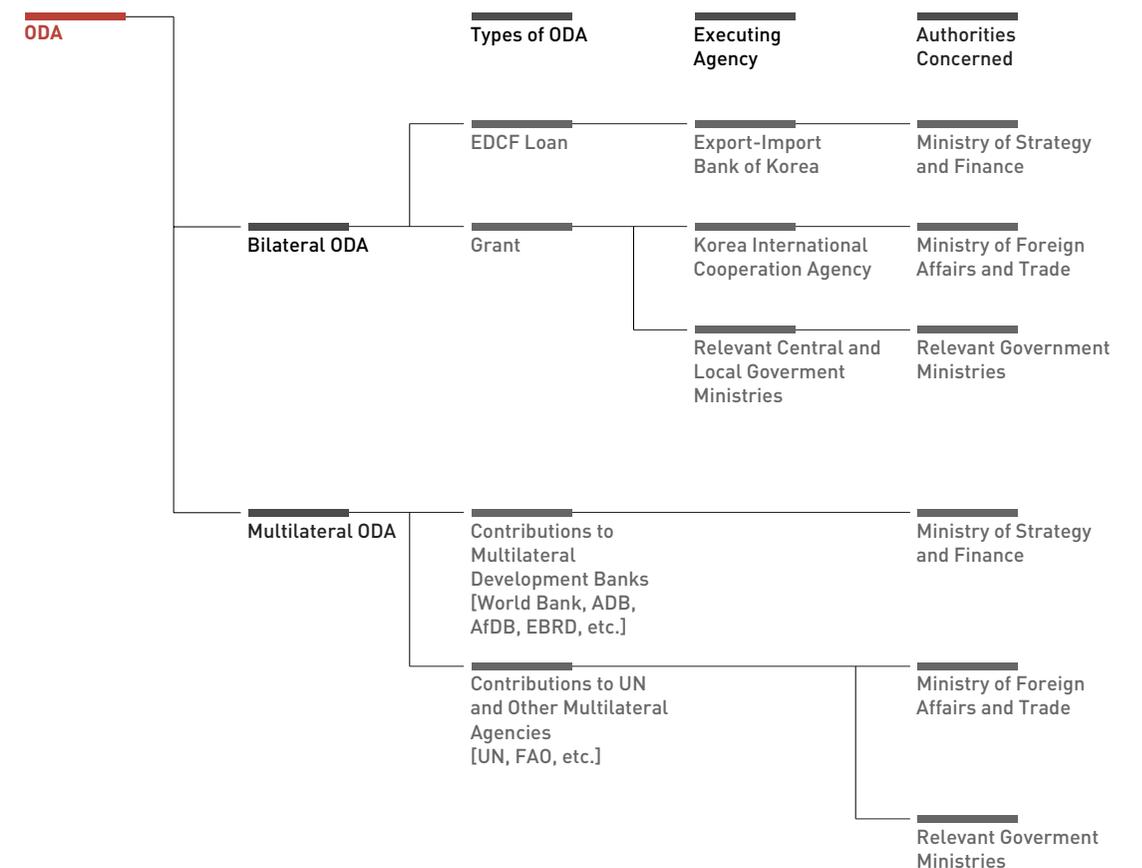
The Korean government established the EDCF as a bilateral ODA loan program in 1987 with the vision to support developing countries achieve industrial growth and improve economic stability. Since then, not only has the EDCF program allowed Korea to contribute to the

growth of other countries, but also helped Korea to develop sound economic relations with other countries.

The EDCF also seeks to contribute to the prosperity of the global economic community by assuming responsibilities commensurate with Korea's present international status. In this respect, its activities can be viewed as a means of sharing both its resources and accumulated experience with developing countries around the world.

As for the management of the EDCF, the Korean government regulates the principal policies, the MOSF supervises the overall management, and Korea Eximbank conducts all EDCF operations such as execution of loan agreements, comprehensive monitoring and evaluation of projects, and provision of advisory services in accordance with the government guidelines.

Korea's ODA Operation System



■ Bilateral grants

The responsibility for Korea's bilateral grants and technical cooperation is shared among relevant government agencies. Specifically, KOICA, along with several central government ministries and local governments, is mainly responsible for the implementation of bilateral grants and technical cooperation under the authority of MOFAT.

Multilateral ODA

Korea's multilateral ODA mainly consists of grants and capital subscriptions to multilateral organizations including UN agencies, the World Bank Group, and regional development banks. The MOSF is responsible for managing grants and capital subscriptions to international financial institutions including the World Bank Group and regional development banks. MOFAT and other government agencies manage contributions to various UN agencies.

2.2. IMPLEMENTATION SYSTEM OF THE EDCF

Fund Management Council

The Fund Management Council was established as a top decision-making body in line with the EDCF law. The 12-member council deliberates principal policies concerning the EDCF's operation and management as well as the operational programs, and reviews financial statements. With the Minister of Strategy and Finance as Chairman, the council members include the Minister of Foreign Affairs and Trade, Minister for Food, Agriculture, Forestry and Fisheries, Minister of Knowledge and Economy, Minister for Health, Welfare and Family Affairs, Minister of Land, Transport and Maritime Affairs, Minister of Education, Science and Technology, Chief Economic Secretary of the Office of the President, Deputy Director of the National Intelligence Service, Minister of the Prime Minister's Office, Chairman and President of the Export-Import Bank of Korea, and President of the Korea International Cooperation Agency.

Ministry of Strategy and Finance

The MOSF, as an operating body, drafts the EDCF's operational pro-

grams and financial statements, prepares principal policies concerning operation and management, selects the projects to support, and approves loans.

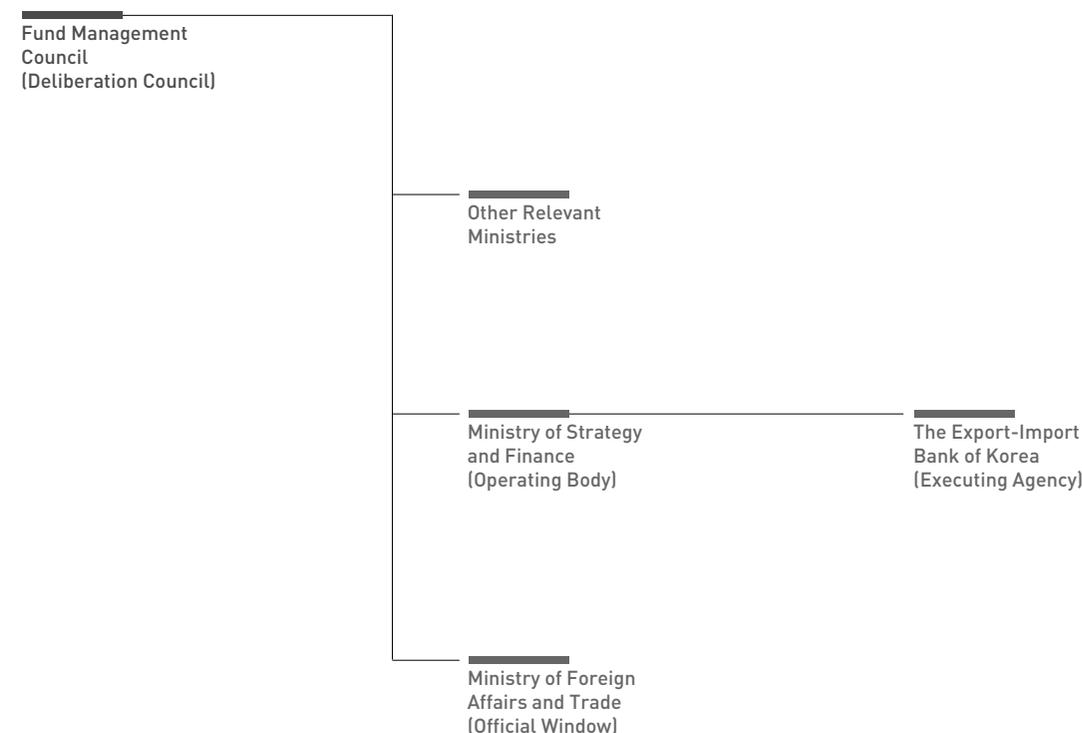
Ministry of Foreign Affairs and Trade

MOFAT works as the official window of EDCF loans. It accepts loan requests, notifies assistance policies, and executes inter-governmental agreements on behalf of the Korean government.

The Export-Import Bank of Korea

Korea Eximbank has four departments under the Economic Development Cooperation Fund Group for the operation and management of the EDCF. It dispatches appraisal missions, prepares appraisal reports, executes loan agreements, collects the payment of principal and interest thereon, supervises projects, fulfills ex-post evaluations, and so on.

EDCF Operational System



OUTLINE OF EDCF LOANS

3

3.1. TYPES OF LOANS, TERMS AND CONDITIONS

Types of loans

Development Project Loan provides necessary funds for governments or corporations of developing countries to conduct specific development projects.

Public-Private Partnership (PPP) Loan provides necessary funds for governments or corporations of developing countries to conduct PPP projects.

Equipment Loan provides necessary funds for governments or corporations of developing countries to procure equipment and other materials needed for industrial development in specific sectors.

Two-Step Loan provides necessary funds to governments or financial institutions of developing countries for sub-lending to end-users.

Commodity Loan provides necessary funds for governments or corporations to import commodities, which will contribute to the economic stabilization of the recipient country.

Project Preparation Loan provides necessary funds to governments or corporations for the preparation of development projects, including feasibility studies, detailed designs, or pilot programs relating to such projects.

Terms and conditions

The EDCF currently classifies all developing countries into five categories, taking into consideration the country's economic development stage and per capita income level as well as other relevant factors. The standard terms and conditions of loans to borrowing countries are shown below. The interest rate and repayment period including a grace period can be adjusted, not exceeding the concessionality level of the EDCF standard terms and conditions.

Terms and Conditions for EDCF Loans

Loan Amount	<ul style="list-style-type: none"> Up to the total project cost (excluding general management expenses, taxes, duties, levies, land acquisition costs, resettlement costs, and other indirect costs) For untied loans provided for countries other than the Least Developed Countries, the ceiling ratio of the coverage of the total project cost will be 85%, excluding emergency relief projects and the projects hiring Korean consulting firms
Interest Rate	• 0.01–2.5% per annum (zero for consulting services provided by Korean firms)
Repayment Period	• Up to 40 years, including a 15-year grace period
Loan Currency	• Korean Won (In special cases, such as untied loans, US dollars or euros are acceptable)
Repayment Frequency	• Semi-annual

3.2. PROJECT CYCLE

Project identification and preparation

Most developing countries draw up multi-year development plans to clarify their development objectives and strategies. These plans include envisaged development projects ranked in terms of their importance to the nation 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, economic and technical aspects must be closely examined. Feasibility studies may be carried out either by the governments of developing countries or multilateral organizations such as the World Bank and the ADB, or with technical assistance from donor countries.

If the government of a developing country is in need of assistance in preparing for a project that will be financed out of EDCF loans, it may also request Korea Eximbank or the Korean government to assist

in carrying out the preparations. In such cases, it may request support from the Project Preparation Facility on a grant basis.

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

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

Loan request

Once the feasibility study is finalized, the prospective borrower's government makes an official loan request to the Korean government by submitting the required documents to the Korean embassy in its own country. After receiving the request, the Korean embassy forwards it to the MOSF via MOFAT.

At this stage, Korea Eximbank may send a fact-finding mission to obtain further information and clarify issues. Such detailed information on all aspects of the proposed project is required to proceed to the next stage of appraisal.

Appraisal

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

An appraisal involves a detailed review of the feasibility studies related to the project. It is through the 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 borrowing country.

Korean government's decision on EDCF loans

Korea Eximbank completes the appraisal report and submits it along

with its opinion to the MOSF. Then, the MOSF confirms the economic, financial, and technical soundness of the project based on Korea Eximbank's appraisal report. After consulting with the ministries concerned, the MOSF makes a final decision on the loan request and notifies the borrowing country through MOFAT.

Agreement and Arrangement 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 their responsibilities. Once signed by both parties, the Agreement remains in force for a minimum of 10 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 the Framework Arrangement, they are allowed to omit the 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.

Loan Agreement

Prior to drafting a Loan Agreement, Korea Eximbank sends the borrower 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 authoritative 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 borrower. The Loan Agreement becomes effective as soon as condition-precedent documents such as evidence of authority, specimen signature, and legal opinion are submitted by the borrower and accepted by Korea Eximbank.

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 borrower 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.

During the implementation stage, the borrower may request help from the Project Implementation Facility, which is provided on a grant basis to assist the borrower in implementing and managing the project more effectively and efficiently.

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

■ Procurement

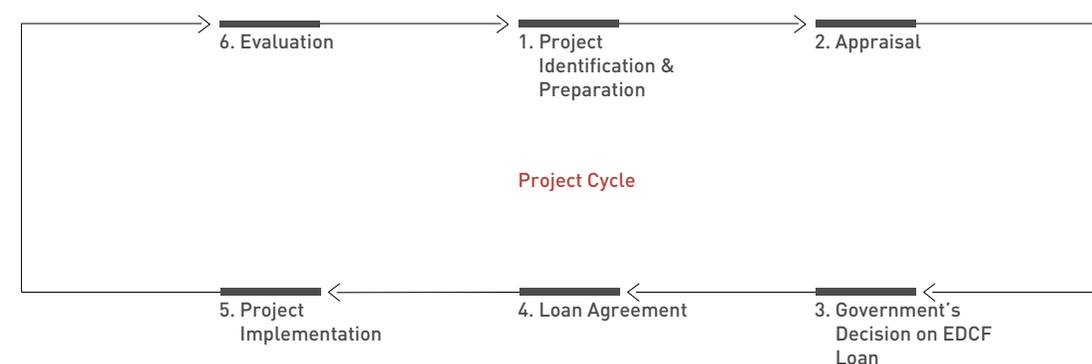
The borrower is responsible for the implementation of the project, while Korea Eximbank is responsible for supervision. The PEA prepares the specifications and evaluates bids for the procurement of goods and services for the project. Korea Eximbank reviews this activity to ensure that the procurement guidelines have been followed. The procurement method acceptable to Korea Eximbank is competitive bidding among Korean suppliers.

■ Disbursement

Loan proceeds are disbursed at the borrower's request as the project progresses. 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.

Evaluation

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



3.3. EVALUATION SYSTEM

Introduction

The EDCF evaluation system has two important purposes. One is to improve the quality of EDCF assistance and strengthen feedback by incorporating the lessons learned and recommendations from similar projects in the past. The other purpose is to ensure accountability and transparency by providing the evaluation results to the public, partner countries, and international donor agencies. To enhance the evaluation process, the EDCF introduced ex-post evaluation in 2002 and the performance indicator in 2007.

As of 2007, the EDCF conducted ex-post evaluation on 14 projects in 9 countries.

Number of Ex-post Evaluation (As of 2007)

Year	2004	2005	2006	2007	Total
No. of Projects	4	3	4	3	14

EDCF evaluation system

The EDCF's evaluation system consists of setting up a performance indicator, completion monitoring, and ex-post evaluation.

■ Performance indicator

The performance indicator, which was introduced in 2007, is set up for every EDCF project at the stage of project appraisal. It is jointly made with partner countries after comprehensively analyzing the project benefits, resources required to achieve the benefits, and obstacles in pursuing the project. Since partner countries participate in developing the performance

indicator, they can have ownership and responsibility for the project.

The performance indicator demonstrates the output, outcome, and impact of the implementation of the project, based on which the evaluation unit can comprehensively examine the project from various angles. It is also used for regular monitoring and ex-post evaluation in order to measure the achievement of the project's original objectives.

The performance indicator is also in accordance with result-based management, an essential element of aid effectiveness currently being emphasized by the international donor society.

■ Completion monitoring

Completion monitoring is carried out on all projects when the project management unit (PMU) in charge of the project reports the completion of the project. It focuses on examining whether the project has been completed as planned and whether the output has been put to proper use by applying the check-list method based on the project completion report (PCR), which is provided by the PMU. The PMU should submit the PCR within six months after the project completion date or such later date as shall be agreed upon between the PMU and Korea Eximbank.

■ Ex-post evaluation

Ex-post evaluation is conducted on all projects within two to three years after the completion monitoring. It basically uses five evaluation criteria of the OECD DAC guidelines; Relevance, Efficiency, Effectiveness, Impact, and Sustainability.

For a more objective evaluation, an independent evaluation unit consisting of evaluation experts and technicians is set up to carry out the evaluation. For large-scale projects, external evaluators can perform the evaluation.

The lessons learned and necessary follow-up actions from the ex-post evaluation are applied to similar on-going EDCF projects so that the maintenance process can be strengthened. These lessons and recommendations could also help to improve aid effectiveness for future projects and benefit partner countries by improving their capacity to prepare, implement, and maintain development projects.

Finally, the ex-post evaluation reports are opened to the public, various stakeholders, partner countries, and other donor agencies to ensure transparency and accountability, and also to strengthen the feedback process.

3.4. CO-FINANCING WITH MDBs

Introduction of EDCF co-financing

Recently, the EDCF is raising the level of co-financing with the MDBs to meet the recipient countries' growing demand for large-scale development projects. EDCF co-financing refers to any arrangements under which EDCF funds are associated with funds provided by the MDBs for a particular project or program. Co-financing is categorized into parallel co-financing and joint co-financing. Until 2006, the EDCF provided funds in MDB-assisted co-financing projects on a parallel basis.

Parallel co-financing enables the co-financier to finance separate components of the project, making it possible for the EDCF, as a co-financier, to apply its own procurement procedure for the component it finances. Since the approval of untied EDCF loans for co-financing in 2007, joint co-financing is expected to increase, opening new opportunities in partnership with the MDBs.

Co-financing with the MDBs has certain advantages;

- i) enhances, together with the MDBs, the impact of development assistance to the recipient countries
- ii) bridges the financing gap of large-scale development projects
- iii) enhances donor coordination and harmonization
- iv) reduces time and cost for project identification, formulation, and preparation
- v) enables better project implementation review and completion monitoring

Efforts and track record

The Korean government has approved EDCF loans for 9 co-financing projects, amounting to USD 184.9 million as of 2007. Although the volume of co-financing has been small, it is increasing significantly these days. Three commitments were made in 2007 alone, representing 33% of the EDCF's total co-financing commitments.

EDCF's Co-financing Track Record (USD million)

MDB	Country	Project	Loan	Remarks
ADB	Philippines	Mindanao Power Transmission Project	10.7	- Parallel - Government approval of EDCF loan made in July 1994
	Mongolia	Road Development Project (Choir-Sainshand Section)	23.9	- Parallel - Government approval of EDCF loan made in July 2004
	Viet Nam	GMS Southern Coastal Corridor Project	49.7	- Parallel - Government approval of EDCF loan made in March 2007
	Laos	Northern GMS Transport Network Improvement Project	22.4	- Parallel - Government approval of EDCF loan made in August 2007
IDB	Bolivia	Pailon-San Jose Highway Construction Project (Component 2)	23.0	- Parallel - Government approval of EDCF loan made in July 2000
	Honduras	Peace and Citizen's co-existence for the Municipalities of the San Pedro Sula Region	2.5	- Parallel - Government approval of EDCF loan made in December 2003
IBRD	Sri Lanka	Re-engineering Government Component of e-Sri Lanka Project	15.0	- Parallel - Government approval of EDCF loan made in December 2004
CABEI	Guatemala	Educative Informatics Highway Project	23.6	- Parallel - Government approval of EDCF loan made in September 2006
AfDB	Madagascar	Toliara Province Road No.35 Rehabilitation Project	14.1	- Parallel - Government approval of EDCF loan made in December 2007
Total			184.9	

The increase in co-financing is the result of various efforts to broaden the cooperation channel with the MDBs. For instance, the EDCF holds annual consultations with the MDBs to explore co-financing opportunities. It also introduced untied loans in an effort to meet the preference of other donor agencies including the MDBs. MDBs have expressed their reluctance to be associated with tied loans because tied loans hinder the coordination between co-financiers and the continuity of procurement procedures.

The EDCF's co-financing track record includes 4 projects with the ADB, 2 projects with IDB, and 1 project each with the IBRD, CABEI, and AfDB. They were all carried out on a parallel basis.

Among those projects, the AfDB-assisted Madagascar Toliara Province Road Rehabilitation Project was meaningful as the EDCF extended an untied loan for the first time in its history through this project in 2007.

Prospects

With recent emphasis on the importance of ODA, advanced donor countries are raising the level of development assistance. Unfortunately, the volume of ODA committed by the Korean government remains small compared to the OECD DAC member countries. In an effort to close the gap, the EDCF will increase the volume of co-financing with the MDBs.

To this end, the Korean government and Korea Eximbank will

- i) increasingly provide untied loans because the EDCF's tying status has been a limiting factor for co-financing with the MDBs,
- ii) establish a more efficient and systematic cooperation channel with the MDBs,
- iii) explore opportunities to support multilaterally-assisted infrastructure development projects, and
- iv) expand program aid in the social infrastructure sector. Especially, efforts will be made to extend more EDCF co-financing funds towards the least developed countries.

3.5. SPECIAL ASSISTANCE PROGRAM

Special assistance programs are designed to facilitate and expedite the EDCF loan process from the project identification and preparation stage all the way to the implementation and maintenance phase after project completion. These activities are carried out by the consultants employed and dispatched by the EDCF. There are three types of programs as follows:

■ Project Preparation Program

During the preparation stage of development projects, the borrowing countries face difficulties in coming up with a well-prepared feasibility study, mainly due to financial and technical limitations.

Under such circumstances, the EDCF supports borrowing coun-

tries through the Project Preparation Program, made available for use by borrowers 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 aspects
- Analysis of the economic and social impact of the project
- Environmental studies

■ Project Implementation Program

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

- Preparation of bidding documents
- Procurement/Inspection
- Technical assistance in project implementation
- Dispatch of consultants to analyze project delays, etc.
- Drafting of the progress report and project completion report

■ Ex-post Assistance Program

The Ex-post Assistance Program is provided to maximize the effectiveness of aid. As such, hindering factors are analyzed to ensure the project's long-term sustainability in terms of managerial, operational and financial aspects upon project completion, including procurement-related issues.

- Dispatch of experts for local technician training
- Provision of spare parts to replace or upgrade outdated ones



VOLUME OF EDCF LOANS

4

4.1. DISTRIBUTIONS BY TYPES OF LOANS

Overview

Governments and governmental institutions in developing countries are striving to build and expand a foundation for development in a wide range of fields, from socio-economic infrastructure to environmental improvement. Drawing on its own development experience, Korea has helped many of its partner countries overcome economic hardships and achieve their development goals through poverty reduction and sustainable growth programs.

In recent years, the accumulated external debt and budget deficits in recipient countries have spurred the need for various types of financing. Thus, the EDCF provides several types of lending programs such as development project loans, equipment loans, two step loans, commodity loans, and the project preparation loans, among which the development project loans and equipment loans account for the largest portion to date.

By making use of various types of loans, the EDCF will continue to contribute to the stability and development of the international community in the years to come and also to build up a more effective cooperation and communication network with partner countries.

Development Project Loan

This loan provides funds for government or corporations of developing countries to conduct specific infrastructure projects such as roads, railways, hospitals, vocational training centers, water supply facilities, and sewerage plants selected within the context of the national economic development plan. Predominant among EDCF loans, the development project loan accounted for 65.7% of the total EDCF loans.

The amount of development loan commitments made by the EDCF has grown continuously and showed a remarkable increase since the year 2002. Disbursement of the development project loan normally requires more procedures than others; therefore, the interval between the date of the Korean government's loan commitment and the date of the first disbursement is longer for this type of loan.

The largest portion of the development loan was channeled to the Asian region, followed by Africa and Latin America.

As for the sectoral distribution, transport & storage accounted for 20.4%, followed by water supply & sanitation and telecommunications. For the education sector and medical health sector, equipment loans represented a major portion, whereas development loans did not take up a significant share.

The portion of development project loan is expected to increase substantially and continuously in the future.

Equipment Loan

Equipment loan provides necessary funds for governments or corporations of developing countries to procure equipments and other materials needed for the industrial development of the country in specific sectors.

The merit of an equipment loan lies in the simplicity and efficiency in its procedures compared to other types of lending programs. The details of a project supported by an equipment loan are far simpler than other types of projects, enabling involved parties to proceed more quickly. The average time period necessary in making disbursements for an equipment loan project is 18 months.

Equipment loans and development project loans have represented the largest share among the EDCF lending programs. The share of equipment loans started to increase rapidly in 1994, and equipment loans accounted for the largest portion among all types of EDCF loans in 1998.

The dramatic increase started to take place in 1994 when the EDCF began providing assistance to China as China's demand for EDCF loans mostly were concentrated on equipment loans. Among all recipient countries, China was one of the countries with the highest share in the utilization of EDCF equipment loans.

Unlike some recipient countries, project executing agencies in China were equipped with the management capacity to oversee all stages of its development projects. As a result, their need for assistance tends to stop at the procurement of equipments.

The share of equipment loans is expected to shrink gradually. One of the reasons is largely associated with the changed status of China, the main user of equipment loans. China is no longer considered as an eligible recipient country by the EDCF owing to its progressed economic development. In addition, with the emphasis of the international aid community on the importance of aid effectiveness, loans solely supporting the procurement of equipments are being considered less effective, which led to the gradual decrease in assistance to projects of the same nature.

Others

■ Overseas Investment Credit

Overseas investment credit supports development projects conducted by the private sector. Therefore, this credit is extended only to Korean private companies, whereas other types of loan facilities are extended to the central government of developing countries.

This credit requires that the business model of the concerned project be feasible and its implementation should contribute to the economic cooperation between the two countries. Also, this credit is provided to projects that are considered too risky to be covered by Korea Eximbank's other lending programs or other financial institutions. As a result, these conditions limit the scope of applicable project types for this credit to high-risk, long-term projects such as agriculture, fishery, and mining related projects.

To date, the EDCF has approved two projects for this credit, one in the Philippines in 1990 and the other in Indonesia in 1992. Since then, there has been no further demand for this type of lending program, its primary reason being that the lending conditions of this credit are less advantageous than the recent loan conditions of commercial institutions.

Loan procedures from application to approval are also more complicated and time-consuming. Thus, the demand for this credit is not expected to increase unless the lending conditions and procedures are dramatically changed.

■ Two-Step Loan

The two-step loan first provides necessary funds for the governments or financial institutions of developing countries to procure equipments necessary for the industry development. Then, financial institutions will on-lend the received funds to the end-users such as small and medium enterprises and independent farmers under designated conditions. This dual procedure distinguishes the loan program from other types of loans. Also, rather than being project-specific loans, this loan is given accordingly to the recipient country's development need.

Contrary to the mentioned features, however, demand for two-step loans has been extremely low. To date, only one project has been supported by the EDCF two-step loan, the Industrial Equipment Leasing Project in Pakistan which received KRW3,459 million in 1991. The demand is expected to increase in the future, however, as international assistance is being specialized by sector or program.

4.2 DISTRIBUTIONS BY REGION

Overview

By the end of 2007, the EDCF provided loan commitments totaling KRW 3,188.2 billion (USD 3.3 billion) to 172 projects in 43 countries.

The largest portion of the commitments since the EDCF's establishment was given to Asia, accounting for 69.6% of the total commitment amount. This reflected Korea's close economic and diplomatic ties with many of the Asian countries. Africa (12.8%), Eastern Europe (10.0%), and Latin America (7.1%) followed the Asian region. By country, Viet Nam was the biggest recipient (KRW 448.3 billion), followed by Indonesia (KRW 249.2 billion), China (KRW 233.6 billion), Sri Lanka (KRW 212.5 billion), and Bangladesh (KRW 204.8 billion).

Loan disbursements totaled KRW 1,773.2 billion for 132 projects since its establishment. Like the commitments, Asia was the largest borrower at 70.7%. Eastern Europe and Africa accounted for 13.8%

and 10.6% each. By country, China took the first place with KRW 209.9 billion, followed by Sri Lanka (KRW 176.5 billion), Indonesia (KRW 166.9 billion), Viet Nam (KRW 142.7 billion), and Bangladesh (KRW 124.6 billion).

As of 2007, the EDCF's outstanding loans to partner countries totaled KRW 1,544.1 billion, which is expected to increase as new commitments and disbursements are to take place.

In the future, priority will be given to Asia according to the choice and focus strategy. For other regions such as Latin America, Africa, and Eastern Europe, the EDCF will expand its support on stronghold countries.

Asia

Korea has maintained close diplomatic and economic ties with other Asian countries owing to the geological proximity and historical and cultural similarities. Although the regional economy staggered during the financial crisis of 1997, Asia was able to achieve sustained economic growth since 2000 and Korea's trade and investment volume to the region increased as well. ASEAN is one of Korea's major trade and investment partners together with the U.S., China, Japan, and EU. The recent movement towards regional economic integration further emphasizes the importance of our economic cooperation with Asian countries.

Considering this close relationship, the EDCF is placing its priority on Asia in providing ODA. In particular, Indonesia, Viet Nam and the Philippines are the priority countries. Indonesia has the largest population and economy among ASEAN countries, and it has formed a long cooperative relationship with Korea. Viet Nam's economy is growing fast with the continued reform and open economic policy. Aided with its abundant human and natural resources, Viet Nam has high growth potential and is attracting active foreign investment inflow, following China. The Philippines, our longtime ally since the Korean War, is home to the largest number of overseas Koreans in South Asia.

As of 2007, the EDCF has supported 126 projects in 17 Asian countries, which received EDCF loan commitments of KRW 2.22 trillion since the EDCF's inception, representing 69.6% of total EDCF loans committed globally. By country, Viet Nam was given the most,

followed by Indonesia, China, Sri Lanka, Bangladeshi, Cambodia, and the Philippines.

Out of the top 10 recipients, 8 are Asian countries, thanks to the high priority assigned to the region. Indonesia, the Philippines, and other Southeast Asian countries have long benefited from the support of the EDCF. The establishment of diplomatic ties with China as well as the normalization of diplomatic relations with Viet Nam and Cambodia called for stronger economic cooperation. However, assistance to China dropped sharply since 2002 in line with China's economic growth and increased income level.

Aiming to achieve maximum effectiveness with the limited funds available, the EDCF will keep focusing on Asia and expanding assistance in the region in order to contribute to the sustainable growth of Asia.

(1) East and South Asia

■ Bangladesh

From the year 1991, the Korean government started reviewing economic development cooperation with Bangladesh as trade volume between the two countries started to gradually grow.

The governments of Korea and Bangladesh signed a Government Agreement to extend EDCF loans in November 1993, signaling the official beginning of EDCF operations in Bangladesh. In the same year, the EDCF supported the Greater Khulna Power Distribution Project, amounting to USD 14.0 million.

As of 2007, the number of EDCF supported projects in Bangladesh reached 8, amounting to KRW 204.8 billion (USD 204.1 million) in commitments.



1. Internet Information Network Expansion Project, Bangladesh
2. Greater Khulna Power Distribution Project (Phase II), Bangladesh

In terms of the cumulative committed amount, Bangladesh ranked fifth out of the 43 recipient countries, sharing 6.4% of total EDCF commitments and maintaining its status as the EDCF's priority country.

By sector, transport & storage constituted the largest portion of 55.6%, followed by communications (28.8%), and energy (15.6%).

From 2005 to 2007, one EDCF project was committed to Bangladesh every year. The EDCF loan amount for each project varied from USD 14 million to USD 33 million, recording an average of USD 25.5 million per project. However, no project was committed between 1997 and 1999 due to the Asian financial crisis in the late 1990s, during which EDCF operations remained relatively inactive.

There are bright prospects for the year 2008, however, as policy dialogues between the two governments will be settled for the Framework Arrangement.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Greater Khulna Power Distribution Project (Phase II)	1993	11,072	14.0	10,809
Locomotive Purchase Project	1996	27,294	33.1	27,293
The Intensification and Expansion of Distribution System Project (Phase II, Part A)	2000	20,908	20.0	16,160
Digital Exchange Installation Project at Khulna, Chhtagong, Sylhet	2001	35,259	30.0	35,082
Locomotive Purchase Project (Phase II)	2002	35,295	28.0	35,254
Internet Information Network Expansion Project	2005	23,717	25.0	-
Salvage Vessel Procurement Project	2006	24,666	26.0	-
Locomotive Purchase Project (Phase III)	2007	26,563	28.0	-
Total		204,774	204.1	124,598

■ Cambodia

Cambodia has been receiving large amounts of ODA since it regained peace and security after two decades of isolation and conflict. The EDCF's activities started in 2001 after Korea restored full diplomatic relations with Cambodia in 1997.

The EDCF's first operation in Cambodia was the Capacity Expansion of Government Administration Information System Project.

The project was the EDCF's very first support case in system integration, and the successful outcome of the project led to over 10 system integration projects in over 10 countries.

As of 2007, EDCF loan commitments to Cambodia reached KRW 172.2 billion (USD 159.3 million) for 6 projects. Cambodia has become one of the EDCF's priority countries, ranking sixth among all the EDCF recipient countries by cumulative commitment amount.

By sector, government & civil society and transport & storage took the largest share of the EDCF financing in Cambodia, representing 32.2% and 32.1% respectively, followed by education (21.0%) and water supply & sanitation (14.7%).

Although the history of EDCF operations in Cambodia is relatively short, the close partnership between Korea and Cambodia enabled the EDCF to be the second largest donor in terms of bilateral loans, followed by China.

In 2001 and 2002, Cambodia became our largest recipient country with a total of 3 projects amounting to USD 64.7 million, equivalent to nearly 30% of the EDCF's total commitment amount.

In 2005 and 2006, the country once again rose as our top recipient country. During this period, another 3 projects were approved with a total amount of USD 94.6 million.

The year 2007 was an important phase for EDCF operations in Cambodia as the EDCF outlined its strategy for Cambodia by establishing the CCSP for Cambodia from 2008 to 2011. The program specified major cooperation goals including the aggregate commitment volume and key support areas, and was finalized under the mutual agreement between the two governments in March 2008.



1.2 Kampot-Trapang Ropaou Road Rehabilitation Project, Cambodia

In accordance with the CCSP for Cambodia, the EDCF will continue to be a major development partner for Cambodia, focusing on the development of its economic and social infrastructure.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Capacity Expansion of Government Administration Information System Project	2001	26,350	20.0	26,028
National Cambodian - Korean Vocational Training School Project	2002	36,230	27.7	36,226
Kampot - Trapang Ropaou Road Rehabilitation Project	2002	20,185	17.1	20,177
Krang Ponley Water Resources Development Project	2005	25,330	26.7	458
Provincial Administration Information System and National Information Infrastructure Project	2006	29,084	31.0	15,062
National Road No.3 Rehabilitation Project (Phase II)	2006	35,007	36.9	951
Total		172,186	159.3	98,903

■ China

Since Korea formed diplomatic relations with China in 1992, the economic bonds between the two countries have expanded in diverse aspects and exchanges have been further facilitated in the areas of human resources, culture, and sports. Today, China is one of Korea's biggest trading partners and relations between the two countries are expected to strengthen further in the future.

The first EDCF loan commitment towards China was approved in 1994 for 3 projects: the South Harbour Bridge Project in Tianjin Port, Multi-purpose Berth Project of Longkou Port, and Yanji Airport Extension Project, altogether amounting to USD 33 million.

As of 2007, the number of all EDCF-supported projects in China recorded 22, and the total amount in commitments stayed at KRW 233.6 billion (USD 236.1 million), sharing 7.3% of total EDCF commitments. By sector, transport & storage recorded the largest share of 63.8%, followed by agriculture, forestry and fishing (19.2%), water supply & sanitation (6.9%), communications (5.6%), environmental protection (2.8%), and others (1.7%).

One of the distinguished features of the EDCF-supported pro-

jects in China is that most of the assistance was provided in the form of equipment loans and in relatively small amounts. This is because the import volume of construction facilities rapidly increased as China had been concentrating its strengths on achieving national economic growth since the 1990s. Another notable feature was that project sites were widely spread throughout 22 regions in 17 administrative districts all over China. In detail, 6 projects with EDCF loans totaling USD 73.5 million have been completed in 3 northeastern regions of Liaoning, Jilin, Heilongjiang, 7 projects (USD 37.4 million) in the western regions, and 9 projects (USD 125.2 million) in other areas.

China was the most important recipient country for Korea before 2000. The Korean government has approved an average of 3 projects every year from 1994 to 1997. Since then, however, EDCF loan approvals for China have drastically decreased after the Asian financial crisis. Today, the Korean government has discontinued providing new loans to China after the Qufu Sewage Recycle and Reuse Plant Project in the Shandong province in 2005, because China has achieved remarkable economic growth. The already approved projects are currently in the stages of concluding procurement contracts, making disbursements, and receiving repayments of principal and interest.



1. Construction Project for Shanghai Jingan District Public Multi-level Car Park, China
2. Mudanjiang-Ningan Section of He-Da Highway Construction Project, China

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
South Harbour Bridge Project in Tianjin Port	1994	12,038	15.0	10,785
Multi-purpose Berth Project of Longkou Port	1994	6,420	8.0	4,981
Yanji Airport Extension Project	1994	8,025	10.0	8,025
Construction of Water Supply Project of Yanji City	1995	6,922	9.0	6,913
Liaoning Sino-Korean International Exchange Center Project	1995	3,846	5.0	3,822
Hunan Province Telecommunication Project	1995	13,038	17.0	13,038
Yinchuan Hedong Airport in Ningxia Hui Autonomous Region Project	1996	4,657	5.5	4,586
Anshan Municipal Waste Disposal Demonstrative Project	1996	2,117	2.5	2,116
Integrated Agriculture Development in Ten Provinces Project	1996	16,933	20.0	16,924
Mudanjiang-Ningan Section of He-Da Highway Construction Project	1997	13,466	15.0	13,466
Wuwei Water Supply Project	1997	4,444	5.0	4,443
Kunming City Elevated Highway Construction Project	1997	4,489	5.0	4,470
Sichuan, Mianyang Nanjiao Airport Construction Project	1999	17,066	15.0	16,581
Mudanjiang-Jixi Highway Construction Project	2000	39,829	32.0	36,749
Ecological Project for Desertification Control in Yikezhao League Inner Mongolia Autonomous Region	2000	6,638	5.0	6,638
Reconstruction Project for Qingyuan-Cangzhou Section of Tianjin-Baoding	2001	23,657	20.0	16,177
Establishment Project for Agricultural Engineering Research Center of Gansu Agricultural University	2001	2,490	2.0	2,489
Construction Project for Shanghai Jingan District Public Multi-level Car Park	2001	3,358	2.5	3,357
Pengshui Highway Project	2002	5,905	5.0	5,523
The Project to Establish Demonstration Areas for Paddy Mechanization in Four Province	2003	25,476	25.0	17,575
Korla City Outer Belt Road Construction Project	2003	10,191	10.0	10,190
Qufu Sewage Recycle and Reuse Plant Project, Shandong Province	2005	2,562	2.7	1,025
Total		233,567	236.1	209,873

Indonesia

Indonesia has evolved into one of Korea's most important trading partners, with the cumulative trade volume amounting to USD 14.9 billion and Korea's cumulative investment to Indonesia standing at USD 5.4 billion as of 2007.

In 2006, the EDCF initiated the CCSP for Indonesia from 2006 to 2010 in order to specify key support sectors and overall support volume considering Indonesia's own development strategy. The Country Resident Mission has also been in operation since 2006, and it is recognized as a very efficient method of communication with the Indonesian counterparts to identify prospective projects and manage project implementation.

As of 2007, the amount of cumulative EDCF loan commitments to Indonesia totaled KRW 249.2 billion (USD 256.5 million). In terms of the cumulative commitment amount, Indonesia was the second largest recipient as an individual partner country with the loan amount to Indonesia accounting for 7.8% of total EDCF loans.

In terms of sectoral distribution, the health sector took the greatest portion, accounting for 34.0% with 3 projects. Water supply & sanitation took second place, receiving 18.2%, followed by transport & storage (15.4%), and government & civil society (13.7%).

In 2007, the mid-term rolling plan was adopted as a result of semi-annual policy dialogues between the two governments. In line with the rolling plan, the Framework Arrangement was introduced to replace the former Government Agreement which previously required signing for every single project. This reduces the governmental procedure, making it possible to save a subst-



1. Improvement of District Hospitals in South & East Kalimantan Project, Indonesia
2. Padang By-pass Project, Indonesia

antial amount of time compared to the standard project implementation process.

The EDCF has implemented ODA projects in line with the Indonesian development strategies and encouraged the country to build its own capability to support and develop itself at the same time. The EDCF will continue to make efforts to develop more effective aid programs and models, and increase the amount of ODA to Indonesia. In doing so, the EDCF will significantly contribute to strengthening Korea's reciprocal partnership with Indonesia.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Padang By-pass Project	1987	9,839	13.0	9,774
Mobile Training Unit's Development Project	1991	18,181	25.0	16,994
Nature Silk Spinning Industry Project	1992	978	1.3	978
Business and Commerce Education Development Project	1994	8,110	10.0	7,098
Manado By-pass Project	1995	13,318	10.0	13,203
Improvement of District Hospitals in South & East	1997	27,534	30.0	27,367
Kalimantan Project				
Hospital Waste Water Treatment Plant Project	1999	45,336	40.0	44,913
Improvement of District Hospitals in East Java Province Project	2000	34,369	30.0	32,902
National Criminal Information Center Development Project	2004	19,438	20.2	5,881
Strengthening of Teaching Hospitals Project	2005	22,769	24.0	-
Batam e-government Project	2006	14,747	16.0	5,103
National ICT Human Resources Development Project	2006	19,362	21.0	2,667
Manado By-pass Project (Phase II)	2006	15,179	16.0	-
Total		249,160	256.5	166,880



Luang Prabang National University Establishment Project, Laos

■ Laos

Since Korea and Laos resumed diplomatic ties in 1995, the governments of Korea and Laos signed a Government Agreement to extend EDCF loans in October 1997, setting the path for official EDCF activities in Laos. Accordingly, the EDCF approved the Luang Prabang National University Establishment Project amounting to

USD 22.7 million in 2004.

As of 2007, the number of EDCF supported projects in Laos reached 4, amounting to approximately KRW 82.6 billion (USD 85.3 million) in commitments.

These records are largely the result of the drastic increase in the number of projects and loan amount in 2007.

Before 2007, only 1 EDCF project was committed to Laos, whereas in the year 2007 alone, 3 projects were committed with the total amount reaching USD 62.7 million.

By sector, water supply & sanitation constitute the largest portion of 42.8%, followed by transport & storage (29.2%) and education (28.0%). In general, the projects were selected based on the development priority of the Laos government, which mostly focuses on establishing the socio-economic infrastructure.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Luang Prabang National University Establishment Project	2004	23,133	22.7	22,586
Northern GMS Transport Network Improvement Project	2007	21,288	22.4	-
Mekong River Integrated Management Project	2007	35,304	37.2	-
SEA Game Stadium Road Improvement Project	2007	2,846	3.0	-
Total		82,571	85.3	22,586

■ Mongolia

Mongolia was the first socialist country in Asia to form diplomatic ties with Korea (1990) and bilateral relations have shown steady improvement since then, together with the introduction of the market economy in Mongolia.

In line with the Korean government's promise to extend EDCF loans, the EDCF began its support through the Disposable Syringe & Needle Plant Project in 1992, which totaled USD 5.2 million.



Disposable Syringe & Needle Plant Project, Mongolia

As of 2007, the number of the EDCF-supported projects in Mongolia reached 8, amounting to about KRW 84.6 billion (USD 83.9 million) in commitments, sharing 2.7% of total EDCF commitments.

By sector, transport & storage constituted the largest portion of 41.3%, followed by communications (37.1%), energy (8.5%), government and civil society (8.2%), and health (4.9%).

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Disposable Syringe & Needle Plant Project	1992	4,123	5.2	4,048
Cogeneration Power Plant Construction Project	1996	6,290	8.0	6,290
Cogeneration Power Plant Construction Project (Supplementary)	1999	934	0.9	934
Rehabilitation of Government Communications Network Project	1999	6,983	5.3	6,959
Rural Telecommunications Project	1999	18,561	14.3	17,608
Road Development Project (Choir- Sainshand Section)	2004	22,755	23.9	3,413
Intelligence Transportation System Project	2006	12,143	12.8	-
Emergency Information Network Project	2006	12,807	13.5	-
Total		84,596	83.9	39,252

■ Myanmar

Korea and Myanmar formed diplomatic relations in 1975, but it was not until February 1993 that both governments signed the Exchange Notes concerning the extension of EDCF loans. The first project supported by the EDCF was the Telecommunication Network Expansion Project with a loan amount of USD 7.8 million.

As of 2007, the EDCF has supported 6 projects in Myanmar, amounting to KRW 76.8 billion (USD 84.7 million) in commitments, sharing 2.4% of total EDCF commitments.

By sector, transport & storage constituted the largest portion of 36.9%, followed by health (21.3%) and energy (17.7%).

In spite of the unstable political and economic circumstances currently surrounding the nation, Myanmar still remains as one of Korea's economic partners with its



Hepatitis B Vaccines Production Project, Myanmar

economic development potential. Therefore, EDCF assistance to Myanmar is expected to maintain its current level.

Loan Commitments & Disbursements (As the end of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Telecommunication Network Expansion Project	1992	5,726	7.8	5,726
Electric Power Distribution Improvement Project	1994	13,587	16.8	13,586
Inland Container Depot Project	1996	11,793	15.0	11,793
Passenger Coaches Procurement Project	1996	16,588	20.0	16,588
Hepatitis B Vaccines Production Project	2000	16,355	12.6	16,354
Basic e-Government Project	2004	12,794	12.5	12,792
Total		76,843	84.7	76,839

■ Nepal

Korea and Nepal established diplomatic relations in May 1974. Although Nepal has not engaged in economic relations with Korea on a level matching its fast-growing neighbors such as China or India, both trade and aid flow between the two countries have been steadily increasing in recent years. While loan assistance from Korea has not been as active, grant assistance through KOICA and humanitarian assistance through Korean NGOs have been significant. There is room for further loan assistance to Nepal.

The governments of Korea and Nepal signed a Government Agreement to extend EDCF loans in September 1996. That same year, the EDCF supported the Modi Khola Hydroelectric Project at an amount of USD 15 million in EDCF loans. On February 18, 2008, the Korean government approved the EDCF loan for the Chameliya Hydroelectric Project, in the far northwestern corner of the country, pledging to assist USD 45 million in EDCF loans.

With the Nepalese government's growing emphasis on the hydroelectric power and road sectors, the EDCF is set to play a growing role in an environment of increasing stability and opportunities.



Modi Khola Hydroelectric Project, Nepal

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Modi Khola Hydroelectric Project	1996	12,441	15.0	12,399
Total		12,441	15.0	12,399

■ Pakistan

The Korean government has constantly sought to strengthen economic cooperation opportunities with Pakistan by expanding EDCF loans in consideration of Pakistan's economic growth potential. The governments of Korea and Pakistan began the first EDCF activity in 1991 through a loan supporting the Industrial Equipment Leasing Project amounting to USD 10 million.

As of 2007, the number of EDCF-supported projects in Pakistan reached 4, amounting to about KRW 86.8 billion (USD 95 million) in commitments. In terms of the cumulative commitment amount, Pakistan shared 2.7% of total EDCF commitments and has been one of the EDCF's priority countries since 2006.

By sector, energy constitutes half of all EDCF-supported projects in Pakistan. Other projects are also supported by the EDCF as an effort to assist Pakistan in building its economic and social infrastructure.

In line with the effort, the Korean government committed an amount of USD 20 million to help Pakistan recover from a severe earthquake that devastated the northern part of the country in 2005. The Earthquake Infrastructure Reconstruction and Rehabilitation Project for Azad Jammu and Kashmir and North Western Frontier province is now being implemented to assist the Pakistani government's effort in rebuilding its communities and other infrastructures.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitment		Disbursement
		KRW Million	USD Million	KRW Million
Industrial Equipment Leasing Project	1991	7,189	10.0	3,459
Procurement of Equipment under the NTDC Development	1997	17,903	20.0	-
Program for 220KV Ghazi Road Grid Station Project, Lahore				
Earthquake Reconstruction and Rehabilitation Project	2007	18,974	20.0	-
GEPCO Substations for Rural Distribution Construction Project	2007	42,691	45.0	-
Total		86,757	95.0	3,459

■ The Philippines

The Philippines and Korea have maintained amicable relations since diplomatic ties were formed in 1949. During the 1960s and 1970s, the Philippines was regarded as the best development model for Asian countries. As Korea's economy grew exponentially in the 1980s and 1990s, the Philippines became a major economic partner for Korea.

Based on such historical background, it was natural for Korea to choose the Philippines as a partner country when the EDCF launched its loan projects in 1987. The EDCF's first support project in the Philippines was the Misamis Oriental Telephone Expansion and Modernization Project in 1990.

As of 2007, the number of EDCF-supported projects in the Philippines reached 9, amounting to approximately KRW 113.6 billion (USD 131.6 million) in commitments, and the country ranked eighth among all the EDCF recipient countries by cumulative committed amount. All EDCF-supported projects in the Philippines are concentrated in the area of infrastructure.

Especially, the transport & storage sector accounts for the largest share (73.1%) because the establishment of an efficient transport system networking over 7,000 islands is indispensable to mitigate regional disparity in the Philippines. To this end, the EDCF supported the construction of the Laguindingan Airport, an international airport in northern Mindanao. The South Manila Commuter Rail and Gapan-San Fernando-Olongapo Road are also being constructed using EDCF loans. Other sectors financed by EDCF loans are energy (15.8%) and communications (10.6%), in which 4 projects have already been completed and evaluated as successful cases contributing to the na-



1. Transmission Line and Substation Project in Luzon, The Philippines
2. Laguindingan Airport Development Project, The Philippines

tion's infrastructure development.

The EDCF has used various kinds of instruments to finance its loan projects in the Philippines. The EDCF's first co-financing operation was carried out with the ADB for the Mindanao Power Transmission Project in the Philippines in 1994. The EDCF loan was extended on a parallel basis and used to purchase equipments such as transformers and transmission lines.

In addition, mixed credit facility was introduced into EDCF projects in the Philippines. One such case was the Laguindingan Airport Development Project financed with the export credit of Korea Eximbank and Nordic Investment Bank. The other is the South Manila Commuter Rail Project, which was financed with the export credit of Korea Eximbank.

The Philippines was appointed as one of the EDCF's priority countries in 2006. To operate EDCF activities in the Philippines more systematically and efficiently, the EDCF initiated the CCSP for the Philippines from 2007-2010 to further expand the overall volume and support sectors and dispatched the Country Resident Mission in 2007. A Framework Arrangement was also concluded in 2007 to extend USD 300 million for the period of 2007-2010 to speed up project implementation.

Such a newly established strategic scheme will enable the EDCF to better contribute to building the infrastructure in the Philippines and ensure a closer and stronger partnership between the EDCF and the Philippines.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Misamis Oriental Telephone Expansion and Modernization Project	1990	3,790	5.4	3,790
Sericultural Business Project	1990	618	0.9	618
Mindanao Power Transmission Project	1994	8,645	10.7	7,846
Transmission Line and Substation Project in Luzon	1994	9,265	14.0	5,885
Misamis Oriental Telephone Expansion and Modernization Project (Phase II)	1994	8,249	10.2	8,204
Laguindingan Airport Development Project	1996	21,172	25.0	2,118
South Manila Commuter Rail Project	2003	33,189	35.0	19,317
Laguindingan Airport Development Project(Supplementary)	2004	7,552	8.2	-
Widening of GSO Road and Emergency Dredging Project	2005	21,156	22.3	470
Total		113,636	131.6	48,249

■ Sri Lanka

Since Korea and Sri Lanka established diplomatic ties in 1977, their cooperative relations continued to grow towards the benefit of both countries. The governments of Korea and Sri Lanka signed Government Agreement to extend EDCF loans in 1990, marking the official beginning of EDCF activities in Sri Lanka. That same year, the EDCF supported the Colombo-Galle Road Rehabilitation Project, providing loans of USD 14.5 million out of the total project cost of USD 18.0 million.

As of 2007, the number of EDCF projects in Sri Lanka reached 16, amounting to about KRW 212.5 billion (USD 227.3 million) in commitments.

In terms of the cumulative commitment amount, Sri Lanka is the fourth largest recipient country among 43 recipient countries, sharing 6.7% of total EDCF commitments and maintaining its status as the EDCF's priority country.

By sector, water supply & sanitation constituted the largest portion of 27.1%, followed by transport & storage (25.3%), and government & civil society (19.6%).

In 2008, policy dialogues between the two governments are expected to be settled and the Framework Arrangement will be introduced.



1. Greater Galle Water Supply Project, Sri Lanka
2. Housing Project for Public Servants, Sri Lanka

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitment		Disbursement
		KRW Million	USD Million	KRW Million
Colombo-Galle Road Rehabilitation Project	1990	10,370	14.5	9,836
Hospital Rehabilitation and Reconstruction Project	1996	9,849	12.6	9,830
Horana Area Telecommunication Facility Improvement Project	1996	11,725	15.0	10,064
Expansion of Outside Line Plant of Gampaha Secondary Switching Center Area Project	1996	11,725	15.0	11,082
Power Sector Development Project	1996	6,449	8.3	6,254
Medical Equipment Project	1996	8,171	10.0	7,814
Ratnanapura-Bandarawella Road Rehabilitation Project	1996	24,512	30.0	24,512
Housing Project for Public Servants	1996	8,171	10.0	8,165
Medical Equipment Project (Compact Loan)	2000	3,171	2.6	3,170
Greater Galle Water Supply Project	2000	35,265	26.7	35,256
Balangoda-Bandarawela Road Rehabilitation Project	2002	19,003	17.6	18,509
Greater Galle Water Supply Project (Phase II)	2004	15,499	14.8	14,622
Re-engineering Government Component of e-Sri Lanka Project	2004	14,534	15.0	10,548
Administrative Complex in Hambantota Project	2005	18,951	20.0	3,794
Greater Galle Water Supply Project (Phase II, Supplementary)	2006	6,744	6.4	2,945
The Upgrading National Vocational Training Center at Niyagama Project	2006	8,329	8.8	84
Total		212,468	227.3	176,485

■ Viet Nam

Since Korea and Viet Nam formed diplomatic ties in 1992, Viet Nam has evolved into one of Korea's most important trading partners and most preferred investment spot among southeast Asian countries.

The governments of Korea and Viet Nam signed a Government Agreement to extend EDCF loans in April 1995, trumpeting the official beginning of EDCF activities in Viet Nam. In the same year, the EDCF supported both the Thien-Tan Water Supply Project and No.18 Highway Improvement Project, collectively amounting to USD 50 million.

As of 2007, the number of EDCF-supported projects in Viet Nam reached 17, amounting to about KRW 448.3 billion (USD 470.8 million) by commitments. In terms of the cumulative committed amount, Viet Nam outranked the other 42 recipient countries, sharing 14.1% of total EDCF commitments and maintaining its status as the EDCF's priority country.

By sector, transport & storage constitutes the largest portion of 32.1%,

followed by water supply & sanitation (28.5%) and health (15.5%).

These noteworthy records are largely the result of the drastic increase in the number of projects and loan amount per project in the year 2007. From 1995 to 2006, the number of projects committed to Viet Nam was only 10, whereas in 2007 alone, 7 projects were committed with a total amount of USD 243 million. The poor performance prior to 2007 was mainly due to the Asian financial crisis and its subsequent impact on Viet Nam's development plans.

In 2006, the EDCF initiated the CCSP for Viet Nam from 2006 to 2009 in order to streamline its sporadic project-based assistance by clarifying its development strategy and key support sectors including the aggregate support volume. To this end, the EDCF dispatched a Country Resident Mission in 2006 to efficiently deal with the increased volume of operations related with the EDCF.

The year 2007 was also memorable because regular semi-annual policy dialogues were held between the two governments and the rolling plan was settled. The Framework Arrangement valid for multiple projects was also introduced to replace former individual Arrangements.

The EDCF's joining of the Six Banks in 2007 represents Korea's elevated status as one of the major donors to Viet Nam. The Six Banks are comprised of the top six donor institutions: World Bank, ADB, JBIC, AFD, KfW and EDCF. These donors are responsible for more than 80% of the total ODA flows to Viet Nam and act as an advisory group to the Vietnamese government on efficient project management systems and policy coordination while working towards donor harmonization.

EDCF activities in Viet Nam are expected to expand further in terms of assistance volume and support sector as economic ties between Korea and Viet Nam continue to strengthen.



Procurement of Equipments of Combined Cycle at the Ba Ria Power Plant Project, Viet Nam

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Thien-Tan Water Supply Project	1995	19,885	26.0	19,885
No.18 Highway Improvement Project	1995	18,355	24.0	18,336
Procurement of Equipments of Combined Cycle at the Ba Ria Power Plant Project	1996	41,516	49.0	41,516
Five Vaccines Production Project	1999	34,728	28.5	34,727
Thien-Tan Water Supply Project (Supplementary)	2000	8,009	6.9	7,190
Procurement of Equipments of Combined Cycle at the Ba Ria Power Plant Project (Supplementary)	2000	8,470	7.0	8,462
Hai Phong Solid Waste Management and Treatment Project	2001	23,400	19.6	11,977
Solid Waste Management and Treatment Project in Ninh Binh Province	2004	19,894	21.0	256
Solid Waste Management and Treatment Project in Vinh Phuc Province	2005	18,503	19.5	376
Expansion of Thien-Tan Water Plant Project (Phase II)	2006	24,666	26.0	-
GMS Southern Coastal Corridor Project	2007	47,133	49.7	-
Construction of Thua Thien Hue General Hospital Project	2007	29,278	30.9	-
Medical Equipment Supply to Dak Nong Provincial General Hospital Project	2007	5,394	5.7	-
Construction of Rach Gia By-pass Project	2007	78,535	82.8	-
Hoa Binh Water Supply System Project	2007	13,613	14.4	-
Five Vietnamese-Korean Vocational Colleges Establishment Project	2007	33,204	35.0	-
Supplying Broadcasting and IT Equipment for Multimedia Center Project	2007	23,717	25.0	-
Total		448,300	470.8	142,726

(2) Middle East

■ Jordan

Although Korea and Jordan formed diplomatic ties in 1962, Korea's trade transactions and economic cooperation with Jordan have not been significantly active. Korea, however, continues to see Jordan as an important economic partner in view of its geographical and political role in the Middle East.

With the pledge of the Korean government to support the Wadi es Sir Wastewater Collection and Treatment Project with a loan amounting to KRW 7.2 billion, the first EDCF loan was extended to the Jordanian government in 1991.

As of 2007, the number of EDCF-supported projects in Jordan

reached 4, amounting to KRW 57.4 billion (USD 63.8 million) in commitments. In terms of the cumulative commitment amount, Jordan represented 1.8% of total EDCF commitments. Among the 4 projects, 2 have been already successfully completed and the constructed plants are evaluated to be the most effective wastewater treatment plants in Jordan.

In line with this, the EDCF is positively reviewing the Jordanian government's recent loan request for another wastewater treatment plant and sewage network construction project. The continued cooperative efforts are expected to further strengthen the relationship between the two governments.



1. Wadi es Sir Wastewater Collection and Treatment Project, Jordan
2. Madaba Wastewater Treatment System Expansion Project, Jordan

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Wadi es Sir Wastewater Collection and Treatment Project	1991	7,235	10.0	7,218
Madaba Wastewater Treatment System Expansion Project	1996	7,622	9.0	7,622
South Amman Wastewater Treatment Project	2004	22,769	24.0	474
Naur Wastewater Project	2005	19,733	20.8	-
Total		57,359	63.8	15,314

■ Yemen

Korea and Yemen formed diplomatic ties in 1985, and the governments of Korea and Yemen concluded a Government Agreement to extend EDCF loans on October 3, 2003, which marked the official beginning of EDCF operations in Yemen. In the same year, the EDCF supported the Expansion of Telecommunication Network Project, providing USD 30 million in EDCF loans out of the total project cost



1. Expansion of Telecommunication Network Project, Yemen
 2. Telecommunication Modernization Project, Kazakhstan

of USD 41 million.

As of 2007, the EDCF supported 2 projects in Yemen, amounting to KRW 46.7 billion (USD 45.4 million) in commitments. In terms of the cumulative committed amount, Yemen represents a share of 1.5% of total EDCF commitments.

As the Yemeni government planned to focus on constructing the technical training infrastructure, the Korean government pledged to support a modern vocational training center project and provide loans amounting to USD 15.4 million out of the total cost of USD 20 million in 2007.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitment		Disbursements
		KRW Million	USD Million	KRW Million
Expansion of Telecommunication Network Project	2003	32,075	30.0	32,075
Yemini-Korean High Technical Institute Project	2007	14,591	15.4	-
Total		46,666	45.4	32,075

(3) CIS

■ **Kazakhstan**

As the economy of Kazakhstan shows remarkable growth, Kazakhstan's desire for ODA loan becomes smaller and aid from international institutions is shrinking. Until now, the EDCF has supported 1 project in the country; the Telecommunication Network Modernization Project amounting to USD 20 million.

The telecommunication network in Kazakhstan was in a state of disrepair. As of 1992, the country had only 9.1 lines per 100 habitants,

far below the former communist countries' average of 14.3 lines per 100 habitants. In an effort to address the shortage, the government encouraged investment and foreign assistance in this sector.

In accordance with the government's efforts, the EDCF loan was committed in 1996. As the project was implemented, the quality of the telecommunication service was improved by relieving the severe backlog of demand for service.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Telecommunication Modernization Project	1996	16,269	20.0	16,140
Total		16,269	20.0	16,140

■ **Kyrgyz**

The EDCF's first assistance to Kyrgyz was given through the Telecommunication Network Modernization Project as loan approvals were made in 1998 amounting to USD 12 million. The project aimed to relieve the backlog and improve telecommunication services in 25 sites in the Chuy region with the installation of about 45,000 digital lines. In addition, the project sought to further vitalize economic activities in the region by enhancing the overall living standard of the inhabitants and attracting domestic and foreign investment.

In May 2003, however, the EDCF amended the agreement with Kyrgyz and rescheduled the original EDCF Loan Agreement for the project in accordance with the Paris Declaration concerning the consolidation of debt of Kyrgyz in 2002. To date, Korea and Kyrgyz are still in the process of undergoing the second rescheduling for the project.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Telecommunication Network Modernization Project	1998	16,114	12.0	16,113
Total		16,114	12.0	16,113

■ Uzbekistan

Since the governments of Uzbekistan and Korea signed a Government Agreement to extend EDCF loans in July 1999, the number of EDCF-supported projects in Uzbekistan reached 4, recording a commitment amount of USD 107 million until 2007.

In terms of the amount as well as the number of projects, Uzbekistan is the biggest EDCF recipient country in the Commonwealth of Independent States (CIS) countries and the ninth biggest recipient among the EDCF partner countries.

By sector, education accounts for most of the EDCF support projects in Uzbekistan as 3 out of 4 projects have been carried out in the education sector. This reflects the nation's positive evaluation of Korea's know-how in the education sector. The highly talented pool of human resources and the Korean government's aggressive investment in the education sector is known to have been a key factor in Korea's rapid economic growth.

Uzbekistan and Korea have held summit talks and EDCF policy dialogues, more frequently so in recent years. The first Rolling Plan was settled in 2007 and the Framework Arrangement was introduced in 2008 through these meetings. After the conclusion of the Framework Arrangement, a new Rolling Plan including future candidate projects will be drawn up under the mutual agreement between the two countries within a set amount. Accordingly, Uzbekistan will be able to obtain loans from the EDCF for projects in the Rolling Plan without concluding separate Arrangements for individual projects up to the ceiling amount.

Through this, the project cycle is expected to shorten by almost 6 months, which will also help to further facilitate the economic cooperation between the two countries.

Nowadays, there is great demand for energy resource development in Uzbekistan. In line with such demands, future EDCF assistance in the country will most likely put much weight on supporting projects related to this field.



Informatization of General Education Schools Project, Uzbekistan

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Telecommunication Network Modernization Project	1996	12,486	15.0	12,450
Capacity Expansion Project of the Special Professional Education	1999	39,251	35.0	38,481
Vocational Education Development Project	2003	25,615	27.0	47
Informatization of General Education Schools Project	2006	28,461	30.0	-
Total		105,813	107.0	50,978

Africa

Africa has been known for having the highest number of least developed countries compared to other continents and currently suffers from the lack of talented human resources and the eruption of hostile disputes among nations and tribes. In light of these circumstances, many donor countries have paid close attention to the poverty reduction program for Africa.

In recent years, however, significant changes have been taking place and Africa is beginning to be recognized as a land of opportunities and a promising market.

In 2007, the continent witnessed unprecedented economic growth as it recorded a growth rate of 6.2%. This is a remarkable advancement compared to the 3.7% growth rate in 2002. This upward trend is strongly backed by skyrocketing oil prices. Oil dollars are fueling infrastructure development in Angola, Congo, and many other oil producing countries. Many reports state that the all-time high oil price and exploration of new oil fields will help Africa to exceed even the newly developing countries.

Furthermore, nations have increasingly settled their regional disputes and many have become politically and socially stable. Such an environment is attracting overseas investors. China, U.S., and many EU countries are promising huge amounts of ODA.

Korea has also exerted efforts to financially assist Africa. The EDCF committed KRW 408.1 billion and disbursed KRW 187.6 billion, which takes up 12.8% of the EDCF's total commitments and 10.6% of total disbursements. Africa was ranked as the EDCF's second largest recipient region following Asia, in terms of commitment amount. A total of 20 projects in 11 African countries have been financed through the EDCF.



The Fisher Boat Building Project, Angola

The EDCF will continuously support Africa's development needs in fields such as social infrastructure, human resources, and information communication technology. Development of these areas is expected to improve employment rate and the quality of life for the people of Africa.

■ Angola

After the 2002 cease-fire agreement, the rehabilitation of social infrastructures led to a construction boom in the country and the majority of those projects were implemented through the ODA. Thanks to social and political stabilization, Angola is emerging as one of the leading nations in Central Africa and now carries significant diplomatic weight in the region.

To date, the EDCF provided USD 124.9 million for 4 projects in the country and considers Angola as one of its major partner countries. With that title, Angola has great potential to receive EDCF loans for its projects related to the development of natural resources and social and economic infrastructures.

Considering the vast cooperation opportunities with Angola as one of the EDCF's major partner countries, the EDCF and Angola plan to conclude a Framework Arrangement. The arrangement will set an amount for the EDCF's mid-term support for candidate projects with Angola. The arrangement is expected to ease the administrative burden and accelerate the overall loan procedure.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
The Fisher Boat Building Project	1998	10,798	9.5	10,798
Agriculture Modernization Project	2005	33,119	31.4	16,270
Government ICT Infrastructure Project	2006	33,204	35.0	9,305
Poultry Processing Project	2007	46,486	49.0	-
Total		123,607	124.9	36,373

■ Egypt

Egypt is a large country in terms of population and economic size in North Africa. The country's status as the most populous Arab country and its historically close ties with the U.S. has enabled it to carve out a firm position as a power broker in the Arab world. However, until 2005, there has been no active relationship between Korea and Egypt through the EDCF.

In 2006, through a policy dialogue, the Korean government confirmed the Egyptian government's will to receive EDCF assistance. The next year, the Egyptian government made official requests for an EDCF loan and the Korean government committed USD 30 million for the Modernization and Mechanization Process of Rice Crop Project. The project was the EDCF's very first support case in Egypt.

Farming in three governorates in Egypt has suffered from ineffectiveness and low productivity owing to the lack of mechanization. To solve the problem, the Egyptian government decided to mechanize its agricultural processes and started establishing agricultural mechanization stations in 1980. The government also made requests to aid institutions including the EDCF for assistance concerning the agricultural sector. The mentioned modernization project by the EDCF was initiated as a result.

The project, which involves the procurement of agricultural machineries, establishment of a rice processing complex, and the transfer of agricultural technologies, was approved by the Korean government in 2007. When executed, the outcome is expected to enhance the quality of agricultural products and improve productivity through the accelerated mechanized process and modern production techniques.

The successful completion of the project will also act as a stepping stone towards further economic and diplomatic cooperation opportunities between the two countries.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	USD Million
Modernization and Mechanization Process of Rice Crop Project	2007	28,461	30.0	-
Total		28,461	30.0	-

■ Ghana

Ghana is located in the west coast of Africa and its political and social structure is considered stable at present.

On the political scene, for the first time since Ghana's independence, the opposition party assumed power with the election in December 2002, which has brought a new era of democracy to the nation.

President Kufuor's market-oriented economic policy has accomplished the stabilization of consumer prices and the reduction of government deficit. Such achievements were highly acknowledged by the IMF and World Bank, which means more ODA tools will be available for Ghana in the future.

Ghana, which once suffered from heavy external debt, received debt relief from the IMF amounting to USD 4 billion under the Highly Indebted Poor Countries (HIPC) Initiative. Since then, Ghana effectively implemented the poverty reduction program in alliance with the

IMF, World Bank, and many creditor countries.

The EDCF has so far committed 3 projects totaling USD 59.2 million in Ghana, mainly focusing on the energy sector. As the negotiation on debt rescheduling is at its final stage, the EDCF is now considering whether to provide new loans. During a policy dialogue with the government of Ghana in February 2008, the EDCF learned of Ghana's development priorities in the areas of human resource development, water supply, and procurement of construction equipments. With that in mind, the EDCF will cooperate closely with the Ministry of Finance of Ghana to identify candidate projects in line with such priorities.



1. The Buipe-Bolgatanga Petroleum Products Pipeline Project, Ghana
2. Petroleum Products Storage Depots Project, Ghana

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Petroleum Products Storage Depots Project	1990	8,997	13.0	8,997
LPG Cylinder Manufacturing Plant Project	1994	6,400	8.0	6,400
The Buipe-Bolgatanga Petroleum Products Pipeline Project	2000	45,558	38.2	45,200
Total		60,955	59.2	60,597

■ Kenya

As of 2007, the EDCF has supported 3 projects in Kenya, amounting to KRW 47.1 billion (USD 50.1 million) in loan commitments.

In the early 1990s, primary industries accounted for about 28% of the GDP in Kenya, and almost 77% of the total labor force was engaged in these industries. With regard to this, the government placed strong emphasis on human resources development in order to achieve industrialization of the national economy. The industrializa-

tion process of Korea through vocational training and human resources development seemed attractive to the Kenyan government. Hence, requests were made to the Korean government to share its development experiences through EDCF support on the Technology Development Center (TDC) Project.

After the first project was completed in 1997, the Kenyan government asked for EDCF assistance on the Road Maintenance Equipment Renewal Project. The Korean government committed to provide USD 25 million for the project so that the Ministry of Roads, Public Works & Housing could be equipped with a reliable fleet of equipment for road maintenance works.



1.2 Establishment of a Technology Development Center Project, Kenya

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Establishment of a Technology Development Center Project	1992	10,994	14.4	10,994
Road Maintenance Equipment Renewal Project	2004	25,917	25.0	25,917
Technology Development Center Extension Project	2007	10,191	10.7	-
Total		47,102	50.1	36,911

Through the project, a substantial amount of costs were reduced in vehicle operation, safety was enhanced, greater comfort was brought for passengers, and damage to cargo was reduced, which, all combined, will further boost the economic and socio-cultural activities in Kenya.

In 2007, Kenya requested a loan for the TDC Extension Project as it recognized the need to upgrade its equipments by applying the technological advancements that were made since the equipments were delivered to the TDC back in 1996. Also, the expanded education and training programs since the TDC was first established called for new equipments and facilities. In light of these needs, the Korean government committed USD 10.7 million for the TDC Extension Project in 2007.

It is very inspiring that the Kenyan government is showing continuous interest in the EDCF, and it is expected that the EDCF will play a significant role in strengthening the close relationship between the two countries.

■ Madagascar

Since the establishment of diplomatic ties between Madagascar and Korea in 1962, interactions between the two nations have stayed relatively low in the socio-economic context, compared to the vast investment and cooperation potential present in both countries.

There were significant endeavors between the two governments in 2007, however, to strengthen bilateral economic interaction and cooperation. The Korean government extended its first EDCF loan to support the Toliara Province Road No. 35 Rehabilitation Project in Madagascar, committing an amount of USD 14.1 million. Not only was this the EDCF's first untied loan ever to be provided in its history, but also its first co-financing project with the AfDB.

Once the Government Arrangement is concluded, procedures for the Loan Agreement and procurement will proceed promptly in a manner

that ensures time and cost efficiency. Throughout the entire project implementation, the EDCF will work in close cooperation with the AfDB to bring the most impact and benefit for Madagascar's development.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Toliara Province Road No. 35 Rehabilitation Project	2007	13,396	14.1	-
Total		13,396	14.1	-

■ Nigeria

Nigeria, the world's 10th largest oil reserve country with an estimated 35.3 billion barrels, is an oil dependent economy. At present, 33% of its GDP comes from the oil and gas industry, which makes Nigeria vulnerable to the ever changing oil price.

The EDCF has so far financed 2 train-related projects involving the procurement of locomotives and passenger cars in Nigeria. The implementation of these projects enhanced Nigeria's capacity for passenger transportation and rail road cargo deliveries.

Nigeria procured 50 self-generating passenger cars with a budget of USD 10 million and 5 diesel-powered locomotives including spare parts amounting to USD 15 million. Through the projects, many engineers were also able to receive the training necessary for maintenance and operation works.

The EDCF is now considering oil exploitation related railway projects. To deliver oil nationwide, cargo trains are prerequisite and the experience and knowledge of Korea's train manufacturers will be of significant assistance in such projects. Future candidate projects are likely to involve items like train, railway, and human resources development.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Passenger Coach Purchase Project	1987	8,051	10.0	8,051
Locomotive Modernization Project	1991	10,930	15.0	10,930
Total		18,981	25.0	18,981

■ Senegal

Senegal, one of the most industrialized countries in West Africa, is relatively stable, socially and politically. Great efforts have also been witnessed to reduce poverty as President Abdoulaye Wade strives to execute his key poverty reduction programs. Recently, Senegal has been concentrating especially on the development of human resources and information communication technology. In light of this, Korea's experience and ICT knowledge is expected to be of great assistance in meeting Senegal's development needs.

The Korean government approved its first EDCF loan to Senegal in 2007, committing USD 25 million for the establishment of the government's information communication technology infrastructure. The project will connect 665 government buildings nationwide.

The EDCF plans to maintain close communication with the Senegal government to identify future candidate projects. Once potential projects are listed, the EDCF will specify all future candidate projects through a policy dialogue with Senegal.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Government ICT Infrastructure Establishment Project	2007	23,717	25.0	-
Total		23,717	25.0	-

■ Tanzania

As of 2007, the EDCF supported 2 projects in Tanzania, amounting to KRW 40.8 billion (USD 43.0 million) in loan commitments.

Youth unemployment was a serious issue, especially in the urban areas of Tanzania where the agricultural industry offered 81% of all job opportunities. Against this background, the Vocational Education and Training Authority planned to build an IT vocational training center in the capital city of Dar es Salaam and 4 other vocational training centers in four major cities across the country. In this context, the EDCF extended a loan of USD 18 million for vocational training center establishment project in 2004.

An exceedingly poor transportation infrastructure has also been one of the critical constraints in the economic development of Tanzania. In light of this, the Tanzanian government is placing high

priority on improving the transportation sector as part of its National Economic Development Plan. The Korean government decided to extend USD 25 million towards the Malagarasi Bridge and Associated Roads Project to construct 3 bridges along the Malagarasi River and new all-weather roads near the river.

Both projects are now ongoing, and the successful implementation of these projects will contribute to the development of Tanzania's human resources through various skill trainings and career development programs, and the completion of the trunk road linking Kigoma with Tabora, one of the most important connections within the central transportation corridor.

Nowadays, there is great demand for development in various sectors of Tanzania.

Considering the cooperative and positive attitude of Tanzania towards the EDCF, it is likely that the EDCF will provide more assistance to help Tanzania achieve its development goals.



1. Vocational Training Centers Establishment Project, Tanzania
2. Olympic Stadium Construction Project, Tunisia

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Vocational Training Centers Establishment Project	2004	17,093	18.0	4,433
Malagarasi Bridge and Associated Roads Project	2007	23,717	25.0	-
Total		40,810	43.0	4,433

■ Tunisia

The Tunisian government has been pushing forward various economic reforms and keeping a good relationship with its Western allies as well as

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Olympic Stadium Construction Project	1997	26,854	30.0	24,874
Total		26,854	30.0	24,874

its neighboring Arab states since 1987 when President Ben Ali took presidency. Given such a background, the country has received an ample inflow of ODA from developed countries including the EU, which, on the other hand, reduced Tunisia's demand for the EDCF's tied aid.

Hence, Tunisia's Olympic Stadium Construction Project supported by the EDCF was especially meaningful. The successful construction of the stadium served as an important opportunity to confirm the technological advancement of Korean construction companies with Korean companies winning in international competitive bidding.

The project contributed to the successful hosting of the Olympics as it played a positive role in the social and cultural development of the country.

Uganda

Since gaining independence from the United Kingdom in 1962, Uganda experienced political and social instability until Yoweri Museveni became president in 1986. Under President Museveni's strong will to promote economic development by inheriting the development experiences of developed countries, Korea became involved in supporting the nation's development through the EDCF.

To support the Ugandan government's development plan, the EDCF assisted the country's Regional Telephone Network Expansion



Regional Telephone Network Expansion Project, Uganda

Project through the financing of USD 7.5 million out of the total project cost of USD 7.8 million. As of 1987, Uganda had a capacity of 57,700 installed telephone exchange lines, 27,900 connected subscriber lines or direct exchange lines (DELs), and a telephone density of 0.18 DELs per 100 persons. This density was comparable to Sudan (0.2) and Tanzania (0.2), but considerably lower than Kenya (0.6)

and other developing countries in Africa (0.4).

The project focused on the installation of 8,750 digital lines and the provision of related technical assistance and personnel training. Through the installation of a modern telecommunication system, the project was able to contribute to improving the country's quality of telephone service, expanding the existing subscriber base, providing telephone service to unserved areas, and promoting and enhancing commercial and industrial activities in Uganda.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Regional Telephone Network Expansion Project	1991	5,406	7.5	5,406
Total		5,406	7.5	5,406

Eastern europe

The Korean government has made efforts to keep an intimate relationship with the Eastern European countries since the early 1990s through EDCF assistance. The EDCF especially paid attention to Eastern European countries of pre-socialist states which gained political, economic, and diplomatic significance in the international community after the change of their social structure. The EDCF's assistance to Eastern European countries not only strengthened the friendship between Korea and these countries, but also promoted the economic and human exchange between both parties.

As of 2007, the EDCF has supported 11 projects, amounting to KRW 318.5 billion in commitments. The EDCF assisted 3 projects each in Turkey and Romania, and 1 project each in Croatia, Poland, Albania, Hungary, and Bosnia-Herzegovina.

Among them, Albania and Bosnia-Herzegovina are countries in the Balkan region that have large potential development needs and have made various reforms to gain EU membership. Therefore, the EDCF can help these countries make a successful transition into the market economy and meet their needs to build EU standard infrastructures.

■ Albania

Since the ending of Albania's communist rule, the country has received ODA from European countries and highly developed countries. In 2003, the Korean government decided to provide KRW 29.0 billion to Albania for the Rural Area Electrification Project.

The quality of electricity in Albania had been unsatisfactory as evidenced by the low voltage prone to frequent fluctuations and outdated transmission and distribution lines. Moreover, since the opening of the country's economy, there has been a dramatic increase in electricity demand especially from household appliances.

Accordingly, the Albanian government embarked on a policy to improve the country's overall electricity facilities such as substations, transmission lines, and distribution networks. The EDCF funded project involves the construction of 3 transmission lines and 2 substations in the southwestern rural areas of Albania.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Rural Area Electrification Project	2003	28,984	25.0	28,658
Total		28,984	25.0	28,658

■ Bosnia-Herzegovina

Recognizing the urgent development needs in the Balkan area, the Korean government sought to assist Bosnia-Herzegovina's rehabilitation process and decided to support the Hospitals Modernization Project in December 2004.

The objective of the project

was to improve medical services through the provision of modernized medical equipments to 3 clinical centers, each located in Sarajevo, Mostar, and Banja Luka. These clinical centers were very satisfied with the improvements, and many other hospitals in Bosnia-Herzegovina also expressed their desire to receive EDCF loans



Hospitals Modernization Project, Bosnia-Herzegovina

to provide more people with medical access to advanced health care services.

The positive and cooperative attitude of Bosnia-Herzegovina shown towards EDCF assistance throughout the course of the project presents a positive outlook for the EDCF to engage in future development projects in the Balkan area including Bosnia-Herzegovina, which has great development potential.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Hospitals Modernization Project	2004	19,543	20.0	19,490
Total		19,543	20.0	19,490

■ Croatia

After the war with Serbia, and the intervention of war in Bosnia-Herzegovina, Croatia's social and economic base was severely destroyed. In an effort to assist the nation's rehabilitation, the EDCF provided loans for the Rijeka Port Modernization Project.

The decision to support the project was made in December 1998 and the final disbursement was made in 2003. The EDCF provided USD 34.5 million to expand the efficiency and capacity of the Rijeka Port so that it could accommodate the increasing demand of international cargo traffic.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Rijeka Port Modernization Project	1998	44,178	34.5	44,169
Total		44,178	34.5	44,169

■ Hungary

Hungary was the first country to initiate political and economic reforms in Eastern Europe. In forming diplomatic ties with Hungary, the Korean government decided to assist the country's top priority project in the steel industry. Hungary accorded priority to its steel industry because the sector played an essential role in the development of other industries such as automobile, railway, machinery, and construction.

Hungary's steel industry, whose infrastructure was created with Soviet assistance in the 1960s, was mostly obsolete and inefficient, and produced low quality products. To deal with the problem, the Korean government approved EDCF loan for Hungary's economic development in late 1995 through the Dunafer Steel Modernization Project.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
The Dunafer Steel Modernization Project	1995	19,205	25.0	19,201
Total		19,205	25.0	19,201

■ Poland

Since Poland and Korea formed diplomatic ties in 1989, transaction between the two has increased dramatically. Moreover, after the provision of EDCF loans, Korean companies' direct investment to Poland became active, further strengthening the relationship.

In the early 1990s, Poland's telecommunications sector was illequipped with the telephone line subscription rate being among the lowest in Europe. Recognizing the circumstances and poor infrastructure against the increasing needs of individuals and businesses, the government of Poland pursued the modernization of telephone services and planned to supply 10 million new lines by the year 2000, with the financial support from aid agencies.

The Korean government pledged an EDCF loan of KRW 38.2 billion in April 1992 for the Opole Province Telecom Network Project. The implementation of the project was of significant importance for the development

and modernization of the telecommunications network in the Opole province, and was consistent with the long-term telecommunication development program of Poland.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Opole Province Telecom Network Project	1992	38,173	50.0	38,173
Total		38,173	50.0	38,173

■ Romania

As of 2007, the EDCF has supported 3 projects in Romania, amounting to KRW 80.9 billion in commitments and disbursements. All projects were concerned with the modernization of the telecommunication network in the country.

The first project which was carried out in the Prahova province was committed in 1993 and the implementation process took more than four years. This project alleviated the telecommunication circuit shortage problem and helped improve telecommunication services.

Projects implemented in the Buzau and Alba province were also successfully carried out. The outcome of the projects satisfied the Romanian government and people in the local area suffering from low-quality telecommunication services. The Romanian government was highly satisfied with Korea's top-notch technology which enabled the construction of the long distance network at low costs.



1. The Dunafer Steel Modernization Project, Hungary
2. Opole Province Telecom Network Project, Poland



1. Alba and Buzau Provinces Telecommunication Network Modernization Project, Romania
2. Prahova Telecommunication Network Modernization Project, Romania

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Phahova Telecommunication Network Modernization Project	1993	39,468	50.0	39,468
Alba and Buzau Provinces Telecommunication Network Modernization Project	1996	24,882	18.0	24,879
Alba and Buzau Provinces Telecommunication Network Modernization Project (Phase II)	1999	16,538	13.0	16,537
Total		80,888	81.0	80,884

■ Turkey

The Korean government extended the first EDCF loan to the Turkish government in 1992 for the Water Supply Network Modernization Project. Out of the total project cost of USD 27 million, EDCF loans covered USD 15 million.

As of 2007, the number of EDCF-supported projects in Turkey reached 3, amounting to about KRW 87.4 billion (USD 95.0 million) in commitments. In terms of cumulative committed amount, Turkey's share accounted for 2.7% of total EDCF commitments.

The first EDCF project for Turkey was initiated by the Korean government's pledge to support the Gulf War affected countries. In response to the pledge, the Turkish government requested for assistance in the Water Supply Network Modernization Project in the Gaziantep metropolitan district.

On April 12, 2005, the Korean government pledged again to extend EDCF loans for the 32 Set Commuter Train Project amounting to USD

50 million, combined with Korea Eximbank's export credit of USD 10.3 million. Not only was this the EDCF's first mixed credit loan extended, but also the first U.S. currency loan from the EDCF.

However, Turkey is classified as an upper middle income country according to the World Bank's country classification, and it will be difficult to support Turkey through EDCF loans in the future.



Gaziantep Water Supply Modernization Project, Turkey

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Gaziantep Water Supply Modernization Project	1992	11,600	15.0	11,592
Istanbul Hospital Project	2002	28,461	30.0	-
32 Set Commuter Train Project	2005	47,435	50.0	3,115
Total		87,496	95.0	14,707

Latin America

The Latin American region is an attractive market of great potential with its vast population of half a billion and the total GDP of USD 3,000 billion. For the past five years, Latin America has experienced the most vigorous economic growth since the 1970s. For South America, external circumstances such as the terms of trade improved since commodity prices including oil have raised significantly since 2002. At the same time, many Central American countries achieved macro economic stability due to the favorable economic growth rate and successful implementation of innovation policies.

As a result, many countries like Spain, Japan, and the U.S. are seeking to expand their economic cooperation with Latin America. Korea is also searching for more cooperative opportunities with Latin America. As of December 2007, the EDCF's total commitment for Latin America reached USD 227.0 million, which represents 7.1% of the EDCF's total commitment amount. The disbursement amount recorded KRW 79.3 billion representing 4.5% of total disbursements.

The EDCF operation in the region began in 1995 with the Rural Electricity Project in Ecuador. Since then, however, EDCF operations were temporarily suspended from 1997 due to the Asian financial crisis. In September 2005, however, high-level talks between Korea and the Central American Integration System (SICA) presented an opportunity for the EDCF to resume its operations. Korea has committed USD 60 million to 3 projects in Guatemala, Nicaragua, and the Dominican Republic, which were all approved in 2006.

The focus of EDCF loans to Latin America has been set on providing assistance in building social overhead capitals (SOCs), especially in the fields of transportation, communication network, power distribution, sanitation, and education. In order to strengthen the friendly relationship and boost further cooperation, the EDCF will expand its

operations in line with the region's priority sectors such as information communication technology, sanitation, and education. Policy dialogues and consultation meetings will take place regularly to cope with each country's particular situation. Programs to share the development experience of Korea will also be provided and the EDCF will continuously reflect feedback in its long-term operation plan.

The EDCF will continue to pay close attention to the dynamic advancements being made in the Latin American economy in order to better assist the region in meeting its developing needs. Such efforts will ultimately help Latin America to achieve enhanced quality of living standards and to become an economically and socially prosperous region.

■ Bolivia

In the late 1990s, Bolivia was known as a politically and economically unstable country due to its high rate of external debt and frequent change of political power. However, the country reached the completion point of the HIPC debt relief program and is now considered a potential cooperative country, owing to its growing economy, mainly through the increasing export of natural gas and mineral resources.

Between the years 2001 and 2005, Bolivia has received ODA of about USD 738 million from donor countries and multilateral development banks. The first project financed by the EDCF was the Pailon-San Jose Highway Construction Project Component 2 (USD 23 million in EDCF loans), which was approved by the Korean government in July 2007.

This project is part of a USD 250 million project to construct a high-

way that reaches from Pailon (West of Bolivia) to Puerto Suarez (East of Bolivia), of which the EDCF assisted the construction of the 1.4km long bridge over the river Rio Grande, located in the Pailon area. The construction of the bridge is expected to be completed in October 2008, and presently both governments are planning to execute another bridge construction project in a nearby area.



Pailon-San Jose Highway Construction Project (Component 2), Bolivia

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Pailon-San Jose Highway Construction Project (Component 2)	2000	24,189	23.0	16,676
Total		24,189	23.0	16,676

■ Dominican Republic

The Dominican Republic is one of Central America's most advanced countries with a per capita income of USD 2,347. After the summit talks between Central America and Korea in 2005, the economic ties between the Dominican Republic and Korea developed rapidly through the EDCF.

The Korean government approved the EDCF's financing for the DGA (Direccion General de Aduanas: Dominican Republic's Customs Agency) Computerization Project (USD 23 million) in November 2005. This project involves the development of a modernized customs system in the Dominican Republic with newly installed hardware and software equipments. The modernized system will allow the customs authority to implement advanced customs practices. Also, the country will be able to streamline its customs operation, increase transparency, and enforce tariffs collection.

In addition to the mentioned project, President Fernandez of the Dominican Republic has requested the Korean government to finance the Educative Informatics Project during his visit to Korea in 2006, which is currently in discussion by the governments of both countries. The EDCF is making efforts to finance more development projects, including those in the fields of health, education, and security.

.Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Direction General de Aduanas Computerization Project	2005	21,820	23.0	282
Total		21,820	23.0	282



1. The Potable Water Supply Expansion Project for Santo Domingo de los Colorados, Ecuador
 2. Rural Telecommunication Ecuador-Korea Project, Ecuador

■ Ecuador

The EDCF's first financial assistance in Ecuador was the Rural Telecommunication Ecuador-Korea (TREK) Project committed in 1995. The total cost of the project was USD 17.8 million, out of which USD 15 million was provided by the EDCF. The project aimed to digitalize the analogue operating method and enable long distance phone calls in all areas of the country.

The project, now completed, was found to have raised telephone supply rates from 5.8 telephones per 100 persons to 13 per 100 persons when evaluated in 2006. The project also helped to create more jobs as the new telecommunication system required more workforce for its operation.

The second EDCF project to be financed in Ecuador is the Potable Water Supply Expansion Project for Santo Domingo de los Colorados, which was approved by the Korean government in July 2006. This project with the cost of USD 56.9 million (USD 43.6 million financed by the EDCF) was initially agreed by both governments to be financed back in 2002, but was later cancelled in 2005 and then resumed in 2006.

The loan agreement for the project is expected to be signed between the municipal government of Santo Domingo and the EDCF in the second half of 2008.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Rural Telecommunication Ecuador-Korea Project	1995	11,467	15.0	11,164
The Potable Water Supply Expansion Project for Santo Domingo de los Colorados	2006	41,391	43.6	-
Total		52,858	58.6	11,164

■ Guatemala

The Guatemalan economy is growing, especially with the ratification of the FTA with the U.S. and price hike of agricultural products such as coffee.

Cooperation between Korea and Guatemala is gaining greater significance as the volume of Korea's investment in Guatemala led by the garments industry is increasing continuously.

The EDCF's first support in the country was the Educative Informatics Highway Project of USD 23.6 million which was approved in 2006.

As 43% of the total population is indigenous with 23 different languages, an integrated education system is urgently needed for Guatemala.

Recognizing that the nation could come as a whole and gain a sense of national identity through such a system, the government pursued the Educative Informatics Highway Project, which was financed by the EDCF. By incorporating an advanced information technology system into the education sector, Guatemala could reach out to more children in remote areas. The successful implementation of this project will be a good lesson for other countries in the region that might want to replicate the case in the poorer population that usually reside in remote areas.

In addition, the project to improve citizen's security is also in its identification phase in line with Guatemala's national priority and further projects such as those concerning potable water and health are in discussion.



Educative Informatics Highway Project, Guatemala

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Educative Informatics Highway Project	2006	22,389	23.6	-
Total		22,389	23.6	-



Construction of Atlántida's Hospital Project, Honduras

■ Honduras

Since the mid-1990s, Honduras has been successful in diversifying the economic structure through expanding its export items and fostering the tourism industry. The government has also offered investment incentives to attract foreign capital. Most of such foreign investments are being injected into the Maquila industry. In 2007, the economic growth rate of

Honduras recorded 6.3%, the same as in 2006.

The first EDCF project approved in Honduras was the Electricity System Expansion Project. This project helped to supply electricity to the population in remote areas and was completed in 2006.

The Peace and Citizen's Coexistence for the Municipalities of the San Pedro Sula Region Project involves the procurement of police equipment. This project was co-financed with the IDB and is expected to lower the crime rate and improve the defense capability of the national police.

The major EDCF commitment in the nation was provided to a health project which aimed to improve the health conditions of the population in La Ceiba. A total of USD 24.2 million will be spent to replace obsolete medical equipments and old hospitals in the second-largest city of Honduras. In recognition of the project's substantial impact on the marginalized population, an additional project to support hospitals in the rural area is waiting to be approved within 2008.

As Honduras is experiencing high economic growth, it is expected that the country's needs for development assistance will diversify in a dynamic manner. The EDCF will stay closely tuned to the nation's changing needs and exert efforts to provide assistance in a timely manner.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Rural Power Distribution Improvement Project	1998	7,002	6.0	7,002
Peace and Citizen's Coexistence for the Municipalities of the San Pedro Sula Region Project	2003	2,320	2.5	926
Construction of Atlántida's Hospital Project	2005	22,958	24.2	444
Total		32,280	32.7	8,372

■ Nicaragua

Although Nicaragua's per capita income is the lowest among the EDCF's eligible countries in Latin America, its abundant agricultural resources and geographical location make the country a highly eligible candidate for cooperation with Korea. In fact, the EDCF's commitment amount to Nicaragua is the second largest among Latin American countries following Ecuador as of 2007.

The Electricity System Expansion Project, the EDCF's first project in Nicaragua, was implemented smoothly and is expected to be completed in March 2009. The project will help to supply electricity to 11 provinces throughout the county, which were previously deprived of electricity. As a result of the project, more people will be able to have access to better lighting and heating.

The Juigalpa Potable Water System Expansion Project (phase I) will be completed in November 2008 and the second phase of the same project is in the process of procurement. This project will supply safer potable water to the population of Juigalpa, which will eventually improve their health conditions.

The Creation of Capabilities in Vocational Training Center Project, with a value of USD 12.6 million, is in its implementation phase and the second phase of the same project is in preparation. The Nicaraguan government expects to build the capability to foster sound human resources in the country through this project.



Juigalpa Potable Water System Expansion Project, Nicaragua

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Electricity Power Network Expansion Project	1998	7,042	5.7	7,041
Juigalpa Potable Water System Expansion Project	2004	16,666	17.2	13,297
Creation of Technical-methodological Capabilities in Vocational Training Centers Project	2006	11,953	12.6	-
Juigalpa Potable Water System Expansion Project(Phase II)	2007	15,125	15.9	-
Total		50,786	51.4	20,338

■ Panama

Panama is a middle income country with per capita income of USD 4,890 as of 2006, the highest in Central America. Its geographical advantage as an isthmus connecting North and South America has brought many benefits to the country through the large volume of transit trade and development of related industries.

In 1998, as a part of the Panamanian government's Five-Year National Medical Program, Panama asked for the EDCF's support in the Medical and Health Modernization Project.

The objective of the project was to support the development of modern, cost-effective, and economically sustainable hospitals in Panama. Through this project, more than 200 kinds of medical equipments have been installed in 42 medical facilities throughout the country.

Not only did the project contribute to improving the quality of medical services in Panama, but also enhanced the Panamanians' awareness on the high quality of Korean products.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Medical and Health Services Modernization Project	1998	22,668	20.0	22,463
Total		22,668	20.0	22,463

Oceania

■ Papua New Guinea

Since Korea formed diplomatic relations with Papua New Guinea in 1976, trade volume between the two countries increased steadily and both countries' complementary industry structures are expected to

bring further economic exchanges in the future.

The first EDCF-supported project in Papua New Guinea was the Stormwater Drainage Project in Wewak in 1991, in which the EDCF loan amounted to USD 12.5 million. The city of Wewak bears great economic significance for Papua New Guinea in terms of production and transportation, but at the same time, it is extremely vulnerable to flooding due to its geographical feature of lowlands. This has significantly damaged not only the national economy, but also lowered efficiency in the utilization of the area for residual and social development. Hence, to protect the city from the impact of floods, the government of Papua New Guinea applied for the EDCF loan for the drainage project, which was successfully implemented by building an 8km-long drain ditch, 3 bridges, 2 outlets, and a 1.1km road.

As of May 2008, the governments of Korea and Papua New Guinea discussed the EDCF loan extension for the Stormwater Drainage Project in Wewak Phase II as the following project of the former project.

Loan Commitments & Disbursements (As of 2007)

Project Name	Committed Year	Commitments		Disbursements
		KRW Million	USD Million	KRW Million
Stormwater Drainage Project in Wewak	1991	9,080	12.5	8,153
Stormwater Drainage Project in Wewak (phase II)	2003	6,000	6.3	-
Total		15,080	18.8	8,153



1. Medical and Health Services Modernization Project, Panama
2. Stormwater Drainage Project in Wewak, Papua New Guinea

4.3. DISTRIBUTIONS BY SECTOR

Overview

The EDCF has provided assistance to the building of economic infrastructures in areas such as transport & storage, energy, and communications since its establishment. In line with the international community's commitment to the Millennium Development Goals, support was also given to social infrastructures in areas such as water supply & sanitation, education, and public health.

As for loan commitments, transport & storage accounted for 29.0%, followed by water supply & sanitation (14.7%), and education (9.7%). In terms of loan disbursement, the EDCF contributed to the economic development of partner countries and helped them meet the basic human needs by supporting sectors of water supply & sanitation (10.9%) and so on.

In the future, the EDCF will allocate much of its financial resources to economic infrastructure projects to support the economic growth of partner countries. Financial assistance to social infrastructures will also be expanded.

Education

■ Characteristics

The EDCF's assistance to education generally consists of construction, provision of equipments, and educational programs. The successful execution of the projects is possible only when each part is organically connected. Details of the three parts are as follows;

First, the construction part involves the building of vocational training centers and accessory facilities. Construction in the area of education includes the building of pipes, network lines, gas lines, and ventilation systems. Thorough preparation at the stage of design and construction is necessary to make the construction appropriate to the educational purpose.

Second, the provision of equipments concerns the supplement of educational equipments proper to the teaching subjects and industrial structure of the recipient country, with instructions on how to use the equipments. It is important to select proper equipments and to provide proper measures during the warranty period.

Third, educational programs include assistance to the develop-

ment of curriculum and teaching materials, invitation of trainees, and dispatch of experts. Building long-term education programs is the most important part to enable the sustainability of education projects.

Projects in the education sector will help recipient countries achieve economic development by reducing the level of unemployment rate and fostering the creation of a skilled and educated labor force.

■ Assistance Volume

The EDCF's support for education projects started in 1991 with the Mobile Training Unit's Development Project in Indonesia. As of 2007, the amount of loan commitments to the education sector reached KRW 307.7 billion, representing 9.7% of the EDCF's total loan commitments.

The EDCF has supported 15 projects in the education sector. Regional distribution shows that 41.3% of total EDCF loan commitments in this sector have been approved to Asia, followed by the CIS (35.1%), Africa (12.4%), and Latin America (11.2%).

Since 2006, 7 projects were approved in this sector, reflecting developing countries' enhanced attention and awareness towards education, especially in Korea's advanced vocational training system.

The EDCF's initial disbursement in the education sector was made in 1993. The disbursement amount increased steadily and accounts for 7.7% of total EDCF loan disbursements as of 2007.

■ Prospects

Recipient countries of the EDCF understand the importance of developing human resources and training technical experts to solve unem-



1. Luang Prabang National University Establishment Project, Laos
2. National Cambodian-Korean Vocational Training School Project, Cambodia

ployment, reduce poverty, and develop national economy. However, the reality is unsatisfactory due to the high costs and long period of time required in executing education projects. Developing countries have a great interest in vocational training since they realize that national development significantly depends on the development of talented human resources.

It is natural that many countries are showing interest in Korea's vocational training system which greatly contributed to the economic development of Korea under the assistance of its government.

Accordingly, demand for EDCF support in education projects is increasing in areas such as vocational training policies and systems development, national education system, and overseas expansion of work force. Also, considering the growing interest in Korea's IT education and training system, EDCF's support in this sector is expected to expand further.

EDCF Projects in the Education Sector (As of 2007)

Committed Year	Country	Project Name	Commitments	
			KRW Million	USD Million
1991	Indonesia	Mobile Training Unit's Development Project	18,181	25.0
1992	Kenya	Establishment of a Technology Development Center Project	10,994	14.4
1994	Indonesia	Business and Commerce Education Development Project	8,110	10.0
1999	Uzbekistan	Capacity Expansion Project of the Special Professional Education	39,251	35.0
2002	Cambodia	National Cambodian-Korean Vocational Training School Project	36,230	27.7
2003	Uzbekistan	Vocational Education Development Project	25,615	27.0
2004	Laos	Luang Prabang National University Establishment Project	23,133	22.7
2004	Tanzania	Vocational Training Centers Establishment Project	17,093	18.0
2006	Uzbekistan	Informatization of General Education Schools Project	28,461	30.0
2006	Guatemala	Educative Informatics Highway Project	22,389	23.6
2006	Sri Lanka	The Upgrading National Vocational Training Center at Niyagama Project	8,329	8.8
2006	Nicaragua	Creation of Technical-methodological Capabilities in Vocational Training Centers Project	11,953	12.6
2007	Kenya	Technology Development Center Extension Project	10,191	10.7
2007	Yemen	Yemeni-Korean High Technical Institute Project	14,591	15.4
2007	Viet Nam	Five Vietnamese-Korean Vocational Colleges Establishment Project	33,204	35.0
Total			307,725	315.9

Health

■ Characteristics

Health is one of the most critical sectors affecting the living conditions because it is deeply related to basic human needs.

Accordingly, the global society has given special attention to this sector. Sharing this responsibility as a member of the international community, the Korean government also endeavors to support health-related projects of developing countries.

EDCF-supported projects in the health sector are classified into two types: medical instruments supply (equipment loan), and hospital & vaccine production facility construction (development project loan). It is noteworthy that the portion of the equipment loan projects in this sector is higher than that of other sectors as 8 out of the total 15 projects have been supported through equipment loans. Since Korea has strong competitiveness in medical instruments, the demand for Korean medical instruments from developing countries is increasing.

However, a one-time supply of medical instruments is not sufficient for the recipient country to cultivate its capacity to provide advanced medical services. Hence, to increase aid effectiveness in the long term, providing packaged support that integrates hospital construction, in addition to the supply of medical instruments, efficient medical system transfer, and training programs is essential.

■ Assistance Volume

Since the EDCF's first loan commitment to the sector in 1992, the amount of loan commitments to the health sector reached KRW 289.4 billion as of 2007, representing 9.1% of the EDCF's total loan commitments.

The amount of disbursement also increased continuously, accoun-



1. Five Vaccines Production Project, Viet Nam
2. Medical Equipment Project, Sri Lanka

ting for 10.1% of total EDCF loan disbursements.

■ Prospects

In the future, as life expectancy increases and the demand for highly qualified medical services rises in developing countries, the portion of support in the health sector out of all EDCF projects is expected to increase dramatically.

EDCF Projects in the Health Sector (As of 2007)

Committed Year	Country	Project Name	Commitments	
			KRW Million	USD Million
1992	Mongolia	Disposable Syringe & Needle Plant Project	4,123	5.2
1996	Sri Lanka	Hospital Rehabilitation and Reconstruction Project	9,849	12.6
1996	Sri Lanka	Medical Equipment Project	8,171	10.0
1997	Indonesia	Improvement of District Hospitals in South & East Kalimantan Project	27,534	30.0
1998	Panama	Medical and Health Services Modernization Project	22,668	20.0
1999	Viet Nam	Five Vaccines Production Project	34,728	28.5
2000	Myanmar	Hepatitis B Vaccines Production Project	16,355	12.6
2000	Indonesia	Improvement of District Hospitals in East Java Province Project	34,369	30.0
2000	Sri Lanka	Medical Equipment Project (Compact Loan)	3,171	2.6
2002	Turkey	Istanbul Hospital Project	28,461	30.0
2004	Bosnia-Herzegovina	Hospitals Modernization Project	19,543	20.0
2005	Honduras	Construction of Atlantida's Hospital Project	22,958	24.2
2005	Indonesia	Strengthening of Teaching Hospitals in Indonesia Project	22,769	24.0
2007	Viet Nam	Construction of Thua Thien Hue General Hospital Project	29,278	30.9
2007	Viet Nam	Medical Equipment Supply to Dak Nong Provincial General Hospital Project	5,394	5.7
Total			289,371	286.3

Water supply & sanitation

■ Characteristics

Well-established water supply & sanitation systems elevate the living standards of the recipient country as the sector is directly linked to the very essentials of one's everyday life. Korea is currently concentrating its support on the construction of water supply and drainage system, and the disposal of wastes.

- Water Supply and Drainage

The EDCF's support for water supply and drainage projects aims to supply the recipient country with industrial and daily life potable water. Such projects can be divided into water supply projects that purify and collect fresh water, and drainage projects that mainly involve the construction of waste water treatment systems.

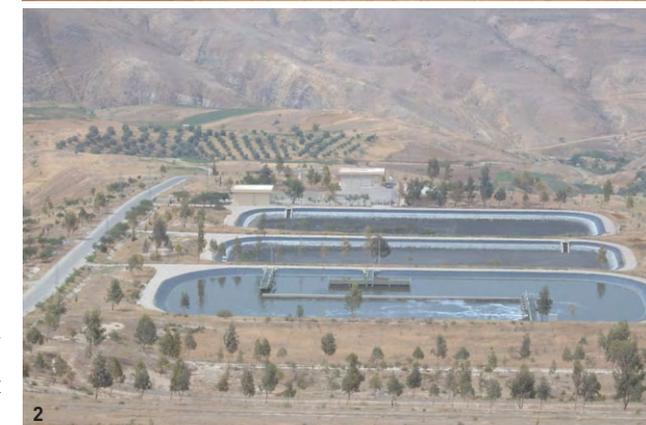
Korea's design and construction capability in the water supply sector is considered to be highly competitive in terms of technology and price, and its support in this area is expected to expand further.

Korea is also highly noted for its excellent waste water treatment technology. Jordan expressed great satisfaction towards the modern facilities and high technology of the Wadi Es Sir Waste Water Collection and Treatment Project (Phase I) which was the EDCF's very first project of its kind. Since then, Jordan has exclusively asked the EDCF to support its wastewater business and all four of the EDCF projects currently approved are in the same business category.

- Disposal of Wastes

The EDCF's support for waste disposal projects aims to improve the region's environment through the construction of an integrated system for the removal, transportation, and disposal of solid wastes. The EDCF has supported four waste matter disposal projects and the assistance for this area accounts for 13.6% of all EDCF's water resource & sanitation sector assistance. In total, KRW 63.9 billion has been committed to these projects and a steady number of approved projects are witnessed every year.

Viet Nam showed great confidence in Korea's technological know-



1. Krang Ponley Water Resources Development Project, Cambodia
2. Wadi es Sir Wastewater Collection and Treatment Project, Jordan

how in the disposal of solid waste and three projects have been approved and are being executed. Discussions continue to take place on the prospects of future EDCF assistance in Viet Nam's solid waste disposal business.

■ Assistance Volume

EDCF loan commitments to the water supply & sanitation sector is continuously increasing. As of 2007, the amount of loan commitments in the sector reached KRW 468.5 billion, representing 14.7% of the EDCF's

EDCF Projects in the Water Supply & Sanitation Sector (As of 2007)

Committed Year	Country	Project Name	Commitments	
			KRW Million	USD Million
1991	Jordan	Wadi es Sir Wastewater Collection and Treatment Project	7,235	10.0
1992	Turkey	Gaziantep Water Supply Modernization Project	11,600	15.0
1995	Viet Nam	Thien-Tan Water Supply Project	19,885	26.0
1995	China	Construction of Water Supply Project of Yanji City	6,922	9.0
1996	Jordan	Madaba Wastewater Treatment System Expansion Project	7,622	9.0
1996	China	Anshan Municipal Waste Disposal Demonstrative Project	2,117	2.5
1997	China	Wuwei Water Supply Project	4,444	5.0
1999	Indonesia	Hospital Wastewater Treatment Plant Project	45,336	40.0
2000	Sri Lanka	Greater Galle Water Supply Project	35,265	26.7
2000	Viet Nam	Thien-Tan Water Supply Project (Supplementary)	8,009	6.9
2001	Viet Nam	Hai Phong Solid Waste Management and Treatment Project	23,400	19.6
2004	Sri Lanka	Greater Galle Water Supply Project (Phase II)	15,499	14.8
2004	Nicaragua	Juigalpa Potable Water System Expansion Project	16,666	17.2
2004	Viet Nam	Solid Waste Management and Treatment Project in Ninh Binh Province	19,894	21.0
2004	Jordan	South Amman Wastewater Treatment Project	22,769	24.0
2005	Equatorial Guinea	Water Supply Project for Bata City	18,820	20.0
2005	Viet Nam	Solid Waste Management Project in Vinh Phuc Province	18,503	19.5
2005	Cambodia	Krang Ponley Water Resources Development Project	25,330	26.7
2005	Jordan	Naur Wastewater Project	19,733	20.8
2005	China	Qufu Sewage Recycle and Reuse Plant Project, Shandong Province	2,562	2.7
2006	Ecuador	The Potable Water Supply Expansion Project for Santo Domingo de los Colorados	41,391	43.6
2006	Sri Lanka	Greater Galle Water Supply Project (Phase II, Supplementary)	6,744	6.4
2006	Viet Nam	Expansion of Thien-Tan Water Plant Project (Phase II)	24,666	26.0
2007	Laos	Mekong River Integrated Management Project	35,304	37.2
2007	Viet Nam	Hoa Binh Water Supply System Project	13,613	14.4
2007	Nicaragua	Juigalpa Potable Water System Expansion Project (Phase II)	15,125	15.9
Total			468,454	479.9

total loan commitments. The commitment volume in this area ranks second following the EDCF's assistance in the transport & storage sector.

Since the EDCF's initial disbursement in the water supply & sanitation sector in 1993, disbursements in this sector increased continuously, and presently accounts for 10.9% of total EDCF loan disbursements, ranking fourth among all sectors supported by the EDCF.

■ Prospects

The development of the water supply & sanitation sector will continue to be an essential sector of development priority for most developing nations as it directly relates to the quality of life of their citizens. Therefore, the EDCF's support in this sector is expected to expand further in the future.

Government & civil society

■ Characteristics

The main focus in the government & civil society has been on the enhancement of public administration and management capacities. Utilizing Korea's high technological competitiveness, the EDCF's support in this sector is largely concentrated on projects related to the e-government system, tariff administration system, and crime prevention system.

• e-Government System

The EDCF's support for e-government projects aims to improve the quality of public service in general. It also seeks to enhance efficiency and transparency of the government's administrative procedures through building an effective information and communication infrastructure. The EDCF has supported a total of 8 e-government projects, and assistance in this area accounts for 69.5% of all EDCF-supported projects in the government and civil society sector. In total, KRW 161 billion has been committed to this area and a relatively steady number of loan approvals are seen every year.

• Tariff Administration System

Among the 13 projects conducted in the sector of government & civil society, the most distinctive project was the Customs Service Computerization Project in the Dominican Republic, which was the very first project to support the development of a customs-clearance system.

The Dominican government has been greatly interested in implementing this system, as it shortens the customs clearance process from the current two days to two hours. This enhanced efficiency will help the nation in its efforts to expand trade, increase tax revenue, and improve transparency. The successful implementation of this project is also a matter of interest for its neighboring Central American countries as they will have to improve their customs clearance system after the conclusion of the Free Trade Agreement with the U.S.

■ Assistance Volume

The EDCF's loan commitment to this sector is continuously increasing.

As of 2007, the amount of loan commitments in the sector reached KRW 232 billion, representing 7.3% of the EDCF's total loan commitments. The support volume in this area is on the rise since 2004 due to the developing countries' great confidence in Korea's IT competitiveness.

Since the EDCF's initial disbursement in the government & civil society sector made in 2001, disbursements in this sector continuously increased, and currently accounts for 5.9% of total EDCF loan disbursements.

EDCF Projects in the Government & Civil Society Sector (As of 2007)

Committed Year	Country	Project Name	Commitments	
			KRW Million	USD Million
1996	Sri Lanka	Housing Project for Public Servants	8,171	10.0
1999	Mongolia	Rehabilitation of Government Communications Network Project	6,983	5.3
2001	Cambodia	Capacity Expansion of Government Administration Information System Project	26,350	20.0
2003	Honduras	Peace and Citizen's Coexistence for the Municipalities of the San Pedro Sula Region Project	2,320	2.5
2004	Indonesia	National Criminal Information Center Development Project	19,438	20.2
2004	Myanmar	Basic e-Government Project	12,794	12.5
2004	Sri Lanka	Re-engineering Government Component of e-Sri Lanka Project	14,534	15.0
2005	Dominican Republic	Direction General de Aduanas Computerization Project	21,820	23.0
2005	Sri Lanka	Administrative Complex in Hambantota Project	18,951	20.0
2006	Indonesia	Batam e-Government Project	14,747	16.0
2006	Cambodia	Provincial Administration Information System and National Information Infrastructure Project	29,084	31.0
2006	Angola	Government ICT Infrastructure Project	33,204	35.0
2007	Senegal	Government ICT Infrastructure Establishment Project	23,717	25.0
Total			232,113	235.5

■ Prospects

The government & civil society sector will continue to be an essential developmental priority for most developing nations as it directly relates to the efficiency of public administration, which ultimately leads to better public services. Therefore, it is expected that the EDCF will continue to expand its support in the sector.

Transport & storage

■ Characteristics

The transport & storage sector represents the largest support sector for EDCF assistance. The accumulated amount of EDCF loan commitments to this sector is KRW 923 billion, accounting for 29.0% of the EDCF's total loan commitments. In terms of disbursement, the sector outranked the rest with KRW 475 billion, accounting for 26.8% of total disbursements.

In this sector, the EDCF mainly financed projects involving road construction, procurement of trains, and other transport infrastructures. The majority of road construction projects are development projects and the project scope includes detailed design, construction, and supervision. Establishing an effective and efficient road network linking the cities is essential in order for the government to effectively allocate its resources. Having put much emphasis on road construction, the EDCF strongly believes that assistance in this sector significantly contributed to the establishment of sound and strong economic infrastructure for its partner countries.

The EDCF also sponsored 8 railway projects providing locomotives and passenger trains. These projects were equipment loan projects replacing old trains with new ones. Other transport projects included building airports, ports, and access roads to project sites.

• Road

Road construction projects include building new roads, repairing old roads, and procuring construction equipments. The EDCF has so far financed 25 road projects amounting to KRW 513 billion, which represents 55.6% of total transport & storage projects.

• Railway

The EDCF's support for railways amounted to KRW 249 billion, which is 27.0% of its total support for transport & storage projects.

Those projects were mainly equipment projects modernizing trains.

■ Assistance Volume

Since 2003, EDCF loan commitments to the transport & storage sector have stayed at a stable level of 28.0%. During 2007, however, the total commitment amount reached KRW 214 billion, representing 38.5% of the EDCF's total loan commitments in the same year, topping the rest of the support sectors.

Because economic infrastructures like roads, railways, and trains are essential to the development of any nation, a large share of EDCF commitments is being constantly concentrated into this sector. Most under-developed partner countries lack the necessary transport networks, and even those that are equipped with the infrastructure need repair works in many cases.

The average commitment amount in the transport sector accounts for about 28% of the EDCF's total yearly volume in recent years and the average disbursement amount in this area is similar, out-ranking all other support sectors.

In light of the current trend of EDCF-financed projects, the disbursement portion of this sector is expected to record approximately 30% every year, for the next 5 years at a minimum.

■ Prospects

Other sectors, such as water supply & sanitation and health, may have more visible and immediate impact on improving the people's quality of life compared to the transport & storage sector. For governments

envisioning mid and long-term development plans, however, the transport sector is also critical as it allows the efficient allocation of national resources.

As many partner countries regard the transport & storage sector as their development priority, the EDCF expects to maintain the current support volume in this sector for the next several years.



Ratnapura-Bandarawela Road Rehabilitation Project, Sri Lanka

EDCF Projects in the Transport & Storage Sector (As of 2007)

Committed Year	Country	Project Name	Commitments	
			KRW Million	USD Million
1987	Indonesia	Padang By-pass Project	9,839	13.0
1987	Nigeria	Passenger Coach Purchase Project	8,051	10.0
1990	Sri Lanka	Colombo-Galle Road Rehabilitation Project	10,370	14.5
1991	Nigeria	Locomotive Modernization Project	10,930	15.0
1994	China	South Harbour Bridge Project in Tianjin Port	12,038	15.0
1994	China	Multi-purpose Berth Project of Longkou Port	6,420	8.0
1994	China	Yanji Airport Extension Project	8,025	10.0
1995	Indonesia	Manado By-pass Project	13,318	10.0
1995	Viet Nam	No.18 Highway Improvement Project	18,355	24.0
1996	Sri Lanka	Ratnapura-Bandarawela Road Rehabilitation Project	24,512	30.0
1996	Bangladesh	Locomotive Purchase Project	27,294	33.1
1996	Myanmar	Inland Container Depot Project	11,793	15.0
1996	Myanmar	Passenger Coaches Procurement Project	16,588	20.0
1996	China	Yinchuan Hedong Airport in Ningxia Hui Autonomous Region Project	4,657	5.5
1996	Philippines	Laguindingan Airport Development Project	21,172	25.0
1997	China	Kunming City Elevated Highway Construction Project	4,489	5.0
1997	China	Mudanjiang-Ningan Section of He-Da Highway Construction Project	13,466	15.0
1998	Croatia	Rijeka Port Modernization Project	44,178	34.5
1999	China	Sichuan, Mianyang Nanjiao Airport Construction Project	17,066	15.0
2000	China	Mudanjiang-Jixi Highway Construction Project	39,829	32.0
2000	Bolivia	Pailon-San Jose Highway Construction Project (Component 2)	24,189	23.0
2001	China	Reconstruction Project for Qingyuan-Cangzhou Section of Tianjin-Baoding	23,657	20.0
2001	China	Construction Project for Shanghai Jingan District Public Multi-level Car Park	3,358	2.5
2002	China	Pengshui Highway Project	5,905	5.0
2002	Sri Lanka	Balangoda-Bandarawela Road Rehabilitation Project	19,003	17.6
2002	Cambodia	Kampot-Trapang Ropau Road Rehabilitation Project	20,185	17.1
2002	Bangladesh	Locomotive Purchase Project (Phase II)	35,295	28.0
2003	China	Korla City Outer Belt Road Construction Project	10,191	10.0
2003	Philippines	South Manila Commuter Rail Project	33,189	35.0
2004	Kenya	Road Maintenance Equipment Renewal Project	25,917	25.0
2004	Philippines	Laguindingan Airport Development Project (Supplementary)	7,552	8.2
2004	Mongolia	Road Development Project (Choir-Sainshand Section)	22,755	23.9
2005	Turkey	32 Set Commuter Train Project	47,435	50.0
2005	Philippines	Widening of GSO Road and Emergency Dredging Project	21,156	22.3
2006	Mongolia	Intelligence Transportation System Project	12,143	12.8
2006	Bangladesh	Salvage Vessel Procurement Project	24,666	26.0
2006	Indonesia	Manado By-pass Project (Phase II)	15,179	16.0
2006	Cambodia	National Road No.3 Rehabilitation Project (Phase II)	35,007	36.9
2007	Bangladesh	Locomotive Purchase Project (Phase III)	26,563	28.0
2007	Viet Nam	GMS Southern Coastal Corridor Project	47,133	49.7

Committed Year	Country	Project Name	Commitments	
			KRW Million	USD Million
2007	Tanzania	Malagarasi Bridge and Associated Roads Project	23,717	25.0
2007	Laos	Northern GMS Transport Network Improvement Project	21,288	22.4
2007	Viet Nam	Construction of Rach Gia By-pass Project	78,535	82.8
2007	Laos	SEA Game Stadium Road Improvement Project	2,846	3.0
2007	Madagascar	Toliara Province Road No.35 Rehabilitation Project	13,396	14.1
Total			922,650	953.9

Communication

■ Characteristics

The communication sector is one of the key industries for the national economy, serving as an important stepping stone for a nation's economic take-off. The sector also has substantial impact on almost all other industrial sectors as well as on the everyday lives of individuals, contributing to the establishment of a favorable investment environment for businesses. Most of the EDCF's support for the communication sector before 2003 concentrated on projects related to the supply of time division exchanging equipments. Since then, the scale of support grew into the construction of IT network infrastructures such as internet information network expansion projects or ICT development projects.

■ Assistance Volume

As of 2007, the EDCF has supported 22 communication projects, which account for 12.6% of the EDCF's total loan commitments. The EDCF support volume in this sector ranks third following our assistance in the transport & storage sector and water supply & sanitation sector. Every year, a consistent number of EDCF support projects in this sector are approved and the share of EDCF loan commitments in this high priority sector is showing a steady rise. The growing record also reflects our partner countries' high regard for Korea's technological advancements and price competitiveness.

Since the EDCF's initial disbursement in the communication sector in 1991, disbursements in this sector steadily increased and the amount presently accounts for 18.0% of total EDCF loan disbursements, ranking second among all sectors supported by the EDCF, following the transport & storage sector.

As most communication sector projects in the past simply dealt with the provision of equipments such as TDX, the disbursement

period was much shorter than other development projects. Hence, the proportion of disbursement is higher relative to the commitment amount compared to other support sectors.

■ Prospects

Development in the communication sector will continue to be an essential need for most developing nations as it helps the country to make a successful transition into an information oriented society and to build an infrastructure base for its e-government system, which improves efficiency and transparency of the government administration.

EDCF Projects in the Communication Sector (As of 2007)

Committed Year	Country	Project Name	Commitments	
			KRW Million	USD Million
1990	Philippines	Misamis Oriental Telephone Expansion and Modernization Project	3,790	5.4
1991	Uganda	Regional Telephone Network Expansion Project	5,406	7.5
1992	Myanmar	Telecommunication Network Expansion Project	5,726	7.8
1992	Poland	Opole Province Telecom Network Project	38,173	50.0
1993	Romania	Prahova Telecommunication Network Modernization Project	39,468	50.0
1994	Philippines	Misamis Oriental Telephone Expansion and Modernization Project (Phase II)	8,249	10.2
1995	Ecuador	Rural Telecommunication Ecuador-Korea Project	11,467	15.0
1995	China	Hunan Province Telecommunication Project	13,038	17.0
1996	Kazakhstan	Telecommunication Modernization Project	16,269	20.0
1996	Sri Lanka	Horana Area Telecommunication Facility Improvement Project	11,725	15.0
1996	Sri Lanka	Expansion of Outside Line Plant of Gampaha Secondary Switching Center Area Project	11,725	15.0
1996	Romania	Alba and Buzau Provinces Telecommunication Network Modernization Project	24,882	18.0
1996	Uzbekistan	Telecommunication Network Modernization Project	12,486	15.0
1998	Kyrgyzstan	Telecommunication Network Modernization Project	16,114	12.0
1999	Romania	Alba and Buzau Provinces Telecommunication Network Modernization Project (Phase II)	16,538	13.0
1999	Mongolia	Rural Telecommunications Project	18,561	14.3
2001	Bangladesh	Digital Exchange Installation Project at Khulna, Chittagong, Sylhet	35,259	30.0
2003	Yemen	Expansion of Telecommunication Network Project	32,075	30.0
2005	Bangladesh	Internet Information Network Expansion Project	23,717	25.0
2006	Mongolia	Emergency Information Network Project	12,807	13.5
2006	Indonesia	National ICT Human Resources Development Project	19,362	21.0
2007	Viet Nam	Supplying Broadcasting and IT Equipment for Multimedia Center Project	23,717	25.0
Total			400,554	429.7

In the meantime, communication projects are very likely to be considered commercially viable, which may narrow down the scope of eligible projects. For the LDCs, EDCF assistance in this sector is expected to increase as the LDCs are not subject to the non-commercial requirement which is necessary to receive tied aid. The picture may be different for the other countries, however, depending on the income level of the recipient country.

Energy

■ Characteristics

The EDCF's support in the energy sector mainly focuses on the construction of transmission lines, procurement of equipments for substations, construction of distribution lines, procurement of equipments for distribution lines, and construction of power plants.

So far, the EDCF has supported 17 energy related projects: 10 projects in the form of development project loans and 7 as equipment loans. The commitment amount varied depending on the project, ranging from USD 5.7 million to USD 49.0 million. The first EDCF assistance in the sector was provided to Bangladesh in 1993, which involved the procurement of equipments for transmission and distribution. Out of the 17 projects, 16 projects were electricity related projects whereas only one was on the construction of pipelines for petrochemical products such as oil.

• Power Generation

The EDCF has supported 5 power generation related projects in 3 countries. This accounts for only 24.1% of the EDCF's energy sector support. The first energy generation project was a power plant project conducted in Mongolia. The project was committed in January 1996 to build a 6MW cogeneration power plant. In October 2006, the second project, a hydroelectric power plant project in Nepal, was committed and in December, the Ba Ria power plant project in Viet Nam, the largest of all EDCF energy projects, was committed (USD 49 million).

• Transmission and Distribution

The EDCF's support in this sector aims to enhance the electricity supply environment through the construction of transmission lines, installation of substations or expansion of existing substations, and estab-

lishment of distribution lines between the substation and the end-users. The EDCF has supported 11 projects in this area, amounting to KRW 173.5 billion, which account for 60.1% of all EDCF projects in the energy sector.

■ Assistance Volume

EDCF loan commitments to the energy sector were made at a steady rate of one project every

year before 2000, except in 1995. Since then, however, only 2 projects were committed, one in Albania in 2003 and the other in Pakistan in 2007. The relatively low performance after the year 2000 can be attributable to the EDCF's budget limitation, which became stricter after the Asian financial crisis.

As of 2007, the amount of loan commitments to the energy sector reached KRW 288.8 billion, representing 9.1% of the EDCF's total loan commitments. The support volume in this area ranks fifth following the transport & storage, water supply & sanitation, communications, and education sector.

Since the EDCF's initial disbursement in the energy sector was made in 1997, disbursements in this sector continuously increased, accounting for 12.3% of the total EDCF loan disbursements, following the transport & storage, and communications sector.

■ Prospects

Access to electricity and affordable and reliable energy sources are important prerequisites for the economic and social development of any nation. Developing countries will continue to have huge energy needs in order to maintain the rapid economic growth and reduce poverty. Against this backdrop, the EDCF's role will gain greater significance in this sector as it continues to assist partner countries in meeting their growing development needs in this sector in parallel with Korea's ODA expansion policy.



Procurement of Equipments of Combined Cycle at the Ba Ria Power Plant Project, Viet Nam

EDCF Projects in the Energy Sector (As of 2007)

Committed Year	Country	Project Name	Commitments	
			KRW Million	USD Million
1993	Bangladesh	Greater Khulna Power Distribution Project (Phase II)	11,072	14.0
1994	Philippines	Transmission Line and Substation Project in Luzon	9,265	14.0
1994	Philippines	Mindanao Power Transmission Project	8,645	10.7
1994	Myanmar	Electric Power Distribution Improvement Project	13,587	16.8
1996	Nepal	Modi Khola Hydroelectric Project	12,441	15.0
1996	Viet Nam	Procurement of Equipments of Combined Cycle at the Ba Ria Power Plant Project	41,516	49.0
1996	Sri Lanka	Power Sector Development Project	6,449	8.3
1996	Mongolia	Cogeneration Power Plant Construction Project	6,290	8.0
1997	Pakistan	Procurement of Equipment under the NTDC Development Program for 220KV Ghazi Road Grid Station, Lahore	17,903	20.0
1998	Nicaragua	Electric Power Network Expansion Project	7,042	5.7
1998	Honduras	Rural Power Distribution Improvement Project	7,002	6.0
1999	Mongolia	Cogeneration Power Plant Construction Project (Supplementary)	934	0.9
2000	Ghana	The Buipe-Bolgatanga Petroleum Products Pipeline Project	45,558	38.2
2000	Viet Nam	Procurement of Equipments of Combined Cycle at the Ba Ria Power Plant Project (Supplementary)	8,470	7.0
2000	Bangladesh	The Intensification and Expansion of Distribution System Project (Phase II, Part-A)	20,908	20.0
2003	Albania	Rural Area Electrification Project	28,984	25.0
2007	Pakistan	GEPCO Substations for Rural Distribution Construction Project	42,691	45.0
Total			288,757	303.6

Other

The EDCF finances other various sectors in addition to its main one's. These sectors include agriculture, forestry & fishing, and general environmental protection, which account for about 8.7% (KRW 278,542 million) of the EDCF's total cumulative loan commitments, and 8.2% (KRW 147,197 million) of the EDCF's total cumulative disbursements as of 2007.

The EDCF supported 3 environmental protection projects with loan commitments totaling KRW 21.7 billion and 9 projects in the agriculture, forestry & fishing sector with a total loan commitment of KRW 165.4 billion. Also, loans totaling KRW 91.5 billion were committed to 7 projects in the other sectors.

EDCF Projects in Other Sectors (As of 2007)

Committed Year	Country	Project Name	Commitments		
			KRW Million	USD Million	
General	1991	Papua	Stormwater Drainage Project in Wewak	9,080	12.5
Environmental Protection		New Guinea			
	2000	China	Ecological Project for Desertification Control in Yikezhao League Inner Mongolia Autonomous Region	6,638	5.0
	2003	Papua	Stormwater Drainage Project in Wewak (Phase II)	6,000	6.3
		New Guinea			
Agriculture, Forestry & Fishing	1990	Philippines	Sericultural Business Project	618	0.9
	1992	Indonesia	Nature Silk Spinning Industry Project	978	1.3
	1996	China	Integrated Agriculture Development in Ten Provinces Project	16,933	20.0
	1998	Angola	The Fisher Boat Building Project	10,798	9.5
	2001	China	Establishment Project for Agricultural Engineering Research Center of Gansu Agricultural University	2,490	2.0
	2003	China	The Project to Establish Demonstration Areas for Paddy Mechanization In Four Province	25,476	25.0
	2005	Angola	Agriculture Modernization Project	33,119	31.4
	2007	Angola	Poultry Processing Project	46,486	49.0
	2007	Egypt	Modernization and Mechanization Process of Rice Crop Project	28,461	30.0
Other	1990	Ghana	Petroleum Products Storage Depots Project	8,997	13.0
	1991	Pakistan	Industrial Equipment Leasing Project	7,189	10.0
	1994	Ghana	LPG Cylinder Manufacturing Plant Project	6,400	8.0
	1995	China	Liaoning Sino-Korean International Exchange Center Project	3,846	5.0
	1995	Hungary	The Dunaferri Steel Modernization Project	19,205	25.0
	1997	Tunisia	Olympic Stadium Construction Project	26,854	30.0
	2007	Pakistan	Earthquake Reconstruction and Rehabilitation Project	18,974	20.0
Total				278,542	303.9

CASE STUDIES OF EDCF PROJECTS

5

Thien-tan water supply project_Viet Nam

-
- Amount of Commitment / Disbursement: KRW 19,885 million / KRW 19,885 million
(Supplementary: KRW 8,009 million / KRW 7,190 million)
 - Date of Approval / Loan Agreement / Completion: May 1995 / October 1995 / May 2004
(Supplementary: July 2000/ December 2000/ May 2004)
 - Interest Rate / Repayment (Grace Period): 2.5% / 20 (5) years
-

The Vietnamese government has emphasized the importance of infrastructure to foster economic development and industrialization. In particular, the crucial need for the expansion of water supply facilities was highlighted as a development priority in its fifth and sixth Five-Year Plan for Socio-Economic Development for 1991-1995 and for 1996-2000. Accordingly, the project in Bien Hoa city in Dong Nai province, one of the nation's biggest industrial zones, was initiated to solve the water supply shortage problem by supplying treated water from the Dong Nai River thereby improving the living conditions and facilitating industrial development of the area.

The project was economically and socially beneficial. By improving the water supply capacity in Bien Hoa city, the project has contributed to the industrial growth and improvement of living standards

of local residents. Moreover, by solving the water shortage problem in industrial parks, it has improved the investment environment of the region, thus boosting foreign investment in the area. All project facilities were generally completed in accordance with the required specifications and are considered to be of a quality that ensures the project benefits to continue throughout the project's economic life. The technical capacity of the PMU is strong enough to ensure sustainability of the project's effectiveness. Although there was a minor change to the original plan, the physical infrastructure components were constructed and installed as planned, and the Thien-Tan Water Plant is operating effectively at an operation rate of 90%. It has achieved the target capacity of 100,000m³/day.



Thien-Tan Water Supply Project, Viet Nam

The project enabled the local people to benefit from reliable, treated, and piped water supplies. The increasing population growth and industrialization, however, further increased water demands and the second Thien-Tan Project was launched to address these needs.

Procurement of equipments of combined cycle at the Ba Ria power plant_Viet Nam

-
- Amount of Commitment / Disbursement: KRW 41,516 million / KRW 41,516 million
(Supplementary: KRW 8,470 million / KRW 8,462 million)
 - Date of Approval / Loan Agreement / Completion: December 1996 / December 1997 / June 2003
(Supplementary: January 2000/ August 2000/ June 2003)
 - Interest Rate / Repayment (Grace Period): 2.0% / 30 (10) years
-

At the time of appraisal, power shortage in Viet Nam was a serious issue as the country's rapid economic growth brought about an unexpected and sudden increase in power demand. The southern part of Viet Nam was more severely affected by the power shortage as most large power plants were concentrated in the northern part of the



Procurement of Equipments of Combined Cycle at the Ba Ria Power Plant Project, Viet Nam

country. The situation was worse during the dry season since about 60% of all power production came from hydraulic power plants. Realizing this situation, the Vietnamese government placed its highest priority on the construction of power plants in the southern part of the country.

The objective of the project was to alleviate power shortages in the southern part of Viet Nam

by converting three single-cycle power generating units into a combined-cycle power plant to increase the generating capacity by 59.1 MW without using extra fuel, thereby contributing to the stability of the electric power supply and the economic growth in the region.

The project was successfully completed without any change in the scope of the project. Not only was the objective of the project fully met but the actual capacity was increased by 61.7 MW, which is slightly higher than the original target of 59.1 MW. In addition, the average annual output for the past five years exceeded the estimated production level by about 7%. This project contributed to solving the power shortage problem in the southern part of Viet Nam and spurred industrialization in the region. Also, as high temperature gas is reused to generate additional power, not only is the temperature of exhausted gas lowered but also the quality of air is improved.

The budget for operation and maintenance has been appropriately allocated and experienced engineers were also secured. In view of these, it is expected that there will not be any operation and maintenance problems occurring in the future. As the first energy sector project in Viet Nam, all aspects of the project were successfully completed, contributing to the sustainable development in the region.

Luang prabang national university establishment project_Laos

- Amount of Commitment / Disbursement: KRW 23,133 million / KRW 22,586 million

- Date of Approval / Loan Agreement / Completion: December 2004 / April 2005 / November 2007

- Interest Rate / Repayment (Grace Period): 1.0% / 30 (10) years

The long geographical distance between the northern and southern regions served as one of the major barriers to the balanced development of Laos. A balanced nation-wide development can be attained through developing regional industries, building necessary infrastructures, and evenly distributing public facilities such as schools and hospitals.

To this end, the establishment of the Luang Prabang National University was expected to play a pivotal role for the development of the local community. The establishment of this university was important for the government of Laos, as there had been an urgent need to nurture talented human resources that will foster the country's socio-economic development.

The objective of the project was to develop the country's educational capacity to produce necessary human resources equipped with post-secondary qualifications in a cost-effective way. The project specifically aims to consolidate and systemize the post-secondary education system through the establishment of the national university in Luang Prabang.

The project was successfully completed in line with its scope. Not only was the objective fully met but also facilities such as faculty apartments and an enhanced library were added to the scope of the project to maximize the educational effect. This project contributed to meeting the educational needs of eight northern provinces,



1.2 Luang Prabang National University Establishment Project, Laos

and helped to increase the pool of qualified workforce needed for the development of regional industries as well as for the balanced development of Laos.

Ratnapura-Bandarawela road rehabilitation project_Sri Lanka

- Amount of Commitment / Disbursement: KRW 24,512 million / KRW 24,512 million

- Date of Approval / Loan Agreement / Completion: August 1996 / August 1996 / September 2003

- Interest Rate / Repayment (Grace Period): 2.0% / 30 (10) years

At the time of approval, road transport was the predominant means of transportation catering for approximately 95% of the transport demand in Sri Lanka. However, the road system of the country was far below satisfactory levels, with low operating speeds, delays, and high operating costs due to the poor conditions of the road infrastructure. Hence, the government of Sri Lanka initiated the Second Road Improvement Project (SRIP) in 1989 to improve the roads by using cost-effective and innovative techniques of design, construction, and maintenance. This project was carried out as part of the SRIP and aimed to improve the road section from Ratnapura to Bandarawela (length: 43.5km).

The objective of the project was to meet the increasing traffic demand in the region and contribute to the industrial growth of neighboring regions.

There were no technical problems in implementing this project as



Ratnapura-Bandarawela Road Rehabilitation Project, Sri Lanka

EDCF consultants participated from the phase of the basic design. According to the Road Development Agency in 2005, the vehicle speed of the project road has increased by about 15% (from 57km/h to 65km/h), contributing to the decrease of vehicle operating costs and other social costs. The project achieved considerable technological transfer, mainly in the areas of project management,

contract administration, and high-quality asphalt concrete production. This project also facilitated the agricultural sector by providing easy access to the market. During the one-year warranty period, all technical adjustments were successfully carried out without any problems. The budget for operation and management has been appropriately allocated and experienced engineers also secured.

The road has been satisfactorily and smoothly operating since the project was commissioned in 2005. The government of Sri Lanka and the project executing agency were both very satisfied with the outcome of this project. As the second road sector project in Sri Lanka, all components of the project were successfully completed.

Basic e-government project_Myanmar

- Amount of Commitment / Disbursement: KRW 12,794 million / KRW 12,792 million

- Date of Approval / Loan Agreement / Completion: July 2004 / February 2005 / September 2006

- Interest Rate / Repayment (Grace Period): 1.0% / 30 (10) years

Myanmar has experienced great difficulties in developing its economy due to the lack of IT infrastructure such as telecommunication networks and internet facilities. Attempting to improve its public services by computerizing the administration system, the government of Myanmar placed its highest priority on this project in accordance with the Myanmar Information and Communications Technology Development Master Plan.

The goal of the project was 1) to increase the efficiency of government management and improve public services in Myanmar through the development of an e-settlement system and a document transmission system 2) to establish an information infrastructure essential for the country's IT development and 3) to facilitate Myanmar's efforts to keep pace with the trend towards digitization so as to secure national competitiveness.

This project helped to enhance transparency and efficiency in the administration process and accelerated the decision-making process, which is expected to contribute to the country's overall national competitiveness.

The budget for operations and management has been appropri-

ately allocated and experienced engineers were secured for maintenance works. In view of these, it is expected that there will not be any O&M problems occurring in the future. As the first IT sector project in Myanmar, all aspects of the project were successfully completed.

Madaba wastewater treatment system expansion project_Jordan

- Amount of Commitment / Disbursement: KRW 7,622 million / KRW 7,622 million
- Date of Approval / Loan Agreement / Completion: December 1996 / December 2000 / December 2002
- Interest Rate / Repayment (Grace Period): 2.5% / 30 (10) years

When the severe lack of water resources stifled the social and economic development of Jordan, the wastewater treatment system in the project site of Madaba city was in urgent need of expansion. While the capacity of the former wastewater treatment system stood at 2,000 tons/day, the actual amount of wastewater flowing into the system reached an average of 2,077 tons/day with a maximum of 2,433 tons/day. Also, the quality of the discharged water from the former wastewater treatment system lagged way behind Jordan's standard, contaminating underground water, the primary source of drinking water in the area. Moreover, the discharged water was used at nearby arable fields, damaging the crops as well. In this respect, improving and expanding the then-existing wastewater treatment plant was of an urgent matter.

The objective of the project was to improve the sanitary environment by constructing an additional wastewater treatment plant to upgrade the capacity and ability of wastewater resources management, thereby contributing to the improvement of hygiene conditions for residents and the prevention of underground water pollution.

The Jordanian government and residents were satisfied with the implementation result because unpleasant smell was remarkably

reduced and the quality of treated wastewater was better than expected by adopting the advanced water technologies. For the first time in Jordan, the project integrated the nitrogen and phosphorus removal process to extended aeration, of which the technique was considered to be excellent and suitable for Jordan's situation. As for the technology transfer, the project successfully passed on the operational and management technologies by providing Jordanian engineers with training both at the project site and in Korea. On top of the technical influence mentioned above, the project created job opportunities and helped the local economy to be brisk. As part of the environment-friendly industry, the project was effectively carried out to improve the sanitary environment and prevent water contamination. As the facilities are 3km away from the residential area, they do not cause air pollution or noise problems.

The established wastewater plant has been satisfactorily and smoothly operating since it was commissioned in 2002. With the completion of the project, the Jordanian government was able to overcome the deteriorating living conditions of the residents and underground water pollution, while the population of the project area increased. As a consequence, the project significantly contribute to setting a model example for other wastewater treatment facilities in Jordan.

Olympic stadium construction project_Tunisia

- Amount of Commitment / Disbursement: KRW 26,854 million / KRW 24,874 million
- Date of Approval / Loan Agreement / Completion: July 1997 / November 1997 / June 2001
- Interest Rate / Repayment (Grace Period): 3.0% / 25 (7) years

In March 1992, the Tunisian government decided to host the Mediterranean Games and drafted a plan to construct an Olympic City, a sports complex consisting of field stadium, track stadium, gymnasium, swimming pool, and tennis court. Tunisia proceeded with the project with high priority, and the project was included in the government's Ninth Economic Development Plan.

The objective of the project was to support the construction of an Olympic stadium for the Mediterranean Games 2001 in Tunis. The project consisted of constructing a football stadium and three auxiliary



Madaba Wastewater Treatment System Expansion Project, Jordan



Olympic Stadium Construction Project, Tunisia

stadiums, accompanying parking areas, and miscellaneous facilities. The project area was appropriate to build a stadium accommodating 60,000 spectators.

Through the project, the Mediterranean Games 2001 was held successfully as planned. The stadium continued to serve as an important venue for all kinds of international games such as the Olympic Games, World Cup,

and African Cup, as well as for big national games. Moreover, the project contributed greatly in enhancing the institutional capacity of the sports industry in Tunisia. The project also helped to boost more job opportunities and improve the country's infrastructure. After the warranty period ended in 2004, maintenance and operations were managed by the project execution agency, the Ministry of Youth and Childhood. The stadium and its miscellaneous facilities received the necessary operation and maintenance services on a regular basis, and they appear to be in good condition to date.

The government and the people of Tunisia were very satisfied with the technical status of the stadium and its facilities contributing to the successful hosting of the Games. The Hyundai & Ferrovial consortium was selected through international competitive bidding and constructed the stadium successfully. The technical capabilities of Korean construction companies were highly acknowledged through this project to the extent that the stadium was even dubbed the "Korean stadium" by local residents.

Petroleum products storage depots project_Ghana

- Amount of Commitment / Disbursement: KRW 8,997 million / KRW 8,997 million

- Date of Approval / Loan Agreement / Completion: March 1990 / July 1991 / February 1998

- Interest Rate / Repayment (Grace Period): 3.5% / 20(5) years

As the economy became more vibrant with the success of the govern-

ment's Economic Recovery Program initiated in 1983, the national demand for oil products have increased substantially in Ghana. The outdated oil factories and lop-sided oil production structure, however, made it impossible for the country to meet its national demand. Hence, the Energy Development Plan was set up under the country's Public Investment Program to renovate old oil facilities such as oil refineries and oil depots, and to improve the oil distribution system nationwide.

The Petroleum Products Storage Depots Project, which belongs to the second stage of the Improvement of Petroleum Products Storage and Delivery Plan, was launched to establish five petroleum product storage depots (strategic storage sites). This development project was implemented in three different sites to set up three oil storage tanks for petroleum, diesel and kerosene (all nine tanks in three sites) with the volume of 4,375m³ (equivalent to about 220,000 barrels), and seven LPG storage tanks totaling 600m³.

The completion of the project helped Ghana to reach its strategic goal of securing emergency energy lots, enabling the country to increase national petroleum storage volume from what is good for 21 days to good for 37 days. In addition, the country was able to provide oil stably and regularly to remote areas where bad weather often hampered oil delivery and the oil price became very stable in turn. Ghana could now export extra oil to neighboring countries as well.



Petroleum Products Storage Depots Project, Ghana

Alba and Buzau provinces telecommunication network modernization project_Romania

- Amount of Commitment / Disbursement: KRW 24,882 million / KRW 24,879 million

- Date of Approval / Loan Agreement / Completion: October 1996 / August 1998 / January 2002

- Interest Rate / Repayment (Grace Period): 2.5% / 20 (10) years

Until the 1980s, the telecommunications sector in Romania lagged behind its neighboring Eastern European countries. Since 1991, however, realizing the importance of the sector in the economic development, the Romanian government placed its priority on the modernization of the telecommunication sector by expanding and upgrading the communication networks.

The objective of the project was to improve telecommunication services in the Buzau province and its adjacent areas by installing telephone lines with digital switching systems, transmission systems, and related equipments, as part of the government's efforts to modernize the national telephone network system.

The project was implemented timely and efficiently, reducing the time needed for completion by more than 38%, which resulted in costs savings of 5% of the local currency portion of the loan. The project was expedited by applying the direct contract method for the selection of the supplier of works, under the good recommendation from the Romtelecom, the project executing agency.

In addition, the project helped Romania receive the necessary technology transfer from Korea. During the free warranty period, the supplier provided maintenance services in accordance with the agreement between Romtelecom and the supplier. Trained by the supplier, the professional staff of Romtelecom was able to successfully make the necessary technical adjustments and conduct maintenance works after the warranty period. As a result of the project, the Buzau province was equipped with a full automatic switching system, which was also the first in Romania. The project also contributed to the development

of the province's telecommunication sector and had a positive effect on its socio-cultural aspect as well.



Alba and Buzau Provinces Telecommunication Network Modernization Project, Romania

Medical and health services modernization project_Panama

- Amount of Commitment / Disbursement: KRW22,668 million / KRW22,463 million

- Date of Approval / Loan Agreement / Completion: December 1998 / August 2000 / October 2002

- Interest Rate / Repayment (Grace Period): 3.0%, 25 (7) years

At the time of identifying this project, the Panamanian government was concerned about the nation's health indicators that showed no signs of improvement for some time. Though life expectancy was gradually increasing, infant mortality and maternal mortality remained significantly high. Except for a few national hospitals, most of the hospitals lacked proper medical equipments and well-trained medical staff to attend the patients. Many hospitals were offering limited types of services and few hospitals had emergency facilities. To deal with this situation, the Panamanian government established the Five-Year National Medical Program and as a part of its action plan, the Minister of Foreign Affairs of Panama visited Korea and requested for EDCF loans to modernize the medical service sector in Panama.

The objective of this project was to support the development of modern, cost-effective, and economically sustainable hospitals as part of the National Medical Program prepared by the Ministry of Health specifically aiming at strengthening medical facilities. The Ministry of Health supplied 208 kinds of medical equipments to 42 medical facilities in 13 provinces throughout the country.

The project contributed to improving the quality of public medical services, and enhanced the capacity of hospitals' clinical preventive services. As a result, the urban and rural areas evenly benefited from the modernized medical facilities.



Medical and Health Services Modernization Project, Panama

STRENGTHENING EXTERNAL RELATIONSHIP AND HARMONIZATION

6

6.1. RAISING PUBLIC AWARENESS ON INTERNATIONAL DEVELOPMENT COOPERATION

As a government agency, it is important that the EDCF gain public consent to a certain extent in order to scale up the ODA volume. However, public awareness on the government's ODA activity was rather low. According to a survey result of the MOSF in October 2005, only 44% of the Korean people were even "somewhat aware of ODA," and 46% had "heard about it but were not fully aware of ODA." The survey also showed that 18% of those surveyed were strongly in favor of increasing the ODA levels, 35% supported a moderate increase, 28% thought the current level was appropriate and 13% wanted a decrease in ODA. Recognizing the need to put more weight on enhancing public awareness to successfully scale up its ODA volume, the EDCF began to exert efforts to this end.

To strengthen public support for its ODA activity, the EDCF devises action plans to raise public awareness on an annual basis, focusing on: 1) advertising EDCF activities through the media, 2) providing indirect experience of EDCF activities to the public by releasing related information and publishing case studies of EDCF projects, and 3) enhancing the relationship with various EDCF stakeholders

such as lawmakers, government officials, civil societies, and academia by providing opportunities for lawmakers or government officials to participate in the EDCF project evaluation process, or by contributing to domestic and international seminars or workshops organized by civil societies or the academia.

The media can be a very powerful tool for the EDCF to deliver its opinion or related information to the public. Since 2005, the EDCF contributed seven special reports and eight professional opinions to the newspapers, sent out press releases, and broadcasted three TV documentaries. The documentaries were especially an indirect, yet effective means, providing the people with a clear picture of what the EDCF is doing and how the EDCF's ODA activities contribute to the economic growth of developing countries.

Lawmakers and government officials are the main stakeholders to the EDCF in terms of budgeting and policy making. So, it is important for them to have knowledge on the mechanism of EDCF activities; how the EDCF addresses development issues in developing countries, the EDCF's past achievements, and the EDCF's future goals. To enhance the relationship with lawmakers and government officials, the EDCF engaged them in the project evaluation process, which is also expected to greatly enhance their understanding on EDCF activities.

Another major stakeholder to the EDCF is the civil society, who helps to reinforce accountability and transparency of ODA activities. They collect various opinions from the society and deliver them to the government through seminars or workshops. The EDCF has tried to enhance communication with the civil society by participating in or organizing seminars or workshops, so that civil societies interested in EDCF activities could express or deliver their opinion. In 2007, an international conference under the title of "Promoting Aid Effectiveness among Donors," was held by the EDCF, as well as a workshop and seminar. Also, the EDCF participated in 28 seminars or workshops organized by various civil societies, institutions, and other government organizations. The EDCF's interaction with the civil society in the ODA context is expected to grow further in the future.

The academia also plays a significant role in the government's ODA activities by providing theoretical grounds for such aid and



EDCF International Conference in Commemoration of its 20th Anniversary in 2007

helping to set the directions. About 200 members consisting of professors, specialists, and civil society staff members launched the Korea Association on International Development and Cooperation (KAIDC) in October 2007. KAIDC, as the first academic association in the Korean ODA society, is expected to contribute to the development of good contents on Korea's own

development experience and provide its professional opinion to the government. These efforts will help to balance the domestic voice on any ODA disputes or controversies that may occur. The EDCF highly welcomes such efforts and will actively support their activities.

In addition, the EDCF has also established its own website under Korea Eximbank's homepage (www.koreaexim.go.kr) to communicate more effectively with the public.

6.2. ENHANCING HARMONIZATION WITH OTHER DONORS

As indicated in the Paris Declaration in March 2005, harmonization among donors is one of the five main objectives of this declaration. To deliver aid more effectively, the declaration recommends that donors' actions be more harmonized, transparent and collectively effective. The EDCF has fully supported this agenda by communicating more with other multilateral and bilateral development agencies, participating in various international joint initiatives or statement, independently or jointly hosting international seminars, and contributing to joint activities which are related to reducing poverty in developing countries.

To enhance harmonization with MDBs and the OECD, the EDCF operates staff exchange programs with them aiming to build the staff's capacity and expand human network. The program started in December 1989 when the EDCF seconded a staff to the ADB. Currently, six staff members are seconded to the OECD and MDBs

such as IBRD, ADB, AfDB, EBRD, and IDB. In January 2007, the EDCF set up a project development office within the EDCF group in Korea Eximbank, an independent office to cover co-financing and collaboration issues with MDBs. As of 2007, the project development office held three joint seminars and supported nine co-financing projects totaling USD 185 million with various MDBs. Also, they annually hold a consultation meeting with each MDB to seek more opportunities to work together and enhance donor harmonization.



The Third Working Level Meeting between the EDCF and JBIC in 2008

The first EDCF partner for enhancing bilateral harmonization was JBIC. In March 2006, the EDCF contacted JBIC to discuss cooperative prospects for the enhancement of mutual relationship. Through a number of discussions, the EDCF and JBIC were able to have their first working level staff meeting in July 2006. Since the first meeting, the EDCF and JBIC continued to hold meetings to enhance harmonization. Semi-annual working level staff meetings were held three times since July 2006, one joint study was conducted, discussions aiming to seek the possibility of co-financing were held, and field level discussions were carried out in some partner countries such as Viet Nam, Indonesia, and the Philippines.

The EDCF's strategy for bilateral harmonization is to extend its JBIC network to other donors. For instance, the five banks initiative among major donors in Viet Nam became the six banks initiative as the EDCF joined the initiative in 2007. Currently, the six banks initiative consisting of World Bank, ADB, AFD, JBIC, KfW Entwicklungsbank, and Korea Eximbank is working together to enhance aid effectiveness in Viet Nam by realizing the division of labor among members and developing a best practice for delivering and processing ODA projects.

The work is being carried out in close cooperation with the Vietnamese government. Also, the EDCF has participated in several international joint initiatives or joint statements such as the Joint Initiative for Sustainable Urban Development held in 2006 which

urged the participating seven donor agencies to strengthen their efforts to address negative side effects of urban development, and the Joint Statement for Sustainable Debt Management held in 2007 which was accepted by five donor agencies who operate concessional loan aid.

The next step of the EDCF in enhancing bilateral harmonization is to expand its network with both advanced donors such as the AFD, KfW, and other emerging donors.



CHAPTER 3

THE FUTURE OF EDCF



BLUEPRINT FOR MEDIUM AND LONG TERM STRATEGY

1

1.1. DEVELOPMENT OF THE KOREAN ECONOMIC COOPERATION MODEL

Korea has had difficulties establishing a clear objective and legitimacy for its ODA provision due to the relatively short experience as a donor country. Until 1999, Korea was in the position of receiving foreign assistance from the international community and although the nation now joins the ranks of donor countries, its situation is different from that of other donors. Korea's per capita income is no more than a half of the developed countries, and Korea has to prepare for the dramatic increase of potential ODA demand from North Korea when the seclusive regime determines to open its door towards economic development in the near future. Therefore, Korea needs to establish its own distinct objective for ODA provision reflecting these unique circumstances. In addition, as a successful role model case of a recipient-turned-donor country, Korea is expected to create its own economic development model to effectively deliver its development experiences to partner countries.

1.2. REORGANIZATION OF THE ODA ADMINISTRATION SYSTEM

The current administration system governing Korea's development assistance is dichotomized according to the type of ODA: the MOSF in charge of loans and the MOFAT in charge of grants. However, in order to maximize the effectiveness of aid flow and increase the synergy effect between assistance measures, the administration system should be implemented in accordance with the objective of the assistance itself. Regardless of the assistance type, it would be more appropriate for the MOSF to take responsibility for all foreign assistance related to the economic development and infrastructure building of recipient countries, and for MOFAT to take responsibility for the ODA related to humanitarian and diplomatic objectives.

1.3. EXPANSION OF ASSISTANCE VOLUME

Compared to its status in the world economy, the volume of Korea's ODA is estimated to be far behind its full capacity. In order to meet the expectations of the international society and promote national interests, the Korean government plans to increase its ODA volume up to 0.1% of GNI by 2009, and 0.25% by 2015 which is the first target year set by the Millennium Development Goals (MDGs). However, considering the possible budgetary burden that could occur from sudden increase, the ratio of loans over grants will remain more than 50% of the bilateral ODA for the time being.

1.4. FOCUS ON SPECIFIC REGIONS AND SECTORS

Based on the principle of selection and concentration, the EDCF will focus on the regions and sectors where Korea's comparative advantages can be maximized and through which global issues such as climate change and food shortages can be substantially resolved. By joining the global efforts to tackle these challenges, the EDCF will help improve Korea's standing in the international community and lay the foundation for Korean businesses looking to establish their presence in overseas markets.

1.5. ENHANCING AID EFFECTIVENESS

In order to make the most of the limited funds and maximize aid effectiveness, grant projects implemented by KOICA and other government departments and agencies, as well as development needs identified through the Knowledge Sharing Program will be taken into full consideration before final decisions regarding EDCF loans are made. In addition, steps will be taken to facilitate the utilization of non-commercial infrastructure assets built to support Korea Eximbank's commercial projects; financing for plant exports, overseas investments, and mineral and energy resources development.

Efforts to improve the competitiveness of EDCF loans will continue as well. Improvements to the terms of EDCF loans such as lower interest rates and a higher loan amounts relative to the size of a project will be made to improve the concessional level of EDCF loans. A number of measures to provide loans that best meet the needs of developing countries are also taken into consideration, which include a wider use of small loans, a greater focus on large projects and privately funded infrastructure projects, and the introduction of floating rate loans.

1.6. COMPLYING WITH GLOBAL STANDARDS

With the Paris Declaration on Aid Effectiveness on the five principles to improve aid effectiveness adopted in 2005 as a guiding principle, the EDCF will exert efforts to improve its aid effectiveness. Most EDCF loans have been extended on a tied basis. However, the EDCF sees the need to expand untied loans since tied aid is less efficient than untied aid from the perspective of the recipient country. A recipient country of tied aid is required to purchase or procure goods and services from a donor country, whereas untied aid allows the recipient country to usually benefit greatly from international competitive bidding.

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APPENDIX

1. KOREA'S ODA VOLUME BY MAIN CATEGORIES

(USD Million, Net disbursements)

	1987	1988	1989	1990	1991	1992	1993	1994		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 ^a
Official Development Assistance (ODA) (A+B)	23.50	34.00	33.80	61.16	57.48	76.80	111.56	140.22		115.99	159.15	185.61	182.71	317.49	212.07	264.65	278.78	365.91	423.32	752.32	455.25	671.76
A. Bilateral ODA (1+2)	1.42	2.10	5.04	12.25	31.52	45.22	60.12	60.07		71.46	123.31	111.34	124.70	131.35	131.18	171.54	206.76	245.17	330.76	463.30	376.06	462.09
1. Bilateral Grants	1.42	2.10	3.27	3.26	25.04	30.99	32.68	38.45		50.11	53.41	54.77	37.21	38.95	47.78	52.97	66.70	145.46	212.09	318.00	258.95	329.90
Project and Programme Aid	-	-	-	-	10.32	9.42	10.03	13.64		16.71	19.84	23.21	13.53	14.32	18.08	12.77	21.59	83.34	123.78	184.99	81.58	N/A
Technical Co-operation	1.14	1.71	2.25	2.18	6.19	8.53	10.51	12.28		16.89	16.56	17.38	14.18	14.67	19.79	21.69	30.21	36.93	53.83	80.16	116.78	136.29
ODA Grants in Associated Financing Packages	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	N/A
Developmental Food Aid	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	1.02	-	-	-	N/A
Humanitarian Aid	-	-	-	-	0.82	1.03	0.51	0.57		0.53	0.93	0.64	0.48	1.02	0.51	8.18	2.96	2.99	12.90	26.66	24.37	17.22
Debt Forgiveness	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	N/A
Other Action on Debt	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	N/A
General Support to National NGOs	-	-	-	-	-	-	-	-		0.64	0.67	0.60	-	0.36	0.55	0.79	1.39	6.66	1.75	3.77	5.12	6.53
General Support to International NGOs	-	-	-	-	-	-	-	-		0.20	-	0.05	0.23	0.05	0.05	0.04	-	0.35	0.40	0.76	0.22	6.53
General Support to PPPs	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	0.25	-	-	N/A
Promotion of Development Awareness	-	-	-	-	0.11	0.20	0.23	0.25		0.29	0.97	0.51	0.13	0.46	0.83	0.70	0.72	1.15	1.67	2.27	2.53	N/A
Administrative Costs	0.28	0.39	1.02	1.08	7.60	11.57	11.15	11.36		14.49	14.43	12.38	8.65	8.08	7.98	8.11	9.03	13.03	17.51	19.38	25.31	28.23
Refugees in Donor Countries	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	N/A
Other (incl. recoveries)	-	-	-	-	-	0.24	0.25	0.35		0.36	-	-	-	-	-	0.70	0.80	-	-	-	3.05	N/A
2. Non-Grant Bilateral ODA	-	-	1.78	8.99	6.48	14.23	27.44	21.62		21.35	69.90	56.57	87.48	92.40	83.41	118.57	140.06	99.71	118.68	145.30	117.11	132.19
Loans by Government or Official Agencies	-	-	1.78	8.99	6.48	14.23	27.44	21.62		21.35	69.90	56.57	87.48	92.40	83.41	118.57	140.06	99.71	118.68	145.30	117.11	132.19
Acquisition of Equity	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Offsetting Entry for Debt Forgiveness	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
B. Multilateral ODA (1+2)	22.08	31.90	28.75	48.91	25.96	31.59	51.44	80.15		44.53	35.84	74.27	58.01	186.14	80.89	93.11	72.02	120.74	92.56	289.01	79.19	209.67
1. Grants and Capital Subscriptions	22.08	31.90	19.98	48.91	17.60	29.49	35.92	38.52		37.50	35.84	64.59	61.91	197.16	87.58	95.14	85.16	137.46	102.58	295.66	111.67	209.67
UN Agencies	2.62	2.95	3.10	4.05	4.58	6.29	8.38	9.88		11.00	22.41	20.74	28.20	34.36	19.60	25.53	21.46	25.10	21.58	38.27	42.86	50.99
EC	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
IDA	6.19	6.97	7.58	11.50	11.10	10.43	13.43	13.42		13.98	-	20.26	6.30	78.90	34.56	33.37	33.93	51.94	43.67	119.73	-	86.49
IBRD, IFC, MIGA	1.76	18.93	0.59	18.39	-	-	1.39	1.39		1.39	1.39	3.39	-	46.98	0.33	1.66	0.52	0.59	0.51	0.39	0.71	-
Regional Development Banks	10.93	2.38	8.08	14.35	0.72	11.05	10.85	10.84		7.31	3.70	11.12	21.32	14.51	25.88	24.38	19.50	34.29	28.29	125.92	53.91	58.14
Global Environment Facility	-	-	-	-	-	-	-	-		0.97	1.80	1.85	-	0.40	0.42	2.36	0.71	1.16	0.75	0.77	1.13	-
Montreal Protocol	-	-	-	-	-	-	-	-		0.03	0.02	-	-	0.03	0.04	0.03	-	0.04	0.04	0.04	0.10	14.05
Other Agencies	0.59	0.67	0.64	0.62	1.21	1.72	1.87	3.00		2.82	6.52	7.23	6.10	22.01	6.76	7.80	9.03	24.33	7.74	10.55	12.95	-
2. Concessional Lending	-	-	8.77	-	8.36	2.10	15.52	41.62		7.03	-	9.68	-3.90	-11.02	-6.69	-2.03	-13.14	-16.72	-10.02	-6.64	-32.48	-
ODA / GNI (%)	0.02	0.02	0.02	0.02	0.02	0.02	0.03	0.03		0.02	0.03	0.04	0.05	0.07	0.04	0.06	0.05	0.06	0.06	0.10	0.05	0.07

a. Preliminary data

2. EDCF VOLUME BY TYPES OF LOANS (COMMITMENTS)

(KRW Million)

Year	Development Project Loan		Equipment Loan		Two-Step Loan		Overseas Investment Credit		Total	
	Amounts	Number	Amounts	Number	Amounts	Number	Amounts	Number	Amounts	Number
	1987	9,839	1	8,051	1	-	-	-	-	17,890
1988	-	-	-	-	-	-	-	-	-	-
1989	-	-	-	-	-	-	-	-	-	-
1990	23,157	3	-	-	-	-	618	1	23,775	4
1991	39,902	4	10,930	1	7,189	1	-	-	58,021	6
1992	54,893	3	15,723	2	-	-	978	1	71,594	6
1993	50,540	2	-	-	-	-	-	-	50,540	2
1994	36,346	4	44,393	5	-	-	-	-	80,739	9
1995	63,025	4	43,011	4	-	-	-	-	106,036	8
1996	172,945	13	129,717	8	-	-	-	-	302,662	21
1997	26,854	1	67,836	5	-	-	-	-	94,690	6
1998	23,156	2	84,646	4	-	-	-	-	107,802	6
1999	162,331	7	17,066	1	-	-	-	-	179,397	8
2000	129,376	5	113,385	6	-	-	-	-	242,761	11
2001	85,009	3	29,505	3	-	-	-	-	114,514	6
2002	103,879	4	41,200	2	-	-	-	-	145,079	6
2003	100,248	4	63,602	4	-	-	-	-	163,850	8
2004	192,127	11	45,460	2	-	-	-	-	237,587	13
2005	224,107	10	72,766	3	-	-	-	-	296,873	13
2006	287,005	14	53,127	2	-	-	-	-	340,132	16
2007	484,970	18	69,254	3	-	-	-	-	554,224	21
Total	2,269,709	113	909,672	56	7,189	1	1,596	2	3,188,166	172
Share	71.2%	65.7%	28.5%	32.6%	0.2%	0.6%	0.1%	1.2%	100.0%	100.0%

3. EDCF VOLUME BY TYPES OF LOANS (DISBURSEMENTS)

(KRW Million)

Year	Development Project Loan	Equipment Loan	Two-Step Loan	Overseas Investment Credit	Total
	1987	-	-	-	-
1988	-	-	-	-	-
1989	-	1,208	-	-	1,208
1990	-	6,441	-	618	7,059
1991	4,928	-	-	-	4,928
1992	8,619	2,597	-	978	12,194
1993	47,512	8,735	-	-	56,247
1994	29,479	721	-	-	30,200
1995	27,654	6,848	-	-	34,502
1996	30,379	35,016	-	-	65,395
1997	48,881	23,566	-	-	72,447
1998	52,925	86,190	3,459	-	142,574
1999	75,174	51,574	-	-	126,749
2000	61,244	39,980	-	-	101,224
2001	55,079	110,209	-	-	165,288
2002	134,757	70,204	-	-	204,961
2003	100,939	36,100	-	-	137,039
2004	109,073	46,427	-	-	155,500
2005	117,453	46,797	-	-	164,250
2006	87,434	48,644	-	-	136,079
2007	136,312	19,024	-	-	155,335
Total	1,127,843	640,281	3,459	1,596	1,773,179
Share	63.6%	36.1%	0.2%	0.1%	100.0%

4. EDCF VOLUME BY REGION (COMMITMENTS)

(KRW Million)

Year	EDCF Loans					
	Asia	Eastern Europe	Africa	Latin America	Oceania	Total
1987	9,839	-	8,051	-	-	17,890
1988	-	-	-	-	-	-
1989	-	-	-	-	-	-
1990	14,778	-	8,997	-	-	23,775
1991	32,605	-	16,336	-	9,080	58,021
1992	10,827	49,773	10,994	-	-	71,594
1993	11,072	39,468	-	-	-	50,540
1994	74,339	-	6,400	-	-	80,739
1995	75,364	19,205	-	11,467	-	106,036
1996	277,780	24,882	-	-	-	302,662
1997	67,836	-	26,854	-	-	94,690
1998	16,114	44,178	10,798	36,712	-	107,802
1999	162,859	16,538	-	-	-	179,397
2000	173,014	-	45,558	24,189	-	242,761
2001	114,514	-	-	-	-	114,514
2002	116,618	28,461	-	-	-	145,079
2003	126,546	28,984	-	2,320	6,000	163,850
2004	158,368	19,543	43,010	16,666	-	237,587
2005	152,721	47,435	51,939	44,778	-	296,873
2006	231,195	-	33,204	75,733	-	340,132
2007	393,131	-	145,968	15,125	-	554,224
Total	2,219,520	318,467	408,109	226,990	15,080	3,188,166
Share	69.6%	10.0%	12.8%	7.1%	0.5%	100.0%

5. EDCF VOLUME BY SECTOR (COMMITMENTS)

(KRW Million)

Year	EDCF Loans								
	Transport & storage	Communi-cation	Energy	Water supply & sanitation	Health	Education	Government & civil society	others	Total
1987	17,890	-	-	-	-	-	-	-	17,890
1988	-	-	-	-	-	-	-	-	-
1989	-	-	-	-	-	-	-	-	-
1990	10,370	3,790	-	-	-	-	-	9,615	23,775
1991	10,930	5,406	-	7,235	-	18,181	-	16,269	58,021
1992	-	43,899	-	11,600	4,123	10,994	-	978	71,594
1993	-	39,468	11,072	-	-	-	-	-	50,540
1994	26,483	8,249	31,497	-	-	8,110	-	6,400	80,739
1995	31,673	24,505	-	26,807	-	-	-	23,051	106,036
1996	106,016	77,087	66,696	9,739	18,020	-	8,171	16,933	302,662
1997	17,955	-	17,903	4,444	27,534	-	-	26,854	94,690
1998	44,178	16,114	14,044	-	22,668	-	-	10,798	107,802
1999	17,066	35,099	934	45,336	34,728	39,251	6,983	-	179,397
2000	64,018	-	74,936	43,274	53,895	-	-	6,638	242,761
2001	27,015	35,259	-	23,400	-	-	26,350	2,490	114,514
2002	80,388	-	-	-	28,461	36,230	-	-	145,079
2003	43,380	32,075	28,984	-	-	25,615	2,320	31,476	163,850
2004	56,224	-	-	74,828	19,543	40,226	46,766	-	237,587
2005	68,591	23,717	-	84,948	45,727	-	40,771	33,119	296,873
2006	86,995	32,169	-	72,801	-	71,132	77,035	-	340,132
2007	213,478	23,717	42,691	64,042	34,672	57,986	23,717	93,921	554,224
Total	922,650	400,554	288,757	468,454	289,371	307,725	232,113	278,542	3,188,166
Share	28.9%	12.6%	9.1%	14.7%	9.1%	9.7%	7.3%	8.7%	100.0%

6. EDCF FUNDING RESOURCES

(KRW Million)

Year	Contributions from Government	Borrowings from Government	Repayments	Reserves	Total
1987	30,000	-	-	866	30,866
1988	20,000	-	-	4,771	24,771
1989	50,000	40,000	-	9,263	99,263
1990	10,000	-	-	25,728	35,728
1991	10,000	50,000	-	39,476	99,476
1992	-	10,000	-	64,102	74,102
1993	19,870	10,000	-	33,220	63,090
1994	85,000	20,000	-	33,629	138,629
1995	120,000	70,000	2,670	43,903	231,233
1996	130,000	70,000	4,002	62,784	258,783
1997	55,000	35,000	6,000	85,088	169,088
1998	-	-	6,670	109,679	103,009
1999	-	-	7,336	51,735	44,399
2000	-	-	8,668	56,670	48,002
2001	-	-	13,336	47,227	33,891
2002	-	-	18,002	36,614	18,611
2003	80,000	-	20,334	32,787	92,454
2004	70,000	-	20,332	35,400	85,069
2005	100,000	-	20,332	28,499	108,168
2006	150,000	-	20,332	35,520	165,189
2007	170,000	-	20,332	43,365	193,034
Total	1,099,870	305,000	168,344	880,327	2,116,853

7. CHRONOLOGY

September	1986	Inauguration of the EDCF Research Group
December	1986	Promulgation of the EDCF Act (Law No. 3863)
May	1987	First Session of the Fund Management Council
June	1987	Establishment of the EDCF
July	1987	Initial Contribution from Korean Government (KRW 15 billion)
December	1987	Approval of the first EDCF Loan : Padang By-Pass Project, Indonesia & Passenger Coach Purchase Project, Nigeria
November	1988	Conclusion of the first Agreement and Arrangement : Padang By-Pass Project, Indonesia
May	1989	Conclusion of the first Loan Agreement : Passenger Coach Purchase Project, Nigeria
July	1989	Conclusion of the first Procurement Contract financed by the EDCF : Passenger Coach Purchase Project, Nigeria
November	1989	First Disbursement of the EDCF Loan : Passenger Coach Purchase Project, Nigeria
June	1990	Approval of the EDCF's first Overseas Investment Credits to Korean Firm : Sericulture and Raw Silk Manufacturing Investment Project, The Philippines
June	1991	Approval of the EDCF's first Two-Step Loan : Industrial Equipment Leasing Project, Pakistan
February	1992	First Completion of the EDCF Project : Misamis Oriental Telephone Expansion and Modernization Project, the Philippines
June	1993	Conclusion of Co-financing Arrangement between the Ministry of Finance and the ADB
July	1994	Approval of the EDCF loan for the first Co-financing Project with the ADB : Mindanao Power Transmission Project, The Philippines
July	1995	First Issuance of the EDCF Annual Report
October	1995	Hosting of the first EDCF Workshop for Government Officials from Nine Partner Countries
October	1996	Korea's Joining the Organisation for Economic Cooperation and Development
December	1996	Approval of the EDCF Loan for the first Mixed-Credit Loan (EDCF, Nordic Investment Bank, Korea Eximbank) : Laguindingan Airport Development Project, The Philippines
December	1996	Reaching over KRW 1 trillion of Cumulative total EDCF Loan Commitments
July	1997	Conclusion of Framework Arrangement between Korea Eximbank and KOICA
December	1998	Reaching over KRW 1 trillion of Cumulative total EDCF Loan Disbursements
November	1999	Approval of the first EDCF Supplementary Loan : Cogeneration Power Plant Construction Project, Mongolia
January	2004	Introduction of the Special Supporting Program on a Grant Basis
December	2004	First Grant Assistance for the Ex-post Assistance : The 2nd Misamis Oriental Telephone Expansion and Modernization Project, The Philippines
February	2005	Conclusion of MOU between Korea Eximbank and the IDB
November	2005	Conclusion of MOU between Korea Eximbank and the AfDB
December	2005	Cooperation Agreement Signing with the Ministry of Finance and Economy for the Operation and Management of the MDB Trust Fund
December	2005	Launching the International Development Consulting Center
December	2005	Introduction of the Country Cooperation Strategy and Program for Indonesia and Viet Nam
January	2006	First Implementation of the Midium-Term EDCF Strategic Management Plan
October	2006	Conclusion of MOU between Korea Eximbank and the JBIC
December	2006	First Grant Assistance for the Feasibility Study : Medical Equipment Supply to Dak Nong Provincial General Hospital Project, Viet Nam
July	2007	Hosting of the EDCF International Conference in Commemoration of its 20th Anniversary
July	2007	Issuance of the EDCF's 20-year History Book
August	2007	Introduction of the Compact Loan and Public Partnership Loan
December	2007	Approval of the first Untied Loan : Toliara Province Road No.35 Rehabilitation Project, Madagascar



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